

STATEMENT OF INTENT 2004/05

Incorporating the
Departmental Forecast Report

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**STATEMENT OF INTENT INCORPORATING THE
DEPARTMENTAL FORECAST REPORT**

Ministry of Foreign Affairs and Trade

for the year ending 30 June 2005

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JOINT PREFACE BY THE MINISTER OF FOREIGN AFFAIRS AND TRADE AND THE CHIEF EXECUTIVE

Preface

“Securing New Zealand’s place in the world”¹ neatly sums up the central purpose of New Zealand’s diplomatic and consular service.

In this, its second Statement of Intent, the Ministry of Foreign Affairs and Trade describes what it intends to do over the next three to five years to advance and protect New Zealand’s – and New Zealanders’ – security and prosperity interests in a complex and rapidly changing world.

The outcome framework adopted in the Ministry’s first Statement of Intent has been thoroughly tested for relevance over the past year.

It was a year in which global instability shaped and directed many of the Ministry’s activities: events in Iraq, the aftermath of the Bali bombings, the marked upsurge in global and regional initiatives to counter terrorism, instability in parts of the Pacific, proliferation risks in North Asia and continued tensions in the Middle East. The risk of civil conflict, terrorism and health risks in many parts of the world are a reality for more New Zealanders travelling or working abroad.

The international trade environment likewise proved change-prone, requiring New Zealand’s negotiators to be persistent in the World Trade Organisation (WTO) and nimble as opportunities for new bilateral and regional trade arrangements emerged, most recently with China.

The United Nations is deeply divided over the future of its collective security mandate. New international instruments important to success in managing, for example, the global climate and international crime continue to be challenged. New Zealand’s stake in effective multi-lateralism and the rule of international law remains as strong as ever.

¹ Ministry of Foreign Affairs and Trade Vision Statement.

Pacific Leaders forged a new vision in Auckland on 6 April 2004, one which would see the region “respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and for its defence and promotion of human rights”. Working towards poverty elimination, improved governance and sustainable development, with a focus on the Pacific, is one of the strongest means by which New Zealand can make a difference. NZAID, the semi-autonomous body established within the Ministry to manage New Zealand’s official development assistance and deliver this mandate, takes up this challenge as it enters its third year of operation.

Performance by the Ministry as a whole is central to achieving the outcomes the Government wants in the security field, in support of economic growth and innovation, to strengthen the international system, to contribute to poverty elimination and to protect New Zealanders abroad. The new “managing for outcomes” environment for state sector planning reflects the Government’s requirement for broader, more strategic management and the priority it attaches to whole-of-government effort. This Statement of Intent provides the overall framework for the Ministry’s strategic and operational planning, its systems for monitoring and evaluating progress, its periodic review of direction-setting in light of experience, evaluation activities and dialogue with responsible Ministers, and the inter-agency relationships that are critical for success.

The Ministry gives practical effect to its mandate through its policy advice and its overseas programmes and operations. The purpose of its policy advice is to understand international trends and risks, and to know how they might be best managed. The aim of its diplomatic initiatives and interventions is to influence decision-makers in other countries to accommodate New Zealand interests. This is achieved by virtue of having a presence in the right places at the right times, and providing the means for persuasion and the skills for negotiation.

The substantial programme set out in this Statement of Intent underlines the importance of New Zealand's global connections and highlights the constant requirement to exploit opportunities and manage the risks inherent in many international developments. It also reinforces the value of sustained investment in the Ministry's long-term health as an organisation and in its ability to conduct operations. In the past year the Ministry received significant additional baseline funding to help meet proven pressures on its organisational health in both the key areas of organisational capability and operational capacity.

The Ministry's capability development, as well as enhanced cooperation with other government agencies, will support the sustained, focused and coordinated diplomatic engagement necessary to progress towards the Ministry's five intermediate outcomes over the next three to five years.

The Ministry will continue to report against the Statement of Intent in its Annual Report to Parliament.

As the Responsible Minister and Chief Executive we agree this Statement of Intent identifies the principal foreign affairs, trade, consular and development assistance outcomes sought by the Ministry of Foreign Affairs and Trade over the next three to five years.

We also confirm that these outcomes serve the Government's goal of influencing the international environment to promote New Zealand's interests and values and to contribute to a stable, peaceful and prosperous world.



Hon Phil Goff
**Minister of
Foreign Affairs and Trade**



Simon Murdoch
**Secretary of
Foreign Affairs and Trade**

PART A

OUR OPERATING ENVIRONMENT

In the period covered by this Statement of Intent New Zealand will pursue its external policies in an international setting which is changing rapidly. The main trends identified in 2003/04, however, remain salient: ongoing globalisation, a complex global security environment characterised by the pre-eminence of the United States, the re-emergence of new power groupings and the threat posed by international terrorism.

Unsettled Times

The global security environment is complex. The end of Cold War bi-polarism has unleashed unsettling forces in international relations, both within and across regions. Some suppressed political and cultural grievances are resurfacing, and new ones emerging.

Relations between the major powers are broadly stable in a strategic environment in which the pre-eminence of the United States – political, military and economic – is a defining characteristic. But the threat to international stability posed by international terrorism is unlikely to abate. Terrorism, and other risks to global and regional security (such as the proliferation of weapons of mass destruction, transnational crime, illegal migration and environmental degradation), often emanating from failed or failing states, continue to dominate, rather than outright military threats.

Transboundary Threats

Such threats are transboundary by nature, and call for a multilateral response. Multilateral negotiations can set, maintain and verify international rules or standards to resolve such problems. The list of transnational problems is growing, as are public expectations that governments will be able to organise themselves to address these. Yet the political structures and working practices of multilateral institutions inherited from the Cold War era are not well adapted to provide consistent or durable solutions to today's challenges of international security, order and sustainable development.

Collective Security Model Challenged

Over the past year, the collective security foundations of the United Nations system have been shaken by the inability of the Security Council to reach a consensus on how to deal with Iraq's failure to comply with Security Council requirements to prove that it did not retain weapons of mass destruction. Selective engagement in multilateralism challenges the authority and credibility of the United Nations system. But so does the unwillingness of many member states to take seriously their commitments to United Nations treaties and standards.

As the United Nations Secretary-General himself has recently underlined, the United Nations is currently facing major challenges. There are deep divergences of opinion on the nature of and appropriate response to the challenges the international community faces, and is likely to face in the future. He has called on all members of the United Nations to put renewed effort into understanding the connections between different threats, and to seeking a new consensus on ways to deal with these through collective action.

The Impact of Globalisation

Globalisation – the process of integrating world markets and common regulatory systems for commerce – continues to be a catalyst for change. Although it has been a long-standing trend, accelerating economic integration and a blurring of the boundary between “domestic” and “external” issues mark the current phase. Non-state actors – corporates, media, and civil society – exert greater influence on public opinion and government policies, with competing expectations of government action and outcomes.

North/South Tensions

Notwithstanding the influence of globalisation, relations between developed (“North”) and developing (“South”) countries remain a factor shaping contemporary international relations. The poverty gap is a key driver of developing countries’ concern at their marginalisation. In response, rapidly industrialising “super” developing countries (China, Brazil, India, Mexico and South Africa) have emerged as major players, challenging the power balance on global economic and trade access issues. The relative weakness of least developed countries, small island countries and very small states is further exposed in consequence.

United States

The fundamental change in the US approach to its national security since the terrorist attacks of 11 September 2001 has placed renewed emphasis on “homeland security” and on the projection of US influence abroad to avert, or deal with, threats to US interests. This is built around the ability to project overwhelming military force including, if necessary, acting pre-emptively.

The US nevertheless prefers to work with others where possible as reflected in an emphasis on forming “coalitions of the willing” to pursue international security. While US leadership often attracts debate, there is broad recognition that US participation is crucial to significant international action. In East Asia, for example, the US remains indispensable to regional security diplomacy and the management of points of friction between states.

Middle East

Events in Iraq, Iran, Israel, Saudi Arabia and Afghanistan demonstrate that the wider Middle East region remains a strategic fulcrum – the stage on which major international political and economic challenges are being played out.

East Asia

In East Asia, China's growing political and economic influence remains a salient feature. China's modernisation is the catalyst for both greater regional influence and wider external economic and trade linkages. Other states in the wider region – Japan, Association of South East Asian Nations (ASEAN), the Republic of Korea, India – continue to re-position themselves in response to China's rising power.

Pacific

Globalisation, demographic changes, and governance issues combine to place severe pressures on the viability of small island states in the Pacific. New approaches to regional action, such as the Regional Assistance Mission to Solomon Islands (RAMSI) and the New Zealand-chaired review of the Pacific Islands Forum have been initiated to address negative governance, economic and social trends. These initiatives rely on continuing strong levels of support from Pacific Island countries.

Europe

The European Union (EU) continues to expand although the pace and extent of integration remain uneven and contentious. Economic and regulatory integration is occurring relatively rapidly, with political (including foreign policy) harmonisation on a slower track. The international impact of an enlarged Europe is still to be measured.

Trade Trends

The international trade environment is changeable and the outlook is uncertain. Outcomes from the Doha Round of multilateral trade negotiations, under the auspices of the World Trade Organisation (WTO), will take more effort and time to secure. Countries in Asia and around the Pacific Rim are developing new bilateral approaches to trade liberalisation. Economic integration in Europe, Asia and the Americas is proceeding rapidly and moves to strengthen regional trade blocs are underway. Increasing reliance on regional and bilateral liberalisation poses risks to the multilateral trading system and to the Asia Pacific Economic Cooperation (APEC) principle of open regionalism.

OUR RESPONSE

The Government's external policy goal is to have:

New Zealand seek to influence the international environment to promote our interests and values and to contribute to a stable, peaceful and prosperous world.

As New Zealand's diplomatic and consular service, the role of the Ministry of Foreign Affairs and Trade (MFAT) is to comprehend our operating environment, be alert to risks and opportunities and be able to respond and manage them quickly so that we stay on course to achieve the **major outcome** we seek:

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

This is a challenging task in the complex and changing external environment just described where New Zealand's intrinsic vulnerabilities are more pronounced and the risk of marginalisation real.

Our response will be to work with foreign governments and organisations offshore, with those government agencies at home which share interests in New Zealand's international connections and with stakeholder groups in the wider community.

Working with foreign governments and organisations

We protect and advance our interests by developing and sustaining relationships with foreign governments and organisations so that New Zealand can accrue and exert influence on them to accommodate our interests in the decisions they take. We do this through presence, persuasion and negotiation. Our resources include offshore representation and a global network of communications to cultivate influence over time and to prepare the ground for specific initiatives and interventions.

New Zealand's bedrock relationships are with Australia, the US, the EU, Japan, the Pacific Island countries and China. Beyond this, we are broadening the base of our relationships by strengthening linkages with existing partners in, for example, East and South Asia and Russia, and building links with newer partners, for example in the Middle East and Latin America.

Effective multilateral diplomacy, in both trade and political spheres, provides an important complement and underpinning to our bilateral and regional relationships as well as a context in which to project and protect our interests and values. Protecting and enhancing our trade access through WTO, regional and bilateral diplomacy remains a core priority.

Working with other government agencies

A number of other government agencies make important contributions to the outcomes we seek. MFAT, in turn, contributes to the outcomes sought by other government agencies, especially in the context of New Zealand's frameworks for sustainable development and growth and innovation. Our core collaborative relationships on- and off-shore are detailed in the section on *Inter-Agency Cooperation*, page 53.

Working with the wider community

MFAT is responsive to the desire of New Zealanders to know more about our external environment and to contribute views on the direction of New Zealand's foreign policy. Our domestic stakeholders include business organisations and the private sector, non-government organisations (NGOs), Maori and interest groups. Our engagement with the wider community helps us promote New Zealand's identity in the world as people who support and defend freedom and fairness and who value our diverse cultural heritage. It also provides us with additional capacity to engage in international debates, including on trade, terrorism, disarmament, human rights, sustainable development and the environment.

INTERMEDIATE OUTCOMES

MFAT contributes to the following intermediate outcomes in support of the Government's external policy goal to seek to influence the international environment to promote New Zealand's interests and values and contribute to a stable, peaceful and prosperous world.

I Reduced risks to New Zealand from global and regional insecurity

Security underpins all the Government's social and economic goals.


International and regional security protects our citizens from becoming casualties of conflict, and our national budget is less burdened with costly consequences. Peace and order are also necessary for good trade and economic connections to the global economy.

MFAT contributes to this outcome by participating in the global campaign against terrorism, in bilateral dialogue aimed at influencing the behaviours of other governments, and in regional and international bodies that promote wider security cooperation and stability.

The development assistance programmes administered by NZAID also support these goals.

II New Zealand's international connections facilitate sustainable economic growth through increased international trade, foreign investment and knowledge transfer

It is an MFAT priority to contribute to the Government's economic goal of sustainable growth as set out in the Growth and Innovation Framework (GIF). Foreign trade, investment and technology transfer are critical to a durable economic growth path which will deliver to New Zealanders the standard of living and quality of life to which they aspire.



The Ministry is the specialist negotiator of market access and leads the development of trade and wider global connectedness policies. Through our overseas network we seek to open markets and protect market access rules for our exporters of goods and services. We also contribute to promoting New Zealand's wider linkages to global capital and technology markets by collaborating with other New Zealand government agencies and private sector business people. Diplomatic influence and persuasion can open doors for New Zealand business people, scientists and innovators.

III A rules-based international system that supports our security and prosperity goals and promotes our values

Small countries cannot often achieve their objectives through their own influence. They need to work cooperatively with others. They benefit from a rules-based international system that binds all countries.

New Zealanders expect their government to act as a good international citizen and to project New Zealand values.

MFAT protects New Zealand's interests in international and regional bodies where rules and standards of conduct between governments on security, economic and transnational issues are being developed in diplomatic negotiations among governments.

IV Eliminating poverty through development partnerships

Official Development Assistance (ODA) is one of the major ways in which New Zealand contributes to building a peaceful, prosperous and just world.

NZAID is the semi-autonomous body, established within the Ministry of Foreign Affairs and Trade, charged with managing the Government's development assistance spending.

NZAID uses its specialist skills and strong linkages with partner countries, development agencies, other donors and civil society, to design and implement effective programmes focused on basic needs, sustainable and equitable development, and safe, just and inclusive societies.

V Protection of the rights of New Zealanders abroad

The Government accepts its obligations, in line with international consular conventions, to intervene in support of its citizens in serious distress abroad. This may be done directly through MFAT's diplomatic network or indirectly through cooperation and reciprocal arrangements negotiated with other friendly countries to ensure New Zealanders can obtain assistance in places where New Zealand is not represented.



AREAS OF CONCENTRATION AND INTERVENTION

MFAT's capability development and enhanced cooperation with other government agencies will be directed to the sustained, focused and coordinated diplomatic engagement necessary to progress towards these five intermediate outcomes over the next three to five years.

The following section describes the Ministry's priorities – the areas where we plan to concentrate and the specific interventions, referred to as “action points”, we have selected as the best means to these ends. We will, at the same time, continue to manage a substantial baseline of ongoing work including treaty and policy obligations assumed by successive New Zealand governments and retain the flexibility needed to respond to new risks and opportunities overseas.

Intermediate Outcome I: Reduced Risks to New Zealand from Global and Regional Insecurity

Areas of Concentration and Intervention

In today's interconnected world, instability or conflict in one country or region can lead to insecurity in another.

As a small, geographically isolated country, heavily dependent on export trade, New Zealand is very sensitive to trends in the major economies and the disruption of air or maritime transport, the impact of fluctuations in international trade and the consequences of social and political unrest in countries where it has substantial interests.

Direct military threats to this country have been rare. New Zealand diplomacy has sought to prevent or ameliorate tensions in neighbouring countries and regions that might lead to more damaging instability, possibly affecting New Zealand through movements of people or damage to economic and political ties. New Zealand has also supported efforts to resolve conflicts and re-build confidence between contending groups, whether to enhance nation building or to prevent state failure.

A policy and operational focus on the terrorism threat continues and is likely to intensify over the next several years.

