

# Annual Report 2008/09

FOR THE YEAR ENDED 30 JUNE 2009



NEW ZEALAND MINISTRY OF  
**FOREIGN AFFAIRS & TRADE**  
MANATŪ AORERE

New Zealand Government



# Annual Report 2008/09

MINISTRY OF FOREIGN AFFAIRS AND TRADE  
MANATŪ AORERE

FOR THE YEAR ENDED 30 JUNE 2009

PRESENTED TO THE HOUSE OF REPRESENTATIVES  
PURSUANT TO SECTION 44(1) OF THE PUBLIC FINANCE ACT 1989



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# The Minister of Foreign Affairs

I have the honour to present to you the report of the Ministry of Foreign Affairs and Trade for the year ended 30 June 2009.

A handwritten signature in black ink, appearing to read 'John Allen', with a large, stylized initial 'J'.

John Allen  
*Secretary of Foreign Affairs and Trade*

# Chief Executive's Overview and Report on the Year

The global economic crisis in the second half of 2008 had a significant impact on the domestic and international environment in which the Ministry operated during the past year. The impact of the global economic crisis on global trade flows, on international finance, on national budgets, and on New Zealand's own fiscal situation, meant that the Ministry had to be nimble in responding to the crisis to defend and promote New Zealand's interests, adjust to a tighter budgetary situation, while at the same time driving forward to deliver on key foreign and trade policy outcomes.

As a result of the election of a new Government in November, the Ministry has been working to ensure that resources and operational policy settings correspond with the high-level foreign and trade policy priorities as set out by the Government in its pre-election manifesto, and articulated by Ministers to the senior management team. This work continues.

Against this changing backdrop, I am pleased to report that the Ministry made good progress towards achieving international relations goals as set out by the new Government, and in the Statement of Intent 2008–11. I want to acknowledge particularly the strategic oversight and leadership of Simon Murdoch who retired as Chief Executive of the Ministry in June. The product of the Ministry's efforts is the result of his guiding hand and management, not just in the past year, but in the seven years that he so ably led the Ministry.

The Ministry recorded a number of significant results, some of which were the result of incremental steps made over a number of years and were supported by other agencies. In progressing the Government's goal to pursue a rich agenda of trade negotiations that will deliver growth opportunities in the future, outcomes included the:

- > conclusion of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), bringing trade benefits and having important implications for New Zealand's overall relationship with ASEAN and the region
- > conclusion of the Malaysia-New Zealand FTA, extending the trade benefits of AANZFTA
- > agreement to launch the Trans-Pacific Partnership
- > launch of FTA negotiations with Korea
- > agreement in principle to commence FTA negotiations with India
- > resumption of negotiations with Hong Kong China.

Through these initiatives a significant strategic positioning of New Zealand in the Asia/Pacific region for regional economic integration was achieved. Our relationship with Asia was given greater intensity through high-level visits and other engagement with China, Japan and Korea, Indonesia, Malaysia, Viet Nam and India.

In our home region the Ministry managed four high-level Pacific meetings including the Niue Pacific Leaders Forum, the Port Moresby Special Leaders' Meeting, United States (US) Secretary of State Rice's meeting in Apia, and the Pacific Trade Ministers Meeting in Auckland. These helped to advance New Zealand interests in relation to the Forum, Fiji, bilateral engagement with the US and Australia, and the start of negotiations of a Pacific regional trade agreement. The trans-Tasman relationship was lent a new vitality through a refreshed and ambitious agenda given effect in the Sydney Declaration and the Australia/New Zealand Prime Ministers' Action Plan.

In the multilateral arena the Ministry participated in small group negotiating processes on climate change leading up to the landmark United Nations (UN) conference on climate change in Copenhagen. This enabled New Zealand to stay well informed and well positioned to protect and advance our interests and to ensure that our climate change obligations in the future climate change architecture are balanced with the Government's growth agenda. As a pro-conservation voice and a key member of the International Whaling Commission's (IWC) Small Working Group, New Zealand played a pivotal role in advancing the "diplomatic process" aimed at reforming the IWC and resolving differences over whaling. The Ministry contributed to successful lobbying for appointment of former Prime Minister Helen Clark to the position of Administrator of the UN Development Programme.

Outside of these highlights for the year the Ministry demonstrated its capability to respond quickly and effectively to unplanned events that could have impacted adversely on our security and prosperity interests, or where New Zealanders were suddenly at risk overseas.

In response to the global economic crisis the Ministry used its posts to provide timely information to assist central agency and Government policy-making in the light of developments around the world, and to exert influence in the lead-up to international meetings on the crisis.

The Ministry's emergency planning processes for responding to consular incidents were fully tested in November 2008 when it was required to manage three concurrent crises: the Mumbai terrorist bombings; the shut down of Bangkok International Airport; and the Air New Zealand plane crash at Perpignan, France. The effective responses by staff in Wellington and at the relevant offshore posts demonstrated the benefits of investing in planning and training for such emergencies.

The melamine contamination issue in China required a careful and effective diplomatic response to ensure that New Zealand's international reputation was maintained, that our trade in dairy products continued globally, and that our good relationship with China was not damaged. Our Embassy in Beijing played a central role in this achievement and was closely supported by our global network of posts and supporting units in Wellington, including other agencies.

The Ministry, in response to the Government's strong desire to get better outcomes and efficiencies from New Zealand agencies working offshore, and to enhance New Zealand's prosperity, commenced work on developing processes to enhance NZ Inc coordination. This has flowed into a major review led by the Ministry of New Zealand's offshore network to be completed by the end of 2009.

In early 2009 the Government also mandated a review of NZAID's institutional arrangements with the Ministry, and its policy settings, in order to ensure that Official Development Assistance (ODA) was closely aligned with and supported foreign policy priorities. As a result, NZAID's semi-autonomous body status was removed and NZAID was moved back into the normal range of accountabilities under the State Sector Act and the Public Finance Act. The strategic objective and mandate for New Zealand's ODA was changed to: *Sustainable development in developing countries, in order to reduce poverty and contribute to a more secure, equitable and prosperous world, with a focus on sustainable economic development and a core focus on the Pacific*. NZAID has begun the process of implementing the new policy settings in its programmes, and work is continuing on the down-stream integration issues with the wider Ministry. At the same time, NZAID has been systematically and comprehensively addressing the audit findings of 2007 regarding its contracting practices and has largely completed its programme of improvements.

A major challenge at the start of the year was to implement phase one of the Ministry's five-year capability strengthening programme as outlined in the 2007 Business Case – *Response to Foreign and Trade Policy Challenges 2008–2012*. In line with this, 114 new positions were created before the end of 2008, with a focus on strengthening high-priority outcome areas including in trade and economic diplomacy, trade law, the Asia and Pacific regions and some smaller posts.

Because of the forecast tighter fiscal environment, the domestic economic downturn in 2009, and the Government's drive to get better value for money from the public service, this five-year capability package was significantly reduced. As a result, in early 2009, the Ministry reprioritised the capability development programme to ensure that existing and new resources were closely aligned with the Government's priorities and managed within the staff establishment cap as at 31 December 2008.

An effective Foreign Ministry with global 24/7 operations 365 days of the year requires efficient and well-managed corporate services. Without such integral support the front line staff in our 53 posts cannot deliver the results or services sought by New Zealanders.

In this regard I can report that the Ministry revamped several of its corporate service divisions in order to implement a knowledge management strategy and improve public diplomacy and outreach, and achieved improved effectiveness of staff working remotely, through implementation of a flexible work environment, including secure mobile computing – a key component of the Ministry's four-year ICT Strategy. The Ministry continued its capital upgrade programme and successfully completed on time, and within budget, two major concurrent building projects in Pretoria (Chancery) and Dili (Chancery and Staff House). Chanceries were also refurbished in London and Jakarta. In addition, under the five-year capability package the Ministry established three new posts, Stockholm, Brisbane and Melbourne. Having these posts operational within the short timeframes set by the previous government required tight project management and innovative solutions. While only recently established the posts will be included in the offshore footprint review to be completed by the end of 2009.

For the year ahead, the Government has set clear policy directions for the Ministry to increase New Zealand's prosperity and security interests through a tighter NZ Inc framework. The environment in which we work will continue to be challenging, complex and at times unpredictable. The challenge going forward is to ensure that the Ministry has the capability and capacity to deliver the results required by New Zealanders over the medium term and is able to respond effectively to unplanned events to protect New Zealand's interests.

The Ministry's achievements were the product of some 681 staff in New Zealand and 254 staff at 53 posts around the world. They were assisted by 420 overseas staff hired locally. On behalf of Simon Murdoch, the Chief Executive of the Ministry for most of the year, I want to thank all Ministry staff, at home and abroad, for their professionalism and dedication in seeking to advance and protect New Zealand's interests over the past year.



John Allen  
*Secretary of Foreign Affairs and Trade*

# Organisational Information

## MISSION STATEMENT

New Zealand's security and prosperity interests are advanced and protected, our voice is heard abroad.

## STATEMENT OF BUSINESS

The Ministry of Foreign Affairs and Trade manages the Government's business with foreign countries and their governments, and with international organisations.

On behalf of the Government, it intervenes with other governments to promote New Zealand's interests. It advises the Government on where New Zealand's advantage lies in relation to other countries.

It looks at New Zealand's relations with other countries as a whole. It draws together the various aspects of New Zealand's national interests to achieve most benefit for New Zealand in relation to the Government's security, political, trade and economic objectives. It also provides legal advice on international issues.

The delivery of New Zealand's official development assistance (ODA) programme is managed through the New Zealand Agency for International Development (NZAID), a business unit of the Ministry, which until April 2009 was a semi-autonomous body.

The Ministry also provides consular services for New Zealanders abroad, administers diplomatic privileges and immunities in New Zealand, provides services to other government agencies overseas, administers export controls on strategic goods, and maintains a register of international treaties.

The Ministry provides funding to one Crown Entity (the New Zealand Antarctic Institute) under the Crown Entities Act 2004 and two Crown charitable trusts (the Pacific Cooperation Foundation and the Asia New Zealand Foundation (formerly the Asia 2000 Foundation)).

The work of the Ministry involves consultation with a wide range of government departments and agencies, with non-governmental and business organisations, and with private sector enterprises which have interests overseas.

Important amongst the Ministry's partners is New Zealand Trade and Enterprise (NZTE) with which the Ministry works closely in New Zealand and overseas in the development and implementation of programmes to promote trade, investment, and other external economic linkages. The Ministry also has close working relationships with the Ministry of Agriculture and Forestry; the New Zealand Food Safety Authority; the Ministries for Culture and Heritage; and the Environment; the Ministries of Defence; Economic Development; Education; Fisheries; Pacific Island Affairs; Research, Science and Technology; Transport; and Women's Affairs; the Departments of Internal Affairs and Labour; Te Puni Kōkiri; the Department of the Prime Minister and Cabinet (including the External Assessments Bureau); Tourism New Zealand; The Treasury; the State Services Commission; Police; Customs; Defence Force; and the Security Intelligence Service.

Overseas, Ministry staff work closely with representatives of other New Zealand agencies under an agreed framework to promote cooperation in achieving the Government's objectives.

## RESPONSIBLE MINISTERS

The Secretary of Foreign Affairs and Trade is responsible directly to the Minister of Foreign Affairs, the Minister of Trade, and the Minister for Disarmament and Arms Control.

The Ministry of Foreign Affairs and Trade's statutory authority is embodied in the Foreign Affairs Act 1988.

## CROWN ENTITIES

The relationship of the Ministry to Crown Entities and providers of Non-Departmental Output Classes funded under Vote Foreign Affairs and Trade is as follows:

### NEW ZEALAND ANTARCTIC INSTITUTE

The New Zealand Antarctic Institute is a Crown Entity established under the New Zealand Antarctic Institute Act 1996 to develop, manage and execute New Zealand's activities in Antarctica and the Southern Ocean, in particular the Ross Dependency. The Ministry's main responsibilities for the Institute are to assist in the negotiation of the output agreement between the Institute and the Minister, manage the budget-setting process, and provide advice on the Institute's strategic direction and capability.

### **PACIFIC COOPERATION FOUNDATION**

The Pacific Cooperation Foundation was established as a charitable trust in June 2002. By undertaking targeted project work the Foundation acts as a catalyst for strengthening New Zealand-Pacific relationships, providing information and independent commentary, facilitating outcomes, and developing networks within the Pacific region. The Foundation has been funded since 2004 through Vote Foreign Affairs and Trade. The Ministry's Chief Executive is an ex-officio member of the Foundation's Board of Trustees. The Ministry acts on behalf of the Minister as purchase and ownership adviser in respect of the Foundation. The Ministry assists with the preparation of the output agreement between the Foundation and the Minister, coordinates the appropriation process, provides financial and performance monitoring, advises on the Foundation's strategic direction and capability, and reports quarterly to the Minister.

### **ASIA NEW ZEALAND FOUNDATION**

The Asia New Zealand Foundation (formerly Asia 2000 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 the Ministry of Foreign Affairs and Trade on the basis of an annual output agreement. Through its activities in education, business, media, track II (ie non-government discussion of policy issues), research, arts and community, the Foundation works to deepen New Zealanders' knowledge and understanding of Asia. The Ministry acts on behalf of the Minister as purchase adviser and contract manager in respect of the Foundation. The Ministry oversees preparation of the annual output agreement, coordinates the appropriation process, undertakes performance and financial monitoring, advises on the Foundation's strategic direction and capability, and provides periodic reports to the Minister.

A Cabinet-mandated review of the Foundation undertaken in 2007 identified the need for a range of strategic, structural and operational adjustments. The Ministry is working closely with the Foundation to support implementation of the review recommendations and further alignment of its programmes with New Zealand Government priorities in Asia.

### **NEW ZEALAND TRADE AND ENTERPRISE**

The Ministry, in conjunction with the Ministry of Economic Development, has a joint role in monitoring the performance of NZTE on behalf of the Ministers of Trade and of Economic Development, although NZTE is not funded from Vote Foreign Affairs and Trade. Regular briefing and comment is provided to Ministers on NZTE's performance. In the 2008/09 financial year this included providing advice to Ministers on their responsibilities under the Crown Entities Act, on Ministers' Letter of Expectations, NZTE's Statement of Intent, Output Agreement 2009/10, six-monthly reports to Cabinet's Expenditure Control Committee, four-monthly reports including financial reporting, and any issues affecting their portfolios where the Ministers' views needed to be conveyed to the NZTE Board and management. The Secretary of Foreign Affairs and Trade 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.

### **LEGAL RESPONSIBILITIES**

The following Acts are administered by the Ministry of Foreign Affairs and Trade:

- > Antarctica Act 1960
- > Antarctica (Environmental Protection) Act 1994
- > Antarctica Marine Living Resources Act 1981
- > Anti-Personnel Mines Prohibition Act 1998
- > Chemical Weapons Prohibition Act 1996
- > Commonwealth Countries Act 1977
- > Consular Privileges and Immunities Act 1971
- > Continental Shelf Act 1964
- > Cook Islands Act 1915

- > Cook Islands Constitution Act 1964
- > Diplomatic Privileges and Immunities Act 1968
- > Foreign Affairs Act 1988
- > Geneva Conventions Act 1958
- > International Crimes and International Criminal Court Act 2000 (jointly administered with the Ministry of Justice)
- > Kermadec Islands Act 1887
- > Mercenary Activities (Prohibition) Act 2004
- > New Zealand Antarctic Institute Act 1996
- > New Zealand Export-Import Corporation Dissolution Act 1992
- > New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987
- > New Zealand Trade and Enterprise Act 2003
- > Niue Act 1966
- > Niue Constitution Act 1974
- > Nuclear-Test-Ban Act 1999
- > Pitcairn Trials Act 2002
- > Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977
- > Terrorism Suppression Act 2002 (jointly administered with the Ministry of Justice)
- > Tokelau Act 1948
- > Tokelau (Territorial Seas and Exclusive Economic Zone) Act 1977
- > United Nations Act 1946
- > United Nations Convention on the Law of the Sea Act 1996
- > Western Samoa Act 1961.

The Ministry also administers a number of statutory regulations made under the above Acts, particularly in the areas of United Nations (UN) Security Council sanctions, diplomatic privileges and immunities, and Tokelau. Export controls on strategic goods are administered by the Ministry under the Customs Export Prohibition Order 2008.

## 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 2008 and 30 June 2009:

### MULTILATERAL TREATIES

1 Convention on Cluster Munitions

NZ SIGNATURE DATE: 3 DECEMBER 2008

2 International Tropical Timber Agreement

NZ ADHERENCE TYPE: RATIFIED

NZ ADHERENCE DATE: 13 OCTOBER 2008

3 Convention on the Rights of Persons with Disabilities

NZ ADHERENCE TYPE: RATIFIED

NZ ADHERENCE DATE: 26 SEPTEMBER 2008

NZ ENTRY INTO FORCE DATE: 25 OCTOBER 2008

4 Convention for the Protection of Cultural Property in the Event of an Armed Conflict

NZ ADHERENCE TYPE: RATIFIED

NZ ADHERENCE DATE: 24 JULY 2008

NZ ENTRY INTO FORCE DATE: 24 OCTOBER 2008

**BILATERAL/PLURILATERAL TREATIES**

- 5 Convention between New Zealand and Australia for the Avoidance of Double Taxation with Respect to Taxes on Income and Fringe Benefits and the Prevention of Fiscal Evasion  
**NZ SIGNATURE DATE: 26 JUNE 2009**
- 6 Agreement between New Zealand and the Kingdom of Spain on the Participation in Certain Elections of Each Country's Nationals Resident in the Territory of the Other Country  
**NZ SIGNATURE DATE: 23 JUNE 2009**
- 7 Agreement between New Zealand and the Kingdom of Spain on a Working Holiday Scheme  
**NZ SIGNATURE DATE: 23 JUNE 2009**
- 8 Agreement between the Government of New Zealand and the Government of Bermuda (as authorised by) the Government of the United Kingdom of Great Britain and Northern Ireland for the Allocation of Taxing Rights with Respect to Certain Income of Individuals  
**NZ SIGNATURE DATE: 16 APRIL 2009**
- 9 Agreement between the Government of New Zealand and the Government of Bermuda (as authorised by) the Government of the United Kingdom of Great Britain and Northern Ireland on the Exchange of Information with Respect to Taxes  
**NZ SIGNATURE DATE: 16 APRIL 2009**
- 10 Exchange of Letters constituting an Agreement between the Government of New Zealand and the Government of Australia on the Application of the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area to the Australia-New Zealand Closer Economic Relations Trade Agreement and associated instruments  
**NZ SIGNATURE DATE: 27 FEBRUARY 2009**  
**NZ ADHERENCE TYPE: DEFINITELY SIGNED**  
**NZ ADHERENCE DATE: 27 FEBRUARY 2009**
- 11 Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area  
**NZ SIGNATURE DATE: 27 FEBRUARY 2009**
- 12 Memorandum of Agreement on Labour Cooperation between the Government of New Zealand and the Government of the Republic of the Philippines  
**NZ SIGNATURE DATE: 4 NOVEMBER 2008**  
**NZ ADHERENCE TYPE: THIRD PERSON NOTE**  
**NZ ADHERENCE DATE: 13 APRIL 2009**  
**NZ ENTRY INTO FORCE DATE: 18 JUNE 2009**
- 13 Memorandum of Agreement on Environmental Cooperation between the Government of New Zealand and the Government of the Republic of the Philippines  
**NZ SIGNATURE DATE: 4 NOVEMBER 2008**
- 14 Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Republic of Peru  
**NZ SIGNATURE DATE: 22 NOVEMBER 2008**
- 15 Protocol Amending the Convention between New Zealand and the United States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
**NZ SIGNATURE DATE: 1 DECEMBER 2008**
- 16 Agreement between the Government of New Zealand and the Government of the Federal Republic of Germany Concerning the Temporary Stay of Members of the Armed Forces on the Territory of the Federal Republic of Germany  
**NZ SIGNATURE DATE: 4 NOVEMBER 2008**  
**NZ ADHERENCE TYPE: THIRD PERSON NOTE**  
**NZ ENTRY INTO FORCE DATE: 20 MARCH 2009**
- 17 Agreement between the Government of New Zealand and the Government of the Republic of Korea Concerning the Co-Production of Films  
**NZ SIGNATURE DATE: 29 SEPTEMBER 2008**  
**NZ ADHERENCE TYPE: THIRD PERSON NOTE**  
**NZ ADHERENCE DATE: 10 OCTOBER 2008**  
**NZ ENTRY INTO FORCE DATE: 10 OCTOBER 2008**
- 18 Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Republic of Latvia  
**NZ SIGNATURE DATE: 10 SEPTEMBER 2008**  
**NZ ADHERENCE TYPE: THIRD PERSON NOTE**  
**NZ ADHERENCE DATE: 4 MARCH 2009**  
**NZ ENTRY INTO FORCE DATE: 4 MARCH 2009**

19 Exchange of Letters constituting an Agreement to Amend the Agreement between the Government of New Zealand and the Government of the United Kingdom of Great Britain and Northern Ireland concerning Air Services

**NZ SIGNATURE DATE:** 27 OCTOBER 2008  
**NZ ADHERENCE TYPE:** DEFINITELY SIGNED  
**NZ ADHERENCE DATE:** 27 OCTOBER 2008  
**NZ ENTRY INTO FORCE DATE:** 27 OCTOBER 2008

20 Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Federative Republic of Brazil

**NZ SIGNATURE DATE:** 28 AUGUST 2008

21 Agreement on Scientific and Technological Cooperation between the Government of New Zealand and the European Community

**NZ SIGNATURE DATE:** 16 JULY 2008  
**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 19 JANUARY 2009  
**NZ ENTRY INTO FORCE DATE:** 30 JANUARY 2009

22 Agreement between the Government of New Zealand and the Government of Australia on Trans-Tasman Court Proceedings and Regulatory Enforcement

**NZ SIGNATURE DATE:** 24 JULY 2008

23 Agreement between the Government of New Zealand and the People's Republic of China in the Field of Conformity Assessment in Relation to Electrical and Electronic Equipment and Components

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 2 AUGUST 2008  
**NZ ENTRY INTO FORCE DATE:** 1 OCTOBER 2008

24 Free Trade Agreement between the Government of New Zealand and the Government of the People's Republic of China

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 2 AUGUST 2008  
**NZ ENTRY INTO FORCE DATE:** 1 OCTOBER 2008

25 Environment Cooperation Agreement (between New Zealand and the People's Republic of China)

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 7 JULY 2008  
**NZ ENTRY INTO FORCE DATE:** 26 SEPTEMBER 2008

26 Memorandum of Understanding on Labour Cooperation (between New Zealand and the People's Republic of China)

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 7 JULY 2008  
**NZ ENTRY INTO FORCE DATE:** 12 SEPTEMBER 2008

27 Agreement between New Zealand and the Kingdom of the Netherlands on the Holding of Stocks of Crude Oil, Major Products and Unfinished Oils

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 20 JANUARY 2009  
**NZ ENTRY INTO FORCE DATE:** 1 MARCH 2009

28 Agreement between the Government of New Zealand and the Government of the Republic of the Philippines on Air Services

**NZ ENTRY INTO FORCE DATE:** 22 APRIL 2009

29 Protocol between the Government of New Zealand and the Government of the United Kingdom of Great Britain and Northern Ireland to Amend the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 28 AUGUST 2008  
**NZ ENTRY INTO FORCE DATE:** 28 AUGUST 2008

30 Agreement between the Czech Republic and New Zealand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 29 AUGUST 2008  
**NZ ENTRY INTO FORCE DATE:** 29 AUGUST 2008

31 Agreement between the Government of New Zealand and the Government of the Kingdom of the Netherlands in respect of the Netherlands Antilles for the Exchange of Information with Respect to Taxes

**NZ ADHERENCE TYPE:** THIRD PERSON NOTE  
**NZ ADHERENCE DATE:** 2 OCTOBER 2008  
**NZ ENTRY INTO FORCE DATE:** 2 OCTOBER 2008

32 Protocol Amending the Convention between the Government of New Zealand and the Government of the Republic of the Philippines for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income

**NZ ENTRY INTO FORCE DATE:** 2 OCTOBER 2008

## MINISTRY PUBLICATIONS 2008/09

Publications produced by the Ministry during 2008/09 included:

- > Ministry of Foreign Affairs and Trade Annual Report 2007/08
- > Ministry of Foreign Affairs and Trade Statement of Intent 2009–2012
- > United Nations Handbook 2008/09
- > International Treaties List (two editions)
- > International Counter-Terrorism: Key Documents (2009)
- > Japan and New Zealand: Bonds of Friendship – History of Cooperation (2009)
- > Kaihono hei Oranga Hapori o te Ao – Partnerships for International Community Development Handbook (KOHA-PICD Handbook 2009)
- > Agreement Establishing the ASEAN – Australia – New Zealand Free Trade Area (AANZFTA) National Interest Analysis
- > Handbook guide to the AANZFTA
- > Japan & New Zealand – A Partnership in Food (2009)

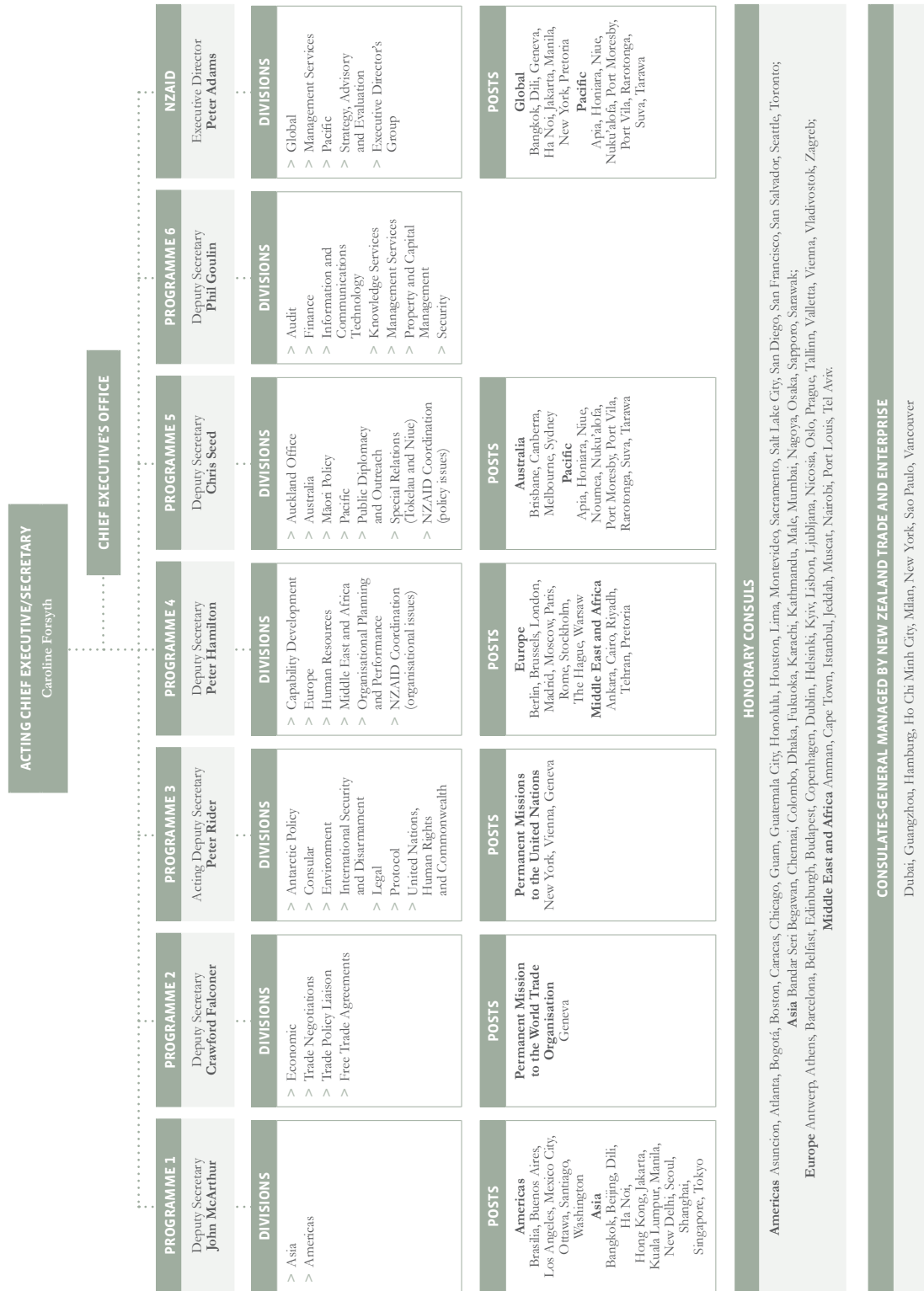
Newsletters

- > Business Link (published at two-monthly intervals)
- > The Proliferation Security Initiative: Newsletter (April 2009)
- > Counter-Terrorism Update (June 2009)
- > New Zealand Embassy Newsletter for New Zealanders in Japan (July 2009, electronic only)
- > Currents (two-monthly newsletter profiling New Zealand's ODA programme)
- > NewZAID (monthly, electronic only)

Websites

- > The Ministry's main websites are [mfat.govt.nz](http://mfat.govt.nz), [nzaid.govt.nz](http://nzaid.govt.nz) and [safetravel.govt.nz](http://safetravel.govt.nz). Thirty-seven New Zealand posts abroad maintain a web presence at [nzembassy.com](http://nzembassy.com).
- > There are two Free Trade Agreement websites: [chinafta.govt.nz](http://chinafta.govt.nz) and [asean.fta.govt.nz](http://asean.fta.govt.nz). The latter was developed to accompany the launch of the ASEAN–Australia–New Zealand Free Trade Agreement in February 2009.
- > NZAID also manages [nzaid.tools.nzaid.govt.nz](http://nzaid.tools.nzaid.govt.nz), which is a collection of resources to guide good practice and good process in programme and activity cycle management, and assists with the planning, management and monitoring of aid programmes.
- > The [nzpsi.govt.nz](http://nzpsi.govt.nz) website was published jointly with New Zealand Customs in July 2008 to provide information on New Zealand's participation in the Proliferation Security Initiative.

## ORGANISATION CHART AS AT 30 JUNE 2009





# Outcome Contribution

The Government has identified six priorities that guide the Ministry's work:

- > Strengthen New Zealand's key bilateral relationships to support our security and economic aspirations
- > Intensify efforts to secure the long-term security and economic growth of the South Pacific and key partner countries in the region
- > Pursue a rich agenda of trade negotiations that will deliver growth opportunities for the future
- > Strengthen the promotion of New Zealand goods and services, and opportunities in trade and investment, through more determined and efficient NZ Inc approaches
- > Work within the multilateral system to achieve New Zealand goals, particularly in the areas of security, resource diplomacy and climate change
- > Enhance the operational effectiveness of Official Development Assistance within the approved levels of aid expenditure.

The Ministry has agreed on a set of five "Intermediate Outcomes" with its Ministers to support the Government's goals, as well as the Government's commitment to protect the rights of New Zealanders abroad. Each of these outcomes was articulated in the Ministry's 2008–2011 Statement of Intent (SOI) into a series of medium-term goals and short-term action points that were the focus of its efforts in 2008/09.

This chapter outlines the Ministry's performance and key achievements against its five Intermediate Outcomes and the relevant operating intentions, measures and standards set out in the 2008–2011 SOI.

## NEW ZEALAND'S SECURITY INTERESTS SAFEGUARDED

A secure global environment is a necessary condition for the achievement of the Government's priority outcomes. This outcome reflects the Ministry's contribution to that goal through its engagement in bilateral dialogue aimed at influencing the behaviours of other governments to accommodate the views and concerns of New Zealand, its close regional partners or the wider international community, and through its role in regional bodies that promote wider security cooperation and stability. Ensuring that New Zealand meets its own international obligations is also an important part of ensuring a secure, rules-based global system. A stable and peaceful international environment provides New Zealand with opportunities to pursue its wider political, economic and social interests.

The 2008/09 financial year saw a number of positive developments in key bilateral relationships for New Zealand. There was a new level of intensity in New Zealand's relations with Asia, with China describing the bilateral relationship as at its "best ever". The year also saw the first visit by a Japanese Foreign Minister to New Zealand in 10 years, and a visit by the Korean President, Lee Myung-bak. New Zealand's relationship with Australia took a major step forward with the Sydney Declaration and the Prime Ministers' Action Plan in March 2009 launching a refreshed and ambitious agenda. New Zealand's political relationship with the United States (US) also continued to develop positively, with strong relationships beginning to be built at the political level following the change in the US Administration. The Ministry continued to contribute to addressing stresses and instabilities in the Pacific region, with notable successes in the meeting of US Secretary of State Condoleezza Rice with Pacific Foreign Ministers, and progress towards Pacific participation in a trade agreement with Australia and New Zealand.

A significant achievement in the 2008/09 financial year was the successful appointment of Helen Clark to the position of Administrator of the UN Development Programme. The Ministry played a key role in this appointment through active lobbying in New York and key capitals.

## INCREASING STRESSES AND INSTABILITIES IN THE PACIFIC

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry's medium-term priority set out in the 2008–11 SOI for the Pacific was to strengthen New Zealand's influence with, and understanding of, our near-neighbourhood Pacific Island partners in order to bolster prospects for their future stability and sustainable development.

### PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<b>THE MINISTRY'S CONTRIBUTIONS HAVE INCREASED NEW ZEALAND INFLUENCE IN THE PACIFIC AND PROGRESSED STABILITY AND SUSTAINABLE DEVELOPMENT, PARTICULARLY IN THE MOST FRAGILE STATES</b>	Secured united message from key players in the international community on need for Fiji to return to democracy, through our close engagement with regional and international partners. Lack of positive response by Fiji resulted in its suspension from Forum and, subsequently, the Commonwealth.	Policy leadership role of Forum (including New Zealand) maintained on an issue of direct concern to the region. A return to democracy would have positive impact on Fiji, the region and New Zealand, as will our efforts to mitigate the harm caused by the current situation
	Government, King and people of Tonga have full confidence in New Zealand's support for democratic reform in Tonga, reiterated through strengthened relationships with Tonga (visit to New Zealand by Tongan Prime Minister Sevele, high-level attendance at coronation of King Tupou V). High-level meetings provided opportunities for discussion of the reform process and how New Zealand might best support it and further assist. Reform agenda, including NZAID-supported civic education process, on track.	New Zealand demonstrated its commitment to advancing democracy in Tonga as part of ensuring the strength of democratic governance and stability in our region.
	New Zealand fully involved in elaboration of the Partnership Framework for the Regional Assistance Mission to the Solomon Islands (RAMSI). Support provided for initial response to global economic crisis through NZAID and other New Zealand agency-led projects. The security environment in Solomon Islands remains stable despite continuing pressures.	Ongoing support for RAMSI helps secure stable security environment in Solomon Islands within which capacity building for good governance can progress. Support for economic stability is integral to maintaining this enabling environment.
	Improved regional security capacity in Melanesia through the Mutual Assistance Programme support for Papua New Guinea Defence Force; the NZAID-funded Bougainville Community Policing Project; and NZAID support for practical and advisory assistance to Vanuatu corrections services.	Support for the Bougainville Community Policing Project continues to contribute to peace and stability in Bougainville, Papua New Guinea, and the wider region. Corrections support in Vanuatu has stabilised the security situation, with a formalised agreement recommended to maintain renewed optimism.

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
BILATERAL AND REGIONAL INITIATIVES HAVE HELPED ADDRESS THE TRADITIONAL AND NON-TRADITIONAL THREATS TO THE PACIFIC'S LONG-TERM STABILITY	Active engagement with Pacific countries to promote the benefits of trade integration and sustainable economic development, including two regional trade meetings organised by the Ministry, prepared the ground for Forum Trade Ministers to recommend the launch of negotiations on a trade agreement between Pacific countries and Australia and New Zealand ("PACER Plus").	Improved trade opportunities for Pacific countries due to a trade agreement with Australia and New Zealand will support improved economic growth and prosperity in the region.
	Pacific partners focused seriously on mitigating impacts of the global economic crisis, and pursuing opportunities in key enabling sectors (eg energy and maritime sectors) to promote sustainable economic development. New Zealand was able to promote this, using key regional meetings and bilateral encounters to advance discussions on economic stability in the region. This included successful organisation of the Niue Forum and visit of US Secretary of State Condoleezza Rice to Samoa to meet with Forum Foreign Ministers.	Pacific Island countries' ability to weather the impacts of the global economic crisis supports their political and economic stability and reduces the risk of failed states in our region and demands on New Zealand for emergency support.

## THE ACCELERATING TREND TOWARDS REGIONALISM, ESPECIALLY IN ASIA

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry's medium-term priority set out in the 2008–11 SOI was to safeguard New Zealand's wider interests and contribute to improved security in Asia and the Middle East, including in the emerging political and regional architecture.

### PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
EVIDENCE OF NEW ZEALAND'S INCLUSION IN EMERGING ASIAN REGIONAL INTEGRATION ARCHITECTURE (ALSO SEE NOTE 1)	Participated in the East Asia Summit (EAS) Leaders' Meeting. With Australia, helped influence statement on global financial crisis.	EAS focus on need for enhanced financial cooperation will help ensure EAS delivers tangible outcomes for the region.
	With Indonesia and Japan successfully co-chaired conference on maritime security as part of the ASEAN Regional Forum (ARF).	ARF is the only regional security mechanism. Encouraged a more active role in confidence building and preventive diplomacy so as to underpin regional security. Maritime security is of particular interest as more than 90% of our trade is transported by sea.
EVIDENCE OF A DEEPENING OF NEW ZEALAND'S POLITICAL, TRADE, ECONOMIC, ENVIRONMENTAL, AND PEOPLE-TO-PEOPLE LINKS WITH ASIA AND THE MIDDLE EAST	New Zealand's position on the crisis in Gaza and its balanced position on the wider Israel-Palestine conflict continues to be viewed as just by the international community, and preserves New Zealand's relationships with Israel, and the Palestinians and wider Arab world.	New Zealand remains a credible voice on the Israel-Palestine conflict.

## NOTES

- 1 Evidence of progress against this indicator also appears in the Asia sections of progress against the indicator “Specific milestones achieved or major steps forward in our key relationships” in the following section (“Closer links and collaboration with key partners”) and the indicator “Has secured, is negotiating, working to enter negotiations, or has concluded agreements with high-priority target Closer Economic Partnership (CEP) and FTA partners” in the section “A more intense trade negotiations agenda for New Zealand” under the following intermediate outcome (page 23).

## CLOSER LINKS AND COLLABORATION WITH KEY PARTNERS

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry’s medium-term priority set out in the 2008–11 SOI was to build closer links with key partners, in particular Australia, the United States, Japan, China, Pacific countries, ASEAN countries and Europe.

### PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
SPECIFIC MILESTONES ACHIEVED OR MAJOR STEPS FORWARD IN OUR KEY RELATIONSHIPS	<b>AUSTRALIA</b>	
	Prime Ministers declared an extensive structured programme of bilateral work on 2 March 2009, significantly increasing contact between New Zealand Ministers and their Australian counterparts, reinforcing New Zealand influence with Federal and State governments, and producing a solid programme of concrete steps for furthering the relationship between the two countries.	Increased Australian high-level political engagement in the relationship has allowed New Zealand to influence Australian policy development favourably in several areas. A number of concrete developments (for instance on investment rules, trans-Tasman travel, and superannuation portability) flow from this high-level engagement.
	<b>ASIA</b>	
	Secured a visit from Japanese Foreign Minister Nakasone in April 2009. This was the first visit by a Japanese Foreign Minister in 10 years. The visit ensured that high-level political attention would be drawn to the range and value of activities New Zealand undertakes with Japan.	Japan is New Zealand’s fourth largest market. The invitation for Prime Minister Key to visit in October 2009, with a strong business component, will help consolidate and expand our trade ties and bring focus to broader aspects such as launching negotiations on a Science and Technology Agreement. Achieving New Zealand ambitions for increased access by New Zealand exporters to the Japanese market requires high-level political engagement in the relationship.
	Secured a visit from Korean President Lee in March 2009. This resulted in agreement to launch Free Trade Agreement (FTA) negotiations and conclusion of an arrangement on science and education.	The high-level political relationship with Korea underpins a thriving export relationship. Korea is New Zealand’s ninth largest export market. Tariff reductions under a successful FTA would further boost trade.
Successful visit by Prime Minister Key to China in April 2009. China described the relationship as being “at its best ever”.	The high-level political relationship with China underpins expanding engagement. China is our second largest export market and an emerging global power.	
Successful visit by the Minister of Foreign Affairs to Indonesia charts revitalisation of the relationship.	Strengthened ties with Indonesia, our largest partner in Southeast Asia in trade and political terms. Its stability is critical to regional security.	

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
SPECIFIC MILESTONES ACHIEVED OR MAJOR STEPS FORWARD IN OUR KEY RELATIONSHIPS	<b>UNITED STATES</b>	
	Successful visit by the Minister of Foreign Affairs to Washington in April 2009, where he met the Secretary of State. The United States affirmed the relationship as being “the best it has been in 25 years”. The US Administration has signalled it is to review the relationship and that it wishes to accelerate the forward momentum.	A good relationship with the United States is vital for prosecuting New Zealand’s interests.
	<b>EUROPE</b>	
	Discussions commenced on a comprehensive bilateral agreement with the European Union (EU) (EUNZA), with the European Commission prepared to take our case to member states.	New Zealand is better positioned than before to achieve a potential breakthrough on the political and trade relationship with the EU, which could result in improved access to the EU for New Zealand exporters, and even stronger political, educational and cultural cooperation.
	Visits to Europe developed and organised by the Ministry for senior Ministers, particularly the Prime Minister and Minister of Foreign Affairs, demonstrated to European partners New Zealand’s continued commitment to shared interests and established new relationships at the political level.	High-level political relationships underpin New Zealand’s ability to further its interests with the EU. Our influence is also enhanced by EU Ministers being aware that their New Zealand counterparts have shared views about important international issues.
	Coordination of an NZ Inc operation to maximise the benefits of a Spanish visit, encompassing a Royal State visit, high-level Ministerial delegation, and a large influential business delegation.	Opportunities developed for increased business, people-to-people, and science and research links.

## MEETING OUR CONSTITUTIONAL AND INTERNATIONAL OBLIGATIONS

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry’s medium-term priority, set out in the 2008–11 SOI was that New Zealand values and reputation were upheld, particularly its commitment to the international rule of law and human rights standards.

### PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
NEW ZEALAND ELECTED TO THE HUMAN RIGHTS COUNCIL	New Zealand withdrew from the election to the Human Rights Council (HRC) in April 2009 so that the United States, a late candidate, could be elected to the Council without having to compete against other candidates that had greater time to secure commitments of support. At the time, New Zealand was the front-running candidate, with over 90 commitments of support.	United States’ membership of the HRC offers the best prospect for the Council to play a credible and effective role in upholding international human rights standards.

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<p><b>NEW ZEALAND COMPLIANCE WITH ITS INTERNATIONAL LEGAL OBLIGATIONS, INCLUDING UNDER THE UN CHARTER AND CORE HUMAN RIGHTS TREATIES</b></p>	<p>Led New Zealand's first-ever report to the new Universal Periodic Review process of the Human Rights Council which was positively received by the Council. Council members expressed appreciation for the frank and comprehensive nature of New Zealand's report.</p>	<p>New Zealand's commitment to human rights standards demonstrated internationally. New Zealand's engagement in the process set a high standard for self-reporting to the Human Rights Council, thus enhancing the Council's credibility.</p>
	<p>The Ministry led a major review of New Zealand's UN sanctions regulations, resulting in amendments to most regulations to ensure more effective implementation of relevant UN Security Council resolutions.</p>	<p>High-quality implementation of New Zealand's sanctions obligations ensured that New Zealand continues to be regarded as a responsible member of the UN that takes the duty to implement the UN sanctions resolutions seriously, in recognition that these resolutions are made only when there is a threat to international peace and security.</p>
	<p>Working closely with the Office of Disability Issues to complete select committee process on both National Interest Analysis and implementing legislation for the Convention on the Rights of Persons with Disabilities within a tight timeframe, clearing the way for New Zealand ratification before the first meeting of States Parties in November 2008.</p>	<p>New Zealand's leadership role during the negotiations reinforced through quick progress towards ratification.</p>
<p><b>UNPLANNED OUTCOME: HELEN CLARK APPOINTED AS ADMINISTRATOR OF UNDP</b></p>	<p>With active support and lobbying by the Ministry's Mission to the United Nations in New York and by other offshore posts, former Prime Minister Helen Clark was appointed to head the UNDP</p>	<p>New Zealand's long-standing reputation as a constructive participant in the multilateral system enhanced by the appointment of a high-quality candidate who will bring transparency and effectiveness to the organisation.</p>
<p><b>UNPLANNED OUTCOME: GLOBAL INFLUENZA PANDEMIC</b></p>	<p>Ensured that agencies in New Zealand were kept up to date on the global influenza pandemic as it unfolded. Minimised impacts on tourism, international education and meat exports (because of the associations of "swine flu") through timely communications in offshore markets. Pacific Island preparedness and response were strengthened - medical supply shortages were identified and new supplies procured; exit screening was put in place for air services to Niue.</p>	<p>Negative impacts on tourism and international education services were lower than they could have been. The potential for disruption to exports, in particular to the Russian meat market, was avoided. The strengthened Pacific response reduced risks of cross-contamination from people-to-people contacts in the region.</p>

## **NEW ZEALAND'S INTERNATIONAL CONNECTIONS SUPPORT TRANSFORMATION OF THE NEW ZEALAND ECONOMY AND SUSTAINABLE ECONOMIC GROWTH THROUGH INCREASED TRADE AND THROUGH IMPROVED FLOWS OF INVESTMENT, SKILLS AND TECHNOLOGY**

The Ministry is the Government's specialist negotiator in international trade negotiations to improve or protect market access for the export of New Zealand goods and services. Through its overseas network, the Ministry also seeks to open up new trade opportunities for New Zealand exporters in our major existing as well as new emerging markets, and facilitates international connections that promote the flow of capital, skills, technology, and research and development to New Zealand. Some of this is done by working with our posts and other agencies to organise trade missions and promotions in key markets.

A great deal of the Ministry's work overseas also involves defending and advancing New Zealand's interests in bilateral markets where trade or access is threatened. While rarely in the public eye, these efforts can be of considerable value to individual exporters. One high profile achievement during the 2008/09 year was the effort to manage the potential fallout from the discovery of melamine in milk products produced by Fonterra's Chinese partner. The Ministry was instrumental in ensuring that New Zealand's international reputation as a dairy supplier was maintained, and avoiding damage to New Zealand's relationship with China.

The 2008/09 year saw the completion of negotiations and the conclusion of Free Trade Agreements with the ASEAN (Association of Southeast Asian Nations) group of countries, in association with Australia (AANZFTA), and with Malaysia. Agreement was reached to launch negotiations with the Republic of Korea. A feasibility study into an FTA was completed with India, with India agreeing in principle to enter into negotiations. Negotiations with Hong Kong were resumed. Negotiations with the Gulf Cooperation Council (a bloc containing Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) are continuing. The outgoing US Administration indicated that it intended to participate in negotiations on a Trans-Pacific Partnership with members of the existing P4 trade agreement (involving Chile, Brunei, Singapore and New Zealand). The new Administration is yet to confirm this decision, but has given a number of positive indications.

The World Trade Organisation (WTO) Doha Round of negotiations remains uncompleted, with little activity since the end of 2008. The Ministry has remained active across the WTO's negotiating agenda, and was able to ensure that New Zealand remains well placed to benefit from the round's eventual conclusion.

### **A MORE INTENSE TRADE NEGOTIATIONS AGENDA FOR NEW ZEALAND**

#### **WHAT DID WE SET OUT TO ACHIEVE?**

The Ministry's priorities set out in the 2008–11 SOI were:

- > securing maximum benefit from the WTO Doha trade round
- > achieving Closer Economic Partnerships (CEPs) or FTAs with the Republic of Korea, Japan, the US and the EU
- > concluding negotiations with ASEAN, and the Gulf Cooperation Council (GCC).

Following completion of the SOI, a further priority was added: to advance trade negotiations with Malaysia and Hong Kong.

The Ministry has also undertaken a significant body of work protecting, and where possible expanding, the access of New Zealand firms to overseas markets.

## PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<p>HAS SECURED, IS NEGOTIATING, WORKING TO ENTER NEGOTIATIONS, OR HAS CONCLUDED AGREEMENTS WITH HIGH-PRIORITY TARGET CEP AND FTA PARTNERS (BILATERAL, REGIONAL, AND PLURILATERAL)</p>	<p>ASIA</p>	
	<p>Negotiations on the AANZFTA successfully concluded and the agreement signed.</p>	<p>The AANZFTA is a comprehensive regional FTA covering trade in goods and services, investment, intellectual property and the full range of trade rules, under which New Zealand exporters will benefit from new commercially meaningful opportunities in key ASEAN markets. Provisions include the elimination of tariffs on 99% of our current exports to key ASEAN markets, with duty savings over \$50 million per annum.</p>
	<p>Negotiations on the Malaysia-New Zealand FTA successfully concluded.</p>	<p>Malaysia is New Zealand's eighth largest market, with exports totalling just under \$1 billion in 2008. The MNZFTA is a high-quality comprehensive bilateral FTA that goes beyond the commitments agreed by the Parties in the AANZFTA. Details of the agreement will be released on signature.</p>
	<p>FTA negotiations with Korea launched.</p>	<p>Korea is New Zealand's sixth largest export market, with some of the highest access barriers faced by New Zealand exporters of goods, especially for agriculture, forestry and fisheries products. A high-quality FTA will offer substantially improved returns to New Zealand through expansion of trade and investment.</p>
	<p>CEP negotiations with Hong Kong resumed.</p>	<p>Hong Kong is an important trading partner, both commercially and strategically as a key services and investment hub for the north Asia region. A CEP agreement offers New Zealand a means of securing the openness of this important market for our goods and services as well as encouraging continued flows of foreign direct investment between Hong Kong and New Zealand.</p>
	<p>Concluded a joint study on benefits of negotiating a bilateral FTA with India, and secured India's agreement in principle to enter negotiations.</p>	<p>Prospects improved for access for New Zealand exporters to India. India is predicted to be the world's third largest economy by 2030.</p>
	<p>Formal discussions with Japan on the development of the trade and economic relationship were successfully concluded. A new process was begun with the aim of considering concrete options for further enhancing trade and economic relations.</p>	<p>Discussions on improving trade and economic relations that could potentially lead to negotiation of an FTA and greater access for New Zealand exporters kept alive.</p>

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<p>HAS SECURED, IS NEGOTIATING, WORKING TO ENTER NEGOTIATIONS, OR HAS CONCLUDED AGREEMENTS WITH HIGH-PRIORITY TARGET CEP AND FTA PARTNERS (BILATERAL, REGIONAL, AND PLURILATERAL)</p>	<p><b>UNITED STATES</b></p> <p>Outgoing Bush Administration announced it wished to join negotiations for a comprehensive Trans-Pacific Partnership Agreement (TPP). Obama Administration has given positive signals, committing to review TPP in the context of overarching trade review.</p>	<p>A high-quality TPP Agreement would offer significant potential gains for New Zealanders through expansion of trade and investment.</p>
	<p>HAS, BY ITS ACTIONS, EXPANDED AND PROTECTED ACCESS TO OUR MAJOR EXISTING MARKETS AND OPENED UP OPPORTUNITIES IN EMERGING MARKETS</p>	<p><b>WORLD TRADE ORGANISATION</b></p> <p>Negotiating efforts ensured that New Zealand Ministers and senior officials were included in small group processes and that New Zealand maintained an effective role in key negotiating and technical groups of importance. In the negotiating process to date, most of New Zealand's key objectives have already been secured or are en route to being secured.</p>
<p><b>ASIA</b></p> <p>Discovery of melamine in dairy products produced by Fonterra's partner in China was managed without damage to key political relationships in China or New Zealand's reputation as a producer. Chinese leadership has affirmed that it continues to regard New Zealand, and Fonterra, as long-term dairy partners.</p>		<p>New Zealand's access maintained in the Chinese dairy sector. Dairy products account for one third of New Zealand's exports to China.</p>
<p>Successfully lobbied for the lifting of two temporary meat import bans in Indonesia.</p>		<p>Maintained access to Indonesia for New Zealand's meat and dairy trade which is valued at \$650 million per annum.</p>
<p>Embassy intervention helped Air New Zealand obtain improved landing slots in Beijing.</p>		<p>Improved landing slots are a central component of Air New Zealand's hubbing and transit strategy in the China market.</p>
<p>Post lobbying in Bangkok and Singapore influenced Thai Airways and Singapore Airlines to maintain direct air services to New Zealand.</p>		<p>Direct air services to New Zealand from major Asian hubs provides tourists with a range of easy options to reach New Zealand and are therefore critical to the maintenance of tourism flows.</p>
<p><b>AUSTRALIA</b></p> <p>Concluded the main substantive phase of New Zealand's WTO dispute over access for apples to Australia. New Zealand successfully deflected all procedural challenges.</p>		<p>A WTO ruling in New Zealand's favour would be a significant step towards meaningful access to the Australian market for New Zealand apple-growers. At the same time, New Zealanders benefit from a constructive relationship with our closest economic and political partner.</p>

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<b>HAS, BY ITS ACTIONS, EXPANDED AND PROTECTED ACCESS TO OUR MAJOR EXISTING MARKETS AND OPENED UP OPPORTUNITIES IN EMERGING MARKETS</b>	<p>The review of Closer Economic Relations (CER) Rules of Origin (which determine the rules as to when a product is from Australia or New Zealand) almost complete, with only one outstanding issue (on men's and boys' suits).</p>	<p>The revised and simplified rules will ensure greater certainty for New Zealand firms seeking to meet the CER Rules of Origin and less compliance cost in doing so.</p>
	<p>Negotiations on the CER Investment Protocol on track to meet Prime Minister's deadline of conclusion by end 2009.</p>	<p>Investment Protocol will improve New Zealand businesses' access to investment funds and clarify rules for trans-Tasman transactions, while protecting sensitive areas.</p>
	<b>EUROPE</b>	
	<p>In response to our representations, assurances were received from the European Commission on continued access for New Zealand wine, with current labelling practices, following the introduction of a new regulatory regime.</p>	<p>New Zealand exports of wine to Europe with a value of over \$300 million a year not impaired by labelling issues.</p>
	<p>Valuable preferential access to the EU (particularly for sheep meat, cheese, butter and beef) maintained with progress towards some improvements, including an updated quota definition that would allow greater flexibility for beef exporters.</p>	<p>\$2 billion of New Zealand exports enters the EU under preferential access.</p>
	<p>Successfully encouraged Russia to moderate tariff increases on dairy and avoided potential disruptions to trade at the border, in conjunction with other agencies.</p>	<p>\$230 million of New Zealand exports to Russia maintained, and stable conditions allow for continued growth of exports.</p>
	<b>UNITED STATES</b>	
	<p>Worked with New Zealand Food Safety Authority (NZFSA) on negotiations with the US Food and Drug Administration to combine existing shellfish and finfish Memoranda of Understanding (MoUs) into a combined MoU.</p>	<p>The combined MoU will enhance access to the US market for New Zealand seafood producers.</p>
<p>Successfully followed up with the Food and Drug Administration on the technical case presented by NZFSA to exempt New Zealand from Bovine Spongiform Encephalopathy requirements for human food, cosmetics and animal feed or food.</p>	<p>Successful outcomes have resulted in significant savings for the New Zealand industry.</p>	
<p>Worked with NZFSA and US Food Safety and Inspection Service (FSIS) to achieve a ruling that the New Zealand industry's approach to post-mortem inspection of bobby veal calves is equivalent to the US standard.</p>	<p>The ruling will allow the New Zealand industry to use its preferred method of inspection for bobby calves.</p>	

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
HAS, BY ITS ACTIONS, EXPANDED AND PROTECTED ACCESS TO OUR MAJOR EXISTING MARKETS AND OPENED UP OPPORTUNITIES IN EMERGING MARKETS	Led negotiations with US Department of Agriculture (USDA) FSIS to permit certification of New Zealand lamb initially imported into the US and then exported to Mexico.	Will allow more flexible options for New Zealand trade of lamb into Mexico.
	<b>MIDDLE EAST AND AFRICA</b>	
	Negotiations on an FTA with the GCC substantially advanced.	The GCC member countries jointly comprise New Zealand's seventh largest market. Negotiations are at an advanced stage and are expected to boost significantly the opportunities for New Zealand exporters in GCC markets.
	Conclusion of a MoU with South Africa on phytosanitary measures for exporting kiwifruit.	The MoU prevented the imposition of regulations that would have undermined the competitiveness of New Zealand kiwifruit in a market worth NZ\$5 million annually.
	Facilitated the signing of a Memorandum of Cooperation Arrangement between the Saudi Ministry of Higher Education and the New Zealand Ministry of Education which will act as a further catalyst for increasing the already significant Saudi student market in New Zealand; and the signing of a MoU between Polytechnics International New Zealand and the Saudi Technical Vocational Training Corporation resulting in significant new business opportunities for New Zealand polytechnics' education services in Saudi Arabia.	The Memorandum of Cooperation Arrangements will have a direct impact on increasing the size and value of the Saudi tertiary student market in New Zealand. Saudi Arabia is New Zealand's fifth largest market for export education and current education services in this market are valued at NZ\$500 million annually.

## CONTRIBUTE TO TRANSFORMATION OF THE ECONOMY AND INTERNATIONALISATION OF NEW ZEALAND BUSINESS

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry's priorities set out in the 2008–11 SOI were:

- > Use its network of posts, international connections, and leadership of NZ Inc offshore to support the greater internationalisation of New Zealand business and facilitate improved flows of investment, skills and technology.
- > Work with other government agencies, in particular NZTE, to help New Zealand business position itself effectively in the international market place.

Following completion of the SOI, Ministers indicated that supporting New Zealand exporters should be the primary priority of the Ministry's offshore posts.

## PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
EVIDENCE THE MINISTRY HAS HELPED TO EXPAND LINKAGES IN SCIENCE, EDUCATION AND TECHNOLOGY IN KEY OFFSHORE MARKETS	New Zealand reaffirmed its acceptance of Australia's invitation to join its Square Kilometre Array project, enabling it to be announced by Prime Ministers in March.	Opportunities opened up for New Zealand businesses to participate in Australian Square Kilometre Array project tender systems.
	Negotiation of five Working Holiday Schemes.	New Working Holiday Schemes provide international work/study opportunities for New Zealanders.
HAS, BY INCREASED PRESENCE AND SUPPORT, HELPED NEW ZEALAND BUSINESS TAKE ADVANTAGE OF ECONOMIC OPPORTUNITIES IN OUR EXISTING MARKETS, INCLUDING IN SCANDINAVIA AND AUSTRALIA, AND BOOSTED TRADE AND ECONOMIC TIES	Held first New Zealand Business Forum in Singapore with other New Zealand agencies. Successfully profiled New Zealand innovation, and facilitated links between New Zealand and Singaporean businesses.	New Zealand businesses develop relationships with Singaporean partners.
	Maximum exploitation of opportunities from business missions (eg Italian and Spanish trade delegations) reinforces European posts' work to promote New Zealand products (eg wine and food), and opportunities for business collaboration; significant benefits in industry organisations having face-to-face contact.	Valuable potential opportunities developed for joint ventures and business collaboration in sectors where Europe is world-leading (eg marine technology and processed food).
	Supported and enabled the deployment of Tourism New Zealand's Giant Rugby Ball in Paris and London, and associated state visits.	The two deployments obtained a combined print and broadcast media reach of over 60 million and raised the profile of New Zealand as a tourism destination and as the host of the Rugby World Cup in 2011.
UNPLANNED OUTCOME: GLOBAL ECONOMIC CRISIS	Used the Ministry's offshore network to obtain high-quality information on the global economic crisis not available from public sources, such as the views of influential officials and central bankers. Successful in having New Zealand-specific views accounted for in international processes initiated in response to the crisis, such as the G20 meetings and high-level UN meetings, and reform of international financial institutions.	Information ensured that the relationship between domestic policy and international trade and economic issues was well understood by agencies and Ministers in Wellington. Successful representation of New Zealand's views helped to ensure that changes to the international financial regulatory framework did not disadvantage New Zealand's economy.

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<p><b>PROVIDING MORE PROACTIVE, DEEPER ANALYTICAL ADVICE ON COMPLEX LEGAL, TRADE, ENVIRONMENTAL AND OTHER ISSUES RELATED TO FTA IMPLEMENTATION AND DISPUTES WITH TRADE PARTNERS</b></p>	<p>International legal advice to the Government ensured that NZTE and the Ministry of Agriculture and Forestry's (MAF) new industry development schemes, and New Zealand interventions in response to the global economic crisis (eg regarding provision of government financial guarantees, subsidisation programmes) were consistent with our international trade obligations and ensured New Zealand was on sound footing when responding to the actions of others (eg European Community and US dairy industry support measures).</p>	<p>Efforts to ensure the consistency of policy with New Zealand's international legal obligations allows the Government to achieve key economic policy goals with a reduced risk of future legal challenge and puts New Zealand in a strong position when it needs to respond to actions taken by others that are inconsistent with trade law.</p>
<p><b>HAS INCREASED MARKET INTELLIGENCE AND ASSISTANCE TO EXPORTERS, WORKING IN CONJUNCTION WITH OTHER GOVERNMENT AGENCIES, ESPECIALLY NZTE</b></p>	<p>Successfully responded to Minister's request to do more to support New Zealand companies in the trade finance/trade insurance area. Initiated and led a process that resulted in the establishment of a new facility (short-term trade credit insurance product) offered through the New Zealand Export Credit Office.</p> <p>New Zealand exporters responsive to and engaged in international discussion on sustainability issues (eg developing world leading sector methodologies for carbon footprinting under MAF's Greenhouse Gas Footprinting Strategy for the land-based primary sectors, and communicating sustainability credentials clearly to customers and constantly improving). Exporters engaged in the Sustainable Food Exports Group through regular meetings and/or as readers of market intelligence reports.</p>	<p>The trade credit insurance product is currently supporting \$288 million of exports that would otherwise not have been supported by private trade credit insurers or banks.</p> <p>New Zealand industry well positioned to respond to opportunities and challenges presented by the increasing focus on sustainability issues in the international market place.</p>
<p><b>HAS DEFENDED NEW ZEALAND POSITIONS ON FOOD MILES AND SUSTAINABILITY ISSUES ABROAD</b></p>	<p>Ministry lobbying contributed to securing New Zealand representation on the International Standards Organisation technical working group on product level carbon foot printing, and in the World Resources Institute/World Business Council for Sustainable Development process for developing standards for carbon footprinting.</p>	<p>Representation on these key standard-setting bodies will ensure New Zealand's unique position is reflected in the development of international standards for carbon footprinting, thereby supporting the development of transparent and science-based standards that can be used in preference to concepts, such as food miles, that are potentially damaging to New Zealand exports of primary products.</p>

## TRANSBOUNDARY SOLUTIONS AND EFFECTIVE INTERNATIONAL RULES PROMOTED

As a small independent country with limited resources, New Zealand has few possibilities to shape international developments on its own. It relies on international cooperation to achieve its goals, and benefits from a rules-based international system that binds all countries, as well as effective international organisations. Diplomacy is New Zealand's main tool for advancing its interests in this environment. In these settings the Ministry provides the internationally accepted formal channel of communications with other governments and with international organisations, and often leads a whole-of-government effort or delegation, or acts on behalf of another government department in representing New Zealand's views.

Achieving results in multilateral negotiations often takes many years as the concerns and interests of many different governments have to be accommodated. During the 2008/09 year, the Ministry made significant progress in pursuing New Zealand interests in international negotiations on climate change and whale conservation, and towards the establishment of a regional fisheries management organisation in the South Pacific. The Ministry was also actively engaged in developing New Zealand's capability to counter the proliferation of weapons of mass destruction through our active support for and participation in the Proliferation Security Initiative, the Global Initiative to Combat Nuclear Terrorism and the G8 Global Partnership.

## THE PRESSING NEED FOR ENFORCEABLE RULES AROUND RESOURCE DIPLOMACY

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry's priority set out in the 2008–11 SOI was to manage risk, secure opportunities and contribute to the evolving international rules around climate change and sustainability-based regimes for international resource management.

### PROGRESS MADE

INDICATORS FROM THE SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
EVIDENCE THE MINISTRY HAS PROMOTED EFFECTIVE INTERNATIONAL ARRANGEMENTS ON CLIMATE CHANGE FOR THE POST-2012 PERIOD WHILE ENSURING NEW ZEALAND'S INTERESTS ARE PROTECTED AND ADVANCED	New Zealand representations resulted in greater awareness by other countries of the challenges and opportunities of reducing agricultural greenhouse gas emissions.	Agricultural activities account for almost 50% of New Zealand's emissions. Raising the profile of agriculture opens the door for a more informed and effective international approach to agricultural emissions that could deliver positive outcomes for New Zealand.
	New Zealand included in small group negotiating processes within the international climate change treaties, and New Zealand proposals on key issues, such as forestry and the international carbon market, well represented in negotiating texts.	New Zealand remains well informed and positioned to advance and protect its interests in the international climate change negotiations, including improved international rules that better suit New Zealand's circumstances and allow us to more effectively and efficiently contribute to the global effort.
EVIDENCE THE MINISTRY HAS HELPED ACHIEVE AN EFFECTIVE INTERNATIONAL CONSENSUS ON THE CONSERVATION OF WHALES	New Zealand ideas and brokering helped to shape and progress the 'diplomatic process' on the future of the International Whaling Commission (IWC). New Zealand selected as facilitator of the next step in the process, which will ensure a strong influencing role.	A durable solution on the future of the IWC is aimed at decreasing the number of whales killed as well as reducing the risk of countries breaking away from the IWC and undertaking uncontrolled whaling.

