

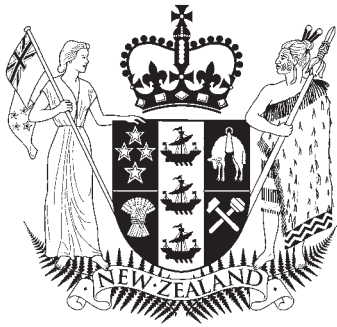
# Statement of Intent 2008–2011

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RT HON WINSTON PETERS

*Minister of Foreign Affairs*

## FOREWORD

The Government has approved a major funding increase for the Ministry of Foreign Affairs and Trade. This will better enable the Ministry to advance and protect New Zealand's interests in a globalised world that is becoming ever more crowded, complex and competitive.

Given such an international environment, small countries like New Zealand risk having their interests pushed aside if they are not present and visible, or not able to persuade and negotiate with skills and knowledge equal to their partners and competitors, when decisions affecting their future are being debated and taken. As part of Budget 2008, the Government has committed an additional \$523 million in operational funding and a capital injection of \$98 million over the next five years to deepen the Ministry's ability to influence the rapidly changing external environment in pursuit of New Zealand's interests and priorities.

The strengthening of the Ministry's capacities will be focused on areas of priority to the Government. These include increasing New Zealand's influence with near-neighbourhood Pacific Island partners in order to bolster prospects for their future stability and sustainable development; contributing to improved security in the Asia-Pacific region and inclusive approaches to regional integration; pro-actively seeking agreements to remove obstacles to existing trade and opening up new markets for New Zealand; helping to build globally competitive New Zealand firms by facilitating their international connections and identifying business opportunities; seeking rules-based solutions to cross-boundary problems especially in the areas of climate change and the wise management of non-renewable or vulnerable natural resources such as fisheries; strengthening contributions to international counter-terrorism and peace support initiatives; improving consular support and services to protect the rights and safety of New Zealanders abroad; and improving good governance, healthcare, education, and sustainable development in the Pacific through the Official Development Assistance managed by NZAID.

Many of these objectives are longstanding concerns of New Zealand and the Government. But to make a sustained and meaningful impact on them through diplomacy will, in future, require more effort and deeper resources. In the first year alone, it will involve the opening of new posts in Australia and Scandinavia, a boosting of staff levels to lift capacity in high-priority areas such as the Pacific and Asia, the international trade agenda, environment and security issues, and expanded engagement with key partner countries.

This Statement of Intent outlines in detail how the Ministry will pursue these priorities, whether in direct contacts with other countries, leading a whole-of-government effort with

other domestic agencies to achieve maximum impact offshore, in cooperation with Australia and other partners, or through international and regional organisations.

As the Responsible Minister I confirm that this Statement of Intent identifies the principal foreign affairs, trade, consular, and development assistance outcomes sought by the Ministry of Foreign Affairs and Trade over the next three to five years and is consistent with the policies and performance expectations of the Government.

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

A handwritten signature in black ink, reading "Winston Peters". The signature is fluid and cursive, with the first name "Winston" and the last name "Peters" clearly distinguishable.

Rt Hon Winston Peters  
MINISTER OF FOREIGN AFFAIRS  
RESPONSIBLE MINISTER



SIMON MURDOCH

*Secretary of Foreign Affairs and Trade*

## INTRODUCTION FROM THE CHIEF EXECUTIVE

In the coming year the Ministry of Foreign Affairs and Trade will begin a five-year progressive upgrading of its capability. This has been made possible by the Government's approval of additional operating and capital funds from 2008/09. These additional resources will enable the Ministry to have greater impact and deliver results in five areas which are pivotal to the Government's security and prosperity priorities. Specifically they will help us to:

- address ongoing vulnerabilities in the Pacific through diplomatic interventions and leadership of New Zealand's wider offshore presence
- anchor New Zealand in the evolving Asia-Pacific regional security and political arrangements
- secure increased market access for New Zealand through successful outcomes to trade negotiations
- contribute to transformation of the economy through use of our international linkages to help New Zealand business leverage opportunities and to increase flows of goods, services, technology, investment, and skills to New Zealand
- contribute to the negotiation of international rules around climate change and sustainability-based regimes for resource management
- strengthen New Zealand contributions to international peace and security as well as non-proliferation, counter-terrorism, conflict resolution and peace support initiatives
- upgrade capability for dealing with consular crises and emergencies.

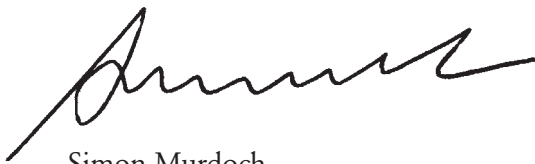
As a small independent country but one with a wide range of international interests, New Zealand relies on diplomacy as its main vehicle for ensuring an external environment that is stable and rules-based, and for opening up opportunities to pursue our trading and other objectives. The range of complex political and security challenges emerging around the world requires a Ministry that is skilled, strategic, and agile at identifying risks and opportunities early and developing policy responses so that New Zealand can help influence developments in its favour and not be limited to reactive options.

The maintenance of an effective New Zealand diplomatic service, and development assistance capability, is not cheap. MFAT is a complex organisation with high fixed costs, and very exposed to price shifts. It is operating at a high tempo and several times in recent years has become severely strained by multiple and overlapping events to which it has had to respond whilst sustaining its "business-as-usual" at the same time. The new funding stream should enable the Ministry to strengthen its output delivery and lift its performance in critical areas of policy.

In all our areas of focus, we will be working closely with other government departments and agencies, and with NZTE in particular, as part of a coherent NZ Inc team effort, seeking better operational synergies to achieve optimal results and positive impact on New Zealand's standing in the world. The Ministry will also be putting special emphasis this year on public diplomacy, with the aim of more systematic presentation of New Zealand's positions and priorities externally to key audiences and opinion-makers outside the normal diplomatic sector in countries of importance to us. This is part of a more targeted and pro-active communications strategy to build wider support and understanding for our work and the opportunities for leveraging off it.

The following pages explain in more detail how we will pursue these goals. Essentially, however, our job is to ensure New Zealand is alert to trends in the global environment which can impact on our national interests directly, or indirectly through the way they affect our partners. We aim to have New Zealand positioned on the right side of those trends to maintain and strengthen its national identity, values, and comparative advantages. We support our Ministers and other New Zealand sectors as they engage with international events, personalities and organisations. Our Heads of Mission and other New Zealand public servants offshore capably represent and defend our interests under direction from the Ministry. This total effort impacts over the long term on the security and prosperity of each one of us.

I am very grateful to all Ministry staff, at home and abroad, without whose commitment, professionalism, and dedication, delivery of this ambitious international agenda would not be possible.



Simon Murdoch  
SECRETARY OF FOREIGN AFFAIRS AND TRADE

# NATURE AND SCOPE OF FUNCTIONS

The Ministry of Foreign Affairs and Trade (MFAT) is the Government's lead adviser on foreign and trade policy, and diplomatic, consular, and development assistance issues. This last advice is provided by the New Zealand Agency for International Development (NZAID). The Ministry also provides legal advice on international issues. Under international practice, it is the formal channel for the Government's communications to and from other countries and international institutions.

The Ministry works for Ministers in three portfolio areas:

- Foreign Affairs
- Trade
- Disarmament and Arms Control.

The Minister of Foreign Affairs is the Responsible Minister who oversees the Government's ownership interest in the Ministry.

The Ministry administers two Votes on behalf of the Minister – Vote: Foreign Affairs and Trade and Vote: Official Development Assistance.

The Ministry's mission, or the overall outcome to which it contributes, is to ensure:

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

NZAID is a semi-autonomous body within the Ministry. Its mission is to work towards the achievement of its vision of "a safe and just world free of poverty". Its main outcome is:

***Poverty eliminated through development partnerships.***

The Ministry fulfils its role by:

## **Working with Foreign Governments and Organisations**

The Ministry is responsible for providing advice on the management of the Government's security and prosperity interests abroad including its Official Development Assistance (ODA) programmes, conducting its relations with other countries and international organisations, advocating and representing New Zealand's positions and views to foreign governments and organisations, and negotiating agreements on behalf of New Zealand.

We protect and advance New Zealand's interests by developing and sustaining relationships with foreign governments and international organisations so that we can accrue and exert influence on them to accommodate New Zealand's interests in the decisions they take. We do this through *presence, persuasion and negotiation*. Our resources include offshore representation and a global network of communications to cultivate influence over time and prepare the ground for specific initiatives and interventions. The Ministry also supports Government Ministers and official delegations abroad.

## **Working with Other Government Agencies**

The Ministry works closely with other government agencies in pursuing its priority outcomes. Over 30 agencies involved in implementing and managing the Government's external policies

participate in the External Relations and Defence network (ERD) chaired by the Ministry's Chief Executive. Numerous inter-agency sub-groups meet at the working level on specific issues. These range from cooperation with the New Zealand Defence Force (NZDF) in peace support operations to joint activities with New Zealand Trade and Enterprise (NZTE) to advance the internationalisation of business.

The Government has authorised the Heads of New Zealand's diplomatic posts around the world to ensure that all government agencies in a country operate in a coherent and aligned way in pursuit of the Government's goals. Guidelines to assist this process, *Framework for NZ Inc Operations Offshore*, were approved in 2007.

The Ministry's overseas posts provide accommodation and support services to some 115 members of other government agencies serving abroad. Our staff also deliver a range of policy and other services on behalf of other agencies.

### **Working with the Wider Community**

The Ministry provides consular advice and services to New Zealanders abroad. This is done through the travel advisories on its SafeTravel website and by direct assistance from its overseas posts.

The Ministry is also interested to help New Zealanders know more about our external environment and to contribute views on the direction of New Zealand's foreign and development policy. Our domestic stakeholders include business organisations and the private sector, academia and the media, non-government organisations (NGO), Māori, and interest groups. Our engagement with the wider community helps us represent New Zealand's identity and values in the world. The Ministry aims to secure the widest possible ownership of initiatives or policy positions by civil society, NGOs, and other specific interest groups through domestic consultative processes. The private sector has a key role in our work to negotiate Closer Economic Partnerships/Free Trade Agreements (CEPs/FTAs) with other countries.

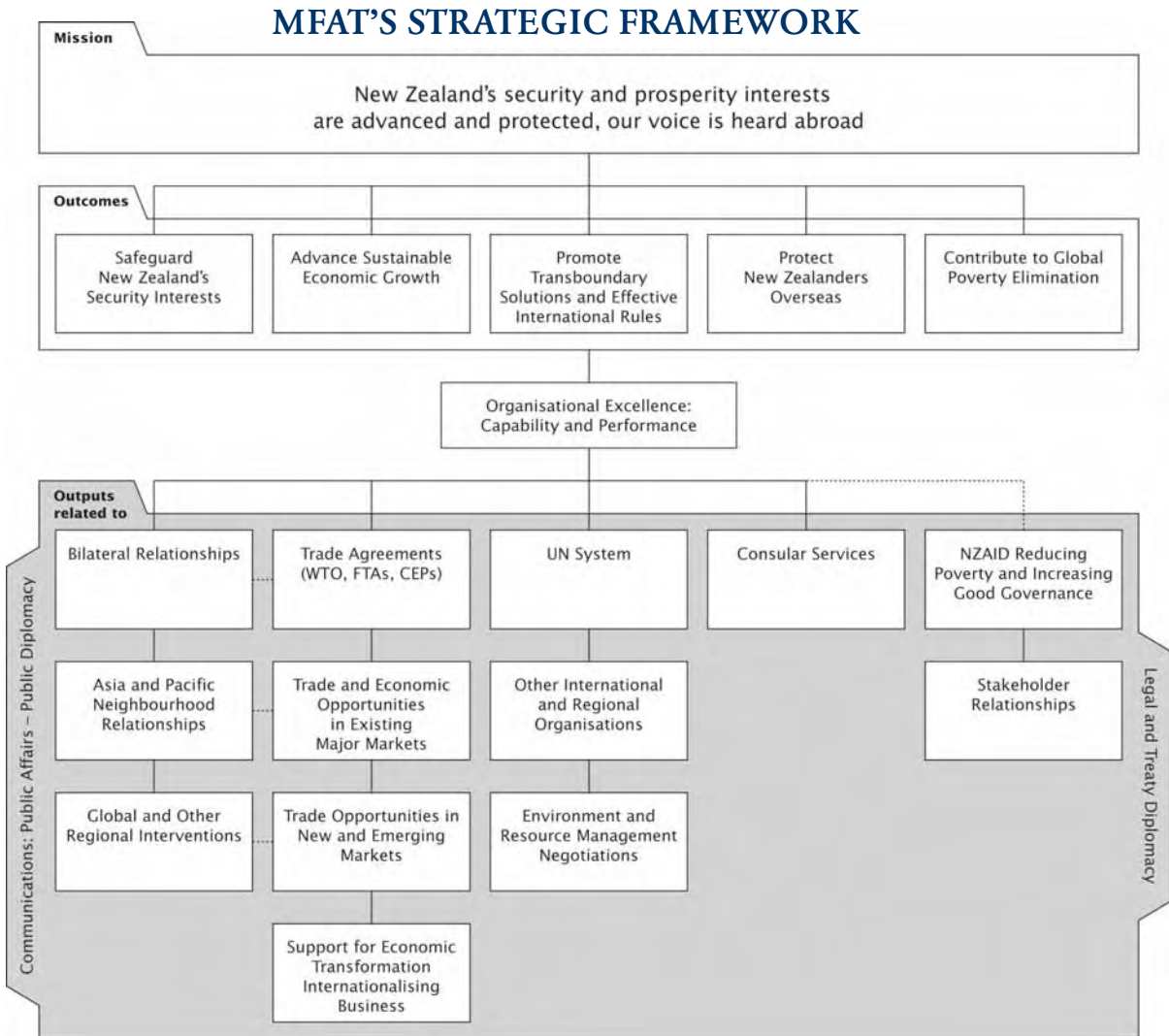
# STRATEGIC DIRECTION

The Ministry has five overarching Intermediate or Strategic Outcomes which have been agreed with Ministers. These are:

- I. New Zealand’s security interests safeguarded
- II. New Zealand’s international connections support transformation of the New Zealand economy and sustainable economic growth
- III. Transboundary solutions and effective international rules promoted
- IV. Poverty eliminated through development partnerships
- V. The rights of New Zealanders abroad protected.

These outcomes are achieved by a variety of mechanisms as shown in the Ministry’s Strategic Framework below. In every aspect of its work, and in all work units, we draw upon two key whole-of-Ministry services: legal advice and treaty diplomacy by our international lawyers, and effective public affairs at home and public diplomacy abroad coordinated by our communications advisors.

Within its five strategic outcomes, the Ministry has identified specific outcomes and impacts to be achieved over the medium term. These are described in the next chapter. They must be pursued and delivered in a complex and changeable international environment presenting significant risks, opportunities and challenges, as outlined below.



## OUR OPERATING ENVIRONMENT

While there is substantial continuity in the international context in which the Government and the Ministry seek to protect and advance New Zealand's interests, the situation is more uncertain than a year ago. This is due largely to changes in the global economic outlook. Short-term international developments that are hard to predict and long-term global trends both have the potential to affect the prosperity and security of New Zealand and the other governments with which it works. This presents both risks and opportunities to New Zealand which may require policy responses. Some may have far-reaching consequences. All require well-informed, discriminating analysis and advice. The main longer-term trends with the potential to affect New Zealand's policy settings are identified below.