New Zealand addresses its security concerns by working through bilateral, regional and global channels to promote understanding of its interests and perspectives, to broaden the practical frameworks for dealing with issues, and to negotiate legal instruments through which to regulate the behaviour of states.

New Zealand lacks any serious capability to project power unilaterally. We therefore favour constructive diplomacy – working with others, seeking common ground and building partnerships as a basis for pragmatic and effective solutions.

For reasons of history, geography, and shared values and interests, Australia is New Zealand's most important diplomatic and security partner.

Enhance Cooperation with Australia to Promote Security and Stability in the Asia Pacific Region

Because of the potentially adverse impacts of instability or conflict on our respective economic, political, and security interests, New Zealand and Australia have a shared interest in the security and stability of our immediate neighbourhood in the South Pacific and South East Asia and of the wider Asia Pacific region.

Cooperation in diplomatic initiatives to deal with governance failures, conflict resolution and peacekeeping is already well established, notably through the Bougainville, Solomon Islands and East Timor experiences. This has been extended in recent times to address emerging threats to security, including terrorism, people-smuggling, money-laundering, and related transnational crimes that could undermine governments in the region and destabilise their societies. In Solomon Islands the Regional Assistance Mission (RAMSI) initiated during 2003 has taken this cooperation to a new level of intensity.

REGIONAL ASSISTANCE MISSION TO SOLOMON ISLANDS

Despite an end to ethnic violence in 2000 and a return to constitutional democracy in 2001, the situation in Solomon Islands has remained a major source of instability in the region. The country's deteriorating law and order and economic situation reached a point in mid 2003 where Solomon Islands sought regional assistance.

Following this request, personnel from Australia, New Zealand and the Pacific arrived in Solomon Islands on 24 July 2003 as part of the Regional Assistance Mission to Solomon Islands (RAMSI). The RAMSI is designed as a comprehensive package. Its first priority has been to restore law and order, led by a regional police contingent of some 300 and – because of the large numbers of weapons in the community – backed by a military contingent. In addition, some 80 RAMSI personnel, funded by Australia, have been assigned to various government departments, especially in the finance and justice sectors. The RAMSI also has a significant developmental component.

New Zealand's contribution to the RAMSI has included the provision of 35 police officers and – at its peak- around 200 military personnel together with helicopter support. The bilateral aid programme has been increased to \$14 million, making Solomon Islands our largest single aid programme, with further increases anticipated in future years.

In its first nine months the RAMSI has made significant progress. The rule of law has been restored and significant progress has been made on disarmament. As a consequence the military presence has already been reduced. Public finances have been stabilised and financial controls set in place. These improvements have paved the way for a major international donor conference in November 2004 and an agreement by international donors to re-engage in Solomon Islands.

There are still significant challenges ahead for the RAMSI and the wider donor community, however, including assisting Solomon Islands to implement economic reform and sound governance practices, and facilitating economic recovery.

Security cooperation is underpinned by very effective information-sharing between our two governments and close engagement between our foreign affairs and trade, defence and intelligence agencies. Border protection agencies and police are increasingly being drawn into these processes.

A high priority in the period ahead will be working more closely to formulate and implement policies that promote security and stability. This will contribute to ongoing efforts to deepen the bilateral New Zealand/Australia relationship.

ACTION POINTS

- deepen bilateral relations with Australia at both federal and state levels of government and with other key decision-makers in that country
- manage intensified cooperation on problems affecting the security and stability of the Asia Pacific region, such as terrorism, people-smuggling, civil unrest, economic fragility and government instability in South Pacific states
- in cooperation with MOD/NZDF, further develop the Australia/New Zealand defence relationship to support security cooperation initiatives
- seek to advance and finalise bilateral continental shelf delimitation negotiations with Australia

Build on Shared Values and Goals with the US to Support Global Stability and Advance New Zealand's Interests

New Zealand has a long and close relationship with the US based on shared values (democracy, respect for human rights, trade liberalisation) and a dense fabric of inter-governmental and private linkages.

The US is a major trading partner, a key source of investment capital and technology, a major source of tourists, and a huge influence on New Zealand popular culture.

The preoccupations of the US, the world's strongest economy and military power, largely determine the international security agenda. New Zealand's views, as a small and comparatively insignificant country in military terms, sometimes diverge from those of the US on specific issues. But there is a broad and deep level of practical cooperation on transnational and regional security issues. This is demonstrated in a variety of bilateral, regional and multilateral forums and on a wide range of issues.

ACTION POINTS

- cooperate effectively with the United States in efforts to counter terrorism (eg in Operation Enduring Freedom), and to promote Asia Pacific stability (eg in the Asia Pacific Economic Cooperation (APEC) and ASEAN Regional Forum (ARF))
- reinforce existing consultation and cooperation on international and regional issues through ministerial exchanges in bilateral or multilateral settings and through intensified, broad-ranging official level contacts in areas of bilateral cooperation where there are shared values and interests

Contribute to the Global Campaign against Terrorism

The campaign against international terrorism, which began after the attacks on 11 September 2001, enjoys the support of most states regardless of geographical location, ideology or form of government. They accept that the ideology and methods of international terrorists associated with al-Qaida pose a threat to all governments and they recognise that international cooperation, including on the Middle East peace process, is vital if the threat is to be nullified.

This has made terrorism a principal issue in international security. Counter-terrorism is the main item on the agendas of a broadening range of international and regional organisations, political and technical.

New Zealand has not been in the front rank of states affected directly by terrorism but New Zealanders have been casualties of terrorist attacks in New York and Bali. The threat it poses to this country's interests is real.

As a conscientious member of the United Nations, New Zealand has implemented counter-terrorist measures required by the Security Council. We have contributed militarily to the campaign against the terrorist infrastructure in Afghanistan and to the interception force in the Arabian Sea.

New Zealand has also strengthened border controls and intelligence capabilities to improve domestic security against terrorism, to prevent the use of New Zealand territory or facilities by terrorists and to support the efforts of like-minded countries, including preventing and containing the spread of weapons of mass destruction to non-state actors.

New Zealand now participates in a wide range of international and regional meetings dealing with aspects of terrorism and related transnational crimes such as money-laundering and illegal migration.

The counter-terrorist effort will continue to be a major preoccupation throughout the life of this Statement of Intent.

ACTION POINTS

- strengthen international capabilities to combat terrorism, including through awareness-raising activities and capability-building assistance especially in Asia and the South Pacific
- help Pacific Island countries comply with relevant money-laundering and people-smuggling treaties
- ensure that New Zealand's interests as a trader and tourist destination are not disproportionately adversely affected by security decisions in technical and other organisations dealing with counter-terrorism initiatives

Redefine the Level and Nature of New Zealand's Engagement in the South Pacific to Respond to Growing Instability

The Regional Assistance Mission to the Solomon Islands (RAMSI) deployed in 2003 represents a new approach to address a specific problem in the South Pacific.

In Solomon Islands the impact of shaky governance standards and systems, a fragile economy ill-equipped to deal with globalisation, ethnic strife, widespread lawlessness, and small arms proliferation had brought the country to the brink of state failure. The RAMSI intervention, responding to calls for help from Solomon Islands, has arrested the decline and begun to create a structure within which more effective and transparent government can be restored and Solomon Islanders empowered to revive economic activities. New Zealand has provided Police, Defence Force and NZAID support to the RAMSI.

The search for new approaches to dealing with the region's problems has been taken further when the Pacific Islands Forum in Auckland in 2003 decided to undertake a wide-ranging review of its mandate, mechanisms, process and institutions in order to refresh its vision and improve its capacity to provide leadership on regional cooperation and integration. An Eminent Persons' Group (EPG) was established by the Forum to prepare a report which has now been adopted by Forum leaders in "The Auckland Declaration" of 6 April 2004. It provides a blueprint for intensified Forum cooperation to meet the new challenges faced by regional members.

34TH PACIFIC ISLANDS FORUM LEADERS MEETING, AUCKLAND, AUGUST 2003

Since the founding members of the South Pacific Forum first met in Wellington in August 1971, the Pacific Islands Forum – as it is now known – has been a driving force in developing Pacific regional awareness and cooperation. It has grown steadily in membership and status, establishing itself as the pre-eminent political grouping in the region.

Initially the Forum had just seven members who gathered, usually once a year, to discuss regional issues and collectively present views to the international community. Through the early years, economic development was the major theme of meetings. One of its earliest goals was the establishment of a Pacific economic union – a vision that remains incomplete, though still a relevant objective.

Now the Forum has 16 members. Its annual meetings attract media and civil society attention from around the world. Twelve countries or groupings from outside the region – including the US, the EU and China – make the journey to the Forum Chair country each year to attend a Post-Forum Dialogue to share views on regional and international issues of common interest. The Forum is supported by a Secretariat of 80 staff based in Suva.

The 34th Forum meeting was held in Auckland 12-19 August 2003 where New Zealand assumed the chair. Re-focusing and re-energising the Forum to meet 21st century challenges was the key theme of the meeting. Discussion resulted in a number of forward-looking outcomes, including agreement that an Eminent Persons' Group (EPG) review the Forum and its Secretariat to provide a fresh vision and mandate. Leaders met in Auckland at a special one-day summit on 6 April 2004 to consider the review. Based largely on the EPG report, "Pacific Cooperation: Voices of the Region", Leaders issued an Auckland Declaration and agreed a comprehensive package of measures aimed at deepening and strengthening regional cooperation. Managing the review, the most far-reaching since the Forum was established over 30 years ago, has been the major task for New Zealand during its year as Forum Chair.

New Zealand, as current Forum Chair, played a leading role in the decision to undertake a review and has supported the EPG in discharging its mandate. This is consistent with the expectation of South Pacific countries that New Zealand will be active and constructive in support of Pacific Islands' aspirations.

The expectation of New Zealand activism is reinforced by cultural, historical, economic and in some cases constitutional ties and is sustained by migration from regional countries which has created constituencies for South Pacific interests within New Zealand. Growing pressures are being placed on New Zealand resources and systems by problems in South Pacific countries in areas such as security, health, environmental degradation and transnational crime. Direct New Zealand interests are at stake and New Zealand agencies face increasing demands to address them.

But there are also many positive elements to New Zealand's engagement with the Pacific. The region has effective regional cooperation through long-standing and widely representative institutions; the review initiated by the Forum testifies to a common desire to keep an important institution relevant and effective. New Zealand has well-established policy dialogues with South Pacific states. Trade volumes are significant, and there are good opportunities to expand. New Zealand also benefits in many aspects of its UN and multilateral activities from the constructive and supportive role played by the Pacific Island group of member states.

ACTION POINTS

- use the momentum generated by “The Auckland Declaration” to develop an effective Pacific Plan for intensified regional cooperation to meet current and future challenges
- implement the Pacific Security Strategy and Fund to assist Pacific Island countries to develop and sustain more capable institutions for public order and national security, recognising important needs in the policing and judicial areas
- pursue, with Australia, a targeted and consistent engagement strategy for Melanesia, especially Solomon Islands, Vanuatu and PNG/Bougainville, including stronger support for law and order and key government institutions with the support of Police, NZDF, NZAID
- sharpen the focus on other Pacific states facing particular governance challenges, drawing on New Zealand Pacific communities, as appropriate, for advice and support
- encourage the continuing engagement of key partners from beyond the region, notably Japan and the European Union, in support of Pacific stability and development

Position New Zealand in the Evolving Architecture in Asia and Reinvigorate Links with Key Asian Partners

New Zealand's concern for regional stability has underpinned the development of bilateral relationships in Asia and our participation in or support for organisations promoting regional cooperation. Such engagement can improve understanding and reduce tensions among participants.

New Zealand has more than half a century of engagement with Asian countries. This has created substantial direct interests in the region based on trade and economic links, political, diplomatic and defence ties, and greater links among people through migration, education, cultural and other private sector activities. The scale and range of our interests, and the potential impact on them of conflict or serious internal unrest, give us a particular concern for stability in the region.

Power relationships in Asia are undergoing rapid and potentially far-reaching changes, driven by shared concerns about the threat of terrorism and perceptions of a need to adjust to the rising economic power of China. The repositioning of the ASEAN countries, India, Japan and the Republic of Korea, poses challenges to the further development of New Zealand's relationships in the region. Their active efforts to build new frameworks for trade and economic cooperation are of particular interest to us.

New Zealand is a member of the ASEAN Regional Forum (ARF) and APEC and has a long-standing relationship with ASEAN through its formal dialogue processes. Notwithstanding limitations in the mandates, membership or capabilities of many regional and sub-regional organisations, New Zealand's interests lie in supporting and encouraging their further evolution as direct or indirect contributors to stability and security. Their work embeds practices of cooperation and consultation that enhance our economic and security goals.

In order to build on the diplomatic investment of the past five decades it will be critical to maintain effective bilateral relationships with key countries in the region, particularly at the political level. The Seriously Asia initiative launched by the Government in 2003 was an important signal of national intent.

ACTION POINTS

- work constructively within key regional and sub-regional groupings to make them more effective influences for stability and security
- strengthen the bedrock relationship with Japan by enhancing political/security cooperation and managing specific points of friction to minimise adverse bilateral impact
- strengthen the bedrock relationship with China by sustaining political relations at a level and intensity appropriate to its growing regional weight and necessary to underpin our economic/trade interests
- reinvigorate links with ASEAN, as a regional entity, and with key ASEAN governments
- broaden engagement with India by developing a medium-term strategy engaging relevant New Zealand government agencies and the private sector
- work with other stakeholders to deliver a follow-up strategy building on outcomes of the Seriously Asia conference

Strengthen New Zealand's Engagement with Europe

The enlargement of the European Union from 15 to 25 members, and the expansion of NATO, confirm the end of the destabilising divisions in Europe resulting from World War II. Historically, New Zealand has been concerned to protect access to the European market for New Zealand commodity exports and to exercise some influence

on the EU as a major actor in international trade policy. More recently, we have recognised the importance of regular dialogue and engagement with the EU and its key members over a wide range of political and security issues. This reflects the EU's role as a key player on the world scene, a role which is likely to be reinforced with the eventual appointment of an EU Foreign Minister.

Enlargement requires New Zealand to build relations with new member countries. New Zealand has had limited contact with most of them. The Government has accordingly decided to open an Embassy in Poland in the course of 2004/05. This should help safeguard New Zealand's interests in the EU and reinforce the sense of common purpose to which the regular dialogues contribute.

Russia remains a major power. It plays a significant role in a range of international bodies and multilateral negotiations important to New Zealand, eg. in the United Nations, environment and disarmament and arms control contexts. It is also a player in our region through the ARF and APEC. There is, therefore, benefit to New Zealand in regular dialogue and high-level engagement with the Russian Federation.

ACTION POINTS

- implement agreed strategy to protect New Zealand interests in an enlarged EU through enhanced political dialogue and engagement with EU institutions and traditional bilateral partners, particularly UK, France and Germany
 - build productive links with new EU members through focused effort
 - strengthen political relationship with the Russian Federation
- 

Support Stabilisation, Reconstruction and Reconciliation Efforts in the Middle East

The wider Middle East region is a stage on which major international political and economic challenges are being played out. These tensions are shaping the global environment in which New Zealand operates. Though distant from our area of direct strategic concern, New Zealand has significant economic and trading interests in the Middle East. We also share with many countries an interest in secure energy supplies at affordable prices. These interests give New Zealanders a direct stake in the stability of this turbulent region.

As a good international citizen New Zealand has sought over a long period to play a constructive role in efforts to deal with the sources of tensions and conflicts in the Middle East. New Zealand's contributions have been made mainly through peacekeeping deployments and diplomatic support for international negotiations but also through bilateral relations with governments in the region.

These two streams of New Zealand policy have come together since 2001 in a series of NZDF deployments to Afghanistan, the Gulf and Iraq, supplemented by development assistance grants and enhanced political contacts. These contributions have supported broader international efforts to restore stability and security in order to facilitate reconstruction and reconciliation in post-conflict situations. In the case of Iraq we have intervened to support humanitarian and reconstruction efforts. But these initiatives have severely tested the resources of New Zealand's small diplomatic posts in the region. Given the probability of continuing international attention to the region, and the prospect of new opportunities for New Zealand, enhancement of New Zealand's diplomatic coverage is desirable.