INDICATORS FROM THE SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
<p><b>EVIDENCE THE MINISTRY HAS HELPED ACHIEVE AN EFFECTIVE INTERNATIONAL CONSENSUS ON THE CONSERVATION OF WHALES</b></p>	<p>Effective management of the whaling season which took place in New Zealand's search and rescue zone in the Southern Ocean over the 2008/09 summer.</p>	<p>Dialogue with Japan ensured New Zealanders' strong opposition to whaling in the Southern Ocean was clearly understood. Effective management of safety at sea issues (involving the Japanese whaling fleet and protest vessels in the Southern Ocean) helped to avoid escalation of incidents where there was a risk to human life or damage to the Antarctic environment.</p>
<p><b>EVIDENCE THE MINISTRY HAS PROTECTED AND ADVANCED NEW ZEALAND POSITIONS IN TARGETED INTERNATIONAL NEGOTIATIONS ON SUSTAINABILITY AND RESOURCE ISSUES</b></p>	<p>Active New Zealand diplomacy significantly advanced the negotiations to establish the South Pacific Regional Fisheries Management Organisation (SPRFMO).</p> <p>The Ministry coordinated a whole-of-government response to global concern about food security. New Zealand's advocacy of the role of freely functioning global food markets helped turn back and prevent the introduction of trade-distorting measures.</p>	<p>Once concluded, the SPRFMO will establish a regime to fill a governance gap in the management of non-highly migratory species of the South Pacific. The new regime will provide a clear basis for managing fishing just beyond the New Zealand Exclusive Economic Zone – which will assist in the regulation of New Zealand fishers and reduce the risk of over exploitation by distant water fishing nations.</p> <p>Agreements reached among the international community positively associate freely operating global markets, which allow access to New Zealand's primary produce exports, with efforts to tackle food insecurity.</p>
<p><b>THE ANTARCTIC TREATY SYSTEM REMAINS CREDIBLE, RELEVANT AND EFFECTIVE IN THE FACE OF ONGOING CHALLENGES TO ITS INTEGRITY</b></p>	<p>New Zealand delegation to the Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR), led by the Ministry, was successful in having the vessel Paloma V included on CCAMLR's blacklist of vessels involved in illegal, unreported and unregulated (IUU) fishing, on the basis of evidence obtained through an inspection of the vessel in the Port of Auckland.</p>	<p>Successfully combating IUU fishing for toothfish benefits authorised New Zealand fishers (their annual catch is worth \$20-\$30 million) and protects the Antarctic environment, in which New Zealanders take a strong interest.</p>
<p><b>SUCCESSFUL COMPLETION OF CONSIDERATION OF NEW ZEALAND'S SUBMISSION TO THE UN COMMISSION ON THE LIMITS OF THE CONTINENTAL SHELF</b></p>	<p>UN Commission on the Limits of the Continental Shelf confirmed New Zealand's rights over its extended continental shelf. The Commission recommended outer limits that are almost identical to those proposed by New Zealand in its submission, presented by an interagency team led by the Ministry</p>	<p>The Commission's decision confirms that New Zealand's continental shelf is around six times the total land area of New Zealand. New Zealand has exclusive sovereign rights over the natural resources (minerals, petroleum and sedentary species such as sponges) of the seabed in this area.</p>

## THE NEED FOR INCREASED ENGAGEMENT ON COUNTER-TERRORISM AND INTERNATIONAL SECURITY

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry's priority set out in the 2008–11 SOI was to strengthen New Zealand contributions to international peace and security, non-proliferation and counter-terrorism, export controls, and conflict resolution and peacekeeping initiatives.

### PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
NEW ZEALAND IS REGARDED AS A CREDIBLE AND EFFECTIVE CONTRIBUTOR TO INTERNATIONAL AND REGIONAL STABILITY EXERCISES AND EFFORTS, AND PLAYS A VALUABLE ROLE IN CONFLICT RESOLUTION AND PEACEKEEPING INITIATIVES	High-level engagement with the North Atlantic Treaty Organisation (NATO) in Brussels, and at Afghanistan ministerial meetings in Krakow and the Hague, and New Zealand contributions to NATO/European Union Police Mission (EUPOL) Afghanistan plans welcomed by International Security Assistance Force (ISAF) and EUPOL partners.	New Zealand interests in more coherent and effective Afghanistan missions have been reflected in updated strategies. Stabilisation and reconstruction of Afghanistan would reduce a major threat to global security.
	Counter-terrorism capability in Southeast Asia and the Pacific advanced through targeted New Zealand activities that have been welcomed by regional and other partners.	The risk of New Zealanders and New Zealand interests being affected by terrorism in our region is lessened.
	New Zealand's position on the humanitarian and political crisis in Zimbabwe is viewed as balanced and constructive by the international community. New Zealand's policy response has been closely coordinated with likeminded partners while preserving our relationship with key partners in Southern Africa. The effect of this concerted international effort is that there is now a national unity government in Zimbabwe, which includes the previous opposition Movement for Democratic Change (Zimbabwean political party), and the majority of political violence has ended, contributing to improved peace and security in the region.	New Zealand is viewed as a credible partner on Zimbabwe acting to uphold human rights principles.
NEW ZEALAND ENHANCES ITS REPUTATION AS A PRINCIPLED AND PROGRESSIVE INTERLOCUTOR ON NUCLEAR DISARMAMENT AND NON-PROLIFERATION, AND SUPPORTS INITIATIVES TO REINVIGORATE PROGRESS AND STRENGTHEN CONTROLS	New Zealand positions reflected in the outcomes of the successful Preparatory Committee meeting in May 2009 for next year's Nuclear Non-Proliferation Treaty (NPT) Review Conference.	The Nuclear Non-Proliferation Treaty (NPT) is the main international instrument for combating the proliferation of nuclear weapons and a key forum for progressing nuclear disarmament. A successful Review Conference will reduce the threat to global security caused by nuclear weapons.

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
NEW ZEALAND'S SUPPORT FOR INITIATIVES TO STOP THE ILLEGAL MOVEMENT OF WEAPONS OF MASS DESTRUCTION AND NEGOTIATE CONTROLS ON CONVENTIONAL WEAPONS SUCH AS CLUSTER MUNITIONS RESULT IN MORE EFFECTIVE INTERNATIONAL ARRANGEMENTS	New Zealand's capability to counter the proliferation of weapons of mass destruction, including their falling into the hands of terrorists, is enhanced through our active support for, and participation in, the Proliferation Security Initiative, the Global Initiative to Combat Nuclear Terrorism and the G8 Global Partnership. Regional partners also assisted to develop their capabilities.	The risk to New Zealand and our regional partners caused by the proliferation of weapons of mass destruction, including their falling into the hands of terrorists, is reduced.
	Facilitated the signature of and Government's ratification process for the Cluster Munitions Convention, including support for Parliament's international treaty examination process and preparation of draft implementing legislation.	Early New Zealand ratification of the Cluster Munitions Treaty would reinforce the leadership role New Zealand took during the negotiations, and facilitate the Treaty's early entry into force. Entry into force of the Cluster Munitions Treaty will reduce the unacceptable harm caused to civilians internationally by these weapons.

## THE RIGHTS OF NEW ZEALANDERS ABROAD PROTECTED

Protection of the rights of New Zealanders abroad is a continuous process. With more and more New Zealanders travelling overseas each year, the Ministry has adopted a proactive approach to improving the efficiency and responsiveness of its systems. In addition to the key achievements below, the Ministry continued to provide a range of consular services to New Zealanders overseas, from assistance in cases of death overseas, to the authentication of documents. The Ministry's major achievement in the 2008/09 financial year was responding to three concurrent consular crises in November 2008 – the Mumbai terrorist bombings, the shut-down of Bangkok International Airport, and the Air New Zealand plane crash in Perpignan, France.

### WHAT DID WE SET OUT TO ACHIEVE?

The Ministry's priority set out in the 2008–11 SOI was to improve our capability to respond to emergencies offshore, including through strengthening "at-risk" posts.

### PROGRESS MADE

INDICATORS FROM THE 2008–11 SOI	RESULTS ACHIEVED/PROGRESS MADE	IMPACT
EFFICIENT AND EFFECTIVE DELIVERY OF CONSULAR SERVICES TO NEW ZEALANDERS AROUND THE WORLD, INCLUDING BY "AT-RISK" POSTS, AS MEASURED THROUGH OUR DATA COLLECTION SYSTEMS.	Consular services provided to 1,914 New Zealanders in difficulty overseas.	New Zealanders in trouble overseas received practical assistance such as contact with their families, visited if in jail, repatriation, child custody, monitoring when in quarantine for swine flu, and assistance with immigration difficulties.
	Efficient and effective response provided for five emergencies including three occurring simultaneously last November: Mumbai terrorist bombings, protests in Thailand and the crash of an Air New Zealand aircraft in Perpignan, France. This proved a significant test for the Ministry's emergency response capability. These were internally assessed as well managed and provided valuable lessons on how to manage multiple crises.	New Zealanders informed about wellbeing of relatives and friends caught up in overseas emergencies. Assistance provided on the ground to individuals affected and to Air New Zealand.

## POVERTY ELIMINATED THROUGH DEVELOPMENT PARTNERSHIPS

### THE STRATEGIC OBJECTIVE OF NEW ZEALAND OFFICIAL DEVELOPMENT ASSISTANCE

In April 2009 the Government agreed a new mandate and policy focus for New Zealand's ODA. The strategic objective and mandate for New Zealand's ODA is:

*Sustainable development in developing countries, in order to reduce poverty and contribute to a more secure, equitable and prosperous world.*

Within this, there is

- > a core focus on sustainable economic development
- > a core focus on the Pacific.

The previous outcome was "poverty eliminated through development partnerships". NZAID pursued that outcome until April 2009 and is managing the transition to the new strategic objective. Performance indicators for the new objective were published in the Statement of Intent 2009–12 and will be formally reported on in the 2009/10 Annual Report. Some of these indicators have also been introduced into the 2008/09 Annual Report to provide context, baseline data and an indication of the direction NZAID began moving in during the second half of 2008/09.

### HIGHLIGHTS OF NZAID'S CONTRIBUTION TO DEVELOPMENT OUTCOMES

The New Zealand aid programme is contributing to development outcomes through its policy engagement, programmes and activities.

NZAID monitors high-level development indicators, particularly economic and trade targets and the Millennium Development Goals, for the Pacific and other partner countries. Progress is mixed. The global economic crisis is impacting negatively on all countries as demand, output and employment fall internationally, bring down living standards, and threaten poverty reduction gains of the past decades. Of New Zealand's partner countries, Papua New Guinea and Timor-Leste are particularly struggling to meet development objectives.

The New Zealand aid programme is making demonstrable progress towards many of the strategic objectives in its 33 programmes. Successful interventions range from effective technical assistance for a regional public health programme, to high-quality advice on broad-based national economic planning, to road construction with consequent economic benefits. However, progress is mixed. This is to be expected in a variable, high-risk environment, with many factors outside NZAID control.

The evidence for this contribution to outcomes can be seen from NZAID's programme management systems; evaluations of New Zealand ODA activities; and evaluations of partner-managed activities.

NZAID is open, reflective and identifying lessons to improve its own practice. Key lessons from the past year relate to how best to address context; activity planning and management; capacity building; and monitoring and evaluation.

### HOW NZAID MANAGES FOR OUTCOMES

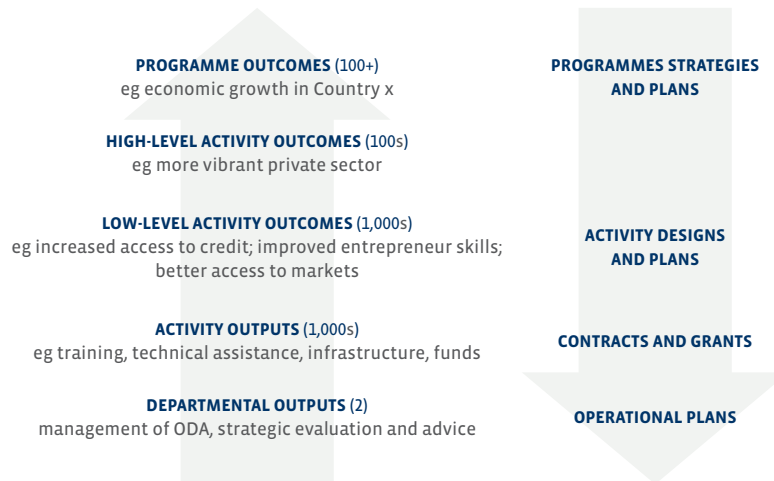
New Zealand's aid programme is funded through a single "Vote ODA", comprising four Crown appropriations, and appropriation for two departmental outputs. In administering the Crown appropriations, NZAID manages 33 programmes covering a range of countries and sectors. For each programme, there is a strategy or framework, usually covering a multi-year period, that sets out the development objectives relevant to the particular challenges and context. These strategies define in more detail the achievements that are intended for each programme.

Under each of the 33 programmes, more detailed outcomes and objectives are defined for individual ODA activities.<sup>1</sup> This Annual Report provides information on outcomes and value for money at both the programme and the activity level.

<sup>1</sup> NZAID uses the term "activity" to refer to an ODA package working towards defined outcomes with a specific budget and plan or design. Approval of funds occurs at the activity level. Activities may be projects, or other aid modalities such as "sector-wide approaches".

## ONE AGENCY OUTCOME

### SUSTAINABLE DEVELOPMENT IN DEVELOPING COUNTRIES



The relationship between achievements at the activity, programme and agency level is illustrated in the above diagram.

The next sections of this Annual Report refer to the indicators and measures specified for the ODA programme in the Statement of Intent 2008–11. In some cases, these indicators and measures have been supplemented with additional indicators from the Statement of Intent 2009–12.

## DEVELOPMENT PROGRESS IN THE REGION

### PROGRESS IN HIGH-LEVEL ECONOMIC INDICATORS

In common with countries throughout the world, New Zealand's partners are being hurt by the current global recession as demand, output and employment have fallen internationally. In the New Zealand aid programme's core focus area of the Pacific, the key points of pressure are expected from lower prices and reduced demand for commodity exports, pressure on tourism and falls in remittance flows. New Zealand's Pacific partners are experiencing lower economic growth, a worsening macroeconomic outlook, falling government revenues and increased poverty. Lower cash incomes for families means less money for food, for school fees and for essential health services, worsening health outcomes and children being withdrawn from school. Reduced government support for infrastructure is likely to constrain economic growth and employment and slow recovery. Women and children are particularly vulnerable as poverty increases.

Annual GDP per capita for our key partners in the Pacific ranges from US\$653 in Kiribati to US\$8,553 in the Cook Islands. Generally, Melanesia is much poorer than Polynesia. Economic growth has recently picked up in Melanesia, with Papua New Guinea, Vanuatu and Solomon Islands experiencing between 5 percent and 7 percent annual growth in recent years. Other key countries, particularly the Cook Islands, Fiji and Tonga, have experienced less growth. The economic crisis is now impacting negatively upon the whole region.

On latest data (which has many uncertainties and omissions), the balance of trade in goods and services for key Pacific partners ranges from a deficit of 52 percent of GDP for Tonga, to a surplus of 16 percent for Papua New Guinea. Fiji, Vanuatu, Solomon Islands and Samoa have deficits ranging from 11 percent to 26 percent of their GDP.

"Ease of doing business" is rated by the World Bank for 181 countries around the world. The ratings in the Pacific vary from 85th and 89th most difficult in the world (Papua New Guinea and Solomon Islands) to 39th and 43rd (Fiji and Tonga).

## PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS

In 2000, the international community, through the UN, endorsed a set of development targets to be achieved by 2015. These focused on halving poverty and a number of related goals. The targets are known as the Millennium Development Goals (MDGs). New Zealand is a signatory to these targets. While the MDGs are important indicators to track, NZAID has only a low level of attribution for their achievement, even in our own immediate region. The latest estimates of progress towards the MDGs in countries of particular importance to NZAID are reported below.<sup>2</sup>

### POLYNESIA

	COOK ISLANDS	NIUE	SAMOA	TONGA	TUVALU
MDG1: ERADICATE EXTREME POVERTY AND HUNGER	Of concern	Of concern	Off track	Of concern	Off track
MDG2: ACHIEVE UNIVERSAL PRIMARY EDUCATION	Of concern	On track	On track	On track	On track
MDG3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	Of concern	Of concern	On track	On track	Of concern
MDG4: REDUCE CHILD MORTALITY	Off track	Of concern	Of concern	Of concern	Off track
MDG5: IMPROVE MATERNAL HEALTH	No data available	No data available	On track	Off track	On track
MDG6: COMBAT MALARIA, HIV/AIDS AND TB	On track	On track	Of concern	On track	Of concern
MDG7: ENSURE ENVIRONMENTAL SUSTAINABILITY	On track	On track	On track	On track	Off track

### MELANESIA AND KIRIBATI

	FIJI	PAPUA NEW GUINEA	SOLOMON ISLANDS	VANUATU	KIRIBATI
MDG1: ERADICATE EXTREME POVERTY AND HUNGER	Off track	Off track	Of concern	On track	Of concern
MDG2: ACHIEVE UNIVERSAL PRIMARY EDUCATION	On track	Off track	Of concern	Off track	Of concern
MDG3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN	On track	Off track	Off track	On track	On track
MDG4: REDUCE CHILD MORTALITY	Off track	Off track	On track	On track	Off track
MDG5: IMPROVE MATERNAL HEALTH	Off track	Off track	On track	Off track	Off track
MDG6: COMBAT MALARIA, HIV/AIDS AND TB	Off track	Off track	Of concern	Of concern	Of concern
MDG7: ENSURE ENVIRONMENTAL SUSTAINABILITY	On track	Off track	Off track	Of concern	Off track

<sup>2</sup> Pacific island and Timor-Leste data come from the Australian Government's 2009 *Tracking Development and Governance in the Pacific* (<http://www.auseaid.gov.au>). The other Asian data (Indonesia, Viet Nam, Philippines, Cambodia, Lao PDR) come from the United Nations MDG monitor (<http://www.mdgmonitor.org>). Due to difficulties in data collection and international comparisons, the results are not always strictly comparable and should be considered as indicative rather than definitive. No data is available for Tokelau.

## ASIA

	INDONESIA	TIMOR-LESTE	VIET NAM	PHILIPPINES	CAMBODIA	LAO PDR
<b>MDG1: ERADICATE EXTREME POVERTY AND HUNGER</b>	Possible	Off track	Achieved	On track	Possible	Insufficient data
<b>MDG2: ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>	On track	Off track	On track	Possible	On track	On track
<b>MDG3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</b>	On track	Of concern	On track	On track	On track	Insufficient data
<b>MDG4: REDUCE CHILD MORTALITY</b>	On track	Off track	On track	On track	On track	On track
<b>MDG5: IMPROVE MATERNAL HEALTH</b>	Insufficient data	Off track	On track	Possible	Possible	On track
<b>MDG6: COMBAT MALARIA, HIV/AIDS AND TB</b>	Possible	Off track	Possible	On track	Achieved	Insufficient data
<b>MDG7: ENSURE ENVIRONMENTAL SUSTAINABILITY</b>	Possible	Off track	On track	On track	Insufficient data	Insufficient data

The reasons some countries in the Pacific, such as Papua New Guinea, Timor-Leste, Fiji, Kiribati, Tuvalu and Solomon Islands, have a high proportion of MDGs recorded as “off track” or “of concern” are complex.

While Papua New Guinea and Timor-Leste have achieved reasonable growth on the back of extractive industry exports, this economic growth is narrowly based and both countries face major hurdles translating the revenue into improved livelihood and wellbeing for the majority of their population. Geography can play a decisive role – for example, Papua New Guinea’s terrain makes transport difficult and expensive, hindering access to markets, delivery of services and effective state-building. In three of the countries mentioned above conflict, civil disturbances or coups d’état in recent decades have added to the structural political and economic constraints to development. Some commentators have also linked poor economic growth in these countries to poor indicators of government effectiveness.<sup>3</sup> Weak accountability mechanisms and high levels of corruption are major contributors to a lack of effective and transparent public expenditure and service delivery. Papua New Guinea faces particular challenges with relation to gender. The position of women may actually be worsening, with evidence of increasing maternal mortality, poor access to basic services, increasing HIV/AIDS infections, very weak political representation and possibly increasing gender violence.

Some commentators have argued that the MDG targets are disproportionately difficult for countries that started from a low base of income, education and health (such as Timor-Leste, Papua New Guinea and Solomon Islands).<sup>4</sup>

As well as facing strong challenges in meeting the MDGs, Papua New Guinea, Timor-Leste, Fiji and Solomon Islands are the four largest countries in the Pacific and Timor-Leste region; Papua New Guinea alone accounts for 75% of the population of the New Zealand aid programme’s Pacific partners. Overall, it is clear that a complex combination of historical, economic and political factors are in play, and significant efforts are needed from the relevant governments, populations, civil societies and donors if the development record is to be improved.

<sup>3</sup> Including AusAID (2009), *Tracking Development and Governance in the Pacific*, which is the source of most of the MDG data quoted above.

<sup>4</sup> For example, William Easterly (2007), “How the Millennium Development Goals are Unfair to Africa”, Brookings Institution *Global Working Papers* No. 13

## PROGRESS TOWARDS OUTCOMES IDENTIFIED IN NZAID PROGRAMME STRATEGIES

For each of the 33 programmes managed by NZAID, the managing staff conduct a standardised annual plan, mid-year stocktake and end-of-year report. This process links activity management objectives with policy engagement and, crucially, with the multi-year programme strategy that defines the development outcomes New Zealand is seeking. As a part of the new performance reporting framework that was introduced in 2008, the system is relatively new to NZAID and will be strengthened over time.

Development is a complex business, with risks and many factors outside the control of a relatively small donor agency such as NZAID. New Zealand is just one player contributing to development outcomes such as economic growth, better health and education services, and improved governance. To help identify challenges, lessons and areas needing attention, each programme's annual report includes ratings of the New Zealand aid programme's contribution to the outcomes in the programme's strategy. For 2008/09, of 109 strategic development objectives from the 33 programmes that were rated: 5 (5%) were rated "Excellent"; 63 (58%) were rated "Good"; 35 (32%) were rated "Adequate" and 6 (6%) rated "Unsatisfactory"<sup>5</sup>.

These figures should not be compared to targets or benchmarks. They are self-assessments against the strategic objectives set by the New Zealand Government in consultation with all relevant stakeholders, particularly partners. Rather than showing progress towards a notional target, the figures give an idea of the range of NZAID success and challenges in contribution to outcomes. The statistics should be read in conjunction with the examples below of development objectives that received each of the four different ratings.

NZAID's approach to measuring contribution to outcomes is to collect and analyse data that covers all programmes and activities in a comprehensive but summary fashion; and to complement this with the in-depth understanding that can only be gained by evaluations<sup>6</sup> of individual aid activities. Those evaluations are available from NZAID's website.

### EXAMPLE "EXCELLENT" PROGRESS TOWARDS DEVELOPMENT OBJECTIVES

NZAID ACTION	IMPACT
One of New Zealand's strategic objectives is to strengthen law and justice to support a safer Samoa. NZAID and other New Zealand government agencies support the Ministry of Justice and Courts Administration to achieve this. Funding is provided for expert technical assistance; training; study tours, attachments and exchanges; and improvement and provision of facilities, equipment and vehicles.	Monitoring suggests assistance has contributed significantly to probation service professionalism, the introduction of community-based justice supervisors, a notably stronger client focus, reduction in pending trials and significantly improved service deliver. Collection of fines and clearing of outstanding warrants have both increased.

NZAID ACTION	IMPACT
One of the objectives of NZAID's Pacific regional growth programme is to assist governments in the development of broad-based national economic policies and strategies. The main contribution of the programme to this objective is support for the Pacific Financial Technical Assistance Centre (PFTAC), in coordination with other donors including the International Monetary Fund, Australia and the Asian Development Bank. PFTAC provides experts who advise and train Pacific Island countries on public financial management, revenue administration, financial sector supervision and statistics assistance.	An independent review found that PFTAC delivered high-quality, effective, efficient and appropriate services to the region. It is widely considered to be one of the most effective regional organisations. The two most frequently cited factors contributing to PFTAC's success were its location in the region and the high quality of its expertise. Other factors included its responsiveness to government priorities, consistent engagement over a period of years, personal relationships built up with its clients, knowledge of its client countries and good coordination.

<sup>5</sup> Definitions of the ratings are available from NZAID.

<sup>6</sup> Including both reviews and evaluations, under the definitions in NZAID's evaluation policy.

### EXAMPLE “GOOD” PROGRESS TOWARDS DEVELOPMENT OBJECTIVES

NZAID ACTION	IMPACT
<p>One of the New Zealand aid programme’s objectives in the Solomon Islands is to achieve universal primary education for all by 2015. NZAID is supporting the Ministry of Education and Human Resources Development to improve service delivery. NZAID assistance has a particular focus on school infrastructure, school grants for maintenance and teaching resources, teacher training and curriculum development. NZAID has contributed to the revision of syllabuses for all years, 166 double class rooms and storage units, and distribution of learning resources to schools ahead of schedule. NZAID also provides scholarship and training awards.</p>	<p>Primary and junior secondary enrolment is increasing, both in percentages and absolute numbers. From 2007 to 2008, primary net enrolment increased from 91% to 94% for girls and from 93% to 95% for boys. The number of teachers has increased by over 300. Over 71% of schools now have libraries (an increase of 10% since 2006). NZAID funding saw 237 teachers graduate from an in-service course for unqualified teachers. An improved school grants delivery process saw 96% of schools receive grants for the first half of 2009 under a new fee-free policy introduced by the Solomon Islands Government, partially funded by NZAID. In 2008/09, 14 tertiary scholars graduated and more than 20 continued studies.</p>
<p>New Zealand aims to help Tonga peacefully introduce broadly supported political reforms and secure more participatory decision-making. In 2008/09, NZAID provided support for the Constitutional and Electoral Commission (CEC); roll-out of a civic education scheme; a youth diversion scheme (following the 2006 riots); and the Tonga Police Development Programme.</p>	<p>New Zealand’s support for the CEC was identified as “pivotal”; and the civic education scheme contributed to wider public participation (eg submissions to inquiries) in governance issues. An independent assessment of the youth diversion scheme funded by NZAID concluded that the scheme was an effective tool for responding to youth in conflict with the law, relieving pressure on a backlogged criminal justice system. Public confidence in the police is reported to be increasing as a result of a focus on community policing with New Zealand support.</p>
<p>One of New Zealand’s aims in Tuvalu is to assist financial management and fiscal stability. This is done through ongoing expert financial advice for the Tuvalu Trust Fund (TTF) and incentives payments for the Government of Tuvalu to meet performance benchmarks. New Zealand made a one-off budget support payment of NZ\$4.4 million in December 2008 into the TTF Consolidated Investment Fund to assist financial stability.</p>	<p>Tuvalu achieved benchmarks relating to a balanced budget, increase in primary health care and basic education expenditure and debt as a percentage of GDP. This triggered an incentive payment of NZ\$204,000 to the Tuvalu budget.</p>
<p>One of New Zealand’s strategic objectives in Vanuatu is to increase economic growth and strengthen livelihoods, particularly in rural areas. To support this NZAID is constructing roads on the islands of Efate and Espiritu Santo; and providing advice and training in a range of relevant areas including shipping, trade negotiation and agricultural extensions.</p>	<p>The Vanuatu economy remains strong despite the global economic crisis and low commodity prices. There is some evidence of a positive contribution to change by the New Zealand aid programme. The road project has reduced travel time from North Efate to Port Vila, and is employing local labour and linking communities to markets. The Vanuatu Government has begun reorganising the safety and regulatory structure for domestic shipping in response to recommendations in an NZAID study. Rural training centres and women’s producer groups have received locally adapted agricultural extension services. At a micro scale, 74 youths have found employment due to skills gained at an NZAID-supported youth centre.</p>

NZAID ACTION	IMPACT
<p>New Zealand aims to reduce poverty and promote livelihoods in Burma. However, opportunities to enhance sustainable livelihoods in Burma continue to be limited due to restrictions imposed by the current regime. One million dollars of support was made available for ongoing humanitarian relief and the promotion of rural livelihoods in Burma from 2008/09. Assistance included relief food distribution, support to primary education, mother and child nutrition support, early child development and community infrastructure activities.</p>	<p>Given the constraints, progress has been good. NZAID funding is enabling a UNDP community development programme to reach approximately 30,000 beneficiaries in 50 villages in remote areas, with tangible impacts on economic livelihoods.</p> <p>In a humanitarian response following Cyclone Nargis in May 2008, the World Food Programme provided emergency food relief and community development support to 980,000 vulnerable persons (the New Zealand contribution amounted to approximately 1.5% of funds).</p>

### EXAMPLE "ADEQUATE" PROGRESS TOWARDS DEVELOPMENT OBJECTIVES

NZAID ACTION	IMPACT
<p>In the Papua New Guinea health sector, NZAID is pursuing an objective of improved service delivery, particularly for women and girls. NZAID has been advocating for, and offered to support, health centre funding trials and provides international experts, as well as funding for provincial and/or district health services; support for the UN Population Fund's reproductive health programme; and a programme to improve midwifery training.</p>	<p>Data availability is poor and it will be some years before there is clear evidence of outcomes from current NZAID activities. Despite efforts from the government, donors and Papua New Guinea civil society, it seems likely that health indicators are worsening. However, there are improvements in the donor-supported health sector improvement programme and encouraging moves towards improving funding to clinics. There are promising signs that assistance may lead to positive results – for example, field work has been completed for health centre funding trials.</p>

NZAID ACTION	IMPACT
<p>In Viet Nam, New Zealand aims to improve the quality of early childhood and primary education, especially for the poor. In 2008/09 NZAID contributed \$1.6 million towards the implementation of the government's Education for All Plan, and continued implementation of the Early Childhood Care and Education project in Binh Dinh Province. The year also saw progress on the design of a new three-year project to improve learning opportunities and quality of early childhood education for ethnic minority and poor children in Gia Lai province.</p>	<p>Funding by the Government of Viet Nam for primary education is increasing, partly as a result of ongoing dialogue with and support from development partners including New Zealand. There is evidence that primary education outcomes are improving (increasing enrolment; decreasing dropout rates; increasing completion rates). Viet Nam is rated 79th out of 129 countries for achieving the Education for All goals. However, indicators are not as satisfactory in poor, minority and remote communities.</p>

### EXAMPLE "UNSATISFACTORY" PROGRESS TOWARDS A DEVELOPMENT OBJECTIVE

NZAID ACTION	IMPACT
<p>New Zealand had identified supporting Niue to maintain and develop its language, culture and heritage as a priority for the aid programme. Significant efforts went towards discussion regarding Taoga Niue, but it was not possible to develop concrete proposals and designs for ODA activities. The priority of this strategic objective is now being reconsidered.</p>	<p>NZAID support has allowed the development of a school curriculum in Niuean, but further progress in this area appears unlikely.</p>

### ACTIVITY-LEVEL RESULTS

The examples below do not claim to show that all aid achieves the desired objectives. Instead, they illustrate how NZAID manages towards the best outcomes possible in difficult environments, and draws on the information available to make the best possible resource allocation decisions. Activity evaluation reports are available from the NZAID website.

NZAID ACTION	IMPACT
<p>While remittances from working in wealthy countries, including New Zealand and Australia, are hugely economically significant for Pacific Island countries, transferring money back to the Pacific Islands can be a costly business. Through its Government Agencies Fund, NZAID helped fund a project coordinator to work across the New Zealand government and private sector to identify constraints towards lowering costs. As a result, a regulation was approved in late September 2008 that makes it possible for the financial sector to offer more efficient and effective products. A second phase of work is now focusing on financial education and awareness-raising programmes. To complement this, NZAID is co-funding with AusAID a website to increase awareness of the money transfer options.</p>	<p>Westpac introduced a new low-cost “remittance card” as a result of the September 2008 regulatory changes driven by the project. The remittance card won the <i>Sunday Star Times</i> award for best new product in its annual survey of New Zealand banks. The card won because “it is designed to meet the needs of people often overlooked by the financial sector... to break the stranglehold of exorbitant money transfer schemes that clip the ticket every time people send money back to families in the Pacific Islands, which often puts food on tables or helps rebuild after tropical storms.”</p>
<p>Tobacco smoking is widespread in the Pacific. A number of countries in the Pacific region have embarked on an ambitious and well-targeted tobacco control programme. NZAID provided technical assistance in the form of Wellington-based advisory support for national decision-makers. The target groups were youth, pregnant women and adult males.</p>	<p>An evaluation found that this was “the right intervention at the right time”, and that implementation was efficient and effective. Medium-to long-term beneficial health and social impacts can be expected from the intervention. The project was a success because of the high-quality technical inputs; focused support; responsiveness to partner country needs; mentoring of “champions”; and appropriate support for community advocacy groups.</p>
<p>NZAID provided funding for 83 Tongan officials’ participation in the Massey University Institute of Executive Development Diploma in Public Sector Management (DipPSM), in Tonga, from 1998 to 2007. The main purpose was to give public sector managers in Tonga an opportunity to participate in an academically rigorous and practically oriented programme of public sector management development.</p>	<p>Massey University performed well. Material and modules were well suited to Tonga, and the in-country mechanisms were well designed and appropriate for the needs of the Tongan public sector.</p> <p>The evaluation concluded that the DipPSM had a big impact on participants and improved their individual performance, but the overall impact on the public sector was not as substantial. This confirmed NZAID’s decision to not renew funding for the programme. The evaluation provided valuable learning for training needs in the public sector in Tonga and more broadly.</p>

NZAID ACTION	IMPACT
<p>Since 2006, NZAID has funded “twinning” links between the University of Waikato and the Solomon Islands School of Education. The activity enhances the quality of pre-service and in-service teacher education. The purpose of the programme is to provide Solomon Islands children in pre-school and schools with high-quality teaching and learning opportunities through strengthening the delivery of teacher education at the School of Education.</p>	<p>A mid-term review found the work of the activity to be “Impressive”, most notably in:</p> <ul style="list-style-type: none"> <li>&gt; development and delivery of the Teacher-in-Training programme</li> <li>&gt; design of the new Diploma structures</li> <li>&gt; policy work on benchmarking</li> <li>&gt; support on management roles and structures.</li> </ul> <p>However, the review identified a need to strengthen links with the bigger strategic picture, so that developments in the School of Education are aligned to priorities of the wider education sector. These findings are informing NZAID’s consideration of how best to design future support for the School of Education and the education sector more broadly.</p>

In 2009/10, NZAID will implement a new system to collect improved data on effectiveness, efficiency and outcomes from completed activities. This system was developed during 2008/09 but has not yet been finalised.

### IMPACTS FROM THIRD PARTIES

In 2008/09, \$156 million, or 34% of ODA, was directed through organisational support or strategic partnerships with third parties, using contracting mechanisms such as core funding. The biggest recipients are multilateral institutions such as the World Bank, Asian Development Bank, UNDP and World Food Programme. NZAID’s Multilateral Engagement Strategy is available on the NZAID website. Other examples of strategic partnership include support delivered through New Zealand non-governmental organisations (NGOs).