### DOMINANT TRENDS WITH GLOBAL IMPACT

Relations between the major powers continue to be generally stable with peaceful competition prevailing. This global equilibrium, plus the existing structures for guiding international relations, provide a coherent environment in which to manage regional security tensions, including in parts of Asia and the Middle East. Sectarian, ethnic, and internal conflicts threaten the stability of some countries and regions, but wider concerns around transboundary threats are of equal if not greater concern. The world still lacks effective mechanisms to deal with issues such as failed states, climate change, health pandemics, and globalisation. The globalised securitised financial system is facing its first major test. Global growth is projected to slow in 2008. The combination of a downturn in world economic activity and rising inflation, especially in high food, commodity and energy prices, poses challenges to most countries' economic management. Least developed countries may be at particular risk as high food prices and shortages could threaten economic and political stability and the achievement of the Millennium Development Goals (MDGs).

At the same time the situation of many developing countries has improved markedly this century, most notably that of China and India. In 2007 the developing countries produced over 52% of global growth. Key emerging economies have also accumulated substantial international reserves and are now major sources of outward foreign investment and credit, including to important industrial countries. Such shifts in the relative economic strength of regions are being accompanied by increasing momentum for political cooperation and economic integration, especially in the Asia-Pacific region. These trends, taken together, place considerable pressure on all countries, including New Zealand, to be more globally present and actively equipped to respond to the challenges of a more competitive, changing world.

### CONTEMPORARY CHALLENGES

The greatest contemporary challenges to international stability are transboundary threats. These include terrorism, the proliferation of weapons of mass destruction (WMD), the spread of infectious diseases and risk of pandemics, gross abuses of human rights, as well as climate change, the depletion of natural resources, and the problems of failed or failing states.

#### **Terrorism**

Terrorism remains a defining challenge for international and regional security and has the potential to compound other transnational threats such as state fragility and WMD

proliferation. While government responses worldwide have made it more difficult for terrorist groups to operate, the risk of further attacks persists. The nature of the terrorist threat continues to evolve as groups variously decentralise and disperse into loosely related networks or alternatively, coalesce under a common ideology. Success in containing the threat to the greatest extent possible depends on the willingness and ability of governments and the international community to sustain coordinated action. Positive political developments in areas such as Iraq, Afghanistan, Southeast Asia and the Middle East peace process could help minimise the recruitment of terrorists over time.

International interest is increasing in interventions aimed at addressing the complex interplay of religion, culture, ideology, history, and personal circumstance which can feed violent extremism. A growing range of countries are encouraging inter-faith or inter-cultural initiatives as a useful means of tackling radicalisation, both at a national and regional level.

### **Proliferation of Weapons of Mass Destruction**

Progress on reducing the threat from nuclear weapons has stalled since 2005. The five-yearly review of the Nuclear Non-Proliferation Treaty takes place in 2010 but the prospects for significant forward movement are not encouraging. The focus of current international efforts is on combating the wider proliferation of WMD in order to prevent new states from developing WMD capabilities and non-state actors, in particular terrorists, from gaining access to them, including through collective responses such as the Proliferation Security Initiative. Meanwhile the international community continues to debate other disarmament issues in the area of nuclear, chemical, biological weapons and their means of delivery (missiles), inhumane and other conventional weapons, and small arms and light weapons.

This broad international security agenda, which is being pursued in a variety of settings including the United Nations (UN), requires more intensive engagement and whole-of-government contributions by New Zealand, in particular in the Pacific region where New Zealand is assisting neighbouring countries to upgrade their capacity to respond.

### **Climate Change and Sustainability**

Severe weather events, food shortages, loss of biodiversity, updated scientific evidence, and new analysis of economic impacts have heightened political and public concern about the state of the environment, in particular climate change. Collective action to translate these concerns into adequate global action is still developing. Strategies to respond to the challenges are more advanced at the national and regional levels in some parts of the world, as well as in the private sector. Promoting sustainable practices across economies including in water, energy, transport, waste, and land management is becoming increasingly important.

Engaging in efforts to achieve a comprehensive post-2012 agreement on climate change represents an immediate challenge for New Zealand with potentially significant economic as well as environmental consequences. Working with like-minded countries to conserve global natural resources and promote sustainable practices is another key challenge.

### **International Rules-based System**

Coordinated global responses provide the most effective response to most of these transboundary contemporary challenges. The international system, centred on the UN, continues to be under strain. Despite the gains of the 2005 World Summit, it still falls short of the comprehensive and internally consistent rules-based system required to promote

transboundary solutions and effective international rules in the growing and increasingly interconnected areas where collective action is necessary. Making the UN system work more effectively across its three pillars – security, development, and human rights – is an important component of New Zealand’s foreign policy engagement.

Not all cross-boundary and transboundary problems are global in nature. A number are regional in character, and regional structures and mechanisms are a logical response to deal with their complexities. Through its active involvement in Asia and the Pacific, New Zealand gives strong support to the development of more effective regionalism.

## TRADE TRENDS

The outlook for global trade and economic growth is less positive than in recent years following the emergence of the US sub-prime mortgage crisis in August 2007. The global credit crunch, the slow-down in the US economy, high world food, commodity and energy prices, and rising inflation, will have impacts on other economies, including the major emerging market economies in Asia. Some dampening of growth rates can be expected. World economic growth is expected to slow to 3.7% in 2008 and global trade growth to 4.5%. Growth in key Asian emerging markets and key commodities, while slower than in recent years, is still expected to remain solid, especially in China and India which are projected to grow by 9.3% and 7.9% in 2008.

The ongoing integration of major emerging markets into the global economy is expected to continue as major developing countries expand their commercial power and negotiating influence. Technological innovation and falling information and communication costs in particular, plus the increasing sophistication of global supply chains, are driving their integration into the global markets for goods, services, and capital. This, along with the efforts towards regional economic integration in Asia, Europe, and the Americas, will continue to shape the trading environment for the foreseeable future. Global trade diplomacy will continue to focus on trade liberalisation at the global and regional level.

The World Trade Organisation’s (WTO) Doha Round is still New Zealand’s top trade negotiations priority. It is widely recognised that a successful outcome would do more than any other process to further international trade liberalisation and development. The WTO with its dispute settlement procedures also continues to provide a solid rules-based system for world trade. The number of bilateral and regional trading arrangements, however, continues to rise as no country can afford to be isolated from world trade and investment markets or to rely solely on the WTO or Asia Pacific Economic Cooperation (APEC) processes.

The nature of global trade is also being affected by the rise of international concerns around the environment. New forms of trading opportunities are emerging and there are increasingly complex linkages between policy responses to environmental challenges and issues of trade and agriculture, eg bio-fuels production. Increasing consumer awareness of environmental values in goods and services is also having direct impact on the trading environment. Issues such as “food miles” and the carbon costs of travel are already a commercial reality. Some of these trends have provoked protectionist responses which need to be confronted. For New Zealand, part of the solution lies in participating in whole-of-government approaches to support a greater sustainability focus by New Zealand business.

Compared to other small OECD countries, New Zealand is not well-integrated into the global economy. Only a relatively small number of firms are involved in exporting or

building an offshore presence through international investment. A strategic priority for the Government is to promote New Zealand's economic transformation and help build more globally competitive firms. This requires a whole-of-government "NZ Inc" effort in close cooperation with the private sector to address capacity issues onshore and provide more targeted in-market business support offshore. The Ministry's international network of overseas posts will assist this effort.

Turning to those **regions and countries** where New Zealand has significant interests:

## THE AMERICAS

A secure and prosperous **United States (US)**, engaged on global issues, is crucial for stability and economic progress throughout the world. The strategic presence of the US in East Asia, for example, is an important element in regional security diplomacy and the management of friction between states.

While the slow-down in the US economy and forthcoming Presidential elections have become major domestic preoccupations, the campaign against terrorism continues to underpin US foreign policy. While the outgoing Bush Administration has worked to restore its relations with European allies and is strongly engaged in the WTO for a successful outcome to the Doha negotiations, security issues including terrorism, Iraq, Afghanistan, WMD proliferation, major power relationships, and the Middle East remain major concerns.

Strategic priorities promoted through the relationship with **Canada** include greater cooperation with regional partners, improved international security and stability especially in failed and failing states, revitalised multilateralism, and greater engagement with the G8 major economies.

The underlying trend in **Latin America** continues to be one of economic progress. Buoyed by the high returns for commodity exports and supported by the economic reforms of the last few years, the region as a whole is better placed than previously to withstand a downturn in the US economy. Many countries have succeeded in reducing their foreign debt. Major infrastructural projects are improving transportation links and extending connections within the region. Initiatives for deeper integration continue to be explored, but are at an early stage. In terms of population size, economic potential, and increasing influence in international affairs, the outlook for this region is generally positive.

## ASIA

**China's** growing political and economic influence remains the dominant trend, with other regional players repositioning themselves in response. **Japan** remains an important actor by virtue of its economic strength but domestic political constraints have hampered its efforts to pursue a more assertive diplomatic and security profile. **India's** rapid economic and political advance continues. The Republic of **Korea** is an increasingly powerful economic player, actively strengthening relationships in the region. **North Korea's** nuclear ambitions remain a focus for the international community, including China which is playing a more active role in regional security. Cross-strait relations may improve under a new KMT President. The risk of terrorist incidents in Southeast Asia remains. Overall, regional trends are broadly positive, with greater momentum towards integration and continued efforts to resolve outstanding issues both bilaterally and through regional mechanisms. The East Asia Summit (**EAS**), involving both China and India, is the key regional process in the evolving regional

architecture. The Association of Southeast Asian Nations (ASEAN) is entering a new phase with ratification of its Charter expected within the next year. Its new generation of leaders is largely outward-looking. **Indonesia**, a leading democracy in Asia, is reasserting its regional leadership. Democratic government has returned in **Thailand**. In **Myanmar**, the prospects for democracy remain slim. The difficulties with reconstruction and nation-building in **Timor-Leste** will require long-term engagement by the UN and external partners.

## AUSTRALIA

Australia's economic and political influence as a middle power continues to grow. Historically strong commodity and mineral prices are supporting Australia's economic growth, and its significance as a global investor is growing. In foreign policy, the Labor government elected in November 2007 reconfirmed long-standing Australian policies on the fundamental place of its alliance with the United States, and on Australia's commitment to its relationships in Asia. Foreign policy adjustments include greater emphasis on multilateralism and on implementing new approaches to Australia's substantial engagement with Pacific countries, particularly in respect of relationship-building in Melanesia and re-shaping assistance programmes designed to counter negative governance, economic, and social trends there.

## THE PACIFIC

The outlook for the Pacific is troubling. A few countries have enjoyed reasonable growth but weak institutions, political instability, and capacity concerns are signs of persistent regional fragilities that pose risks to future stability and development. Global economic trends are likely to exacerbate these problems. Limited progress in addressing them has been made through the provision of targeted development and good governance assistance to regional countries by external partners. But sustained efforts over time will be needed to entrench improvements and to advance cross-boundary priorities such as fisheries, the broadening security agenda, the environment, regional approaches to trade and longer-term social trends with serious implications such as population growth, the threat of HIV/AIDS, and land issues. The quality of the engagement by external partners will play a critical role in the longer-term prosperity and stability of the region.

## EUROPE

At the end of 2007 the European Union (EU) reached agreement on a new "reform treaty" to update its institutional structures. The treaty is expected to be ratified in 2008. Now a union of 27 members, the EU is expected to focus future enlargement efforts mainly in the Balkans.

The EU is increasingly active on global issues such as climate change, sustainability, and interfaith dialogue. Its foreign policy efforts are focused on its own backyard – in particular the Balkans. More broadly, the Middle East and Russia are throwing up new challenges. China and Brazil remain firmly on the EU radar screen, along with Africa (the EU is the largest ODA provider to Africa).

The EU remains an active player in the WTO Doha round, but has broadened its trade policy approach and is increasingly turning towards greater engagement with emerging economies in Asia, particularly China and India. The EU has also launched a series of free trade agreement negotiations – with the Republic of Korea, India, ASEAN, and with Andean and Central American countries.

The economic slowdown is expected to continue, but with a tentative recovery forecast in 2009. Russia remains a political and economic force in the region, particularly in the energy sector.

## MIDDLE EAST AND AFRICA

Events in **Iraq, Iran, Israel/Palestine, Lebanon, and Afghanistan** demonstrate that the wider Middle East region remains a strategic fulcrum – the stage on which major international political and economic challenges are being played out. The combination of oil revenues, inter-state and intra-state tensions, religious/ideological divides, democratic deficit, population growth, economic under-performance, outside intervention, and violent extremism means ongoing risks to international security. Deteriorating situations in the Horn of Africa, its surrounding region, and **Zimbabwe**, continue to present security challenges both for African countries and for the wider international community.

## DOMESTIC SETTING

The Ministry's external engagement is driven primarily by the Government's foreign and trade policy priorities, particularly the commitment to supporting economic transformation and building a secure, confident nation. There are also important domestic issues which are increasingly moving beyond the realm of domestic "sovereignty" into the purview of foreign relations. There is general acceptance among other agencies seeking to advance the Government's domestic priorities that in a globalised world, international issues influence and feed into domestic policy settings and that building effective international connections is central to maximising New Zealand's social and economic well-being. Public expectations remain high of the Government's ability to project New Zealand values and national identity in pursuit of our interests and to effect change internationally. One way in which New Zealand multiplies the reach and impact of its external engagement is through increased policy cohesion and on-the-ground cooperation among the increasing number of government agencies working offshore. The Ministry is charged by Government with promoting better inter-agency coordination around the world and ensuring that Government's complex dealings with other countries are coherently managed in New Zealand's best interests. Offshore it works alongside more than 12 other agencies in leading the collaborative NZ Inc team effort. This work is expected to intensify in the coming three years as we leverage New Zealand's international connections to identify additional opportunities to support ongoing economic growth and facilitate economic transformation.

## OFFICIAL DEVELOPMENT ASSISTANCE

The NZAID vision, in line with the Cabinet mandate under which the agency was established in 2002, is of "a safe and just world, free of poverty".

In 2000, the international community, through the UN, endorsed a set of poverty reduction targets to be achieved by 2015. These focussed on halving poverty, and a number of related goals. The targets are known as the Millennium Development Goals (MDGs). New Zealand is a signatory to these targets and Cabinet has mandated New Zealand to pursue them.