ACTION POINT

- review policy settings and resource allocation to equip New Zealand better to assess and manage risks and opportunities emerging in the Middle East

Intermediate Outcome II: New Zealand's International Connections Facilitate Sustainable Economic Growth through Increased International Trade, Foreign Investment and Knowledge Transfer

Areas of Concentration and Intervention

The achievement of the Government's economic goal of sustainable growth requires collaboration among different agencies across the public sector in their work both onshore and offshore. MFAT and Ministry of Economic Development (MED) have agreed this shared outcome as a first step towards improved alignment in the strategic direction, operations and activities of our international work, recognising the complementary roles and expertise we bring to bear.

MFAT has two central roles in support of the Government's economic growth and innovation objectives.

First, it has a specific responsibility for negotiating and protecting access to foreign markets for New Zealand goods and services.

MFAT does this through:

- multilateral negotiations that set the legal ground rules for international trade including improved market access globally, and which establish the framework for resolving trade disputes
- direct bilateral negotiations and interventions
- regional economic arrangements.

Second, it plays a collaborative role in assisting and supporting efforts by other government agencies and by private sector business people to achieve their objectives overseas. MFAT combines local knowledge and an understanding of New Zealand's needs to secure access to decision-makers offshore. In particular, we work closely with the relevant agencies on trade and investment promotion.

The process of “opening doors” on behalf of New Zealand business and commerce overseas embraces a range of activities. It includes hosting and supporting specific promotions, facilitating introductions to key players in government or business, advising on political risk in particular markets, and monitoring and reporting on economic conditions and opportunities for New Zealand.

This collaborative role is fundamental to increasing New Zealand’s international connections in the context of the Government’s Growth and Innovation Framework (GIF). MFAT will be active in formulating trade policy and supporting implementation of programmes to bring skills, technology, research and development and capital into New Zealand.

a Specific responsibilities for access

Multilateral: WTO

Secure Maximum Benefit for New Zealand from the WTO Doha Development Round

The periodic negotiating rounds conducted within the World Trade Organisation (WTO) offer the best prospect of long-term improvements in market access and trading conditions for New Zealand.

The negotiating process enables trade-offs to be made to secure benefits in critical areas for New Zealand that are not possible in bilateral or regional negotiations. This is particularly so in the case of agricultural subsidies. The results of WTO negotiations are binding on the parties.

The Doha Development Round was launched in Qatar in 2001. It focuses on an agreed set of negotiating issues, many of them of specific concern to New Zealand, and targets the interests of developing countries. Those issues include further improving agricultural market access and trading conditions; achieving enhanced market access for non-agricultural goods, especially forestry and fisheries products; improving access conditions for global services trade; and improving rules governing world trade (such as anti-dumping and intellectual property).

New Zealand negotiators played an important part in securing agreement to launch the Doha Round and have played an active part since then in advancing the negotiations. This active role will continue despite the setback at the 5th WTO Ministerial Conference at Cancun, Mexico, in September 2003.

Achieving a positive outcome for New Zealand from the Round will be the highest trade policy priority during the life of this Statement of Intent. We will sustain close consultation with domestic stakeholders to define and achieve maximum benefit to New Zealand from these negotiations.

ACTION POINT

- seek maximum benefit for New Zealand in the priority negotiating areas of the Doha Round, particularly agricultural market access, reduction of agricultural export subsidies, non-agricultural market access, and services

Use WTO Rules and Dispute Procedures to Protect New Zealand Rights and Interests

MFAT is responsible for protecting New Zealand's trade rights through negotiations with trading partners and, where directed, pursuing WTO dispute settlement procedures to safeguard our national interests in this area. We also look to participate as a third party in disputes between other WTO members where there are issues of systemic importance to New Zealand.

ACTION POINTS

- protect New Zealand's market access interests by ensuring that trading partners live up to their WTO obligations
- pursue WTO dispute settlement against countries that breach their obligations and participate as a third party in other countries' dispute procedures of systemic interest

Use WTO Accession Negotiations to Improve Bilateral Access

A country joining the WTO is required to bring its trade regime into line with WTO rules and to negotiate other countries' access to its markets. Countries join because membership of a rules-based trading system brings them economic benefit.

New accession negotiations provide New Zealand an opportunity to secure enhanced, legally binding access commitments to another market. Potential gains, especially in the agricultural sector, are significant. For New Zealand the significant accessions forecast over the period of this Statement of Intent are the Russian Federation, Vietnam, Tonga, Saudi Arabia, Ukraine, Algeria and Samoa.

ACTION POINT

- support increased membership of the WTO and, in that context, negotiate enhanced access to priority markets in new member countries

Bilateral Negotiations

Protect, Secure or Sustain Access for New Zealand Products to Key Markets

While the WTO remains the single most potent mechanism to expand market access, bilateral trading arrangements offer a rich, complementary path. Protecting and improving the legacy of existing access rights demand constant attention and will remain a priority for the Ministry, its posts overseas and other government agencies.

ON THE SPOT LOBBYING

France: Venison Access

New Zealand venison can now be sold year-round in France following a recent French Government decision to allow the out-of-season sale of non-European Union game meat.

This successful outcome arose from a concerted effort by the Minister for Trade Negotiations at Ministerial level and by officials working closely with industry over a number of years to lobby the French to remove this trade barrier. The decision to change the existing regulation required the approval of three French Ministers and was published in France's Official Journal in February 2004. Previously, New Zealand venison could only be sold in France during the hunting season (1 September to the end of February).

Much of our trade policy work therefore will continue to focus on protecting, securing or sustaining access for New Zealand products to key markets, especially Europe, Australia, the US and North Asia.

ACTION POINTS

- ensure that existing access for New Zealand goods and services is not undermined
- negotiate to increase access across key markets

Enhance Trade and Economic Relationships with Major Economic Partners

Since the UK joined the EEC (now EU) New Zealand has sought to diversify its export markets and products. Four key markets – Australia, the EU, the US and Japan – now each account for 15-20% of New Zealand trade.

Other economic linkages with these four are broad and deep, encompassing science and technology flows, investment, tourism, education and cooperation in international organisations.

But these relationships are not static. New Zealand needs to be alert to changes in the other parties that might affect our interests or ability to exert influence and to make focused and sustained efforts to ensure the sympathetic attention of their governments. North Asia in particular demands a new level of economic engagement commensurate with increasing trade and economic weight.

Australia

The economic relationship with Australia is our most broad-based and important. There are more New Zealanders employed in Australia over a greater range of industries and activities than in any other country outside New Zealand. At the 20th anniversary of the Closer Economic Relationship (CER) there is a high degree of interconnection between our two countries.

The continued success and development of the relationship are fundamental to New Zealand's economic future. The challenge ahead is to promote and secure the next generation of initiatives that will deepen economic integration leading to a single economic market, enhancing our prosperity and security while delivering benefit also to Australia. The Joint Therapeutics Products Agency is a successful example of that approach. The joint biotechnology initiative with Queensland is another.

Possible future developments (eg in the joint regulatory area) will be more complex and the immediate benefits less easily explained. They will be more difficult for the two governments as a consequence.

The conclusion of the Australia/US Free Trade Agreement (FTA) risks leaving the New Zealand part of the single trans-Tasman market outside the arrangement.

United States

For that reason, and because the benefits of a closer economic partnership with the United States would be significant, New Zealand will continue a sustained and focused campaign to broaden support for such a partnership in the US business community, sector groups and government agencies.

Meanwhile, our ongoing economic interests in the US will continue to be substantial and demand further nurturing and attention.

Europe

The enlargement in 2004 of the European Union will impact on New Zealand's influence: it is expected to be more difficult to engage the EU on economic and trade issues important to New Zealand at a time when its focus will be on the consequences of enlargement. New Zealand has had limited contact with most of the new members and the cultural and historical linkages which have underpinned

relations with existing EU members will have less resonance with them. The Government has, therefore, decided to open an Embassy in Poland in the course of 2004/05 to increase New Zealand engagement with the new member states.

The Russian economy has grown significantly over the past five years. There is a need for a more strategic approach to building trade and economic links to enable New Zealand to take advantage of opportunities as they arise. The WTO bilateral goods agreement signed in late 2003 will provide a stable platform for the sale of New Zealand goods once Russia joins the WTO.

North Asia

Collectively, North Asian economies remain critically important to New Zealand as key export markets and sources of imports, tourists, students and investment. Expanding and intensifying New Zealand's economic relationships with North Asia will be an important priority especially with Japan, China and the Republic of Korea.

Japan remains the second largest economy in the world and is a highly profitable and dynamic market for New Zealand. The Aichi Expo in 2005 provides an important opportunity to reinvigorate and broaden the bilateral relationship.

China is an expanding market for goods and services. Its economic relationship with New Zealand is becoming increasingly complex. The agreement last year by the Prime Minister and President Hu Jintao to conclude a Trade and Economic Framework and, more recently, to begin negotiations on a Free Trade Agreement, highlights the opportunities to take advantage of deeper engagement with the world's fastest growing major economy.

ACTION POINTS

- advance the latest generation projects with Australia leading to a single economic market
- work towards negotiations on a closer economic partnership with the United States
- secure continuing EU support for New Zealand economic interests through high-level dialogue with the EU Commission and with major EU member states
- strengthen our engagement with Central Europe through the opening of an Embassy in Warsaw
- develop a more strategic approach to building trade and economic links with the Russian Federation
- advance New Zealand's interests in Japan through the Aichi Expo, high-level visits and targeted economic cooperation
- advance New Zealand's economic and trade interests in China by implementing the Trade and Economic Cooperation Framework, including negotiations on a Free Trade Agreement

Negotiate New Closer Economic Partnerships (CEPs)

An increasingly important development in international trade relations is the movement towards bilateral CEPs/FTAs to complement the multilateral negotiations of the Doha Development Round.

New Zealand needs to be actively engaged in this process, not only to develop opportunities, but also to protect our trading interests when other countries exchange trade preferences on a bilateral basis. CEPs are equally valuable as a vehicle for promoting mutually beneficial cooperation to enhance both parties' global competitiveness.

CEPs can also encourage investment flows and the alleviation or removal of non-tariff barriers to New Zealand exports. In addition, CEPs can be used to complement other trade liberalising initiatives. New Zealand is committed to ensuring that its CEP initiatives make a useful contribution to moving the WTO process forward, while also serving APEC's Bogor Goals of free and open trade and investment.

ACTION POINTS

- pursue negotiation of a CEP with Thailand
- pursue negotiation of a trilateral CEP with Chile and Singapore (Pacific Three – P3)
- progress New Zealand interests with other prospective CEP partners including Mexico

Regional Economic Arrangements

Intensify Processes to Create Open Regional Trade Arrangements

Open regionalism represented by APEC can support the multilateral process. The shared commitment of the whole region to the Bogor Goals is also important to counteract the potential to break into smaller exclusive blocs. There would be a very substantial gain for the New Zealand economy if APEC liberalisation were to proceed on schedule (free trade and investment within the region for developed countries by 2010 and for developing countries by 2020). In parallel, AFTA/CER CEP process has been moving forward. The overall gains from forming such a free trade area are potentially very large. We need to intensify the process.

ACTION POINTS

- advance the trade liberalisation agenda of APEC and its links to a successful outcome from the WTO Doha Development Agenda
- advance the initiative to link CER and AFTA economies more productively for mutual benefit

b Contribute to economic growth through collaboration and facilitation

Contribute to the Growth and Innovation Framework

The Ministry works with other agencies to contribute to New Zealand's growth and innovation, not only through negotiations to improve multilateral and bilateral market access, but also by strengthening international linkages through education, science and technology.

The importance of this collaborative approach is reflected in the shared outcome MFAT has agreed with MED. A priority in the coming period will be our joint support for the consolidation of the Government's economic development agency, New Zealand Trade and Enterprise, as it refines its role and methods of operating.

Open Doors for New Zealanders Overseas

New Zealand posts, and particularly heads of mission, maintain networks of influential contacts overseas. These are drawn on to help government and private sector representatives gain access to decision-makers who can advance New Zealand's interests, including by attracting skills, technology, research and development, and capital into New Zealand.²

ACTION POINTS

- work closely with agencies to implement internationally-focused GIF initiatives
- lead the development of new strategies and initiatives within the global connectedness stream of GIF work
- contribute to the successful operations of New Zealand Trade and Enterprise with special focus on deepening cooperation with export promotion and service delivery to New Zealand exporters in the field

² This area of concentration complements the focus within MED's Statement of Intent, Strategic Priority 2: "Connecting New Zealand to the World" and "Bringing the World to New Zealand".

Intermediate Outcome III: A Rules-based International System that Supports Our Security and Prosperity Goals and Promotes Our Values

Areas of Concentration and Intervention

Support for the multilateral system has been central to New Zealand's foreign policy since our participation in the founding of the United Nations. New Zealand continues to be an active participant in multilateralism, both as an expression of our national values and as an additional means of pursuing our interests. We also seek to achieve this through our membership of the Commonwealth.

Multilateral diplomacy complements and often underpins the Ministry's work to advance and protect national interests through bilateral and regional relationships. It is one element of New Zealand's global connectedness, which is a Government priority under the Growth and Innovation Framework.

In "Our Operating Environment" we describe the challenges facing the United Nations and the principle of multilateralism generally. The international system today is under strain: it falls short of the rules-based system we seek in this intermediate outcome. Our interventions are therefore aimed at influencing the debate and helping to shape the design of reform measures. New Zealand can contribute to multilateral solutions to global problems and so reinforce confidence in the United Nations. New Zealand's good standing and positive reputation as an international citizen, our ability to form effective coalitions of interest, our diplomatic capability and our readiness to take initiatives and contribute to problem solving are essential underpinnings to the stock of influence we can draw from in this effort. Our influence is, however, limited and our effort needs to be focused on what we judge to be our most essential interests.

Support the International Rule of Law by Promoting Universal Participation in and Compliance with the International Treaty System and Customary Law

The United Nations relies heavily on moral force and the rule of law to promote global security, as well as on the willingness of its members to comply with the standards set by the majority. If it is to have the authority and the capability to respond to contemporary challenges, the United Nations system needs to be more reflective of geopolitical realities and to enjoy the confidence of all its members. Over the next 12 to 18 months, the Secretary-General's High Level Panel on Threats, Challenges and Change "will assess the major threats... the world faces in the broad field of peace and security, including economic and social issues". It will make recommendations for the elements of a collective response. These will include changes in structure or procedure needed to allow the United Nations to respond more rapidly and effectively to threats from terrorism, proliferation of weapons of mass destruction and failures of development.

ACTION POINTS

- develop New Zealand consensus on priorities for United Nations reform to be injected into the Secretary-General's High Level Group, cooperating with Canada and Australia (CANZ grouping)
- facilitate effective international cooperation in criminal matters, in particular through mutual assistance and extradition mechanisms
- support the consolidation and effective functioning of the International Criminal Court
- reinforce New Zealand's reputation as taking a firm and principled approach on international human rights violations
- ensure New Zealand is complying with its international legal obligations under the UN Charter and core human rights treaties
- promote significant New Zealand candidatures for election to international bodies, in particular the candidacy for the International Court of Justice
- support the international oceans order by working towards effective implementation of the laws of the sea

Engage Selectively in International Standard Setting and Rule Making where New Zealand's Essential Interests are at Stake

Our success in influencing the direction of new treaties to accommodate or advance New Zealand interests depends largely on our ability to engage at the early stages of negotiations and to do this in conjunction with the commitment and technical expertise of other government agencies.

ACTION POINTS

- support responsible agencies in negotiations on the Convention on Disabilities and the development of other norms and instruments
- protect New Zealand interests as indigenous initiatives and rights are defined in international instruments

Support the Treaty-based Disarmament and Arms Control System and Promote Internationally Agreed Responses to New Threats from the Proliferation of Weapons of Mass Destruction (WMD)

The issue of how to control the proliferation of weapons of mass destruction is now at the forefront of international debate. New Zealand takes an active role and seeks to ensure that the importance of disarmament continues to be recognised, along with initiatives toward non-proliferation. New Zealand also continues to play an active part in negotiations on the control of conventional weapons.

