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**Statement of Intent Incorporating the
Departmental Forecast Report**

Ministry of Foreign Affairs and Trade

for the year ending 30 June 2004

***Presented to the House of Representatives
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TABLE OF CONTENTS

	Page
PART A – THE STATEMENT OF INTENT	
Preface	4
Our Statement of Intent	
Major Outcome	6
Our Operating Environment	7
Our Response and Intermediate Outcomes	11
Capability	36
Risk Management	40
Performance Indicators	42
NZAID	43
PART B: DEPARTMENTAL FORECAST REPORT	
Responsible Minister	51
Statement of Responsibility	51
Introduction	52
Financial Highlights	54
Statement of Forecast Financial Performance for the Year Ending 30 June 2004	56
Statement of Forecast Financial Position as at 30 June 2004	57
Statement of Forecast Cash Flows for the Year Ending 30 June 2004	58
Reconciliation of Forecast Net Cash Flows From Operating Activities to Net Surplus in the Statement of Financial Performance for the Year Ending 30 June 2004	59
Statement of Movements in Taxpayers' Funds as at 30 June 2004	60
Forecast Details of Fixed Assets by Category as at 30 June 2004	61

	Page
Statement of Forecast Objectives – Specifying the Financial Performance Forecast for the Ministry for the Year Ending 30 June 2004	62
Statement of Objectives Specifying the Performance Forecast for Each Class of Outputs for the Year Ending 30 June 2004	63
GST Status of Departmental Output Classes	65
Statement of Significant Underlying Assumptions	66
Statement of Significant Accounting Policies	66
Service Performance Objectives – Output Performance	69

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

Preface

When New Zealand's diplomatic and consular service was established just over sixty years ago, during the most turbulent days of World War II, it was described as the "ears, eyes and voice of New Zealand".

The world has undergone enormous change - political, social and technological - in the years since and the international agenda has become significantly broader and more complex. But for successive governments the need to have the best possible advice on the changing external developments affecting New Zealand is an enduring requirement.

This reality is reflected in the Ministry of Foreign Affairs and Trade's first Statement of Intent. It is a document that explores the outcomes the Ministry is aiming to achieve on behalf of the Government and the community. Ensuring that *New Zealand's voice is heard abroad and our security and prosperity interests are advanced and protected* remains the mission of this department.

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

The Statement of Intent outlines the current international trends bearing on New Zealand's interests and identifies areas where the Ministry has a significant contribution to make, often in partnership with other government agencies, in securing New Zealand's future well-being.

By defining these areas, we aim to provide the focus for the series of discrete initiatives and interventions the Ministry will develop and pursue, at the Government's direction, in the security field, in support of economic growth and innovation, to strengthen the international system, to contribute to poverty elimination and to protect New Zealanders abroad.

This is a substantial programme that underlines the importance of New Zealand's global connections and highlights the constant requirement to exploit opportunities and manage the risks inherent in many international developments. It also reinforces the requirement for sustained investment in the Ministry's long-term health as an organisation and in its ability to conduct operations.

The Statement therefore sets out the Ministry's organisational capability and operational capacity needs and details areas where improvements will be sought in managing allocated resources. In 2003/04 these include over \$245 million in departmental and non-departmental allocations, while NZAID, the semi-autonomous body established within the Ministry, is responsible for another \$245 million in development assistance expenditure.


The Ministry's most important resource, however, remains the approximately 600 New Zealanders and more than 300 overseas employees who work for the Ministry in Wellington or abroad. Their policy, administrative and specialist skills are spread from Head Office across a global network of 48 posts with formal accreditations to 83 countries and many international organisations. They are the professional heart of New Zealand's diplomatic and consular service. Maintaining the infrastructure that supports their efforts and growing their skills and competencies are the core tasks of the Ministry's management team. The delivery of the Ministry's goals to an acceptable level of quality, day in day out, turns on the dedication and motivation of MFAT's people.

The outcome-focused approach in this Statement draws upon best state sector practice to better link policy and resources in public policy planning. The Ministry will continue to refine and improve this management tool over time, particularly around outcome targets, measures and reporting. It will update key initiatives and interventions. Major changes to the international environment, emergent risks and capability issues will also be highlighted.

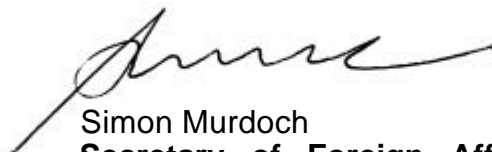
The Ministry will also continue to report against the Statement of Intent in its Annual Report to Parliament.

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

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



Hon Phil Goff
Minister of Foreign Affairs and Trade



Simon Murdoch
Secretary of Foreign Affairs and Trade

PART A

OUR STATEMENT OF INTENT

MAJOR OUTCOME

The Government's external policy goal is

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

The main outcome the Ministry of Foreign Affairs and Trade seeks to achieve is that

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

OUR OPERATING ENVIRONMENT

The impact of globalisation

The international environment in which New Zealand pursues its external objectives is complex and unpredictable.

A larger number of states than ever before compete for influence and attention, using bilateral, regional and multilateral approaches in various combinations as they seek to advance their interests. Non-state actors - corporations, NGOs, news media, terrorist networks - exert a powerful influence on public opinion and on government policies.

Most of this is not new; rather it is the contemporary expression of long-standing trends, conveniently summarised as “globalisation”.

The difference now is the absence of an organising principle in international affairs with the clarity and impact of the bipolar system that dominated the forty years of the Cold War. This is unlikely to change during the period covered by this Statement of Intent.

As an economic phenomenon, the process of integrating world markets through globalisation has been under way for centuries.

The current phase is distinguished by the speed of developments arising from the instant transmission of information, ideas and images made possible by communications technology. This enhances the impact of global corporations, liberalised trading rules, and mutually reinforcing linkages between trade and investment. It is also democratising access to information hitherto controlled or controllable by governments.

The consequences for policy-makers are many and complex. They include pressures to react more quickly, the need to process greater volumes of information, exposure to better-informed interest groups, and a wider range of policy choices.

A specific consequence for foreign and trade policy is the blurring of the boundary between “domestic” and “external” issues, which has implications for the role of a foreign ministry and underlines the need to communicate with domestic interest groups.

Globalisation offers opportunities for New Zealand but here, as elsewhere, is publicly perceived in largely negative terms. Its “downsides” are highlighted in attention to such phenomena as international terrorist networks, transnational crime, mass movements of people, biosecurity risks, resource competition, and greater susceptibility of smaller economies to developments in the majors. These affect perceptions of the role of government and its capacity to influence events.