In such cases, NZAID does not directly manage development activities “on the ground”, or seek to identify specific “New Zealand-funded” niches. That would be inefficient and lead to problems for accountability and responsibility. Instead, NZAID participates in the strategic priority setting, annual planning, budget setting and review processes of these organisations, through board membership and regular discussions.

The examples below, taken from independent evaluations, highlight some of the results achieved by agencies that receive organisational support or strategic partnership funding from NZAID. Further examples are available from the websites of most of NZAID’s strategic partners. NZAID is engaged in ongoing dialogue to improve the monitoring and evaluation, including transparent reporting of independent evaluations, of its significant partners.

#### UN OFFICE OF COORDINATION OF HUMANITARIAN AFFAIRS – RESPONSE TO CYCLONE NARGIS

Cyclone Nargis, which struck Burma on 2 and 3 May 2008, was the worst natural disaster in the recorded history of Burma, and globally the third deadliest storm ever recorded. The official death toll was more than 80,000, and 2.4 million people were reported to be severely affected. New Zealand provided humanitarian assistance for the people of Burma through NGOs and UN agencies, but a number of NZAID's core-funded partners were also involved in providing emergency assistance. One of these was the UN Office for the Coordination of Humanitarian Affairs (OCHA), which is identified as a high-priority partner in NZAID's multilateral engagement framework. OCHA received NZ\$6 million of New Zealand aid programme funds in 2008/09 for its work to mobilise and coordinate effective and principled humanitarian action around the world.

An inter-agency real-time evaluation undertaken in October 2008 analysed the response of OCHA and the international community to cyclone Nargis. The evidence points to a relatively good overall humanitarian response, given what was reasonably possible under the logistical, material and access constraints. Provision of food, shelter, health care and other immediate needs was extensive. However, the evaluation argued that the international community can only take partial credit for this as there was largely a national response, led by national organisations, individuals and national staff of international organisations.

The evaluation identified three focus areas in the next phase of assistance: community consultation, disaster risk reduction and restoration of livelihoods.

Source: *Inter-Agency Real Time Evaluation of the Response to Cyclone Nargis*, UNOCHA, December 2008

#### ASIAN DEVELOPMENT BANK – TRANSPORT IN SOUTH-EAST ASIA

Asian Development Bank (ADB) funding for the transport sector in the Greater Mekong Subregion reached US\$3.3 billion by 2008. Support ranged from provision of financing for physical infrastructure and for “software” such as the development of cross-border agreements and trade facilitation.

An evaluation by the ADB Operations Evaluation Department rated ADB's assistance for the transport sector “effective”, mainly due to the growth in national traffic. Travel time on the completed project has been reduced by 50% after road improvement. National traffic has increased significantly with high domestic and international economic activity; ranging from trade flows to new industries developing along roads.

The assistance for transport and trade facilitation was rated “efficient”. Traffic surveys conducted along ADB-assisted roads in Cambodia, Lao PDR, and Viet Nam enabled updating of the economic analyses conducted at project completion, with economic internal rate of return around 12%.

Overall, the combined impact of ADB assistance for the transport and trade facilitation sectors was rated “substantial”.

Source: *Transport and Trade Facilitation in the Greater Mekong Subregion – Time to Shift Gears* ADB OED, December 2008

## LESSONS LEARNED AND EMERGING THEMES

NZAID strives to be a learning organisation, reflect on its experience and translate lessons into future management action. External stakeholders such as development professionals, NGOs and academics have also expressed interest in regular reporting on NZAID's "lessons learned". A synthesis study undertaken of NZAID-commissioned evaluations in 2008 identified the following themes and issues of interest that arose in a number of evaluative reports.

### CONTEXT AND RISK

Evaluations undertaken in 2008 revealed a large variety of ways in which people, situations and events impact on activities' progress and the sustainability of results. Addressing external contextual factors and risks is complex. However, not doing so adequately increases the likelihood of poor programme performance and failure to achieve expected outcomes. Dealing adequately with context requires:

- > access to appropriate country and technical expertise
- > identification of both external and internal risks at the planning stage when there is time to build mitigation into activity designs
- > a monitoring and evaluation plan that includes coverage of factors outside NZAID's control
- > systems and ability to take decisions and action when issues arise
- > commitment of partners to address critical emerging issues.

### ACTIVITY PLANNING AND DESIGN

Evaluations undertaken in 2008 identified a number of issues related to planning and design of activities. There can be tension between two important needs: on the one hand, for more thorough and detailed design than is sometimes the case; on the other, a need for quick responses and action. At a minimum, planning needs to identify the most obvious issues likely to occur during implementation and design around them. Insufficient planning can lead to ad hoc rather than strategic interventions, mixed expectations, unclear objectives, inefficiencies and the wrong inputs.

### ACTIVITY MANAGEMENT

Evaluations undertaken in 2008 identified four themes relating to activity management that need careful handling:

- > Managing personnel changes within project teams
- > Ensuring project coordinating committees, if used to give different stakeholders and partners a voice in governance of an aid project, have clear roles and operate effectively
- > Coordination within NZAID, particularly when different programmes (eg regional and bilateral programmes) are working on similar issues
- > Communication with, and engagement of, influential stakeholders.

### CAPACITY BUILDING

Evaluations undertaken in 2008 identified capacity building, organisational development, institutional strengthening or training as a feature of most New Zealand aid programme activities. The issues involved are complex and involve individuals, organisations and institutions, and the linkages between them. Successful capacity-building needs to address wider issues of capacity – not just training for individuals, but a strategic approach to organisations and institutions more broadly. Training alone is not effective. Realistic time frames, perhaps with longer term but less intensive use of resources such as advisers and on-the-job training, are needed. Relationship-building is key. NZAID is attempting to build better understanding about the factors that promote or inhibit capacity-building.

### MONITORING AND EVALUATION

As in previous years, evaluations undertaken in 2008 identified monitoring and evaluation as an area needing improvement for a number of aid activities. Sub-optimal monitoring systems not only make it difficult for evaluations to identify outcomes, they can challenge day-to-day management of activities and of the NZAID programme as a whole. NZAID is fully seized of the importance of this issue and is investing significantly in improved guidance, training, and advisory capacity on monitoring and evaluation at the activity level.

# Organisational Health and Capability

During the past year, the Ministry made substantial progress on its management priorities for 2008/09 as set out in its 2008–11 Statement of Intent, particularly in the areas of human resources, information technology, property, communications strategy and knowledge management. Achievements against the priorities in these areas are outlined below.

## CAPABILITY

Achieving the principal foreign and trade policy, development and consular outcomes sought by the Government, and influencing the international environment to take account of New Zealand's positions and interests, requires a diplomatic organisation that has professional, dedicated staff. The Ministry's staffing requires expertise in specialist areas such as international law, trade policy and trade disputes, international negotiations, security issues, development and consular services. It must be present in the right locations and be supported by fit-for-purpose infrastructure and systems. It also needs well-directed whole-of-government coordination mechanisms to leverage opportunities, reduce risks and exploit synergies of all New Zealand agencies' efforts offshore.

The Ministry's corporate services units provide the infrastructure, and manage and support the people, networks, systems and assets that enable the Ministry to conduct its core business.

Following an in-depth review in August 2007, which identified significant gaps in the Ministry's ability to respond to major international challenges facing New Zealand, the Government agreed in the 2008 budget on a five-year capability funding increase for the Ministry. The additional resources provided for both an increase in capability in key areas which are pivotal to the Government's security and prosperity priorities, and to maintain existing Ministry capability against cost increases. The capability package was designed to be implemented over three phases. However, as a result of new government policies and tight fiscal constraints in the 2009 Budget, the package was significantly reduced, but allowed for phase one to be completed over two years with tighter focus on supporting economic diplomacy and diplomacy in the Pacific and Asia.

The deployment of the first phase of the capability package was coordinated by a dedicated unit in conjunction with existing policy and corporate divisions. The unit used standard project and risk management procedures and reported to a senior management steering committee to ensure effective cross-Ministry coordination.

In the 2008/09 financial year 114 new positions were created – diplomatic, corporate service and specialist – to reinforce New Zealand's diplomatic capability in the Pacific and Asia, and in trade and economic diplomacy and trade law areas especially. Both Asia and Pacific Divisions received additional resources and non-rotational specialists were added to Trade Negotiations and Trade Law units to deepen expertise. Two new posts were opened (Stockholm and Brisbane) and an MFAT diplomatic presence was added to the Consulate-General in Melbourne. Offshore positions were added to posts in the Pacific, Asia and Europe and some small posts were upgraded to three seconded staff.

The capability funding also supported the further implementation of the Information and Communications Technology (ICT) strategy and the Knowledge Management Strategy, and increases to Ministry-managed funds.

As part of ongoing risk management, the Ministry's senior management group also approved several internal reviews of selected policy, capability and sensitive expenditure risks. These included reviews of corporate services staffing capability, representational expenditure at posts, hospitality expenditure in head office, and management of the Ministry's contestable funds. These reviews have enabled the Ministry to ensure that expenditure effectively advances New Zealand's interests on and offshore, and that underpinning management and accountability processes are best practice. Review outcomes are now being implemented.

The Ministry's monitoring and evaluation systems continued to function very well throughout the year. Senior management was pleased with the quality of objective feedback recorded by reviewing units in the annual evaluations exercise. This provided valuable information on trends, opportunities, lessons and risks across the organisation.

## HUMAN RESOURCES STRATEGY

During 2008/09, the Ministry fully complied with its human resources policies and guidelines.

The Ministry continued to focus on ensuring a sustainable career-based organisation, at the same time managing the largest growth in staff numbers in its history and the opening of three new posts offshore.

Integrating such a large number of new staff (114) into the organisation was a significant challenge but was completed successfully. Despite a tight labour market, particularly for experienced policy analysts, the Ministry continued to receive a high level of interest in policy officer positions from quality graduates and mid-career applicants. The tight labour market prior to the economic crisis in late 2008 placed pressure upon the Ministry's ability to recruit high-quality staff in the corporate services and specialist areas and to retain specialist skills – these pressures have eased slightly since September. Growth in the Ministry's business offshore saw a significant increase in the number of staff posted offshore in 2008 and resulting transfers activity, coordinated with some external providers, for staff and families.

Staff retention within the Ministry has remained high and, in particular, in the foreign policy officer and corporate services job families where staff turn-over has been very low by public sector standards. In late 2008, the Ministry completed the first phase of a study to address career development and opportunities for corporate services staff, as well as the need for specialisation of some roles. The Ministry is currently analysing the results of the study with a view to developing a corporate services/management structure that meets its business needs offshore and in Wellington, while also providing a rewarding career for staff.

The Ministry's performance management system continues to operate smoothly. During the course of 2008 incremental changes were made to the efficiency of the system, including updating the IT platform to ensure a more stable IT framework. The Ministry operates a robust remuneration policy in line with the Government's expectations of fiscal responsibility, supported by the Ministry's performance management framework.

Work-life balance is supported in the workplace and the principle that all managers lead by example is actively advanced. The Ministry recognises that achieving a positive work-life balance is a shared responsibility and continually empowers managers and staff to develop solutions that meet both organisational and personal needs. A comprehensive suite of policies to support employee wellbeing in the workplace is also in place.

Refinements to the Human Resources Information System continued, with changes made for Kiwisaver and tax. A review was undertaken of the Ministry's overseas remuneration to ensure that the Ministry's application under the widely used, standards-based Employment Conditions Abroad system meets the Ministry's needs. The outcome from the review will be implemented during 2009/10.

The Ministry has concluded negotiations for its Collective Employment Agreement with the two staff unions. The new Collective Agreement is expected to proceed to ratification by the end of 2009.

## LEARNING AND DEVELOPMENT

The Ministry's learning and development strategy provides clear links to key business objectives in the Ministry's Statement of Intent.

Pre-posting training has been improved for managers at overseas posts, focusing on financial management, human resources management, project management, security and consular responsibilities. A wide range of other foreign policy, trade policy, foreign language and skills development training has been provided to staff. The induction programme for new staff was further enhanced and in 2008/09 two programmes were run to address the needs of the significantly increased recruitment.

In early 2009, the Ministry recognised the need to conduct a strategic review of its learning and development function to ensure that the long-term learning and development needs of the business were adequately addressed. The review is to be undertaken in the second half of the 2009/10 year.

## EQUAL EMPLOYMENT OPPORTUNITIES

The Ministry places strong emphasis on fostering a diverse workplace and inclusive culture. In representing New Zealand, it is important for the Ministry to have an internal culture that respects and reflects the diversity of New Zealand and its society. The Ministry is committed to the principle and practice of equality. The Ministry bases appointments on merit, while recognising the employment aspirations of Māori, Pacific Island, ethnic and minority groups, women and people with disabilities. The Ministry is continuously working towards promoting and fostering equality and diversity in our workplace. Support is also provided to four staff networks: Te Pou Māori, Pacific Island Network, Gay and Lesbian Network and Ethnic People's Network.

Following the release of the State Services Commission's *Equality and Diversity: New Zealand Public Service Equal Employment Opportunities Policy* in 2008, the Ministry has been working closely with the staff networks to develop a new Equality and Diversity policy and plan.

As part of its commitment to equal employment opportunities, the Ministry continues to review the objectives of its Disability Strategy in accordance with the guidelines promulgated by the Office for Disability Issues.

Work has also been ongoing to negotiate with other governments on reciprocal employment arrangements for partners of diplomatic officers, and to develop policies to support staff mobility to the overseas service.

### INFORMATION AND COMMUNICATIONS TECHNOLOGY

This year saw the first major deliverables of the 2006 ICT Strategic Plan come on stream. These included:

- > secure mobile computing and communications for the first time, improving productivity by providing staff with access to classified emails and schedulers anywhere in the world and anytime. This new technology facilitated the establishment of a new, low-cost "Restricted Post" model employed for the first time in Stockholm, Brisbane and Melbourne. It was also used to provide cost-effective secure communications at international meetings held in locations where New Zealand does not have a presence, eg APEC meetings held in Peru
- > access to the internet from a secure environment for the first time, enabling staff to access the internet from the desktop more efficiently, and allowing the number of internet booths to be reduced
- > deployment of global 'interim' intranet enabling all staff, regardless of location, to view a single source of internal news, communications and corporate policies and procedures
- > introduction of compression technologies on the global network, effectively doubling capacity at little extra cost
- > a decision to implement satellite communications in the Pacific that will deliver significant extra capacity at little extra cost
- > a major refurbishment of the Wellington server room delivering a more stable environment for the server infrastructure, additional power and cost savings by reducing the number of servers by 17 through virtualisation.

These deliverables are significant as they represent major progress towards delivering open systems, and the benefits that come with that, from within a secure environment. This work has required innovative solutions to very difficult challenges, close liaison with the Government Communications Security Bureau and effective risk management. Not only do these initiatives provide a platform to improve the cost effectiveness of the Ministry, they also allow increased collaborative capability among the Ministry and other New Zealand government agencies collocated at overseas posts.

### PROPERTY

The Ministry manages 298 properties located across 52 cities. The properties owned by the Ministry were revalued up by \$110 million to \$354 million during the year. The next valuation is due in October 2011. The approved three-year (2006–09) property strategy continues to inform planning and management of the portfolio and the review for the 2010–13 update commenced. The adopted 15-year planning horizon continues to inform long-range planning of leases and major projects.

An active programme of capital works, asset planning, property maintenance and vehicle fleet management is carried out each year. This year's capital programme included major fit-out and relocation projects in Jakarta and London; major construction projects of purpose-built Chanceries in Pretoria and Dili; advanced planning for new premises in Honiara, Ankara, Brussels and Seoul; and the investigation of long-term options in Beijing.

Building Surveys (condition reports for plant, services, and structures) were completed for government-owned Residences in Singapore, London, Ottawa, Seoul, Brussels and The Hague to assist in development of Asset Management Plans (10-year capital and maintenance planning).

During 2008/09, the Ministry's overall staff numbers increased, due to the rollout of year one of the five-year 2008 Capability Package and the growth in the ODA programme administered by NZAID. The Ministry successfully accommodated additional staff within existing accommodation and through the leasing of space in a neighbouring building.

The Ministry continued to implement its security policies and programmes in Wellington and at all posts in line with the security strategy.

## PUBLIC DIPLOMACY AND OUTREACH

In September 2008, the Information and Public Affairs Division was disestablished and two new units were created: Public Diplomacy and Outreach (PDO) and Knowledge Services Division (KSD). PDO's purpose is to enable the Ministry to be more strategic in its presentation of New Zealand's priorities externally to key audiences and opinion-makers outside the normal diplomatic sector in countries of importance to New Zealand. PDO also has a focus on enhancing the Ministry's engagement with domestic stakeholders in New Zealand, and on improving the Ministry's internal communications function.

Since its establishment, PDO has revised the communications planning process to link unit level messages and communications activities more closely to the Ministry's strategic goals. It has also established a Public Diplomacy Fund to fund activities undertaken by New Zealand diplomatic missions which will inform, build relationships with, and persuade foreign publics about New Zealand's foreign policy goals, international role and values; and project an image of New Zealand as a dynamic, innovative, sophisticated and high-achieving nation.

The main Ministry website ([www.mfat.govt.nz](http://www.mfat.govt.nz)) continues to be upgraded, and a redevelopment of the posts website ([www.embassy.com](http://www.embassy.com)), including a new content management system, is underway. In July 2008 the [nzpsi.govt.nz](http://nzpsi.govt.nz) website was published jointly with New Zealand Customs, to provide information on New Zealand's participation in the Proliferation Security Initiative and on Exercise Maru. A website to support the AANZFTA was launched in February 2009 ([www.asean.fta.govt.nz](http://www.asean.fta.govt.nz)).

## KNOWLEDGE MANAGEMENT

Senior management approved a Knowledge Management Strategy in December 2008 and work on its implementation began in early 2009. The new division, KSD, is leading the implementation process and defining the programme of knowledge management projects that fall out of the strategy. The division also inherited from the former Information and Public Affairs Division responsibility for ongoing records and information management services. KSD gives the Ministry the capability to put in place ways to create, access and retrieve its information and knowledge to make it easier to deliver policy objectives.

The Knowledge Management Strategy identified five broad streams of work: "managing our information better", "valuing knowledge", "improving and standardising business processes", "change management" and "governance". In the first half of 2009, the focus has been on developing a coherent programme of projects within each of these streams of work that will deliver the objectives of the strategy while at the same time moving more quickly to deliver some visible and immediate benefits of the strategy.

Key foundation projects are the development of an Information Management Framework to provide information structures that will sit behind all the information produced by the Ministry in whatever format, and enable it to be easily searched and found; redevelopment of the Intranet to provide a more flexible and user-driven environment for knowledge management related activities; and the development of standard approaches to the standardisation of business processes and to the establishment of Communities of Practice. Engaging Ministry staff in the activities is also a key area of focus, given the importance of that engagement to the success of the work.

## NZAID'S HEALTH AND CAPABILITY

### THE HIGHLIGHT RESULTS ON NZAID'S HEALTH AND CAPABILITY

NZAID is in a good position to implement the demanding agenda of the New Zealand Government for the aid programme including the new focus on sustainable economic development, core focus on the Pacific, and sharpened focus on development effectiveness and aid efficiency.

The management priorities identified in the 2008–11 Statement of Intent were implemented effectively in 2008/09. The Control Environment Strengthening Programme reached near-completion and NZAID is seeing the resulting improvements in its audit ratings.

2008/09 saw the completion of the Organisational Development Framework which identified steps forward for more effective aid, strengthened management for results, more connectedness, and continuous learning and improvement. The Organisational Development Framework has been put on hold while a review of organisational arrangements with the wider Ministry is assessed.

Feedback from partners has been positive and constructive.

The Statement of Service Performance (later chapter) identifies areas where further work is required – timeliness of response to Ministerial correspondence and ensuring programme strategies are up to date. These matters are receiving urgent management attention and will see improvements in 2009/10.

The table below reports on implementation of the medium-term management priorities set out in the 2008–11 Statement of Intent. NZAID's current management priorities, including implementation of the agenda of the new Government, are set out in the 2009–12 Statement of Intent and will be reported on in the 2009/10 Annual Report.

MEDIUM-TERM MANAGEMENT PRIORITIES FROM THE 2008–11 STATEMENT OF INTENT	PROGRESS IN 2008/09
Finalising an Organisational Development Framework (ODF) to shape and resource the larger agency Development of a leadership and management development framework to support the ODF	An intensive task of consultation, research and analysis resulted in a final report in December 2008 based around four themes of more effective aid, strengthened management for results, more connectedness, and continuous learning and improvement. The framework included a new standard model of managing programmes, a preferred organisational structure, functional definitions and a governance framework. While the framework cannot be implemented in full given the changing fiscal environment and the “cap” on public service numbers, selected elements are being implemented individually, or taken into account in consideration of the integration of NZAID and MFAT.
Continue the concentration of ODA into a limited number of priority sector countries and programmes	NZAID has implemented its framework of 33 ODA programmes in line with Government policy. Targets for increasing the proportion of aid to the Pacific are reported on earlier in this Annual Report.
Achieving policy coherence and whole-of-government approaches	NZAID engaged actively on issues where New Zealand's broader policy position is relevant to development outcomes such as trade, climate change, policing and defence issues. NZAID input to the Recognised Seasonal Employer's scheme is one example of a positive and successful policy contribution. NZAID also engaged successfully with other New Zealand government agencies involved in delivery of ODA, particularly through ongoing management and training related to the Government Agencies Fund, which was reviewed positively in 2008/09. NZAID also contributed actively to improving the effectiveness of New Zealand whole-of-government cooperation on the ground in Afghanistan, Timor-Leste and the Solomon Islands.
Improving the agency's monitoring and evaluation and its ability to report on results and effectiveness of New Zealand's ODA	The system whereby programmes prepare standardised annual plans, mid-year stocktakes, and end of year reports was piloted and rolled out and is informing the 2008/09 Annual Report. To improve the quality of evaluations an evaluation strategy was agreed, guidance was improved, and training provided. Significant work was also undertaken on an activity-level quality framework which will be implemented in 2009/10.

MEDIUM-TERM MANAGEMENT PRIORITIES  
FROM THE 2008–11 STATEMENT OF INTENT

## PROGRESS IN 2008/09

Implementing the Control Environment Strengthening Programme to ensure procurement and contracting systems and practices meet public sector expectations

NZAID is nearing the successful completion of a comprehensive programme of improvements to its contracting, finance and monitoring systems.

As part of the 2007 annual audit of NZAID, a review was undertaken of the Agency's management of funding arrangements. This review assessed the Agency's control environment around procurement and contracting practices as being poor and requiring immediate and substantial improvement.

Following the audit, NZAID implemented a two-year programme of changes to systematically and comprehensively address all the areas recommended for improvement. This has included work across the following areas:

- > implementation of a new electronic contract management system
- > development of a comprehensive policy and procedures manual for contracting and procurement
- > development of a range of systems and tools to support good practice in contracting
- > implementation of additional controls around contracting practice
- > additional training and support for staff developing and managing contracts
- > a programme of training and support visits to all posts to grow understanding of expectations and practice around contracting and procurement
- > establishment of an internal audit function and the appointment of a Risk and Assurance Manager
- > a review of staffing and resourcing requirements around contracting and procurement

The table below provides details on NZAID's measures of health and capability, as set out in the Statement of Intent 2008–11. Additional related information can be found in the Statement of Service Performance in a later chapter.

INDICATORS AND MEASURES	RESULTS 2008/09
Staff turnover and average time to fill vacancies remain within public sector norms	<b>Met</b>
NZAID operating within its desired Values and Cultural Principles	<b>Met</b> Systematic data are not currently collected against this indicator. However, the Organisational Development Framework report of December 2008 confirmed staff support for its Values and Cultural Principles. Minor amendments were made, including the addition of a cultural principle "to act in a spirit of service to the public and the government in a fair, impartial, responsible and trustworthy manner". Other principles, such as inclusive decision-making, a focus on outcomes and on being a learning organisation, were retained.
External audit and central agency reporting indicates NZAID is operating in accordance with good public sector practice	<b>Partially met (improving)</b> In its management report for the year ended 30 June 2008 Audit NZ raised its rating of NZAID's management control environment from "poor" to " <b>needs improvement</b> ". The assessment of NZAID's financial information systems and controls was also raised from "needs improvement" to " <b>good</b> ". The report noted that NZAID had <i>moved quickly to put in place a wide range of initiatives to address the issues</i> and that <i>NZAID is on track to full implementation of its CESP over the two year target timeframe (by June 2009)</i> . Audit findings for the 2008/09 year were not known at the time of publication.

INDICATORS AND MEASURES	RESULTS 2008/09
Policies and programme strategies are up to date and/or finalised in accordance with the NZAID Five-Year Strategy or other agreed timelines	<p><b>Partially met</b></p> <p>Policy development and revision is on schedule, with nine out of the 10 policies identified in the Five-Year Strategy complete. At the end of 2008/09, seven (five bilateral and two regional) of NZAID's 33 programmes were overdue for new strategies, with timelines renegotiated by agreement with partners. The issue is being addressed urgently as part of overall efforts to strengthen programme strategies and their management.</p>
Satisfactory feedback from Ministers on quality of outputs	<p><b>Partially met</b></p> <p>The majority of outputs agreed with Ministers when measures were agreed at the beginning of the 2007/08 year were achieved to the specified standard. Expectations changed during the year following the change of Government and oral and written feedback since that time indicates a number of areas where NZAID will be improving the quality of its outputs.</p>
Satisfactory feedback from NGOs on policy and programmes and NZAID commitments under the NGO Strategic Policy Framework	<p><b>Met</b></p> <p>NGOs have provided positive feedback on NZAID policy and programming for New Zealand NGOs. NZAID monitors the state of its relationship with New Zealand NGOs in accordance with the Strategic Policy Framework for relations between NZAID and New Zealand NGOs. Feedback from NGOs is provided at an annual meeting in October each year, and through the joint NZAID-NGO monitoring group. In 2008 NGOs reported that their relationships with NZAID are in good shape.</p> <p>More specifically, in a review of the functioning of the Humanitarian Action Fund (HAF) two years after its inception, NGOs indicated their support for the way the fund is working.</p>
Media reporting of New Zealand's ODA activities is informed and balanced	<p>The Government's review of NZAID's policy and mandate settings and institutional arrangements placed New Zealand's aid efforts in the media spotlight during the year. Generally New Zealand-based reporting was informed and balanced, with focus on aid and development activities and issues in the Pacific region emerging. In-country reporting of New Zealand funded activities was also positive, and demonstrated the value of increased engagement with local media.</p>
Surveys show that the public generally understands and supports New Zealand's ODA programme	<p>NZAID carries out a survey of New Zealand public opinion every two to three years. The last survey was reported on in the 2007/08 Annual Report and showed a low level of knowledge of New Zealand's aid activities but 76 percent support for the idea of providing aid. The survey in 2009/10 will focus on any impacts the global economic crisis has had on support for ODA.</p>
Satisfactory feedback from partners on quality of NZAID engagement	<p><b>Met</b></p> <p>See Statement of Service Performance for details.</p>

## Cost Effectiveness and Value for Money

The Ministry's core work of providing policy advice and representation does not lend itself easily to direct cost-effectiveness analysis (cost per unit of benefit obtained). Few of its outcomes have readily quantifiable measure of impact, and many are realised gradually over many years (eg laying the ground work for negotiating and concluding a trade agreement such as the recent FTA with Malaysia.) Further, even outcomes with direct benefit to New Zealand may be dependent on other parties and factors before concrete results can be achieved for New Zealand. And some Ministry activities are aimed at avoiding or minimising negative impacts for New Zealand (eg maintaining access to a key market after a change in local rules or managing the melamine issue, for example).

The administration of all Ministry resources is in accordance with best public sector management practice and six-monthly evaluations are conducted of units' performance against goals derived from the Statement of Intent. The Ministry's Output Performance – Planning and Budgeting – has been assessed as “Excellent” by Audit New Zealand as part of the Departmental Internal Control Evaluation assessment undertaken on behalf of the Treasury.

The Ministry also employs quantitative and qualitative measures and standards across its areas of intervention to evaluate and assess progress.

To ensure its interventions in pursuit of the Government's priorities are well focused, efficient and give value for money, the Ministry follows best management practice in aligning its resources with agreed priorities and regularly tests that its input costs are valid, contestable and contained. For example, since much of the Ministry's budget is directed to meet personnel and property requirements, the salary levels of all staff at home and abroad are based on regular independent reviews of job sizes and market remuneration for particular skill sets and experience in a given location. Property asset values are regularly reviewed by an independent valuer, rental proposals are tested against fit-for-purpose criteria and standards, and surveys of available options. In addition, the annual budgets of each business unit are scrutinised centrally before resources are approved. This has become even more important in the fiscally constrained environment in which agencies will need to operate within current budgets and within staff establishment caps.

The 2008 Budget approved a five-year capability funding package to maintain capability and deliver results in areas pivotal to the former Government's security and prosperity priorities. In view of the new policy settings of the new Government and the tight fiscal environment, the capability package was significantly reduced in the 2009 Budget following a line-by-line review of expenditure. As a consequence:

- > the Ministry carried out a review of phase one of the package to ensure that new resources were aligned with policy, with top priorities, and were affordable over the medium-term
- > pre-committed operating and capital funding of \$155 million and \$39 million respectively was released
- > baseline funding was reduced by \$80.9 million over the periods 2008/09 to 2012/13
- > an in-depth review of NZ Inc's offshore network was scheduled for the 2009/10 financial year.

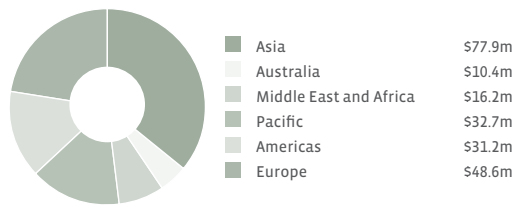
As part of the Ministry's annual planning process, the senior management team carried out a further internal capability review in April 2009 which led to some reprioritisation of resources within the existing establishment cap (as at 31 December 2008) to ensure that the Ministry had the right resources in the right places to deliver foreign policy results. Greater specialist depth was added in trade policy and trade law, and some corporate services positions were phased out as short-term work ended.

The completion of several key IT and property projects in which the Ministry invested has also enhanced its organisational capability and potential to derive productivity and efficiency gains from future operations. Examples include secure mobile computing and access to the internet from a secure desktop environment for the first time, a global intranet, an upgrade to the Ministry's document management system, and new fit-for-purpose and efficient (open plan) chanceries built in Dili and Pretoria, fitted out in Jakarta, New York and Rome, and refurbished in London.

## AT A GLANCE: HOW THE MINISTRY SPENT ITS BUDGET

The following two charts show the breakdown of the Ministry's two largest output classes, "Policy Advice and Representation – Other Countries" and "Policy Advice and Representation – International Institutions" by geographical region and by international institution respectively.

### POLICY ADVICE AND REPRESENTATION – OTHER COUNTRIES: EXPENDITURE BY REGION



#### NOTE

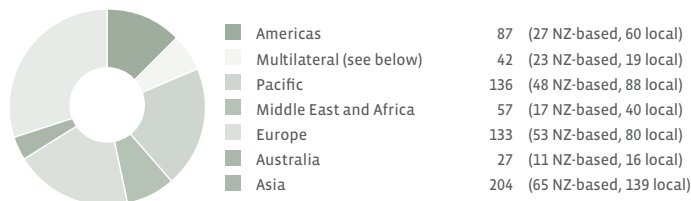
- 1 This chart does not include those costs that are not directly attributable to a region (ie expenditure on Ministerial servicing).

### POLICY ADVICE AND REPRESENTATION – INTERNATIONAL INSTITUTIONS: EXPENDITURE BY INSTITUTION



The following chart shows where the Ministry's staff are located offshore, by region.

### POLICY ADVICE AND REPRESENTATION – OTHER COUNTRIES: STAFF BY REGION



#### NOTE

- 1 "Multilateral" posts are New Zealand's Permanent Missions to the United Nations in New York, and Vienna, and our Permanent Mission to the United Nations and the World Trade Organisation in Geneva.

## NZAID

NZAID has a range of measures of cost-effectiveness and value for money that collect and report information at the agency, programme and activity levels. The approach aims to provide comprehensive information such as the ratio of Crown (ODA programme) to departmental (agency outputs) expenses; activity size (aimed to increase to promote efficiency and sustainability); use of partner systems (for effectiveness and sustainability); and compliance with international benchmarks on the best methods for delivering aid. This information is complemented with in-depth analysis of individual activities and programmes, particularly through NZAID's system of evaluations.

### THE HIGHLIGHT RESULTS ON NZAID COST-EFFECTIVENESS AND VALUE FOR MONEY FOR 2008/09

NZAID is confident that the programmes it delivers are cost-effective and provide value for money.

Departmental expenses (NZAID's cost of managing ODA) in 2008/09 were 7.9 percent of Crown appropriations (the ODA programmes themselves). This figure will decrease in future years. There has also been significant progress in decreasing the number of activities managed and increasing their average size, leading to efficiencies for both NZAID and for partners.

Progress has been slow but steady in moving from project-based aid to alternative forms of delivery that are expected to be more effective but which involve more management and coordination costs. NZAID is facing challenges in making more use of organisational support, international pooled funds, sector support programmes, and delivery through partner governments' financial and procurement systems. Research suggests that these approaches would deliver value for money and long-term sustainable results. There are particular challenges in the Pacific region, where NZAID focuses much of its ODA. Partner countries are very small and some lack essential safeguards that mean their own financial and procurement systems cannot be relied upon. Because of this, NZAID is cautious in the use of partners' systems until these have been assessed as being credible. NZAID also engages directly to strengthen these systems.

