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ANNUAL REPORT 2003/04

Ministry of Foreign Affairs and Trade
Manatū Aorere

for the year ending 30 June 2004

Presented to the House of Representatives
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MINISTER OF FOREIGN AFFAIRS AND TRADE

I have the honour to present to you the report of the Ministry of Foreign Affairs and Trade for the year ended 30 June 2004.

A handwritten signature in black ink, appearing to read 'Simon Murdoch', written in a cursive style.

Simon Murdoch
Secretary of Foreign Affairs and Trade

CHIEF EXECUTIVE'S REPORT

Overview

New Zealand pursues its external policies in an international setting which is changing rapidly. The main trends were identified in the Ministry's Statement of Intent for 2003/04: ongoing globalisation of international trade and commerce, a complex regional and global security environment, the emergence of new power groupings and the threat posed by international terrorism.

For a small Ministry tasked with advancing and protecting New Zealand's – and New Zealanders' – security and prosperity interests, the pace and scale of change has required sustained, focused and coordinated diplomatic engagement. But, if the year proved as challenging as expected, it also presented new opportunities. With the Chair of the Pacific Islands Forum rotating to New Zealand's Prime Minister, the chance became available to create momentum for reform and renewal in regional decision-making institutions at several levels. The trade agenda, which had looked so uncertain at the outset of 2003/04, turned to our advantage mid-year and the groundwork laid through sustained diplomatic effort over several years meant we were well placed to respond quickly.

Protecting New Zealand's Security

Safeguarding New Zealand's security in a complex and changing external environment has required new thinking and new initiatives.

The Government appointed its first Ambassador for Counter-Terrorism to coordinate and focus a whole-of-government approach to the international campaign against terrorism.

The Pacific Security Fund, coordinated by the Ministry, aims to upgrade security capability in the region. This year it supported projects on aviation, port and ship security, customs processes and the drafting of new laws. The Ministry organised a Pacific Round-Table on Counter-Terrorism bringing together senior Pacific Forum Member officials and international experts. They planned for regional contingencies and identified ways to assist Pacific Islands countries – particularly through capacity building – to meet their international counter-terrorism obligations and protect their people and economies.

Beyond the Pacific, our diplomats have been active in shaping and supporting counter-terrorism efforts in APEC, in the ASEAN Regional Forum, and in the UN and its specialised agencies.

Terrorism carried out in the South-east Asian region, in Bali in October 2002, had brought home the reality of the threat. New Zealanders travel to and live in parts of the world which are now, or might be in future, at risk of terrorism. Drawing from the Bali experience and other like events the Ministry has strengthened its systems to provide advice to New Zealand tourists and traders on country-specific risk. Our new consular management systems are geared to early warning and contingency planning including, for example, in support of overseas events that attract large numbers of New Zealanders, such as the ANZAC Day commemorations at Gallipoli. New emergency response arrangements were deployed in the aftermath of terrorist incidents this year in Jakarta, Istanbul, Madrid and Saudi Arabia.

New Zealand officials staffing our overseas posts in countries-at-risk also need better protection. The Ministry has acted by reorganising its threat alert/response system and with new investment in physical security measures to safeguard post staff, families and infrastructure.

Successive New Zealand governments have advocated the elimination of all chemical, biological and nuclear weapons – weapons of mass destruction (WMD) – for many years. The prospect that terrorists might obtain and use such weapons adds a new urgency to the disarmament challenge. This year New Zealand contributed to the debate and shape of effective responses. We participated in the Swedish WMD Commission, a Red Cross initiative on biological weapons and a New Zealand/International Peace Academy seminar on WMD. We joined the G8 Global Partnership and Proliferation Security Initiative, both of them programmes designed to supplement existing multilateral efforts by taking practical actions against emerging proliferation risks. Our contribution of \$1.2 million to the G8 Partnership will help fund the destruction of the Russian chemical weapons stockpile in the Urals.

The Ministry also provided support from its embassies and high commissions to NZDF deployments and NZAID development programmes underpinning post-war reconstruction efforts in Afghanistan and Iraq as well as the stabilisation and economic development of the Solomon Islands (RAMSI).

Protecting New Zealand's Prosperity

The Government's growth and innovation goals are a key driver of the Ministry's trade and economic programme. We collaborate closely with agencies across the public sector, on- and off-shore, to deepen New Zealand firms' access to investment capital, technology and other productivity drivers that underpin competitiveness and sustainable growth in the economy.

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. Notwithstanding the setback of the Cancun Ministerial Meeting, New Zealand diplomats remained engaged in the Doha Development Round negotiations, especially in areas key for our exporters – agriculture, forests, and fisheries. By year's end, we were positioned to best advantage within the core group of countries shaping the dynamics and frameworks for the negotiations to resume, while the Minister for Trade Negotiations worked in a series of ministerial meetings to build confidence and political commitment to re-launch negotiations.

The second half of the year also delivered a new momentum to New Zealand's bilateral and regional trade aims. New Zealand's long-term active engagement with key countries to expand our trading relationships resulted in an acceleration of closer economic partnership initiatives. Notable among these was the agreement reached with China to discuss free trade negotiations. We also advanced negotiations with Thailand. Chilean President Lagos' visit to New Zealand provided the impetus to re-launch negotiations among the "Pacific 3" – New Zealand, Chile and Singapore. ASEAN Finance Ministers announced their decision to consider free trade negotiations with New Zealand and Australia. Ministers of Finance on both sides of the Tasman agreed to aim for a Single Economic Market. Taken together, these developments represent a major lift in the tempo of the trade agenda. The Ministry is coordinating internally and across government to bring together the negotiating, research, public consultation and policy development resources required to take best advantage of these new opportunities.

There was no let-up in the ongoing effort to protect and enhance previously negotiated access arrangements for specific exports to markets in Asia, Europe, Latin America and the Middle East. A new goods access deal with Russia, as part of its WTO accession, was concluded.

The Ministry has continued to lead this year also on the global connectedness work stream of the Growth and Innovation Framework, coordinating inter-agency projects and resources at home while our posts overseas have prepared the ground for diversification of education sector markets and new science and research connections.

Good International Citizenship

New Zealand's multilateral diplomacy has always recognised the pre-eminence of the UN Charter as the basis for resolving disputes and preventing conflict between states. It is also geared to finding solutions to "global commons" or "borderless" problems that affect our security and prosperity interests and national values. With multilateralism facing major tests of its legitimacy and effectiveness, many believe that the system embodied in the United Nations and network of international treaties is now at a cross-roads. Our initiatives this year were aimed at building confidence in the multilateral system, sustaining our credibility as a "good international citizen" and exercising influence in targeted areas.

Our diplomats supported the UN Secretary-General's High Level Panel on Reform and secured reform outcomes on the UN's budget and staffing. We played a leading role as Chair in shaping the UN Disabilities Convention. New Zealand put in place legislation and regulations to give effect to the International Criminal Court Act and signed the Optional Protocol to the Convention Against Torture. We fulfilled our reporting responsibilities under human rights treaties dealing with torture, racial discrimination and children's rights and published a new New Zealand Handbook on Human Rights Treaties.

New Zealand made a major contribution this year to the management of ocean's biodiversity. The Government concluded negotiations with Australia on the delimitation of our maritime boundaries. We directed Operation Mawsoni, an action against illegal, unregulated and unreported (IUU) fishing in the Southern Ocean. New Zealand ratified the Western and Central Pacific Fisheries Convention, triggering its entry-into-force, and chaired the first successful quota negotiations in the Commission for the Conservation of Southern Bluefin Tuna.

New Zealand diplomats advocated strongly for whales conservation at Pacific regional meetings and produced, with the Department of Conservation, a new publication providing the rationale for the full protection of marine mammals. We led negotiations that delivered a new Antarctic Treaty measure to manage land-based tourism risks to the environment. New Zealand was elected to the World Heritage Committee with a record number of votes.

Australia

The relationship with Australia is our most broad-based and important. The 20th anniversary last year of the Closer Economic Relations (CER) agreement provided impetus to our policy engagement on current and future issues in support of the goal of a Single Economic Market. Highlights of the year included the signature in December of the Joint Therapeutic Products Agency Treaty and long-sought establishment of the Australia-New Zealand Biotechnology Alliance. New cooperative initiatives between New Zealand and Australian states included a biotechnology cooperation agreement with Victoria.

The pattern of regular dialogue between our Prime Ministers and Ministers was sustained. The launch of a Leadership Forum provided the focus for discussion on the future of the relationship among business, academic and other community leaders as well as senior politicians and officials.

Close cooperation with Australia in support of the Pacific region's stability and security continued, in the context of the Regional Assistance Mission to the Solomon Islands, dialogue on Australia's Enhanced Cooperation Programme with Papua New Guinea and in regional counter-terrorism and people-smuggling efforts.

The Americas

By virtue of shared values and of its impact and influence on global and regional security developments, as well as the world's economy, the US remains a key partner of longstanding for New Zealand with whom we seek to sustain productive and friendly relations. High level exchanges included Mr Goff's and Mr Sutton's visits to Washington and visits by ministerial-led delegations to identify opportunities for biotechnology cooperation between New Zealand and Iowa. Ministers and officials continued to make New Zealand's case to the US business community, sector groups and government for a free trade negotiation. Existing consultation and cooperation in regional and multilateral institutions, including the WTO, APEC and the Antarctic Treaty System, were sustained.

The Latin America Strategy provides the framework for our diplomatic efforts to build new relationships between political leaders, the business sector and people of New Zealand and key countries in that region. The Government's Growth and Innovation Framework is providing stimulus to increased investment and trade flows while new Working Holiday Schemes are increasing people-to-people contacts. Chile's President Lagos paid a successful visit to our country, confirming the broad degree of commonality we share with Chile on many international issues.

Europe

The European Union expanded from 15 to 25 members this year. New Zealand responded by rolling out its strategy to protect significant economic interests, broaden our dialogue beyond political and security themes to include human rights and environment dimensions and forge productive new links to the new members.

New Zealand's commitment to sustain traditional EU relationships and step up engagement with new members was reflected in a number of visits, by the Prime Minister and other Ministers, to the UK, France (for D-Day commemorations), Germany, Netherlands, Norway, Malta, Slovakia and Slovenia. Mr Goff and the EU Commissioner completed their review of the NZ/EU relationship and decided on priority areas for enhanced cooperation.

New Zealand is establishing a new post in Warsaw to support our interests in the expanded EU membership. A post establishment team is now on the ground, with the embassy's formal opening due later in 2004.

Russia also attracted new attention this year in particular with the visit there by the Minister for Trade Negotiations and his delegation of business leaders.

Asia

Closer engagement with the countries of Asia has become a priority in New Zealand's foreign and trade policy. New Zealand has particular interest in the evolving architecture of regional inter-relationships and efforts to further institutionalise effective security and economic frameworks.

This year visits by the Prime Minister to the Republic of Korea, Singapore and Vietnam and by Mr Goff to Japan, Indonesia, the Philippines and Vietnam, helped reinvigorate New Zealand's links, especially with ASEAN countries. The visit to New Zealand by Chinese President Hu and decisions to strengthen consular, trade and economic cooperation, lifted this key relationship to a new plane. Our diplomats are supporting preparations, led by New Zealand Trade and Enterprise, for New Zealand's participation in the 2005 Aichi Expo in Japan.

Back home, the "Seriously Asia" conference helped improve understanding in the New Zealand public sector, business, academic and wider stakeholder community about regional trends, risks and opportunities.

The Pacific

New Zealand's role as Chair of the Pacific Islands Forum from August 2003 provided us the opportunity to redefine the level and nature of our engagement in the region and to reinforce the Pacific aspects of the New Zealand identity.

The Auckland Forum was a major international meeting, supported by a range of government agencies. Significantly, Pacific Leaders decided to launch a review of the Forum's mandate and institutional support. An Eminent Person's Group developed a series of findings and recommendations which were then adopted at a Special Leaders' Retreat hosted by the Prime Minister. The Auckland Declaration sets out a new vision and mandate for the Forum in the 21st century, centred on enhanced regional cooperation and integration in a Pacific Plan supported by a reformed Secretariat.

Official Development Assistance

New Zealand's Official Development Assistance (ODA) programme was \$237.4 million in 2003/04. The programme covers 19 bilateral partnerships, 11 of them in the Pacific, and regional activities in Asia, Africa and Latin America, as well as development contributions through United Nations and Commonwealth agencies and the international financial institutions. New Zealand Agency for International Development (NZAID) started this period with its efforts necessarily directed at concluding the establishment and capability building of the year-old agency. It nevertheless maintained a sharp focus on achieving effective development outcomes.

There were a number of significant programme achievements during this period. A \$33 million programme of education assistance was developed and implementation commenced in Solomon Islands. New Zealand took on the role of coordinating donor in the Papua New Guinea health sector improvement programme. Law and justice initiatives around community policing and the courts were successfully carried out in Bougainville. Significant reconstruction work was set in train in Niue following

Cyclone Heta. NZAID was closely involved in the launch of the Pacific Regional Initiative for the Delivery of Basic Education (PRIDE). A new \$5-6 million programme over four years was launched jointly with the UN Population Fund and the Vietnamese Government to address maternal and child health needs in Vietnam's Binh Dinh Province. The \$6 million three-year basic education programme in Indonesia continued to make progress in some of the poorest parts of Indonesia, complemented by the launch of new programmes to address human rights issues and conflict in that country. Significant support was provided to reconstruction efforts in Afghanistan and Iraq through the New Zealand Defence Force, UN agencies, local institutions and New Zealand NGOs. New Zealand support to address the global spread of HIV/AIDS was increased significantly, both in the Pacific and through global agencies such as UNAIDS.

This programme work was complemented by ongoing work on strategies to improve the targeting and effectiveness of New Zealand's ODA expenditure. During this period NZAID's Strategic Plan 2005/09 and Statement of Intent were completed. NZAID's policy on Education was launched, and policies on Conflict Prevention and Peace Building and Health were advanced through public consultation. Strategies were developed to provide a clearer, more focused basis for New Zealand's ODA involvement in Africa, Asia and Latin America. Preliminary work on the development of a Multilateral Engagement Strategy for NZAID continued through the systematic review of New Zealand's relationships with multilateral development agencies.