**PROMOTING RESOLUTION TO NORTH KOREA
NUCLEAR ISSUE**

North Korea's nuclear weapons programmes pose a threat to security on the Korean peninsula as well as to the wider Asia Pacific region. There is also a risk of proliferation of nuclear weapons materials and technology to other parts of the world.

New Zealand has joined other countries in urging North Korea to abandon its nuclear programmes. The Minister of Foreign Affairs and Trade has written to his North Korean counterpart expressing deep concern. The New Zealand Ambassador to North Korea (based in Seoul) has registered our views strongly during visits to Pyongyang and we have done likewise with North Korean diplomats visiting New Zealand. We have also been active on this issue as a board member of the International Atomic Energy Agency (IAEA).

North Korean officials have listened closely to New Zealand perspectives because of our long-standing position of principle on nuclear weapons and because we are perceived to have an independent foreign policy voice. Other countries more closely engaged in negotiations with North Korea – including the United States and the Republic of Korea – have also expressed appreciation for our efforts.

New Zealand will continue to engage North Korea and others involved in efforts to resolve the nuclear issue, but progress is likely to be slow because of the complexities involved.

ACTION POINTS

- seek progress toward nuclear disarmament through the Nuclear Non-Proliferation Treaty review conference in 2005
- reinforce the cohesion and commitment of the New Agenda Coalition as a credible influence on the nuclear weapon states
- define New Zealand's position on support for new developments to control the proliferation of weapons of mass destruction, to complement existing frameworks
- prepare for the introduction of "catch-all" controls on exports from New Zealand of military and dual-use goods and technologies to meet our obligations as a member of various export control regimes
- press for progress on conventional weapons controls, in particular landmines and cluster munitions

Manage New Zealand's Engagement in the International Environment Agenda, Including the Negotiation of Relevant Agreements and Standards

Our main focus is on those areas of the growing international environment agenda that impact on New Zealand's domestic environment policies and economic interests. These include management of the oceans, sustainable production, consumption and trade including renewable sources of energy and energy reform, biodiversity and climate change.

We seek outcomes that are supportive of New Zealand's sustainable development goals and consistent with New Zealand's other international obligations. Together with NZAID we also aim to help build the capacity of developing countries, especially in the Pacific, to respond to environmental challenges.

ACTION POINTS

- support improved fisheries management, in particular in the Pacific, and international initiatives to address illegal, unreported and unregulated (IUU) fishing operations
- contribute to developing the concept of marine protected areas on the high seas
- contribute to new multilateral initiatives to achieve sustainable production and consumption, especially of forests, energy, chemicals and hazardous substances
- engage at multilateral, regional and bilateral levels, including through partnerships with key countries, to encourage broad and balanced participation and action to address climate change and promote sustainable energy
- contribute to multilateral initiatives to preserve biodiversity
- shore up international cooperation for the conservation of whales
- support, with a focus on the Pacific, developing countries' environment and development objectives through our seat on the Global Environment Facility (GEF)
- promote improved multilateral and regional arrangements governing the safety of and liability for the transportation of radioactive materials

Strengthen the Antarctic Treaty System

The Antarctic Treaty System is important to New Zealand: it protects our territorial position in the region (the Ross Dependency). The Antarctic Treaty has successfully ensured the use of the continent for peaceful purposes only and has prevented it from becoming a focus of international discord. Antarctica has been designated “a natural reserve, devoted to peace and science”.

The Treaty System faces numerous challenges, however, as Antarctica's resources attract increasing attention for their economic value. Illegal fishing, the expansion and diversification of tourism and complex questions around bio-prospecting all need to be addressed. New Zealand is committed to helping ensure the Treaty System is sufficiently robust to meet these new demands.

ACTION POINTS

- play our part in putting the new Antarctic Treaty Secretariat on a sound footing and protect our interests in the Ross Dependency
- help protect the environment of Antarctica by combating illegal fishing interests, including through action by the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR) to protect the Ross Sea region and toothfish fishery, promoting more effective management of tourism and developing “state of the environment” reporting for Antarctica in the Committee on Environmental Protection

Respond to New Global Issues

Globalisation and modern communications have combined to exacerbate what the UN Secretary-General calls “problems without passports”. National borders cannot ensure security from those global threats. People-smuggling, transnational crime including money-laundering, illicit trade in drugs, small arms smuggling, biosecurity threats and corruption all call for regional and multilateral responses as well as strong domestic action.

ACTION POINTS

- contribute to strengthening regional frameworks for addressing people-smuggling and illegal migration
- work through international groups to combat money-laundering and to help identify protective measures for countries at risk of becoming targets for organised crime, with a focus on the Pacific

Support Peace Building and Peacekeeping

Peace support operations are one of New Zealand's most tangible commitments to collective security and the rule of law. International and regional engagement in peacekeeping, including under United Nations auspices, remains important in an evolving and uncertain security landscape.

We support the Secretary-General's efforts to reform UN peacekeeping. New Zealand has a key role to play in backing peace support efforts in our region and we need to retain capacity to respond to contingencies that might arise. Our broader commitment to collective security and the rule of law will require ongoing contributions elsewhere in the world.

ACTION POINTS

- support the Secretary-General's efforts to reform UN peacekeeping
- work with other government agencies to retain and develop appropriate New Zealand military and law enforcement capabilities for peace support operations



Intermediate Outcome IV: Eliminating Poverty through Development Partnerships

This intermediate outcome is elaborated in the NZAID section of the Statement of Intent (see page 71 of this document).

Intermediate Outcome V: Protection of the Rights of New Zealanders Abroad

Areas of Concentration and Intervention

There is a continuing high demand for consular services as New Zealanders travel in large numbers and face a more uncertain international environment as a result of civil conflict, terrorism and health risks in many parts of the world.

MFAT continues to enhance its ability to respond quickly and effectively – in cooperation with other agencies, the travel industry, and our consular partners – to an emergency overseas involving New Zealand citizens.

Strengthen Consular Management and Operational Capability

MFAT will purchase and roll-out a specialised consular IT system to improve the handling of the consular case-load and our consular management and information systems, including the registration of New Zealand citizens travelling or living overseas.

Consular training will continue for all Ministry staff going on assignment overseas. Where relevant this will be extended to other agencies as well as locally engaged staff at posts with consular responsibility.

There will be enhanced liaison with key groups and organisations in New Zealand that have a stake in the effective delivery of consular services and travel advice.



Build Emergency Response Capability

Contingency planning by our network of overseas posts will continue to be strengthened, including for major events such as the Gallipoli commemorations and Athens Olympics.

The capability to despatch emergency response teams in the event of a major incident overseas will be further developed in conjunction with other key agencies such as NZDF, NZ Police, the Department of Prime Minister and Cabinet, Civil Defence and Emergency Management and the Ministry of Health.

ACTION POINTS

- purchase and bring into operation an IT solution which meets the Ministry's consular requirements
- further strengthen emergency response capability
- continue preparation of timely and relevant advice on travel risk
- broaden consular outreach activity, including dissemination of information material

INTER-AGENCY COOPERATION

Chief Executives of those departments and agencies with an involvement in implementing and managing the Government's external policies to national advantage participate in the External Relations and Defence (ERD) network chaired by MFAT. The shared goal is to ensure that New Zealand's security and prosperity interests are pursued effectively for the benefit of all New Zealanders. ERD Chief Executives meet every six months for a stocktake to ensure there is good inter-agency information flow and coherent policy development on work with an external dimension.

Departments and agencies represented in the ERD network are Agriculture and Forestry and its Food Safety Authority, Conservation, Culture and Heritage, Customs, Defence, the Defence Force, Economic Development, Education, Environment, Fisheries, Foreign Affairs and Trade, Immigration Service, Inland Revenue, Internal Affairs, Labour, National Library, Pacific Island Affairs, Police, Prime Minister and Cabinet, Research Science and Technology, New Zealand Security Intelligence Service (NZSIS), Te Puni Kokiri, Tourism, Trade and Enterprise, Transport and the Treasury. There are also a series of sub groupings which meet at working level to advance coordination on specific cross-cutting issues. Some of these groups have been institutionalised. Others come together as and when required. Cluster groups currently operating cover the Pacific, Australia, Japan, External Economic Strategy, Latin America, Cultural Diplomacy, International Linkages, APEC, United States, and International Education.

In December 2003 Chief Executives restated their commitment to cooperate, consult, collaborate and coordinate with the aim of delivering a more cohesive effort in international activities. They recognised the value of a coherent “New Zealand team” approach and the value of coordination through New Zealand’s heads of mission in, or accredited to, a given country. They agreed that the uncertainties and demands of globalisation have only underlined the need to ensure that interagency interaction is deeply embedded in agencies’ strategic alignment, operations and activities. As a first step, MFAT has agreed with MED the shared outcome: “New Zealand’s international connections facilitate sustainable economic growth through increased international trade, foreign investment and knowledge transfer”.

MFAT works closely with New Zealand departments and agencies represented offshore. Many are co-located with MFAT at New Zealand Embassies and High Commissions including Defence Advisors, Police, Customs and NZIS officials and, in some cases, New Zealand Trade and Enterprise. Other agencies engaged in the international linkages developing under the Growth and Innovation Framework, such as MoRST and MED, are working with MFAT on plans to establish new offshore positions. Cooperation among New Zealand agencies offshore helps to maximise operational efficiencies. A case in point is the agreement negotiated by MFAT, New Zealand Trade and Enterprise, NZIS and Tourism New Zealand for the provision of a communications Wide Area Network linking all posts abroad with offices in New Zealand. MFAT collaborates with the Department of Internal Affairs’ Identity Services to ensure travel is facilitated (especially in emergencies) for New Zealanders overseas by the provision of secure, internationally accepted documentation.

MFAT's core collaborative relationships, and examples of the outcomes and interventions to which these agencies contribute, are as follows:

Intermediate Outcome I

Ministry of Defence/New Zealand Defence Force

- bilateral and regional defence relationships and security cooperation initiatives such as the Regional Assistance Mission to Solomon Islands

New Zealand Police

- implementing the Pacific Security Strategy and Fund to assist Pacific Island countries develop and sustain more capable institutions for public order and national security; Regional Assistance Mission to Solomon Islands
- cooperative efforts to address aspects of terrorism and related transnational crimes such as money-laundering and illegal migration, UN peacekeeping efforts

Asia 2000 Foundation

- implementation of the Seriously Asia initiative launched by the Government to reinvigorate relations with key Asian partners

External Assessments Bureau of the Department of Prime Minister and Cabinet

- complements MFAT's evaluation of New Zealand's external operating environment



Intermediate Outcome II

Ministry of Economic Development, New Zealand Trade and Enterprise, New Zealand Immigration Service, Ministry of Research, Science and Technology, Ministry of Education, Treasury, Ministry of Agriculture and Forestry

- under the Growth and Innovation Framework MFAT has the lead role in increasing New Zealand's global connectedness and collaborates with these other agencies to bring skills, technology, research and development, and capital into New Zealand
- MFAT and the Ministry of Economic Development work together to contribute to the successful establishment of New Zealand Trade and Enterprise

Intermediate Outcome III

Ministry for the Environment, Department of Conservation, Ministry of Fisheries, Ministry of Agriculture and Forestry, Ministry of Economic Development, Antarctica New Zealand

- negotiations on environmental issues and resource management

Te Puni Kokiri, Ministry of Health, Ministry of Women's Affairs, Human Rights Commission

- negotiations on human rights standards and their implementation

New Zealand Police, New Zealand Immigration Service

- people-smuggling, illegal migration, money-laundering, organised crime

Intermediate Outcome V

New Zealand Defence Force, New Zealand Police, the Department of Prime Minister and Cabinet, Civil Defence and Emergency Management and the Ministry of Health

- supporting New Zealand citizens caught up in an emergency situation overseas

CAPABILITY

Our Statement of Intent sets out the Ministry's mission. But what does it take to do the job?


MFAT needs to be:

- a capable organisation with the capacity to operate effectively
- a successful diplomatic service that can compete for influence internationally by means of well-delivered initiatives and interventions

An effective diplomatic service is one that is:

- present in the right locations – with a network of secure and appropriate premises from which to build influence over time
- staffed by individuals and teams with the appropriate experience, skills and training
- linked through modern and effective knowledge and information transmission systems
- underpinned by efficiently managed human and physical resources
- well-directed and coordinated and closely networked with other government and private sector agencies
- properly equipped with the tools of diplomatic tradecraft

To ensure a professional diplomatic and consular service to represent the New Zealand Government and citizens overseas the Ministry needs:



1 Organisational Capability

We look to secure the Ministry's organisational health through well-managed people, infrastructure, systems and processes:


- People – developing professional diplomatic, consular, management and administrative skills and attributes, research and analytical capabilities, specialist knowledge, foreign language skills, a sound understanding of the undercurrents of other societies and political systems and a thorough grasp of the New Zealand policy-making environment. The Ministry builds these capabilities through recruitment, training and work experience and application of its competency development framework
- Infrastructure – maintaining appropriate physical assets at home and abroad and effective knowledge and information management networks and systems around the world
- Systems and Processes – maintaining strong management and administrative systems and processes that support and protect people in their diplomatic and consular work

2 Operational Capacity

To secure the Government's diplomatic and consular outcomes the Ministry requires the operational means to exploit its tradecraft – the methods and tools we use to influence overseas decision-makers in New Zealand's favour:

- the methods include presence, persuasion and negotiation – cultivating key contacts, building collaborative relationships and taking well-judged initiatives and interventions
- the tools include funds for travel and representational activities to engage key constituencies, overseas visitor programmes and cultural diplomacy

The Ministry's strengths lie in:

- a network of diplomatic posts built up over time, adjusted continuously and attuned to today's needs
 - a dedicated career service of rotational staff and their families
 - adaptable staff with extensive professional experience, able to communicate effectively to a wide range of constituents and adept at tailoring the message to get the best response for New Zealand
 - areas of specialist excellence (eg negotiating skills, trade policy and trade disputes resolution, international law, security dialogue, some foreign languages)
 - a strong internal culture that respects and reflects the diversity of New Zealand and its society, is based on teamwork, and is committed to adding value and maintaining and enhancing high public service ethics and standards
 - an organisation held in high regard internationally and domestically for its ability to deliver positive outcomes for New Zealand
 - a commitment to a whole-of-government approach and to close partnerships with other public and private sector agencies and community representatives
 - an organisation that is flexible and can maximise use of its tradecraft resources in response to changes in the internal and external environments
 - an organisation that can manage and keep fresh its organisational health
- 

Capability Challenges

In 2003/04 MFAT received significant additional baseline funding to help meet proven pressures on its organisational health in both the key areas of organisational capability and operational capacity. The additional funds will be channelled to people (remuneration and language and skills development), infrastructure (IT network and systems and property maintenance) and tradecraft. Nevertheless, the Ministry will continue to be pressed to meet the policy and operational challenges described in this Statement of Intent.

The international agenda continues to expand significantly in range and depth. New Zealand has to compete ever harder against an increasing number of players on the international stage to achieve its objectives. The Ministry needs to be able to accommodate new demands arising from both the Government's own aspirations and rapid changes in the external environment.

In recent years MFAT has been able to absorb a stream of new activities through reprioritisation of effort, productivity gains and improved utilisation of capital assets. Similar efforts will continue to be required in the future, notwithstanding the injection of additional funds into the Ministry's budget. There will always be more that can be done than available resources permit: bridging this gap between available funds and steadily rising demands and expectations will remain a significant challenge in the period of this Statement of Intent. The Ministry has put in place processes and practices to ensure that the additional investment by the Government is directed to areas that will pay the best dividends in the short and medium terms.