A number of independent evaluations identify value for money and cost-effectiveness in NZAID-funded activities. However, there is scope for more focus on cost-effectiveness and value for money issues in activities' design and monitoring, and hence in evaluations. In 2009, NZAID revised its guidance for staff on how to incorporate cost-effectiveness into the design and monitoring stages.

### CONCENTRATION AND RATIONALISATION

	2007/08	TARGET	2008/09
Department as a ratio of Crown	7.8%	▼	7.9%
Number of activities	880	▼	829
Median annual expenses	\$119,535	▲	\$141,737
Number of activities in high order modalities	13%	▲	16%
Expenditure in high order modalities	48%	▲	50%

NZAID runs an efficient, cost-effective, largely untied set of programmes with a comparatively low proportion of resources spent on departmental outputs.

NZAID is successfully addressing the fragmentation of its aid programme through a policy of pursuing a smaller number of larger, more efficient, activities. The policy to see a higher percentage of expenses delivered through the "high order aid modalities" (of international pooled funds, sector support, national poverty reduction support and organisational support/strategic partnership) is also beginning to be successfully implemented. This challenge is closely linked to aid effectiveness targets such as increasing use of programme-based approaches. In 2008/09, NZAID undertook significant work preparing guidance on related issues such as assessment of partners, use of budget support, and decision-making in the selection of aid modalities. When this guidance is completed and operationalised in 2009/10 more progress is expected in redirecting ODA into more cost-effective modalities.

## REFOCUSING THE PROGRAMME

	2007/08	2008/09	TARGET (2009/10 AND ONWARDS)
Expenditure directly on economic development <sup>7</sup>	\$51.9m	\$67.0m	▲
... as a percentage of sector-allocable ODA	28%	27%	▲
Pacific expenses (total):	\$183.6m	\$240.7m	
Bilateral Pacific expenditure as a percentage of bilateral ODA	77%	81%	▲
Pacific expenditure as a percentage of all ODA	51%	52%	▲

The indicators above reflect the change of direction of the ODA programme in 2009 and are included as a benchmark for future reporting.

## PERFORMANCE AGAINST THE INTERNATIONAL AID EFFECTIVENESS TARGETS

NZAID's ODA programme aims to reflect the international consensus on what makes efficient and effective aid that delivers value for money. The United Kingdom's Department for International Development estimates conservatively that programme-based approaches "will result in benefits of at least 20 percent compared to the channelling of equivalent funds through project support". Increased use of programme-based approaches is one of the commitments of the Paris Declaration on Aid Effectiveness. NZAID's compliance with this Declaration can therefore be taken as one proxy for overall value for money of its bilateral programmes. Related to this are the policy directions for NZAID to pursue "higher aid modalities" (which includes international pooled funds, organisational support, sector programme support and national poverty reduction support) and a smaller number of (on average) larger aid activities.

The Paris Declaration on Aid Effectiveness is an international consensus on the most effective way to coordinate and deliver aid in order to achieve positive, sustainable development outcomes. It identifies five crucial principles that need to be followed:

- > Ownership (by partner populations and governments of plans for development)
- > Alignment (of donors with partner priorities and systems)
- > Harmonisation (between donors to reduce duplication and increase efficiency)
- > Managing for development results (evidence-based decision-making to maximise outcomes)
- > Mutual accountability (between donors and partners, and governments and their publics).

In 2008/09, NZAID implemented a new monitoring system based on its Activity Management System to track its own progress on the aid effectiveness principles in the Declaration. Data should be treated with caution and should improve through 2009 and 2010 as familiarity with definitions and the use of data increases.

INDICATOR	NEW ZEALAND 2008/09 (BASED ON INTERNAL SYSTEMS, SUBJECT TO REVISION)	ALL DONORS 2008	2010 TARGET FOR ALL DONORS
% of technical cooperation that is coordinated	not available	60	50
% of aid for government sector that uses country public financial management systems	37	45	[80] <sup>8</sup>
% of aid for government sector that uses country procurement systems	37	43	[80]
% of aid delivered in programme-based approach	40	46	66
% of missions joint with other donor/s	not available	20	40

<sup>7</sup> Using a tentative definition that may be revised in the future.

<sup>8</sup> The exact target for this and the procurement indicator depends on partners' own progress towards strengthening of their public financial management and procurement systems – a pre-condition for donors using them for delivery of ODA.

A tentative conclusion from this and other analysis can be drawn that NZAID's aid is well coordinated and has a good record of undertaking missions jointly (reducing the burden on partners). However, NZAID has made less progress in using partner government systems and programme-based approaches, which are known to lead to efficiencies and more sustainable benefits.

The challenges for meeting the ambitious targets in the Paris Declaration are exemplified by reports from some of NZAID's bilateral programmes:

- > In the Solomon Islands, NZAID was asked to take on the lead donor coordination role in education after organising regular donor meetings. There have been excellent improvements in coordination between donors and the Solomon Islands government. Although the education sector budget support uses government procurement systems, the financial processing is separate from the Solomon Islands' overall systems. NZAID is exploring the possibility of aligning financial processing systems from 2010.
- > In Papua New Guinea, efforts between donors and the Papua New Guinea government to promote aid effectiveness, coordination and harmonisation and to agree joint mechanisms and processes started strongly in 2007. A new aid information system (with financial support from NZAID) was launched in late 2008. However, progress slowed in the first half of 2009 due to departmental issues on the Papua New Guinea side that have since been resolved. Aid management tools are rolling out, working groups have reconvened and strong commitment has been signalled from senior Papua New Guinea officials.
- > Procurement within NZAID's ODA programme is mostly untied (meaning contracting is not limited to New Zealand firms). This leads to efficiencies and value for money from international open procurement or support for local contractors in the countries we are seeking to assist. The remaining tied parts of NZAID programmes are New Zealand-based delivery mechanisms such as scholarships and deployment of the New Zealand Police.

#### PERFORMANCE AGAINST GOOD HUMANITARIAN DONORSHIP BENCHMARKS

In 2008, the Good Humanitarian Donorship (GHD) group compared donors for their performance against the GHD benchmarks, which represent international consensus on what is good practice for effective and efficient management of humanitarian and emergency funds. New Zealand was rated positively for committing a high proportion of unearmarked humanitarian funds under flexible terms and not requiring donor-specific reporting. New Zealand was rated less positively than other donors for timeliness of commitment, and the proportion of humanitarian funds going to internationally identified priorities.

#### OTHER EXTERNAL ASSESSMENTS OF THE NEW ZEALAND AID PROGRAMME

The *Commitment to Development Index*<sup>9</sup> is published annually by the Washington-based Center for Global Development. The index assesses aid donor countries' contribution to development across a wide range of policy areas. It reflects a view that aid contribution – particularly, simplistic measures of aid volume – is not an adequate measure of countries' contributions to international development, and that broader policy positions need to be considered.

The Index should not be considered an authoritative ranking of countries' contributions to development. There are inevitable limitations to its methodology. The Index has to rely on broad and simplistic assumptions about the links from certain policy settings to development, make arbitrary weightings between policies, and use relatively old data. Nevertheless, the Index does provide some important insights.

In the latest Index, published in December 2008 but based on 2006 data, New Zealand is ranked seventh out of 22 countries. New Zealand is given high scores for its policies in relation to trade, security, the environment, and migration, and lower scores in aid, technology and investment. The low score on aid comes about because of low aid spending as a proportion of Gross National Income, fiscal policies that do not encourage private donations, and a high degree of project proliferation (ie a large number of small projects). Of these, NZAID has a measure of control over only project proliferation. International research and evaluation suggests that larger aid projects, implemented over a long time frame with full integration into partner governments' systems, are the most effective for delivering long-term development results.

<sup>9</sup> [http://www.cgdev.org/section/initiatives/\\_active/cdi/](http://www.cgdev.org/section/initiatives/_active/cdi/)

While there are good reasons for New Zealand's ODA programme comprising a relatively large number of relatively small activities (for example, the very small size of our partner countries compared with those of many donors), the need for fewer but larger activities to promote effectiveness and cost-efficiency has been recognised by NZAID and incorporated into some of the cost-effectiveness indicators used to assess NZAID's cost-effectiveness in this Report.

A second annual external critique of donors is undertaken by "The Reality of Aid Network"<sup>10</sup>, a collaborative initiative of NGOs in both donor and partner countries. The 2008 edition of *The Reality of Aid* described NZAID's progress as "steady and dependable". The decrease in the proportion of ODA that is tied to Australian and New Zealand contractors was cited positively, as was the increased focus on fewer countries and the increase in NZAID's field presence in those countries to monitor and manage for effectiveness and efficiency. Critical comment on the ODA programme in *The Reality of Aid* focused largely on political issues to do with aid volume and strategic direction that are outside NZAID's scope.

The most recent peer review of the New Zealand aid programme by members of the Development Assistance Committee of the OECD took place in 2005. Its overall positive assessment of NZAID has been reported on previously.

#### **FINDINGS FROM EVALUATIONS ON VALUE FOR MONEY**

Independent activity-level evaluations conducted in 2008 made a number of findings relating to value for money for specific aid activities. For example:

- > The review of the *Local Government Unit Management Training Project* in the Philippines calculated a return on investment of 8.1 percent for funds generated for Local Government Unit projects as a result of better quality proposals, resulting from the NZAID assistance.
- > The review of the NZAID-funded *Ola Fou – Pasifika Youth Development Project* indicated that the programme was much cheaper than similar multi-country programmes of its type.
- > The review of NZAID assistance to *Fairtrade Australia New Zealand* identified quantifiable increases in labelled sales over the period of NZAID assistance and efficiency gains in the certification and licensing system.

NZAID is taking steps to ensure reviews, evaluations, monitoring and original design of activities takes value for money issues better into account. Revised guidance was approved and distributed to NZAID staff in June 2009.

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<sup>10</sup> <http://www.realityofaid.org/>

### COMPLIANCE WITH SECTORAL AND THEMATIC POLICIES

An important aspect of value for money is full implementation of Government policies in sectoral and thematic areas such as education, health, human rights and gender to ensure that ODA supports long-term strategic outcomes. NZAID aims to review implementation of at least one sectoral or thematic policy per year. No review of this sort was completed in 2008/09, but policy groundwork has been done in order to implement the Government's focus on sustainable economic development in New Zealand's ODA.

Cross-cutting or mainstreamed issues such as gender, human rights, the environment and conflict prevention need to be taken into account when implementing and evaluating ODA activities. Not taking these issues into account can threaten activities' value for money by leading to unanticipated negative impacts. In 2008/09, nine of NZAID's 33 programmes were assessed on implementation of cross-cutting issues. seven programmes rated implementation as "good", one as "adequate" and one as "unsatisfactory". All programmes identified necessary steps to improve performance on these issues.

Examples of mainstreamed issues in NZAID's work in 2008/09 include:

- > The Solomon Islands programme met its objective to increase the integration of gender into programming, incorporating good consideration of gender issues into a range of activities and the new programme strategy.
- > The Timor-Leste programme identified the need for more comprehensive support on gender mainstreaming in 2009/10. An analysis of the conflict and post-conflict situation in Timor-Leste, with all the entailed vulnerabilities and risks to development success, underpins the new Timor-Leste programme strategy (due for completion early in 2009/10).
- > In Fiji, responsiveness to gender and environmental issues were specific criteria for consideration in the floods recovery package.
- > The independent review of the Kiribati programme rated NZAID objectives on gender equity and the environment as "substantially achieved" and human rights as "partially achieved".

# Relationship between the Ministry's Output Classes and Intended Outcomes

Ministry effort was directed to the achievement of the following outcomes as set out in the 2008/09 Estimates:

## VOTE FOREIGN AFFAIRS AND TRADE

OUTPUT CLASS	PRINCIPAL RELATED OUTCOMES
Administration of Diplomatic Privileges and Immunities	To administer the Government's responsibilities and obligations under the Vienna Conventions on Diplomatic and Consular Relations
Consular Services	To provide consular services to New Zealanders abroad.
Pacific Security Fund (PSF)	<ul style="list-style-type: none"> <li>&gt; Global peace and security advanced</li> <li>&gt; New Zealand's bedrock relationships refreshed</li> <li>&gt; Enhanced security in the Pacific region</li> </ul>
Policy Advice and Representation – International Institutions	<ul style="list-style-type: none"> <li>&gt; Successful outcomes to trade negotiations</li> <li>&gt; Improved flows of trade, investment, skills and technology facilitated</li> <li>&gt; Global peace and security advanced</li> <li>&gt; Satisfaction of constitutional and international obligations</li> <li>&gt; Achieve a post-2012 agreement on climate change</li> <li>&gt; Achieve sustainable international resource management regimes</li> </ul>
Policy Advice and Representation – Other Countries	<ul style="list-style-type: none"> <li>&gt; Successful outcomes to trade negotiations</li> <li>&gt; Improved flows of trade, investment, skills and technology facilitated</li> <li>&gt; Global peace and security advanced</li> <li>&gt; New Zealand's bedrock relationships refreshed</li> <li>&gt; Enhanced security in the Pacific region</li> <li>&gt; New Zealand included in evolving Asian regional architecture</li> </ul>
Promotional Activities – Other Countries	Improved flows of trade, investment, skills and technology facilitated
Services for Other New Zealand Agencies Overseas	To provide services for other New Zealand agencies with overseas interests

This table has been updated from the information provided in the Estimates, to better distinguish the primary outcomes served by the output classes "Policy Advice and Representation – International Institutions" and "Policy Advice and Representation – Other Countries".

## VOTE OFFICIAL DEVELOPMENT ASSISTANCE

OUTPUT CLASS	PRINCIPAL RELATED OUTCOMES
Management of Official Development Assistance Programme	Contribute to sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world <sup>11</sup> through the design and management of effective development assistance strategies, programmes and projects
Strategic Advice and Evaluation	Contribute to sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world through the provision of strategic advice and evaluation

<sup>11</sup> In April 2009, the Government agreed to a new mandate and policy focus for New Zealand's ODA.

# Performance of the Ministry


## STATEMENT OF RESPONSIBILITY

In terms of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Foreign Affairs and Trade, for the preparation of the Ministry's financial statements and statement of service performance and the judgements made in the process of producing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2009.

Signed by:



John Allen  
*Chief Executive*  
30 September 2009

Countersigned by:



Phil Goulin  
*Deputy Secretary*  
30 September 2009

# Statement of Objectives and Service Performance

FOR THE YEAR ENDED 30 JUNE 2009

The Minister of Foreign Affairs purchased from the Ministry provision of the following seven output expenses in Vote Foreign Affairs and Trade, and two output expenses in Vote Official Development Assistance:

## **VOTE FOREIGN AFFAIRS AND TRADE**

- > Administration of Diplomatic Privileges and Immunities
- > Consular Services
- > Pacific Security Fund
- > Policy Advice and Representation – International Institutions
- > Policy Advice and Representation – Other Countries
- > Promotional Activities: Other Countries
- > Services for Other New Zealand Agencies Overseas

## **VOTE OFFICIAL DEVELOPMENT ASSISTANCE**

- > Management of Official Development Assistance Programme
- > Strategic Advice and Evaluation

The following statement of service performance records results and services delivered for each of the above class of outputs as agreed between the Minister of Foreign Affairs and the Secretary of Foreign Affairs and Trade in the Statement of Intent 2008–2011 and the 2008/09 Estimates of Appropriations, as required by section 45 of the Public Finance Act 1989.

## MEASURING QUALITY OF SERVICE: THE MINISTRY'S PLANNING AND EVALUATION PROCESS

The Ministry's planning and evaluation process forms a key mechanism for ensuring that the services the Ministry provides are in line with Ministers' expectations, and for measuring their quality.

The planning stream begins with the Ministry's senior management group's "strategic dialogue" with Ministers, which provides an opportunity for the Ministry to engage in detail on Ministers' priorities for the year. These are then expressed in the Ministry's strategic outcomes framework (the basis for the Statement of Intent), and cascade down through unit operational plans and individual key tasks, with the aim of effectively aligning the Ministry's resources and activities with Ministerial priorities.

The evaluation stream allows for a thorough review of the Ministry's performance for the year, including whether units, and individuals, have met the standards expected of them. The Ministry's senior management group also identifies major achievements for the year through the Ministry's "Big Business Outcomes" process.

### THE MINISTRY'S PLANNING AND EVALUATION PROCESS



## SERVICE PERFORMANCE MEASURES

### QUALITY, QUANTITY AND TIMELINESS STANDARDS

The following measures apply to all output classes in Vote Foreign Affairs and Trade and Vote Official Development Assistance unless otherwise specified:

PERFORMANCE STANDARDS	RESULT
<b>QUALITY</b>	
The purpose of advice will be clearly stated; its assumptions made explicit; its arguments logical; all material facts will be included and accurate; a range of options will be presented and assessed for benefits; consultation will be undertaken; implementation issues will be considered and professionally presented	<b>Met</b> (see note 1)
Representation, negotiation and implementation will effectively convey and advance the Government's policies and views	<b>Met</b> (see note 2)
Quality assurance measures will be implemented through managers directing the completion of work, maintaining approval processes, ensuring deadlines are met, and controlling quality either directly or through delegation procedures. This will be supported by an individual performance management system and senior management oversight of unit performance through internal operational planning and evaluation. Confirmation of Ministerial satisfaction that performance meets expectations will be obtained twice a year.	<b>Met</b> (see notes 2 and 3)
Responses to Ministerial correspondence, Parliamentary Questions and Official Information Act requests will be well presented	<b>Met</b> (refer also to table below)
<b>QUANTITY</b>	
Management of relationships with countries and international and regional organisations, and of issues arising, will be undertaken as agreed with the Minister. Priorities for each issue and relationship will be translated into annual work programmes for each unit in the Ministry, incorporating goals, action steps and impact measures	<b>Met</b> (see note 4)
Briefings and reports on external events and issues will be provided for Ministers, Members of Parliament, Select Committees, and relevant organisations and groupings as appropriate	<b>Met</b> (see note 5)
Responses will be prepared for all Ministerial correspondence, Parliamentary Questions and requests under the Official Information Act	<b>Met</b> (refer also to table below)
<b>TIMELINESS</b>	
Advice will be given, and action taken, in a prompt and appropriate manner. Substantive responses to Ministerial correspondence will be prepared within 14 days, unless otherwise agreed	<b>Met</b> (refer also to table below)
Responses to Parliamentary Questions and Cabinet papers will be prepared in time for the Minister to consider and review the response prior to the due date	<b>Met</b>

### QUANTITATIVE MEASURES 2008/09

NATURE OF WRITTEN MATERIAL PREPARED AND SUBMITTED	VOTE FOREIGN AFFAIRS AND TRADE			VOTE OFFICIAL DEVELOPMENT ASSISTANCE		
	2008/09	2007/08	2006/07	2008/09	2007/08	2006/07
Ministerial correspondence	1,558	1,337	1,709	138	150	197
Cabinet papers	46	98	59	2	5	8
Submissions	988	1,112	1,040	123	79	73
Parliamentary Questions (see note 6)	129	131	302	38	49	31
Official Information Act requests	179	152	123	13	10	12

## NOTES

- 1 The Ministry has robust internal procedures to ensure that its policy advice meets this standard. All pieces of advice are signed out by managers, and are usually checked with division directors before being provided to Ministers. Major pieces of advice are provided through Deputy Secretaries, or the Ministry's senior management group. Cabinet papers are required to be provided to the Chief Executive's Office one week ahead of completion so that they can be specifically checked against this standard.
- 2 The Ministry carried out evaluations of unit and individual performance at six-monthly intervals to ensure that outputs in all classes were delivered to agreed specifications and Ministry standards. Further detail on the Ministry's internal planning and evaluation process can be found on page 61.
- 3 The Ministry's internal assessment, in accordance with its internal planning and evaluation process (see page 61) confirmed that they had been met. The practice of formal consultation with the Minister twice a year was discontinued following a change in Ministers. Consequently, confirmation of Ministers' satisfaction has not been obtained. Feedback from the Minister is provided, however, through ongoing and regular dialogue between the Minister and the Ministry's senior management.
- 4 The Government's Key Goals and the Ministry's Key Priorities and Outcome Statements as set out in the Statement of Intent 2008–2012 formed the basis for Ministry planning for 2008/09 and the framework for defining operational objectives, activities, related performance measures, and resource allocations for each unit within the Ministry. Individual key tasks are then derived from unit operational plans. The structure of this planning cascade is set out in further detail on page 61. More detailed guidance on the Ministry's operations is sought from Ministers on an ongoing basis.
- 5 The Ministry operates a formal messaging system, which ensures that all reports on significant events are copied to Ministers' offices. In addition, the Ministry provides a weekly report to Ministers on significant foreign policy events. Additional reporting is provided to Ministers through the submissions process. From time to time the Ministry provides reports to the Foreign Affairs, Defence and Trade Select Committee at their request.
- 6 Excludes Oral Parliamentary Questions and Parliamentary Questions referred to other government agencies for reply

The Ministry's performance in achieving its main objectives for 2008/09 and the outcomes sought by the Government are noted under each of the output expenses which follow. In almost all cases the results of its efforts to pursue New Zealand's security and prosperity goals were positive, although in some cases (such as multilateral trade negotiations) the outcomes will take several years to attain, and will depend upon the decisions of other sovereign countries as well as New Zealand. The Ministry continued to employ best management practice to support its interventions and to align resources with agreed priorities. It delivered its outcomes within approved expenditure appropriations and to the agreed standards with the exception of the output expense Policy Advice and Representation – International Institutions which breached appropriations. This was primarily due to the Ministry handing back \$10 million savings on the basis of a high-level trend analysis in Supplementary Estimates of Appropriation 2008/09, with the result of an over-allocation of savings attributed to this Output expense.

## VOTE FOREIGN AFFAIRS AND TRADE

### OUTPUT EXPENSE: ADMINISTRATION OF DIPLOMATIC PRIVILEGES AND IMMUNITIES

This output expense involves the administration of the Government's responsibilities and obligations under the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971, which give effect to the 1961 Vienna Convention on Diplomatic Relations and the 1963 Vienna Convention on Consular Relations.

Services provided by the Ministry include:

- > the administration and facilitation of privileges and immunities to members of the diplomatic and consular corps and their dependants, including immigration entry requirements, importation and duty-free entitlements, rates refunds, issue of appropriate documentation, education and fiscal privileges
- > the resolution of immunity issues arising under the Vienna Conventions on Diplomatic and Consular relations
- > the facilitation, documentation and formalities for the appointment of diplomatic and consular staff of foreign missions and consular posts accredited to New Zealand, including Ambassadors and High Commissioners, Consuls-General, Honorary Consuls; and formal appointment documentation for New Zealand's Ambassadors, High Commissioners, Consuls-General and Honorary Consuls accredited offshore
- > the provision of host government services to the diplomatic and consular corps, including liaison over diplomatic security, presentation of credentials by foreign heads of mission, accurate official lists and notices including the Diplomatic and Consular List accessible on the Ministry's website; support for diplomatic missions in ceremonial representational events
- > the provision of advice to Ministers, diplomatic missions, government agencies and other parties regarding the interpretation and application of diplomatic and consular privileges and immunities in New Zealand; and the provision of advice to New Zealand posts offshore regarding the interpretation and application of diplomatic and consular privileges and immunities and issues of reciprocity.

### PERFORMANCE

The Ministry has systems in place to ensure its performance in delivering timely responses is monitored and recorded (eg times for processing documentation relating to arrivals and departures, Head of Mission appointments, requests for calls, website updates).

As can be seen in the tables below, the Ministry's delivery of services under this output expense largely conformed to forecast expectations. As a result of the Ministry's performance, New Zealand's responsibilities and obligations under the respective Vienna Conventions on Diplomatic and Consular Relations, the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971, were fulfilled.

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the 2008/09 Appropriations is as follows:

### QUANTITY OF SERVICES PROVIDED

	08/09	07/08*
Foreign missions in Wellington	41	38
Foreign mission cross-accreditations from other capitals	75	83
Consulates accredited to New Zealand (headed by career Consuls/Consuls-General)	18	23
Honorary Consuls in New Zealand	97	104
Arrival documentation completed (number of persons)	314	-†
Departure documentation completed (number of persons)	262	-†
Programmes of calls for foreign heads of mission	37	38
Rates refunds processed	89	-†
Foreign heads of mission appointments	56	-†
New Zealand heads of mission appointments	28	14

These figures are demand driven.

\*These figures may differ slightly from the 2007/08 annual report due to subsequent reconciliation of statistics

† Comparable statistics not collected for 2007/08

## QUALITY AND TIMELINESS STANDARDS

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Compliance with Quality, Quantity and Timeliness Standards for Analysis and Advice	<b>Met expectations</b>	<b>Met</b> (see pages 62-63 above)
Processing of documentation and provision of services for Diplomatic Corps accredited to New Zealand meet agreed standards (see below)	100%	99% (see note 1)
Processing of documentation and provision of services for New Zealand diplomatic and consular representatives meet agreed standards	100%	92% (see note 2)

### AGREED STANDARDS FOR PROVISION OF SERVICES:

- > Arrival and departure documentation completed within 10 working days
- > Documentation for Head of Mission appointments processed within six weeks
- > Requested programmes of calls by Heads of Mission processed within 10 working days
- > All tax exemptions and rates refund requests processed within four weeks

### NOTES

- 1 On one occasion documentation for the diplomatic corps was delayed by events outside the Ministry's control. This represents less than 1% of services provided to the Diplomatic Corps in New Zealand.
- 2 On two occasions documentation for New Zealand diplomatic and consular representatives was delayed by events outside the Ministry's control.

### FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
550	Crown	503	561	503
<b>550</b>	<b>Total Revenue</b>	<b>503</b>	<b>561</b>	<b>503</b>
	<b>Expenditure</b>			
546	Annual Appropriations	482	561	503
<b>546</b>	<b>Total Expenses</b>	<b>482</b>	<b>561</b>	<b>503</b>
<b>4</b>	<b>Net Surplus</b>	<b>21</b>	<b>-</b>	<b>-</b>

## OUTPUT EXPENSE: CONSULAR SERVICES

This output expense concerns the provision of consular services to New Zealanders abroad.

### PERFORMANCE

Data extracted from the Ministry's iCONZ database contains details of 1,914 New Zealanders overseas who were provided consular assistance (excluding general enquiries for advice) during 2008/09. A high standard of service was provided with only one justifiable complaint regarding timeliness of service received.

The Ministry continued its Safetravel campaign promoting messages and advice on safe travel practices this year, with various promotional events and activities as well as maintenance of travel advisories.

The statistics in the table below do not include the consular response to major emergencies. While there were no major emergencies involving evacuation of New Zealanders, the Ministry activated its consular and emergency response procedures in response to the terrorist bombings in Mumbai, riots in Thailand and the Air New Zealand plane crash in Perpignan, all in November 2008; flooding in Fiji in January and the H1N1 influenza pandemic.

During the year a consular contingency plan was prepared for the Gallipoli Commemorations in Turkey and contingency advice and planning was prepared for the Commonwealth Youth Games in Pune, Youth Olympics Festival in Sydney and All Blacks/Rugby Sevens matches. Effective responses were also delivered in the case of further civil protests in Thailand and in the uncertain period following abrogation of the constitution in Fiji, both in April 2009.

Work on two key IT projects to enhance the Ministry's emergency response management: a Call Centre Database and Event/Emergency Management System was advanced this year in preparation for roll out in 2009/10. Contingency plans and pandemic plans continue to be reviewed through an inter-agency process.

Services were provided to the Ministry's agreed standards. Consular training and briefing for all Ministry staff (as well as for staff from other agencies) proceeding on overseas assignments continued to be organised. A regional consular course was held in Washington for consular staff from posts in the Americas. Emergency response training courses were also provided to ensure the Ministry has a roster of staff to call on for response to a crisis overseas. These measures helped ensure improved understanding of the international and domestic legal context in which consular services are provided, and the performance standards which the Ministry seeks to maintain in delivering them.

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

### QUANTITY OF CONSULAR AND RELATED SERVICES PROVIDED

	2008/09	2007/08*	2006/07*
Consular services provided to distressed New Zealanders	1,914	1,531	1,230
General consular advice	38,655	45,922	30,250
Notarial services	8,999	8,076	7,214
Consular emergency responses	5	3	6

These figures are demand driven.

\*These figures may differ slightly from the 2007/08 annual report due to subsequent reconciliation of statistics.

## QUALITY AND TIMELINESS STANDARDS

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Compliance with Quality, Quantity and Timeliness Standards for Analysis and Advice	Met	<b>Met</b> (see pages 62-63)
Consular services including notarial services delivered in an efficient, effective and timely manner, within the limits permitted by international and domestic law, and within the Ministry's quality assurance standards and procedures	100%	<b>100%</b> (see note 1)
Ministry's Safetravel website consulted by the media and travel industry, and by the public before travelling	Website hits, media publicity	<b>347,191 hits</b> (Sept 08–June 09) (see note 2)

## NOTES

- The Ministry operates a complaints register for all consular complaints. Each complaint is reviewed by the Director Consular Division in order to establish whether the Ministry's standards for service delivery were met. In 2008/09 the Ministry received one complaint that was considered justified following internal review. One case out of 1,914 was not sufficient to change the percentage from 100%.
- A change in the way Safetravel website hits are recorded was instituted in September 2008 making comparisons with the previous data unsound. The period from September 08–June 09 shows fluctuating numbers of visits each month. Reasons for this have not been analysed though higher numbers of site visits seem to coincide with holiday seasons and crisis events. Numbers of registrations on the Safetravel website have increased steadily over last year with noticeable surges when crises occur in particular countries.

## FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
10,626	Crown	12,227	12,124	12,227
562	Other	617	350	350
<b>11,188</b>	<b>Total Revenue</b>	<b>12,844</b>	<b>12,474</b>	<b>12,577</b>
	<b>Expenditure</b>			
10,257	Annual Appropriations	12,469	12,474	12,577
<b>10,257</b>	<b>Total Expenses</b>	<b>12,469</b>	<b>12,474</b>	<b>12,577</b>
<b>931</b>	<b>Net Surplus</b>	<b>375</b>	<b>-</b>	<b>-</b>

## EXPLANATION OF SIGNIFICANT VARIANCES

The under-expenditure was primarily made up of unspent funds in the Consular Event preparedness fund, which is used to fund activities in response to unexpected consular emergencies.

## OUTPUT EXPENSE: PACIFIC SECURITY FUND

This output expense supports the implementation of New Zealand's Pacific Security Strategy. The Pacific Security Fund (PSF) is a \$3 million contestable inter-agency fund administered by the Pacific Division of MFAT. The fund is drawn on by government departments and agencies to meet the cost of activities which advance or protect New Zealand's security interests by reducing risks from threats arising in or operating through Pacific Island countries. The Fund is intended primarily to cover one-off, pilot, or contingency activities and the provision of equipment that contributes to the delivery of advice, training and technical support to Pacific Island countries on matters affecting security. In the absence of alternative sources of funding some activities have been funded for longer.

In 2007, the Government approved four sub-sectoral strategies under the overall Pacific Security Strategy in the areas of disciplined forces, border security, maritime surveillance and transport security. In addition to these sectors, projects aimed at countering terrorism are also funded under the PSF.

Proposals for PSF funding are evaluated by the inter-departmental Pacific Security Coordinating Committee (PSCC) within a comprehensive multi-agency framework, and also involve close consultation with national and regional agencies dealing with security issues in the Pacific. Projects approved for PSF funding address security standards at Pacific ports and airports; security systems to counter threats from transnational criminals; capacity building for Pacific police forces; the protection of regional fisheries from illegal, unregulated and unreported fishing; capacity building for regional law and justice agencies; and information sharing and other activities that provide reasonable assurance that New Zealand citizens can safely travel, visit and work in the region, and that New Zealand is protected from security risks arising in Pacific Island countries or operating through them.

## PERFORMANCE

The Ministry coordinated the work of the PSCC in taking a whole-of-government approach to the assessment of proposals for funding from the PSF. The PSCC met regularly during 2008/09 to assess proposals for new projects and review progress under previously approved projects. The Ministry also managed expenditure under the PSF.

A range of projects designed to mitigate security risks in the Pacific was undertaken. Key projects implemented under the four sub-sectoral strategies in 2008/09 included:

### DISCIPLINED FORCES

The New Zealand Police provided:

- > training and support for a police dog programme for airport security in Samoa and the Cook Islands
- > advice on the security of police armouries in three Pacific Island countries to ensure the safe management of weapons and ammunition
- > training in the maintenance of public order for Samoa police
- > forensic support for the Kiribati police
- > assessment of the training and resource needs of the Tuvalu police.

The New Zealand Defence Force (NZDF) provided tools to the Vanuatu Mobile Force for the construction of a police post at Port Vila airport.

A number of other scoping studies were also funded under the PSF and were expected to result in further project proposals for New Zealand Police engagement during 2009/10.

### BORDER SECURITY

The New Zealand Customs Service:

- > engaged in capacity building for border security in Cook Islands and Niue
- > provided training in risk management for Pacific Island Customs administrations to enable them to meet World Customs Organisation standards and UN Security council resolutions 1267, 1373 and 1540 concerning counter terrorism
- > produced reference documents and species identification sheets to assist border agencies to counter smuggling of rare and endangered wildlife, which is often linked with organised crime.

The New Zealand Department of Labour and New Zealand Customs Service provided training in intelligence collection/assessment/analysis and dissemination for Pacific Island immigration and customs staff.

The Department of Labour implemented the second phase of a Pacific Region Immigration Identity Project to counter identity fraud

The Department of Internal Affairs carried out a review of Vanuatu's passport legislation.

### MARITIME SURVEILLANCE

The Ministry of Fisheries commenced work on the first phase of a multi-component, three-year project to provide practical assistance to Polynesian countries in the management and protection of their fisheries resources from illegal fishing through improved surveillance and enhanced capacity to prosecute offending vessel owners. Through more rigorous enforcement in the region, this project will, by extension, also protect New Zealand's Pacific fisheries.