Organisational Improvements

The Ministry's management is required to secure the organisation's health, long-term capability and the capacity to conduct diplomatic and consular operations. This, in turn, requires well-trained and well-managed people, infrastructure, systems and processes.

In 2003/04 the Ministry received significant additional baseline funding to help meet proven pressures on its organisational capability and operational capacity. These funds are enabling us to reinvest in our staff's professional development and career paths; bring our overseas property, security and IT infrastructure up to standard, including in the more at-risk parts of the world; and it has restored a measure of operational capacity.

A major programme of review, underpinning a new human resource strategy, has been largely completed and implemented.

The development of the Ministry's second Statement of Intent provided opportunities to enhance internal alignment in our organisational planning and performance measurement systems, as well as better strategic and operational alignment with key partner agencies.



ORGANISATIONAL INFORMATION

Vision Statement

“Securing New Zealand’s place in the world”

“Toitū Aotearoa”

Statement of Business

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

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

It looks at New Zealand’s relations with other countries as a whole. It draws together the various aspects of New Zealand’s national interests to achieve most benefit for the people of New Zealand in relation to the Government’s security, political, trade and economic objectives.

The delivery of New Zealand’s ODA programme is managed through a semi-autonomous body - the New Zealand Agency for International Development (NZAID), which is part of the Ministry and came into existence on 1 July 2002.

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

The Ministry has formal responsibility for three Crown Entities: the Pacific Cooperation Foundation, the Asia 2000 Foundation and Antarctica New Zealand.

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

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

Overseas, Ministry staff work closely with other New Zealand representatives in a coordinated approach to help achieve the Government's objectives.

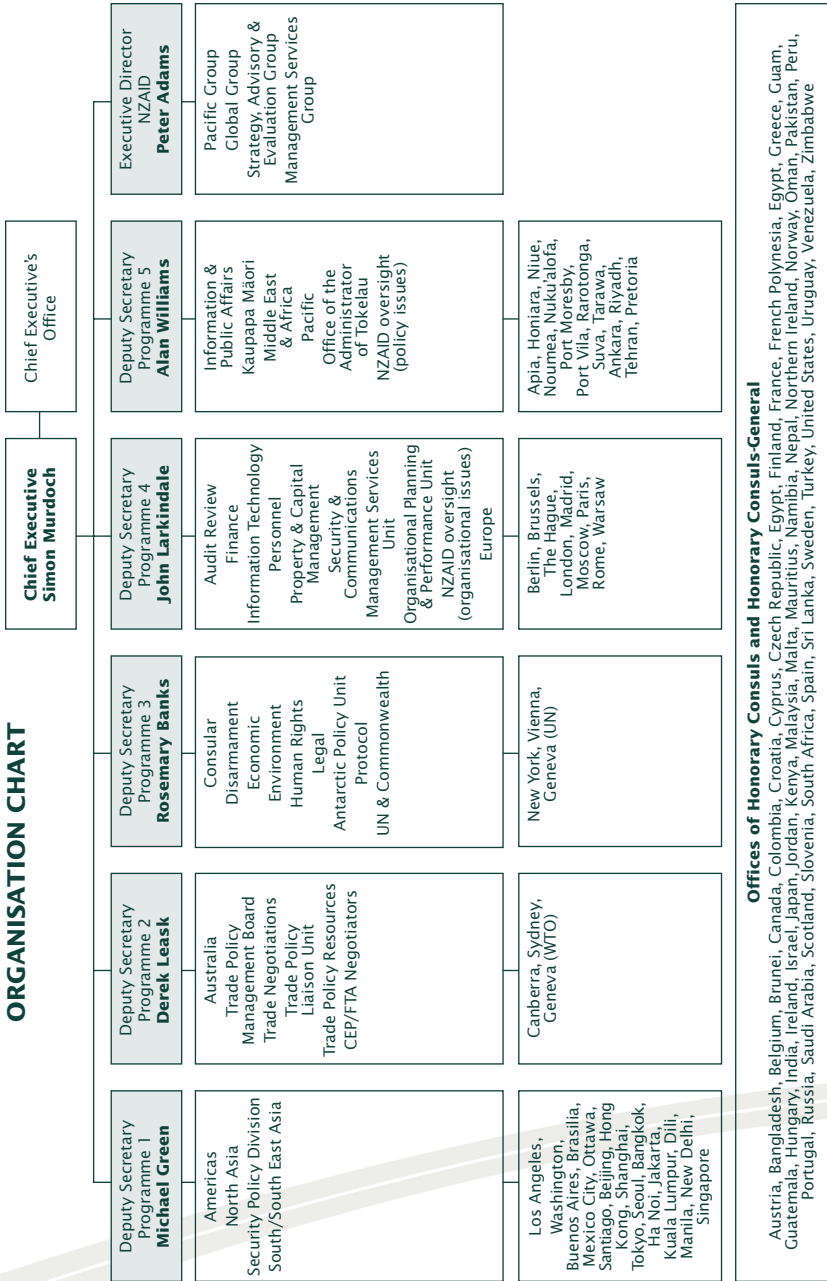
Responsible Ministers

The Secretary of Foreign Affairs and Trade is responsible directly to the Minister of Foreign Affairs and Trade, the Minister for Trade Negotiations, the Associate Minister of Foreign Affairs and Trade (ODA) and the Minister for Disarmament and Arms Control.

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



ORGANISATION CHART



Crown Entities

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

New Zealand Antarctic Institute


The Ministry's main responsibilities for the Institute are to assist in the negotiation of the purchase agreement between the Institute and the Minister, manage the budget-setting process and provide advice on the Institute's strategic direction and capability.

Asia 2000 Foundation of New Zealand

The Ministry acts as purchase adviser and contract manager in respect of the Foundation. The Ministry assists with the preparation of the purchase agreement between the Foundation and the Minister, coordinates the appropriation process, provides financial and performance monitoring, advises on the Foundation's strategic direction and capability and reports annually to the Minister. The Ministry has been working closely with the Foundation to implement outcomes from the Seriously Asia Conference in November 2003. The Ministry has also provided advice on the Foundation's internal strategic review aimed at setting operational priorities for the next three to five years which align with diplomatic goals and other Seriously Asia outcomes.

Pacific Cooperation Foundation

The Ministry acts as purchase adviser and contract manager in respect of the newly established Foundation. The Ministry assists with the preparation of the purchase agreement between the Foundation and the Minister, coordinates the appropriation process, provides financial and performance monitoring, advises on the Foundation's strategic direction and capability and reports annually to the Minister.



Legal Responsibilities

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

Antarctica Act 1960
Antarctica (Environmental Protection) Act 1994
Antarctica Marine Living Resources Act 1981
Anti-Personnel Mines Prohibition Act 1998
Chemical Weapons Prohibition Act 1996
Commonwealth Countries Act 1977
Consular Privileges and Immunities Act 1971
Continental Shelf Act 1964
Cook Islands Act 1915
Cook Islands Constitution Act 1964
Diplomatic Privileges and Immunities Act 1968
Foreign Affairs Act 1988
Geneva Conventions Act 1958
International Crimes and International Criminal Court Act 2000
(jointly administered with the Ministry of Justice)
Kermadec Islands Act 1887
New Zealand Antarctic Institute Act 1996
New Zealand Export-Import Corporation Dissolution Act 1992
New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987
Niue Act 1966
Niue Constitution Act 1974
Nuclear-Test-Ban Act 1999
Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977
Terrorism Suppression Act 2002
(jointly administered with the Ministry of Justice)
Tokelau Act 1948
Tokelau (Territorial Sea and Exclusive Economic Zone) Act 1977
United Nations Act 1946
United Nations Convention on the Law of the Sea Act 1996
Western Samoa Act 1961

Export controls on strategic goods are administered by the Ministry under the Customs Export Prohibition Order 1996. The Ministry also administers a number of statutory regulations made under the above Acts, particularly in the area of United Nations Security Council sanctions, diplomatic privileges and immunities, and Tokelau.


Treaties

The following international agreements were signed, ratified, accepted, approved and acceded to by New Zealand, or entered into force for New Zealand, between 1 July 2003 and 30 June 2004:

Bilateral Treaties

1. *Agreement between the Government of New Zealand and the Government of the Socialist Republic of Viet Nam on Air Services* - Signed at Ha Noi on 17 October 2003. Concluded by third person note on 10 November 2003. Entered into force on 18 March 2004.
2. *Agreement between the Government of New Zealand and the Government of the Federative Republic of Brazil on the Performance of Remunerated Activity by Dependants of Personnel of Diplomatic, Consular, Administrative, Military and Technical Staff* - Signed at Wellington on 25 October 2001. Concluded by third person note on 2 March 2004. Entered into force on 27 March 2004.
3. *Agreement between the Commission of the European Communities and the Government of New Zealand on the Establishment and the Privileges and Immunities of the Delegation of the Commission of the European Communities in New Zealand* - Concluded by third person note on 8 April 2004. Entered into force on 8 April 2004.
4. *Agreement between the Government of New Zealand and the Government of the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (with Protocol)* - Signed at Wellington on 5 September 2000. Concluded by third person note on 10 December 2001. Entered into force on 4 July 2003.

5. *Protocol concerning the Bougainville Transition Team made pursuant to the Agreement, done at Port Moresby on 5 December 1997, between Australia, Papua New Guinea, Fiji, New Zealand and Vanuatu concerning the neutral truce monitoring group for Bougainville, as amended by the Protocol, done at Port Moresby on 29 April 1998* - Signed at Sydney on 30 June 2003. Concluded by third person note on 16 July 2003. Entered into force on 16 July 2003.
6. *Agreement between Solomon Islands, Australia, New Zealand, Fiji, Papua New Guinea, Samoa, and Tonga concerning the operations and status of the police and armed forces and other personnel deployed to Solomon Islands to assist in the restoration of law and order and security* - Signed at Townsville on 24 July 2003. Concluded by third person note on 24 July 2003. Entered into force on 24 July 2003.
7. *Agreement between the Government of New Zealand and the Government of Australia Relating to Air Services* - Signed at Auckland on 8 August 2002. Concluded by third person note on 25 August 2003. Entered into force on 25 August 2003.
8. *Air Transport Agreement between New Zealand and the Kingdom of Spain* - Signed at Madrid on 6 May 2002. Concluded by third person note on 16 September 2003. Entered into force on 16 September 2003.
9. *Agreement between the Government of New Zealand and the Government of the United Arab Emirates for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (with Protocol)* - Signed at Dubai on 22 September 2003.
10. *Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Oriental Republic of Uruguay* - Signed at Montevideo on 16 November 2001. Concluded by third person note on 22 July 2003. Entered into force on 1 October 2003.
11. *Agreement on Consular Relations between New Zealand and the People's Republic of China* - Signed at Auckland on 26 October 2003.

12. *Protocol to the Agreement on Social Security between the Government of New Zealand and the Government of the Kingdom of the Netherlands* - Signed at Wellington on 10 March 2003. Concluded by third person note on 10 September 2003. Entered into force on 1 November 2003.
 13. *Agreement on Social Security between the Government of New Zealand and the Government of the Kingdom of the Netherlands* - Signed at The Hague on 30 June 2000. Concluded by third person note on 10 September 2003. Entered into force on 1 November 2003.
 14. *Protocol between the Government of New Zealand and the Government of the United Kingdom of Great Britain and Northern Ireland to Amend the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains, Signed at London on 4 August 1983* - Signed at London on 4 November 2003.
 15. *Agreement between the Government of New Zealand and the Government of the French Republic concerning the delimitation of maritime boundaries between Wallis and Futuna and Tokelau* - Signed at Atafu, Tokelau on 30 June 2003. Concluded by third person note on 11 November 2003. Entered into force on 12 November 2003.
 16. *Agreement between the Government of New Zealand and the Government of the Italian Republic regarding the employment of co-habiting dependants of diplomatic, consular and technical/administrative personnel* - Signed at Rome on 4 December 2003.
 17. *Agreement between the Government of New Zealand and the Government of Australia for the Establishment of a Joint Scheme for the Regulation of Therapeutic Products* - Signed at Wellington on 10 December 2003.
 18. *Convention between the Republic of Chile and New Zealand for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income* - Signed at Wellington on 10 December 2003.
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Multilateral Treaties

1. *Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment* - Signed on 23 September 2003.
2. *United Nations Convention against Transnational Organized Crime*,
- Ratified on 19 July 2002. Entered into force on 29 September 2003.
3. *International Convention on Salvage* - Acceded to on 16 October 2002.
Entered into force on 16 October 2003.
4. *Convention for the Unification of Certain Rules for International Carriage by Air (Montreal Convention)* - Ratified on 18 November 2002. Entered into force on 2 November 2003.
5. *United Nations Convention Against Corruption* - Signed on 9 December 2003.
6. *Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the United Nations Convention Against Trans-national Organized Crime* - Ratified on 19 July 2002. Entered into force on 25 December 2003.
7. *Agreement on the International Organisation of Vine and Wine* - Ratified on 1 January 2004. Entered into force on 1 January 2004.
8. *Amendments to the annex to the International Convention for the Safety of Life at Sea 1974* - Accepted on 1 January 2004.
9. *World Health Organization Framework Convention on Tobacco Control* - Ratified on 27 January 2004.
10. *Protocol Against the Smuggling of Migrants by Land, Sea and Air; Supplementing the United Nations Convention Against Trans-national Organized Crime* - Ratified on 19 July 2002. Entered into force on 28 January 2004.
11. *Agreement on Conservation of Albatrosses and Petrels* - Ratified on 1 November 2001. Entered into force on 1 February 2004.
12. *Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in international Trade* - Ratified 23 September 2003. Entered into force on 24 February 2004.

13. *Agreement on the Privileges and Immunities of the International Criminal Court* - Ratified on 13 April 2004.
14. *Right to Organise and Collective Bargaining Convention (ILO 98)* - Ratified on 9 June 2003. Entered into force on 9 June 2004.
15. *Convention for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean* - Ratified 19 December 2003. Entered into force on 19 June 2004.