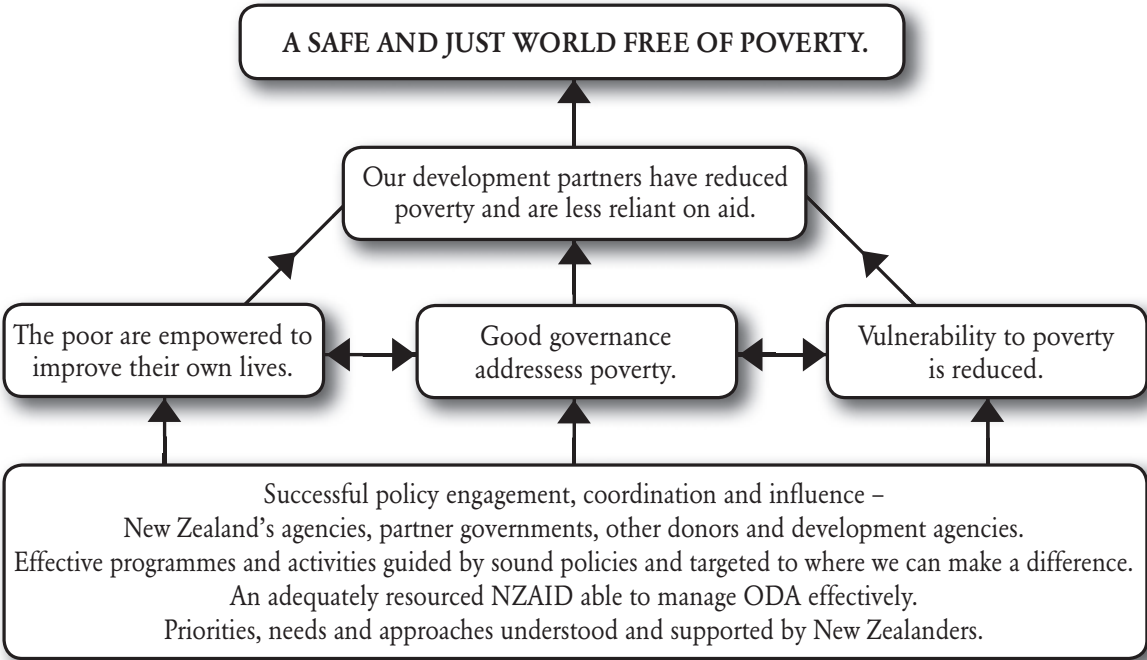
Summary of the Millennium Development Goals	
MDG 1	Eradicate extreme poverty and hunger
MDG 2	Achieve universal primary education
MDG 3	Promote gender equality and empower women
MDG 4	Reduce child mortality
MDG 5	Improve maternal health
MDG 6	Combat HIV/AIDS, malaria and other diseases
MDG 7	Ensure environmental sustainability
MDG 8	Develop a global partnership for development

The MDGs aim to substantially reduce poverty and poverty-related conditions for hundreds of millions of people and, in doing so, create a more stable, prosperous world for all nations.

In 1970, UN members agreed that developed countries should allocate 0.7% of their Gross National Incomes (GNI) to ODA. The target was later included in the MDGs (as MDG Goal 8) which New Zealand endorsed in 2000. In August 2003, the Cabinet reaffirmed its commitment to moving ODA to 0.7% of GNI, as and when resources permit.

Poverty has three main dimensions:

- **Extreme poverty:** the inability to meet basic needs such as having access to safe food and water, shelter or basic health care
- **Poverty of opportunity:** where circumstances like lack of education or lack of access to markets seriously limit opportunities to participate in economic, social, civil, and political life
- **Vulnerability to poverty:** where individuals and communities are particularly vulnerable to circumstances likely to damage their livelihoods and their ability to meet basic needs. This includes vulnerability to economic shocks, natural disasters (famine, drought, earthquakes, etc), and vulnerability to long-term crisis such as climate change.



New Zealand’s ODA:

- positively affects how New Zealand is seen by the world
- enhances New Zealanders’ understanding of the world and their place in it.

NZAID works towards the achievement of its vision through the intermediate outcome “poverty eliminated through development partnerships”, under which sit medium-term outcomes and objectives.

In working towards its outcomes, NZAID will contribute to strengthening national identity, one of the Government’s priority themes over the next decade. The relevant components of this theme for ODA include the dual aims of having New Zealanders understand our stance on international issues and positively affecting how we are seen by the world.

Reducing global poverty contributes to New Zealand’s security and prosperity, which is a key outcome that the Government is seeking from its external engagements.

The focus on effective development engagement to address poverty and promote sustainable development, as well as forming part of our international obligations, is directly relevant to New Zealand in a number of ways.

- Developing countries that achieve sustained long-term economic growth paths can become trading partners and stronger supporters of international norms and cooperation.
- It grows skills across the region. Ensuring access to education and training across the Pacific builds stronger economies and governance, and contributes to the peace and prosperity of the region. New Zealand also benefits from migrant worker skills (though risks around denuding partner countries of needed skills require management). This provides a source of valuable earning to those countries through remittances (money sent home by citizens working abroad). By some estimates, a quarter to one-half of all income earned by some Polynesian countries comes from such remittances.
- It improves our own security and well-being. Our borders are relatively open and the borders of our Pacific neighbours even more so. Instability and conflict can arise from poverty and disaffection in the region. Epidemics are more likely to take hold where there is poverty and weak institutions or infrastructure.
- It strengthens our voice as a small nation. The relationships fostered through development partnerships help us to support areas of mutual interest when dealing with the wider international community. This allows us to collectively address shared issues around areas such as human rights, the environment, international security, fisheries management, and trade. Internationally, an effective aid programme shows we are a responsible nation sharing in the common problems and challenges faced by the international community. This enhances our voice in shaping the policies and priorities of the international community through the UN and other processes.

# OPERATING INTENTIONS

This chapter details our specific plans to achieve the Government's priority outcomes.

## Intermediate Outcome I: New Zealand's Security Interests Safeguarded

Security underpins all the Government's social and economic goals. In today's inter-connected world, instability or conflict in one country or region can lead to insecurity in another. Global peace and security are necessary for countries and people to pursue their interests in stable predictable conditions. Security is also more than the absence of open conflict. It is as much about managing a complex and growing range of "traditional" and "non-traditional" threats as about averting or containing the outbreak of hostilities.

The Ministry contributes to this overall outcome by participating in regional and international bodies and initiatives that promote wider security cooperation, in bilateral dialogue aimed at influencing the behaviours of other governments, and in the global campaign against terrorism. Its development assistance programmes administered by NZAID also strongly support this outcome.

The Ministry faces two significant external challenges in its near-neighbourhood over the coming decade:

- increasing stresses and instabilities in the **Pacific**
- the accelerating trend towards regionalism, especially in **Asia**.

Both of these priorities overlap with our existing priorities and ongoing work programmes to:

- monitor and support New Zealand's contributions to **global peace and security** (see Outcome III)
- build closer links and collaboration with **key partners**
- meet our **constitutional and international obligations**.

### Increasing stresses and instabilities in the Pacific

*What are we seeking to achieve?*

Recent destabilising events in the Pacific eg Solomon Islands, Fiji, have underlined the need to devise and deliver more pro-active initiatives to bolster prospects for the future stability and sustainable development of the region. Rising prices for imported food and fuel also pose threats to future stability and economic prosperity. The Ministry is facing significantly increased demands ranging from the need to help stabilise fragile states, combat poverty, and deter transnational crime, to the need to strengthen Pacific governments and regional institutions to help them deal with their problems and achieve long-term growth, good governance, and stability. The pressure to manage whole-of-government approaches to challenges is also growing including with NZAID which is operating with additional resources to enable it to stretch its effort into broader and deeper assistance programmes in the region.

Responding to and managing these trends requires a step-up in New Zealand's engagement in the region if we are to maintain medium-term influence and safeguard our own well-being and overall security.

The priority for New Zealand, and the Ministry, over the medium-term is to:

- **strengthen New Zealand's influence with, and understanding of, our near-neighbourhood Pacific Island partners in order to bolster prospects for their future stability and sustainable development.**

*What will we do to achieve this?*

In order to achieve this, we will:

- strengthen diplomatic representation in the Pacific states facing the greatest social and economic challenges, especially in Melanesia and Polynesia, in order to counter developments that impact negatively on regional stability and build critical mass for more effective regional institutions and responses
- work closely with Australia, external partners such as the EU, France, the United States, and Japan, and other government agencies, to assist security, good governance, economic growth and sustainable development in the region
- deepen our bilateral relationships with a continued New Zealand focus on assisting with good governance, economic growth, sustainable development, and cultural viability in those island countries with which New Zealand shares close community or constitutional links
- increase initiatives to extend behind-the-border security through the Pacific Security Fund
- strengthen policy expertise within the Ministry to support activities in the Pacific.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence:

- that the Ministry's contributions have increased New Zealand influence in the Pacific and progressed stability and sustainable development particularly in the most fragile states
- that bilateral and regional initiatives have helped address the traditional and non-traditional threats to the Pacific's long-term stability
- of effective implementation of the Pacific Plan and delivery of early benefits to the region, especially in the areas of transport, trade development, energy, governance, security, and digital strategy
- of effective whole-of-government responses by New Zealand to help address common challenges and counter risks of instability in the region, including those island countries for which New Zealand has constitutional responsibilities
- that Pacific Security Fund initiatives have helped build more capable regional institutions for public order and national security, and helped individual Pacific Island countries meet international counter-terrorism compliance standards in such areas as finance, maritime services, and aviation security.

### **The accelerating trend towards regionalism, especially in Asia**

Asia is of growing economic and political importance internationally and of fundamental importance to New Zealand's physical and economic security. Six of our top 10 export markets are in Asia and account for 26% of our returns on exports of goods. The region is developing new arrangements and structures to increase its economic cohesion and political engagement. The 10-member ASEAN group is, for example, aiming for a full ASEAN Economic Community by 2015 and has signed an ASEAN Charter putting in place new political structures to increase cohesion. The 16-member EAS is promoting its own

trade initiative (Closer Economic Partnership in East Asia) while APEC has commenced a dialogue on a Free Trade Area of the Asia-Pacific and is beginning to grapple with issues like counter-terrorism and climate change.

These integration processes are not yet fully locked in. New Zealand has no choice but to invest more to be appropriately positioned to advance and defend its interests or risk potential exclusion from these regional processes. It must be more active to demonstrate its commitment and value to the region and deepen its ties to remain a partner of significance whose interests are taken into account. This requires more presence and engagement to secure our place in the face of rising competition for influence in Asia. This means more resources in order to work through our bilateral relationships as well as engage actively in the expanding regional forums themselves.

The wider Middle East region is another area where major international political and economic challenges are being played out. Tensions in the area shape the global environment in which New Zealand operates. Along with our growing trade and economic ties to the region, we share with many countries an interest in secure energy supplies at affordable prices. These interests give New Zealanders a direct stake in the stability of the region although it is a region where traditionally New Zealand's presence has been relatively light.

Just as in Asia where New Zealand is contributing to the region's continuing stability and economic growth, so in the Middle East it must position itself to help improve the region's future security and economic prospects. Despite the political and security tensions which continue to involve risk for outside players, there are increasing opportunities for New Zealand goods and services. We have opened an Embassy in Cairo and are actively pursuing a new FTA with the six-member Gulf Cooperation Council (GCC). We need now to strengthen our presence and capability in the Gulf States to provide further impetus to relations while continuing to contribute to overall security.

New Zealand has contributed for many years to international peace support deployments in the region (Lebanon, Egypt). We have contributed militarily to the campaign against the terrorist infrastructure in Afghanistan and to the interception force in the Arabian Sea. Our engagement in Afghanistan has now broadened in response to the request of the Afghan government for international support through the International Security Assistance Force.

The priority for New Zealand, and the Ministry, over the medium-term is to:

- **safeguard New Zealand's wider interests and contribute to improved security in Asia and the Middle East, including in the emerging political and regional architecture.**

*What will we do to achieve this?*

In order to achieve this priority, we will:

- strengthen diplomatic representation in key ASEAN member states to better position New Zealand in the evolving regional political, security, and trade structures in Asia
- actively lift our engagement in regional processes and organisations such as the EAS and APEC
- accelerate the tempo of engagement with key Asia partners such as Japan, China, Republic of Korea, and India
- appoint an Ambassador to ASEAN
- work with other government agencies and stakeholders outside Government to pursue a range of targeted initiatives, including those in the White Paper *New Zealand's Relations with Asia*, to build closer linkages with the region

- increase funding for the Asia Security Fund to support capacity-building and regional security initiatives in Southeast Asia, and the Seriously Asia programme to influence perceptions and understanding of New Zealand among key Asian decision-makers and constituencies
- broaden and increase diplomatic representation at our posts in the Middle East to promote closer political, security and economic engagement with the region and help implement the GCC FTA when successfully concluded
- support the Middle East peace process to advance security, reconciliation and reconstruction
- strengthen policy expertise in the Ministry divisions that support activities in Asia and the Middle East.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence:

- of New Zealand's inclusion in emerging Asian regional integration architecture
- that our positions and interests are being taken into account when decisions that affect our future are taken
- of a deepening of New Zealand's political, trade, economic, environmental, and people-to-people links with Asia and the Middle East.

**Closer links and collaboration with key partners**

Beyond the Ministry's special focus on the above two priorities, it will continue to nurture and strengthen links and collaboration with key bilateral partners.

*What are we seeking to achieve?*

New Zealand lacks any serious capability to project power unilaterally. We therefore favour constructive diplomacy – working with others, seeking common ground, and building partnerships – as a basis for pragmatic and effective solutions. New Zealand's core bilateral relationships are with Australia, United States, Pacific Island countries, Japan, China, ASEAN members, and Europe. It is only by working with key bilateral partners such as these, and by participating in global, regional and bilateral initiatives aimed at influencing the behaviours of others, that we can promote wider security cooperation and stability and New Zealand's interests and values.

In the period ahead the Ministry will strengthen its relations and cooperation with Australia, United States, Pacific Island countries, Japan, China, ASEAN, and Europe.

Beyond this group, we will also work to strengthen linkages with other significant partners with which we have strategic or emerging interests. These include: Republic of Korea, India, Timor-Leste; Russia; Turkey; Egypt, South Africa; Brazil, Chile, Mexico, Uruguay.

The priority outcome for New Zealand and the Ministry over the medium-term is:

- **closer links and collaboration with key partners**

*What will we do to achieve this?*

- strengthen posts in these countries to increase engagement and deliver targeted initiatives specific to each country
- strengthen policy expertise in the divisions that support these posts to direct and support these targeted initiatives.

### *How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence of:

- specific milestones achieved or major steps forward in our key relationships
- accommodation of New Zealand's interests and concerns
- increased cooperation in areas important to New Zealand
- more supportive and collaborative government and non-government networks in each country.

### **Meeting our constitutional and international obligations**

#### *What are we seeking to achieve?*

As a good international citizen, New Zealand is committed to the rule of law and to peaceful means of resolving conflict and issues among states. This approach includes working for an effective rules-based system. It recognises that issues of global concern and importance require the cooperation of the wider international community and that New Zealand's interests in such issues are best advanced in that context. The international rules and laws which the Ministry negotiates on New Zealand's behalf are a valuable adjunct to bilateral, regional and multilateral avenues for promoting our national interests and provide us with mechanisms to seek redress in the event of dispute.

In the changing international context, there are increased risks to New Zealand from many sources. These can range from terrorist attacks, environmental incidents, transnational crime and illegal movements of people, to biosecurity emergencies and pandemics. In order to address these risks, New Zealand works within international legal frameworks and organisations and with partner governments to develop and apply appropriate laws or rules.