The priorities include:

- in terms of organisational capability – meet additional security requirements for staff and property arising from changes in the international operating environment; reinvest in overseas property maintenance, IT systems and staff remuneration in line with business needs; be able to recruit, train and retain sufficient numbers of specialists in such areas as economic analysis, trade negotiations, languages and international law to staff key positions on a continuous basis
- in terms of operational capacity – restore and build resources for effective tradecraft including overseas travel and interaction with domestic stakeholders

Management Priorities

The overall context for management of the Ministry's capability will continue to be defined by the need to maximise efficiencies in our work systems through further productivity gains, reprioritisation of effort and optimal use of capital assets. The table below sets out the main areas of management concentration for the next three to five years alongside specific priorities for the coming 2004/05 year:



2004 – 2009	2004/05
<p>Human Resource Strategy – for retention, remuneration, performance management, training and development (including in professional and specialist skills and foreign languages) and diversity</p>	<ul style="list-style-type: none"> • Bed down implementation of new performance management framework and remuneration system to ensure sustainable enhancement of organisational capability • Ramp up training of specialist skills (including language training, trade policy and international law) • Implement the findings of the review of localisation of positions at overseas posts
<p>Capital Plan – management of major asset holdings, including overseas property maintenance and overseas security requirements</p>	<ul style="list-style-type: none"> • Implement a review of the Ministry’s insurance policies and procedures • Effectively manage the opening of the Warsaw embassy and advance plans for the proposed new post in Cairo • Recalibrate management of capital and property assets in light of Property and Capital Management review, the return of Treasury-owned properties, new posts, and capability funding injection
<p>Security – further development of a coordinated policy framework for threat assessment, security responses, physical security for posts, contingency planning</p>	<ul style="list-style-type: none"> • Quickly integrate into the core security operations of “at-risk” posts (especially in the Middle East, Pacific and South East Asia) a multi-faceted, coherent approach to improving the protection of staff, physical and technical assets
<p>IT Strategic Review – further development of IT systems in support of operational needs and a deepening of organisational knowledge</p>	<ul style="list-style-type: none"> • Advance implementation of the IT Strategic Plan, including making optimum use of the increased bandwidth now available to introduce a full intranet and Internet browsing from the desk-top

NZAID – continuing organisational and programme changes	<ul style="list-style-type: none"> • Bed down systems and practices of effective coordination and cooperation between NZAID and wider Ministry to ensure maximum policy and organisational coherence • Complete Cabinet-mandated review of NZAID
Organisational Planning and Performance – enhanced ability to evaluate our performance against this Statement of Intent	<ul style="list-style-type: none"> • Improve the capability management framework through prioritisation tools and better performance information systems for resource allocation decisions • Enhance the Ministry's policy planning function
Management Structures and Management Information Systems	<ul style="list-style-type: none"> • Implement a new or upgraded Human Resource Information system and Financial Management Information system to improve business processes
Emergency Response Management Systems	<ul style="list-style-type: none"> • Upgrade response systems and capabilities for consular emergency management (including public outreach)
Outreach Strategy – effective engagement with all stakeholders	<ul style="list-style-type: none"> • Develop a Ministry presence in Auckland
External Relations and Defence Network – playing a lead role in coordinating inter-agency work with an external dimension	<ul style="list-style-type: none"> • Institutionalise relationships with external agency partners (eg NZTE, Defence, NZDF, MED, EAB, MAF, MoRST, NZIS in particular) to ensure optimal onshore and offshore coordination.

RISK MANAGEMENT

The international environment described in the section “Our operating environment” is one of change and uncertainty. New Zealand’s ability to influence events is limited and we are vulnerable to the actions of others. Risk management is necessarily an integral part of the Ministry’s business of seeking to protect and advance New Zealand’s security and prosperity: we aim to secure these outcomes by anticipating problems, seeking to avert them, contingency planning and mitigating their impacts as they arise. (The Ministry is equally vigilant for unexpected opportunities to advance New Zealand’s interests.)

The Ministry’s risk exposures are both external and internal and have strategic, policy and operational dimensions. Specific external risks relevant to the achievement of the outcomes we seek are identified in the section on “Our Operating Environment” and in the commentary supporting the areas of concentration and action points described under each of the intermediate outcomes. The Ministry’s forward planning focuses on both the strategic environment within which New Zealand interests are pursued and the factors affecting the achievement of particular Government objectives.

At the operational level, the Ministry faces inherent and unique risks in maintaining a global network of representation. Operational risk management involves ensuring the safety and well-being of staff serving overseas and their families and protecting the Ministry’s physical assets including its communications links. These risks need to be kept under active review.

The unpredictable operating environment also poses risks that the Ministry could in some circumstances be unable, including through lack of present or future capability, to meet its own performance standards and Government and public expectations. A particular area of risk is the provision of consular services.

Like other public service organisations, the Ministry has to manage the risk of failure to meet internal and external standards of performance, accountability and ethics. All staff are expected to comply with the Ministry's security requirements, to maintain proper standards of integrity and concern for the public interest and to treat their colleagues and the public with courtesy and respect, as set out in the Code of Conduct. Building trust and integrity through consistent action, values and communication, as well as maintaining social, ethical and MFAT norms, is a professional competency requirement at all levels of the Ministry. It underpins our relationships at home and with the foreign governments and organisations we deal with abroad.

The Ministry's risk management strategy seeks to ensure its ability to:

- identify, assess and advise on international and domestic developments that may have an impact on achievement of the Government's external objectives
- act on the Government's behalf to address threats to New Zealand's interests and pursue external opportunities for New Zealand
- operate efficiently, effectively and economically
- pursue effective communication with stakeholders
- manage and invest in its capability for the future

The Ministry's structure and systems promote risk profiling and risk management at all levels. Strategic, policy and operational risks are regularly identified, evaluated and addressed through the Ministry's planning and reprioritising processes. All units within the Ministry identify and update their risk assessment at six-monthly intervals with senior management setting in train appropriate action to mitigate these where possible. These processes are synchronised with the Ministry's external accountability requirements. Policy and support operations at Head Office and overseas posts are designed to ensure proper planning, coordination, quality control, lines of authority and accountability, and the delegation of management competencies and to encourage the exercise of responsibility and creative initiative.

Risk management is also inherent in Ministry strategies covering particular aspects of its operations. These include strategies for advancing New Zealand's interests in specific regions and programme areas, for developing its human resource and IT capabilities, for managing its other capital resources and in areas such as disaster recovery and business continuity planning.

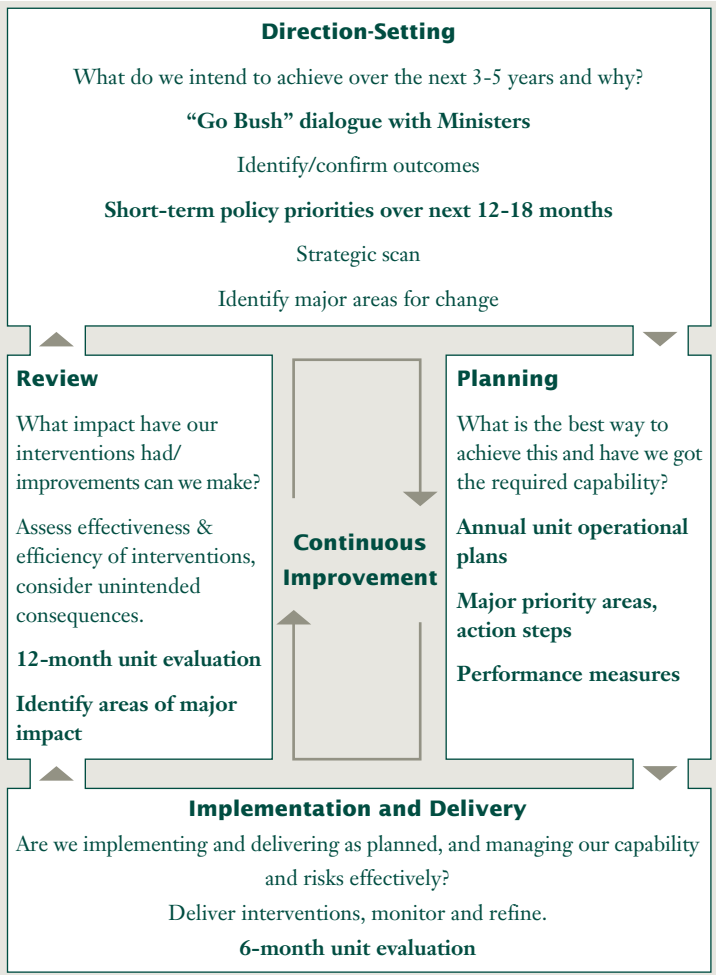
Security of New Zealanders Overseas

Ensuring a high-level protection of New Zealand Government staff and assets overseas and protecting the rights and welfare of New Zealanders abroad are two important objectives for the Ministry. The post-11 September 2001 international security environment has prompted the Ministry to conduct a review of its security programmes and policies. The Ministry is advancing a work programme to develop a coordinated policy framework for threat assessment, a framework of security responses, an improved process for handling threat warnings, future systems to manage physical security for our overseas posts, an improved contingency planning framework, accountability and communications channels, staffing and training.


PERFORMANCE INDICATORS

The new “managing for outcomes” environment reflects the Government’s requirement for broader, more strategic management and the priority it attaches to whole-of-government effort. Performance by MFAT as a whole – based on the performance of its constituent units and individual staff – is central to achieving the outcomes the Government wants.

The Ministry’s Statement of Intent provides the overall framework for our strategic and operational planning, our systems for monitoring and evaluating progress against specific milestones and longer-term outcomes, and our periodic review of direction-setting in light of experience and evidence-based evaluation activities. Dialogue with Ministers at the outset of the annual process to review and update the Ministry’s Statement of Intent provides crucial information to fine-tune direction-setting and the selection of interventions for the shorter term (12-18 months).



Over the past year the Ministry has put in place new systems of performance measurement, information-gathering and analysis, to better meet the needs of its senior management in direction-setting and planning. We have :

- strengthened the “performance cascade” to ensure the closest possible alignment between the outcomes and interventions set out in the Statement of Intent, discussed and agreed with MFAT Ministers; the major priority areas of focus and action steps apportioned to units on an annual operational basis; and, in turn, the key tasks assigned to individual staff members
 - established measures and standards for performance at unit and staff level which include “quality” markers as well as quantity and timeliness measures to ensure the ability to evaluate progress towards delivering the Ministry’s outcomes rather than simply capturing levels of activity (outputs)
 - adjusted the mid-year and year-end evaluation and review process so that performance data at the organisation level is derived from data aggregated from individual and unit-level achievements
 - shifted the focus from measurement of output delivery which is “on target” towards the identification of where the Ministry’s performance has delivered most significant progress towards the Government’s goals and Ministry’s Intermediate Outcomes. Criteria and professional judgement are applied to determine where the Ministry has had most impact. Analysis of those interventions can then inform decisions about where effort (resources, activities, presence, persuasion) can be best applied in the future
- 

As part of the exploration of the Ministry's performance care is taken to place appropriate weight on both the final results of planned initiatives as well as the controlled response to unplanned contingencies and the intermediate results of work-in-progress. This recognises that long-term influence accrual is a serious part of MFAT's core business and should not be undervalued in performance measurement.

Next Steps

Measuring the impact of a foreign ministry's interventions is made particularly difficult by the complexities of the international environment. An agency with regulatory authority in the domestic environment has the ability to enforce compliance by citizens. A foreign ministry has no such ability in the international arena, and is dealing with other sovereign actors while also taking account of their objectives. As noted in our Risk Management section (page 64) the outcome for New Zealand is frequently affected by the initiatives and actions of others.

Nonetheless, the Ministry's management priorities (see table on page 62) include development of an enhanced ability to evaluate our performance against this Statement of Intent with a focus on improving the capability management framework through prioritisation tools and better performance information systems for resource allocation decisions.

NZAID

Intermediate Outcome IV: Eliminating Poverty through Development Partnerships

NZAID also contributes to intermediate outcomes I, II and III of the Ministry concerning security, prosperity and the international system.

Our Operating Environment

One of the greatest current challenges facing the world is the gap between rich and poor countries, and between rich and poor in societies. The sense of despair, deprivation and injustice that results creates divisions in the global community and underpins a number of global and regional tensions. Poverty is also a huge “opportunity cost” on societies and on the global community through the productivity and creativity foregone. The international community has recognised, through human rights instruments and a variety of other commitments, that the poverty gap is unacceptable and must be narrowed.

The Millennium Development Goals (MDGs), which encapsulate commitments made at the United Nations Millennium Summit in 2000, establish for the first time globally agreed development goals and timelines with the aim of lifting millions of people out of poverty by 2015. At the Financing for Development Conference in Monterrey in 2002, an unprecedented degree of consensus was achieved on how to advance development through a combination of: policy settings, governance standards and resource mobilisation in developing countries themselves; private capital flows, ODA and through trade liberalisation; debt relief; and strengthening the international system’s capabilities to underpin development. At Monterrey the international community made commitments to increase ODA significantly towards the international target of 0.7% of Gross National Income (GNI) by the end of the decade. New Zealand’s contribution has averaged 0.24% of GNI over the last five years. The United Nations Secretary-General, Kofi Annan, has established a high-level panel on global threats and challenges which will include a focus on poverty and development as well as security. It is to report by the end of 2004.

In New Zealand's immediate neighbourhood there are development challenges peculiar to the Pacific, a number of which are referred to in the operating environment of the Ministry of Foreign Affairs and Trade, such as the challenges of improving governance and of achieving security within societies and across the region. NZAID is focusing increasingly on strategic, longer-term programmes to address these challenges.

Our Response

The Official Development Assistance (ODA) programme is one of the major ways in which New Zealand contributes to building a peaceful, prosperous and just world. It reflects both the nation's responsibility to be a good international citizen, and New Zealanders' humanitarian concerns.

In order to respond to the challenges outlined above, on 1 July 2002 the Government established Nga Hoe Tuputupu-mai-tawhiti / the New Zealand Agency for International Development (NZAID), with a central focus on the elimination of poverty and a core, but not exclusive, focus on the Pacific region.

NZAID is semi-autonomous within the Ministry of Foreign Affairs and Trade and is charged with managing the Government's \$260 million p.a. ODA allocation to achieve effective development outcomes in partner countries, including through supporting New Zealand's special relationships with the Cook Islands, Niue and Tokelau.

NZAID's mission statement is "eliminating poverty through development partnerships".

NZAID has three key areas of concentration for eliminating poverty:

- **Empowering the poor to improve their lives**

People often need support to lift themselves out of poverty. Basic needs for water, food and shelter must be met. Education, good health, the ability to earn a livelihood and access to resources are all important to meeting these basic needs. Where any of these are compromised, the poor are very vulnerable.

- **Governance**

How well – or badly – a society is governed affects the well-being of its people. A greater say in government by the poor and disadvantaged can help address their needs. NZAID will work with its partners to improve governance, leadership and economic development. Good governance is a prerequisite to the achievement of poverty reduction.

- **Reducing vulnerability to poverty**

Vulnerability to poverty arises from conflict, environmental disasters, disease epidemics, bio-security risks, poor governance and economic instability. Specific strategies are needed to reduce this vulnerability while supplementing normal development strategies in the areas of health, economic development or sustainable livelihoods.

More details on these areas and on the types of engagements and capability needed to achieve them can be found in NZAID's five-year strategy.



We pursue these outcomes through programme management practices and approaches set out below:

Provide transparent and accountable development assistance

We will design and manage effective development assistance strategies, programmes and projects transparently and accountably. The Government has mandated NZAID to maintain a core (but not exclusive) focus on the Pacific and a central focus on poverty elimination. Against that background, Ministers have approved bilateral programmes with 20 partners (11 in the Pacific, eight in Asia, and one in Africa). With each development partner we prepare a country strategy that sets a 3-5 year programme in place around the partner's development priorities. We are reviewing regional and global programmes progressively to re-align them with our core policy and geographic focus.

Work with others towards poverty elimination


We will provide input to, and collaborate with, the poverty elimination work of others, principally through project and programme funding support through bilateral, regional and multilateral channels (for example Pacific regional agencies and UN, World Bank and other international agencies), and through our cooperation with the voluntary and non-governmental sector; for example through support to the Voluntary Agency Support Scheme (VASS), Volunteer Service Abroad (VSA), the Council for International Development (CID) and the Development Resource Centre. We pursue a “whole-of-government” approach, coordinating and working with relevant divisions in the wider Ministry and with other government agencies, such as Police, Justice, Defence, Education, Health, Corrections, Customs, Immigration and others, to seek effective development interventions and outcomes.