Ministry Publications 2003/04

Publications produced by the Ministry during 2003/04 included:

- Ministry of Foreign Affairs and Trade Annual Report 2002-2003
 - Ministry of Foreign Affairs and Trade Statement of Intent 2004/05
 - Diplomatic and Consular List
 - United Nations Handbook 2003
 - New Zealand Foreign Affairs and Trade Record (published at two-monthly intervals)
 - Business Link
 - Trade Matters
 - Tokelau Administrator's Annual Report 1998-2002
 - New Zealand Treaty Series
 - Pacific Islands Forum: Stars in the Sea
 - Pacific Islands Forum: Pacific Cooperation
 - New Zealand Handbook on International Human Rights
 - Brochure for International Criminal Court Candidacy
 - About New Zealand (in 19 languages)
 - Critical Paths in Trans-Tasman Economic Relations: CER 20th Anniversary 2003
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- Balance in Trade: Understanding how the Sanitary and Phytosanitary (SPS) Agreement helps protect New Zealand's people, economy and environment while improving trade opportunities (joint publication with the Ministry of Agriculture and Fisheries)
- Thailand – New Zealand Closer Economic Partnership: A joint study investigating the benefits of a Closer Economic Agreement (CEP) between Thailand and New Zealand
- Public Discussion Paper: Cartagena Protocol on Biosafety
- Elimination of Racial Discrimination: 12th, 13th and 14th Report of the Government of New Zealand.

Newsletters

- Hong Kong Review
- Japan Report
- Korea Update
- Pacific Economic and Business Update
- Middle East Economic and Business Update
- Human Rights.

Website

- The Ministry's website (www.mfat.govt.nz) provided a further means for external communication.
- As at 30 June 2004, 21 post websites had gone "live" and a further eight were in the development stage.

MANAGEMENT PERFORMANCE


Organisational Development

The Ministry sees itself as predominantly a career-based organisation. As such, it faces a number of challenges in modern labour markets. The Ministry has implemented a new performance management framework and remuneration policy. The performance management framework is directly aligned to, and reinforces, the achievement of key objectives, as set out in the Statement of Intent. The new framework provides clarity around role expectations and focused learning opportunities for staff. There is a direct link between a staff member's level of competency and the remuneration they will receive as their career unfolds. The increased transparency and consistency of outcomes for staff has also provided more sustainable and predictable outcomes for management.

Learning and Development

The Ministry's learning and development strategy continues to provide clear linkages to key business objectives in the Ministry's Statement of Intent. This has been further refined by the development of "learning roadmaps" for staff in all job levels and families. These roadmaps complement the competencies in the Ministry's performance management framework and provide guidance for staff and their managers when selecting appropriate learning opportunities.

The Ministry also reviewed its language training policy over the year. The new policy has taken a principles-based approach to providing language training for both staff and their families in countries where English is not widely spoken. Language training priorities have been decided based on the political and trade importance of the position and post, and also the importance of consular work and the ability of staff to live confidently, independently and safely in the host country.



Skills Development funding is managed at a Programme level, allowing staff to benefit from training opportunities in key areas including trade policy, multilateral diplomacy, regional/bilateral diplomacy, conflict resolution/peace building/good governance and management/specialist capability.

Enhancements to our regular Learning Feedback process have been made within the last 12 months, in line with HR industry best practice. The Ministry invests in this process as a means of understanding staff perceptions of the leadership climate within MFAT, to acknowledge strengths, and to address any organisational trends. Further enhancements are planned for the coming year.

Equal Employment Opportunities

The Ministry continued to place a strong emphasis on fostering a diverse workplace and inclusive culture.

There are currently five staff networks in the Ministry. The networks are: the Women's Network, Te Pou Maori, Pacific Island Network, Gay and Lesbian Network and the Ethnic Peoples Network. The Ministry acknowledges the important role that these networks have played in fostering an inclusive and supportive work environment, and making all staff aware of the Ministry's diversity.

The Ministry offers a number of scholarships each year for Maori and Pacific students, to assist students in their final year of study and also to encourage students to consider a career in foreign affairs and trade. This year four Aorere scholarships and one Pacific Peoples scholarship were awarded.

In consultation with the State Services Commission, targets were set in 2000 for the representation of women, Maori, Pacific Peoples and people with disabilities in the Ministry. Good progress has been made towards the 2005 and 2010 targets.

The Ministry, in consultation with the Office of Disabilities, implemented the Disability Strategy for 2003/04. The Ministry is confident that it is responsive to all staff members' needs.

The Ministry continues to negotiate with governments which host New Zealand diplomatic posts over reciprocal employment arrangements for partners, concluding agreements with two governments in the last year.

Information Technology

A three-year contract for a new managed global network providing communications between Wellington and posts has been signed with AT&T. The contract is between three government agencies - the Ministry, New Zealand Immigration Service and New Zealand Trade and Enterprise - and AT&T and makes provision for other agencies to join in the future.

The e-Government Secure Email System has been installed.

Work is progressing on the following projects:

- provision of Internet browsing from the desktop
- replacement of network encryption
- development of an intranet
- replacement of the formal messaging system
- replacement of the Human Resources Information System
- replacement of the Financial Management Information System
- development of a Consular Management Information System.

Accommodation

The Ministry owns 49 properties overseas. The five offices the Ministry owns and most of the housing, some of it in purpose-built compounds, are in the Pacific. These total 70% of Ministry-owned properties and reflect the limited rental market in most countries in the Pacific. Most offices are leased and the majority of staff and families live in leased apartments or houses. Office space and/or housing in eight posts are rented in properties owned by Treasury as Crown Assets.

The Ministry continually reviews the suitability and cost-effectiveness of its property investments. Reflecting the high level of sale activity in past years, no properties were sold this year.

An active programme of capital works, property maintenance, refurbishment and vehicle fleet management is undertaken each year. Under this year's programme we moved offices in Mexico and Rarotonga and completed a major upgrade of the public area of the Washington office. Preparatory work commenced for moves to new offices in Ankara, Seoul, Shanghai, Los Angeles, Warsaw, Port Vila and Suva and for office reconfigurations/refurbishments in Brussels, Ottawa, Santiago, Madrid, The Hague, Nuku'alofa, Honiara and Vienna, and the operational areas of Washington. Some of these are related to heightened levels of security risk, due to international terrorism, as well as other challenges to the safety and ability-to-operate of staff abroad. Planning arrangements are also underway to refurbish the Residences in Paris and Beijing.

GOVERNMENT GOALS AND OUTCOME STATEMENTS

The Ministry's work contributes to the Government's key goals of:

- *strengthening national identity and upholding the principles of the Treaty of Waitangi*
- *growing an inclusive, innovative economy for the benefit of all*
- *protecting and enhancing the environment*
- *restoring trust in government.*

Ministry effort was directed to the achievement of the following outcomes as set out in the 2003/04 Estimates:

Vote: Foreign Affairs and Trade

Output Class	Principal Related Outcomes
Policy Advice and Representation: Other Countries	New Zealand's interests are protected and advanced through a range of active bilateral and regional relationships.
Policy Advice and Representation: International Institutions	New Zealand's interests are protected and advanced through a range of multilateral mechanisms.
Consular Services	New Zealanders overseas are provided with appropriate support and assistance.
Services for Other New Zealand Agencies Overseas	Agency services are delivered effectively through New Zealand's representation overseas.
Administration of Diplomatic Privileges and Immunities	As for Output Class Policy Advice and Representation: Other Countries
Promotional Activities: Other Countries	As for Output Class Policy Advice and Representation: Other Countries
Pacific Security Fund	Advisory services, training and technical support are provided to Pacific Island countries to address external threats.
Hosting of the Pacific Islands Forum Meeting	Successful management of the Pacific Islands Forum meeting and related meetings in Auckland in August 2003.

Vote: Official Development Assistance

Output Class	Principal Related Outcomes
Strategic Advice and Evaluation	Contributes to the elimination of poverty through the provision of strategic advice on ways to eliminate poverty in developing countries, especially in the Pacific.
Management of Official Development Assistance Programme	Contributes to the elimination of poverty through the design and management of effective development assistance strategies, programmes and projects.

PERFORMANCE OF THE MINISTRY

Statement of Responsibility

In terms of sections 35 and 37 of the Public Finance Act 1989, I am responsible, as Chief Executive of the Ministry of Foreign Affairs and Trade, for the preparation of the Ministry's financial statements and the judgements made in the process of producing those statements.

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

In my opinion, these financial statements fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2004.



Simon Murdoch
Chief Executive
16 September 2004



Countersigned by:
Phil Goulin
Director of Finance
16 September 2004

AUDIT REPORT

TO THE READERS OF THE MINISTRY OF FOREIGN AFFAIRS AND TRADE'S

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of the Ministry of Foreign Affairs and Trade (the Ministry). The Auditor-General has appointed me, H C Lim, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Ministry, on his behalf, for the year ended 30 June 2004 .

Unqualified Opinion

In our opinion the financial statements of the Ministry on pages 38 to 118:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the Ministry's financial position as at 30 June 2004;
 - the results of its operations and cash flows for the year ended on that date;
 - its service performance achievements measured against the performance targets adopted for the year ended on that date; and
 - the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2004.

The audit was completed on 16 September 2004, and is the date at which our opinion is expressed.

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

Basis of Opinion

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

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

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

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

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

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

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

Responsibilities of the Chief Executive and the Auditor

The Chief Executive is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Ministry as at 30 June 2004. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. In addition, they must fairly reflect the assets, liabilities, revenues, expenses, contingencies, commitments and trust monies managed by the Ministry on behalf of the Crown for the year ended 30 June 2004. The Chief Executive's responsibilities arise from the Public Finance Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 38(1) of the Public Finance Act 1989.

Independence

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

In addition to the audit, we have performed assurance-related assignments in the areas of quality assurance reviews over controls and processes in the banking unit and the financial management information system, a probity review of tender processes over the approved contractor scheme and a post implementation review of a project, which are compatible with those independence requirements.

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



H C Lim
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the PDF financial statements of the Ministry of Foreign Affairs and Trade for the year ended 30 June 2004 included on the Ministry of Foreign Affairs and Trade's website. The Chief Executive is responsible for the maintenance and integrity of the Ministry of Foreign Affairs and Trade's website. We have not been engaged to report on the integrity of the Ministry of Foreign Affairs and Trade's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have also been engaged to report on the HTML electronic version of the Ministry of Foreign Affairs and Trade's financial statements. Other than the HTML and this electronic version of the Ministry of Foreign Affairs and Trade's financial statements, we accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 16 September 2004 to confirm the information included in the audited financial statements presented on this website.

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



STATEMENT OF OBJECTIVES AND SERVICE PERFORMANCE

For the Year Ended 30 June 2004

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

Vote: Foreign Affairs and Trade

- Policy Advice and Representation: Other Countries
- Policy Advice and Representation: International Institutions
- Consular Services
- Services for Other New Zealand Agencies Overseas
- Administration of Diplomatic Privileges and Immunities
- Promotional Activities: Other Countries
- Pacific Security Fund
- Hosting of the Pacific Islands Forum Meeting.

Vote: Official Development Assistance

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

The Government's Key Goals, the Ministry's Key Priorities and Outcome Statements formed the basis for Ministry planning for 2003/04 and the framework for the definition of operational objectives, activities, related performance measures and resource allocations by divisions and posts within the Ministry.

The Ministry uses a comprehensive set of management documents, systems and procedures to deliver service performance and quality assurance.

These include:

- Statement of Intent
- Business Plan
- Strategic Framework
- Unit Operational Plans - priorities, action steps, performance measures
- Performance Management Framework
- Code of Conduct
- Overseas Service Handbook
- Framework for Responsiveness to Māori
- Guidelines for Consultation with Māori
- Procedures for NZODA Management
- Consular Instructions
- Security Instructions
- Guidelines for Post Management of Agency Service Operations
- Overseas Property Manual
- Guidelines and Instructions in Financial Management
- Financial Management Information Systems User Manuals
- Foreign Exchange Management Policy
- Fixed Assets and Depreciation Policy
- Tax Policy and Procedures
- Guidelines for Employing Consultants
- Manual of Purchasing Policies and Procedures
- Records Management Standards
- Travel Arrangers' Guide
- Style Guide
- Guidelines: Official Information Act
- Employee Diversity Strategy

- Workplace Harassment Policy
- Guidelines for New Zealand Honorary Consuls
- Civil Defence Emergency Response Plan
- Guide to Delegations
- Guidelines for the Diplomatic and Consular Corps in New Zealand
- Training and Development Programme management document
- Protected Disclosures Policy and Procedures.

The Ministry has in place planning and evaluation systems which ensure that outputs in all classes are delivered to agreed specifications. Evaluation of unit operational plans and individual performance management reviews are carried out six-monthly.

Interaction with Ministers orally and in writing is ongoing. Consultation included presentation of analyses of international and domestic developments with implications for New Zealand's international interests and advice on responses. Weekly summaries of developments affecting New Zealand's foreign affairs and trade interests were provided and the Chief Executive reported six-monthly to the Minister on achievements. Responses from Ministers indicated they were satisfied with the Ministry's performance.

Service performance is set out under each output class. The Ministry provided a range of services dealing with domestic interests that relate to all its outputs. These included:

- provision of a "New Zealand Treaty List" publication;
- answering treaty enquiries from a wide range of enquirers;
- providing advice on law papers and legislative proposals;
- maintaining a business communications programme with speeches, calls, and publication of a Business Calendar and Business Link;
- provision of media information services, management of an archival project and assistance with academic research.

Detailed comprehensive descriptions of output classes are set out in the 2003/04 Vote: Foreign Affairs and Trade and Vote: Official Development Assistance *Estimates of Appropriation* and the *Statement of Intent*.

VOTE: FOREIGN AFFAIRS AND TRADE

Output Class:

Policy Advice and Representation: Other Countries

This output class is concerned with policy advice and activities directed to 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.