It is the Ministry's role to negotiate international treaties and agreements on behalf of the Government, ensure national compliance with the treaties New Zealand has signed, deliver the Ministry's legislative responsibilities, and in doing so, to uphold New Zealand's positions, values and reputation. Making the multilateral system – and the UN in particular – work more effectively across its three pillars – security, development and human rights – is an important component of our foreign policy engagement. As many international treaties are based on reciprocal benefits and obligations, the Ministry's performance in delivering compliance with the legislation which it administers, eg the Vienna Conventions of Diplomatic and Consular Relations, contributes to reciprocal benefits for New Zealand offshore. The chapter *Additional Information* lists the New Zealand legislation administered by the Ministry. This includes legislation relating to the countries or territories with constitutional links to New Zealand (Cook Islands, Niue, Tokelau).

The priority outcome we seek is:

- **New Zealand values and reputation upheld, particularly its commitment to the international rule of law and human rights standards**

#### *What will we do to achieve this?*

In order to achieve this priority, we will:

- negotiate treaties and agreements on behalf of the Government and represent New Zealand in international disputes, tribunals and panels
- strengthen the Ministry's pool of international lawyers, including building its expertise in international trade and environmental law and other specialist areas

- continue with efforts to make the UN more effective and accountable
- continue to uphold and elaborate human rights norms and standards consistent with New Zealand values, interests, and principled approach on international human rights violations
- ensure New Zealand is complying with its international legal obligations under the UN Charter and core human rights treaties
- contribute effectively to the work of the Human Rights Council, including standing for election for the 2009–2012 term
- deliver the Ministry’s legislative responsibilities
- administer the Government’s responsibilities and obligations under the Vienna Conventions on Diplomatic and Consular Relations.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence of:

- successful outcomes to treaty negotiations and international legal proceedings involving New Zealand
- New Zealand compliance with its international legal obligations including under the UN Charter and core human rights treaties
- New Zealand elected to the Human Rights Council
- efficient delivery of the Ministry’s legislative responsibilities.

## Intermediate Outcome II: New Zealand's International Connections Support Transformation of the New Zealand Economy and Sustainable Economic Growth

The Ministry faces two significant challenges in the trade and economic area over the coming decade:

- a more intense bilateral and plurilateral **global trade agenda**
- the urgency of **building new markets** and economic networks.

The Ministry proposes to deal with these challenges by:

- pursuing a more intense trade negotiations agenda for New Zealand and expanding its specialised teams to secure increased market access
- contributing to transformation of the economy and internationalisation of New Zealand business through:
  - helping business take advantage of FTAs and CEPs
  - expanding economic transformation and innovation linkages, and prospecting for opportunities in emerging markets.

These outcomes contribute to the Government's theme of *economic transformation* and the sub-theme of *globally competitive firms*.

### A more intense trade negotiations agenda for New Zealand

*What are we seeking to achieve?*

New Zealand's top trade priority remains the WTO Doha Development Round launched in 2001. This offers the best prospect of long-term improvements in market access and trading conditions for New Zealand, especially in agriculture. Such Rounds offer opportunities to secure benefits in critical areas that are not possible in bilateral or regional negotiations, and to produce results that are binding on all 152 WTO members.

The breadth and pace of global trade negotiations is increasing as large and small countries recognise that in the current globalised environment they cannot afford to be isolated from trade and investment markets and to rely solely on the Doha Round to deliver them new market opportunities. Almost 400 bilateral and regional trade agreements are being or have been negotiated. New Zealand must continue to be part of that process, to avoid the risks of being discriminated against by others' agreements and to be involved from the outset in processes that could lead to regional and plurilateral FTAs.

Not all negotiations proceed at the same rate or offer the same returns. A strategic approach to prioritising negotiations is necessary. In the period ahead the Ministry will position itself and work towards achieving CEPs or FTAs with the four priority bilateral markets that in 2007 constituted about 40% of our export markets for goods – Republic of Korea, Japan, US, EU. In some cases there is strong domestic resistance to entering into negotiations with New Zealand. At the same time the Ministry will maintain an active part in the Doha Round negotiations and protect New Zealand's rights and interests in the wider WTO system. It will continue to seek successful outcomes to the bilateral and regional negotiations already underway (eg with ASEAN and GCC), to pursue other opportunities such as completion of a financial and investment chapter for the existing Trans-Pacific Strategic Economic Partnership Agreement (between New Zealand, Chile, Singapore and Brunei) which will include the United States and is intended to lead to a comprehensive negotiation, and pursue new CEP opportunities with Mexico.

*What will we do to achieve this?*

Through its overseas network the Ministry seeks to open markets and preserve existing market access for our exporters of goods and services. The Ministry is the Government's specialist negotiator of market access and leads the development of trade and international connections policies. Each FTA is specific and as negotiations proliferate, with many taking place simultaneously, there is a need for greater negotiating capacity and expertise than was the case when most trade negotiations took place within WTO trade rounds. While the nature of its day-to-day work and its techniques will not change, the Ministry must of necessity lift the intensity of its game in order to secure successful outcomes to its trade negotiations. It will therefore:

- significantly strengthen its capacity to provide expert trade negotiators and specialist advice on trade issues and trade law so that New Zealand has the knowledge and skills to conduct negotiations in highly complex technical areas on an equal footing with its competitors
- strengthen its ability to do the research and modelling needed to identify where potential trade and strategic benefits lie for New Zealand and to assess the impact of trade proposals and agreements
- strengthen the capacity at posts in our four priority bilateral markets to increase the momentum and build policy links that will lead towards CEPs or FTAs while also marshalling a whole-of-government approach to key FTA target countries
- strengthen posts in Asia, Middle East, and Latin America to progress work on or towards CEP or FTA negotiations and increase the capacity of policy divisions in Wellington to drive and support these efforts.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence that the Ministry:

- has secured, is negotiating, working to enter negotiations, or has concluded agreements with high-priority target CEP and FTA partners (bilateral, regional, and plurilateral)
- has, by its actions, expanded and protected access to our major existing markets and opened up opportunities in emerging markets.

### **Contribute to transformation of the economy and internationalisation of New Zealand business**

*What are we trying to achieve?*

The Government and private sector recognise that New Zealand needs to be more deeply engaged internationally to lift its economic performance, as was highlighted during Export Year 2007. This requires a whole-of-government 'NZ Inc' effort across a range of government agencies and involving close cooperation with the private sector. Improving economic performance is partly a matter of pursuing trade agreements to open up new markets, as explained above, but it also means addressing other factors critical to New Zealand's competitiveness such as:

- the flow of investment, skills, science and technology
- sustainability and integrity of our food and beverage exports
- providing targeted in-market support and capacity-building to help New Zealand business become more successful internationally.

It will be a Ministry priority in this period to use its network of posts, international connections, and leadership of NZ Inc offshore to support the greater internationalisation of New Zealand business and facilitate improved flows of investment, skills and technology. Foreign trade, business investment, innovation, and technology transfer are all critical to the productivity gains and enhanced competitiveness, consistent with sustainability, that will deliver to New Zealanders the standard of living and quality of life to which they aspire.

The Ministry will also work closely with other government agencies, especially NZTE, to help New Zealand business position itself effectively in the international marketplace.

*What will we do to achieve this?*

Helping New Zealand business take advantage of CEPs and FTAs, particularly the New Zealand-China FTA, will be a major preoccupation of the Ministry in the period ahead. Experience shows that any significant commercial treaty generates a new level of trade and economic activity. Increased information and support programmes (in conjunction with other agencies) will be required to ensure take-up of FTA benefits by companies. Additional capacity will help to monitor and deal with compliance issues that arise.

The internationalisation of the New Zealand economy also requires a broader effort to help New Zealand deal with a range of other increasingly important issues, eg the new trade sustainability issues such as food miles and animal welfare, the expansion of science, technology and education linkages, and prospecting for new opportunities in the global economy, especially areas which are not of immediate focus for NZTE. MFAT posts can help through their local knowledge, reporting of market intelligence and information, interventions with the local bureaucracy, opening doors for business, and facilitating access to decision-makers.

Creating conditions for foreign investment relationships and knowledge transfer requires intensively managed and coordinated input from all NZ Inc agencies offshore. As leader of the Government's whole-of-government offshore engagement, MFAT will work collaboratively with NZTE and other government agencies to leverage New Zealand's *international connections* to:

- attract quality foreign investment
- promote flows of foreign technology and innovation to remain internationally competitive
- facilitate knowledge and skills transfer via permanent and temporary migration
- boost our services exports
- participate in global value chains, including through outward investment
- develop integrated marketing and branding strategies that distinguish New Zealand products and services on the grounds of integrity and sustainability.

More specifically, the Ministry will:

- strengthen its post in Brussels to ensure capacity for working with the EU, especially on market access and sustainability issues
- strengthen its expertise to follow-up compliance and legal issues, eg disputes arising from the implementation of FTAs
- strengthen existing posts in Australia to deal with Single Economic Market issues, and open a post in Brisbane and establish an MFAT diplomatic presence in Melbourne to boost New Zealand's economic and trade interests in Queensland and Victoria

- open a post in Stockholm to develop linkages on a range of science/technology and innovation issues relevant to New Zealand
- investigate the possibility of opening posts in other locations, eg emerging markets that present real economic opportunities for New Zealand
- provide additional resources for market intelligence work and assistance to individual exporters in emerging economies outside Asia (such as in Eastern Europe, the Middle East and Africa) and in the Pacific, where there are smaller but still vital markets for New Zealand exporters.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence that the Ministry:

- is providing more pro-active, deeper analytical advice on complex legal, trade, environmental and other issues related to FTA implementation and disputes with trade partners
- has helped New Zealand business leverage the opportunities in FTAs, especially in relation to the New Zealand-China FTA, and fostered deeper economic links in key economies, in collaboration with other government agencies and business
- has, by its increased presence and support, helped New Zealand business take advantage of economic opportunities in our existing markets, including in Scandinavia and Australia, and boosted trade and economic ties
- has identified opportunities in emerging markets outside Asia and key locations where New Zealand investment is increasing, eg in Eastern Europe, the Middle East and Africa, South America, and in the Pacific where there are smaller but still vital markets for New Zealand exporters
- has helped to expand linkages in science, education and technology in key offshore markets
- has defended New Zealand positions on food miles and sustainability issues abroad
- has increased market intelligence and assistance to exporters, working in conjunction with other government agencies, especially NZTE.

## Intermediate Outcome III: Transboundary Solutions and Effective International Rules Promoted

Small countries cannot usually achieve their objectives through their influence alone. They need to work cooperatively with others. They benefit from a rules-based international system that binds all countries, and effective multilateral agencies. This is especially true of threats to international peace and prosperity that are transboundary in nature. Two of the most urgent facing the Ministry are:

- the pressing need for enforceable rules around **resource diplomacy**
- the need for increased engagement on counter-terrorism and **international security**.

The Ministry's responses to these challenges contribute to the Government's theme of *national identity*.

### The pressing need for enforceable rules around resource diplomacy

*What are we seeking to achieve?*

Global warming and climate change, environmental degradation, and pressures on global natural resources, especially food and water, have become issues of mounting international concern. Issues around sustainability and climate change are increasingly dominating international meetings, not just around attempts to preserve critical land, energy, and water resources, and a stable climate, but also around the impact of environmental concerns on economic policy platforms, trade, and commerce.

All countries are making increasing efforts to address these issues through the setting of international rules and environmental, resource, and trade diplomacy. In addition to its own national concern to address these threats to a sustainable economy and society, New Zealand also faces increased expectations to support Pacific neighbours in their policy response to the international climate change and resource diplomacy agenda. There is increasing pressure on fisheries resources and oceans biodiversity within our wider region, including Antarctica, and a need for more stringent protections for the marine environment. The pressures for access to and benefit-sharing of genetic resources are expanding. The demands and pace of international rule-making and engagement in all these areas are intensifying as the world seeks to develop effective mechanisms to deal with them.

Most resource diplomacy issues involve some overlap with our trade and security concerns and obligations, and increasingly are dealt with outside traditional UN structures. The coordinated, whole-of-government NZ Inc response involves other government agencies and Ministry staff from a wide range of disciplines, eg environment, security, aid, economics, and law, and is led and managed offshore by the Ministry.

The priority for New Zealand, and the Ministry, over the medium term is to:

- **manage risks, secure opportunities and contribute to the evolving international rules around climate change and sustainability-based regimes for international resource management.**

*What will we do to achieve this?*

The Ministry will protect and advance New Zealand's interests in international and regional bodies where rules and standards of conduct on transboundary issues are developed in diplomatic negotiations among governments. The Ministry will advocate for New Zealand's

positions, interests, values, and national identity in these negotiations. We also seek improved accountability, efficiency, responsiveness, and effectiveness on the part of UN multilateral institutions.

This challenge will require professional and experienced diplomats as well as resources to mount targeted responses and initiatives. The expanding agenda of global, regional, and bilateral discussions and negotiations on climate change and resource diplomacy requires expertise across multiple fronts. This includes but is not limited to additional skilled negotiators, more extensive public consultative processes, and better analytical capability including in highly specialised disciplines. With the five-year capability package, the Ministry will lift its efforts to promote and protect New Zealand's interests in targeted international environmental negotiations, including on biodiversity, biosafety, energy, chemicals, and forestry.

Our resource diplomacy also includes contributing to the preservation of the Antarctic Treaty System, which faces serious challenges as Antarctica's resources attract greater attention for their economic value. The System is important to New Zealand as it contributes to the security of our region by ensuring Antarctica is used only for peaceful purposes, protects the Antarctic environment, and has served to set aside disputes over territorial claims while preserving New Zealand's territorial position in the Ross Dependency. The lawlessness of illegal, unregulated, and unreported fishing in the Southern Ocean poses a particular threat not only to fish stocks and the environment, but also to the security of the region.

The Ministry will seek to ensure successful completion of the process which will enable New Zealand to declare the outer limits of its extended continental shelf and confirm its sovereign rights over the resources of the seabed within those limits.

To achieve the outcomes sought by Government, the Ministry will:

- strengthen and increase its capacity to handle resource-related work including greater expertise on climate change and sustainability issues
- encourage further action on climate change that draws in all the major emitters, including the United States and key developing countries, for the period beyond 2012, while protecting and advancing New Zealand's national and international interests
- seek strong governance arrangements for the sustainable management of fisheries resources and the protection of the marine environment, in particular through developing and strengthening regional fisheries management organisations
- promote and protect New Zealand's interests in targeted international environmental negotiations, including on biodiversity, biosafety, energy, chemicals, and forestry
- work to advance international cooperation for the conservation of whales
- participate effectively in efforts to uphold the good order and environmental protection of the Antarctic Treaty area, eg by deterring and detecting illegal fishing
- work to consolidate New Zealand's sovereign rights over the extended continental shelf.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence that the Ministry has:

- promoted effective international arrangements on climate change for the post-2012 period while ensuring New Zealand's interests are protected and advanced
- protected and advanced New Zealand positions in targeted international negotiations on sustainability and resource issues, eg helped strengthen international fisheries agreements

- to prevent the depletion of world fish stocks, helped develop effective international rules on biodiversity, biosafety, and deforestation
- helped achieve an effective international consensus on the conservation of whales
- the Antarctic Treaty System remains credible, relevant, and effective in the face of ongoing challenges to its integrity
- successful completion of consideration of New Zealand's submission to the UN Commission on the Limits of the Continental Shelf.