Maritime New Zealand carried out port security workshops for Vanuatu and the Cook Islands and worked with the Secretariat of the Pacific Community (SPC) to review Pacific Island countries' maritime legislation and develop model maritime legislation and regulations for the region.

### TRANSPORT SECURITY

Through the New Zealand Civil Aviation Authority, the PSF funded for a second year the position of Security Inspector with the Pacific Aviation Safety Office based in Vanuatu.

The New Zealand Aviation Security Service (Avsec) provided training, equipment and maintenance audits for several Pacific Island countries, and a replacement hold baggage screening x-ray machine for the international airport in Vanuatu.

The PSF also funded a Pacific Aviation Security Coordinator to coordinate the several strands of Avsec's work in the region to develop quality aviation security systems for the protection of both Pacific and New Zealand citizens.

### COUNTER-TERRORISM

In addition to activities in the four sub-sectors above, with support from the PSF the International Security and Disarmament division of MFAT facilitated:

- > a Pacific Working Group on Counter-Terrorism to support greater regional efforts towards mitigation of terrorist threats
- > research work on the extent and use of small arms in the Pacific
- > support for Pacific Island representatives to attend a Pacific Island Public Prosecutors Conference. The conference was aimed at establishing a support network for Pacific Prosecutors dealing with terrorism-related cases and assisting them to meet international counter-terrorism obligations.

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURE IN THE ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Compliance with Quality, Quantity and Timeliness Standards for Analysis and Advice	Rated as meeting expectations	<b>Met</b> (see pages 62-63)
All programmes and project bids are assessed against the Pacific Security Strategy	All bids consistent with primary objective of the Strategy	<b>Met</b> (see note 1)
Funds are accessed, disbursed and monitored in accordance with the management process established by the PSCC	Expenditure consistent with standard MoU between MFAT and sponsoring agency	<b>Met</b> (see note 2)

**NOTES**

- 1 All bids were reviewed by an external independent assessor and were assessed by both the assessor and the interdepartmental PSCC as meeting the primary objective of the Pacific Security Strategy. A number of project proposals were subject to discussion between the independent assessor and the proposing agency before being accepted as meeting the required expectations.
- 2 Funding was provided to implementing agencies in accordance with the processes established by the External Relations and Defence Committee of Cabinet and as laid down in MoUs between MFAT and the agencies.

**FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
2,910	Crown	3,170	3,224	3,170
<b>2,910</b>	<b>Total Revenue</b>	<b>3,170</b>	<b>3,224</b>	<b>3,170</b>
	<b>Expenditure</b>			
2,632	Annual Appropriations	2,538	3,224	3,170
<b>2,632</b>	<b>Total Expenses</b>	<b>2,538</b>	<b>3,224</b>	<b>3,170</b>
<b>278</b>	<b>Net Surplus</b>	<b>632</b>	-	-

**EXPLANATION OF SIGNIFICANT VARIANCES**

The under-expenditure was primarily due to timing delays in other department-funded projects for which funds had been allocated in the 2008/09 financial year under the Pacific Security Fund's contestable structure.

## OUTPUT EXPENSE: 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 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 UN 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
- > other international institutions.

## PROGRESS TOWARDS INTERMEDIATE OUTCOMES

The Ministry's Statement of Intent for 2008-2011 identified the medium-term policy objectives and associated action steps which it intended to pursue under this output expense in 2008/09. A summary of performance against those intentions, measures and standards is set out in the Outcome Contribution section of this report on pages 16 to 43. Among the significant achievements for the year were the following:

- > New Zealand maintained an effective role in key negotiating and technical groups of importance in the WTO, and ensured that New Zealand Ministers and senior officials were included in small group processes. A number of key New Zealand objectives in the negotiations are already secured or are en route to being secured
- > successful lobbying for appointment of Helen Clark to the position of Administrator of the UNDP
- > New Zealand representations resulted in greater awareness by other countries of the challenges and opportunities of reducing agricultural greenhouse gas emissions
- > New Zealand ideas and brokering helped to shape and progress the 'diplomatic process' on the future of the International Whaling Commission. New Zealand was selected as facilitator of the next step in the process, which will ensure a strong influencing role
- > UN Commission on the Limits of the Continental Shelf confirmed New Zealand's rights over its extended continental shelf
- > New Zealand delegation to the CCAMLR, led by the Ministry, was successful in having the vessel Paloma V included on CCAMLR's blacklist of vessels involved in IUU fishing.
- > a major review of New Zealand's UN sanctions regulations, resulting in amendments to most regulations to ensure more effective implementation of relevant UN Security Council resolutions
- > New Zealand's first-ever report to the new Universal Periodic Review process of the Human Rights Council
- > the Ministry facilitated the signature of and Government's ratification process for the Cluster Munitions Convention, including support for Parliament's international treaty examination process and preparation of draft implementing legislation.

## PERFORMANCE

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURES IN THE ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Compliance with the Quality, Quantity and Timeliness Standards for Analysis and Advice and confirmed by the Minister twice a year	Rated as meeting expectations	<b>Met</b> (see pages 62-63)
Maximum benefit secured for New Zealand from trade negotiations	Improved market access conditions	<b>Not met but progress made</b> (see note 1)
Effective international climate change, sustainability and resource management rules negotiated	New Zealand interests taken into account	<b>Met</b> (see note 2)
Effective initiatives and/or engagement in international responses to international security threats, including in areas of peace support deployments, disarmament, counter-terrorism, counter-proliferation, interfaith and inter-civilisation dialogue, and regional security and cross-border problems especially in the Asia-Pacific.	New Zealand interests agreed with Ministers, well managed and upheld or taken into account	<b>Met</b> (see notes 3 and 4)
New Zealand included in evolving Asia regional architecture	New Zealand interests agreed with Ministers; well managed and taken into account	<b>Met</b> (see notes 4 and 5)

## NOTES

- 1 The standard for this measure is recorded as not met due to the failure of the WTO Doha Round of multilateral negotiations to conclude, without which market access conditions will not improve. This was, however, outside the Ministry's control. Good progress was made towards securing important aspects of market access for New Zealand in these negotiations.
- 2 Evidence that New Zealand's interests were taken into account in key meetings is provided in the section "Progress towards intermediate outcomes" above, and in greater detail in the outcome contribution section of this report, on pages 16 to 43.
- 3 Not all of the activities listed in the performance measure belong under this output class. Only those activities relating to international institutions have been considered in providing this assessment.
- 4 Operational objectives and activities are derived from the Ministry's Statement of Intent, which includes priorities agreed with Ministers. Individual key tasks are then derived from unit operational plans. This is supplemented by ongoing dialogue with Ministers as activities are undertaken. The quality of activities is evaluated through a six-monthly unit evaluation process, and through the evaluation of individual performance. The structure of the Ministry's planning cascade and evaluation system is set out in further detail on page 61. Evidence that progress has been made can be found in the section "Progress towards intermediate outcomes" above, and in greater detail in the outcome contribution section of this report, on pages 16 to 43.
- 5 This measure has been placed in the incorrect output class. It belongs in "Policy Advice and Representation – Other Countries".

**FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
45,422	Crown	49,177	50,883	49,177
101	Other	-	-	-
<b>45,523</b>	<b>Total Revenue</b>	<b>49,177</b>	<b>50,883</b>	<b>49,177</b>
	<b>Expenditure</b>			
43,363	Annual Appropriations	50,106	50,883	49,177
<b>43,363</b>	<b>Total Expenses</b>	<b>50,106</b>	<b>50,883</b>	<b>49,177</b>
<b>2,160</b>	<b>Net Surplus</b>	<b>(929)</b>	<b>-</b>	<b>-</b>

**EXPLANATION OF SIGNIFICANT VARIANCES**

The unappropriated expenditure was primarily due to the Ministry handing back \$10 million savings on the basis of a high-level trend analysis in Supplementary Estimates of Appropriation 2008/09, with the result of an over-allocation of savings attributed to this Output expense.

## OUTPUT EXPENSE: 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, focused on individual country relationships and through regional organisations of significance to New Zealand.

### PROGRESS TOWARDS INTERMEDIATE OUTCOMES

The Ministry's Statement of Intent for 2008–2011 identified the medium-term policy objectives and associated action steps which it intended to pursue under this output expense in 2008/09. A summary of its performance against those intentions, measures and standards is set out in the outcome contribution section on pages 16 to 43. Among the significant achievements completed during the year were the following:

- > discovery of melamine in dairy products produced by Fonterra's partner in China had far-reaching consequences which were managed without damage to key political relationships in China or to New Zealand's reputation as a producer
- > new level of intensity in New Zealand's relations with Asia, including relations with China being in their "best ever" state, the first visit to New Zealand by a Japanese Foreign Minister in 10 years, and a visit from the President of Korea and Korea's decision to enter into FTA negotiations
- > effective use of Pacific regional meetings to advance discussions on Fiji, bilateral engagement with the United States, and advancing economic stability in the region including through negotiation of a Pacific trade agreement
- > signature of the AANZFTA, bringing both trade benefits, and furthering New Zealand's integration with the Asian region
- > conclusion of the Malaysia-New Zealand FTA following the resumption of negotiations, dealing with issues that had earlier led to the freezing of the negotiation, and extending the trade benefits of AANZFTA
- > launch of FTA negotiations with Korea, agreement in principle to commence FTA negotiations with India and resumption of negotiations with Hong Kong China, and indications from the United States Administration that it wants to participate in the Trans-Pacific Partnership FTA negotiations
- > a refreshed and ambitious agenda for the trans-Tasman relationship
- > significant contribution to New Zealand understanding of the global economic crisis through reporting of influential insights, engagement on trade protectionism and trade finance, and coordination of New Zealand input into the G20 and wider multilateral consideration of issues related to the global economic crisis.

### PERFORMANCE

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURES IN THE ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Compliance with the Quality, Quantity and Timeliness Standards for Analysis and Advice and confirmed by the Minister twice a year	Rated as meeting expectations	<b>Met</b> (see pages 62-63)
New Zealand's core relationships with Australia, United States, Pacific Island countries, Japan, China, ASEAN and Europe strengthened	New Zealand interests in relationships agreed with Ministers, well managed and advanced	<b>Met</b> (see note 1)
Maximum benefit secured for New Zealand from trade negotiations	Improved bilateral market access conditions	<b>Met</b> (see note 2)
New Zealand companies assisted to leverage trade and economic opportunities from FTAs and CEPs, doors opened for New Zealand business, market intelligence helps companies use environmental integrity for economic advantage	Evidence that trade opportunities facilitated	<b>Met</b> (see note 2)

PERFORMANCE MEASURES IN THE ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Enhanced security in the Pacific region	New Zealand interests agreed with Ministers, role and contributions well managed	<b>Met</b> (see note 1)
New Zealand links with Asia deepened	New Zealand interests agreed with Ministers; evidence of increased influence and closer connections at government, business and people-to-people levels	<b>Met</b> (see note 1)

## NOTES

- Operational objectives and activities are derived from the Ministry's Statement of Intent, which includes priorities agreed with Ministers. Individual key tasks are then derived from unit operational plans. This is supplemented by ongoing dialogue with Ministers as activities are undertaken. The quality of activities is evaluated through a six-monthly unit evaluation process and through the evaluation of individual performance. The structure of the Ministry's planning cascade and evaluation system is set out in further detail on page 61. Evidence that progress has been made can be found in the section "Progress towards intermediate outcomes" above, and in greater detail in the outcome contribution section of this report, on pages 16 to 43.
- Evidence that the Ministry has advanced New Zealand's interests is provided in the section "Progress towards intermediate outcomes" above, and in greater detail in the outcome contribution section of this report, on pages 16 to 43.

## FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
199,832	Crown	221,634	225,972	221,634
973	Other	578	379	315
<b>200,805</b>	<b>Total Revenue</b>	<b>222,212</b>	<b>226,351</b>	<b>221,949</b>
	<b>Expenditure</b>			
188,879	Annual Appropriations	221,098	226,233	221,910
69	Other Appropriations	36	118	39
<b>188,948</b>	<b>Total Expenses</b>	<b>221,134</b>	<b>226,351</b>	<b>221,949</b>
<b>11,857</b>	<b>Net Surplus</b>	<b>1,078</b>	-	-

## EXPLANATION OF SIGNIFICANT VARIANCES

The under-expenditure was primarily due to lower than forecast expenditure in the Trade Negotiations Fund, which is a contestable fund available to fund trade negotiations activities by other agencies. The Ministry also obtained approval to carry \$157,000 forward of unspent Wood Processing Strategy expenditure.

### **OUTPUT EXPENSE: PROMOTIONAL ACTIVITIES – OTHER COUNTRIES**

This output expense supports the promotion of investment in New Zealand through the Investment Promotion Fund (IPF). Processes associated with the delivery of this output expense will include:

- > undertaking promotional and other activities in support of investment outcomes, including: increasing understanding of New Zealand as an investment destination, its business conditions and competitive advantages; enhancement of business and industry networks; and identification of potential investors/companies
- > robust analysis of IPF proposals and financial management of IPF-funded activities
- > regular and timely guidance to the Ministry and other agencies on disbursement of IPF funding, in line with the Government's investment policy and best practice financial procedures
- > working closely with other government agencies, including the Ministry of Economic Development (MED) and NZTE, and in particular Investment New Zealand, to develop and approve opportunities for IPF funding
- > close cooperation with other departments and agencies to develop, review and implement the Government's policies for internationally competitive New Zealand firms and improved flows of investment, skills and technology to New Zealand.

### **PERFORMANCE**

During the past year the Ministry made significant progress in responding to the objectives and specific performance outcomes outlined in its 2008/09 Statement of Intent for promoting investment in New Zealand. Posts (particularly in North America, Asia and Europe) continued to work closely with other agencies to gain access to key investors and decision-makers and open doors for New Zealand businesses and exporters seeking capital, collaboration and new market opportunities. Posts were actively engaged in a wide range of promotional and other initiatives in support of Investment New Zealand/NZTE efforts to attract Foreign Direct Investment (FDI) to New Zealand.

The Ministry's IPF was used to support a number of generic and targeted investment promotion events, functions and speaking engagements, including around opportunities provided by Ministerial or Head of State visits, with the following outcomes:

- > activities contributed to strengthening and maintaining NZ Inc's network of influential contacts offshore and major investment leads for follow-up were identified
- > New Zealand was promoted as open to investment and a safe place to invest. The understanding of New Zealand's business conditions and comparative advantage was enhanced, particularly in the ICT and creative industries. New Zealand business was promoted as highly innovative, internationally competitive, and diverse
- > visits by US and Japanese venture capital experts enabled the dissemination of information on those venture capital markets within New Zealand, and strengthened the relationships between New Zealand's venture capital community with those of the US and Japan. Potential areas for ongoing collaboration were identified
- > activities increased New Zealand industries' understanding of offshore market conditions and ways of doing business, and insight was gained into perceptions of New Zealand amongst influential offshore contacts
- > there was a high level of NZ Inc involvement and a strong focus on sectors of priority to NZTE/INZ, in particular biotechnology, clean technology, creative industries and ICT. NZ Inc's whole-of-government approach promoted New Zealand as highly professional, efficient and a good place to do business.

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURES IN THE ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Compliance with the Quality, Quantity and Timeliness Standards for Analysis and Advice and confirmed by the Minister twice a year	Rated as meeting expectations	<b>Met</b> (see pages 62-63)
High-quality proposals developed in support of investment	Contribution to the promotion of investment opportunities	<b>Met</b> (see note 1)
High-quality guidance and advice to Government on investment policy and MFAT's role	Advice taken into account	<b>Not able to be measured for this output class</b> (see note 2)

#### NOTES

- 1 All funding proposals were evaluated by the Economic Division against New Zealand's investment goals and IPF objectives and criteria. Investment New Zealand was consulted on all applications to ensure investment merit.
- 2 This output measure proved not to be appropriate for this output class, as the Investment Promotion Fund, covered by this output expense, does not fund the provision of policy advice on investment to the Government. In general, such advice would be funded out of "Policy Advice and Representation – Other Countries".

#### FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
835	Crown	780	848	780
<b>835</b>	<b>Total Revenue</b>	<b>780</b>	<b>848</b>	<b>780</b>
	<b>Expenditure</b>			
684	Annual Appropriations	582	848	780
<b>684</b>	<b>Total Expenses</b>	<b>582</b>	<b>848</b>	<b>780</b>
<b>151</b>	<b>Net Surplus</b>	<b>198</b>	-	-

#### EXPLANATION OF SIGNIFICANT VARIANCES

The under-expenditure was primarily due to cancellation of some projects for which funds were allocated, or over-estimation of the costs of some projects at the allocation stage.

## OUTPUT EXPENSE: SERVICES FOR OTHER NEW ZEALAND AGENCIES OVERSEAS

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

In 2008/09, services were provided to the following departments by the Ministry's diplomatic and consular posts overseas:

- > Ministry of Agriculture and Forestry
- > New Zealand Customs Service
- > New Zealand Defence Force
- > Ministry of Economic Development
- > Ministry of Education
- > New Zealand Food Safety Authority
- > Identity Services: Department of Internal Affairs
- > Immigration New Zealand: Department of Labour
- > New Zealand Police
- > Ministry of Research, Science and Technology
- > New Zealand Tourism Board
- > New Zealand Trade and Enterprise
- > The Treasury.

These services included assistance with staff transfers to and from posts, accommodation management, general administration such as the provision of receipting and banking facilities, and diplomatic facilitation. Ministry staff also undertook core agency work on behalf of agencies (for example issuing Emergency Travel Documents on behalf of the Department of Internal Affairs and visa processing on behalf of Immigration New Zealand).

A total of 153 annual fee schedules were negotiated with each agency at each post to cover the services provided to agencies overseas. The fee schedules were calculated on a full cost-recovery basis, with monthly invoicing/payments.

### PERFORMANCE

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURE IN THE ESTIMATES	BUDGET STANDARD	ACTUAL STANDARD
Compliance with the Quality, Quantity and Timeliness Standards for Analysis and Advice	Rated as meeting expectations	<b>Met</b> (see pages 62-63)
Specific services agreed annually with each agency	As per annual fee schedule and/or agreements	<b>Met</b> (see note 1)

### NOTE

- 1 The services to be delivered to each agency are set out in the annual fee schedules agreed between the Ministry and the agency concerned.

**FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
13,431	Other	13,480	13,158	13,549
<b>13,431</b>	<b>Total Revenue</b>	<b>13,480</b>	<b>13,158</b>	<b>13,549</b>
	<b>Expenditure</b>			
13,371	Annual Appropriations	13,463	13,158	13,549
<b>13,371</b>	<b>Total Expenses</b>	<b>13,463</b>	<b>13,158</b>	<b>13,549</b>
<b>60</b>	<b>Net Surplus</b>	<b>17</b>	<b>-</b>	<b>-</b>

## VOTE OFFICIAL DEVELOPMENT ASSISTANCE

### OUTPUT EXPENSE: MANAGEMENT OF OFFICIAL DEVELOPMENT ASSISTANCE PROGRAMMES

This output expense involves the purchase of the design and management of development assistance programmes, including the procurement, contract management and monitoring of development activities within programmes.

#### PERFORMANCE

NZAID largely met its performance targets for both quantity and quality for this output expense. Reliable measurement of the quality of management is difficult and complex. NZAID is developing new systems, including an activity-level quality framework, which will assist in both quality control and reporting of performance in future years.

This year feedback from partners is reported for the first time as a measure of the quality of NZAID's management of ODA. However, the ultimate measure of performance is the contribution of ODA programmes managed by NZAID to outcomes, as detailed in earlier chapters.

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURE IN THE ESTIMATES	BUDGET STANDARD	ACTUAL STANDARD
<b>QUANTITY</b>		
Agreed targets for high-level meetings and visits to bilateral partners, international agencies and regional agencies are met; at least one visit to all core bilateral partners, regional agencies, and 5 out of the 10 top priority multilateral agencies	Targets achieved	<b>Met</b>
Core bilateral programmes managed	17	<b>Met</b> (see note 1)
Multilateral relationships managed – top priority and second priority respectively under the Multilateral Engagement Strategy	10 & 15	<b>Met</b> (see note 2)
Non-Pacific regional programmes managed	7	<b>Met</b> (see note 3)
Major Pacific regional agencies relationships managed	8	<b>Met</b> (see note 4)
Pacific programmes managed on a regional basis	6	<b>Met</b> (see note 5)
Strategic relationships (with the Council for International Development, Volunteer Service Abroad, Development Resource Centre, Trade Aid) and contestable funding schemes (KOHA-PICD, HAF) to manage partnerships with New Zealand NGOs	6 strategic relationships and 2 funding schemes.	<b>Met</b>
Volume of Crown ODA resources administered	As per appropriation	<b>\$484.2 million</b> (see note 6)
<b>QUALITY</b>		
Compliance with stated Quantity, Quality and Timeliness targets of policy advice	Expectations met.	<b>Met</b> (see pages 62-63)
All activities will comply with relevant approved programme strategies and criteria of NZAID	100%	<b>Met</b> (see note 7)
All activities and programmes will be managed under contracts and agreements that comply with agreed and audited internal procurement standards and grant determination standards	100%	<b>Met</b> (see note 8)
Activity and programme payments correct and on time	100%	<b>Not met</b> (91% on time – see note 9)
Feedback from programme partners on NZAID engagement	-	<b>Feedback largely positive and has been taken on board</b> (see note 10)

## NOTES

- 1 The 17 “core bilateral programmes” are now referred to as “major bilateral programmes” (of which there are four – Indonesia, Papua New Guinea, Solomon Islands and Vanuatu), “bilateral programmes” (10) and “constitutional relationship programmes” (three – Cook Islands, Niue and Tokelau).
- 2 NZAID manages funding and relationships with the priority multilateral organisations (such as the World Bank, UNDP, UNICEF and World Food Programme) identified in the Multilateral Engagement Strategy 2005–2010, available on NZAID’s website. Engagement includes participation in the strategic priority setting, annual planning, budget setting and review processes.
- 3 Africa Regional and Latin America Regional.
- 4 Pacific Islands Forum Secretariat, Secretariat of the Pacific Community, Pacific Applied Geosciences Commission, University of the South Pacific, Pacific Regional Environment Programme, Forum Fisheries Agency, South Pacific Bureau of Educational Assessment and Fiji School of Medicine. Engagement is similar to NZAID’s management of the relationship with global multilateral organisations (see note 2, above), but the nature of the relationship and work involved is materially altered by New Zealand’s own role in the Pacific as both a member and donor.
- 5 Governance, growth, human development, environment and vulnerability, New Zealand Government Agencies Fund, regional agencies. NZAID also managed six non-programme allocations.
- 6 Total Crown appropriations were \$484.199 million, including \$50.430 million “rolled over” from 2007/08. However, total Crown expenses were \$458.231 million. The total value of appropriations is used as an indicator of the quantity of NZAID’s “management of ODA programmes” output because it gives a sense of the size of the task. Indicators of the quality of output are provided in the next section; and quality of the ODA itself is discussed in the main body of this Annual Report, particularly the sections on contribution to outcomes and on cost-effectiveness and value for money.
- 7 NZAID’s robust quality control mechanisms prevent expenditure of funds on non-compliant activities. Activities also each have their own monitoring and evaluation arrangements, and a number of activities are audited, reviewed or evaluated each year against criteria such as compliance with policies and strategies, relevance to development needs, effectiveness, efficiency, impact and sustainability of benefits. In 2009/10, new systems will be introduced to further improve the effectiveness, efficiency and measurement of quality control.
- 8 Contracts and grant agreements are established under NZAID’s comprehensive policies and procedures for procurement, which have recently been strengthened under a Control Environment Strengthening Programme (details are given earlier in this Annual Report).
- 9 Payments are correct but only 91% are paid within the target time of 28 days. A range of reasons are behind the delays; for example, payment of invoices can be delayed while issues are resolved with acquittal of previous funds provided. However, the median time from receipt to payment is only 13 days, well within the target time.
- 10 Feedback from partners was largely positive. For example, the Government of Papua New Guinea welcomed the new NZAID Papua New Guinea Programme Strategy as consistent with its own commitment to the poor and disadvantaged areas. The Papua New Guinea Minister for Education reported he was “impressed” by an NZAID-funded activity. A number of partner governments (eg Samoa, Vanuatu, Lao PDR and many others) were reported to be “appreciative” of NZAID’s approach and alignment. Reviews of the Tuvalu and Kiribati programmes found that the strategic policy engagement between NZAID and the partner governments was achieved to a high level. New Zealand government agencies that deliver some NZAID activities reported that they highly value NZAID’s development expertise and guidance.

More critical feedback from partners often focused on perceived delays arising from following NZAID’s quality control and accountability processes. This issue is being kept under review, particularly in the programmes that have received this feedback.

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**FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
24,596	Crown	28,780	28,002	28,780
113	Other	120	72	181
<b>24,709</b>	<b>Total Revenue</b>	<b>28,900</b>	<b>28,074</b>	<b>28,961</b>
	<b>Expenditure</b>			
23,288	Annual Appropriations	28,303	28,074	28,961
<b>23,288</b>	<b>Total Expenses</b>	<b>28,303</b>	<b>28,074</b>	<b>28,961</b>
<b>1,421</b>	<b>Net Surplus</b>	<b>597</b>	<b>-</b>	<b>-</b>

**EXPLANATION OF SIGNIFICANT VARIANCES**

The under-expenditure is mostly due to costs that were expected to flow from the Organisational Framework review, which was subsequently put on hold pending the review of organisational arrangements with MFAT.

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## OUTPUT EXPENSE: STRATEGIC EVALUATION AND ADVICE

This output expense involves the work and advice necessary to improve the overall effectiveness of development assistance, comprising international development research, evaluation of ODA programmes and activities, analysis and consultation leading to the development of ODA strategies and policies, the provision of advice on international development issues, and Ministerial services.

### PERFORMANCE

Although NZAID met or exceeded the targets for the quantity of strategic evaluation and advice in 2008/09, four quality targets were not met. Three of these relate to timeliness: deadlines for drafting and providing responses to Ministerial correspondence; keeping programme strategies up to date; and developing programme strategy reviews. These important areas are receiving urgent management attention and improvements are expected through 2009/10.

The other key target not met related to the quality of evaluations. In 2007/08 this target was assessed as “not met” whereas in 2008/09 it is assessed as “partially met (improving)”. Significant resources have been assigned to improving the quality and usefulness of the 30 or more evaluations per year commissioned by NZAID. Further improvements in quality are expected in 2009/10.

The Ministry's delivery of outputs in 2008/09 against the performance measures specified in the Statement of Forecast Service Performance in the 2008/09 Estimates was as follows:

PERFORMANCE MEASURE IN THE ESTIMATES	BUDGET STANDARD	ACTUAL STANDARD
<b>QUANTITY</b>		
Review or development of programme strategies	At least 4	<b>Met</b> (see note 1)
Appraisal of all necessary proposals/design studies for programmes	At least 40	<b>Exceeded</b> (more than 90 appraisals of planned or proposed activities)
New (or substantially revised) sectoral or thematic policies or strategies	At least 2	<b>Met</b> (health and evaluation strategies)
Evaluations or activity reviews	At least 20	<b>Exceeded</b> (see note 2)
All demand for Ministerial correspondence, Parliamentary Questions and Ministerial and Cabinet submissions met	100% (with numbers reported)	<b>Met</b> (see note 3)
All media inquiries met	100% (with numbers reported)	<b>Met</b> (see note 4)
<b>QUALITY</b>		
Programme strategy reviews developed within agreed timeframes and resulting agreed recommendations approved by NZAID and by partners	Agreed timeframes met	<b>Not met</b> (on timeliness – see note 5)
Reviews and evaluations comply with good practice guidelines	100%	<b>Partially met</b> (improving – see note 6)
Ministerial service products meet standards	100%	<b>Not met</b> (on timeliness – see note 7)
Programme strategies are up to date as per the schedule of reviews and revisions	100% (with numbers reported)	<b>Not met</b> (see note 8)
Programme strategy reviews this year were agreed with partners and meet guidelines and standards	100% (with numbers reported)	<b>Met</b> (see note 9)
Proposals and design studies meet guidelines and standards	100% (with numbers reported)	<b>Met</b> (see note 10)
Sectoral and thematic policies and strategies meet guidelines, and NZAID advice stands up to public scrutiny	100% (with numbers reported; and criticisms documented and responded to)	<b>Met</b> (see note 11)

## NOTES

- 1 Programme strategies agreed between New Zealand and the partner country were completed for Tonga, Cook Islands, Papua New Guinea and Solomon Islands. Significant review, consultation and development work was also undertaken for new programme strategies for Kiribati, Tuvalu, Indonesia, Philippines, Timor-Leste, Pacific Environment and Vulnerability, and the New Zealand Government Agencies Fund.
- 2 Thirty-four reviews and evaluations were completed. Two reviews of KOHA-PICD agencies (New Zealand NGOs) were also undertaken.
- 3 One hundred and seventeen replies to Ministerial correspondence were drafted by NZAID, with seven replies outstanding as at August 2009. Including Official Information Act requests (of which there were 13), a total of 177 pieces of correspondence for the Minister, NZAID Executive Director or MFAT Chief Executive were handled by NZAID. One hundred and twenty-three Ministerial submissions were provided. NZAID also made inputs to a small number of Cabinet papers as required. Thirty-eight responses to Parliamentary questions were provided.
- 4 ODA-related media inquiries increased this year and all inquiries were dealt with promptly. An increased focus on e-publishing agency and programme information via NZAID's website contributed to the speed with which media enquiries were handled. Several journalists made visits to countries with an NZAID presence and reported on in-country programmes and projects. Exact numbers of media inquiries cannot be given; consideration is being given to developing systems to track these more formally.
- 5 All five formal reviews or evaluations of programme strategies (Government Agencies Fund, Kiribati, Tuvalu, Afghanistan and Timor-Leste) took longer to undertake than originally planned, with the period overdue ranging from eight days (for Kiribati and Tuvalu) to five months. Recommendations were considered by all stakeholders, including formally by NZAID's Evaluation and Research Committee, and taken into account appropriately to inform future strategy development.
- 6 This indicator refers to the quality of the reviews and evaluations, commissioned by NZAID, of NZAID programmes and activities. Most reviews and evaluations are at the activity (eg project) level. Monitoring, review and evaluation of NZAID activities are vital sources of the information on contribution to outcomes and value for money earlier in this Annual Report. They are also essential for identifying and learning lessons and improving effectiveness and efficiency. Because of this, the quality of NZAID's evaluation processes is an important indicator of the quality of NZAID's overall management and is carefully monitored itself.  
  
The quality of reviews and evaluation improved in 2008 compared with previous years. Forty-one percent of the 2008 evaluations and reviews were assessed as "satisfactory or good in all or many respects" compared with 22 percent in 2007. Just 10 percent of 2008 evaluations and reviews were assessed as "not satisfactory" compared with 28 percent in 2007. Improvements were noted in reporting, incorporation of gender issues and analysis of value for money.  
  
NZAID continues to take steps to strengthen its evaluation capacity, including: extensive revision of key evaluation guidelines, additional advisory resources, finalisation of an evaluation strategy, staff training, and pro-active engagement with the evaluation consultancy community.
- 7 Just over half of replies to Ministerial correspondence were delivered to the Minister's office later than the 10 working day deadline, with the median late period eight days. Of 36 responses to Parliamentary questions, 35 were provided by the time required. The issue of timeliness is receiving management attention.
- 8 At the end of 2008/09, seven (five bilateral and two regional) of NZAID's 33 programmes were overdue for new strategies, with timelines renegotiated by agreement with partners. The issue is being addressed urgently as part of overall efforts to strengthen programme strategies and their management. In many cases delays are outside NZAID's control – for example, requests from partner governments to delay new strategy development while their own planning or coordination arrangements are under way (as has been the case with Timor-Leste until recently).
- 9 Programme strategy reviews informed management and future strategy development. Reviews (including findings and recommendations) were consulted with all stakeholders as appropriate, including partners. NZAID's quality control procedures for reviews, including the Evaluation and Research Committee process, ensure that guidelines and standards are met.

10 NZAID's quality control mechanisms prevent expenditure of funds on non-compliant activities, but exact numbers of proposals and design studies are not available. See notes 7 and 8 for "Output Expense: Management of Official Development Assistance Programmes". In 2009/10, new systems will be introduced to improve the effectiveness, efficiency and measurement of quality control.

11 The evaluation and health strategies, completed in 2008/09, went through rigorous internal consultation and quality control. NZAID's humanitarian policy, finalised in 2008/09, also went through rigorous consultation and quality control.

#### FINANCIAL PERFORMANCE (FIGURES ARE GST EXCLUSIVE)

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Revenue</b>			
7,977	Crown	9,427	9,477	9,427
50	Other	51	32	77
<b>8,027</b>	<b>Total Revenue</b>	<b>9,478</b>	<b>9,509</b>	<b>9,504</b>
	<b>Expenditure</b>			
7,338	Annual Appropriations	9,031	9,509	9,504
<b>7,338</b>	<b>Total Expenses</b>	<b>9,031</b>	<b>9,509</b>	<b>9,504</b>
<b>689</b>	<b>Net Surplus</b>	<b>447</b>	<b>-</b>	<b>-</b>

#### EXPLANATION OF SIGNIFICANT VARIANCES

The under-expenditure is mostly due to costs that were expected to flow from the Organisational Framework review, which was subsequently put on hold.

# Statement of Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2009

## REPORTING ENTITY

The Ministry of Foreign Affairs and Trade (“the Ministry”) is a New Zealand Government Department as defined by the Public Finance Act 1989, and is a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Ministry manages the Government’s business with foreign countries and their governments, and with international organisations.

## REPORTING PERIOD

The reporting period for these financial statements is the year ended 30 June 2009. The financial statements were authorised for issue by the Chief Executive on 30 September 2009.