Performance

Relations were managed at levels and according to priorities agreed with Ministers. Priorities agreed with Ministers were translated into work programmes for each unit in the Ministry. Performance of planned activities included:

Area of Concentration	Achievement
Enhance cooperation with Australia to promote security and stability in the Asia-Pacific region	Cooperated closely with Australia in mounting the Regional Assistance Mission to the Solomon Islands (RAMSI), including NZDF and Police deployments and the shift in focus mid-year to governance and economic development, supported by NZAID. Close dialogue was maintained on Australia's Enhanced Cooperation Programme with PNG . There was ongoing cooperation in the Bali process on people smuggling .
Build on shared values and goals with the US to support global stability and advance New Zealand's interests	Ministers and officials sustained a bilateral dialogue on key foreign policy and security issues. Concrete outcomes included bilateral customs cooperation on border security issues. NZ/US cooperation helped advance the Asia Pacific Economic Cooperation (APEC) security agenda , endorsed by Leaders in Bangkok. Shared interests in the Western and Central Pacific Fisheries Convention (WCPFC) helped clear remaining obstacles to its operational launch.

Contribute to the global campaign against terrorism

The **Pacific Round-table on Counter-Terrorism** advanced planning and capacity for counter-terrorism compliance, contingency planning and legal cooperation in the region.

Contributed to advancement of the counter-terrorism agenda of **regional organisations** including in **APEC** and an expanded mandate for the **Association of South East Asian Nations (ASEAN) Regional Forum** on counter-terrorism, transnational crime and transport security.

Provided legal, political and security advice to maintain a high level of commitment to **Operation Enduring Freedom** through the extension of the Provincial Reconstruction Team (PRT) in Bamian, New Zealand SAS deployment and a contribution to training of the Afghan National Army and the International Security Assistance Force.

Redefine the level and nature of New Zealand's engagement in the South Pacific to respond to growing instability

As **Chair of the Pacific Islands Forum**, made a significant investment in the region's future by refocusing and re-energising the Forum and its Secretariat to meet 21st century challenges: successfully hosted the Forum meeting in Auckland; launched a review of the Forum by an Eminent Persons' Group; convened a Special Leaders' Retreat to endorse the Review's recommendations, culminating in adoption of the **Auckland Declaration**.

The Pacific Security Fund, coordinated by the Ministry, supported regional projects on aviation, port and ship security, customs processes and the drafting of new laws.

Pacific Security Strategy was completed.

Position New Zealand in the evolving architecture in Asia

Built on **diplomatic investment** over the past years to enhance relationships with key countries and regional organisations, resulting in an intensification of New Zealand's relations with Asia.

The "**Seriously Asia**" conference improved understanding of regional trends, risks and opportunities and has generated significant new planning for engagement with the region.

High level visits by the Prime Minister to the Republic of Korea, Singapore and Vietnam and by Mr Goff to Indonesia, the Philippines and Vietnam have helped re-invigorate New Zealand's links, especially with **ASEAN**. ASEAN Leaders have responded to New Zealand's interest in the evolving architecture of Asia by inviting us, and Australia, to meet at Summit level.

The New Zealand-**China** relationship was lifted to a higher plane and given greater dynamism through the visit by President Hu and decisions to strengthen consular, trade and economic cooperation. A Trade and Economic Cooperation Framework was signed and agreement reached to discuss negotiations on a free trade agreement, China's first such discussions with a western country.



Sustain strategic focus on major economic partners

Broadened policy engagement with **Australia** on current (Closer Economic Relations - CER) and next generation (Single Economic Market) issues, supported by a successful CER 20th anniversary Ministerial Forum. New Zealand and Australia signed the Joint Therapeutic Products Agency Treaty and established a Biotechnology Alliance. The ANZ Leadership Forum was launched, supporting the ongoing expansion of constituencies for New Zealand within and beyond Canberra.

High level exchanges were maintained with the **US** through Mr Goff's visit to Washington and the reciprocal exchange of ministerial-led delegations to identify opportunities for biotechnology cooperation. Agreement was reached on activities targeted at intensifying **educational and scientific exchanges**. Focused lobbying continued, aimed at broadening support in the US business community, sector groups and government agencies for a free trade negotiation.

High level visits to the UK, France (for D-Day commemorations), Germany, Netherlands, Norway, Malta, Slovakia and Slovenia, and Mr Goff's consultations with the EU Presidency, underscored New Zealand's commitment to sustain traditional EU relationships and step up engagement with new members. Mr Goff and the EU Commissioner completed their review of the **NZ/EU relationship** and decided on priority areas for enhanced cooperation.

The office for the new post in Warsaw was selected and a post establishment team is on the ground, with its formal opening due later in 2004.

(continued)	<p>A bilateral goods market access deal was successfully concluded with Russia as part of Russia's WTO accession.</p> <p>Mr Goff's visit to Japan identified the extent of common economic, security and regional interests. Agreement was reached at the annual Joint Economic Consultations for a new trade facilitation dialogue focused initially on customs cooperation. Preparations, led by NZTE with MFAT support, are underway for New Zealand's participation in the 2005 Aichi Expo in Japan.</p> <p>Ministerial visits to the Middle East, Latin America and South-east Asia helped create new opportunities for the New Zealand education sector.</p>
Negotiate closer economic partnerships	<p>New Zealand's long-term active engagement with key countries to expand our trading relationships resulted in an acceleration of Closer Economic Partnership (CEP) initiatives, notably with China. Free Trade Agreements (FTA) negotiations with Thailand are well advanced. President Lagos' visit to New Zealand provided the impetus to re-launch P3 negotiations (New Zealand, Singapore, Chile). ASEAN announced its decision to consider launching FTA negotiations with New Zealand and Australia (AFTA/CER).</p>
Promote and improve access for New Zealand goods and services	<p>Ongoing engagement with the EU and other countries, including India, Republic of Korea, China, Mexico, Argentina, the US, Thailand, Vietnam, Nepal, Saudi Arabia, and the UAE, continued so as to safeguard and expand bilateral trade access arrangements for specific products.</p>

The Ministry informed and advised the Government on developments and trends with implications for New Zealand and the New Zealand response to these as they occurred. This also involved consultation with the New Zealand business community and other interest groups as well as other departments and government agencies. Advice was also provided on domestic developments with potentially significant implications for New Zealand's foreign affairs and trade interests, existing policy guidelines and the representation of New Zealand's interests overseas. Representation of the Government's position was undertaken both overseas and in New Zealand as and when required. Briefing was provided for Ministers for visits and meetings which occurred during the year.

Quality assurance measures implemented by managers included directing the completion of work, ensuring deadlines were met and controlling quality either directly or through delegation procedures. This was backed up by Senior Management oversight of unit and staff performance related to unit operational plans and individual key tasks.

Work on operational and strategic objectives was carried out within relevant timeframes and agreed deadlines for particular work were met. Where deadlines needed to be adjusted to take account of unforeseen developments this was decided by Senior Management, in consultation with Ministers as necessary.

Appropriate and well-presented responses to parliamentary questions and *Official Information Act* requests were prepared to agreed quality standards and timeframes.

Responses to ministerial correspondence were prepared to agreed quality standards.

The Minister's satisfaction with output delivery was measured in the following ways:

- Confirmation of ministerial satisfaction through ongoing regular dialogue between Senior Management and Ministers;
- Formal feedback from the Minister through a six-monthly assessment of achievement and the quality of advice and reporting (including replies to the ministerial correspondence, Parliamentary Questions and *Official Information Act* requests).

Formal feedback indicated that the Minister was satisfied with quality standards.

Financial Performance (Figures are GST exclusive)

30/06/03		30/06/04	30/06/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
126,327	Crown	128,246	128,000	128,246
380	Other	342	365	365
126,707	Total Revenue	128,588	128,365	128,611
Expenditure				
125,012	Annual Appropriations	125,703	128,094	128,325
282	Other Appropriations	285	271	286
125,294	Total Expenses	125,988	128,365	128,611
1,413	Net Surplus	2,600	0	0

Explanation for Significant Variances

Expenses are below budget primarily because of:

- An approved "in principle" expenditure transfer of \$0.946 million from 2003/04 to 2004/05 for implementing security enhancements to ensure staff and their families and property are safe, secure and protected; and
- Under-expenditure in the Closer Economic Partnerships and Growth and Innovation Framework projects; and
- Realised FX gains better than budget.

Output class:

Policy Advice and Representation: International Institutions

This output class is concerned with policy advice and representation activities directed to the management of New Zealand's membership of, and interests in, international institutions. This includes areas of multilateral cooperation to which the Government has decided to give special attention such as international trade, disarmament, human rights and international environmental issues. The organisations include the United Nations (UN) and its associated institutions, the World Trade Organisation (WTO), the Commonwealth and its associated institutions, the Organisation for Economic Cooperation and Development (OECD), Antarctic organisations, international disarmament and environment fora, and other international institutions.

Performance

Interests were managed taking into account the obligations of institutional membership, at levels and according to priorities agreed with Ministers. Priorities agreed with Ministers were translated into work programmes for each unit in the Ministry. Performance of planned activities included:

Area of Concentration	Achievement
Contribute to the global campaign against terrorism	New Zealand's first Ambassador for Counter-Terrorism was appointed and the Ministry's security policy capability strengthened, resulting in intensified engagement on counter-terrorism policy with other government agencies and overseas partners. In the United Nations context, New Zealand continued its interaction with the Security Council's Counter-Terrorism Committee and the designation of terrorist entities and individuals. The recent passage of amendments to existing legislation will permit New Zealand's ratification of all 12 UN anti-terrorism conventions.

Secure maximum benefit for New Zealand from the WTO Doha Development Round

Notwithstanding the failure of the Cancun ministerial meeting, New Zealand was positioned to best advantage for a resumption of the **WTO Doha** negotiations. The Minister for Trade Negotiations remained closely engaged in Ministerial meetings. New Zealand's trade officials worked to shape the frameworks that will guide resumed negotiations on areas important to exporters, including agriculture, forestry and fisheries, with support from New Zealand diplomats in key capitals.

Use international trade rules and dispute procedures to protect New Zealand rights and interests

New Zealand's WTO rights were upheld, both in cases of direct trade interest and in relation to issues of systemic interest, including in favourable rulings by the WTO Appellate Body in the **US-Steel, Japan-Apples, and US-Upland Cotton** cases on agricultural subsidies.

Support the international rule of law by promoting universal participation in and compliance with the international treaty system and customary law

Put in place legislation and regulations to give effect to the **International Criminal Court Act**.

Concluded negotiations with Australia on **maritime boundary** delimitation consistent with the UN Convention on the Law of the Sea.

Ministers agreed that New Zealand's main contribution to the work of the **High Level Panel on UN reform, convened by the UN Secretary-General**, would address Security Council reform, the Pacific Islands Forum response to regional crisis management and linkages between the UN and Bretton Woods financial institutions.

Cleared the backlog of New Zealand **human rights** treaty reports and signed the Optional Protocol to the Convention Against Torture; published a New Zealand Handbook on Human Rights Treaties.

Participated in the **Permanent Forum of Indigenous Peoples** and continued to seek constructive debate and forward movement in the negotiations on the declaration on the rights of indigenous people.

Engage selectively in international standard-setting and rule-making sectors where New Zealand interests are at stake

New Zealand played a lead role as Chair in shaping the UN **Disabilities Convention** negotiations.

New Zealand's position on **human cloning** was explained in UN meetings in the debate on the mandate for negotiations: these negotiations are now postponed.

Completed inter-agency work on **how NZ should engage multilaterally** in the context of limited resources and the need for selective engagement. Interagency collaboration and priority-setting are ongoing.

Negotiate and implement international agreements and standards relating to the environment

Established a new dialogue with Japan and the EU on **climate change**, launched the first projects under the bilateral partnership with Australia and restored consensus on regional action among Pacific Islands Forum members.

Ramped up engagement with the EU and US on **sustainable energy initiatives** and supported participation in the Renewable Energy Conference in Bonn.

Ratified the **Rotterdam Chemicals Treaty** and progressed ratification of the **Stockholm Chemicals Convention**.

Supported New Zealand interests in marine protected areas, sustainable plantation forest management and invasive alien species at the **Convention on Biological Diversity** Conference of Parties and represented New Zealand positions, while still a non-party, at the **Cartagena Biosafety Protocol** first Meeting of Parties.

Advocated strongly for **whales conservation**, in line with the Cabinet-mandated strategy, at Pacific regional meetings and produced, with the Department of Conservation, a new supporting publication providing the rationale for the full protection of marine mammals. As the agreement on protecting **Albatrosses and Petrels** nears entry into force, the Ministry joined the management committee of the stakeholder group **Southern Seabirds Solution Trust**.

(continued)

Pursued the protection of oceans' biodiversity at the **UN Informal Consultative Process on the Law of the Sea**; ratified the **Western Central Pacific Fisheries Convention** and negotiated the resolution of final issues clearing the way for the Commission to meet; and chaired successful quota negotiations in the Commission for the **Conservation of Southern Bluefin Tuna** meeting.

Support the treaty-based disarmament system and promote internationally agreed responses to the new threats from WMD proliferation

Supported efforts to revitalise the strategy of the **New Agenda** for nuclear disarmament in response to ongoing challenges in the Nuclear Non-Proliferation Treaty review process.

Proactively **upheld disarmament and non-proliferation norms** in other multilateral processes including the International Atomic Energy Agency (IAEA), as member of the Board of Governors, as well as the Chemical Weapons Convention, Ottawa Convention, Inhumane Weapons Convention and UN Small Arms Programme.

Positioned New Zealand in relation to new **Weapons of Mass Destruction (WMD)** and non-proliferation initiatives by joining the Proliferation Security Initiative and the G8 Global Partnership, contributing financially to the destruction of Russia's chemical weapons.

Respond to new global issues

Supported the **Bali Process** agenda to combat people-smuggling through public awareness, border control and the return of illegal immigrants. New Zealand hosted a Steering Group meeting and continues to coordinate the development of a website and model legislation for the exchange of information on lost and stolen passports.

Strengthen Antarctic Treaty system

Led Operation Mawsoni surveillance in the Ross Sea to expose Ukrainian **Illegal, Unreported and Unregulated (IUU) fishing**, securing their formal apology and commitment to an investigation. Drafted and negotiated an Antarctic Treaty measure to manage land-based **tourism** risks. New Zealand's level of participation in the **Ross Sea toothfish fisheries** was secured.