## The need for increased engagement on counter-terrorism and international security

### *What are we seeking to achieve?*

On the security front, transboundary threats include increasing numbers of failed or failing states; the possession and proliferation of weapons and materials of mass destruction; and terrorism, especially that motivated by extremist ideologies.

New Zealand is required to maintain its reputation as a small but willing and able player in regional and wider responses to such events and situations that pose risks to international peace and stability. That reputation is highly valuable in the wider process of securing our economic and trade interests with other governments. The nature of New Zealand responses involves carefully judged policy mixes where niche contributions from expert practitioners can have disproportionate value.

The Ministry has been working hard to keep pace with the increased demands from the expanded counter-terrorism and international security agenda. Security challenges in the Pacific have also increased along with demands for New Zealand diplomatic, aid, and military engagement in post-conflict and unstable situations. In addition, the increasing emphasis on non-proliferation brings its own set of demands, eg the growth of hi-tech industries in New Zealand requires greater efforts to ensure New Zealand meets its obligations, in particular through careful monitoring and outreach to relevant companies.

International rule-making and forward progress in disarmament and arms control is in New Zealand's interests. Nuclear disarmament continues as a key priority, but faces increasing pressure as proliferation concerns deepen, and additional challenges result from renewed interest in nuclear power and technology. Illicit and irresponsible trade in conventional weapons fuels armed conflicts, including in our region, and humanitarian issues arising from weapons such as cluster munitions demand urgent attention. New Zealand's challenge is to look for new opportunities to make progress, while ensuring that the strained existing framework is preserved.

Supporting and participating in peace support operations is one of New Zealand's most longstanding and tangible ways of expressing its commitment to collective security and the rule of law. While New Zealand's contributions to international peacekeeping and peacebuilding generally involve resources or deployments provided by NZDF, the Ministry is closely involved with analysis of risks and opportunities, planning, and operational management and support. Our wider security interests require us to monitor and have input into global security decisions, particularly those that affect our peace support deployments. The Ministry plays a significant role in security work within the Pacific region. It contributes to the Regional Assistance Mission in Solomon Islands (RAMSI) and has deployed staff to post-conflict situations to restore stability in locations such as Bougainville and Tonga. MFAT also supports New Zealand's extensive deployments in the Middle East, especially in Egypt, Afghanistan, and Timor-Leste.

The priority for New Zealand, and the Ministry, over the period of this Statement of Intent is to:

- **strengthen New Zealand contributions to international peace and security, non-proliferation and counter-terrorism, export controls, and conflict resolution and peacekeeping initiatives**

*What will we do to achieve this?*

To respond to global security issues and meet growing counter-terrorism and international security demands, and fulfil the Government's expectations that New Zealand play an active role in conflict resolution and international peace support operations, especially in Asia and the Pacific, the Ministry will:

- strengthen resources at posts to monitor more closely developments on global security issues, provide advice, and influence decisions at the UN and elsewhere that impact on our security concerns and deployments in the Pacific, Asia, and the Middle East
- participate in efforts at the UN, regional forums and elsewhere to promote conflict resolution and reconciliation and evaluate opportunities for New Zealand to make regionally-focused contributions
- improve support for New Zealand's security engagements in the Pacific, Central Asia, and the Middle East including strengthening the post in Tehran to allow better coverage of security issues in Afghanistan where New Zealand has a major deployment
- work with other government agencies to strengthen whole-of-government engagement in complex integrated peace support operations, while sustaining a range of other commitments under UN, regional, and other auspices
- contribute to the global campaign against terrorism and implement UN Security Council measures through legislation and by strengthening domestic border controls and intelligence capabilities to defend against terrorism
- advocate and support inter-faith and inter-cultural initiatives and intensify avenues of cooperation to counter radicalisation
- contribute to efforts to strengthen the international disarmament and non-proliferation regime, in particular through the Nuclear Non-Proliferation review cycle
- promote international cooperation to stop the illegal movement of WMD and make progress on conventional weapons controls, in particular cluster munitions and an arms trade treaty
- develop initiatives in support of the above objectives
- strengthen policy expertise in the divisions that support international peace and security initiatives at the UN and elsewhere.

*How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence that:

- the Government has full and accurate analysis and information when decisions on New Zealand's peace support deployments or contributions to conflict resolution are taken
- New Zealand's contributions to global security issues, including conflict resolution and peace support deployments, are appropriate and sustainable
- whole-of-government contributions to integrated peace support operations are effective
- New Zealand is regarded as a credible and effective contributor to international and regional stability exercises and efforts, and plays a valuable role in conflict resolution and peacekeeping initiatives

- New Zealand's efforts to prevent radicalisation, in particular in the Asia-Pacific region, through support for initiatives such as the Alliance of Civilisations and inter-faith dialogue are welcomed and taken up by regional partners
- New Zealand enhances its reputation as a principled and progressive interlocutor on nuclear disarmament and non-proliferation, and supports initiatives to reinvigorate progress and strengthen controls
- New Zealand's support for initiatives to stop the illegal movement of WMD and negotiate controls on conventional weapons such as cluster munitions result in more effective international arrangements
- New Zealand's initiatives are targeted, focused, and well-executed.

## Intermediate Outcome IV: Poverty Eliminated through Development Partnerships

### *What are we seeking to achieve?*

Within NZAID's intermediate outcome: poverty eliminated through development partnerships, there are a number of medium-term objectives that support the long-term goals and approaches detailed earlier. These are:

- New Zealand's development partners have reduced poverty and are less reliant on aid
- development outcomes are achieved through engagements based on mutual openness, trust and respect
- NZAID has well-aligned policies, strategies, culture, processes and resources to support its programmes.

### *What will we do to achieve this?*

In 2008/09, NZAID will manage ODA totalling \$472 million including administration expenses. With this amount and the ODA provided through other departments, total reported ODA for the year is expected to be \$519.5 million, or 0.30% of GNI. In 2008/09 NZAID will manage about 870 activities across its programmes, down from about 950 in 2005/06. This decrease in numbers of activities is deliberate as NZAID continues to concentrate ODA into fewer, larger activities across a smaller number of countries and sectors within them.

In Budget 2007, the Government committed to a four-year series of increases to ODA funding to take reported ODA to 0.35% of GNI by 2010/11. On current economic growth projections, this is likely to see overall reported ODA increase over the four years from \$411 million in 2006/07 to \$660.3 million in 2010/11. This is an increase of \$249.3 million, or a 60.7% rise in reported ODA.

NZAID is well-placed to manage this increase. Programme strategies and activities are highly scaleable and there are significant previously unmet needs that can now be addressed across the regions and sectors where New Zealand's ODA is prioritised.

To ensure that New Zealand's ODA has the greatest impact, country programme strategies will be focussed across four broad areas:

- **Strengthening governance:** through supporting good leadership at all levels, especially in the Pacific region. Ensuring a respect for human rights and fostering the development of societies where communities and individuals have a voice in decision-making; supporting the development of strong and vibrant civil societies; and encouraging stable, responsible, accountable and effective government, including through strengthening the institutions of central and local government.
- **Achieving economic growth and improved livelihoods:** through fostering the creation of policy environments that support economic growth; making markets work for the poor; and, supporting rural livelihoods and food security. Fostering broad-based national economic policies, practices that provide opportunities for individuals and communities to address poverty. This includes the provision of infrastructure to support growth and a focus on growth and employment-generating sectors such as fisheries, agriculture, and tourism.
- **Improving education and health:** through improved access to, and completion of, a good-quality basic education as well as increased opportunities and choices through skills

development and training. Strengthening access to primary health care and improved health delivery systems.

- **Reducing vulnerability:** through achieving safer, more resilient communities to manage conflict and respect human rights. Increasing capacity to sustainably manage natural resources, and better disaster management and preparation.

At least 50% of New Zealand's ODA will be directed to the Pacific.

New Zealand's ODA will be directed through a mix of channels, guided by an assessment of how we are likely to achieve the best development outcomes. Through this we expect to see the following:

- **Bilateral assistance:** we will prioritise four country engagements for longer-term, high-level and intensive engagement and attention – Papua New Guinea, Solomon Islands, Vanuatu, and Indonesia. We will have significant engagements in six other countries – Fiji\*, Samoa, Tonga, Cook Islands, Timor-Leste and Vietnam. We will maintain engagements with the Philippines, Tuvalu, Kiribati, Cambodia, and Lao PDR, periodically reviewing the depth and scope of these engagements. Our support to Niue and Tokelau will be consistent with our constitutional relationships to these micro-states. Targeted niche regional engagements in Africa and Latin America, as well as Afghanistan and Nauru, will continue, mainly working through regional mechanisms, UN agencies, and NGOs.
- **Regional assistance:** we will continue to be the largest individual supporter of regional organisations in the Pacific, like the Secretariat of the South Pacific (which delivers technical programmes in the region, especially in land, marine, and social resources); the Pacific Islands Forum Secretariat (which provides policy advice and promotes regional cooperation especially in trade and economic matters); the Forum Fisheries Agency (which provides assistance to member countries nations on the economic and sustainable management of their fisheries); and the University of the South Pacific (that provides higher education and vocational training for Pacific Island countries). Outside the Pacific, we will continue to focus our development assistance in Asia upon cross-region initiatives in the areas of trade capacity-building and human resource development.
- **Multilateral engagement:** we will contribute to the core funding, governance, policy settings, and evaluation processes of UN and Commonwealth development and humanitarian agencies, as well as the World Bank and Asian Development Bank. Our support will continue to be prioritised to the ten multilateral agencies identified in NZAID's Multilateral Agencies Strategy.
- **Humanitarian assistance:** we will continue to provide humanitarian support (including rehabilitation and reconstruction) following natural disasters and conflict worldwide. In parallel, we will raise our contributions to, and engagement with, key international humanitarian aid agencies.
- **New Zealand Non-Government Organisations:** support for the work of New Zealand NGOs through their international networks and partners on the ground, with a strong overall focus in Africa and Asia, will complement NZAID's engagement with governments and intergovernmental agencies.

NZAID's programmes and ODA activities will be subject to periodic review and evaluation to ensure they are on track to achieve outcomes and to confirm that they are operating efficiently and effectively.

\* currently subject to sanctions

### *How will we demonstrate success in achieving this?*

Over the period covered by this Statement of Intent, NZAID will progressively introduce a new performance reporting framework aimed at producing useful and easy-to-understand information, as well as the analysis necessary for learning and decision-taking by both NZAID managers and the Government. This reporting framework is based on a combination of performance information that will cover all Programmes and Activities; plus in-depth reviews and evaluations of a smaller selection of NZAID work.

A key part of the framework will be improved information at the Programme level, setting out progress towards the development outcomes, and forming the link between actual Activities and high-level development targets such as the MDGs. Programme Strategies are agreed between the Government and relevant partner authorities.

From 2008, NZAID will undertake annual reflection and learning exercises for each of its programmes, integrated into the NZAID operational planning cycle. The results of these exercises will be analysed and summarised in the NZAID chapter of the MFAT Annual Report.

NZAID with its partners also undertakes around 30 significant reviews and evaluations a year, primarily at the Activity level. Since the beginning of 2008, summaries of these reviews and evaluations have been published on the NZAID website and copies of the full reports are available on request. This Activity level data provides the fine-grained detail that substantiates findings of NZAID's contribution towards outcomes at the Programme level.

This Statement of Intent sees the introduction of new measures of NZAID's contribution to outcomes, cost-effectiveness, and agency health and capability (see chapter on *Assessing Organisational Health and Capability*). As experience develops with reporting against the new measures over the Statement of Intent period, the framework is expected to be refined. Data against these measures and relevant commentary will be provided in the MFAT Annual Report.

In every instance where NZAID provides development assistance, it is only one of a number of countries and/or agencies providing ODA. Given this, and the considerable time it takes to make an effective impact on poverty, it is not always possible to isolate the effectiveness of New Zealand's specific aid interventions from the cumulative effect of the efforts of others, including those of the partner country. The indicators below are accompanied by an indication of the extent to which outcomes or effectiveness indicators can be directly ascribed to New Zealand's specific interventions. This is shown in the column "Degree of NZAID responsibility for progress".

## NZAID CONTRIBUTION TO OUTCOMES

Indicators and measures	Degree of NZAID responsibility for progress	Current status or examples	Rationale for indicator/measure	Source
Progress towards the MDGs in relevant regions and countries <sup>1</sup> .	Low	Example: MDG4, "Reduce child mortality". In the Pacific Islands, under-five mortality per 1,000 live births has declined from 80 to 63 from 1990 to 2005; but the target of a 2/3 reduction by 2015 is unlikely to be met.	The MDGs have been agreed by the governments of the world including NZ. Although NZ's contribution is small, the MDGs are the only reliable indicator of the high-level outcomes sought by the Government from NZAID's programmes.	International reports, eg UNDP; partner government reports.
Summary or sample information on progress towards outcomes identified in NZAID Programme Strategies <sup>2</sup> .	Medium	Example: Strategy outcome or objective: "to build demand for and improve governance, accountability, and community safety" (Vanuatu).	A new system of tracking progress towards Programme outcomes is being introduced in 2008. Reporting from this system will show the link between Activity outcomes (see below) and progress towards the MDGs.	NZAID annual planning processes and documents; system will build strength over time.
Summary evaluation results (relevance, effectiveness, efficiency, impact, and sustainability) for Activities completing a phase, funding cycle, or all NZ assistance.	High	Example: a review of the Cook Islands Public Sector Technical Assistance Fund in 2006 found that it had contributed to the development of the Public Service.	Number, value and size will be provided as contextual indicators. Evaluation results are the best available indicator of the diverse contributions made by Activities to outcomes.	Activity Completion Reports.
Example impacts of NZAID Activities.	High	Example: the Gansu Sustainable Livelihoods Project, reviewed in 2007, found "The majority of farmers interviewed in the course of the Review and the 100 or so who participated ... revealed that despite on-going dry conditions their incomes had increased and their standard of living had improved".	As above.	Reviews and Evaluations.
Lessons learned and emerging themes across NZAID programmes.	High	Example: the 2006 summary of reviews found there is a need for support on development issues to teams of technical experts without experience in international development.	Lessons learned are a key interest of NZAID's stakeholders in the NZ community; and a proxy indicator of contribution to outcomes.	Annual summary and analysis of Reviews and Evaluations.
Example impacts from third parties funded by NZAID.	Medium	Examples will be drawn from NGO and multilateral evaluations.	Provides evidence of the contribution to outcomes of the significant Crown resources in this category.	Multilateral agencies' and NGOs' evaluations and annual reports.