The real limitations of a small, isolated country in a highly competitive world breed concerns about the risks of marginalisation. Addressing these will be a major challenge for New Zealand foreign policy during and beyond the period covered by this Statement of Intent.

US Pre-Eminence

The unparalleled economic, military and technological pre-eminence of the United States shapes the global agenda.

Access to US markets and foreign direct investment (FDI) is critical to economic growth and development in many countries. US trade policy is the key to successful outcomes in WTO negotiations.

The scale of US military expenditures far exceeds that of any potential rivals and allies, while the capabilities of US military technologies are far in advance of those possessed by other powers. US technological and cultural influences - sometimes called "soft power" - are felt everywhere. The dominance of the US will continue well beyond the period of this Statement of Intent.

The anti-terrorism campaign and its relationship to efforts to disarm Iraq have been, at US instigation, the drivers in global security policy since 2001.

Most governments have seen the current manifestation of international terrorism as posing a broad and unacceptable threat and cooperation has been strong. However there have been some disagreements over objectives and methods in dealing with Iraq. Together these challenges are testing and re-shaping some old alliances, and stimulating newer security relationships, as well as placing pressure on the United Nations system. The long-term implications for the pattern of power relationships, including in the Middle East, are as yet still unclear.

Multilateralism

The mixed results from the enhanced activism of the United Nations since the end of the Cold War suggest that multilateral institutions do not yet provide an adequate framework for securing consistent and durable resolution of international security, order and development problems. It is unclear, too, what degree of influence they will be able to exert and what place they will come to occupy in the evolving global power balance.

However multilateral organisations continue to have an important part to play, despite the challenges posed by selective US engagement and the unwillingness of many members to take seriously their commitments to United Nations treaties and standards. Certain issues are genuinely global and require multilateral negotiations to set rules or resolve problems. Multilateral diplomacy

will continue, therefore, to be a vital complement to bilateral diplomacy and regionalism in addressing many international challenges.

China's Growing Influence

Two elements will affect future power balances and will have consequences for New Zealand during the period of this Statement of Intent.

One is the re-emergence of China as a major economic and political power; the other is the enlargement of the European Union (EU).

China's influence on New Zealand will increasingly be felt directly as a trading partner, and a source of migrants, students, tourists and investors. It will also be felt indirectly as other countries in the Asia-Pacific region position themselves to take advantage of, and to minimise damage from, China's growing strength.

This re-positioning is already evident in efforts to adapt or add to existing regional bodies linking Southeast and North Asia, and to develop new linkages between South and Southeast Asia.

New Zealand's ability to exert influence is diminishing as regional attention shifts to these new challenges. The implications for New Zealand's long association with regional cooperation endeavours are uncertain and therefore demanding.

An Expanding EU, and Interlinking Americas

Similarly, the expansion of the European Union carries risks. An enlarged EU will be more difficult to influence on issues of interest to New Zealand, especially trade and economic matters.

These kinds of issues will also arise for New Zealand if the extension of free-trading arrangements between the US and several Central and Latin American countries is successfully negotiated.

New Zealand faces a potentially serious problem if these examples from Europe, Asia and the Americas point to a longer-term trend towards regional integration, albeit at very different speeds and with varying degrees of deliberate intent.

Where Does New Zealand Fit?

New Zealand's key relationships are with Australia, the US, the EU, Japan, China and Pacific Island countries. These, and our other relationships in Asia, need to be sustained and expanded to protect our interests.

Beyond this, we look to build links with new partners, especially in Latin America, and to maintain our network of connections with the Middle East.

This diverse set of positive relationships is an asset. So too is our reputation as a small but constructive and focused international player. But in an increasingly regionalised world the risk of marginalisation is real.

New Zealand does not fit into any of the new strategic groups emerging in Europe, Asia and the Americas.

Even though New Zealand's economy is now deeply interwoven with Australia's, this country lacks appeal as a natural partner in any of the larger groupings currently taking shape. We have relatively little political and economic clout, ethnic affinity or geographical proximity. No compensating factor - such as a strategic geographical location - suggests itself.

The states in New Zealand's immediate South Pacific neighbourhood are even more exposed to the risks of marginalisation. Developments there can impact negatively on New Zealand's security and economic outcomes.

Finding opportunities and protecting and advancing New Zealand's interests in this environment will require sustained, focused and coordinated diplomatic activity at bilateral, regional and multilateral levels. Sustained, because the outcomes we want will take time to achieve. Focused, because New Zealand's resources are limited. Coordinated, because of the requirement to reflect a whole-of-government viewpoint through a variety of diplomatic channels.

Our Changing Domestic Environment

MFAT also operates within the New Zealand domestic environment where specific factors affect its role and capabilities. These include: more complex decision-making processes under MMP; changing public expectations of government (evident, for example, in rising demand for consular services); the implications of indigenous issues in domestic and external policies; and different career expectations, particularly affecting long-term commitment to a single employer.

OUR RESPONSE AND INTERMEDIATE OUTCOMES

As New Zealand's diplomatic and consular service, MFAT aims to comprehend our operating environment and the risks and opportunities this presents, and to manage these collaboratively by working with other governments, other agencies, the business sector and the wider community.

We manage our resources and deploy our capability to influence the choices of decision-makers in other countries in ways that advance or accommodate the New Zealand interest at stake. We do this through presence, persuasion and negotiation.

We contribute to key government goals of growing an inclusive, innovative economy for the benefit of all and of strengthening our national identity as a people who support and defend freedom and fairness, valuing our cultural heritage and the principles of the Treaty of Waitangi.

We take a leading role in New Zealand's contribution to an improved international order through our support for human rights, disarmament, environmental standards, resource protection and sustainable development.

Our resources include offshore representation and a global network of communications to cultivate influence over time and to prepare the ground for specific initiatives and interventions.

Our collaborative relationships include Antarctica NZ, Asia 2000 Foundation, New Zealand Trade and Enterprise, the External Assessments Bureau, other government agencies, business organisations and the private sector, non-government organisations (NGOs), Maori and interest groups. We meet the expectations of New Zealanders and serve their well-being by contributing to the following **intermediate outcomes**:

I ***Reduced risks to New Zealand from global and regional insecurity***

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

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

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

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

II *Sustainable economic growth through access to foreign markets for goods and services and to sources of capital and technology for innovation*

Foreign trade and investment are critical to a durable economic growth path which produces employment and other benefits for New Zealanders.

The Ministry is a specialist negotiator of market access and provides leadership in developing trade and wider global connectedness policy.

We also contribute to promoting New Zealand's wider linkages to global capital and technology markets by collaborating with other New Zealand agencies in the public and private sectors.