Area of Concentration	Achievement
Support peace-building and peacekeeping	Continued to engage in efforts to reform UN peacekeeping . Sustained a close dialogue with defence and police officials in support of current and future deployments of New Zealand personnel to peace support operations in the region and beyond.

The Ministry informed and advised the Government on New Zealand interests in individual institutions and representation of the Government's position was undertaken as and when required. Briefing was provided to Ministers for relevant conferences and meetings.

Quality assurance measures implemented by managers included directing the completion of work, ensuring deadlines were met and controlling quality either directly or through delegation procedures. This was backed up by Senior Management oversight of unit and staff performance related to unit operational plans and individual key tasks.

Work on operational and strategic objectives was carried out within relevant timeframes and agreed deadlines for particular work were met. Where deadlines needed to be adjusted to take account of unforeseen developments this was decided by Senior Management, in consultation with Ministers as necessary.

Appropriate and well-presented responses to parliamentary questions and *Official Information Act* requests were prepared to agreed quality standards and timeframes.

Responses to ministerial correspondence were prepared to agreed quality standards.

The Minister's satisfaction with output delivery was measured in the following ways:

- Confirmation of ministerial satisfaction through ongoing regular dialogue between Senior Management and Ministers.
- Formal feedback from the Minister through a six-monthly assessment of achievement and the quality of advice and reporting (including replies to the ministerial correspondence, parliamentary questions and *Official Information Act* requests).

Formal feedback indicated that the Minister was satisfied with quality standards.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
31,724	Crown	33,391	30,698	33,391
31,724	Total Revenue	33,391	30,698	33,391
Expenditure				
31,526	Annual Appropriations	34,046	30,698	33,391
31,526	Total Expenses	34,046	30,698	33,391
198	Net Surplus/(Deficit)	(655)	0	0

Explanation for Significant Variances

The appropriation for this output class was increased by \$2.693 million in the Supplementary Estimates. This mainly provided for additional resources arising from the Ministry's Capability Review and fiscally neutral refinements to cost allocations.

Expenditure exceeded appropriation as Ministers approved the payment of \$1.2 million to the G8 Global Partnership Against the Spread of Weapons and Materials of Mass Destruction, funded by reprioritisation from within Vote Foreign Affairs and Trade. \$1.0 million was approved on 17 May 2004 and \$0.200 million on 28 June 2004. These approvals were received after the Supplementary Estimates process had concluded.

Output Class:**Consular Services**

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

Performance

Consular services were provided for New Zealanders abroad, totalling 7,874 cases (3,717 in 2002/03) covering the deceased and distressed, including:

Consular Service	2003/04	2002/03
Lost property	1,787	1,799
General advice and support	4,940	917
Advances in emergencies	24	22
Arrests	261	345
Prisoners assisted	75	87
Repatriations	1	3
Deaths	128	141
Medical	297	200
Missing persons	136	138
Child custody/abduction	225	65
TOTAL	7,874	3,717

Legal or notarial services were provided in 7,631 instances (6,747 in 2002/03) covering affidavits, affirmations, statutory declarations and authentication of documents and provision of documents to facilitate travel. Overseas posts handled in excess of 29,000 general consular enquiries.

The increase in the numbers of New Zealanders who are travelling overseas, plus continued international uncertainty, has increased the demand for consular services and support.

The Ministry continued throughout 2003/04 to further strengthen consular response and capability. Emergency response teams have now been established and contingency plans refined. A Consular and Emergency Response Officer (CERO) was deployed to the ANZAC Day commemorations at Gallipoli in April 2004 and planning has already commenced for the 90th anniversary commemorations in 2005. For the year ended June 2004 similar effort has been devoted to defining contingency plan and emergency response capacity for the 2004 Olympics in Athens.

Requests for Proposals (RFP) have been issued for an IT solution to meet the Ministry's consular needs, especially for improved case management. This solution will include improved capacity for travelling New Zealanders to register their travel details. This feature will contribute to enhancing the Ministry's contingency planning and emergency response capability. These activities, plus the ongoing situation in Iraq, bombings in Saudi Arabia, Turkey and Madrid, and the high level of attention paid to the Ministry's travel advisories, have placed additional demands on consular resources. Overall core consular services continue to be delivered in an efficient and effective manner.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
5,580	Crown	5,979	5,100	5,979
369	Other	344	300	300
5,949	Total Revenue	6,323	5,400	6,279
Expenditure				
5,443	Annual Appropriations	6,016	5,400	6,279
5,443	Total Expenses	6,016	5,400	6,279
506	Net Surplus	307	0	0

Explanation for Significant Variances

The appropriation for this output class was increased by \$0.879 million in the Supplementary Estimates. This mainly provided for additional resources arising from the Ministry's Capability Review and fiscally neutral refinements to cost allocations.

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

This output class involves the provision of services to other New Zealand agencies working overseas in the Ministry's diplomatic and consular posts.

Performance

Agreements were maintained with several agencies (Identity Services, Department of Internal Affairs; the New Zealand Immigration Service, Department of Labour; and the Chief Electoral Office, Department of Justice) for the Ministry to undertake work on their behalf offshore.

Agreements were also maintained to deliver administrative services for nine other departments working overseas in the Ministry's diplomatic and consular posts and to New Zealand Trade and Enterprise and the New Zealand Tourism Board. These services included accommodation management, provision of receipting and banking facilities and diplomatic facilitation.

An annual fee schedule was negotiated with each agency on a full cost recovery basis and invoices/payments managed according to this schedule.

Services under these agreements, and other miscellaneous services, were delivered within performance standards as agreed.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
11,102	Other	10,706	10,911	10,845
11,102	Total Revenue	10,706	10,911	10,845
Expenditure				
11,102	Annual Appropriations	10,705	10,911	10,845
11,102	Total Expenses	10,705	10,911	10,845
0	Net Surplus	1	0	0

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

This output covers the Government's responsibilities and obligations under the Vienna Conventions on Diplomatic and Consular Relations, the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971. Services include:

- the administration and facilitation of privileges and immunities to members of diplomatic and consular corps and their dependants, including immigration entry requirements, duty-free entitlements, and education and fiscal privileges;
- the facilitation, documentation and formalities for the appointment of Ambassadors and High Commissioners and staff of foreign missions in New Zealand, including honorary consuls;
- the provision of host government services to the diplomatic and consular corps, including liaison over diplomatic security, and the publication of the diplomatic and consular list;
- the provision of advice to Ministers, diplomatic missions, government agencies and other parties regarding application of diplomatic and consular privileges and immunities in New Zealand.

Performance

- Services involving the administration and facilitation of privileges and immunities to members of diplomatic missions were provided accurately and promptly for:

Foreign Missions in Wellington	37
Foreign Missions, Cross-accreditations from other capitals	68
Consulates	18
Honorary Consulates	86

- Appointment/agrément documentation and ceremonies were completed for 24 new foreign Heads of Mission accredited to New Zealand.
- Privileges and immunities were administered for staff and dependants at foreign missions and consulates based in New Zealand and cross-accredited to New Zealand from overseas.
- Programmes of calls were completed for 48 Heads of Mission arriving in and departing from New Zealand.
- Documentation was processed for 30 foreign and New Zealand Honorary Consul appointments and reappointments.
- Host government services were provided in accordance with Vienna Conventions and international practice; issues of security were handled promptly; programmes of calls were processed in a timely fashion, within external uncontrollable constraints; the Diplomatic and Consular List was published twice in the 2003/04 year; staff changeover amendments and contact details updates were made to the listings for embassies/high commissions/consulates on the MFAT website.
- Advice regarding privileges and immunities was provided on an ongoing basis to Ministers, diplomatic missions, government agencies and other parties.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
752	Crown	777	687	777
752	Total Revenue	777	687	777
Expenditure				
734	Annual Appropriations	766	687	777
734	Total Expenses	766	687	777
18	Net Surplus/(Deficit)	11	0	0

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

This output class concerns services promoting New Zealand to other countries as an attractive market for trade, investment and technology and to other externally provided contributors to New Zealand's productivity growth. This involves:

- in close cooperation with other departments and agencies, assisting in the implementation of the Government's policies for economic transformation, including through supporting, in its external dimensions, the new Growth and Innovation Framework;
- promotional and other activities in support of the Government's economic transformation and investment policies at relevant overseas posts as part of posts' mainstream activities, including development of networks, trade and investment seminars, and public speaking engagements;
- supporting Investment New Zealand global marketing activities, including through dissemination of appropriate promotion material overseas and support of both inward and outward economic/investment missions.

Performance

The Ministry has participated actively in the interagency process to develop strategy and initiatives to implement the Growth and Innovation Framework. In particular, the Ministry has led the "global connectedness" stream of work. It worked with other agencies to develop a number of initiatives to improve New Zealand's global connections within the context of the Growth and Innovation allocation in the 2003/04 Budget and since then has been focused on implementation of those initiatives.

The Ministry was also deeply involved in the process to establish New Zealand Trade and Enterprise, which is a key delivery instrument for government assistance towards growth and innovation in the New Zealand economy. A key interest in this process was ensuring that the basis was laid for effective whole-of-government approaches in New Zealand's offshore representation.

Posts were actively involved in supporting Investment New Zealand efforts in a number of key markets, in particular in North America and in North Asia. In North America, the investment promotion effort was closely coordinated with the effort to move towards a free trade arrangement with the United States. In Asia, posts were active in supporting Investment New Zealand visits, especially through providing introductions, follow-up and helping to set up programmes.

MFAT posts were active in promoting inward direct investment. A number of events/functions were organised, especially around the opportunities provided by visits of the Prime Minister and Ministers. Posts were actively involved in assisting Investment New Zealand identify potential investors, although neither organisation has the capacity to record all potential inquiries.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
631	Crown	718	786	718
631	Total Revenue	718	786	718
Expenditure				
578	Annual Appropriations	651	786	718
578	Total Expenses	651	786	718
53	Net Surplus	67	0	0

Output Class:**Pacific Security Fund**

This output class concerns the management of the interagency Pacific Security Fund (PSF) established at \$2 million in 2003. The PSF is a pool of money drawn on by government departments and agencies to advance and protect New Zealand's security interests by reducing risks from threats arising in or operating through Pacific Islands countries. The Ministry manages the fund on a day-to-day basis through a Pacific Security Coordinator (PSC) based in Pacific Division.

The PSF complements departments' routine engagement with Pacific partners and it works alongside and complements NZAID's work in the Pacific.

Performance

The Ministry coordinated the work of the interdepartmental Pacific Security Coordinating Committee (PSCC) and managed expenditure under the Fund. On the PSCC's recommendation Cabinet approved a range of projects designed to mitigate security risks in the Pacific. A principal focus was maritime security - to assist Pacific Islands countries to meet the requirements of the IMO International Ship and Port Facility Security Code, which entered into force on 1 July 2004, and other international security initiatives in the Pacific region's ports and shipping industry. Another primary focus was aviation security and, a third, border security. Projects in these areas enabled the Maritime Security Authority, the Civil Aviation Authority, Aviation Security Services, Customs, Immigration and the Ministry of Agriculture and Forestry to work with Pacific counterparts to enhance Pacific security and reduce the risk of security threats to New Zealand coming through the Pacific. The Ministry also drew on PSF funding to assist Pacific Islands countries with legislative drafting to enable them to meet international requirements to implement counter-terrorism legislation. The PSF funded a counter-terrorism roundtable meeting for Pacific Islands countries and others, which raised Pacific Islands countries' awareness of the range of international counter-terrorism obligations with which they must comply and aimed to identify assistance available (and gaps therein) to help them meet these obligations.

The PSCC designed a range of documentation and processes to underpin policy and support the financial management of the Fund and to encourage awareness of it by Pacific Islands countries. It also agreed a Pacific Security strategy to guide New Zealand's security initiatives in the Pacific, and put this to Ministers for discussion.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
36	Crown	1,743	1,743	1,743
36	Total Revenue	1,743	1,743	1,743
Expenditure				
29	Annual Appropriations	1,114	1,743	1,743
29	Total Expenses	1,114	1,743	1,743
7	Net Surplus	629	0	0

Output Class:**Hosting of the Pacific Islands Forum Meeting**

This output class involves the provision of services for hosting the 34th Pacific Islands Forum, and its associated meetings, in Auckland from 12 to 19 August 2003.

Performance

New Zealand successfully hosted the Pacific Islands Forum meeting in August 2003 in Auckland. All New Zealand's key objectives for the meeting were met, including agreement to a major review of the Forum to be carried out under New Zealand as Chair. The Review has been completed and Leaders met again in Auckland in April 2004 to consider its findings. Leaders affirmed the report's recommendations and issued the Auckland Declaration setting out a new vision and mandate for the Forum. The Review outcomes centre around enhanced regional cooperation and integration in a coherent Pacific Plan supported by a reformed Secretariat, providing a new platform for the Forum for the next decade.

The organisation of this major international meeting involving a number of New Zealand government agencies – Pacific Island Affairs, Police, Internal Affairs, Customs, Aviation Security and Immigration – proceeded smoothly, contributing to a good outcome and successfully projecting New Zealand's identity as a Pacific nation.