<sup>1</sup> The MDGs can be found in full at <http://www.un.org/millenniumgoals/goals.html>

<sup>2</sup> NZAID's programme strategies are available in full at <http://www.nzaid.govt.nz>

## COST-EFFECTIVENESS – NZAID

Indicators and measures	Degree of NZAID responsibility for progress	Current status or examples	Rationale for indicator/measure	Source
Progress towards the 2010 targets of the Paris Declaration on Aid Effectiveness <sup>3</sup> and qualitative assessment of progress towards the Declaration's principles.	Medium	A review in 2007 of NZAID implementation of the Paris Declaration found that there was good overall performance and a good alignment between NZAID leadership and culture with the Declaration. In 2008, monitoring of the targets will be strengthened.	The Paris Declaration is an internationally accepted statement of what makes bilateral aid effective and efficient. Progress towards the targets of the Declaration (eg percentage of aid delivered in a "programme context") is a proxy for cost-effectiveness.	NZAID annual planning processes and documents.
NZAID performance against Good Humanitarian Donorship benchmarks <sup>4</sup> .	High	Currently not available; systems to report on this will build up over time.	The Good Humanitarian Donorship benchmarks are the internationally accepted statement of good practice humanitarian aid, leading to effectiveness and efficiency. Progress to the specific targets is a proxy for cost-effectiveness in this area.	NZAID annual planning processes and documents; system will build up over time.
NZAID performance assessed by external peer or other review.	Medium	OECD peer review in 2005 found that the re-orientation of NZ development cooperation since 2002 was "impressive". More information on external reviews, particularly with regard to cost-effectiveness, will be available in the MFAT Annual Report.	External reviews, while not necessarily using the exact standards expected by the Government and people, offer useful comparisons of NZ effectiveness and efficiency with that of international peers.	Various other organisations including the Development Assistance Committee of the OECD (every 5 years); Center for Global Development; and the Reality of Aid Network.
Summary findings from reviews and evaluations relating to value for money.	High	Examples will be drawn from reviews and evaluations that consider cost-effectiveness and/or value for money, in line with guidelines introduced in 2007.	From 2007/08, Activity reviews and evaluations for each year are compiled and analysed thematically (including consideration of value for money) in the preparation of the MFAT Annual Report.	Annual summary and analysis of Reviews and evaluations; system will strengthen over time.
Declining number and increasing median 2008/09 expenses of Activities administered by NZAID.	High	In 2006/07 NZAID administered 594 Activities (median expenses = \$174,186) and 272 Fund Activities (median expenses = \$60,590). The use and definitions of these categories are under review; a time series is not fully reliable.	Larger activities are more efficient to manage, allow deeper long-term engagement with partners, and often deliver better outcomes. International comparisons also use size of Activities as an indicator of "fragmentation" and a proxy for cost-effectiveness.	NZAID management systems.
Evidence of compliance with sectoral and thematic policies (education, health, human rights, etc).	High	Not yet systematically available.	Cost-effectiveness includes avoiding compromising the quality of implementation of Government policies.	NZAID review of implementation of at least one sectoral or thematic policy; system will build up over time.

<sup>3</sup> The Paris Declaration targets are at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

<sup>4</sup> The Good Humanitarian Donorship targets are at <http://www.goodhumanitariandonorship.org/>

## Intermediate Outcome V: The Rights of New Zealanders Abroad Protected

### *What are we seeking to achieve?*

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

In 2006/07 MFAT helped more than 1300 New Zealanders overseas and their families following incidents ranging from lost passports and arrests, to serious injury, accidents and deaths. The number of natural disasters, international crises and emergencies is increasing. In the past three years the Ministry has dealt with the Bali and London bombings, Asian tsunami, evacuations of New Zealanders from Lebanon, hostage situations in the Middle East and Africa, civil disturbances in Tonga, Fiji, Timor-Leste, and earthquakes in Solomon Islands.

This unprecedented increase is associated with such factors as the rise in worldwide travel, and the spread of sectarian and ethnic conflicts. The trend looks set to continue. At the same time, public expectations of the Government's ability to assist New Zealanders in distress overseas continue to grow, including as a result of comparing our services to those of our other close consular partners (the United Kingdom, United States, Canada and Australia) on whom we also rely for support. The Ministry has upgraded and reinforced its systems and procedures for responding to these unexpected events but investment of additional resources would improve our capability to respond more quickly and effectively, shorten response times, and improve the cost-effectiveness of our interventions. We could also enhance public information programmes in cooperation with the New Zealand media and travel industry to ensure people are better prepared to travel overseas and avoid difficulties.

During the period of this Statement of Intent, our priority will be to:

- **improve our capability to respond to emergencies offshore, eg strengthening "at risk" posts**

### *What will we do to achieve this?*

Initiatives planned to strengthen New Zealand's crisis response capacity for the medium term include:

- provide increased consular capacity or support to "at risks" posts where current arrangements are inadequate to meet demand
- boost the capacity of the Consular Division to better respond to consular emergencies
- establish a "consular major events" fund for deployment of consular response capability at major international events such as the Olympic Games
- strengthen response capability following major disasters including through the establishment of an "emergency response" fund for deployment of emergency response teams to major disasters or terrorist events
- investigate 24/7 arrangements to deal with, and manage, major consular emergencies.

### *How will we demonstrate success in achieving this?*

The key indicators of success in achieving the results we seek will be evidence that:

- efficient and effective delivery of consular services to New Zealanders around the world, including by "at risk" posts, as measured through our data collection systems

- lessons learned from the Ministry's response to each major international crisis or consular emergency lead to improved procedures that are incorporated in standard instructions and applied
- the major events and emergency response funds enable a more efficient and effective response to emergencies especially when at short notice
- the Ministry's public information programmes, eg its SafeTravel website, are accessed by increasing numbers of New Zealanders travelling abroad, the media, and travel industry
- improved, more effective after-hours consular coverage providing more reliable after-hours service.

# MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT

The Ministry faces a range of strategic, organisational, and operational risks with the potential to affect its ability to achieve the outcomes in this Statement of Intent. It mitigates this by having in place sound governance structures and practices to identify, assess, and treat risk at regular stages of the planning, monitoring, and evaluation phases of its policy advice, support, and operational processes.

Since 2005 the Ministry has operated a broad risk matrix or framework listing the strategic and organisational capability risks it faces, and the treatments and measures of success for identifying and managing them. The ten high-level risks in that framework, and the structures and processes in place for mitigating them, are set out in the table below.

At the beginning of each calendar year it has been the Ministry's practice to conduct an environmental scan of the key trends and risks in the international environment. This scan is based on reporting by the Ministry's overseas posts, surveys, visits, and research conducted as part of the ongoing provision of policy advice to Ministers, and the results of ongoing contacts, discussions and consultations with key stakeholders in New Zealand and abroad. The results of the scan are reflected in the *Strategic Direction* chapter.

In 2007 the Ministry's senior management piloted a scheme to strengthen systems for assessing and mitigating significant strategic and capability risks, particularly those with medium-term implications. This involved the in-depth investigation of selected strategic or capability risks over the course of the year. This review was over and above those conducted in the standard monitoring and evaluation cycle. The scheme has since been adopted as an additional control for strengthening the Ministry's systems for managing significant risks with potential medium-term impact.

There are a number of major risks which the Ministry will be monitoring in the course of the next three years through one or more of its processes such as the standard monitoring and evaluation cycle, project management and quality assurance controls, internal audits, or strategic reviews. These include the close monitoring of the implementation of its five-year capability package to ensure outcomes are delivered as planned, fragilities in the Pacific, security and regional integration trends in Asia, new forms of trade policy challenges arising from responses to climate change, whole-of-government coordination mechanisms, progressive implementation of the Ministry's five-year Information and Communications Technology (ICT) Strategy, capital asset management, and planning for changing staff demographics including retirements.

The Ministry operates separate risk registers with mitigation measures for a number of major projects which it manages, eg in the IT area. In the period of this Statement of Intent the Ministry plans to further review and strengthen risk management systems in its Wellington divisions and overseas posts.

## MATRIX OF MAIN STRATEGIC AND ORGANISATIONAL CAPABILITY RISKS

Specific risk	Risk management measures	Key measures of success we will use
<p><b>1 Strategic leadership</b> Failure to develop and convey a strategic vision for New Zealand's international relations</p>	<ul style="list-style-type: none"> <li>• CEO and Senior Management Group (SMG) have the full range of competencies and time to formulate strategic vision</li> <li>• CEO and SMG keep up-to-date with global decision-makers</li> <li>• Annual strategic dialogue with Ministers</li> </ul>	<ul style="list-style-type: none"> <li>• Confidence of Prime Minister and Ministers</li> <li>• International credibility and influence held in high regard</li> <li>• Vision is known and shared by Ministry staff</li> </ul>
<p><b>2 Tradecraft capability</b> Not having the human capability and operational means to support our tradecraft and maintain the Ministry's comparative advantage</p>	<ul style="list-style-type: none"> <li>• Ensure that appropriate human capability and funding are available and directed to the right areas, including training and funds for travel and representation</li> <li>• A network of diplomatic posts</li> <li>• Appropriate accommodation and systems in Wellington</li> </ul>	<ul style="list-style-type: none"> <li>• Human capability and funding levels (operational/capital/revenue) do not hinder our ability to deliver external policy outcomes to our Ministers</li> </ul>
<p><b>3 Changing international environment</b> Failure to understand and interpret the rapidly changing international environment and to develop and implement strategies that would best influence it to New Zealand's advantage</p>	<ul style="list-style-type: none"> <li>• The Ministry's strategic planning and risk identification processes</li> <li>• Policy planning and information-sharing meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing acceptance by stakeholders that our understanding of the international environment is sound and the policy advice we offer is balanced and in New Zealand's best interests</li> </ul>
<p><b>4 Responsiveness to unexpected events</b> Failure to respond quickly and effectively to unanticipated events or unpredictable sudden changes in our operating environment</p>	<ul style="list-style-type: none"> <li>• Ensure appropriate mechanisms in place to allow nimbleness, reprioritisation, and redirection of resources as circumstances require, eg contingency planning for natural disasters, terrorist incidents impacting on New Zealanders or New Zealand interests</li> </ul>	<ul style="list-style-type: none"> <li>• Government and the public validate that our response to such events has been appropriate, effective, and in New Zealand's best interests</li> </ul>
<p><b>5 Whole-of-government coordination mechanism</b> Not having adequate coordination mechanisms in place and in use across government to ensure the coherent and consistent development and implementation of the Government's external policies</p>	<ul style="list-style-type: none"> <li>• ERD Chief Executives' Network</li> <li>• Shared outcome with the Ministry of Economic Development (MED) and NZTE</li> <li>• Joint engagement and negotiating groups</li> <li>• NZ Inc guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Advice to Government clearly reflects a consultative and whole-of-government approach</li> <li>• Evidence of MFAT/agency alignment on- and offshore</li> </ul>

*continued over page ...*

## MATRIX OF MAIN STRATEGIC AND ORGANISATIONAL CAPABILITY RISKS – *continued*

Specific risk	Risk management measures	Key measures of success we will use
<p><b>6 Knowledge for policy planning</b> Not having sufficient knowledge and evidence on which to base key decisions over the choice of outputs</p>	<ul style="list-style-type: none"> <li>The creation of an enhanced capability for policy planning</li> </ul>	<ul style="list-style-type: none"> <li>The Government's external policy settings are seen to work in New Zealand's medium- and longer-term interests</li> </ul>
<p><b>7 Knowledge and tools for effective intervention</b> Failure to use knowledge and evidence in deciding methods of intervention</p>	<ul style="list-style-type: none"> <li>The introduction of improved research and Knowledge Management (KM) tools</li> </ul>	<ul style="list-style-type: none"> <li>Policy response and recommendations to Government are accepted as being based on well-researched policy frameworks</li> </ul>
<p><b>8 Understanding domestic concerns</b> Lack of attention to the full range of relevant key domestic concerns or viewpoints in the Ministry's analysis</p>	<ul style="list-style-type: none"> <li>Active consultation</li> <li>Public information and communication activities</li> <li>Auckland office</li> </ul>	<ul style="list-style-type: none"> <li>Domestic stakeholders validate that they have been listened to and understood</li> </ul>
<p><b>9 Internal leadership and management</b> Not having adequate internal leadership and management to ensure ongoing efficient and effective delivery of the Ministry's outputs</p>	<ul style="list-style-type: none"> <li>Close coordination at SMG level</li> <li>Authorising systems and empowering practices that are "fit for purpose"</li> <li>Strong internal leadership with shared vision and commitment of staff</li> </ul>	<ul style="list-style-type: none"> <li>External and internal observation is one of a well-managed and effective organisation</li> </ul>
<p><b>10 Attracting and retaining high-calibre staff</b> Not having sufficient staffing capability (skills and quality) to deliver our outcomes to Ministers successfully</p>	<ul style="list-style-type: none"> <li>Policies and processes that enable us to recruit, train, properly manage, deploy, reward, motivate, and retain suitably qualified staff</li> <li>Recruitment of staff to take up assignments at all our overseas posts</li> <li>Prioritisation of scarce staff resources</li> </ul>	<ul style="list-style-type: none"> <li>Measures of staff turnover at key career points are low</li> <li>Resources devoted to staff development</li> <li>Staff competency is continually developed</li> </ul>

### ADDITIONAL NZAID-SPECIFIC RISKS

As a semi-autonomous agency within MFAT, NZAID shares many risks and risk mitigation strategies with the wider Ministry. It does, however, have a number of additional specific risk assessments and mitigations for the many activities and programmes which it delivers.

In 2007, an audit of NZAID's procurement and contracting identified a number of areas where policy and practices were not meeting public sector expectations. NZAID has implemented a comprehensive multi-year programme of change across policy, systems, practices, and tools to address all issues identified in the audit.

Though the programme of work will take two to three years to fully implement, progress is being closely monitored by MFAT, the Office of the Auditor General, and Audit New Zealand.

Specific risk	Risk management measures	Key measures of success we will use
Uncoordinated activities by donors in a country or region leading to duplication of effort, or contradictory activities that counter or cancel each other out.	Monitoring of donor activities in countries, regions and sectors where New Zealand has ODA programmes.	Surveys of donors show many or all donors working off one partner-owned strategy. Donors working in the same country or region and in the same sector have aligned and/or harmonised programme strategies.
Insecurity and lack of safety for those implementing ODA activities in pre- and post-conflict situations. Negative influences from inside and/or outside the country from such sources as international crime, drugs trafficking, etc.	Close monitoring of the security and stability of countries and regions when staff and contractors are present. The design and implementation of activities specifically mitigates the risks associated with these issues.	Staff and contractors are not placed in-country or in-region where instability creates an unacceptable degree of personal risk.
Corruption, political instability, and/or inadequate capacity in-country causing disruption, failure or cancellation of programmes and activities.	International measures of corruption are considered in the design and implementation of programmes and ODA activities. The capacity and capability of officials and agencies involved in programmes and activities is adequately assessed and reflected in the design of activities.	There is a high degree of transparency and accountability around funding applied to ODA activities.
Contracting and procurement systems cannot ensure suitable public sector accountability, value for money, openness, fairness, integrity or effectiveness leading to a loss of confidence in NZAID as the best vehicle for the management of New Zealand's ODA.	All areas of weakness identified by Audit New Zealand in their audit of NZAID procurement and contracting are being systematically and comprehensively addressed.	The annual audits of NZAID's procurement and contracting control environment by Audit NZ show that NZAID has addressed or is making satisfactory progress towards addressing areas of weakness identified in September 2007.