Generate credible advice on poverty elimination

We provide policy advice on ways to eliminate poverty in developing countries, especially in the Pacific. The agency is reviewing all major policy planks to align them with our poverty elimination focus. Our overarching policy statement “Towards a Safe and Just World Free of Poverty” was published on 1 July 2002, along with an NZAID Human Rights policy statement. Since then policy statements on Trade and Development and Education have been approved by Ministers and launched. Work is proceeding, in consultation with a wide range of stakeholders, on policy statements on conflict prevention and peace building, and health and on updating gender and environment statements. A consultative document, “Towards a Strategy for the Pacific Island Region”, has been published and widely consulted upon, providing the basis for development of an NZAID Pacific Strategy to guide advice and action on eliminating poverty in our region. This will have a major emphasis on the need for improved governance at all levels in many societies and where we can help to achieve that.

Work on development of an overarching Asia Strategy is well underway, including in-depth field visits to the region. The new Latin America Strategy will be implemented in 2004/05 and interim Strategies for Africa are in place.

NZAID recognises that a precursor to the long-term alleviation of poverty is creating just and stable societies. We therefore support strategies to grow the rule of law in developing countries, to reduce the risk of conflict and contribute to peace building and to develop or strengthen enabling environments for sustainable livelihoods by strengthening services, infrastructure, policies and regulations. These aims are consistent with those of the wider Ministry of Foreign Affairs and Trade, with which we cooperate in accordance with the Government’s strategic directions for foreign policy and ODA.



Forge and maintain effective partnerships

We forge and maintain relationships that achieve poverty elimination with developing country partners, development organisations and agencies, civil society and the wider New Zealand community. NZAID is founded on the partnership principle in respect of its relations with developing country and agency partners and with other actors in the development field. We aim to align our support to our partner country's or agency's policies and plans. We interact with other donors and are currently pursuing harmonisation initiatives with AusAID and the EU. We engage in dialogue and collaboration with actors in the international community such as the OECD Development Assistance Committee, UNDP, the World Bank group, the Asian Development Bank and Commonwealth agencies as well as with all the principal agencies in the Pacific. This ensures that the delivery of development assistance is done in a coordinated way, and that New Zealand makes a contribution to policy and practice in a variety of international development fora.

Capability

Achieving the key outcomes in this Statement of Intent requires:

1. Staff with development skills and experience able to work within a culture that reflects the key principles of effective development – namely, participation, partnership on an equitable basis, and joint ownership of processes and outcomes.
2. Operating within simple business systems, which are aligned with the needs of users, are adaptable to changing business needs and support efficient and accountable use of taxpayer funds.
3. Ensuring NZAID has sufficient resourcing at a departmental level to achieve the ODA outcomes sought by the Government.
4. Developing a sound base of knowledge and analysis to ensure NZAID's outputs are consistently of a high quality. This means a clear planning framework with mechanisms for evaluating and measuring performance across all programmes, supported by good practice guidelines and mechanisms for sharing knowledge.

Programme and Management Priorities

For the next three to five years the main areas of management concentration in NZAID will be:

- ensuring that Pacific country and regional programmes are strategically and effectively focused on poverty elimination, improved governance and sustainable development
- reshaping Asia, Latin America and Africa programmes, and New Zealand's multilateral assistance to address fewer, but more systemic, developmental needs
- strengthening practical engagement with stakeholders to ensure that NZAID is working in a harmonised way with its development partners, including other donors and civil society entities
- further strengthening engagement in international development policy forums, as well as in policy and governance processes of the key multilateral agencies with which NZAID maintains strategic relationships
- continually refining business management systems to find the optimal balance between public sector accountability and transparency requirements and the outcomes required of the ODA programme
- facilitating better whole-of-government approaches around ODA while ensuring good alignment with New Zealand foreign policy.

For the 2004/05 financial year, management priorities will be:

1. Complete establishment of NZAID's administrative systems (HR management and development, financial information, contracting and scholarships).
2. Develop and implement an evaluation strategy and integrate it into all programmes.
3. Complete the following key policies:
 - Gender
 - Environment
 - Health
 - Conflict Prevention and Peace Building.
4. Complete the following key strategies and reviews:
 - Pacific
 - Asia Regional
 - Assessment of multilateral agency relationships using the Multilateral and Regional Agency Assessment Framework (MARAAF)
 - Ministerial Review of ODA
 - OECD Development Assistance Committee review of New Zealand's ODA programme.
5. Continue to grow the effective working relationship between NZAID and the wider Ministry of Foreign Affairs and Trade.
6. Improve the timeliness of ODA expenditure through better alignment of planning, financial reporting and programme management capability and timeframes. Review and develop programme management tools and systems over the 2004/05 year.
7. Work with central agencies and Ministers to identify options to ensure NZAID remains adequately resourced at the departmental level as its programmes continue to grow.
8. Develop and roll out a new integrated NZAID management information system to improve management of ODA.

Risk Management

All NZAID activities require the identification of risks and, where needed, plans for management and mitigation of those risks. Globally, and regionally, such risks can include natural disasters, local conflicts, economic downturns, financial crises, unsustainable debt, environmental degradation, water shortages and the effects of transnational crime, including terrorism. In respect of our work in the Pacific region particular risks include:

- insecurity and lack of safety in pre- and post-conflict situations
- political instability and inadequate governance
- no, or very limited, capacity, interest or country ownership of development processes
- lack of absorptive capacity, especially in the Pacific
- negative influences from outside – global forces, international crime, drugs trafficking
- uncoordinated activities by aid donors
- insufficient or inadequately skilled and experienced development professional staff, both in New Zealand and at NZAID posts overseas, to deliver programmes and projects in line with accountability and effectiveness requirements
- insufficient or inadequately skilled and experienced contractors to manage and effect NZAID programmes and projects

The NZAID strategies for poverty reduction all consider the risks detailed above and outline approaches to manage them.

Outcome Performance Indicators

In every instance where NZAID provides development assistance, we are only one of a number of countries and/or agencies providing ODA. Given this, and the considerable time it takes to make an effective impact on poverty, it will not always be possible to isolate the effectiveness of New Zealand's aid interventions from the cumulative effect of the efforts of others, including of course those of the partner country. Nevertheless we expect to be able to specify the "intervention logic" which justifies particular interventions and to be able to relate these interventions to intermediate outcomes which in turn are linked to larger goals.

NZAID considers the following areas of measurement and performance indicators to be the ones most critical to the achievement of the outcomes sought by Ministers.

Effective programmes and tangible results

Programmes aim to achieve tangible improvements to the poverty indicators of partner countries in the long term. To this end, evaluations will show that:

- 1a. Programmes aim to achieve tangible improvements to the poverty indicators of partner countries in the long term.
- 1b. NZAID-supported programmes are realistic, effective and are aligned with developing country needs.
- 1c. New Zealand supports development initiatives in accordance with the agreed needs of developing country partners and agency mandates.
- 1d. NZAID-supported programmes can demonstrate sustainable positive impacts and mitigate any negative unintended impacts.


Programme harmonisation

Bilateral programmes increasingly align planning processes, reporting and priorities with those of partner countries and other development agencies. To this end, evaluations will show that:

- 2a. NZAID has pursued every practical opportunity to use ODA delivery approaches that maximise coordination between donors.
- 2b. Programme strategies have been developed in ways that achieve high levels of partner country ownership.

Engagement and ownership by New Zealand stakeholders

In line with the Statement of Government Intentions for an Improved Community-Government Relationship, there will be good collaboration with the wider New Zealand development community to increase overall ODA effectiveness; ensure New Zealand Government development policies and perspectives are effectively represented abroad; and strengthen the New Zealand public's understanding of and support for NZAID's work. The following will indicate how well NZAID is doing in achieving these outcomes:

- 3a. Through annual surveys, Ministers express satisfaction at the accuracy, timeliness and usefulness of NZAID policy advice.
 - 3b. Through the CEO performance appraisal process, Ministers and central agencies report satisfaction with the whole-of-government approach on ODA .
 - 3c. Evidence of effective engagement reflected in outcomes of international policy processes in which NZAID participates.
 - 3d. Media reporting of New Zealand's ODA activities is informed and balanced.
 - 3e. Surveys show that the public generally understands and supports New Zealand's ODA programme.
- 

Policies, strategies and planning

NZAID will have clear policies, and sound strategies guiding and directing its work. To ensure that this is achieved, all elements of the NZAID policy and planning architecture will be subject to periodic evaluation to ensure they conform to the following:

- 4a. All policies and strategies are kept current.
- 4b. Strategies include clearly expressed outcomes, success measures and well-defined mechanisms for evaluating success.
- 4c. Programme strategies are developed in collaboration with partner countries.
- 4d. All policies and strategies have been signed off by Ministers following consultation with partners and relevant New Zealand stakeholders.
- 4e. All annual plans are consistent with overarching policies and strategies.

Capability aligned to agreed outcomes

As New Zealand's ODA programme grows and evolves, NZAID will ensure that Ministers receive timely, independent advice around targeting ODA resources that has been well consulted with other interested departments. This will be measured by the following:

- 5a. Through annual surveys, Ministers express confidence in the range of options and the advice provided around the targeting of ODA expenditure increases.
- 5b. As a department, NZAID has sufficient resourcing to be able to deliver outcomes agreed with Ministers effectively.
- 5c. External audit and central agency reporting indicates that NZAID is operating in accordance with good public sector practice.

Capability and culture that supports ways NZAID needs to work

NZAID will ensure it has the people and the systems required to achieve sound development outcomes within the normal accountability and transparency requirements placed on New Zealand public sector departments. Key measures of success will be that:

- 6a. Staff turnover remains within public sector norms.
- 6b. Surveys carried out as part of the NZAID “Walking the Talk” accountability process indicate NZAID is operating in accordance with its stated values.

PART B

DEPARTMENTAL FORECAST REPORT

Responsible Minister

The Minister of Foreign Affairs and Trade is the Responsible Minister for the Ministry of Foreign Affairs and Trade

Statement of Responsibility

The forecast financial statements of the Ministry of Foreign Affairs and Trade presented in this report for the year ended 30 June 2005 have been prepared in accordance with section 34A(5) of the Public Finance Act 1989.

The Chief Executive of the Ministry of Foreign Affairs and Trade acknowledges, in signing this statement, that he is responsible for the forecast financial statements contained in this report.

The financial performance forecast to be achieved by the Ministry for the year ending 30 June 2005 that is specified in the Statement of Intent is as agreed with the Minister of Foreign Affairs and Trade who is the Minister responsible for the financial performance of the Ministry of Foreign Affairs and Trade.

The performance for each class of outputs forecast to be achieved by the Ministry for the year ending 30 June 2005 specified in the Statement of Intent is as agreed with the Minister of Foreign Affairs and Trade, who is responsible for the Votes administered by the Ministry.

We certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2005 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed:

Countersigned:



Simon Murdoch
CHIEF EXECUTIVE

Phil Goulin
DIRECTOR OF FINANCE

28 April 2004

28 April 2004

INTRODUCTION AND FINANCIAL HIGHLIGHTS

Introduction

In 2004/05 the Ministry expects to receive \$194.189 million (GST exclusive) from the Crown and \$10.517 million (GST exclusive) from other purchasers of services it will supply under the nine departmental output classes detailed in the Statement of Objectives in this report. The Ministry expects to incur expenses of \$204.706 million (GST exclusive) in providing these services (Vote Foreign Affairs and Trade \$183.809 million (GST exclusive) and Vote Official Development Assistance \$20.897 million (GST exclusive)).

In addition, the Ministry administers the following non-departmental appropriations:

- *Vote Foreign Affairs and Trade* – three output classes totalling \$12.196 million for the purchase of the following services:
 - I. Antarctic research and support from the New Zealand Antarctic Institute (\$9.640 million);
 - II. Promotion of Asian skills and relationships from the Asia 2000 Foundation (\$1.881 million); and
 - III. Promotion of mutual understanding and constructive linkages with the other countries of the Pacific from the Pacific Cooperation Foundation (\$0.675 million).
- *Vote Foreign Affairs and Trade* – three Other Expense appropriations totalling \$26.451 million for expenditure on the following:
 - I. Subscriptions to International Organisations (\$25.340 million);
 - II. Payments in accordance with the Diplomatic Privileges and Immunities Act 1968 (\$1.011 million); and
 - III. Payments made on behalf of other governments (\$0.100 million).

- *Vote Official Development Assistance* – two annual Other Expense appropriations totalling \$71.824 million for 2004/05, and three multi-year Other Expense appropriations totalling \$553.291 million for the three-year period 2003/04 to 2005/06, of which \$374.808 million remains for the two-year period 2004/05 to 2005/06.

Annual Appropriations

- I. International Agency Funding payments (\$53.674 million); and
- II. New Zealand Voluntary Agency Grants (\$18.150 million).

Multi-year Appropriations


- I. Pacific Development Assistance (\$356.641 million multi-year, 2004/05 annual estimate \$121.854 million);
- II. Global Development Assistance (\$153.150 million multi-year, 2004/05 annual estimate \$51.050 million); and
- III. Emergency Relief (\$43.500 million multi-year, 2004/05 annual estimate \$14.500 million).

The Ministry expects to collect \$0.100 million of Crown revenue in 2004/05 from recoveries of payments made on behalf of other governments and international organisations.

Financial Highlights

	2004/05 Forecast	2003/04 Budget	2003/04 Estimated Actual
	\$000	\$000	\$000
Revenue: Crown	194,189	188,633	192,426
Revenue: Department	8,235	9,311	9,278
Revenue: Other	2,282	2,265	2,346
Interest	100	100	100
Output expenses	204,706	200,209	203,104
Net surplus/(deficit)	100	100	1,046
Taxpayers' funds	124,607	131,621	121,947
Net cash flows from operating and investing activities	(18,048)	(4,974)	(6,878)

- Revenue: Crown is expected to increase by \$1.763 million in 2004/05. This increase is mainly due to the net effect of:
 - i. The establishment of a new post in Warsaw, Poland (+\$2.403m);
 - ii. Additional funding to compensate the Ministry for lower agency fee revenue following the decision of the Department of Internal Affairs (DIA) to no longer issue 10-year validity passports, nor register citizenship by descent at the Ministry's overseas posts (+\$0.445m);
 - iii. Additional resources for WTO negotiations and Bilateral Closer Economic Partnerships/Free Trade Agreements (+\$1.663);
 - iv. Additional funding to increase the capability of the Ministry (+\$6.557m);
 - v. Additional funding for the Pacific Security Fund (+\$0.924m), increasing the appropriation to \$2.667m;

- vi. The impact of a strengthening New Zealand dollar, reducing the costs of overseas operations in New Zealand dollar terms (-\$7.805m);
 - vii. One-off funding for the Pacific Islands Forum held in 2003/04 (-\$1.284m);
 - viii. A reduction in the standard capital charge rate by 0.5% (-\$0.525m);
 - ix. A reduction in funding for physical and personnel security measures from a peak of \$3.084m in 2003/04 to a baseline level of \$1.425m (-\$1.659m); and
 - x. Additional resources for the design and management of the Official Development Assistance programme (+\$0.795m).
- Revenue: Department is expected to decrease by \$1.043 million in 2004/05. This decrease reflects the lower cost, via a stronger New Zealand dollar, of providing services for other agencies offshore as well as the reduction in services provided to the Department of Internal Affairs.
 - Output expenses are expected to increase by \$1.602 million in 2004/05 reflected in the changes as detailed above.
- 

FORECAST FINANCIAL STATEMENTS

Statement of Forecast Financial Performance

for the year ending 30 June 2005

	2004/05 Forecast	2003/04 Budget	2003/04 Estimated Actual
	\$000	\$000	\$000
Revenue			
Crown	194,189	188,633	192,426
Departments	8,235	9,311	9,278
Other	2,282	2,265	2,346
Interest	100	100	100
Total Revenue	204,806	200,309	204,150
Output Expenses			
Personnel	85,835	84,220	82,897
Operating	59,811	55,527	60,760
Rental and leasing costs	37,333	37,974	37,110
Audit fees	200	200	200
Depreciation	11,771	12,513	11,771
Capital charge	9,756	9,775	10,366
Total Output Expenses	204,706	200,209	203,104
Net Surplus	100	100	1,046

Statement of Forecast Financial Position

as at 30 June 2005

	Forecast Position as at 30 June 2005 \$000	Estimated Position as at 30 June 2004 \$000	Actual Position as at 30 June 2003 \$000
Assets			
<i>Current Assets</i>			
Cash and bank balances	9,295	25,729	35,581
Prepayments	2,570	2,570	2,570
Receivables and advances	446	446	446
Total Current Assets	12,311	28,745	38,597
<i>Non-Current Assets</i>			
Receivables and advances	2,141	2,141	2,141
Physical assets	131,415	112,435	105,803
Total Non-Current Assets	133,556	114,576	107,944
Total Assets	145,867	143,321	146,541
Liabilities			
<i>Current Liabilities</i>			
Payables and provisions	4,586	4,586	4,873
Provision for payment of surplus	100	1,046	2,974
Provision for employee entitlements ³	6,243	5,949	7,672
Total Current Liabilities	10,929	11,581	15,519
<i>Term Liabilities</i>			
Provision for employee entitlements ³	10,331	9,793	9,075
Total Term Liabilities	10,331	9,793	9,075
Total Liabilities	21,260	21,374	24,594
Taxpayers' Funds			
General funds	118,532	115,872	115,872
Revaluation reserve	6,075	6,075	6,075
Total Taxpayers' Funds	124,607	121,947	121,947
Total Liabilities and Taxpayers' Funds	145,867	143,321	146,541

³ These include annual, long service and retirement leave provisions.