Through our overseas network, we negotiate to open markets and protect market access rules for our exporters. We use diplomatic influence and persuasion to open doors for New Zealand business people, scientists and innovators.

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

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

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

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

IV *Eliminating poverty through development partnerships*

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

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

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

V *Protection of the rights of New Zealanders abroad*

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

Our Priorities

The main tasks of New Zealand diplomacy for the next three to five years can be set out under the five intermediate outcomes listed above. MFAT has much to do in delivering the foreign policy goals chosen by the Government and in responding to unplanned events and decisions overseas. The Ministry must also meet the accumulated policy obligations negotiated by successive New Zealand governments.

But we see the following areas of concentration and intervention as being crucial to each intermediate outcome we seek given the expected operating environment over the next three to five years.

INTERMEDIATE OUTCOME I : REDUCED RISKS TO NEW ZEALAND FROM GLOBAL AND REGIONAL INSECURITY

Areas of Concentration and Intervention

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

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

Direct military threats to this country have been rare. New Zealand diplomacy has been applied more to enhancing economic security than to averting threats to sovereignty and independence.

It has also sought to prevent or ameliorate tensions in neighbouring countries and regions that might lead to more damaging instability, some of which could spill over into New Zealand through movements of people or damage to economic and political ties. New Zealand has also supported efforts to resolve conflicts and re-build confidence between contending groups, whether to enhance nation building or to prevent state failure.

A growing focus on non-state sources of threat is likely during the next several years.

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

Lacking any serious capability to project power, New Zealand favours constructive diplomacy - working with others, seeking common ground and building partnerships as a basis for pragmatic and effective solutions.

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

Enhance Cooperation With Australia to Promote Security and Stability in the Asia-Pacific region

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

Cooperation in diplomatic initiatives to deal with governance failures, conflict resolution and peace-keeping is already well established, notably through the Bougainville, Solomons and East Timor experiences. This has been extended in recent times to address emerging threats to security, including terrorism, people-smuggling, money-laundering, and related transnational crimes that could undermine governments in the region and destabilise their societies.

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

A high priority in the period ahead will be working more closely to formulate and implement policies that promote security and stability.

Action Points

- expand and sharpen cooperation with Australia on problems affecting the security and stability of the Asia-Pacific region, such as terrorism, people-smuggling, civil unrest and government instability in the Pacific
- in cooperation with MOD/NZDF, promote further development of the Australia/New Zealand defence relationship to support security cooperation initiatives

ENDING CONFLICT IN BOUGAINVILLE

A decade of secessionist conflict in Bougainville was brought to a halt in 1997 following New Zealand's diplomatic efforts. Negotiations on board New Zealand navy ships moored off Papua New Guinea were followed by successful ceasefire and peace negotiations near Christchurch. These talks led to the 1998 deployment of a 300-strong unarmed Australia/New Zealand Truce Monitoring Group led by New Zealand. This group subsequently became the Peace Monitoring Group (PMG), which continues to operate under Australian leadership with 20 New Zealand personnel, and Australian, ni-Vanuatu and Fiji personnel.

The 75-strong PMG supports the Papua New Guinea Government, the Bougainville leadership and the United Nations Bougainville office to disseminate peace process information and collect weapons from former militants. This is achieved through:

- provision of 'awareness building' patrols by 4WD and helicopter
- a peace news-sheet publication
- provision of transport for PNG Government and Bougainville leaders to travel around the island to promote the peace process

After 10 years of civil war progress has been slow, but a process which will lead to the disposal of most weapons on the island and the election of an autonomous Bougainville government is now firmly in place.

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

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

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

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

Action Points

- reinforce existing consultation and cooperation on international and regional security issues through ministerial exchanges in bilateral or multilateral settings, and through sustained, broad-ranging official level contacts
- intensify exchanges in other areas of bilateral cooperation where there are shared values and interests

Contribute to the Global Campaign Against Terrorism

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

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

New Zealand is not on the front line of states affected by terrorism but New Zealanders have been casualties of terrorist attacks in New York and Bali, and the threats it poses to this country are real.

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

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

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

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

Action Points

- participate in global and regional initiatives, ensuring that this country's interests as a trader and tourist destination are not adversely affected by security decisions in technical and other organisations
- strengthen MFAT's capability to provide policy advice on counter-terrorism issues, to participate in relevant international and regional meetings, and to maintain an overview of issues touching New Zealand interests so there can be coordinated policy responses

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

The broad trends across much of the South Pacific have been negative in recent years.

Shaky governance standards and systems are widespread; fragile economies are ill-equipped to deal with globalisation; competition for the attention of international aid donors has increased; ethnic strife has become more common; small arms have proliferated; and there is high risk that regional countries will be used for transnational criminal activities.

South Pacific countries expect that New Zealand will play an active and constructive role in support of Pacific Islands' aspirations. This derives in part from cultural, historical, economic and in some cases constitutional ties, and is sustained by migration from regional countries which has created constituencies for South Pacific interests within New Zealand.

The expectation of New Zealand activism is reinforced by the growing pressures placed on New Zealand resources and systems by problems in South Pacific countries in areas such as security, health, environmental degradation and transnational crime. Direct New Zealand interests are at stake and New Zealand agencies face increasing demands to address them.

But there are also many positive elements to New Zealand's engagement with the Pacific. The region has effective regional cooperation through long-standing and widely representative institutions. New Zealand has well-established policy dialogues with most South Pacific states. Trade volumes are significant, and there are good opportunities to expand. New Zealand also benefits in many aspects of its UN and multilateral activities from the constructive and supportive role played by the Pacific Island bloc of member states.

Action Points

- promote sound regional and national responses to shared security concerns through New Zealand's year-long role as Chair of the Pacific Islands Forum which begins with the annual meeting in Auckland in August 2003

- lead and coordinate energetic and comprehensive New Zealand engagement with the region across the range of our political, security, economic, development and multilateral interests

Position New Zealand in the Evolving Architecture in Asia

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

New Zealand has more than half a century of engagement with Asian countries. This has created substantial direct interests in the region based on trade and economic links, political, diplomatic and defence ties, and greater links among people through migration, education, cultural and other private sector activities.

We have a particular concern for stability in the region because of the scale and range of our interests, and the potential impact on them of conflict or serious internal unrest. The proliferation of weapons of mass destruction (WMD) and the acquisition of particular military technologies pose economic and security risks to New Zealand. There are three major conflict fault-lines in Asia (Korean peninsula, India/Pakistan, Taiwan Strait) and several lesser bilateral disputes. In some countries Islamic extremists seek to undermine moderate and secular governments.

Limitations in the mandates, membership or capabilities of existing regional and sub-regional organisations inhibit the contributions they can make to minimising tensions and averting conflict.