Financial Performance (Figures are GST exclusive)

	30/6/03	30/6/04	30/6/04	30/6/04
	Total	Total	Main	Supp.
	Actual	Actual	Estimates	Estimates
	\$000	\$000	\$000	\$000
Revenue				
44	Crown	1,355	1,284	1,355
0	Other	114	0	114
44	Total Revenue	1,469	1,284	1,469
Expenditure				
33	Annual Appropriations	1,338	1,284	1,469
33	Total Expenses	1,338	1,284	1,469
11	Net Surplus	131	0	0

VOTE: OFFICIAL DEVELOPMENT ASSISTANCE

Output Class:

Strategic Advice and Evaluation

This output class involves:

- sectoral and thematic policy formation and the development of strategic plans for NZAID's engagement in sectors and in addressing crosscutting issues;
 - the development of strategies for NZAID's regional engagement and for programmes including individual bilateral programme strategies for core bilateral partners;
 - 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;
 - 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.
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Performance

Area of Concentration	Achievement
<p>To undertake strategic analysis of four country, regional or thematic reviews. These will be submitted for partner approval within agreed timeframes.</p>	<p>Strategic analysis was undertaken with three country reviews completed, two in progress, and two regional and three thematic reviews completed.</p> <p>The draft strategy for long-term NZAID engagement in Asia was signed off for public consultation by the Minister. The focus is on sustainable rural livelihoods, complemented by support for trade, basic education and human resource development. The final Asia strategy is to go to the Minister for approval by the end of September 2004.</p> <p>The Latin America strategy is due to go to the Minister for approval during August 2004. Negotiations were started with potential new programme partners in the areas of rural development, governance and indigenous peoples.</p> <p>The Minister has approved the three-year interim programme in Africa on HIV/AIDS, basic education and governance, working with UNICEF, other international agencies, VSA and local NGO. Implementation is well underway.</p> <p>The Fiji and Samoa programme reviews are progressing within the timeframes agreed to by partners and other donors.</p> <p>The Micronesia review was completed, but with decisions still to be made.</p> <p>Multilateral agencies continue to be reviewed through the Multilateral and Regional Agencies Framework (MARAAF). Decisions were made to withdraw from or suspend funding of seven agencies. Initial steps were taken to strengthen engagement of those assessed as being best aligned with NZAID policies and priorities. The process will lead on to the development of an overarching Multilateral Engagement Strategy for NZAID that will set clear priorities and directions for the agency's long-term role within the multilateral system.</p>

Complete appraisals for 20 proposals/design studies for programme and/or project reviews. These will be agreed with programme groups and appraised within agreed timeframes.	Appraisals were completed for 42 proposals, 11 feasibility/design studies, and 10 review studies. Appraisals of 39 proposals/design studies were completed within the agreed timeframes.
Provide analysis in four new policy areas.	Analysis was completed in new policy areas for Preventing Conflict and Building Peace Through Development, Health and Education policies. Also started during the year and in progress is policy analysis in the areas of Environment, Sustainable Livelihoods, and Emergency and Disaster Response.
Complete evaluations for 15 projects and evaluations will comply with best practice guidelines.	Evaluations were completed for 15 individual projects, and two are in progress. In addition evaluations were undertaken for 30 applications to the Asia Development Assistance Fund. Evaluations were undertaken in accordance with international good practice. To enhance the quality of NZAID's evaluation advice, policy and practice guidelines are being developed by the agency.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
0	Crown	4,298	4,558	4,298
0	Total Revenue	4,298	4,558	4,298
Expenditure				
0	Annual Appropriations	4,075	4,558	4,298
0	Total Expenses	4,075	4,558	4,298
0	Net Surplus	223	0	0

Vote Official Development Assistance was restructured with effect from the start of the 2003/04 financial year, and this output class expenditure is not comparable to the single output class that existed in 2002/03.

Explanation for Significant Variances

The appropriation for this output class was decreased by \$0.260 million in the Supplementary Estimates. This mainly provided for foreign exchange and overseas inflation movements, and a transfer between output classes reflecting fiscally neutral refinement to cost allocations.

Expenses are below budget primarily due to a number of vacancies at 1 July 2003 not being filled until the second half of the financial year.

Output Class:**Management of Official Development Programme**

This output class 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.
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Performance

Area of Concentration	Achievement
<p>All projects will comply with relevant approved programme strategies and criteria of NZAID. An estimated 25-35 programme management visits were to take place during the year.</p>	<p>Regular review of all activities funded through Vote Official Development Assistance (ODA) and managed by NZAID confirms that these comply with NZAID criteria. Director and Team Leader overview and sign-off of all funding arrangements ensure that compliance occurs.</p> <p>NZAID project activity is increasingly aligned with regional and country strategies as these are approved by Ministers and put in place jointly with partner governments and agencies.</p> <p>Programme visits were carried out through the year for the purposes of monitoring, planning, review and relationship management. These included high level policy consultations and annual programming discussions with core bilateral partners; sector planning meetings; attendance at regional agency annual meetings; and donor liaison and coordination meetings.</p> <p>A total of 59 visits to Pacific countries including Australia took place. These included high level policy consultations, annual programming discussions with core bilateral partners, sector planning meetings, and programme planning and monitoring visits.</p> <p>There were also 37 visits to other countries including five to Indonesia, six to Vietnam, four to Cambodia, two to China and Timor-Leste, and one to Africa, the Americas, and Europe. These included annual donor coordination meetings, high level talks with the Philippines Government, a scoping mission to Latin America, and UN agency meetings.</p>

<p>Projects and programmes will be managed under contracts and agreements that comply with agreed and audited internal procurement standards and grant determination standards.</p>	<p>All projects and programmes were managed in ways that complied with the Public Sector Procurement Guidelines, internal processes and good international development practices. This was verified through a review of grant and contracting practices in June 2004 that found NZAID contracting practices were uniformly good.</p>
<p>The number of contracts/agreements being negotiated and agreed during the year were estimated to be in the range of 550 to 600.</p>	<p>During the year 572 contracts or agreements were negotiated. There were 212 contracts for the provision of goods and services, 137 letters of variation, and 223 grant agreements completed.</p>
<p>Projects will deliver the outputs specified in relevant contracts, and contribute to the outcomes identified.</p>	<p>Close monitoring by programme management staff, team leaders and directors ensures that agreements with governmental and non-government programme partners and contracts with independent consultants are monitored to ensure that the outputs contributing to the desired outcomes are delivered in line with agreed timeframes.</p> <p>Where circumstances require adjustments to be made (e.g. changes in local conditions or delays in counterpart decision-making and resourcing processes) these were agreed with the relevant party as part of the ongoing programme management process.</p>
<p>OECD Development Assistance Committee (DAC) criteria will be followed, where applicable, for projects and programmes.</p>	<p>DAC criteria in the areas of gender equity, conflict prevention and peace-building and trade-related capacity building are incorporated into approved or draft NZAID policies and guidelines and are applied on a basis consistent with NZAID programming. In specific cases of NZAID funding the MOU governing use of ODA funds specifies that all activities carried out must be consistent with DAC requirements. NZAID has been actively promulgating the DAC guidelines on effective aid delivery and harmonisation and has been leading changes in practice in the Pacific to support these guidelines.</p>

<p>Programme allocations are reviewed and approved by the Minister before commencement.</p>	<p>All programme allocations for 2003/04 were reviewed by the Minister and approved on 26 March 2003.</p>
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<p>During the year, 20 bilateral programmes were to be managed.</p>	<p>19 bilateral programmes¹ were managed by NZAID throughout the year with disengagement from one programme occurring when Thailand graduated from Official Development Assistance (ODA) status.</p> <p>Key bilateral developments in the Pacific included:</p> <ul style="list-style-type: none"> • a number of new initiatives supported by the Fiji programme in the areas of civil society, governance, law and justice and education; • signing of a multi-year strategic relationship with the Secretariat of the Pacific Community; • signing of a Memorandum of Understanding between the Solomon Islands, EU and New Zealand; • implementation of a three-year \$30 million basic education programme in the Solomon Islands; • completion of the Vanuatu Governance study; • completion of two major programmes in the Samoa programme including the provision of curriculum resources for secondary schools and an institutional strengthening programme in the Justice Department.
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¹ The NZAID – ODA Annual Review 2003/04 provides further information on the bilateral development programmes and can be viewed on www.nzaid.govt.nz

(continued)

Key bilateral developments outside the Pacific included:

- agreement and initial implementation of a new five-year programme in the Philippines, focusing on governance;
- support for the Indonesia parliamentary elections through a grant to UNDP for electoral assistance and the funding of costs of New Zealand election observers;
- initiation of new Human Rights and Conflict Prevention programmes in Indonesia;
- response to the avian flu epidemic through a grant to CARE International implementing emergency assistance and preparedness/planning in Vietnam;
- initiation of new trade-related capacity building and small to medium enterprise development programmes in Vietnam and Cambodia.

Project and programme payments will be correct and on time.

Project and programme payments were consistently made in line with contractual requirements, with the only exceptions occurring in cases where altered timeframes were agreed with the partner organisations concerned.

Financial Performance (Figures are GST exclusive)

30/6/03		30/6/04	30/6/04	30/6/04
Total		Total	Main	Supp.
Actual		Actual	Estimates	Estimates
\$000		\$000	\$000	\$000
Revenue				
18,540	Crown	15,919	15,777	15,919
18,540	Total Revenue	15,919	15,777	15,919
Expenditure				
18,003	Annual Appropriations	15,508	15,777	15,919
18,003	Total Expenses	15,508	15,777	15,919
537	Net Surplus	411	0	0

Vote Official Development assistance was restructured with effect from the start of the 2003/04 financial year, and this output class expenditure is not comparable to the single output class that existed in 2002/03.

Explanation for Significant Variances

The appropriation for this output class was increased by \$0.142 million in the Supplementary Estimates. This mainly provided for a transfer between output classes reflecting fiscally neutral refinement to cost allocations, offset by foreign exchange and overseas inflation movements.

Expenses are below budget primarily due to a number of vacancies at 1 July 2003 not being filled until the second half of the financial year.

STATEMENT OF ACCOUNTING POLICIES

For the Year Ended 30 June 2004

REPORTING ENTITY

The Ministry of Foreign Affairs and Trade is a government department as defined by section 2 of the Public Finance Act 1989.

These financial statements of the Ministry of Foreign Affairs and Trade are prepared pursuant to section 35 of the Public Finance Act 1989.

In addition, the Ministry has reported non-departmental activities and trust monies which it administers.

MEASUREMENT SYSTEM

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

ACCOUNTING POLICIES

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates (Supp. Estimates) and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

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.

Corporate Costs account for approximately 14% (2003:15%) of the Ministry's costs.

Basis for Allocating Indirect Costs to Outputs

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

Indirect Costs account for approximately 72% (2003:69%) of the Ministry's costs.

Direct costs assigned to outputs

Direct costing is used mainly for Management of Official Development Assistance, Trade Access Support Programmes, Overseas Visitor Programmes, Hosting of the Pacific Islands Forum Meeting, Pacific Security Fund and some local staff pension schemes and makes up approximately 14% (2003:16%) of the Ministry's costs.

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 of 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. A revaluation was completed at 31 October 2002.

Works of art are stated at market value as valued by an independent valuer as at 1 February 2001. In accordance with FRS-3, continual revaluations for this class of assets cannot be justified for materiality and cost-benefit reasons, and therefore they have not been subsequently revalued. Additions since the last revaluation are recorded at cost.

The results of revaluing Land, Buildings and Works of Art 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 and 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.

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 Statement of Unappropriated Expenditure and the Statements of Departmental Expenditure and Non-Departmental Expenditure and Appropriations contain figures which are GST inclusive where applicable.

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

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

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.

Commitments

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

Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.

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.



FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2004

30/6/03		Notes	30/6/04	30/6/04	30/6/04
Actual			Actual	Main	Supp.
				Estimates	Estimates
\$000			\$000	\$000	\$0000
Revenue					
183,634	Crown		192,426	188,633	192,426
11,851	Other	2	11,506	11,576	11,624
124	Interest	3	40	100	100
107	Gain on sale of assets		184	0	0
195,716	Total Revenue		204,156	200,309	204,150
Expenditure					
83,298	Personnel costs	4	84,727	84,220	82,897
48,859	Operating costs	5	56,014	55,727	61,906
37,520	Rental and leasing costs		36,996	37,974	37,110
12,705	Depreciation	6	12,105	12,513	11,771
10,360	Capital charge	7	10,365	9,775	10,366
192,742	Total Expenses		200,207	200,209	204,050
2,974	Net Surplus		3,949	100	100

The accompanying accounting policies and notes form part of these financial statements.
For information on major variances against budget refer to Note 1 (page 95).

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS

For the Year Ended 30 June 2004

30/6/03	Notes	30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
2,974	Net operating surplus <i>Other recognised revenues and expenses</i>	3,949	100	100
(1,529)	Net increase/(decrease) in revaluation reserves	8	0	0
1,445	Total Recognised Revenues and Expenses for the Year	3,949	100	100
(2,974)	Provision to pay surplus to the Crown	8	(100)	(100)
(9,674)	Transfer of Physical Assets	8	0	0
(11,203)	Movement in Taxpayers' Funds for the Year	0	0	0
133,150	Taxpayers' Funds Brought Forward as at 1 July	121,947	131,621	121,947
121,947	Taxpayers' Funds as at 30 June	121,947	131,621	121,947

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

30/6/03		Notes	30/6/04	30/6/04	30/6/04
Actual			Actual	Main Estimates	Supp. Estimates
\$000			\$000	\$000	\$000
TAXPAYERS' FUNDS					
115,872	General funds	8	115,872	125,546	115,872
6,075	Revaluation reserves	8	6,075	6,075	6,075
121,947	Total Taxpayers' Funds		121,947	131,621	121,947
Represented by:					
CURRENT ASSETS					
35,581	Cash		38,969	11,012	24,783
446	Debtors and receivables	9	637	948	446
2,570	Prepayments	10	2,706	2,477	2,570
38,597	Total Current Assets		42,312	14,437	27,799
NON-CURRENT ASSETS					
2,141	Debtors and receivables	9	2,201	2,476	2,141
105,803	Fixed assets	11	105,135	135,359	112,435
107,944	Total Non-Current Assets		107,336	137,835	114,576
146,541	Total Assets		149,648	152,272	142,375

The accompanying accounting policies and notes form part of these financial statements.
For information on major variances against budget refer to Note 1 (page 95).

STATEMENT OF FINANCIAL POSITION (contd)

As at 30 June 2004

30/6/03	Notes	30/6/04	30/6/04	30/6/04	
Actual		Actual	Main Estimates	Supp. Estimates	
\$000		\$000	\$000	\$000	
CURRENT LIABILITIES					
4,586	Creditors and payables	13	7,952	5,494	4,586
287	Crown creditor		0	0	0
2,974	Provision to pay surplus to the Crown	14	3,949	100	100
7,672	Provision for employee entitlements	15	6,408	5,524	5,949
15,519	Total Current Liabilities		18,309	11,118	10,635
NON-CURRENT LIABILITIES					
9,075	Provision for employee entitlements	15	9,392	9,533	9,793
9,075	Total Term Liabilities		9,392	9,533	9,793
24,594	Total Liabilities		27,701	20,651	20,428
121,947	NET ASSETS		121,947	131,621	121,947

The accompanying accounting policies and notes form part of these financial statements.
For information on major variances against budget refer to Note 1 (page 95).