Statement of Forecast Cash Flows

for the year ending 30 June 2005

	2004/05 Forecast \$000	2003/04 Budget \$000	2003/04 Estimated Actual \$000
Cash Flows from Operating Activities			
Cash provided from:			
Supply of outputs to:			
Crown	194,189	188,633	192,139
Departments	8,235	9,311	9,278
Other	2,282	2,265	2,346
Interest	100	100	100
Cash disbursed to:			
Cost of producing outputs:			
Operating expenses	97,344	93,701	98,070
Personnel expenses	85,003	85,225	83,902
Capital charge	9,756	9,775	10,366
Net Operating Cash Flows	12,703	11,608	11,525
Cash Flows from Investing Activities			
Cash provided from:			
Sale of physical assets	300	300	300
Cash disbursed to:			
Purchase of physical assets	31,051	16,882	18,703
Net Investing Cash Flows	(30,751)	(16,582)	(18,403)
Cash Flows from Financing Activities			
Cash provided from:			
Capital Contribution	2,660	-	-
Cash disbursed to:			
Payment of surplus to the Crown	1,046	(100)	(2,974)
Net Financing Cash Flows	1,614	(100)	(2,974)
Net (Decrease) in Cash Held	(16,434)	(5,074)	(9,852)
Opening total cash balances at 1 July	25,729	16,086	35,581
Closing Total Cash Balances at 30 June Projected	9,295	11,012	25,729

Reconciliation of Forecast Net Cash Flows From Operating Activities to Net Surplus in the Statement of Financial Performance

for the year ending 30 June 2005

	2004/05 Forecast	2003/04 Budget	2003/04 Estimated Actual
	\$000	\$000	\$000
Operating Surplus from Statement of Financial Performance	100	100	1,046
<i>Add non-cash items</i>			
Depreciation	11,771	12,513	11,771
<i>Add/(deduct) non-cash working capital items</i>			
Increase/(Decrease) in Crown Creditor	-	-	(287)
Increase/(Decrease) in Employee Entitlements Provision	832	(1,005)	(1,005)
Net Cash Flows from Operating Activities	12,703	11,608	11,525

Statement of Movements in Taxpayers' Funds

as at 30 June 2005

	Forecast Position as at 30 June 2005 \$000	Estimated Position as at 30 June 2004 \$000	Actual Position as at 30 June 2003 \$000
Taxpayers' Funds at the start of the period	121,947	121,947	133,150
<i>Movements during the year (other than flows to and from the Crown)</i>			
Net surplus	100	1,046	2,974
Decrease in Revaluation Reserve	-	-	(1,529)
<i>Total recognised revenues and expenses for the period</i>	<u>100</u>	<u>1,046</u>	<u>1,445</u>
<i>Adjustment for flows to and from the Crown</i>			
Capital Contribution	2,660	-	-
Provision for payment of surplus to the Crown	(100)	(1,046)	(2,974)
Transfer of Physical Assets	-	-	(9,674)
<i>Total Adjustments for flows to and from the Crown</i>	<u>2,560</u>	<u>(1,046)</u>	<u>(12,648)</u>
Taxpayers' Funds at the end of the period	124,607	121,947	121,947

Forecast Details of Fixed Assets by Category

as at 30 June 2005

	Forecast 30 June 2005		Estimated 30 June 2004	
	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000	Net Book Value \$000
Land	36,185	-	36,185	36,048
Buildings	54,610	9,839	44,771	39,604
Plant and Equipment	58,867	32,911	25,956	11,427
Furniture and Fittings	32,127	16,102	16,025	15,796
Motor Vehicles	6,352	3,039	3,313	3,331
Other Assets	17,938	12,773	5,165	6,229
Total	206,079	74,664	131,415	112,435

Statement of Forecast Objectives – Specifying the Financial Performance Forecast for the Ministry

for the year ending 30 June 2005

	2004/05 Forecast	2003/04 Budget	2003/04 Estimated Actual
Operating Results (in \$000s)			
Revenue: departmental and other	10,517	11,576	11,624
Revenue: interest	100	100	100
Output expenses	204,706	200,209	203,104
Net surplus	100	100	1,046
Working Capital			
Net current assets (in \$000s)	1,382	3,319	17,164
Current ratio	1.1:1	1.3:1	2.5:1
Resource Utilisation (in \$000s)			
Physical assets:			
Total physical assets at year-end	131,415	135,359	112,435
Value per employee	130	139	113
Purchases as a % of total physical assets	24	12.5	17
Taxpayers' funds:			
Level at year-end	124,607	131,621	121,947
Level per employee	123	135	122
Forecast Net Cash Flows (in \$000s)			
Surplus operating activities	12,703	11,608	11,525
(Deficit) investing activities	(30,751)	(16,582)	(18,403)
Surplus/(Deficit) financing activities	1,614	(100)	(2,974)
Net (decrease) in cash held	(16,434)	(5,074)	(9,852)
Human Resources			
Staff turnover ⁴ (as a %)	4.7	7.0	4.7
Average length of service ⁴ (in years)	12	12	12
Total Staff	1,012	976	996

⁴ Excludes locally employed staff.

Statement of Objectives Specifying the Performance Forecast for Each Class of Outputs

for the year ending 30 June 2005

The Ministry of Foreign Affairs and Trade has committed to providing output classes in 2004/05 that meet the requirements of its Vote Minister in terms of their nature, timeliness, quality and quantity specifications, and cost.

Summary of Departmental Output Classes

Departmental output classes to be delivered by the Ministry of Foreign Affairs and Trade, and their associated revenue, expenses and surplus or deficit are summarised over pages 98-99.

Forecast Output Operating Statement: 2004/05

Departmental Output Class	Description	Revenue: Crown \$000	Revenue: Depts \$000	Revenue: Other \$000	Total Expenses \$000	Surplus/ (deficit) \$000
Vote Foreign Affairs and Trade						
Policy Advice and Representation: Other Countries	Management of NZ's foreign and trade relations with other countries, bilaterally and in regional organisations	130,075	-	365	130,440	-
Policy Advice and Representation: International Institutions	Management of NZ's membership of, and foreign and trade interests in, international institutions	32,791	-	-	32,791	-
Consular Services	Provision of consular services to New Zealanders abroad	6,064	-	300	6,364	-
Services for Other NZ Agencies Overseas	Provision of services to other NZ agencies with overseas interests	-	8,235	1,567	9,802	-
Administration of Diplomatic Privileges and Immunities	Administration of the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971	777	-	-	777	-

Forecast Output Operating Statement: 2004/05 (cont'd)

Promotional Activities:	Activities promoting NZ's interests				
Other Countries	in other countries	968	-	-	968
Pacific Security Fund	Advisory, training and technical support for Pacific Island countries on external threats	2,667	-	-	2,667
Total		173,342	8,235	2,232	183,809
Vote Official Development Assistance					
Strategic Advice and Evaluation	Development of strategies and evaluation of the effectiveness of development assistance	4,577	-	11	4,588
Management of ODA Programmes	Design and management of development assistance programmes	16,270	-	39	16,309
Total		20,847	-	50	20,897

GST Status of Departmental Output Classes

Departmental Output Classes	GST Exclusive (SOI) \$000	GST \$000	GST Inclusive (Vote) \$000
Vote Foreign Affairs and Trade			
Policy Advice and Representation:			
Other Countries	130,440	4,924	135,364
Policy Advice and Representation:			
International Institutions	32,791	2,031	34,822
Consular Services	6,364	259	6,623
Services for Other NZ			
Agencies Overseas	9,802	21	9,823
Administration of Diplomatic			
Privileges and Immunities	777	94	871
Promotional Activities:			
Other Countries	968	70	1,038
Pacific Security Fund	2,667	333	3,000
Total Vote Foreign Affairs and Trade	183,809	7,732	191,541
Vote Official Development Assistance			
Strategic Advice and Evaluation	4,588	572	5,160
Management of Official Development Assistance Programmes	16,309	1,160	17,469
Total Vote Official Development Assistance	20,897	1,732	22,629
Total Departmental Output Classes	204,706	9,464	214,170

Explanatory notes: The forecast financial statements in this report present expenses and revenue exclusive of GST, in accordance with generally accepted accounting practice. When appropriated by Parliament, these expenses are inclusive of GST, in accordance with legislation. Thus:

- the GST-exclusive amounts for each departmental output class correspond to “total output expenses” for 2004/05 in the Statement of Forecast Financial Performance, and “total expenses” for 2004/05 in the Forecast Output Operating Statement, in this report
- the GST-inclusive amounts for each departmental output class correspond to the annual and other appropriations appearing in the relevant Part B1 of the Vote Foreign Affairs and Trade, and Vote Official Development Assistance Estimates of Appropriation

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

These forecast financial statements of the Ministry of Foreign Affairs and Trade have been prepared on the basis of Government policies and the Ministry of Foreign Affairs and Trade's Outputs at the time the statements were finalised.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Standards

These forecast financial statements comply with generally accepted accounting practice and are in accordance with applicable Financial Reporting Standards approved by the Accounting Standards Review Board under the Financial Reporting Act 1993.

Measurement Base

The financial statements have been prepared on an historical cost basis modified by the revaluation of certain fixed assets.

Revenue

The Ministry derives revenue through the provision of outputs to the Crown, for services to third parties, and interest. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Cost Allocation

The Ministry has determined the costs 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 cost 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 attributed directly to operational cost centres.

“Corporate Costs” are those costs of Support Service cost centres attributed to operational cost centres as overhead.

Basis for assigning Corporate costs to Operational Cost Centres

This is a two-stage process:

- (i) Reciprocal costing methodology is used to recognise the services provided between Support Services cost centres.
- (ii) Corporate Costs are then allocated to the other Operational Cost Centres based on head count.

Basis for allocating Indirect costs to Outputs

Output Allocation Factors are used to allocate indirect costs to outputs.

Direct costs assigned to outputs

Direct costing is used mainly for Management of Official Development Assistance, Trade Access Support Programmes, Overseas Visitor Programmes, Pacific Security Fund and some local staff pension schemes.

Receivables

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

Operating Leases

The Ministry leases office premises, residential accommodation, vehicles and office equipment. As the lessor effectively retains all the risks and ownership, these leases are classified as operating leases. Operating lease expenses are recognised on a systematic basis over the period of the lease.

Property, Plant and Equipment

Land and buildings are stated at fair value as determined by an independent registered valuer. Fair value is determined using market-based evidence. Land and buildings are revalued every three years. Additions between revaluations are recorded at cost.

The results of revaluing Land and Buildings are credited or debited to an asset revaluation reserve for that class of asset. Where a revaluation results in a debit balance in the revaluation reserve, the debit balance will be expensed in the Statement of Financial Performance.

Computer software costing more than \$5,000 is capitalised and recorded at cost.

All other fixed assets costing more than \$2,000 are capitalised and recorded at cost. Any write-down of an item to its recoverable amount is recognised in the Statement of Financial Performance.

Depreciation

Depreciation is provided on a straight-line basis on all fixed assets, other than freehold land and works of art, at a rate which will write-off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	35 to 65 years	(1.5-3%)
Plant and Machinery	10 years	(10%)
Computer equipment (includes computers, printers and software)	3 to 8 years	(12.5 -33%)
Equipment	5 to 20 years	(5-20%)
Motor Vehicles	8 years	(12.5%)
Furniture and Fittings	6 years 8 months	(15%)

The cost of leasehold improvements is capitalised and depreciated over the unexpired period of the lease with a minimum of five years and a maximum of 20 years.

Employee Entitlements

Provision is made in respect of the Ministry's liability for annual, long service and retirement leave and time off in lieu. Annual leave and time off in lieu are measured at nominal values on an actual entitlement basis at current rates of pay.

Long service and retirement leave have been calculated on an actuarial basis based on the present value of expected future entitlements.

Statement of Cash Flows

Cash means cash balances on hand, held in bank accounts, and deposits with the Debt Management Office.

Operating activities include cash received from all income sources of the Ministry and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise capital injections by, or repayment of capital to, the Crown.

Foreign Currency

Foreign currency transactions are converted at the New Zealand dollar exchange rate ruling when the foreign currency was purchased. Where a forward exchange contract has been used to establish the price of a transaction then the forward rate specified in that contract is used to convert that transaction to New Zealand dollars. Consequently no exchange gain or loss resulting from the difference between the forward exchange contract rate and the spot exchange rate on date of settlement is recognised.

Monetary assets and liabilities are translated to New Zealand dollars at the closing exchange rate. The resulting unrealised exchange gain or loss is recognised in the Statement of Financial Performance. Other exchange gains or losses whether realised or unrealised are recognised in the Statement of Financial Performance in the period to which they relate.

As an integrated entity, all foreign non-monetary assets are recorded at the New Zealand dollar equivalent of their purchase cost until they are enhanced or revalued, at which time the value recognised in the financial statements is adjusted accordingly.

Foreign exchange gains or losses are not required to be forecast.

Financial Instruments

The Ministry is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, debtors, creditors and foreign currency forward contracts. The Ministry enters into foreign currency forward contracts to hedge foreign currency transactions. Any exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged. Apart from foreign currency forward contracts all financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance.

Goods and Services Tax (GST)

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).

Taxation

Government Departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

Taxpayers' Funds

This is the Crown's net investment in the Ministry.

Changes in Accounting Policies

There have been no changes in accounting policies, including cost allocation accounting policies, since the date of the last audited financial statements.

All policies have been applied on a basis consistent with other years.



SERVICE PERFORMANCE OBJECTIVES – OUTPUT PERFORMANCE

Vote Foreign Affairs and Trade Departmental Output Classes

Output Class:

Policy Advice and Representation: Other Countries

Description

This output class 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.