At best, most regional organisations in Asia are building confidence rather than anticipating or resolving problems. But their work embeds practices of cooperation and consultation that enhance our economic and security goals. And New Zealand's interests lie in supporting and encouraging their further evolution as direct or indirect contributors to stability and security.

New Zealand is a member of the ASEAN Regional Forum (ARF) and APEC and has a long-standing relationship with ASEAN through its formal dialogue processes.

There are numerous signs that ASEAN, Japan and Korea are seeking to re-position themselves in response to the rising power of China. This has implications for the further development of New Zealand's relationships, especially with ASEAN.

We will need to watch very carefully the course of active but as yet inchoate efforts to build new frameworks for trade and economic cooperation in which New Zealand (and Australia) may have no place. Progress in negotiations with ASEAN linking the CER and AFTA will be an indicator.

It will also be critical to maintain effective bilateral relationships with key countries in the region, particularly at the political level, to build on the diplomatic investment of the past five decades.

Action Points

- work constructively within key regional and sub-regional groupings to make them more effective influences for stability and security
- assess the implications for New Zealand of new initiatives for cooperation among regional countries and devise policy responses
- engage systematically with key countries in Asia at the bilateral level to ensure that our interests are advanced

Support the Treaty-based Disarmament System and Promote Internationally Agreed Responses to the New Threats from WMD Proliferation

The presence of, or ambitions for, weapons of mass destruction perpetuate regional and global tensions in Iraq, and the Middle East more broadly, on the Korean peninsula, and between India and Pakistan.

The integrity of the system is challenged by countries that stand aside from the international treaties banning and controlling weapons of mass destruction, and by others within the treaty regime which fail to meet their commitments to the international community. The growing terrorist interest in securing WMD presents a significant additional challenge.

New Zealand's strategic and security interests require that our disarmament diplomacy responds appropriately to these changing circumstances and new challenges.

Action Points

- play a constructive and calibrated role in the New Agenda for nuclear disarmament and other multilateral efforts towards disarmament
- upgrade New Zealand export controls on military and dual-use goods and technologies

INTERMEDIATE OUTCOME II : SUSTAINABLE ECONOMIC GROWTH THROUGH ACCESS TO FOREIGN MARKETS FOR GOODS AND SERVICES AND TO SOURCES OF CAPITAL AND TECHNOLOGY FOR INNOVATION

Areas of Concentration and Intervention

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

It has a specific responsibility for negotiating and protecting **access** to foreign markets for New Zealand goods and services through direct bilateral negotiations and through multilateral processes which establish the framework and set the rules for international trade and which resolve trade disputes.

It plays a **collaborative** role in leading efforts by other government agencies and by private sector business people to achieve their objectives overseas. By combining local knowledge and an understanding of New Zealand's needs, MFAT is well placed to provide access to decision-makers offshore.

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

This collaborative role is also fundamental to the Government's growth and innovation framework where MFAT has the lead role in increasing New Zealand's global connectedness. MFAT will be active in formulating trade policy, and promoting opportunities to bring skills, technology, research and development and capital into New Zealand.

a Specific responsibilities for access

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

The periodic negotiating rounds conducted within the World Trade Organisation offer the best prospects of long-term improvements in market access and trading conditions for New Zealand. They allow New Zealand to participate in shaping the international trading rules.

The negotiating process enables trade-offs to be made to secure benefits in critical areas for New Zealand that are often not possible in bilateral or regional negotiations. The results of WTO negotiations are legally binding on the parties.

The Doha Development Round, launched in Qatar in 2001, has a three-year time frame for completion. It focuses on the interests of developing countries in particular, and has an agreed set of negotiating issues covering issues of specific concern to New Zealand, including moving agricultural trading rules beyond the improvements reached in the Uruguay Round.

New Zealand negotiators played an important part in securing agreement to launch the Doha Round and have since tabled far-reaching proposals to energise the negotiations.

Achieving a strong outcome for New Zealand from the Round will be the highest trade policy priority during the life of this Statement of Intent.

Action Point

- seek to maximise New Zealand's advantage in the priority negotiating areas of the Doha Round, particularly agricultural trade liberalisation, services, non-agricultural market access and the WTO dispute mechanism

OPENING MARKETS FOR NEW ZEALAND EXPORTERS

The Uruguay Round: Negotiating a Secure Trading Framework for New Zealand

Overall gains to New Zealand from the Uruguay Round, concluded in 1994, are estimated at \$9 billion by 2005. For us, the most crucial outcome was bringing agriculture fully under GATT/WTO rules and disciplines:

- export subsidies were capped and cut by 36%, controlling damage to New Zealand's global agriculture export markets from American and EU subsidised competition. Internal subsidies were cut by 20%
- on average agriculture tariffs were cut by 36%, saving our exporters about \$300 million in annual duties by 2001. We also negotiated under "country specific tariff quotas" to supply butter and sheepmeat to the EU; high-fat dairy products to Japan; beef and cheddar cheese to America, and other low-duty tariff quota access, halting previous key market access erosion
- by 2005, the beef quota could be worth \$168 million and the new sheepmeat quota \$1.46 billion. Export subsidy disciplines and improved access gains to New Zealand's dairy industry are conservatively estimated at \$4.5 billion for the same period

The Uruguay Round also improved market access for non-agriculture products, liberalised trade in services and created new disciplines on services. It also strengthened existing subsidy measure rules and extended these to all Round members, created a new plant and animal product quarantine discipline agreement, created new disciplines on intellectual property protection, established a dispute settlement system equally binding on major economic powers such as the US and weaker countries like New Zealand, and created a new international organisation – the World Trade Organisation.

MFAT led New Zealand's negotiating effort, with other departments – notably the Ministry of Agriculture – supporting as necessary. MFAT's work included:

- analysis and construction of New Zealand negotiating positions tailored to the political and economic realities of global trade
- comprehensive identification of New Zealand's sectoral and product-specific export and (defensive) import interests in agriculture, non-agriculture and services market access negotiations
- prosecution of New Zealand's positions and interests through seven years
- consultation with Ministers, other departments and business and other interests as necessary

Sustain Strategic Focus on Major Economic Partners

Since the UK joined the EEC (now EU) New Zealand's trade strategies have sought to maintain a wide range of markets and products. This has produced four key markets – Australia, the EU, the US and Japan – which each account for 15-20% of New Zealand trade.

Other economic linkages with these four are broad and deep, encompassing investment, tourism, education, science and technology, and cooperation in international organisations. Our political connections are close, with many shared values and international goals.