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
OPERATING ACTIVITIES				
Cash provided from:				
183,921	Supply of outputs - To Crown	192,139	188,633	192,139
19,044	- To Customers	11,303	11,576	11,624
124	Interest	40	100	100
<u>203,089</u>		<u>203,482</u>	<u>200,309</u>	<u>203,863</u>
Cash disbursed to:				
81,980	Produce outputs - Personnel	85,694	85,225	83,902
87,199	- Operating	89,951	93,701	99,016
10,360	- Capital charge	10,365	9,775	10,366
(344)	- Net GST Paid (Received)	(286)	0	0
<u>179,195</u>		<u>185,724</u>	<u>188,701</u>	<u>193,284</u>
23,894	Operating Activities	17,758	11,608	10,579
	Net Cash Flows			
INVESTING ACTIVITIES				
Cash provided from:				
19,118	Sale of fixed assets	540	300	300
Cash disbursed for:				
26,705	Purchase of fixed assets	11,793	16,882	18,703
(7,587)	Investing Activities	(11,253)	(16,582)	(18,403)
	Net Cash Flows			

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

STATEMENT OF CASH FLOWS (contd)

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
FINANCING ACTIVITIES				
Cash disbursed for:				
599	Payment of surplus to Crown	<u>2,974</u>	<u>100</u>	<u>2,974</u>
(599)	<i>Financing Activities</i>	(2,974)	(100)	(2,974)
	<i>Net Cash Flows</i>			
15,708	Net Increase (Decrease) in Cash Held	3,531	(5,074)	(10,798)
20,047	Add opening cash and deposits	35,581	16,086	35,581
(174)	Unrealised foreign exchange gain/(loss)	(143)	0	0
35,581	Closing Cash and Deposits	38,969	11,012	24,783
<i>Cash and deposits comprises</i>				
35,581	Cash	38,969	11,012	24,783
35,581		38,969	11,012	24,783

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

RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
2,974	Net operating surplus	3,949	100	100
	Add/(Less) Non-cash Items			
12,705	Depreciation	12,105	12,513	11,771
174	Unrealised foreign exchange (gain)/loss	143	0	0
12,879	Total Non-Cash Items	12,248	12,513	11,771
	Add/(Less) Working Capital Movements			
7,192	(Inc)/Dec in debtors and receivables	(191)	0	0
335	(Inc)/Dec in non-current debtors and receivables	(60)	0	0
(93)	(Inc)/Dec in current prepayments	(136)	0	0
(908)	Inc/(Dec) in creditors and payables	3,366	0	0
287	Inc/(Dec) in Crown creditor	(287)	0	(287)
907	Inc/(Dec) in current employee entitlements	(1,264)	0	0
428	Inc/(Dec) in non-current employee entitlements	317	(1,005)	(1,005)
8,148	Working Capital Movements - net 1,745		(1,005)	(1,292)

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

**RECONCILIATION OF NET SURPLUS TO NET CASH FLOW
FROM OPERATING ACTIVITIES (contd)**

For the Year Ended 30 June 2004

30/6/03	30/6/04	30/6/04	30/6/04
Actual	Actual	Main Estimates	Supp. Estimates
\$000	\$000	\$000	\$000
Add/(Less) investing activity items			
(107) Net (Gain)/Loss on sale of fixed assets	(184)	0	0
(107) Total Investing Activity Items	(184)	0	0
23,894 Operating Activities Net Cash Flows	17,758	11,608	10,579

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

STATEMENT OF COMMITMENTS

As at 30 June 2004

The Ministry has long-term leases on its premises in New Zealand and overseas. The annual lease payments are subject to regular reviews, ranging from one year to five years.

30/6/03		30/6/04
Actual		Actual
\$000		\$000
CAPITAL COMMITMENTS		
Land and buildings		
562	<i>Less than one year</i>	1,762
562	TOTAL CAPITAL COMMITMENTS	1,762
OPERATING LEASES		
Accommodation		
26,001	<i>Less than one year</i>	27,830
11,410	<i>One to two years</i>	22,464
19,820	<i>Two to five years</i>	23,115
46,356	<i>More than five years</i>	42,058
103,587		115,467
Goods and services		
4,397	<i>Less than one year</i>	3,567
469	<i>One to two years</i>	451
356	<i>Two to five years</i>	300
4	<i>More than five years</i>	0
5,226		4,318
108,813	TOTAL OPERATING LEASE COMMITMENTS	119,785
109,375	TOTAL COMMITMENTS	121,547

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

STATEMENT OF DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS

For the Year Ended 30 June 2004

(Figures are GST inclusive where applicable)

	30/6/04 Expenditure Actual \$000	30/6/04 Appropriation Voted* \$000
VOTE: FOREIGN AFFAIRS AND TRADE		
Appropriations for Classes of Outputs		
Policy Advice and Representation: Other Countries	130,022	133,004
Policy Advice and Representation: International Institutions	36,197	35,335
Consular Services	6,294	6,536
Services for Other New Zealand Agencies Overseas	10,708	10,866
Administration of Diplomatic Privileges and Immunities	859	871
Promotional Activities: Other Countries	702	788
Pacific Security Fund	1,253	1,960
Hosting of Pacific Islands Forum Meeting	1,522	1,653
	187,557	191,013
VOTE: OFFICIAL DEVELOPMENT ASSISTANCE		
Appropriations for Classes of Outputs		
Strategic Advice and Evaluation Programme	4,584	4,835
Management of Official Development Assistance Programme	16,560	17,001
	21,144	21,836

* This includes adjustments made in the Supplementary Estimates.
The accompanying accounting policies and notes form part of these financial statements.

STATEMENT OF TRUST MONIES

For the Year Ended 30 June 2004

Account	As at 30/6/03 \$000	Contribution \$000	Distribution \$000	Revenue \$000	Expenses \$000	As at 30/6/04 \$000
NZ-France Friendship	13	53	(67)	1	0	0
Cape Roberts Project	1	0	(1)	0	0	0
Niue Trust Fund	0	9,379	0	0	0	9,379
Tongan Library and Research Service	0	26	(8)	0	0	18
Total	14	9,458	(76)	1	0	9,397

Purpose of Trust Accounts

New Zealand-France Friendship Trust

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

Cape Roberts Project Trust

The Cape Roberts Project Trust was established to manage the logistics of a joint scientific drilling operation to be carried out at Cape Roberts in Antarctica. The project was completed in the last financial year and the account is now closed.

Niue Trust Fund

The Niue Trust Fund was established to hold and manage funds received from the New Zealand Agency for International Development for Pacific development assistance in Niue.

Tongan Library and Research Service Trust

The Tongan Library and Research Service Trust was established to manage the contribution from the British Government for the provision of additional library and research services, towards the enhancement of parliamentary services in Tonga.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2004

Note 1: MAJOR BUDGET VARIATIONS

Statement of Financial Performance

The significant movements in total operating expenses and the consequential movements in Revenue Crown result from the following:

- (a) Additional resources arising from the Ministry's Capability Review (\$5.772 million).
- (b) A decrease in appropriations due to an adjustment for foreign exchange and overseas inflation rates (-\$1.654m).

Vote Foreign Affairs and Trade operating expenses are below budget primarily because of:

- i. An approved "in principle" expenditure transfer of \$0.946m from 2003/04 to 2004/05 for implementing security enhancements to ensure staff and their families and property are safe, secure and protected;

Under-expenditure in the following Vote Foreign Affairs and Trade projects:

- ii. Closer Economic Partnerships (\$0.105m);
- iii. Growth and Innovation Framework (\$0.633m);
- iv. Hosting of the Pacific Islands Forum meeting in August 2003 (\$0.131m);
- v. Pacific Security Fund (\$0.629m);

Other:

- vi. Realised FX gains better than budget (\$0.740m).

Vote Official Development Assistance expenses are below budget primarily because of vacant positions in the first half of the year (\$0.634m). These vacancies have now been filled.

Statement of Financial Position

The higher than forecast cash balance at 30 June 2004 has occurred mainly because:

- (a) the purchases of Physical Assets occurred more slowly than originally forecast;
- (b) some payments forecast to be physically paid were held as payables at balance date;
- (c) the 30 June surplus was higher than forecast.

Note 2: OTHER REVENUE

Services for Other Agencies: Recovery of costs for a range of support services provided to other New Zealand agencies with overseas interests. Services include general office services; access to communications and courier systems; operational support to agency representatives working overseas out of the Ministry's posts and fees for work performed on behalf of other agencies.

Rents: Rental income from sub-let office and residential accommodation.

Consular services: Notarial and legal charges, consular call-out fees, diplomatic passports and authentication of document charges.

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

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
10,561	Services for other agencies	10,152	10,377	10,291
541	Rents	554	534	554
369	Consular services	344	300	300
380	Miscellaneous	342	365	365
0	Pacific Islands Forum	114	0	114
11,851	Total Other Revenue	11,506	11,576	11,624

Note 3: INTEREST

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
124	Overseas interest	40	100	100
124	Total Interest	40	100	100

Note 4: PERSONNEL COSTS

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
78,875	Salaries and wages	80,567	79,684	78,742
4,423	Pension expenses	4,160	4,536	4,155
83,298	Total Personnel Costs	84,727	84,220	82,897

Note 5: OPERATING COSTS

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
202	Audit fees to Audit New Zealand	184	200	200
48,606	Other operating costs	55,821	55,527	61,706
50	Asset write-offs	0	0	0
1	Debt write-offs	9	0	0
48,859	Total Operating Expenses	56,014	55,727	61,906

During the 2003/04 financial year, the Ministry also engaged Audit New Zealand to undertake quality assurance reviews over controls and processes in the banking unit and the financial management information system (\$8,820), a probity review of tender processes over the approved contractor scheme (\$5,760) and a post-implementation review of a project (\$15,109).

Note 6: DEPRECIATION

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
1,960	Freehold buildings	1,724	2,213	1,655
1,488	Leasehold improvements	2,125	1,889	1,570
856	Plant & machinery	966	879	814
831	Furniture & fittings	844	714	781
697	Motor vehicles	694	693	689
550	Equipment	517	448	503
6,323	Computer equipment	5,235	5,677	5,759
12,705	Total Depreciation Charge	12,105	12,513	11,771

Note 7: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown on its average taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2004 was 8.5% (2003: 8.5%).

Note 8: TAXPAYERS' FUNDS**General Funds**

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
125,546	General funds as at 1 July	115,872	125,546	115,872
2,974	Net operating surplus	3,949	100	100
(9,674)	Transfer of physical assets	0	0	0
118,846		119,821	125,646	115,972
(2,974)	Provision for repayment of Surplus to the Crown	(3,949)	(100)	(100)
115,872	General Funds as at 30 June	115,872	125,546	115,872

Revaluation Reserves

30/6/03	30/6/03	30/6/03		30/6/04	30/6/04	30/6/04
Property	Works of Art	Total		Property	Works of Art	Total
\$000	\$000	\$000		\$000	\$000	\$000
7,088	516	7,604	Balance brought forward	5,559	516	6,075
(1,529)	0	(1,529)	Revaluation changes at 30 June	0	0	0
5,559	516	6,075	Balance at 30 June	5,559	516	6,075

Note 9: DEBTORS AND RECEIVABLES

30/6/03		30/6/04
Actual		Actual
\$000		\$000
Short Term		
81	Trade debtors	177
(30)	Less: Provision for doubtful debts	(30)
51	Net trade debtors	147
379	Receivables	486
16	Staff debtors/loans	4
446	Total Short Term	637
Long Term		
176	Deposit bonds	115
1,792	Lease deposits	1,881
173	Staff loans	205
2,141	Total Long Term	2,201
2,587	Total Debtors and Receivables	2,838

Note 10: PREPAYMENTS

Prepayments include expenditure paid in advance for property leases.

Note 11: FIXED ASSETS

30/6/03		30/6/04
\$000		\$000
Freehold land		
28,791	At valuation - 31/10/02	28,791
28,791		28,791
Leasehold land - non-depreciable		
7,223	At valuation - 31/10/02	7,223
7,223		7,223
Freehold buildings		
33,658	At valuation - 31/10/02	33,658
1,715	At cost	2,575
(1,547)	Accumulated depreciation	(3,270)
33,826	<i>Buildings - net current value</i>	32,963
Leasehold improvements		
17,652	At cost	21,994
(7,674)	Accumulated depreciation	(9,538)
9,978	<i>Leasehold improvements - net current value</i>	12,456
Works of art		
415	At cost	542
1,279	At valuation - 1/2/01	1,279
1,694	<i>Works of art - net current value</i>	1,821
Work in progress		
163	Leasehold improvements (at cost)	1,113
0	Computer equipment (at cost)	350
163	<i>Work in progress - net book value</i>	1,463

Note 11: FIXED ASSETS (contd)

30/6/03		30/6/04
	Plant & machinery	
3,664	At cost	3,627
(2,087)	Accumulated depreciation	(2,200)
1,577	<i>Plant & machinery - net book value</i>	1,427
	Furniture & fittings	
11,819	At cost	12,540
(7,886)	Accumulated depreciation	(8,296)
3,933	<i>Furniture & fittings - net book value</i>	4,244
	Motor vehicles	
6,002	At cost	5,951
(2,653)	Accumulated depreciation	(2,659)
3,349	<i>Vehicles - net book value</i>	3,292
	Equipment	
13,869	At cost	14,414
(10,976)	Accumulated depreciation	(11,614)
2,893	<i>Equipment - net book value</i>	2,800
	Computer equipment	
34,636	At cost	30,434
(22,260)	Accumulated depreciation	(21,779)
12,376	<i>Computer equipment - net book value</i>	8,655
105,803	TOTAL CARRYING AMOUNT OF FIXED ASSETS	105,135

Note 11: FIXED ASSETS (contd)**Movements in Values**

Land and Buildings were revalued at fair value as at 31 October 2002. This valuation was conducted by an independent registered valuer, A G Stewart FNZIV of Darroch Ltd, on the Ministry's behalf. Land and Buildings have been translated into New Zealand dollars at the exchange rate prevailing as at that date.