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## ADDITIONAL NZAID-SPECIFIC RISKS – *continued*

Specific risk	Risk management measures	Key measures of success we will use
Rapid growth of ODA funding and pressure to meet ODA expenditure targets may lead to poor decisions around the design and implementation of activities.	Funding increases to bilateral programmes are identified 12–24 months before they come onstream so that NZAID can bring on programme staff and design new activities in a timely fashion.	NZAID activity evaluations consistently report successful development outcomes.
Rapid growth of ODA may lead to pressures on staff, structures and systems in NZAID.	The Agency commits to monitoring and reviewing, as necessary, staffing levels and structures to identify and address pressure points.	There is a smooth transition to any new staffing arrangements, structures and application of updated systems resulting from increased funding.
Inability to recruit or retain staff of sufficient calibre.	Potential difficult areas of recruitment are identified and recruitment initiatives developed to address concerns. Staff exits are monitored to identify any retention issues.	Staff turnover and average tenure is within public sector norms. Time to fill vacancies generally does not exceed three months, excluding any delay incurred to obtain a security clearance, and less than 10% of positions require re-advertising.

# ASSESSING ORGANISATIONAL HEALTH AND CAPABILITY

In order to deliver the principal foreign and trade policy, development, and consular outcomes sought by Government, the Ministry needs:

- pro-active diplomacy backed up by a strategically oriented, professional, dedicated, properly resourced diplomatic service including expertise in specialist areas such as international law, trade policy and trade disputes, international negotiations, security issues, foreign languages
- development and consular experts and dedicated systems to provide the professional advice and manage and deliver effective services, programmes and projects
- a network of overseas posts in key locations from which to operate and build influence over time
- modern, secure and effective knowledge management and information communications systems and processes
- well-directed whole-of-government coordination mechanisms to leverage opportunities, mitigate risks, exploit the synergies, and multiply the impacts of all New Zealand government agencies' efforts offshore
- effective communication and stakeholder engagement at home and abroad
- efficient management of human and capital resources and tradecraft tools to enable sustained pursuit of New Zealand's interests at all times.

The risks from neglecting any of these areas are identified in the preceding risk framework.

The Ministry's corporate services units (see organisation chart on page 46) provide the infrastructure and manage and support the people, networks, systems, and assets that enable the Ministry to conduct its core business.

# THE MINISTRY'S ASSETS

## OUR FINANCIAL RESOURCES

The Ministry's appropriations are contained in two Votes: Foreign Affairs and Trade, and Official Development Assistance. In 2008/09 the amounts appropriated for each are:

Vote: Foreign Affairs and Trade

• Departmental operating expenditure	\$307,499,000
• Departmental capital expenditure	\$68,633,000
• Non-departmental expenditure	\$64,806,000
• Non-departmental capital expenditure	\$800,000

Vote: Official Development Assistance (managed by NZAID)

• Departmental operating expenditure	\$37,583,000
• Official Development Assistance	\$434,324,000

## OUR NETWORK

- 50 overseas posts
- 119 countries of accreditation
- 9 Consulates-General managed by NZTE
- 60 Honorary Consuls
- 115 staff from other government agencies collocated at our posts

## OUR PEOPLE

In New Zealand (520)

- 394 Head Office
- 124 NZAID
- 2 Auckland

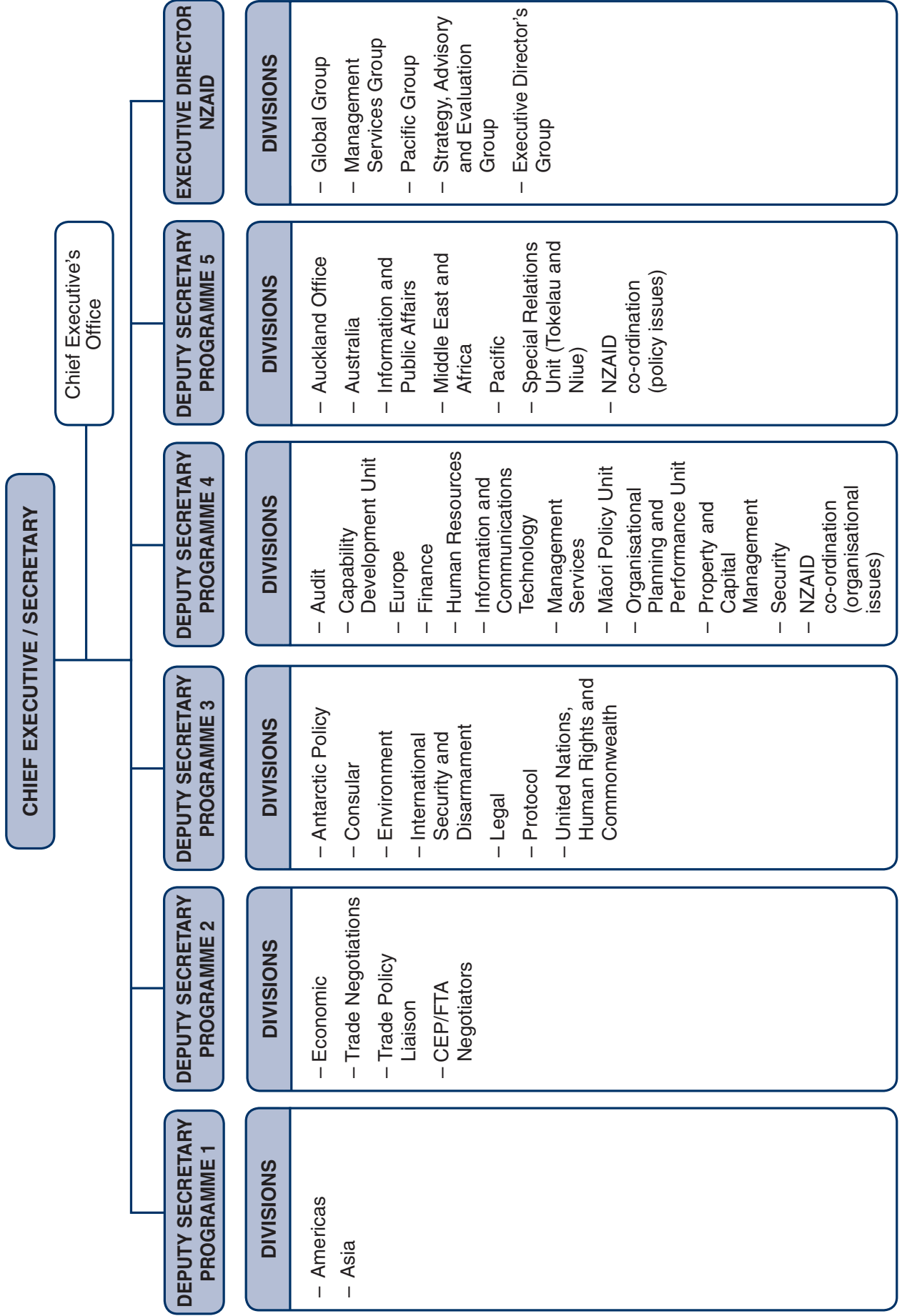
Overseas (631)

- 231 seconded staff (including 16 from NZAID)
- 400 locally employed staff

Total 1,151\*

\* based on full-time equivalents

# ORGANISATION CHART



POSTS	POSTS	POSTS	POSTS	POSTS	NZAID OFFICES
<p><b>Americas</b> Brasilia, Buenos Aires, Los Angeles, Mexico City, Ottawa, Santiago, Washington</p> <p><b>Asia</b> Bangkok, Beijing, Dili, Ha Noi, Hong Kong, Jakarta, Kuala Lumpur, Manila, New Delhi, Seoul, Shanghai, Singapore, Tokyo</p>	<p><b>Permanent Mission to the WTO</b> Geneva</p>	<p><b>Permanent Missions to the United Nations</b> New York, Vienna, Geneva</p>	<p><b>Europe</b> Berlin, Brussels, London, Madrid, Moscow, Paris, Rome, The Hague, Warsaw</p>	<p><b>Australia</b> Canberra, Sydney</p> <p><b>Pacific</b> Apia, Honiara, Niue, Noumea, Nuku'alofa, Port Moresby, Port Vila, Rarotonga, Suva, Tarawa</p> <p><b>Middle East &amp; Africa</b> Ankara, Cairo, Riyadh, Tehran, Pretoria</p>	<p><b>Global</b> Bangkok, Dili, Geneva, Ha Noi, Jakarta, Manila, New York, Pretoria</p> <p><b>Pacific</b> Apia, Honiara, Niue, Nuku'alofa, Port Moresby, Port Vila, Rarotonga, Suva, Tarawa</p>

**NEW ZEALAND CONSULATES-GENERAL MANAGED BY NZTE**

Dubai, Guangzhou, Hamburg, Ho Chi Minh City, Melbourne, Milan, New York, Sao Paulo, Vancouver.

**HONORARY CONSULATES**

**Americas:** Asunción, Atlanta, Bogotá, Boston, Caracas, Chicago, Guam, Guatemala City, Honolulu, Houston, Lima, Montevideo, Sacramento, Salt Lake City, San Diego, San Francisco, San Salvador, Seattle, Toronto;

**Asia:** Chennai, Colombo, Dhaka, Fukuoka, Karachi, Kathmandu, Male, Mumbai, Nagoya, Osaka, Sapporo, Sarawak, Sendai;

**Europe:** Antwerp, Athens, Barcelona, Belfast, Edinburgh, Budapest, Copenhagen, Dublin, Helsinki, Lisbon, Ljubljana, Nicosia, Oslo, Prague, Stockholm, Tallinn, Valletta, Vienna, Vladivostok, Zagreb;

**Middle East and Africa:** Amman, Cape Town, Istanbul, Jeddah, Muscat, Nairobi, Port Louis, Tel Aviv.

# MANAGEMENT PRIORITIES

## 2008–2013 CAPABILITY PACKAGE

Following an in-depth review in 2007 which identified the significant gaps in the Ministry's ability to respond to the international challenges facing New Zealand, the Ministry sought and received approval for a five-year "Step Change" capability package. The baseline budget levels for Vote: Foreign Affairs and Trade (which excludes NZAID) will be increased by \$523 million in new operating funding and a capital injection of \$98 million over the five years beginning in 2008/09. The operating expenditure will be split each year into Appropriation (87%) and Pre-Commitment (13%).

This capability package will involve an increase of around 40% in MFAT policy and support staff (excluding NZAID) over five years, taking the total number to about 850 in 2012/13. Staffing at overseas posts (excluding NZAID) will grow by about 50% to about 350 over this period. The package will also entail the opening of new posts in Australia, Europe and elsewhere over the five years.

The Ministry's existing five-year capability package to cover cost increases (eg in rents, remuneration, IT infrastructure, training) ends in 2008. Part of the new capability package is to enable the Ministry to maintain its organisational capability and operational capacity at current levels. Without such assistance the Ministry would be forced to reduce staff numbers and close overseas posts which would be counter-productive to the Government's objectives.

The Ministry's three main capability challenges over the medium term centre on implementation of its 2008–2013 package, ICT Strategy, and Knowledge Management Strategy. All are complex, multi-year projects that will enable the Ministry's initiatives and interventions to be more effective but they require well-prepared and monitored deployment to avoid any unintended consequences while retaining the Ministry's capacity to respond to unexpected or urgent demands. Each involves the progressive upgrading or replacement of existing systems or processes, the establishment of new protocols and training, and regular monitoring of progress and impacts.

The progressive deployment of the five-year capability package is being coordinated by a dedicated unit using standard project management and contracting procedures, in conjunction with existing policy and support divisions. Working from the broad five-year business case, this unit is developing detailed implementation plans that will be validated at the operational level every year to ensure it remains practicable. This will be accompanied by regular communications updates to staff and partner agencies. The support units responsible for managing the Ministry's organisational health and capability will be strengthened immediately to give them the extra resources needed to recruit, train, place, manage and support the additional staff to be engaged. A project management governance system and risk register have been set up and a monthly progress report on implementation of milestones will be provided to Ministers. The additional outputs to be produced with the new resources will be identified, monitored, evaluated and reported through the Ministry's normal planning and evaluation cycle. Implementation risks will be managed by the Ministry's normal means and monitored by the project governance teams.

## ICT STRATEGY

The Ministry's ICT Strategy, released in 2006, identified the following five goals for setting the direction of future IT infrastructure enhancements over the next five years and beyond:

- ready access to information where and when needed
- a dynamic and flexible ICT environment that balances security and agility
- improvements in the ease and efficacy of communication with other government agencies, external partners and stakeholders
- efficient ICT-enabled work practices increasing work satisfaction
- delivery of ICT as a utility service driven by a value-driven best practice ICT group.

The Strategy involves some 32 projects that once delivered, will advance or enhance the Ministry's working environment. A number of projects will provide a more flexible working environment (eg mobile computing, internet access at the desktop, an MFAT intranet, an upgraded documents management system, strengthened identity and contacts data-base management systems). A Project Management Office which follows standard project management procedures has been established to coordinate implementation and monitor risks. Because of the Ministry's need for a secure operating environment many of these enhancements take longer to design, build and test than in other government agencies. The Ministry will use its existing ICT governance, planning and monitoring systems in order to accommodate the increased demands arising from the additional staff and overseas posts deployed under the 2008–2013 capability package.

## KNOWLEDGE MANAGEMENT STRATEGY

During 2007/08 the Ministry began to develop a Knowledge Management Strategy to improve management and use of its intellectual assets. The Strategy, due to be completed by July 2008, will be elaborated into a multi-year programme of system development and implementation. The project is closely linked to deliverables being developed under the ICT Strategy. A KM Steering Committee has been appointed and is working closely with the ICT Governance panel to oversee the development of appropriate KM tools, eg a Thesaurus of common definitions and taxonomy for operating the new system. The Ministry plans to reorganise its existing KM resources into a strengthened Knowledge Services Division to manage the project over the next five years. The risks will be monitored under a standard project management framework.

## OTHER MANAGEMENT PRIORITIES

Throughout the coming period, the Ministry will continue to maintain organisational health and capability by retaining and attracting skilled staff, ensuring all staff receive appropriate training to deliver their functions and services and acquire the skills essential to a professional career service. Among the management priorities for the period ahead are: undertaking a study into corporate services career development and organisational needs, establishing a stand-alone Public Diplomacy and Outreach Division with a mandate to assist the promotion of policy objectives offshore, implementing a sustainable action plan to progressively advance towards the Government's goal of a carbon-neutral public service by 2012, and continuing to strengthen synergies and cooperation with other government agencies under the *Framework for NZ Inc Operations Offshore*.

The Ministry will also be working to promote and advance the six **State Sector Development Goals** within the organisation. For example, the Human Resources Division

will contribute to the “*Employer of Choice*” goal as it seeks to attract high calibre staff; the ICT Division will focus on the “*Networked State Services*” goal as it works to provide greater ease of information-sharing among government agencies offshore; the Consular Division will focus on enhancing its consular advice and responsiveness under the “*Accessible State Services*” goal.

## NZAID’S MANAGEMENT PRIORITIES

In May 2007, the Government committed to a four-year series of funding increases in ODA to take it to 0.35% of GNI. NZAID’s management priorities over the medium term to deliver this increase in funding will be:

- finalising an Organisational Development Framework (ODF) to shape and resource the larger agency, both in Wellington and offshore, and to manage significantly increased funds through to 2010/11. This will include the development of a career and succession planning model that will help to ensure the ability to retain staff in the medium to long term
- continue the concentration of ODA into a limited number of priority sector countries and programmes as previously agreed with Ministers
- development of a leadership and management development framework to support the ODF
- achieving policy coherence and whole-of-government approaches
- continue to improve the agency’s monitoring and evaluation and its ability to report on results and effectiveness of New Zealand’s ODA
- implementing the Control Environment Strengthening Programme to ensure procurement and contracting systems and practices are meeting public sector expectations.