But these relationships are not static. New Zealand needs to be alert to changes in the other parties that might affect its interests or ability to exert influence, and to make focused and sustained efforts to ensure the sympathetic attention of their governments. In each of the four key relationships, there is reason to renew efforts over the period of this Statement of Intent.

The economic relationship with Australia is our most diverse and important. It employs more New Zealanders over a greater range of industries and activities than any other economic partnership. At the 20th anniversary of the Closer Economic Relationship our two economies are comprehensively integrated. The continued success and development of the relationship are fundamental to New Zealand's economic future. The challenge ahead is to promote and secure the next generation of initiatives that will deepen economic integration and enhance our prosperity and security while delivering benefit also to Australia.

But the easy gains have been won. Possible future developments (eg in the joint regulatory area) will be more complex, and the immediate benefits less easily explained. Therefore they will be politically more difficult for the two governments.

Australia's pursuit of similar agreements with third countries may erode the position New Zealand has won in Australia's market and in the markets of the other parties.

The proposed Australia/US Free Trade Agreement (FTA) is a case in point. There are risks to New Zealand in an outcome which leaves one part of the single trans-Tasman market outside the arrangement.

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

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

The impact of the imminent enlargement of the European Union will be felt on a wide range of New Zealand interests, but especially economic and trade matters.

New Zealand has had limited contact with most of the new members and the cultural and historical linkages which have underpinned relations with EU members thus far will have less resonance for them. Increased New Zealand engagement with the new member states will be a pre-condition for targeted efforts to secure their acquiescence in, if not support for, safeguarding New Zealand's trade and related interests in the EU.

Enlargement will make it harder to influence the EU on issues important to New Zealand.

The distinctive EU style of government - codification, regulation, and market management - already poses challenges for non-EU countries seeking access, influence and recognition. These difficulties will increase with the inward-

looking focus that is likely while existing and new members get to grips with enlargement.

The influence of the EU in international affairs, especially trade policy, will also increase. EU-wide negotiating stances will be more difficult to achieve and change than previously. Maintaining high-quality representation in Brussels and in key EU capitals will be critical to protecting and advancing New Zealand interests.

With Japan the “new level of engagement” has reinvigorated and broadened New Zealand interest in the varied marketing opportunities that country offers. Capitalising on this interest will be a priority.

Action Points

- define and advance with Australia the future path for CER integration
- work to negotiate an NZ/US closer economic partnership with the United States
- secure continuing EU attention to New Zealand interests through high-level dialogue with the President of the EU Commission and his Commissioners, and through strengthened representation in Central Europe
- advance the new level of engagement with Japan through high-level visits and targeted economic cooperation

ON THE SPOT LOBBYING

Organic Exports to the EU

Following several years’ negotiating, the European Commission last year recognised New Zealand’s Official Organic Assurance Programme had achieved standards equivalent to those set down in EU legislation.

New Zealand succeeded in gaining “third-country listing” for its organic products in the EU thanks to considerable effort from officials working collaboratively.

This simplifies access for nearly all New Zealand organic products exported to the EU, worth NZ\$22 million in 2001. Our organic exports will now be more stable and predictable and we also have new market access opportunities in Europe.

New Zealand’s Organic Assurance Programme has yet to be audited by the EU’s Food and Veterinary Office, and we will need to remain vigilant to ensure our organic industry continues to meet European expectations. The Commission will review its decision in 2006.

Negotiate Closer Economic Partnerships

With an ever-expanding global web of CEPs/FTAs playing an increasingly important role in international trade, New Zealand needs to be actively engaged to safeguard our trading interests.

Although the WTO remains the most important tool in facilitating market access, bilateral trading agreements provide a useful way for New Zealand to reap benefits in other markets from the liberalisation this country has already substantially completed.

Bilateral negotiations allow like-minded countries to liberalise to a greater degree and more quickly than under the slower multilateral negotiating process.

CEPs can also encourage investment flows and the alleviation or removal of non-tariff barriers impinging on New Zealand exports.

CEPs are also important from a strategic perspective in complementing other trade liberalising initiatives. They make a useful contribution to moving the WTO process forward, while also serving APEC's Bogor goals of free and open trade and investment.

Action Points

- pursue a trilateral closer economic partnership with Chile and Singapore
- conduct a study of the potential value of a closer economic partnership with Mexico
- advance the initiative to link CER and AFTA economies more productively for mutual benefit

Protect and Improve Access for New Zealand Goods and Services

While promoting further market access through the WTO and bilateral and regional initiatives is a key to growth at home, protecting and enforcing existing access rights demand constant attention and will remain a priority for the Ministry and other agencies and New Zealand posts.

Much of our trade policy work therefore must continue to focus on problems in securing or sustaining access for New Zealand products to markets in the EU, the US, Japan, Korea, China, Russia and other countries.

Action Points

- ensure that existing access for New Zealand goods and services is not impeded by non-tariff barriers or other regulatory means
- negotiate to increase access across priority markets

Use International Trade Rules and Dispute Procedures to Protect New Zealand Rights and Interests

The Ministry is responsible for protecting New Zealand's trade rights through negotiations with trading partners and, where directed, pursuing WTO dispute settlement procedures to safeguard our national interests in this area. It is also obliged to shape recommendations regarding third party participation in disputes between other WTO members which may raise issues of systemic importance to New Zealand.

Action Points

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

BUILDING ON THE ROUND – ACTION THROUGH THE WTO

Beef to Korea

The final opening of the Korean beef market, after 15 years of concerted international pressure, owes much to the efforts of agricultural exporters, including New Zealand. After being one of the countries to prosecute a successful WTO case in 1993 New Zealand joined the US and Australia as a third party in 1999, along with Canada, to take Korea back to the WTO to challenge the legality of separate retail distribution systems for domestic and imported beef. As a result Korea was obliged to dismantle the system. MFAT officers, working with representatives of technical departments and New Zealand exporters:

- lobbied the ROK Government to change its system
- gathered information about the way the system worked
- assessed the legal issues and defined the grounds for further proceedings through the WTO
- joined the governments of other exporting countries in mounting a legal case through the WTO
- drafted legal arguments relevant to the case
- presented the case to the WTO Disputes Panel and Appellate Body

Working with the US, Australia and Canada, New Zealand succeeded, in June 2002, in removing one of the last non-tariff barriers against imported beef: the prohibition on the freezing down of chilled beef. Through these actions the

Korean beef market has finally been liberalised, although tariffs remain high. Beef sales to Korea rose sharply in 2002, more than doubling in value from the previous year's exports of around \$39 million. Korea is currently New Zealand's third largest market for frozen meat.

b Contribute to economic growth through collaboration and facilitation

Contribute to the Growth and Innovation Framework (GIF)

The Ministry, as a member of the core departmental group involved in the Growth and Innovation Framework, will establish programmes with other government agencies to help promote foreign direct investment into New Zealand and the development of our science and technology base. It will help identify offshore opportunities for the New Zealand private sector. And it will focus on ensuring New Zealand's external effort directly supports and is informed by the Government's domestic goals.