Definition

Policy advice and representation involves:

- maintenance of an appropriate pattern of representation abroad
- maintenance of a strong network of relationships with key governments and international institutions
- advocacy and representation of the Government's positions and views
- negotiation of agreements, in the Ministry's capacity as the internationally accepted formal channel of communication with other governments
- organisation of visits and meetings, and liaising and consulting with relevant interests
- provision of informed and comprehensive advice and recommendations to the Government on external issues and events, based on thorough research and analysis
- provision of advice to Ministers on proposals from other departments which affect New Zealand's foreign and trade policy interests
- close liaison with other government agencies and the maintenance of a strong network of relationships with relevant departments
- outreach and communication with key groups in New Zealand

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity

- management of relationships with countries 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 objectives, action steps and performance measures
- briefings and reports on external events and issues will be provided for Ministers, Members of Parliament, Select Committees and relevant organisations and groupings
- responses will be prepared for all Ministerial correspondence, Parliamentary Questions and Official Information Act requests

Quality

- 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, costs and consequences; consultation will be undertaken; implementation issues will be considered and professionally presented
- representation, negotiation and implementation will effectively convey and advance the Government's policies and views
- 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 will be obtained through ongoing, regular dialogue between Senior Management and Ministers
- responses to Ministerial correspondence, Parliamentary Questions and Official Information Act requests will be well presented

Timeliness

- 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
- 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
- responses to Official Information Act requests will be referred to the Minister's office no later than five working days before the statutory deadline

Cost

Vote Foreign Affairs and Trade	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Policy Advice and Representation: Other Countries	130,440	128,611	128,365

Output Class:**Policy Advice and Representation: International Institutions****Description**

This output class is concerned with policy advice and representation activities directed towards 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, disarmament and international environment issues.

The organisations include:

- the United Nations and its associated institutions
- the World Trade Organisation
- the Commonwealth and its associated institutions
- the OECD
- Antarctic organisations
- international environmental organisations⁵
- international disarmament organisations⁶

⁵ **Environmental Organisations** include: the Montreal Protocol, the Commission on Sustainable Development, the Global Environment Facility, the International Whaling Commission, the Convention on Biological Diversity, the Basel Convention, the Valdivia Group, the South Pacific Regional Environment Programme, the UN Framework Convention on Climate Change and the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES).

⁶ **Disarmament Organisations** include: the Conference on Disarmament, the CTBT Preparatory Commission and its Provisional Technical Secretariat, the International Atomic Energy Agency, the Organisation for the Prohibition of Chemical Weapons, the Australia Group, the Missile Technology Control Regime, the Nuclear Suppliers Group and the Wassenaar Arrangement. In addition New Zealand works within the meetings of states parties to the following treaties: Nuclear Non Proliferation Treaty, the Biological Weapons Convention and its Ad Hoc Group and the Ottawa Convention on Landmines.

Definition

Policy advice and representation involves:

- maintenance of an appropriate pattern of representation at international institutions
- ensuring New Zealand's interests in international institutions are managed in accordance with their scope and functions and the rights and obligations of membership
- advocacy and representation of the Government's positions and views, and the negotiation of agreements, in the Ministry's capacity as the internationally accepted formal channel of communication with the institutions themselves, and with other governments with interests in the same institutions
- organisation of visits, meetings and liaison with relevant interests
- provision of informed and comprehensive advice to the Government based on thorough research and analysis
- provision of advice to Ministers on proposals from other departments
- close liaison with other government agencies and the maintenance of a strong network of relationships with relevant departments
- outreach and communication with key groups in New Zealand

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity

- management of New Zealand's interests in international institutions will be undertaken as agreed with Ministers. Priorities and requirements for relationships with each institution will be agreed and translated into work programmes for each unit in the Ministry incorporating objectives, action steps and performance measures
- briefings and reports will be provided on international events and for meetings involving Ministers

Quality and Timeliness

- as for Output Class: Policy Advice and Representation – Other Countries

Cost

Vote Foreign Affairs and Trade 2004/05		2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Policy Advice and Representation:			
International Institutions	32,791	33,391	30,698

Output Class:

Consular Services

Description

This output class concerns the provision of consular services for New Zealanders abroad.

Definition

Consular services provided in this output class cover:

- maintenance of acceptable policy settings for consular services
- assistance to New Zealand citizens – advice, advances in emergencies, arrests/imprisonment, medical cases, repatriation, missing persons, death overseas, child abduction, lost property and emergency travel documents
- overseas voting facilities in consultation with the Chief Electoral Office
- notarial services – affidavits, affirmations, statutory declarations, authentication of documents and provision of documents to facilitate travel
- travel safety advice
- contingency/emergency planning

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity

- assistance cases – estimated 4,900 – actual number will be demand driven and the size of each case and effort required will vary depending on circumstances
- notarisation services – estimated 7,400 – actual number will be demand driven

Quality and Timeliness

- services will be delivered in an efficient, effective and timely manner, within the limits permitted by international and domestic law; and within quality assurance procedures as outlined in Output Class: Policy Advice and Representation – Other Countries

Cost

Vote Foreign Affairs and Trade 2004/05		2003/04	2003/04
Departmental Output Class	Forecast	Supp. Estimates	Main Estimates
(GST exclusive)	\$000	\$000	\$000
Consular Services	6,364	6,279	5,400

Output Class:**Services for Other New Zealand Agencies Overseas****Description**

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

Definition

Services are provided to the following departments working overseas in the Ministry's diplomatic and consular posts:

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

Services may include accommodation management, receipting and banking facilities and diplomatic facilitation.

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity, Quality and Timeliness

- service activity and performance standards will be determined with each agency on a full cost recovery basis. Agencies with representatives overseas and Identity Services come under the aegis of agreements for the delivery of international administrative services. Miscellaneous services, with performance standards, will be agreed as required
- services will be delivered within performance standards set out in agency agreements and as agreed at overseas posts with relevant agency managers
- Heads of Mission at overseas posts will be expected to ensure that any quality assurance requirements and reporting deadlines are met, and that outputs are produced within agreed time allocations

Cost

Vote Foreign Affairs and Trade	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Services for Other New Zealand			
Agencies Overseas	9,802	10,845	10,911

Output Class:**Administration of Diplomatic Privileges and Immunities****Description**

This output class involves the administration of the Diplomatic Privileges and Immunities Act 1968, the Consular Privileges and Immunities Act 1971, which gives effect to the 1961 Vienna Convention on Diplomatic Relations, and the 1963 Vienna Convention on Consular Relations.

Definition

Services in this output class include:

- administration of privileges and immunities for members of diplomatic and consular corps, including immigration entry requirements, importation and duty free entitlements and issue of appropriate documentation
- arrangements for the accreditation and reception of Heads of Mission to New Zealand, including documents and appointments
- provision of advice to the Minister, diplomatic missions, government agencies and other parties regarding application of diplomatic and consular privileges and immunities in New Zealand
- provision of host government services to diplomatic and consular corps, including liaison over diplomatic security and issue of official lists and notices

Expected Services Provision	2004/05
Foreign missions in Wellington	35
Cross-accreditations from other capitals	67
Consulates in New Zealand	23
Honorary Consuls in New Zealand	
– NZ and foreign Honorary Consuls	87

- approximately 11 new Heads of Mission accredited to New Zealand
- documentation processed for approximately 14 New Zealand Head of Mission appointments overseas
- administration of privileges and immunities for all staff and dependants at foreign missions and consulates in New Zealand and cross-accredited to New Zealand
- approximately 36 programmes of calls for Heads of Mission processed
- documentation processed for approximately 30 New Zealand and foreign Honorary Consul appointments and reappointments

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity, Quality and Timeliness

- processing of arrival/departure documentation will be completed within 10 working days
- documentation for Head of Mission appointments will be processed within a timeframe of three weeks
- programmes of calls, as requested by Heads of Mission, will be processed within 10 working days
- advice will be provided, on an ongoing basis, on cases or disputes involving issues of privileges or immunities. Such advice will be accurate within the parameters of international and domestic law and will contribute to resolution of the issues. Quality assurance measures will be implemented as for Output Class: Policy Advice and Representation – Other Countries
- the Diplomatic List will be issued twice a year, each six months. The MFAT website will be updated within one week of amendments being advised

Cost

Vote Foreign Affairs and Trade	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Administration of Diplomatic Privileges and Immunities	777	777	687

Output Class:**Promotional Activities: Other Countries****Description**

This output class concerns services promoting New Zealand to other countries as an attractive market for trade and investment.

Definition

This output class involves:

- in close cooperation with other departments and agencies, assisting in the development, review and implementation of the Government's policies for economic transformation, including through leading the external dimensions of the Growth and Innovation Framework (GIF)
- continue to work closely with the Ministry of Economic Development (MED) and New Zealand Trade and Enterprise (NZTE) in the successful implementation of NZTE's onshore/offshore operation
- undertaking promotional and other activities in support of the Growth and Innovation Framework at relevant overseas posts as part of posts' mainstream activities, including development of networks, participation in trade, investment, science/technology and education activities and public speaking engagements

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity, Quality and Timeliness

- further productivity-enhancing “GIF – global connectedness” proposals developed, in close coordination with other agencies, for consideration in the context of the 2005/06 budget process
- MFAT’s guidance/advice regarding NZTE’s offshore review found to be of high quality and given suitable weighting by NZTE; close coordination with MED; posts informed of outcomes in a timely manner; posts provide effective support to NZTE regarding implementation
- through the joint MFAT/MED unit informed recommendations provided to Ministers regarding NZTE monitoring and evaluation matters relating to the new entity in line with quality and timeliness standards established for Output Class: Policy Advice and Representation – Other Countries
- MFAT’s guidance/assistance to agencies (Investment New Zealand, MoRST, Education, Culture and Heritage) regarding implementation of “GIF – global connectedness” funded projects found by agencies to be timely and of high quality; timely and regular progress reports to the GIF Convenor’s Group regarding implementation

Cost

Vote Foreign Affairs and Trade	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Administration of Diplomatic Privileges and Immunities	968	718	786

Output Class:

Pacific Security Fund

Description

This output class is an inter-agency fund, coordinated by the Ministry of Foreign Affairs and Trade, which is drawn on by government departments and agencies to advance or protect New Zealand's security interests by reducing risks from threats arising in or operating through Pacific Island countries.

Definition

This output class involves:

- cooperation and coordination between New Zealand agencies that addresses external threats posed to Pacific Island countries (PICs), risks to New Zealand national interests and New Zealand's response
- evaluation and prioritisation of funding proposals within a comprehensive, multi-agency framework, involving close consultation with relevant agencies that address the following priorities: security standards at Pacific Island country borders; security systems to counter threats from transnational criminals; the security of natural resources and other areas 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 in PICs or operating through PICs. These initiatives would not generally fit within NZAID's policy framework or priorities, or be funded from agency baselines
- engagement by New Zealand agencies in one-off, pilot or contingency activities that contribute to the delivery of advice, training and technical support to Pacific Island countries on matters affecting security

Delivery Standards

Delivery of these outputs will be assessed against the following measures:

Quantity, Quality and Timeliness

- whole-of-government Pacific Security Strategy, as endorsed by Cabinet, which provides the policy framework and details the management process for how the fund will be accessed, disbursed and audited
- all programme and project bids will be assessed against the Pacific Security Strategy to ensure funds are transferred from Vote Foreign Affairs and Trade to relevant agencies in a timely manner
- relevant accountability mechanisms in place: ie regular and ongoing reporting on all aspects of each project; all contracts and payments will meet criteria set out in the objectives established in the contract
- regular updates provided to the quarterly ODESC meetings, reporting on the progress of funded programmes and general issues of Pacific security

Cost

Vote Foreign Affairs and Trade	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Pacific Security Fund	2,667	1,743	1,743

Vote Official Development Assistance

Output Class:

Strategic Advice and Evaluation

Description

This class of output involves:

- sectoral and thematic policy formation and the development of strategic plans for NZAID's engagement in sectors and in addressing cross-cutting issues. These will be consistent with international good practice, NZAID's areas of comparative advantage and partner countries' priorities and goals. They aim to achieve coherence with wider New Zealand positions and with other key funders as appropriate including identifying investment targets for some specific sectors against overall development targets
- the development of strategies for NZAID's regional engagement and for programmes including individual bilateral programme strategies for core bilateral partners. NZAID works in the Pacific primarily, but also has a significant Asian programme and smaller programmes in Latin America and Africa
- New Zealand representation and policy contributions to international development debates and relevant global plans of action including strategic coordination with international development agencies
- the appraisal of new development assistance proposals or designs and the analysis around the impact of delivery mechanisms and contracting on development outcomes. This also involves the provision of specialist advice to the programming groups within NZAID that contribute to high-quality project design and implementation
- the development of an evaluation framework, including guidelines, strategies, plans, processes and capability building
- the conducting of evaluations to assess the effectiveness and impact of investments in development assistance and the sustainability of benefits, in order to improve existing investments, to demonstrate accountability and to learn lessons to inform future development assistance investment decisions

In addition this output class includes:

- advice on the implementation of Government policy with regard to ODA, including ODA levels and programme balance
- oral and written briefings and preparation of speech notes not provided in the course of delivering other services

Delivery Standards

Delivery of the outputs in Strategic Advice and Evaluation will be assessed against the following performance measures:

Quantity

- review or development of 4 country programme or regional or agencies strategies
- appraisal of 40 proposals/design studies for programme
- 3 new sectoral or thematic policies or strategies
- 15 evaluations or project reviews

Quality and Timeliness

- programme strategy reviews will be developed within agreed timeframes and agreed recommendations approved by NZAID and by partners
- proposals and design studies will be appraised within agreed timeframes
- sectoral and thematic policies and strategies will be developed within agreed timeframes
- reviews and evaluations will comply with good practice guidelines

Cost

Vote: Official Development

Assistance	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Strategic Advice and Evaluation	4,588	4,298	4,558

Output Class:**Management of Official Development Assistance Programmes****Description**

This class of outputs involves:


- the design and management of development assistance programmes, for different countries, regions, regional or international agencies focused on the elimination of poverty
- the allocation of resources to, and composition of, each development cooperation programme after consultation with partners (governments, agencies, NGOs etc)
- development of governance structures for programme/project activities to ensure effective development outputs and outcomes from the assistance
- management of feasibility, design, implementation, and review activities within various programmes
- the monitoring of programmes/projects and contracting for development projects management
- forging and maintaining relationships that achieve poverty elimination with developing country partners, Pacific regional agencies, international development agencies of organisations such as the United Nations and Commonwealth, International Financial Institutions (IFIs), International NGOs, civil society and the wider New Zealand community
- drawing on poverty analysis in the preparation of development programmes, taking into account human rights, gender issues, equity and environmental principles

This output class also includes managing the effective delivery of both direct and indirect assistance that addresses the underlying causes of poverty. Direct assistance aims to help communities and individuals to fulfil their basic needs, and indirect assistance aims to create and sustain social, cultural, environmental and economic conditions conducive to the elimination of poverty. Assistance will be provided through bilateral, regional, NGO, IFI and multilateral programmes.

Delivery Standards

Delivery of the outputs in Management of Official Development Assistance Programmes will be assessed against the following performance measures:

Quantity

- all core bilateral partners in the Pacific visited at least twice during year; one visit to each non-Pacific core bilateral partner
 - agreed records and revised forward aid programmes achieved for all high-level NZAID/country consultations
 - at least 8 relationship/policy/governance visits to international agencies
 - at least one high-level consultation annually with the core 6 Pacific Regional Agencies
 - the number of contracts/agreements being negotiated and agreed during the year will be in the range of 650 to 750
 - 20 core bilateral programmes will be managed
 - 25 multilateral programmes will be managed
 - 3 regional programmes will be managed (Asia, Africa, Latin America)
 - 6 major Pacific Regional Agencies relationships will be managed
 - 5 Pacific programmes will be managed on a regional basis (environment, health , education, governance, sectoral)
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Quality

- all activities will comply with relevant approved programme strategies and criteria of NZAID
- all projects and programmes will be managed under contracts and agreements that comply with agreed and audited internal procurement standards and grant determination standards
- where applicable, projects and programmes will meet OECD Development Assistance Committee (DAC) criteria
- all projects will deliver the outputs specified in relevant contracts, and contribute to the outcomes identified

Timeliness

- project and programme payments will be correct and on time.
- programme allocations will be reviewed and approved by the Minister before commencement

Cost

Vote: Official			
Development Assistance	2004/05	2003/04	2003/04
Departmental Output Class (GST exclusive)	Forecast	Supp. Estimates	Main Estimates
	\$000	\$000	\$000
Management of New Zealand's Official Development Assistance Programmes	16,309	15,919	15,777

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