NZAID uses the following specific measures of its health and capability, including its capacity to engage with partners:

Indicators and measures	Degree of NZAID responsibility for progress	Current status	Source
Staff turnover and average time to fill vacancies remain within public sector norms.	High	Yes	NZAID management systems.
NZAID operating within its desired Values and Cultural Principles.	High	Yes; but systematic information not yet available from the past year. Reporting will be strengthened.	Qualitative and quantitative surveys of staff.
External audit and central agency reporting indicates NZAID is operating in accordance with good public sector practice.	High	The staff of the Controller and Auditor General in 2007 identified weaknesses around NZAID’s procurement and contracting systems and practices. A comprehensive three-year programme is underway to systematically and comprehensively address all the areas of weakness.	Audit and central agency reports.

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Indicators and measures	Degree of NZAID responsibility for progress	Current status	Source
Policies and programme strategies are up to date and/or finalised in accordance with the NZAID Five-Year Strategy or other agreed timelines.	Medium	Seven of the nine policies identified in the Five-Year Strategy to be completed by 2009/10 have been completed. A programme framework, defining which programmes need strategies, will be finalised in 2008. Currently there are 14 Programme Strategies on the NZAID website.	NZAID annual planning processes.
Satisfactory feedback from Ministers on quality of outputs.	High	Yes	Discussions with Ministers.
Satisfactory feedback from NGOs on policy and programmes and NZAID commitments under the NGO Strategic Policy Framework.	Medium	Yes. More detail will be provided in the MFAT Annual Report.	Quarterly and annual meetings with NGO umbrella group and with NGOs.
Media reporting of New Zealand's ODA activities is informed and balanced.	Low	Analysis not yet available. Analytical reporting will be strengthened over time.	Analysis of media monitoring.
Surveys show that the public generally understands and supports New Zealand's ODA programme.	Low	A study in July 2007 found interest in overseas aid the same as in 2004, with two-thirds of New Zealanders expressing some interest and 13% very interested. 34% know "a fair amount" or "a lot" about overseas aid. 76% approve of the Government providing overseas aid.	Surveys
Satisfactory feedback from partners on quality of NZAID engagement.	Medium	Yes, but little systematic data currently available.	Reviews and Evaluations; post audits; reporting from posts. System will build up and be strengthened over time.

## COST-EFFECTIVENESS

The Ministry's core work of providing policy advice and representation does not lend itself to direct cost-effectiveness analysis (*cost per unit of benefit obtained*). Few of our outcomes have a readily quantifiable measure of impact, and most are realised incrementally over years. This makes it difficult to define timeframes for assessing the level of success within the period covered by the Statement of Intent. Further, even those activities which offer direct positive benefits for New Zealand (eg laying the groundwork for, negotiating, and concluding a trade agreement with a key trading partner) may be dependent on other parties and factors before concrete benefits can be realised for New Zealand. Other Ministry activities are aimed at avoiding or minimising negative outcomes or impacts for New Zealand (eg avoiding the spread of conflict in our region, maintaining access to a key market after a change in local conditions or rules). The cost-effectiveness of both types of activity is not quantifiable, especially as the Ministry is rarely the sole player influencing the outcome.

During the period of this Statement of Intent, the administration of all Ministry resources in its two Votes will be in accordance with best public sector management practice. In addition to regular reporting under standard six-monthly reporting and evaluations, internal audit capabilities will be reinforced to ensure strict adherence to policies and procedures.

The Ministry also employs quantitative and qualitative measures and standards.

**Quantitative Measures.** To evaluate work associated with implementing Government policy and protecting the rights of New Zealanders abroad, the Ministry uses a combination of quantitative measures, eg in the consular area we track the management of consular cases in real time, compile statistics and identify trends.

**Qualitative Measures.** To assess the Ministry's progress in advancing New Zealand's interests internationally, the Ministry uses such measures as:

- agreements reached on a bilateral and multilateral basis
- ratifications related to initiatives that were led by New Zealand, eg the Optional Protocol to the Convention on the Safety of UN Personnel
- the degree to which New Zealand proposals and interests are included in international agreements and declarations
- visits by Heads of State and senior political leaders to New Zealand
- coordination of whole-of-government positions and approaches to ensure the coherence and effectiveness of New Zealand positions internationally
- feedback from opinion leaders and decision-makers in New Zealand and elsewhere, as well as from stakeholders and New Zealanders generally
- feedback from participants attending events or activities organised by the Ministry
- domestic and foreign media coverage of New Zealand and its international role, as well as coverage of the Ministry and its activities
- public opinion or stakeholders surveys
- use of Ministry websites.

Since it is important for government agencies to be able to demonstrate that their expenditure of public funds adds value, the Ministry has examined its cost-effectiveness using a number of other measures. These are quite separate from its ongoing efforts to ensure that all expenditures are valid and competitively priced. Last year the Ministry's Statement of Intent for 2007–2010 provided two examples of alternative approaches to cost-effectiveness. One

dealt with international benchmarking; the other illustrated the unit costs for delivering consular services to New Zealand citizens. Both of these remain valid. This year we provide a further illustration based on the cost of negotiations.

New Zealand has accelerated its negotiation of regional and bilateral free trade agreements. Each negotiation requires the participation of specialists from a number of different government agencies, as well as Ministers. The Ministry leads the negotiating effort and generally deploys the largest resource. For each negotiation, the Ministry has established a dedicated team, supplemented by trade law specialists and other advisors when required. The formal negotiations are conducted during a series of “rounds” usually hosted alternately by the negotiating parties. The number of negotiators in the New Zealand delegation attending a round can vary from 15 to 35, with the Ministry contingent usually 6–10. In general, some 3–5 rounds are held a year and it can take 3–4 years to conclude a negotiation.

In April 2008 New Zealand signed an FTA with China. Taking this negotiation as an example, the Ministry’s costs were in the order of \$760,000 for travel, accommodation and other direct costs in 2007/08, the final year of negotiations when there was less travel than in the previous two years. This suggests a broadly indicative investment of about \$1 million a year in direct negotiating costs. This sum does not include the Ministry’s indirect costs (eg negotiators’ time, corporate overheads, and the time of support staff, senior management and Ministers). The real cost of the negotiations would be much higher if these costs, and the contributions of all government agencies that participated in the whole-of-government effort, were included.

China is already an important market for New Zealand business:

- China is our third largest trading partner and our largest trading partner in Asia
- two-way New Zealand-China trade was worth NZ\$7.5 billion in 2007
- over 124,000 Chinese tourists visited New Zealand in the year ended March 2008.

It has been estimated that the FTA could boost New Zealand’s real GDP by US\$1.9 billion<sup>5</sup> and potentially increase New Zealand’s exports to China by US\$180 million – \$280 million a year over 20 years. It provides greater certainty and better access to the Chinese market as it: includes comprehensive coverage of goods, including reduction of tariffs for manufactured and agricultural goods; addresses barriers to trade in services and investment and provisions around rules of origin, technical barriers to trade, sanitary and phytosanitary measures, intellectual property, labour, and the environment.

The quantification of the benefits of an agreement can only be indicative and will depend on the rate at which commercial opportunities are taken up by New Zealand business. Based on the above broad information, it is clear that the major potential export gains for New Zealand represent a significant return on the Ministry’s three-year negotiating investment.

<sup>5</sup> As determined by the Joint Study Report on a Free Trade Agreement between China and New Zealand 2004.

## EQUAL EMPLOYMENT OPPORTUNITIES

The Ministry will continue to place strong emphasis on fostering a diverse workplace and inclusive culture. In representing New Zealand it is important for the Ministry to have a strong internal culture that respects and reflects the diversity of New Zealand and its society.

The Ministry is committed to a whole-of-government approach and will continue to liaise with:

- the State Services Commission on implementing the revised EEO/Diversity policy for 2008/2009
- the Office for Disability Issues for development of its 2008/09 Disability Strategy.

The Ministry has completed its Pay and Employment Equity review, and will commence work on the recommendations of the response plan.

The Ministry will continue to negotiate with other governments on reciprocal employment arrangements for partners of diplomatic officers.

The Ministry provides support to the EEO staff networks.

# THE MINISTRY'S CAPITAL INTENTIONS

## FORECAST DETAILS OF DEPARTMENTAL CAPITAL EXPENDITURE FOR THE PERIOD 2008–2011

	2008/09 Forecast \$000	2009/10 Forecast \$000	2010/11 Forecast \$000
Land	–	–	–
Buildings	49,026	39,132	27,270
Plant and Equipment	850	850	850
Furniture and Fittings	900	900	900
Motor Vehicles	950	950	950
Other Assets	16,907	24,056	19,789
<b>Total</b>	<b>68,633</b>	<b>65,888</b>	<b>49,759</b>

Over the next few years the Ministry is embarking on a step-up of capital expenditure to accommodate the Ministry's growth strategy and implement new ICT systems, including Global WAN, Knowledge Management, Mobile Computing, and Desktop Internet Access.

Successful capital asset management of this part of the Ministry's capability package will be achieved by "making the right choice" and "doing the right thing well".

The Ministry's practices to manage its capital assets include: major capital projects to be aligned with business objectives (strategy) and supported by needs analysis; options to be identified; business case to include costs and benefits; peer or independent review to be sought at the selection phase and/or during implementation phase depending on risk assessment and post-implementation review to verify benefits realisation. These practices are encapsulated within a governance framework.

Success measures include:

- independent quality assurance: no significant issues reported
- project post-implementation reviews: benefits substantially realised
- project financial: project implemented within budget
- appropriation: capital appropriation not exceeded.

# ADDITIONAL INFORMATION

## OTHER BODIES FOR WHICH THE MINISTRY EXERCISES A FUNDING OR MONITORING ROLE

Through its Vote: Foreign Affairs and Trade, the Ministry provides funding to one Crown Entity (*New Zealand Antarctic Institute*) and two Crown charitable trusts (*Pacific Cooperation Foundation* and *Asia New Zealand Foundation*). It also, in conjunction with MED, has a joint role in monitoring the performance of NZTE.

Its role in relationship to these bodies is as follows.

### NEW ZEALAND ANTARCTIC INSTITUTE

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

Over the next three financial years the Institute, in partnership with Meridian Energy, intends to install three wind turbines on Ross Island, Antarctica.

### PACIFIC COOPERATION FOUNDATION

The Pacific Cooperation Foundation was established as a charitable trust in June 2002. The Foundation acts as a catalyst for strengthening New Zealand/Pacific relationships by providing information and independent commentary and developing networks within the Pacific region. The Foundation has been funded since 2004 through Vote: Foreign Affairs and Trade. The Ministry acts on behalf of the Minister as purchase and ownership adviser in respect of the Foundation. The Ministry assists with the preparation of the 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 quarterly to the Minister. In 2006 an independent review of the Foundation's effectiveness concluded that the Foundation had a good record of compliance and achievements to date and was in a sound state to move forward. As a result of the review's recommendations, the Foundation has adopted a revised mission statement supported by four strategic goals. These are:

- fostering understanding of the Pacific on the part of all New Zealanders and promoting New Zealand's identity as a Pacific nation
- increasing New Zealand and Pacific Islands' business opportunities and capabilities
- promoting Pacific studies in New Zealand schools, and academic excellence in Pacific teaching and research in New Zealand universities
- acting as a catalyst and facilitator of networks and exchanges between New Zealand and Pacific Island communities.

## ASIA NEW ZEALAND FOUNDATION

The Asia New Zealand Foundation (formerly the Asia 2000 Foundation) works to build and sustain New Zealanders' knowledge and understanding of Asia. Through its activities in education, business, media, culture and research, the Foundation promotes initiatives which deepen understanding and relationships between New Zealanders and the peoples of Asia. The Ministry acts as purchase adviser and contract manager in respect of the Foundation. The Ministry assists with the preparation of the output agreement between the Foundation and the Minister, coordinates the appropriation process, provides financial and performance monitoring, advises on the Foundation's strategic direction and capability, and reports periodically to the Minister.

A review of the Asia New Zealand Foundation was undertaken by an independent consultant in 2006/07 and recommended an ongoing role for the Foundation in promoting New Zealand's relations with Asia. During the period of this Statement of Intent, the Ministry will be working closely with the Foundation to assist it to align its offshore programmes with New Zealand's specific foreign and trade policy priorities. This includes enhancing private sector linkages, taking a leadership role in Track II relationships, stepping up outreach with international networks and existing offshore partners, and building influential networks in the region.

## NEW ZEALAND TRADE AND ENTERPRISE

The Ministry, in conjunction with MED, has a joint role in monitoring the performance of NZTE on behalf of the respective Ministers, although NZTE is not funded from Vote: Foreign Affairs and Trade. Regular briefing and comment is provided to Ministers on NZTE's performance on such issues as consistency between NZTE proposals and activities and overarching policy objectives. Advice is also provided to Ministers on their responsibilities under the Crown Entities Act, on Ministers' Letter of Expectations, NZTE's Statement of Intent, annual Output Plan, quarterly reports including financial reporting, and any issues affecting their portfolios where the Ministers' views need to be conveyed to the NZTE Board. The Secretary of Foreign Affairs and Trade is a Special Adviser on the Board as is the Chief Executive of the Ministry of Economic Development.

During the period of this Statement of Intent, the Ministry expects to be particularly closely involved with NZTE as it implements the Government's programmes to enhance the internationalisation of New Zealand business and develops more integrated and sophisticated in-market support for New Zealand firms especially in Asia.

## LEGISLATION ADMINISTERED BY THE MINISTRY

The following Acts are administered by MFAT:

- 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
- Pitcairn Trials Act 2002
- Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977
- Terrorism Suppression Act 2002  
(jointly administered with the Ministry of Justice)
- Tokelau Act 1948
- Tokelau (Territorial Seas and Exclusive Economic Zone) Act 1977
- United Nations Act 1946
- United Nations Convention on the Law of the Sea Act 1996
- Western Samoa Act 1961.

Export controls on strategic goods are administered by the Ministry under the Customs Export Prohibition Order 2005. The Ministry also administers a number of statutory regulations made under the above Acts, particularly in the area of UN Security Council sanctions, diplomatic privileges and immunities, and Tokelau.

# GLOSSARY

ACRONYM	Meaning
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CEO	Chief Executive Officer
CEP	Closer Economic Partnership
EAS	East Asia Summit
ERD	External Relations and Defence network
EU	European Union
FTA	Free Trade Agreement
GCC	Gulf Cooperation Council
GNI	Gross National Income
ICT	Information and Communications Technology
IT	Information Technology
KM	Knowledge Management
MDGs	Millennium Development Goals
MED	Ministry of Economic Development
MFAT	Ministry of Foreign Affairs and Trade
NGO	Non-Government Organisation
NZ Inc	“New Zealand Incorporated” (New Zealand government agencies represented offshore)
NZAID	New Zealand Agency for International Development
NZDF	New Zealand Defence Force
NZTE	New Zealand Trade and Enterprise
ODA	Official Development Assistance
ODF	Organisational Development Framework
OECD	Organisation for Economic Cooperation and Development
SMG	Senior Management Group
UN	United Nations
US	United States of America
WAN	Wide Area Network
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

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