The Main Estimates are the original forecast for the financial year, as tabled in Parliament on 22 May 2008. The Supplementary Estimates are the forecast as tabled in Parliament on 28 May 2009.

## STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, and with New Zealand generally accepted accounting practice. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

## ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Standards, amendments and interpretations issued but not yet effective under NZ IFRS that have not been early adopted, and which are relevant to the Ministry include:

NZ IAS 1 Presentation of Financial Statements (revised 2007) replaces NZ IAS 1 Presentation of Financial Statements (issued 2004) and is effective for reporting periods beginning on or after 1 January 2009. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in equity resulting from transactions with the Crown in its capacity as “owner” separately from “non-owner” changes. The revised standard gives the Ministry the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive

income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Ministry expects it will apply the revised standard for the first time for the year ended 30 June 2010, and is yet to decide whether it will prepare a single statement of comprehensive income or a separate income statement followed by a statement of comprehensive income.

## MEASUREMENT SYSTEM

The measurement base applied is historical cost modified by the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The accrual basis of accounting has been used unless otherwise stated. These financial statements are presented in New Zealand dollars rounded to the nearest thousand.

## JUDGEMENTS AND ESTIMATIONS

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.<sup>12</sup> The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## REVENUE

### OPERATIONS

Revenue from the provision of outputs to the Crown and services to third parties is recognised at balance date on a straight-line basis over the specified period for the services unless an alternative method better represents the stage of completion of the transaction.

### INTEREST

Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

<sup>12</sup> Where material, information on the major assumptions is provided in the relevant accounting policy, or will be provided with a relevant note.

**DIVIDEND**

Dividend income from investments is recognised when the Ministry's rights as a shareholder to receive payment have been established.

**RENTAL INCOME**

Rental income is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease. All rental income is derived from other government agencies at the Ministry's overseas posts. No lease incentives have been granted.

**DONATED OR SUBSIDISED ASSETS**

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue in the Statement of Financial Performance.

**EXPENSES****GRANTS**

Where grants are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Ministry.

**INTEREST**

Interest expense is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

**FOREIGN CURRENCY**

Transactions in foreign currencies are translated into New Zealand dollars at a foreign exchange rate which materially represents the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions (the difference between the rate at which the transaction was recorded and the rate at which the foreign currency for that transaction was purchased or sold) and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the Statement of Financial Performance.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated into New Zealand dollars at a foreign exchange rate which materially represents the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and

measured at fair value are translated into New Zealand dollars at the exchange rate applicable at the fair value date. The associated foreign exchange gains or losses follow the fair value gains directly to equity.

**FINANCIAL INSTRUMENTS****FINANCIAL ASSETS**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method (refer interest revenue policy). Loans and receivables issued with a duration of less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest, impairment losses, and foreign exchange gains and losses are recognised in the Statement of Financial Performance.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts, and deposits with a maturity of no more than three months from date of acquisition.

**FINANCIAL LIABILITIES**

Financial liabilities are recognised initially at fair value less transaction costs and material liabilities are subsequently measured at amortised cost using the effective interest rate method (refer interest expense policy). Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Statement of Financial Performance as is any gain or loss when the liability is derecognised.

**DERIVATIVES**

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively. Movements in the value of derivatives are recognised in the Statement of Financial Performance.

In accordance with its foreign exchange policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

#### **GOODS AND SERVICES TAX (GST)**

The Departmental Statement of Financial Position is exclusive of GST, except for Creditors and Payables and Debtors and Receivables, which are GST inclusive. All other statements are GST exclusive.

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

#### **INCOME TAX**

As a government department, the Ministry is exempt from the payment of income tax (Income Tax Act 2004) and no charge for income tax has been provided for.

#### **COMMITMENTS**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

#### **PROPERTY, PLANT AND EQUIPMENT**

Items of property, plant and equipment are initially recorded at cost.

Where an asset is acquired for nil or nominal consideration the asset will be recognised initially at fair value, where fair value can be reliably determined. The fair value of the asset received, less costs incurred to acquire the asset, are also recognised as revenue in the Statement of Financial Performance.

Unrealised gains and losses arising from changes in the value of property, plant and equipment are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial Performance for the asset class, the gain is credited to the Statement of Financial Performance. Otherwise, gains are credited to an 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 debited to the reserve. Otherwise, losses are reported in the Statement of Financial Performance.

Revaluations are carried out for the following classes of property, plant and equipment to reflect the service potential or economic benefit obtained through control of the asset. Revaluation is based on the fair value of the asset, with changes reported by class of asset.

Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

#### **LAND AND BUILDINGS**

Land and buildings are recorded at fair value less impairment losses and, for buildings, less depreciation accumulated since the assets were last revalued. Valuations undertaken in accordance with standards issued by the New Zealand Property Institute are used where available. Additions between revaluations are recorded at cost. A revaluation for all land and buildings was last completed on 31 October 2008 and updated at 30 June 2009 to recognise material movements to the fair value. Land and buildings are revalued every three years, or whenever the carrying amount differs materially to fair value.

#### **WORKS OF ART**

Works of art are recorded at cost less impairment losses.

#### **OTHER PROPERTY, PLANT, AND EQUIPMENT – AT COST**

Other property, plant and equipment, which includes leasehold improvements, furniture and fittings, computer equipment, motor vehicles and office equipment, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the Statement of Financial Performance in the period in which the transaction occurs. Any balance attributable to the disposed asset in the asset revaluation reserve is transferred to retained earnings.

For each property, plant and equipment asset project, borrowing costs incurred during the period required to complete and prepare the asset for its intended use are expensed.

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

#### **DEPRECIATION**

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of

property, plant and equipment over its estimated useful life. Typically, the estimated useful lives of different classes of property, plant and equipment are as follows:

Buildings	
– Structure	35 to 60 years
– Fit out	3 to 20 years
– Services	3 to 20 years
Plant and Machinery	10 years
Computer Equipment (excluding computer software)	3 to 8 years
Equipment	4 to 20 years
Leasehold Improvements	5 to 15 years
Motor Vehicles	8 years
Furniture and Fittings	6 years 8 months

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease with a maximum period of 15 years.

#### INTANGIBLE ASSETS

Intangible assets are initially recorded at cost. The cost of an internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility, ability to complete the asset, intention and ability to sell or use, and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when it is incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Statement of Financial Performance on a straight-line basis over the useful life of the asset. Typically, the estimated useful lives of these assets are as follows:

Computer Software	3 to 8 years
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Where there is an active market for an intangible asset, the asset is recorded at a revalued amount, being fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are done for each intangible asset, not for a class of asset.

Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the Statement of Financial

Performance, the gain is credited to the Statement of Financial Performance.

Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation reserve for the intangible asset, any loss is debited to the reserve. Otherwise, losses are reported in the Statement of Financial Performance.

Realised gains and losses arising from disposal of intangible assets are recognised in the Statement of Financial Performance in the period in which the transaction occurs.

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. An intangible asset with an indefinite life is tested for impairment annually. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Statement of Financial Performance, unless the asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

#### NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets or disposal groups are separately classified where their carrying amount will be recovered through a sale transaction rather than continuing use; that is, where such assets are available for immediate sale and where sale is highly probable. These assets are recorded at the lower of their carrying amount and fair value less costs to sell.

#### EMPLOYEE BENEFITS

##### EMPLOYEE ENTITLEMENTS

Employee entitlements to salaries and wages, annual leave, long service leave, retiring leave and other similar benefits are recognised in the Statement of Financial Performance when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

##### DEFINED CONTRIBUTION SCHEMES

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund, are accounted for as defined contribution schemes and are recognised as an expense in the Statement of Financial Performance as incurred.

### TERMINATION BENEFITS

Termination benefits are recognised in the Statement of Financial Performance only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid, otherwise they are reported as the present value of the estimated future cash outflows.

### LEASES

Operating leases, where the lessor substantially retains the risks and rewards of ownership, are recognised in a systematic manner over the term of the lease.

Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter. Lease incentives received are recognised evenly over the term of the lease as a reduction in rental expense.

### 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.

### CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

### TAXPAYERS' FUNDS

Taxpayers' funds is the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities.

### CHANGES IN ACCOUNTING POLICIES

Accounting policies are changed only if the change is required by a standard or interpretation or otherwise provides more reliable and more relevant information.

These accounting policies have been applied consistently to all periods presented in these financial statements.

### COMPARATIVES

When presentation or classification of items in the financial statements is amended or accounting policies are changed voluntarily, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

### RELATED PARTIES

The Ministry transacts with other government agencies on a regular basis, for example, for the purchase of postage stamps or the registration of vehicles. These transactions are conducted on an arms length basis. Any transactions not conducted at arms length will be disclosed in the Ministry's financial statements.

### COST ALLOCATION

The Ministry has determined the cost of outputs using the cost allocation system outlined below.

### DEFINITION OF TERMS

**"Operational Cost Centre"** is a unit that produces outputs. All overseas posts and regional and functional divisions in Wellington are Operational Cost Centres.

**"Support Service Cost Centre"** is a unit that provides Support Services to Operational Cost Centres.

**"Output Allocation Factor"** is a ratio calculated from an estimate of time each officer spends on producing specified outputs.

**"Direct Costs"** are those costs directly attributed to outputs.

**"Indirect Costs"** are those costs directly attributed to Operational Cost Centres.

**"Corporate Costs"** are those costs of Support Service Cost Centres attributed to Operational Cost Centres as overhead. Corporate Costs account for approximately 16 percent (2008:15 percent) of the Ministry's output costs.

Those direct costs that can be specifically attributed to an output are charged direct to that output.

All other costs are assigned through a methodology that pools indirect costs in a cost pool and assigns input costs to outputs.

Corporate Costs are allocated to Operational Cost Centres based on headcount.

Operational Cost Centre indirect costs including share of Corporate Costs are then assigned to outputs on the basis of an Output Allocation Factor.

There have not been any changes in cost accounting policies, since the date of the last audited financial statements.

# Financial Statements

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

30/06/08 ACTUAL \$000		NOTES	30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. * ESTIMATES \$000
	<b>REVENUE</b>				
292,748	Crown		325,698	331,091	325,698
15,209	Other	1	14,846	13,991	14,472
4,996	Gain on derivatives		-	-	10,000
104	Interest		73	100	100
1,021	Gain on sale of assets		20	-	-
<b>314,078</b>	<b>Total Revenue</b>		<b>340,637</b>	<b>345,182</b>	<b>350,270</b>
	<b>EXPENDITURE</b>				
143,712	Personnel	2	162,864	171,183	162,231
61,853	Operating	3	76,704	77,349	82,929
43,951	Accommodation	4	48,715	50,285	48,679
14,324	Depreciation	5	17,967	14,275	15,893
1,449	Amortisation on intangible assets	6	1,789	5,368	1,905
25,135	Capital charge	7	26,508	26,622	26,508
-	Loss on foreign exchange		3,561	-	-
<b>290,424</b>	<b>Total Output Expenses</b>		<b>338,108</b>	<b>345,082</b>	<b>338,145</b>
	<b>RE-MEASUREMENT</b>				
-	Loss on derivatives		2,994	-	-
2,978	Property revaluation		(12,925)	-	-
<b>2,978</b>	<b>Total Re-measurement</b>		<b>(9,931)</b>	<b>-</b>	<b>-</b>
<b>293,402</b>	<b>Total Expenses</b>		<b>328,177</b>	<b>345,082</b>	<b>338,145</b>
<b>20,676</b>	<b>Net Operating Surplus/ (Deficit)</b>		<b>12,460</b>	<b>100</b>	<b>12,125</b>

\* These are the estimated actuals according to the 2008/09 Supplementary Estimates as shown in the 2009/10 Main Estimates. The individual output statements disclosed with the Statements of Service Performance reflect the appropriations for the 2008/09 Supplementary Estimates.

The accompanying accounting policies and notes form part of these financial statements.  
For information on major variances against budget refer to note 21 (page 112).

**STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

30/06/08 ACTUAL \$000		NOTES	30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. * ESTIMATES \$000
20,676	Net operating surplus/(deficit)		12,460	100	12,125
<b>20,676</b>	<b>Total Recognised Revenues and Expenses for the Year</b>		<b>12,460</b>	<b>100</b>	<b>12,125</b>
(22,711)	Provision for repayment surplus	14	(2,529)	(100)	(2,099)
19,469	Capital contributions		-	10,000	-
-	Retention of 2007/08 surplus	8	10,026	-	-
-	Other		(3)	-	-
-	Property, plant and equipment revaluation reserve		98,614	-	176,917
<b>17,434</b>	<b>Movement in Taxpayers' Funds for the Year</b>		<b>118,568</b>	<b>10,000</b>	<b>186,943</b>
<b>330,987</b>	<b>Taxpayers' Funds Brought Forward as at 1 July</b>		<b>348,421</b>	<b>348,156</b>	<b>348,421</b>
<b>348,421</b>	<b>Taxpayers' Funds as at 30 June</b>		<b>466,989</b>	<b>358,156</b>	<b>535,364</b>

\* These are the estimated actuals according to the 2008/09 Supplementary Estimates as shown in the 2009/10 Main Estimates.

The accompanying accounting policies and notes form part of these financial statements.  
 For information on major variances against budget refer to note 21 (page 112).

## STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2009

30/06/08 ACTUAL \$000	NOTES	30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. * ESTIMATES \$000
	<b>TAXPAYERS' FUNDS</b>			
348,421	General Funds 8	368,375	358,156	358,447
-	Revaluation Reserve	98,614	-	176,917
<b>348,421</b>	<b>Total Taxpayers' Funds</b>	<b>466,989</b>	<b>358,156</b>	<b>535,364</b>
	Represented by:			
	<b>CURRENT ASSETS</b>			
66,802	Cash	36,467	29,253	25,051
34,843	Debtor Crown	47,771	-	40,732
1,883	Debtors and receivables 9	1,598	2,004	1,883
3,654	Prepayments 10	4,959	3,906	3,654
2,622	Derivatives in gain 18	1,036	18	12,622
<b>109,804</b>	<b>Total Current Assets</b>	<b>91,831</b>	<b>35,181</b>	<b>83,942</b>
	<b>NON-CURRENT ASSETS</b>			
2,839	Debtors and receivables 9	3,337	2,278	2,839
-	Prepayments – Leased land 10	3,995	-	-
290,525	Fixed assets 11	411,473	351,774	479,828
11,222	Intangible assets 12	9,344	14,195	22,222
<b>304,586</b>	<b>Total Non-Current Assets</b>	<b>428,149</b>	<b>368,247</b>	<b>504,889</b>
<b>414,390</b>	<b>Total Assets</b>	<b>519,980</b>	<b>403,428</b>	<b>588,831</b>
	<b>CURRENT LIABILITIES</b>			
17,238	Creditors and payables 13	19,294	14,565	17,238
22,711	Provision for surplus 14	2,529	100	12,125
13,883	Provision for employee entitlements 15	16,793	12,673	13,755
877	Derivatives in loss 18	2,285	9,017	(1,039)
<b>54,709</b>	<b>Total Current Liabilities</b>	<b>40,901</b>	<b>36,355</b>	<b>42,079</b>
	<b>NON-CURRENT LIABILITIES</b>			
11,260	Provision for employee entitlements 15	12,090	8,917	11,388
<b>11,260</b>	<b>Total Non-Current Liabilities</b>	<b>12,090</b>	<b>8,917</b>	<b>11,388</b>
<b>65,969</b>	<b>Total Liabilities</b>	<b>52,991</b>	<b>45,272</b>	<b>53,467</b>
<b>348,421</b>	<b>NET ASSETS</b>	<b>466,989</b>	<b>358,156</b>	<b>535,364</b>
<b>414,390</b>	<b>Total Liabilities and Taxpayers' Funds</b>	<b>519,980</b>	<b>403,428</b>	<b>588,831</b>

\* These are the estimated actuals according to the 2008/09 Supplementary Estimates.

The accompanying accounting policies and notes form part of these financial statements.  
For information on major variances against budget refer to note 21 (page 112).

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2009

30/06/08 ACTUAL \$000		NOTES	30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. * ESTIMATES \$000
	<b>OPERATING ACTIVITIES</b>				
	Cash provided from:				
257,905			312,770	365,934	312,770
15,209			14,659	13,991	12,212
104			73	100	-
-			-	-	2,360
<b>273,218</b>			<b>327,502</b>	<b>380,025</b>	<b>327,342</b>
	Cash disbursed to:				
	Produce outputs				
(143,059)			(151,748)	(170,637)	(161,729)
(108,000)			(134,983)	(128,180)	(134,026)
(25,135)			(26,508)	(26,622)	(26,508)
(119)			(512)	-	-
<b>(276,313)</b>			<b>(313,751)</b>	<b>(325,439)</b>	<b>(322,263)</b>
<b>(3,095)</b>	<b>Operating Activities Net Cash Flows</b>	16	<b>13,751</b>	<b>54,586</b>	<b>5,079</b>
	<b>INVESTING ACTIVITIES</b>				
	Cash provided from:				
6,803			262	300	300
	Cash disbursed for:				
(19,802)			(25,174)	(60,180)	(27,961)
(4,361)			(6,489)	(8,453)	(6,484)
<b>(17,360)</b>	<b>Investing Activities Net Cash Flows</b>		<b>(31,401)</b>	<b>(68,333)</b>	<b>(34,145)</b>
	<b>FINANCING ACTIVITIES</b>				
	Cash provided from:				
19,469			-	10,000	-
	Cash disbursed for:				
(3,328)			(12,685)	(6,000)	(12,685)
<b>16,141</b>	<b>Financing Activities Net Cash Flows</b>		<b>(12,685)</b>	<b>4,000</b>	<b>(12,685)</b>
(4,314)			(30,335)	(9,747)	(41,751)
71,116			66,802	39,000	66,802
<b>66,802</b>	<b>Closing Cash</b>		<b>36,467</b>	<b>29,253</b>	<b>25,051</b>

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.

\* These are the estimated actuals according to the 2008/09 Supplementary Estimates.

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

**STATEMENT OF COMMITMENTS**

AS AT 30 JUNE 2009

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
	<b>CAPITAL COMMITMENTS</b>	
	<b>Land and buildings</b>	
13,324	Less than one year	2,701
<b>13,324</b>	<b>Total Capital Commitments</b>	<b>2,701</b>
	<b>NON-CANCELLABLE OPERATING LEASES</b>	
	<b>Accommodation</b>	
24,926	Less than one year	33,053
17,647	One to two years	24,960
32,027	Two to five years	46,152
32,305	More than five years	35,252
<b>106,905</b>	<b>Total Non-Cancellable Operating Lease Commitments</b>	<b>139,417</b>
	<b>NON-CANCELLABLE OPERATING LEASES</b>	
	<b>Other Non-Cancellable Leases</b>	
3,365	Less than one year	3,011
227	One to two years	74
228	Two to five years	129
26	More than five years	46
<b>3,846</b>	<b>Total Non-Cancellable Operating Lease Commitments</b>	<b>3,260</b>
<b>110,751</b>	<b>Total Operating Lease Commitments</b>	<b>142,677</b>
<b>124,075</b>	<b>Total Commitments</b>	<b>145,378</b>

**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 2009.

**NON-CANCELLABLE OPERATING LEASES**

The Ministry leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises, photocopiers, computer maintenance, cleaning services, consulting services, and other contracts for services which have a non-cancellable leasing period.

The Ministry's non-cancellable operating leases have varying terms, escalation clauses and renewal rights. There are no restrictions placed on the Ministry by any of its leasing arrangements.

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

## **STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **AS AT 30 JUNE 2009**

The Ministry has a contingent liability in the form of an indemnity as at 30 June 2009 to HSBC for \$0.952 million (30 June 2007: \$0.817 million).

The Ministry has other contingent liabilities relating to employment disputes, property disputes and make good costs as at 30 June 2009 for \$2.837 million (30 June 2008: \$0.134 million).

The Ministry had one unquantifiable contingent liability relating to an employment dispute as at 30 June 2009 (30 June 2008: nil).

The Ministry has no contingent assets as at 30 June 2009 (30 June 2008: nil).

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

**STATEMENT OF DEPARTMENTAL UNAPPROPRIATED EXPENDITURE  
AND CAPITAL EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2009**

The Ministry had \$0.929 million unappropriated expenditure as at 30 June 2009 (30 June 2008: nil) in the output expense “Policy Advice and Representation: International Institutions”. The unappropriated expenditure was primarily due to the Ministry handing back \$10 million savings on the basis of a high-level trend analysis in the Supplementary Estimates of Appropriation 2008/09, with the result of an over allocation of savings attributed to this output expense.

The Ministry is seeking approval for the unappropriated expenditure through Section 26C of the Public Finance Act 1989.

**DEPARTMENTAL NET ASSET SCHEDULE**

The Ministry had no breaches of projected departmental net asset schedules (30 June 2008: \$2.300 million).

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

**STATEMENT OF DEPARTMENTAL EXPENDITURE AND CAPITAL  
EXPENDITURE APPROPRIATIONS  
FOR THE YEAR ENDED 30 JUNE 2009**

	30/06/09 EXPENDITURE BEFORE RE-MEASUREMENT \$000	30/06/09 RE-MEASUREMENT \$000	30/06/09 EXPENDITURE AFTER RE-MEASUREMENT \$000	30/06/09 APPROPRIATION VOTED* \$000
<b>VOTE FOREIGN AFFAIRS AND TRADE</b>				
<b>Appropriations for Classes of Outputs</b>				
Administration of Diplomatic Privileges and Immunities	482	-	482	503
Consular Services	12,469	-	12,469	12,577
Pacific Security Fund	2,538	-	2,538	3,170
Policy Advice and Representation – International Institutions	50,106	-	50,106	49,177
Policy Advice and Representation – Other Countries	221,098	-	221,098	221,910
Policy Advice and Representation – Other Countries (PLA)	36	-	36	39
Promotional Activities: Other Countries	582	-	582	780
Services for Other New Zealand Agencies Overseas	13,463	-	13,463	13,549
<b>Sub-total</b>	<b>300,774</b>	<b>-</b>	<b>300,774</b>	<b>301,705</b>
<b>Non-output expenses</b>				
Re-measurement – Property Revaluation	-	(12,925)	(12,925)	-
Unrealised Loss on the Re-measurement of Foreign Exchange Contracts	-	2,994	2,994	-
<b>Sub-total</b>	<b>300,774</b>	<b>(9,931)</b>	<b>290,843</b>	<b>301,705</b>
<b>Appropriations for Capital</b>				
Capital expenditure (PLA)	31,663	-	31,663	41,484
<b>Sub-total</b>	<b>31,663</b>	<b>-</b>	<b>31,663</b>	<b>41,484</b>
<b>Total</b>	<b>332,437</b>	<b>(9,931)</b>	<b>322,506</b>	<b>343,189</b>
<b>VOTE OFFICIAL DEVELOPMENT ASSISTANCE</b>				
<b>Appropriations for Classes of Outputs</b>				
Management of Official Development Assistance Programme	28,303	-	28,303	28,961
Strategic Advice and Evaluation	9,031	-	9,031	9,504
<b>Total</b>	<b>37,334</b>	<b>-</b>	<b>37,334</b>	<b>38,465</b>

\* This includes adjustments made in the Supplementary Estimates.

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

## STATEMENT OF TRUST MONIES FOR THE YEAR ENDED 30 JUNE 2009

ACCOUNT	AS AT 30/06/08 \$000	CONTRIBUTION \$000	DISTRIBUTION \$000	REVENUE \$000	AS AT 30/06/09 \$000
New Zealand/France Friendship Trust Fund	49	111	(131)	2	31
Niue Admin Building Trust Fund	-	1,142	(878)	4	268
Judicial Development Trust Fund	943	-	(50)	49	942
Cook Islands Trust Fund	68	3,226	(3,288)	2	8
Pacific Islands Police Women's Trust Fund	312	-	(232)	9	89
Pacific Gender and Aid Effectiveness Trust Fund	63	-	(63)	-	-
Fred Hollows Foundation Trust Fund	-	3,177	(2,059)	-	1,118
<b>Total</b>	<b>1,435</b>	<b>7,656</b>	<b>(6,701)</b>	<b>66</b>	<b>2,456</b>

### PURPOSE OF TRUST ACCOUNTS

#### NEW ZEALAND/FRANCE FRIENDSHIP FUND

The New Zealand/France Friendship Fund was established to manage the distribution of income from funds held in France as part of the Rainbow Warrior dispute. Funds are used for projects promoting relations between France and New Zealand.

#### NIUE ADMIN BUILDING TRUST FUND

The Niue Admin Building Trust was established to receive funds held on behalf of the French Government committed to the construction of a new government administration building in Niue, to replace the temporary structures used since most of the government buildings on the island were damaged/destroyed in a cyclone several years ago.

#### JUDICIAL DEVELOPMENT TRUST FUND

The Judicial Development Trust was established to receive funding from the Australian Agency for International Development (AusAID) for programmes to strengthen governance and the rule of law in Pacific Island countries.

#### 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 NZAID to harmonise the aid programmes for the Cook Islands under NZAID management.

#### PACIFIC ISLANDS POLICE WOMEN'S TRUST FUND

The Pacific Islands Police Women's Trust account was opened to hold funds received from AusAID. This is to be managed by NZAID for a project on the Pacific Islands Chief of Police Women's Advisory Network.

#### PACIFIC GENDER AND AID EFFECTIVENESS TRUST FUND

The Pacific Gender and Aid Effectiveness Trust account was opened to hold funds received from AusAID and to be managed by NZAID. This is for a case study report on Pacific Gender and Aid Effectiveness.

#### FRED HOLLOWES FOUNDATION TRUST FUND

The Fred Hollows Trust account was opened to hold funds received from AusAID and to be managed by NZAID for a jointly funded programme to address vision impairment in the Pacific.

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 1: OTHER REVENUE

**Services for Other New Zealand Agencies:** Recovery of costs for a range of support services provided to other New Zealand agencies with overseas interests and rental income from sub-let office and residential accommodation.

Services include general office services, access to communications and courier systems, operational support to agency representatives working out of the Ministry's overseas posts, and fees for work performed on behalf of other agencies.

**Consular Services:** Notarial and legal charges, diplomatic passports and authentication of document charges.

**Miscellaneous:** Sale of publications including the UN Handbook, discounts received and miscellaneous service charges.

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
11,939	Services for other New Zealand agencies	13,480
562	Consular services	617
2,708	Miscellaneous	749
<b>15,209</b>	<b>Total Other Revenue</b>	<b>14,846</b>

## NOTE 2: PERSONNEL COSTS

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
111,766	Salaries and wages	126,223
4,998	Employer contributions to defined contribution plans	5,429
497	ACC levy	597
118	Sick leave	167
26,333	FBT	30,448
<b>143,712</b>	<b>Total Personnel Costs</b>	<b>162,864</b>

## NOTE 3: OPERATING COSTS

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
380	Audit fees to Audit New Zealand	326
20	Audit fees to Audit New Zealand for NZ IFRS	-
43,740	Other operating	54,760
7,639	Travel	9,172
3,879	Professional services and contractors	4,994
4,155	Staff training	5,177
1,959	Representational	2,080
3	Asset/Debt write-offs	148
78	Loss on sale of assets	47
<b>61,853</b>	<b>Total Operating Costs</b>	<b>76,704</b>

**NOTE 4: ACCOMMODATION COSTS**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
31,128	Rentals and leases	36,022
6,107	Maintenance	5,666
6,716	Premises	7,027
<b>43,951</b>	<b>Total Accommodation Costs</b>	<b>48,715</b>

**NOTE 5: DEPRECIATION**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
4,237	Freehold buildings	5,962
2,253	Plant and equipment	2,656
4,322	Furniture and fittings	4,994
860	Motor vehicles	900
2,652	Computer equipment	3,455
<b>14,324</b>	<b>Total Depreciation Charge</b>	<b>17,967</b>

**NOTE 6: AMORTISATION ON INTANGIBLE ASSETS**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
1,449	Computer software	1,789
<b>1,449</b>	<b>Total Amortisation Charge</b>	<b>1,789</b>

**NOTE 7: CAPITAL CHARGE**

The Ministry 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 2009 was 7.5 percent (2008: 7.5 percent).

**NOTE 8: TAXPAYERS' FUNDS****GENERAL FUNDS**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
330,987	General funds as at 1 July	348,421
19,469	Capital contributions	-
20,676	Net operating surplus/ (deficit)	12,460
<b>371,132</b>		<b>360,881</b>
(22,711)	Provision for repayment of surplus to the Crown	(2,529)
-	Retention of 2007/08 operating surplus	10,026
-	Other	(3)
<b>348,421</b>	<b>General Funds as at 30 June</b>	<b>368,375</b>
-	Revaluation reserves as at 1 July	-
-	Revaluation gains/ (losses)	98,614
-	<b>Revaluation Reserves as at 30 June</b>	<b>98,614</b>
<b>348,421</b>	<b>Total Taxpayers' Funds</b>	<b>466,989</b>
	Revaluation reserve consists of:	
-	Land revaluation reserve	94,443
-	Building revaluation reserve	4,171
-	<b>Total Revaluation Reserve</b>	<b>98,614</b>

**NOTE 9: DEBTORS AND RECEIVABLES**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
	<b>CURRENT</b>	
1,774	Trade debtors	1,516
61	Receivables	45
-	GST receivable	28
48	Post establishment loans	9
<b>1,883</b>	<b>Total Current</b>	<b>1,598</b>
	<b>NON-CURRENT</b>	
135	Deposit bonds	162
2,588	Lease deposits	2,987
116	Post establishment loans	188
<b>2,839</b>	<b>Total Non-Current</b>	<b>3,337</b>
<b>4,722</b>	<b>Total Debtors and Receivables</b>	<b>4,935</b>

The carrying amount of debtors and other receivables approximates their fair value.

As at 30 June 2009 and 2008, all receivables have been assessed for impairment and no provision was required.

**AGED DEBTORS**

	30/06/08 ACTUAL \$000	30/06/09 ACTUAL \$000
Not past due	1,476	997
Past due 1–30 days	196	472
Past due 31–60 days	69	20
Past due 61–90 days	17	13
Past due >91 days	16	14
<b>Total</b>	<b>1,774</b>	<b>1,516</b>

**NOTE 10: PREPAYMENTS**

Current prepayments include expenditure paid in advance for property leases. Non-current prepayments is for the Ministry's Beijing Embassy land lease which is being amortised over the remaining life of the lease.

**NOTE 11: PROPERTY, PLANT, EQUIPMENT**

	FREEHOLD LAND \$000	FREEHOLD BUILDINGS \$000	FURNITURE & FITTINGS \$000	PLANT & EQUIPMENT \$000	MOTOR VEHICLES \$000	COMPUTER EQUIPMENT \$000	TOTAL \$000
<b>COST OR VALUATION</b>							
Balance at 1 July 2007	154,565	100,087	52,628	22,780	6,864	21,047	357,971
Additions	442	2,484	7,241	2,438	877	7,025	20,507
Disposals	(907)	(746)	(6,672)	(2,761)	(529)	(7,303)	(18,918)
<b>Balance at 30 June 2008</b>	<b>154,100</b>	<b>101,825</b>	<b>53,197</b>	<b>22,457</b>	<b>7,212</b>	<b>20,769</b>	<b>359,560</b>
Balance at 1 July 2008	154,100	101,825	53,197	22,457	7,212	20,769	359,560
Additions	1,062	6,431	11,025	5,186	382	1,088	25,174
Asset class reclassification	-	-	-	-	-	6,533	6,533
Asset – reclassification	(2,942)	-	-	-	-	-	(2,942)
Revaluation increase	94,443	1,185	-	-	-	-	95,628
Disposals	-	-	(2,908)	(2,001)	(312)	(2,749)	(7,970)
<b>Balance at 30 June 2009</b>	<b>246,663</b>	<b>109,441</b>	<b>61,314</b>	<b>25,642</b>	<b>7,282</b>	<b>25,641</b>	<b>475,983</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>							
Balance at 1 July 2007	-	6,606	26,698	16,454	2,963	13,572	66,293
Depreciation expense	-	4,237	4,322	2,253	860	2,652	14,324
Eliminate on disposal	-	(19)	(3,399)	(2,419)	(437)	(5,308)	(11,582)
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>10,824</b>	<b>27,621</b>	<b>16,288</b>	<b>3,386</b>	<b>10,916</b>	<b>69,035</b>
Balance at 1 July 2008	-	10,824	27,621	16,288	3,386	10,916	69,035
Depreciation expense	-	5,962	4,994	2,656	900	3,455	17,967
Eliminate on disposal	-	-	(2,796)	(1,945)	(231)	(2,736)	(7,708)
Asset – reclassification	-	(216)	-	-	-	-	(216)
Eliminate on revaluation	-	(14,568)	-	-	-	-	(14,568)
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>2,002</b>	<b>29,819</b>	<b>16,999</b>	<b>4,055</b>	<b>11,635</b>	<b>64,510</b>
<b>CARRYING AMOUNTS</b>							
At 1 July 2007	154,565	93,481	25,930	6,326	3,901	7,475	291,678
At 30 June and 1 July 2008	154,100	91,001	25,576	6,169	3,826	9,853	290,525
<b>At 30 June 2009</b>	<b>246,663</b>	<b>107,439</b>	<b>31,495</b>	<b>8,643</b>	<b>3,227</b>	<b>14,006</b>	<b>411,473</b>

**MOVEMENTS IN VALUES**

Land and Buildings were revalued at fair value as at 30 June 2009. This valuation was conducted by an independent registered valuer, Kerry Stewart, FNZIV and FPINZ, Manager Darroch Corporate Advisory, Darroch Valuations, on the Ministry's behalf. Land and Buildings have been translated into New Zealand dollars at the exchange rate prevailing as at that date.

Buildings purchased or capitalised have been recorded at cost.