In particular, the Ministry will assist the establishment of New Zealand Trade and Enterprise. This will include involvement in the new entity's governance through our monitoring and policy advice role, and above all by deepening cooperation with export promotion and service delivery to New Zealand companies in the field.

Open doors for New Zealanders Overseas

New Zealand posts overseas, and particularly heads of mission, will maintain networks of influential contacts overseas. These will be utilised to help other parts of the government, and private sector, to obtain access to people whose decisions may have influence on New Zealand.

Action Points

- lead the development of New Zealand's global connectedness strategy and associated initiatives
- with the Ministry of Economic Development contribute to the successful establishment of New Zealand Trade and Enterprise with special focus on deepening cooperation with export promotion and service delivery to New Zealand exporters in the field

INTERMEDIATE OUTCOME III : A RULES-BASED INTERNATIONAL SYSTEM THAT SUPPORTS OUR SECURITY AND PROSPERITY GOALS AND PROMOTES OUR VALUES

Areas of Concentration and Intervention

Support for the multilateral system has been central to New Zealand's foreign policy since we were involved in the founding of the United Nations.

New Zealand continues to be an active participant in the United Nations system as an expression of our national values and interests.

New Zealand also seeks to promote its values and interests through the Commonwealth.

Multilateral diplomacy complements the Ministry's work to protect and advance national interests through bilateral and regional relationships.

Our influence is based on New Zealand's good standing and positive reputation as an international citizen, our ability to form effective coalitions of interest, our diplomatic capability and our readiness to contribute to initiatives and problem solving. This includes efforts to improve the efficiency and effectiveness of the United Nations itself.

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

The United Nations relies largely on moral force to promote global security and the rule of law, and on the willingness of its members to comply with the standards set by the majority. The UN system has become more important in combating the threat of global terrorism and in responding to trans-border problems. But there is unease over the future effectiveness of the multilateral system.

The Secretary-General has been a champion for reform and modernisation, and New Zealand has strongly supported this, but the pace of reform is constrained by member states.

New Zealand as a liberal democracy can contribute to sustaining confidence in the United Nations and in multilateral solutions to global problems but our influence is limited. Our effort needs to be focused on what we judge to be our most fundamental interests.

Action Points

- support the establishment and effective functioning of the International Criminal Court

- support the international oceans order by working towards effective implementation of The Law of the Sea, including delimitation of New Zealand's continental shelf and maritime boundaries
- help Pacific Island countries comply with relevant anti-terrorism, money-laundering and people-smuggling treaties
- ensure New Zealand is complying with its international legal obligations under the UN Charter and core human rights treaties
- increase efforts to engage with the Treaty partner around international instruments that impact on Maori

Engage Selectively in International Standard-Setting and Rule-Making Sectors where New Zealand Interests are at Stake

Our ability to influence the direction of new conventions or treaties to accommodate or advance New Zealand interests depends largely on our ability to engage at the early stages of negotiations, and to do so with the commitment and technical expertise of other agencies.

Action Points

- represent New Zealand interests in negotiations on the Convention on Corruption, the Convention on Disabilities (as a support for relevant agencies) and on human cloning
- put information exchanges and forward planning with other agencies onto a more systematic basis, to clarify respective responsibilities for new areas of negotiation

Negotiate and Implement International Agreements and Standards Relating to the Environment

Most of the core multilateral environment agreements generated by the 1992 Rio Earth Summit have matured to the point where technical rather than policy issues dominate and these are increasingly managed by the relevant domestic agencies.

Our main focus will turn to more prominent international issues that engage New Zealand's environmental and economic interests.

These are sustainable production, consumption and trade (including chemicals management and energy reform); oceans (including fisheries management, new challenges to the conservation of whales, albatross and petrels); natural resources (principally sustainable forestry and fresh water); biodiversity (the commercial and trade aspects of the Convention on Biodiversity and the Biosafety Protocol); and, once the Kyoto Protocol is in force, new global action to mitigate climate change and facilitate adaptation to its impacts.

We also have an interest in securing the capacity of developing countries, especially those in the Pacific, to respond to environmental challenges.

Action Points

- engage in new multilateral initiatives to achieve sustainable production and consumption, especially concerning energy, chemicals, hazardous substances and forestry, and build on the Kyoto Protocol and its market-based measures to reduce global emissions of greenhouse gases
- improve international agreements that deliver on New Zealand's biodiversity and biosecurity objectives, while protecting and enhancing trade and commercial interests
- respond to increasing challenges to the protection of marine mammals and vulnerable marine and coastal species and support improved fisheries management as well as UN and Pacific regional oceans initiatives
- support developing countries' environment and development interests through our 18-month seat on the Global Environment Facility, with a focus on the Pacific

Respond to New Global Issues

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

Action Points

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

PEOPLE-SMUGGLING AND ILLEGAL MIGRATION

We have so far escaped mass seaborne arrivals of potentially illegal immigrants, but the 2001 *Tampa* incident shows New Zealand is vulnerable. We know people-smugglers have investigated New Zealand as an alternative destination to Australia.

New Zealand needs the cooperation of governments in our region to mount effective collective action against people-smuggling. New Zealand has stepped

up efforts to counter the domestic threat, bilaterally with Australia, and within the wider region. Through its overseas posts and Wellington staff, MFAT works with other New Zealand agencies such as NZIS, Police and Customs to devise and implement policies to minimise the illegal immigration risk here. MFAT officers also:

- gather overseas information about people-smuggling ventures
- lobby foreign governments, law enforcement and border control agencies to prevent illegal voyagers' departures
- publicise risks and costs of breaking New Zealand migration laws to discourage potential illegal migrants embarking on illegal voyages
- participate in international meetings developing mechanisms to deal with refugee issues and to stop or limit illegal migration and trans-national crime that harms New Zealand

Strengthen Antarctic Treaty System

The Antarctic Treaty, which entered into force over forty years ago, denuclearised and demilitarised the continent and defused potential conflict over claims to territory. The Treaty is strategically valuable to New Zealand because of our proximity and our claim to the Ross Dependency.

The Treaty has since been complemented by the Convention on the Conservation of Antarctic Marine Living Resources and the Protocol on Environmental Protection which designated Antarctica as "a natural reserve, devoted to peace and science". Together these agreements comprise the Antarctic Treaty System which provides for the international governance of Antarctica.