Buildings purchased or capitalised since 31 October 2002 have been recorded at cost.

Summary of Assets - Net Current Value

30/6/03		30/6/04
\$000		\$000
98,580	Freehold	97,912
7,223	Leasehold	7,223
105,803		105,135

Note 12: PROPERTIES INTENDED FOR RESALE

There are no properties intended for resale at 30 June 2004 (30 June 2003: nil).

Note 13: CREDITORS AND PAYABLES

30/6/03		30/6/04
Actual		Actual
\$000		\$000
1,397	Trade creditors	2,023
1,992	Accrued expenses	4,446
1,197	GST payable	1,483
4,586		7,952

Note 14: PROVISION TO PAY SURPLUS TO THE CROWN

30/6/03		30/6/04
Actual		Actual
\$000		\$000
2,974	Net surplus from the delivery of outputs	3,949
2,974	Total Provision for Repayment of Surplus	3,949

Note 15: PROVISION FOR EMPLOYEE ENTITLEMENTS

30/6/03		30/6/04
Actual		Actual
\$000		\$000
Non-Current Liabilities		
9,075	Retirement and long service leave	9,392
9,075	Total Non-Current	9,392
Current Liabilities		
3,794	Annual leave	4,437
2,773	Salaries and allowances	862
360	ACC levy	371
745	Retirement and long service leave	738
7,672	Total Current	6,408
16,747	Total Provision for Employee Entitlements	15,800

An independent actuarial valuation was undertaken by Aon Consulting, New Zealand Limited as at 30 June 2004 to estimate the present value of retirement leave.

The key assumption used in discounting to present values were:

- Discount rate for the 2004 financial year 5.75% p.a.
- Salary growth rate for the 2004 financial year 3% p.a.

Note 16: CONTINGENCIES

Contingent liabilities are separately disclosed in the Statement of Contingent Liabilities.

The Ministry does not have any contingent assets as at 30 June 2004 (30 June 2003: nil).

Note 17: FINANCIAL INSTRUMENTS

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

Credit Risk

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

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

Fair Value

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

The foreign currency forward contracts of \$68.876m (30 June 2003 \$72.918m) have an estimated fair value of \$64.658m (30 June 2003: \$62.159m).

Currency Risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

Currency Risk (contd)

The Ministry uses foreign exchange forward contracts to manage foreign exchange exposures. The Ministry classifies currencies to which it is exposed as being either Group 1 or Group 2 currencies. Group 1 currencies are those for which liquid forward markets exist whereas no forward markets exist for Group 2 currencies. The following foreign currency exposures exist:

30/6/03				30/6/04		
Group 1	Group 2	Total		Group 1	Group 2	Total
\$000	\$000	\$000		\$000	\$000	\$000
60,195	17,299	77,494	Departmental	57,917	18,899	76,816
12,723	0	12,723	Crown	10,958	0	10,958

The discounted net aggregate New Zealand dollar equivalent exposure for Group 1 currencies as at 30 June 2004 did not exceed the Ministry's Foreign Exchange Management Policy limit.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the return on investments or the cost of borrowing. The Ministry has no significant exposure to interest rate risk on its financial instruments.

Under section 46 of the Public Finance Act the Ministry cannot raise a loan without ministerial approval and no such loans have been raised. Accordingly, there is no interest rate exposure on funds borrowed.

Note 18: RELATED PARTY INFORMATION

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

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

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

SCHEDULES AND STATEMENTS: NON-DEPARTMENTAL

For the Year Ended 30 June 2004

The following non-departmental statements and schedules record the expenses, revenue and receipts, assets and liabilities the Ministry manages on behalf of the Crown. The Ministry of Foreign Affairs and Trade administered \$280 million of non-departmental payments, \$0.251 million of non-departmental revenue and receipts, \$18 million of assets and \$4 million of liabilities on behalf of the Crown for the year ended 30 June 2004. Further details of the Ministry's management of these Crown assets and liabilities are provided in the Output Performance sections of this report.

NON-DEPARTMENTAL STATEMENT OF ACCOUNTING POLICIES

For the Year Ended 30 June 2004

Measurement System

Measurement and recognition rules applied in the preparation of these non-departmental financial statements and schedules are consistent with generally accepted accounting practice and Crown accounting policies.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

Accounting Policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates (Supp. Estimates) and any transfer made by Order in Council under section 5 of the Public Finance Act 1989.

Goods and Services Tax (GST)

All non-departmental schedules and statements are GST inclusive where applicable.

Debtors and Receivables

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

Commitments

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

Contingent Liabilities

Contingent liabilities are disclosed at the point at which the contingency is evident.



NON-DEPARTMENTAL SCHEDULES AND STATEMENTS**STATEMENT OF NON-DEPARTMENTAL EXPENDITURE AND APPROPRIATIONS**

For the Year Ended 30 June 2004

(Figures are GST inclusive where applicable)

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
VOTE: FOREIGN AFFAIRS AND TRADE				
Appropriation for Non-Departmental Output Classes				
8,644	Antarctic research and support	9,223	8,823	9,223
1,740	Promotion of asian skills and relationships	2,021	2,021	2,021
0	Pacific Cooperation Foundation	675	675	675
9,586	Foreign direct investment facilitation	0	0	0
1,187	Promotion of exporting	0	0	0
65,103	International business consultancy	0	0	0
791	Policy support	0	0	0
87,051		11,919	11,519	11,919
Appropriation for Other Expenses to be Incurred by the Crown				
665	Disbursements made, exemptions from taxation, etc	875	1,011	1,011
46	Payments on behalf of other Governments	25	400	100
28,104	Subscriptions to international organisations	26,195	32,260	27,217
28,815		27,095	33,671	28,328
Capital Contributions to Other Persons or Organisations				
321	New Zealand Antarctic Institute	3,937	3,937	3,937
116,187	Total	42,951	49,127	44,184

**STATEMENT OF NON-DEPARTMENTAL EXPENDITURE
AND APPROPRIATIONS (contd)**

For the Year Ended 30 June 2004

(Figures are GST inclusive where applicable)

30/6/03	30/6/04	30/6/04	30/6/04	
Actual	Actual	Main Estimates	Supp. Estimates	
\$000	\$000	\$000	\$000	
VOTE: OFFICIAL DEVELOPMENT ASSISTANCE				
Appropriation for Other Expenses to be Incurred by the Crown				
0	New Zealand Voluntary Agencies Grants	17,647	17,412	18,150
0	International Agency Funding	53,563	70,491	53,795
0	Emergency Relief (Multi-year Appropriation)	13,974	4,500	14,500
0	Global Development Assistance (Multi-year Appropriation)	48,783	51,447	51,050
0	Pacific Development Assistance (Multi-year Appropriation)	103,458	101,712	107,933
155,863	Bilateral Official Development Assistance	0	0	0
74,320	Multilateral Official Development Assistance	0	0	0
230,183		237,425	245,562	245,428

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
Non-Departmental Recoveries				
156	Investment income	156	0	78
73	Other operational revenue	95	400	100
229	Total Revenue	251	400	178

SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
Outputs				
67,880	Trade New Zealand	0	0	0
8,787	Investment New Zealand	0	0	0
8,644	New Zealand Antarctic Institute	9,223	8,823	9,223
1,740	Asia 2000 Foundation	2,021	2,021	2,021
0	Pacific Cooperation Foundation	675	675	675
87,051	Total Outputs	11,919	11,519	11,919

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE (contd)

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
	Other Expenses			
28,104	Subscriptions to international organisations	26,195	32,260	27,217
230,183	Official Development Assistance	237,425	245,562	245,428
665	Diplomatic exemptions	875	1,011	1,011
46	Payments on behalf of Tokelau	25	400	100
(387)	Revaluation of shares	(581)	0	0
258,611	Total Other Expenses	263,939	279,233	273,756
345,662	Total Operating Expenses	275,858	290,752	285,675
	Capital Contributions to Other Organisations			
321	New Zealand Antarctic Institute	3,937	3,937	3,937
345,983	Total Expenses	279,795	294,689	289,612

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2004

30/6/03	Notes	30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
CURRENT ASSETS				
10,055	Cash	2,581	0	0
62	Debtors and receivables	42	74	62
0	Prepayments	4,933	0	0
10,117	Total Current Assets	7,556	74	62
NON-CURRENT ASSETS				
9,375	Shares in foreign organisations	9,956	8,989	9,375
9,375	Total non-current assets	9,956	8,989	9,375
19,492	Total Assets	17,512	9,063	9,437

The accompanying accounting policies and notes are an integral part of these statements and schedules.

In addition, the Ministry monitors a number of Crown Entities. These are the New Zealand Antarctic Institute, the Pacific Cooperation Foundation and the Asia 2000 Foundation.

The investment in these entities is recorded within the Crown Financial Statements on a line-by-line basis. No disclosure is made in this schedule.

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
CURRENT LIABILITIES				
10,437	Creditors and payables	3,719	5,382	10,437
10,437	Total Liabilities	3,719	5,382	10,437

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

NON-DEPARTMENTAL STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
OPERATING				
Cash provided from:				
229	Receipts on behalf of the Crown	251	400	178
351,334	Non-departmental appropriation	294,612	294,689	289,612
351,563		294,863	295,089	289,790
Cash disbursed to:				
89,363	Non-departmental outputs	11,919	19,035	18,450
251,618	Other expenses	276,152	271,717	267,225
340,981		288,071	290,752	285,675

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

NON-DEPARTMENTAL STATEMENT OF CASH FLOWS (contd)

For the Year Ended 30 June 2004

30/6/03		30/6/04	30/6/04	30/6/04
Actual		Actual	Main Estimates	Supp. Estimates
\$000		\$000	\$000	\$000
10,582	<i>Operating activities net cash flows</i>	6,792	4,337	4,115
	INVESTING			
	Cash disbursed to:			
321	NZ Antarctic Institute: Capital injection	3,937	3,937	3,937
(321)	<i>Investing activities net cash flows</i>	(3,937)	(3,937)	(3,937)
	FINANCING			
	Cash disbursed to:			
10,164	Bank balances repaid to the Crown	10,055	0	10,055
206	Receipts returned to the Crown	274	400	178
(10,370)	<i>Financing activities net cash flows</i>	(10,329)	(400)	(10,233)
(109)	<i>Net increase (decrease) in cash held</i>	(7,474)	0	(10,055)
10,164	<i>Add opening cash</i>	10,055	0	10,055
10,055	Closing Cash	2,581	0	0

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

STATEMENT OF NON-DEPARTMENTAL COMMITMENTS

As at 30 June 2004

30/6/03		30/6/04
Actual		Actual
\$000		\$000
Operating		
Official Development Assistance		
126,779	<i>Less than one year</i>	102,668
38,100	<i>One to two years</i>	34,254
60,451	<i>Two to five years</i>	43,947
0	<i>More than five years</i>	18,165
225,330		199,034
Subscriptions to international organisations		
32,260	<i>Less than one year</i>	25,340
32,260		25,340
257,590	Total Operating Commitments	224,374
257,590	Total Non-Departmental Commitments	224,374

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

STATEMENT OF NON-DEPARTMENTAL CONTINGENT LIABILITIES

As at 30 June 2004

30/6/03			30/6/04		
Foreign			Foreign		
Currency	NZD		Currency	NZD	
\$000	\$000		\$000	\$000	
Guarantees - Asian Development Bank for loans to the Cook Islands Government					
SDR	3,364	8,097	Telecommunications loan	SDR	3,294 7,608
USD	700	1,203	Multiple Small-Project loan	USD	660 1,052
SDR	1,840	4,428	Multi-Project loan	SDR	1,798 4,154
USD	1,140	1,959	Development Bank loan	USD	1,080 1,721
SDR	911	2,192	Development Bank loan	SDR	892 2,060
SDR	285	687	Telecommunications loan	SDR	280 646
		18,566			17,241
		468	Guarantees - Other		468
European Bank for Reconstruction and Development					
ECU	7,000	13,754	Uncalled share capital	ECU	7,000 13,490
Total Non-Departmental Contingent					
	32,788	Liabilities		31,199	

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

The accompanying accounting policies and notes are an integral part of these statements and schedules.

These non-departmental balances are consolidated into the Crown Financial Statements and therefore readers of these statements and schedules should also refer to the Crown Financial Statements for 2003/04.

NOTES TO THE NON-DEPARTMENTAL SCHEDULES AND STATEMENTS

Note 1: DEBTORS AND RECEIVABLES

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

Note 2: PREPAYMENTS

Prepayments relate to the Official Development Assistance (ODA) programme.

Note 3: SHARES

The Ministry held the following shares as at balance date. The shares have been valued at their net asset backing at 31 December 2003. This is in accordance with the Crown's accounting policy to record investments at the lower of cost and net current value.

30/6/03			30/6/04				
At Cost	At-Net		Share	Share	Paid-In	At-Cost	At-Net
	Current	Type	Number	Value	Value	Value	Current
	Value						Value
\$000	\$000			\$	\$000	\$000	\$000
Pacific Forum Line							
7	7	A Shares	10,000	0.64	6	7	8
3,191	3,217	B Shares	4,318,000	0.64	2,764	3,191	3,554
1,771	335	B Shares	450,000	0.64	288	1,771	370
4,969	3,559					4,969	3,922
European Bank for Reconstruction and Development							
5,894	5,816	Ordinary	1,000	(ECU)	(ECU)	3,000	5,781
10,863	9,375	Total				10,750	9,956

Note 3: SHARES (contd)

As at 30 June 2004 an additional 62,500 B Shares were held on behalf of the Government of Vanuatu.

The European Bank for Reconstruction and Development's authorised share capital is ECU 20,000 million divided into 2 million shares, having a face value of ECU 10,000 each. New Zealand has been allocated 1,000 shares, amounting to 0.05% of the Bank's capital. The authorised share capital is divided into paid-in and callable shares. The total par value of paid-in shares is ECU 3,000 million. A contingent liability exists for ECU 7 million for uncalled share capital.

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