The total amount of property, plant and equipment in the course of construction is \$5.299 million (2008: \$14.491 million).

As at 30 June 2009, the Ministry had no properties intended for sale (30 June 2008: nil).

The Ministry owns property in 13 locations globally that have restrictions on their sale, mostly in relation to their use, or requiring that country's Government approval to sell. The carrying amount of the property is \$107 million (2008: \$77 million).

**NOTE 12: INTANGIBLE ASSETS**

	ACQUIRED SOFTWARE \$000
<b>COST</b>	
Balance at 1 July 2007	23,995
Additions	4,361
Disposals	(12,124)
<b>Balance at 30 June 2008</b>	<b>16,232</b>
Balance at 1 July 2008	16,232
Additions	6,489
Reclassifications	(6,533)
Disposals	(964)
<b>Balance at 30 June 2009</b>	<b>15,224</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>	
Balance at 1 July 2007	15,508
Amortisation expense	1,449
Disposals	(11,947)
<b>Balance at 30 June 2008</b>	<b>5,010</b>
Balance at 1 July 2008	5,010
Amortisation expense	1,789
Disposals	(919)
<b>Balance at 30 June 2009</b>	<b>5,880</b>
<b>CARRYING AMOUNTS</b>	
At 1 July 2007	8,487
At 30 June 1 July 2008	11,222
<b>At 30 June 2009</b>	<b>9,344</b>

There are no restrictions over the title of the Ministry's intangible assets, nor are any intangible assets pledged as security for liabilities.

**NOTE 13: CREDITORS AND PAYABLES**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
45	Trade creditors	3,563
9,819	Accrued expenses	7,559
6,862	FBT payable	8,172
512	GST payable	-
<b>17,238</b>	<b>Total Creditors and Payables</b>	<b>19,294</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximates their fair value.

**NOTE 14: REPAYMENT OF SURPLUS**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
20,676	Net surplus/(deficit)	12,460
	<b>Add/Less</b>	
2,978	Re-measurement	(12,925)
-	Loss on derivatives	2,994
(1,021)	Gain on sale of fixed assets	-
78	Loss on sale of fixed assets	-
<b>22,711</b>	<b>Total Repayment of Surplus</b>	<b>2,529</b>

The repayment of surplus is required to be paid by 31 October each year. In October 2008, Joint Ministerial approval was given to repay a surplus of \$12.685 million for the financial year ended 30 June 2008, with a retention of \$10.026 million arising from unrealised foreign exchange gains on derivatives relating to the re-measurement of the Ministry of Foreign Affairs and Trade's Forward Exchange Contracts as at 30 June 2008.

**NOTE 15: PROVISION FOR EMPLOYEE ENTITLEMENTS**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
	<b>CURRENT LIABILITIES</b>	
7,361	Annual leave	8,521
1,338	Long service leave	1,163
893	Retirement leave	1,116
189	Retirement gratuities	828
480	Posting-related leave	435
2,985	Salaries and allowances	3,966
156	Sick leave liability	167
481	ACC levy	597
<b>13,883</b>	<b>Total Current</b>	<b>16,793</b>
	<b>NON-CURRENT LIABILITIES</b>	
765	Long service leave	955
7,814	Retirement leave	8,928
1,721	Retirement gratuities	1,337
960	Posting-related leave	870
<b>11,260</b>	<b>Total Non-Current</b>	<b>12,090</b>
<b>25,143</b>	<b>Total Provision for Employee Entitlements</b>	<b>28,883</b>

An independent actuarial valuation was undertaken by AON Consulting New Zealand Limited as at 30 June 2009 to estimate the present value of retirement leave and long service leave.

The key assumptions used in discounting to present values were:

- > discount rate for the 2008/09 financial year: 3.35 percent per annum (2008: 6.98 percent)
- > salary growth rate for the 2008/09 financial year: 3.0 percent per annum (2008: 4 percent)
- > if the discount rate were to differ by 1.0 percent higher than the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$672,000 lower
- > if the discount rate were to differ by 1.0 percent lower than the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$756,000 higher
- > if the salary inflation factor were to differ by plus or minus 1.0 percent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$758,000 higher and \$685,000 lower respectively.

Long service leave and retirement leave were both disclosed as current liabilities in 2007/08. Long service leave and retirement leave have been disclosed separately as current and non-current liabilities in 2008/09.

**NOTE 16: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW  
FROM OPERATING ACTIVITIES**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
20,676	<b>Net Operating Surplus/(Deficit)</b>	<b>12,460</b>
	<b>Add/(Less) Non-Cash Items</b>	
15,773	Depreciation and amortisation	19,756
(11,940)	Net (gains)/loss on derivatives and foreign exchange	2,994
2,978	Re-measurement – property revaluation	(12,925)
<b>6,811</b>	<b>Total Non-Cash Items</b>	<b>9,825</b>
	<b>Add/(Less) Items Classified as Investing or Financing Activities</b>	
(943)	(Gains)/losses on disposal property, plant and equipment	-
<b>(943)</b>	<b>Total Items Classified as Investing or Financing Activities</b>	<b>-</b>
	<b>Add/(Less) Working Capital Movements</b>	
(35,283)	(Inc)/Dec in debtors and receivables	(13,139)
252	(Inc)/Dec in prepayments	(1,231)
2,559	Inc/(Dec) in creditors and payables	2,095
2,084	Inc/(Dec) in current employee entitlements	2,878
<b>(30,388)</b>	<b>Net Working Capital Movements</b>	<b>(9,397)</b>
	<b>Add/(Less) Movements in Non-Current Liabilities</b>	
749	Inc/(Dec) in employee entitlements	863
<b>(3,095)</b>	<b>Operating Activities Net Cash Flows</b>	<b>13,751</b>

## NOTE 17: FINANCIAL INSTRUMENTS

The Ministry is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable and foreign currency forward contracts.

The Ministry is exposed to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks 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 Ministry uses foreign exchange forward contracts to manage foreign exchange exposures.

The notional principal amounts of outstanding forward exchange contracts in NZD equivalents at 30 June were:

	30/06/08 \$000	30/06/09 \$000
USD	12,804	13,812
JPY	2,746	3,791
EUR	17,278	19,859
Other	39,619	37,904
<b>Total</b>	<b>72,447</b>	<b>75,366</b>

### SENSITIVITY ANALYSIS

#### Foreign Exchange Forward Contracts

Departmental and Crown derivative financial instruments include forward foreign exchange contracts in gain with a fair value totalling \$1.169 million, and forward foreign exchange contracts in loss with a fair value totalling \$2.320 million (2008: \$2.622 million and \$0.877 million respectively). A movement in foreign exchange rates plus or minus 10 percent has an impact of \$8.240 million/(\$10.071) million on the Ministry's revenue/expenditure and assets/liabilities (2008: \$6.771 million/(\$8.276 million)), based on a derivative valuation model using balance date forward points plus or minus 10 percent.

#### Creditors Denominated in Foreign Currencies

As at 30 June 2009, if the New Zealand dollar had weakened/strengthened by 5 percent against the US dollar with all other variables held constant, the surplus/deficit for the year would have been \$13,000 (2008: \$13,000) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of US dollar denominated creditors.

As at 30 June 2009, if the New Zealand dollar had weakened/strengthened by 5 percent against the Japanese yen with all other variables held constant, the surplus/deficit for the year would have been \$6,000 (2008: \$18,000) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of Japanese yen denominated creditors.

### 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. The Ministry has no significant exposure to interest rate risk on its financial instruments.

The Public Finance Act stipulates that the Ministry cannot raise a loan without Ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

### CREDIT RISK

Credit risk is the risk that a third party will default on its obligations to the Ministry, causing the Ministry to incur a loss. In the normal course of its business, the Ministry incurs credit risk from trade debtors, and transactions with financial institutions.

The Ministry's 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.

The Ministry does not require any collateral or security to support financial instruments with financial institutions that the Ministry deals with as these entities have high credit ratings. For its other financial instruments, the Ministry does not have significant concentrations of risk.

### LIQUIDITY RISK

The liquidity risk is the risk that the Ministry will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements the Ministry closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. The Ministry maintains a target level of available cash to meet its liquidity requirements.

The Ministry's creditors and payables will be settled within three months of balance date. Derivative financial instrument liabilities will be settled within one year of balance date.

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at 30 June 2009 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS AND 1 YEAR \$000
<b>2008</b>		
Creditors and payables	17,238	-
Derivative financial instrument liabilities	524	353
<b>2009</b>		
Creditors and payables	19,294	-
Derivative financial instrument liabilities	1,140	1,165

### FAIR VALUE

The fair value of all financial instruments is equivalent to the net carrying amount disclosed in the Statement of Financial Position.

**NOTE 18: CATEGORIES OF FINANCIAL INSTRUMENTS**

30/06/08 ACTUAL \$000		NOTES	30/06/09 ACTUAL \$000
<b>LOANS AND RECEIVABLES</b>			
66,802	Cash and cash equivalents		36,467
4,722	Debtors and other receivables	9	4,935
34,843	Debtor Crown		47,771
<b>106,367</b>	<b>Total loans and receivables</b>		<b>89,173</b>
<b>FAIR VALUE THROUGH PROFIT AND LOSS</b>			
2,622	Derivative financial instrument assets		1,036
(877)	Derivative financial instrument liabilities		(2,285)
<b>1,745</b>	<b>Total Fair Value through Profit and Loss</b>		<b>(1,249)</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>			
17,238	Creditors and other payables	13	19,294

The derivatives in gain and the derivatives in loss represent the difference between the notional principal amount and the carrying amount of the forward exchange contracts.

**NOTE 19: CAPITAL MANAGEMENT**

The Ministry's capital is its equity or taxpayers' funds, which comprises general funds. Equity is represented by net assets.

The Ministry manages its revenues, expenses, assets, liabilities and general financial dealings prudently. The Ministry's equity is largely managed as a by-product of managing income, expenses, assets, liabilities and compliance with the Government Budget processes and with Treasury Instructions.

The objective of managing the Ministry's equity is to ensure the Ministry effectively achieves its goals and objectives for which it has been established, while remaining a going concern.

**NOTE 20: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL**

The Ministry is a wholly owned entity of the Crown. The Government significantly influences the roles of the Ministry as well as being its major source of revenue.

The Ministry enters into numerous transactions with other government departments, Crown agencies and state-owned enterprises on an arm's length basis. Where those parties are acting in the course of their normal dealings with the Ministry, related party disclosures have not been made for transactions of this nature.

Apart from those transactions described above, the Ministry has not entered into any related party transactions.

Key management personnel include the Chief Executive and the seven members of the senior management team.

**KEY MANAGEMENT PERSONNEL COMPENSATION**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
2,643	Salaries and other short-term employee benefits	2,940
37	Other long-term benefits	50
<b>2,680</b>	<b>Total Key Management Personnel Compensation</b>	<b>2,990</b>

## NOTE 21: MAJOR BUDGET VARIATIONS

### STATEMENT OF FINANCIAL PERFORMANCE

The movement in total expenses between the 2008/09 Main Estimates and the 2008/09 Supplementary Estimates was a reduction of \$4.912 million. The net reduction is due to:

- > baseline savings from a line-by-line expenditure review: \$10.000 million
- > transfer of inter-agency funding for international travel, cooperation and capacity building and promotion and outreach associated with resources for WTO and FTA/CEP negotiations: \$2.097 million.

Offset by:

- > net transfer between seven departmental output classes to reflect a change in priorities during the year: \$268,000
- > emergency funding for Victorian bushfire relief: \$500,000
- > capital charge arising from retention of surplus for unrealised derivative gains: \$376,000
- > capital charge and depreciation following triennial property revaluation: \$1.816 million
- > foreign exchange and overseas inflation movements: \$4.324 million.

Actual expenditure was \$2.063 million less than the Supplementary Estimates. The main drivers for this under-expenditure are consultancy services costs (\$2.637 million), property maintenance (\$0.713 million), and the Pacific Security Fund (\$0.626 million) lower than forecast; offset by depreciation/amortisation of assets \$1.271 million higher than forecast.

### STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

The movement in the forecast net closing cash balance between the 2008/09 Main Estimates and the 2008/09 Supplementary Estimates of \$4.202 million was partly due to a revision of cash flows reflecting changes to the operating budgets in the Statement of Financial Performance above.

The actual cash balance as at 30 June 2009 is \$11.416 million higher than in the Supplementary Estimates mainly due to a build up of capital funds over the years arising from slower than expected capital expenditure. For example, this higher than expected cash balance is due to expenditure on the purchase of assets being \$9.821 million lower than forecast, which results mostly from slower than expected progress on capital purchases/projects.

The actual net assets balance as at 30 June 2009 is \$68.375 million lower than in the Supplementary Estimates, mainly due to the value of land and buildings being reduced by \$81.233 million as a result of the underlying value of property reducing significantly due to the global economic situation and the strengthening of the New Zealand dollar since October 2008; and a re-measurement of the Ministry's derivative forward exchange contracts, which provides a net result being \$8.262 million lower than in the Supplementary Estimates.

## NOTE 22: EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date.

# Non-Departmental Statements and Schedules

FOR THE YEAR ENDED 30 JUNE 2009

The following non-departmental statements and schedules record the income, expenses, assets, liabilities, commitments, contingent liabilities, contingent assets and trust accounts that the Ministry manages on behalf of the Crown.

## NON-DEPARTMENTAL STATEMENTS OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2009

### REPORTING ENTITY

These non-departmental schedules and statements present financial information on public funds managed by the Ministry on behalf of the Crown.

These non-departmental balances are consolidated into the Financial Statements of the Government. 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.

### ACCOUNTING POLICIES

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant 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 as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The following particular accounting policies have been applied:

#### BUDGET FIGURES

The budget figures are those included in the Ministry's Main Estimates for the year ended 30 June 2009.

In addition, these financial statements also present the updated budget information from the Supplementary Estimates.

#### FOREIGN EXCHANGE

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.

### GOODS AND SERVICES TAX

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 government financial statements.

### DEBTORS AND RECEIVABLES

Debtors and receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

### COMMITMENTS

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that they are equally unperformed obligations. Commitments relating to employment contracts are not disclosed.

### 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.

### INVESTMENTS

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

Associates are entities in which the Ministry has significant influence, but not control over their operating and financial policies. In the Ministry's financial statements, the Ministry's investment in associates has been valued by the equity method.

## FINANCIAL INSTRUMENTS

### FINANCIAL ASSETS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Loans and receivables issued with a duration of less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Interest, impairment losses, and foreign exchange gains and losses are recognised in the Schedule of Non-Departmental Revenue or Expenses.

Impairment of a receivable is established when there is objective evidence that the Ministry will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered indicators that the debtor is impaired.

Cash and cash equivalents include cash on hand, cash in transit, bank accounts, and deposits with a maturity of no more than three months from date of acquisition.

### FINANCIAL LIABILITIES

Financial liabilities are recognised initially at fair value less transaction costs and material liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities entered into with a duration of less than 12 months are recognised at their nominal value. Amortisation and, in the case of monetary items, foreign exchange gains and losses, are recognised in the Schedule of Non-Departmental Revenue or Expenses, as is any gain or loss when the liability is derecognised.

### DERIVATIVES

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively. Movements in the value of derivatives are recognised in the Schedule of Non-Departmental Revenue or Expenses.

In accordance with its foreign exchange policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Crown has not adopted hedge accounting.

**STATEMENT OF NON-DEPARTMENTAL EXPENDITURE  
AND CAPITAL EXPENDITURE APPROPRIATIONS  
FOR THE YEAR ENDED 30 JUNE 2009**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>VOTE FOREIGN AFFAIRS AND TRADE</b>			
	<b>Non-Departmental Output Classes</b>			
	<b>Annual</b>			
12,298	Antarctic Research and Support	12,473	12,473	12,473
3,692	Promotion of Asian Skills and Relationships	4,000	4,000	4,000
900	Pacific Cooperation Foundation	1,347	1,347	1,347
<b>16,890</b>		<b>17,820</b>	<b>17,820</b>	<b>17,820</b>
	<b>Other Expenses Incurred by the Crown</b>			
	<b>Other</b>			
918	Disbursements made, exemptions from taxation, etc	798	1,000	1,150
30	Payments on behalf of other Governments	46	100	100
	<b>Annual</b>			
41,755	Subscriptions to International Organisations	49,451	45,886	50,173
-	Victorian Bushfire Relief	500	-	500
<b>42,703</b>		<b>50,795</b>	<b>46,986</b>	<b>51,923</b>
	<b>Capital Expenditure</b>			
2,400	New Zealand Antarctic Institute	800	800	800
<b>61,993</b>	<b>Total</b>	<b>69,415</b>	<b>65,606</b>	<b>70,543</b>
	<b>VOTE OFFICIAL DEVELOPMENT ASSISTANCE</b>			
	<b>Other Expenses incurred by the Crown</b>			
28,792	New Zealand Voluntary Agencies Grants	32,559	32,826	32,826
72,918	International Agency Funding	92,568	82,418	92,568
80,308	Global Development Assistance*	99,511	96,560	110,006
179,664	Pacific Development Assistance*	236,596	222,520	248,799
<b>361,682</b>	<b>Total</b>	<b>461,234</b>	<b>434,324</b>	<b>484,199</b>

\* Multi-year appropriation

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 2008/09.

**DETAILS OF MULTI-YEAR APPROPRIATIONS**

APPROPRIATION	GLOBAL DEVELOPMENT ASSISTANCE \$000	PACIFIC DEVELOPMENT ASSISTANCE \$000
Original appropriation	234,930	499,720
MYA commences	1-Jul-06	1-Jul-06
MYA expires	30-Jun-09	30-Jun-09
Adjustments 2006/07	43,745	102,275
Adjustments 2007/08	(5,900)	(2,439)
Adjustments 2008/09	(2,044)	(8,661)
Appropriation	270,731	590,895
Actual to 2008/09 year end	260,236	578,692
<b>Unspent</b>	<b>(10,495)</b>	<b>(12,203)</b>

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 2008/09.

## STATEMENT OF NON-DEPARTMENTAL UNAPPROPRIATED EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2009

There is no unappropriated non-departmental expenditure for the year ended 30 June 2009 (30 June 2008: nil).

## SCHEDULE OF NON-DEPARTMENTAL REVENUE FOR THE YEAR ENDED 30 JUNE 2009

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Non-Departmental Recoveries</b>			
22	Other operational revenue	174	100	100
1,466	FBT refund	-	-	-
2,174	Gain on derivatives	-	-	-
<b>3,662</b>	<b>Total Revenue</b>	<b>174</b>	<b>100</b>	<b>100</b>

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 2008/09.

**SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE  
FOR THE YEAR ENDED 30 JUNE 2009**

30/06/08 ACTUAL \$000		NOTES	30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>Outputs</b>				
12,298	New Zealand Antarctic Institute		12,473	12,473	12,473
3,692	Asia New Zealand Foundation		4,000	4,000	4,000
900	Pacific Cooperation Foundation		1,347	1,347	1,347
<b>16,890</b>	<b>Total Outputs</b>		<b>17,820</b>	<b>17,820</b>	<b>17,820</b>
	<b>Other Expenses</b>				
41,755	Subscriptions to International Organisations		49,451	45,886	50,173
361,682	Official Development Assistance	1	461,234	434,324	474,199
-	Victorian Bushfire Relief		500	-	500
918	Diplomatic exemptions		798	1,000	1,150
30	Payments on behalf of Tokelau		46	100	100
384	Revaluation of Shares		-	-	-
-	Loss on derivatives		301	(919)	(919)
<b>404,769</b>	<b>Total Other Expenses</b>		<b>512,330</b>	<b>480,391</b>	<b>525,203</b>
<b>421,659</b>	<b>Total Operating Expenses</b>		<b>530,150</b>	<b>498,211</b>	<b>543,023</b>

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 2008/09.

**SCHEDULE OF NON-DEPARTMENTAL ASSETS****AS AT 30 JUNE 2009**

30/06/08 ACTUAL \$000		NOTES	30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>CURRENT ASSETS</b>				
58,750	Cash		21,215	-	10,000
3	Debtors and receivables	2	7	(109)	3
16,139	Prepayments	3	24,470	11,528	16,139
413	Derivatives in gain		133	-	594
<b>75,305</b>	<b>Total Current Assets</b>		<b>45,825</b>	<b>11,419</b>	<b>26,736</b>
	<b>NON-CURRENT ASSETS</b>				
10,366	Shares in foreign organisations	4	10,953	13,950	24,645
<b>10,366</b>	<b>Total Non-Current Assets</b>		<b>10,953</b>	<b>13,950</b>	<b>24,645</b>
<b>85,671</b>	<b>Total Assets</b>		<b>56,778</b>	<b>25,369</b>	<b>51,381</b>

In addition, the Ministry monitors the New Zealand Antarctic Institute, a Crown Entity. The Ministry also monitors two other entities as defined by Schedule 4 of the Public Finance Act, the Pacific Cooperation Foundation and the Asia New Zealand Foundation respectively. 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 2008/09.

**SCHEDULE OF NON-DEPARTMENTAL LIABILITIES****AS AT 30 JUNE 2009**

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000	30/06/09 MAIN ESTIMATES \$000	30/06/09 SUPP. ESTIMATES \$000
	<b>CURRENT LIABILITIES</b>			
17,796	Creditors and payables	19,364	11,781	17,796
145	Derivatives in loss	35	-	(724)
<b>17,941</b>	<b>Total Liabilities</b>	<b>19,399</b>	<b>11,781</b>	<b>17,072</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of creditors and other payables approximate their fair value.

The accompanying accounting policies and notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2008/09.

## STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

### AS AT 30 JUNE 2009

30/06/08 ACTUAL \$000		30/06/09 ACTUAL \$000
	<b>OPERATING</b>	
	<b>Official Development Assistance</b>	
247,380	Less than one year	251,924
95,480	One to two years	101,575
69,440	Two to five years	38,883
8,680	More than five years	490
<b>420,980</b>		<b>392,872</b>
	<b>Subscriptions to International Organisations</b>	
45,886	Less than one year	51,049
<b>466,866</b>	<b>Total Non-Departmental Commitments</b>	<b>443,921</b>

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 2008/09.

**STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES**  
**AS AT 30 JUNE 2009**

	FOREIGN CURRENCY '000	30/06/08 NZD '000		30/06/09 FOREIGN CURRENCY '000	NZD '000	
<b>Guarantees – Asian Development</b>						
<b>Bank for loans to the Cook Islands Government</b>						
SDR	3,010	6,455	Telecommunications Loan	SDR	3,174	7,553
SDR	368	656	Multiple Small-Project Loan	SDR	608	1,448
SDR	1,612	3,457	Multi-Project Loan	SDR	1,480	3,523
SDR	618	1,102	Development Bank Loan	SDR	504	1,199
SDR	787	1,688	Development Bank Loan	SDR	769	1,831
SDR	266	571	Telecommunications Loan	SDR	260	619
<b>SDR</b>	<b>6,661</b>	<b>13,929</b>		<b>SDR</b>	<b>6,795</b>	<b>16,173</b>
		675	Guarantees – other			2,199
<b>European Bank for Reconstruction and Development</b>						
EUR	7,000	14,497	Uncalled Share Capital	EUR	7,000	15,125
		<b>29,101</b>	<b>Total Non-Departmental Contingent Liabilities</b>			<b>33,497</b>

**UNQUANTIFIED CONTINGENT LIABILITIES**

The Ministry on behalf of the Crown also has an unquantifiable Contingent Liability for site restoration costs at Scott Base Antarctica should New Zealand withdraw from the Antarctic programme.

**CONTINGENT ASSETS**

The Ministry on behalf of the Crown has no contingent assets (30 June 2008: 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 2008/09.

# Notes to the Non-Departmental Statements and Schedules

FOR THE YEAR ENDED 30 JUNE 2009

## NOTE 1: OFFICIAL DEVELOPMENT ASSISTANCE EXPENDITURE

The Official Development Assistance budget of \$474.199 million has been prepared on a best estimate basis which forecast \$10 million under-expenditure in the Multi-Year Appropriation – Other Expenses to be incurred by the Crown: Pacific Development Assistance.

## NOTE 2: DEBTORS AND RECEIVABLES

Debtors and receivables relate principally to recoveries of payments made on behalf of the Tokelau Apia Liaison Office.

## NOTE 3: PREPAYMENTS

Prepayments relate to the Official Development Assistance programme.

## NOTE 4: SHARES

The Ministry held the following shares as at balance date.

### EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

30/06/08 AT COST \$000	AT NET CURRENT VALUE \$000	TYPE	30/06/09 NUMBER	SHARE VALUE EUR '000	PAID IN VALUE EUR '000	AT NET CURRENT VALUE \$000	AT COST \$000
5,781	14,497	Ordinary	1,000	10,000	3,000	3,848	5,781
<b>5,781</b>	<b>14,497</b>	<b>Total</b>				<b>3,848</b>	<b>5,781</b>

The European Bank for Reconstruction and Development's (EBRD) authorised share capital is EUR 20 million divided into two million shares, having a face value of EUR 10,000 each. New Zealand has been allocated 1,000 shares, amounting to 0.05 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 million. A contingent liability exists for EUR 7 million for uncalled share capital. The shares have been valued at cost.

### PACIFIC FORUM LINE

Shares held in the Pacific Forum Line have been valued by the equity method as the Crown has the right to appoint a New Zealand representative to the Board of Directors. The share value at cost has therefore been adjusted to reflect the Crown's share of any changes in the net assets of Pacific Forum Line.

The Ministry holds 10,000 A shares (2008: 10,000), and 4,768,000 B shares (2008: 4,768,000). This represents 22.85 percent (2008: 22.85 percent) of total Pacific Forum Line shares.

Pacific Forum Line net assets for the year ended 31 December 2008 were \$22.634 million (2007: \$20.064 million).

The Ministry's share of these net assets is \$5.172 million (\$2008: \$4.585 million).

The summarised financial information of Pacific Forum Line is:

- > Assets               \$33.373 million (2007: \$34.542 million)
- > Liabilities         \$10.739 million (2007: \$14.478 million)
- > Revenues           \$53.908 million (2007: \$59.352 million)
- > Surplus/(deficit) \$(2.298) million (2007: \$0.733 million)

As at 30 June 2009 an additional 62,500 B Shares in Pacific Forum Line were held on behalf of the Government of Vanuatu.

## **NOTE 5: MAJOR BUDGET VARIATIONS**

### **SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE**

Official Development Assistance (ODA) under-expenditure is mainly the result of more complex contracts and grant funding arrangements taking longer than expected, and slower than expected progress arising from reduced in-country capacity.

### **SCHEDULE OF NON-DEPARTMENTAL ASSETS**

The higher than forecast cash balance is a result of the lower than expected ODA expenditure noted above.

# Audit Report

**AUDIT NEW ZEALAND**

Mana Arotake Aotearoa

**TO THE READERS OF THE MINISTRY OF FOREIGN AFFAIRS AND TRADE'S  
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2009**

The Auditor General is the auditor of the Ministry of Foreign Affairs and Trade (the Ministry). The Auditor General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit. The audit covers the financial statements and statement of service performance included in the annual report of the Ministry for the year ended 30 June 2009.

## UNQUALIFIED OPINION

In our opinion:

- > The financial statements of the Ministry on pages 86 to 112:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - > the Ministry's financial position as at 30 June 2009;
    - > the results of its operations and cash flows for the year ended on that date;
    - > its expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2009; and
    - > its unappropriated expenses and capital expenditure for the year ended 30 June 2009.
- > The schedules of non-departmental activities on pages 113 to 124 fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2009.
- > The statement of service performance of the Ministry on pages 60 to 85
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - > its standards of delivery performance achieved, as compared with the forecast standards included in the statement of forecast service performance adopted at the start of the financial year; and
    - > its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses included in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 30 September 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive and the Auditor, and explain our independence.

## BASIS OF OPINION

We carried out the audit in accordance with the Auditor General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- > determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- > verifying samples of transactions and account balances;
- > performing analyses to identify anomalies in the reported data;
- > reviewing significant estimates and judgements made by the Chief Executive;
- > confirming year-end balances;
- > determining whether accounting policies are appropriate and consistently applied; and
- > determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

### **RESPONSIBILITIES OF THE CHIEF EXECUTIVE AND THE AUDITOR**

The Chief Executive is responsible for preparing the financial statements and statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Ministry as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date.

The financial statements must also fairly reflect the expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2009. The financial statements must also fairly reflect the Ministry's unappropriated expenses and capital expenditure for the year ended on that date.

In addition, the Chief Executive is responsible for preparing schedules of non-departmental activities, in accordance with the Treasury Instructions 2008 that must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2009.

The statement of service performance must fairly reflect, for each class of outputs, the Ministry's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year.

The Chief Executive's responsibilities arise from sections 45A and 45B of the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45D(2) of the Public Finance Act 1989.

### **INDEPENDENCE**

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Ministry.



Ajay Sharma, Audit New Zealand,  
On behalf of the Auditor General, Wellington, New Zealand

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### **MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS, STATEMENT OF SERVICE PERFORMANCE, AND SCHEDULES OF NON-DEPARTMENTAL ACTIVITIES**

This audit report relates to the financial statements, statement of service performance, and schedules of non-departmental activities of the Ministry of Foreign Affairs and Trade for the year ended 30 June 2009 included on the Ministry of Foreign Affairs and Trade's website. The Secretary of Foreign Affairs and Trade is responsible for the maintenance and integrity of the Ministry of Foreign Affairs and Trade's website. We have not been engaged to report on the integrity of the Ministry of Foreign Affairs and Trade's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance, and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of service performance, and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance, and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance, and schedules of non-departmental activities and related audit report dated 30 September 2009 to confirm the information included in the audited financial statements, statement of service performance, and schedules of non-departmental activities presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Glossary

ABBREVIATIONS AND ACRONYMS	MEANING
<b>ADB</b>	Asian Development Bank
<b>APEC</b>	Asia Pacific Economic Cooperation
<b>ARF</b>	ASEAN Regional Forum
<b>ASEAN</b>	Association of Southeast Asian Nations. Members are: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Burma, Philippines, Singapore, Thailand, Viet Nam
<b>AusAID</b>	Australian Agency for International Development
<b>Avsec</b>	Aviation Security Service
<b>CCAMLR</b>	Commission for the Conservation of Antarctic Marine Living Resources
<b>CEP</b>	Closer Economic Partnership
<b>CER</b>	Closer Economic Relations
<b>EAS</b>	East Asia Summit
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EU</b>	European Union
<b>EUPOL</b>	European Union Police Mission in Afghanistan
<b>EUR</b>	Euros
<b>FBT</b>	Fringe Benefit Tax
<b>FDI</b>	Foreign Direct Investment
<b>FMIS</b>	Financial Management Information System
<b>FSIS</b>	United States Food Safety and Inspection Service
<b>FTA</b>	Free Trade Agreement
<b>GAAP</b>	Generally Accepted Accounting Practice
<b>GCC</b>	Gulf Cooperation Council. Members are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
<b>GST</b>	Goods and Services Tax
<b>HAF</b>	Humanitarian Action Fund
<b>HRC</b>	Human Rights Council
<b>IAS</b>	International Accounting Standard
<b>iCONZ</b>	MFAT's Consular Management Database
<b>ICT</b>	Information and Communications Technology
<b>IMF</b>	International Monetary Fund
<b>IPF</b>	Investment Promotion Fund
<b>ISAF</b>	International Security Assistance Force in Afghanistan
<b>IT</b>	Information Technology
<b>IUU</b>	Illegal, unregulated and unreported (fishing)
<b>IWC</b>	International Whaling Commission
<b>KOHA-PICD</b>	Kaihono hei Oranga Hapori o te Ao – Partnerships for International Community Development

ABBREVIATIONS AND ACRONYMS	MEANING
<b>MAF</b>	Ministry of Agriculture and Forestry
<b>MDC</b>	Movement for Democratic Change (Zimbabwean political party)
<b>MED</b>	Ministry of Economic Development
<b>MFAT</b>	Ministry of Foreign Affairs and Trade
<b>MNZFTA</b>	Malaysia-New Zealand Free Trade Agreement
<b>MoU</b>	Memorandum of Understanding
<b>MYA</b>	Multi-Year Allocation
<b>NATO</b>	North Atlantic Treaty Organisation
<b>NGO</b>	Non-governmental organisation
<b>NZAID</b>	New Zealand Agency for International Development
<b>NZ IFRS</b>	New Zealand International Financial Reporting Standards
<b>NZDF</b>	New Zealand Defence Force
<b>NZFSA</b>	New Zealand Food Safety Authority
<b>NZTE</b>	New Zealand Trade and Enterprise
<b>ODA</b>	Official Development Assistance
<b>ODF</b>	Organisation Development Framework
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PACER</b>	Pacific Agreement on Closer Economic Relations
<b>PFTAC</b>	Pacific Financial Technical Assistance Centre
<b>PSCC</b>	Pacific Security Coordinating Committee
<b>PSF</b>	Pacific Security Fund
<b>PSI</b>	Proliferation Security Initiative
<b>RAMSI</b>	Regional Assistance Mission to the Solomon Islands
<b>RONZ</b>	MFAT's internet-based system for registering New Zealanders living or travelling overseas
<b>SDR</b>	Special Drawing Rate
<b>SPC</b>	Secretariat of the Pacific Community (formerly South Pacific Commission)
<b>TPP</b>	Trans-Pacific Partnership Agency
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNICEF</b>	United Nations International Children's Fund
<b>USD</b>	United States Dollar
<b>USDA</b>	United States Department of Agriculture
<b>VSA</b>	Volunteer Service Abroad
<b>WTO</b>	World Trade Organisation





NEW ZEALAND MINISTRY OF  
**FOREIGN AFFAIRS & TRADE**  
MANATŪ AORERE

New Zealand Government