The Antarctic Treaty System is being challenged on a number of fronts as Antarctica's resources attract increasing attention for their economic value.

Illegal, unreported and unregulated fishing, sometimes involving organised crime, has wreaked havoc on some toothfish fisheries and seabird populations in the seas around the continent. The unique Antarctic environment is threatened by the expansion of tourism and development of new forms of tourist activity. New Zealand has a major stake in ensuring the Treaty System is sufficiently robust to cope with these challenges.

Action Points

- work to strengthen the Antarctic Treaty System and New Zealand's influence within it, as well as protecting New Zealand's interests in its claim to the Ross Dependency

- protect the Antarctic environment by helping combat illegal, unreported and unregulated fishing and by addressing new challenges such as bioprospecting and expanded tourism

PROMOTING SUSTAINABILITY - TOOTHFISH

New Zealand has a direct interest in the sustainable management of resources in the Southern Ocean. Toothfish exports now earn New Zealand \$14 million annually and generate employment in Nelson, Timaru and Dunedin.

At last year's Commission for the Conservation of Antarctic Marine Living Resources meeting (CCAMLR), New Zealand was granted access for a record six fishing vessels to Antarctica's Ross Sea this season, more than any other country for an "exploratory fishery". The Convention allows for the rational use of the Southern Ocean's resources.

New Zealand's delegation also successfully argued for a conservative and precautionary total catch allowance for the fishery with a view to long-term sustainability and ecosystem protection. New Zealand has also taken a leading and effective role to combat illegal, unreported and unregulated fishing that causes serious damage elsewhere in the Southern Ocean.

Support Peace Building and Peacekeeping

Peace support operations are one of New Zealand's most tangible commitments to collective security and the rule of law. The case for solid international and regional engagement in peacekeeping, including the role and capacity of the United Nations, remains important in an evolving and uncertain security landscape.

We support the Secretary-General's efforts to reform UN peacekeeping and implement the Brahimi report. New Zealand has a key role to play in backing peace support efforts in our region. Although regional commitments have reduced recently, we still need to retain capacity to respond to contingencies that might arise.

Our broader commitment to collective security and the rule of law will require ongoing contributions elsewhere in the world.

Action Points

- support the Secretary-General's efforts to reform UN peacekeeping and implement the Brahimi report including practical support for the Standby Arrangement System, appropriate legal regimes, and Department of Peacekeeping Operations capacity building

- work with other government agencies to retain and develop appropriate New Zealand military and law enforcement capabilities for peace support operations

INTERMEDIATE OUTCOME IV: ELIMINATING POVERTY THROUGH DEVELOPMENT PARTNERSHIPS

This intermediate outcome is elaborated in the NZAID section of the Statement of Intent (see pp 43-50)

INTERMEDIATE OUTCOME V: PROTECTION OF THE RIGHTS OF NEW ZEALANDERS ABROAD

Areas of Concentration and Intervention

There has been rapid growth in demand for consular services as more people travel, compounded by the rise of adventure tourism, widespread use of electronic communications and the social impact of globalisation.

There is public expectation that the Ministry will have the ability to respond quickly and competently (in cooperation with other agencies) to an emergency overseas involving New Zealand citizens, and to arrange evacuations if necessary.

Most dramatically, terrorist threats and tensions from regional instability have increased substantially.

There have been nine such emergencies over the past three years compared with three in the previous decade. To respond to these developments our priorities over the next three-five years will be to:

Strengthen Consular Management and Operational Capability

This will involve planning for a specialised consular IT system to help cope with volume growth, improve emergency response development and the quality of data and inform future policy decisions. Consular training for seconded and locally engaged staff will be strengthened and the importance of the consular function will be given greater profile and recognition.

Build Emergency Response Capability

It will be the role of a newly established Emergency Management Unit to develop the Ministry's contingency planning and consular emergency response capability, working closely with other agencies such as the New Zealand Police, Defence and the Department of the Prime Minister and Cabinet. Careful attention will be given to the preparation of travel advisories, ensuring that this

service is based on the best available information and is timely and unambiguous.

Action Points

- identify and progress an IT solution which meets the Ministry's consular requirements
- further strengthen consular response capability and training
- build consular outreach activity, including information material, and maintain timely travel advice

EVACUATION OF NEW ZEALANDERS FROM SOLOMON ISLANDS

In June 2000, armed Malaita Eagle Force (MEF) members and paramilitary police took over the police armoury and the Solomon Islands' capital, Honiara. The Prime Minister was seized and forced to resign. Honiara's security situation deteriorated further when opposing militant group Isatabu Freedom Movement (IFM) launched a counter-attack near the international airport on the capital's outskirts, forcing its closure. Loss of commercial air links and the general instability led the New Zealand and Australian governments to arrange a joint Defence Force assisted evacuation to get their respective citizens out. New Zealand High Commission staff managed the overall evacuation of New Zealanders, working with Defence personnel, and their Australian diplomatic counterparts.

An Australian naval vessel was deployed to Honiara to evacuate several hundred people, supported by New Zealand frigate HMNZS Te Mana. The Royal New Zealand Air Force carried out six evacuation flights, which resulted in 429 New Zealanders, Australians and other nationals leaving the country.

MFAT officers:

- assisted New Zealanders with evacuation arrangements
- negotiated with Solomon Islands authorities for the RNZAF aircraft to land and pick up passengers
- liaised with Australian authorities to include New Zealanders on its vessels and aircraft; and to include Australians on ours
- organised with other diplomatic missions to get their citizens on evacuation aircraft, and with Australian authorities for their entry to Australia
- arranged orderly evacuation processing, and transfer of documents to relevant authorities in New Zealand, Australia and elsewhere
- liaised with New Zealand and international media

CAPABILITY

Chapter 5 of this Statement of Intent effectively sets out the Ministry's mission. **But what does it take to do the job?**

The Ministry needs to be:

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

An effective diplomatic service is one that is:

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

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

1 Organisational Capability

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

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

2 Operational Capacity

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

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

The Ministry's **strengths** lie in:

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

Capability Challenges

The Ministry will continue to be pressed to meet the policy and operational challenges described in this Statement of Intent.

The international agenda continues to expand significantly in range and depth. New Zealand has to compete ever harder against an increasing number of players on the international stage to achieve its objectives. The Ministry needs

to be able to accommodate new demands arising from both the Government's own aspirations and rapid changes in the external environment.

In recent years the Ministry has been able to absorb a stream of new activities through reprioritisation of effort, productivity gains and improved utilisation of capital assets. Future options for such discretionary management are limited. Bridging the gap between available resourcing and steadily rising demands and expectations will remain a significant challenge in the period of this Statement of Intent. The Ministry will need to ensure that additional investment by the Government in its organisational capability and operational capacity is directed to areas that will pay the best dividends in the short and medium terms.

The priorities include:

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

Management Priorities

For the next three to five years the main areas of management concentration are:

- Human Resource Strategy – for retention, remuneration, performance management, training and development (including in professional and specialist skills and foreign languages) and diversity
- Capital Plan – management of major asset holdings, including overseas property maintenance and overseas security requirements
- IT Strategic Review – further development of IT systems in support of operational needs and a deepening of organisational knowledge
- maximising efficiencies in our work systems through further productivity gains, reprioritisation of effort and optimal use of capital assets
- NZAID – continuing organisational and programme changes
- organisational planning and performance – enhanced ability to assess our performance against this Statement of Intent
- management structures and management information systems
- emergency response management systems

- Outreach Strategy – effective engagement with all stakeholders
- External Relations and Defence Network – playing a lead role in coordinating inter-agency work with an external dimension

MANAGEMENT PRIORITIES FOR 2003/04

- accelerate and intensify cooperation with those agencies responsible with us for delivering the Government's external goals. These include New Zealand Trade and Enterprise; the Ministry of Defence and the New Zealand Defence Force; the Ministries of Agriculture and Forestry, Economic Development, Research, Science and Technology; the Customs Department; the External Assessments Bureau; the NZ Immigration Service and the Distinguished Visitors Branch of the Department of Internal Affairs
- implement enhanced security requirements at overseas posts
- implement reviews of the performance management system, remuneration policy and language training policy
- increase training of specialist (eg trade policy, international legal) skills
- work through options for upgrading emergency consular response capability
- enhance organisational planning and performance systems
- determine the Ministry's IT bandwidth requirements and implement an expansion to enhance communication links and business process/applications, leveraging off the significant existing investment in the Ministry's IT platform
- advance acquisition of an intranet, new encryption technology, new classified messaging system and Internet browsing for the desk-top
- NZAID – work through implications of the offshore capability review and organisational and programme changes
- insurance issues – address options for anti-terrorism cover and other increased insurance costs post 11 September
- review operation of the policy of localising positions at overseas posts

RISK MANAGEMENT

Risk management is an integral part of the Ministry's business of seeking to protect and advance New Zealand's security and prosperity in an uncertain world. The way the Ministry manages risk is inherent in the interventions and action points described under each of the intermediate outcomes.

The Ministry's risk exposures are both external and internal and have strategic, policy and operational dimensions.

The international environment is by nature unpredictable and New Zealand's ability to influence events is limited. We are vulnerable to the actions of others.

The Ministry is constantly anticipating problems, seeking to avert them or mitigating their effects as they arise. It is equally vigilant for unexpected opportunities to advance New Zealand's interests.

The Ministry's forward planning focuses on both the strategic environment within which New Zealand interests are pursued and the factors affecting the achievement of particular Government objectives.

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

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

Like other public service organisations, the Ministry has to manage the risk of failure to meet internal and external standards of performance, accountability and ethics.

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

- identify, assess and advise on international and domestic developments that may have an impact on achievement of the Government's external objectives
- act on the Government's behalf to address threats to New Zealand's interests and pursue external opportunities for New Zealand
- operate efficiently, effectively and economically

- pursue effective communication with stakeholders
- manage and invest in its capability for the future

The Ministry's structure and systems promote risk profiling and risk management at all levels.

Policy and support operations at Head Office and overseas posts are designed to ensure proper planning, coordination, quality control, lines of authority and accountability, and the delegation of management competencies and to encourage the exercise of responsibility and creative initiative.

Strategic, policy and operational risks are regularly identified, evaluated and addressed through the Ministry's planning and reprioritising processes. These are synchronised with the Ministry's external accountability requirements.

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

The Ministry will use this Statement of Intent to help further develop its longer-term risk management planning and to keep under review changing capability, work process and work organisation needs.

PERFORMANCE INDICATORS

Measuring the impact of a foreign ministry's interventions is made particularly difficult by the complexities of the international environment.

An agency with regulatory authority in the domestic environment has the ability to enforce compliance by citizens. A foreign ministry has no such ability in the international arena, and is dealing with other sovereign actors while also taking account of their objectives.

As noted in our Risks section (Chapter 5) the outcome for New Zealand is frequently affected by the initiatives and actions of others.

This Ministry is nonetheless committed to the most rigorous performance management system possible, and to linking individual performance measurement to performance of tasks in unit operational plans.

These operational plans in turn relate directly to the intermediate outcomes and areas of concentration in this Statement of Intent. A new Organisational Planning and Performance Unit has been established to strengthen the Ministry's ability to make these cascading linkages. One focus of its work will be ensuring our planning and management processes better inform and direct the delivery of our effort and outcomes. That will include recommending adjustments and enhancements to the way in which future Statements of Intent are prepared and used to help the Ministry carry out the Government's business.

As is appropriate for a policy ministry working closely with Ministers who have international responsibilities, MFAT will continue to rely heavily on feedback from Ministers for assessment of its performance against planning objectives, and for assessment of the quality and timeliness of its briefings, policy advice and other outputs. Where the services it provides for other agencies can be assessed with quantifiable performance measures, it will contract to deliver services against those measures.

NZAID

INTERMEDIATE OUTCOME IV: ELIMINATING POVERTY THROUGH DEVELOPMENT PARTNERSHIPS

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

OUR OPERATING ENVIRONMENT

The Poverty Gap

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

New International Expectations

After the decade of the 1990s, which saw only intermittent attention to addressing the poverty gap and declining volumes of Official Development Assistance (ODA), new international expectations and standards have been reached in the last three years through: the development by the United Nations in 2000 of ambitious Millennium Development Goals (MDGs) aimed at lifting millions of people out of poverty by 2015; the launching of the WTO Doha Development Round; and outcomes of the Financing for Development Conference in Monterrey in 2002. The Monterrey Conference achieved an unprecedented degree of consensus in the international community about what is needed to advance development through a combination of: policy settings, governance conditions and resource mobilisation in developing countries themselves; private capital flows, ODA, trade liberalisation; debt relief; and strengthening the international system's capabilities to underpin development. At Monterrey the international community made commitments to increase ODA significantly towards the international target of 0.7% of Gross National Income (GNI).

Pacific Challenges

In New Zealand's immediate neighbourhood there are development challenges peculiar to the Pacific, a number of which are referred to in the overarching operating environment of the Ministry of Foreign Affairs and Trade, such as the challenges of improving governance and of achieving security within societies and across the region. NZAID is required to focus on additional challenges, such as improving education outcomes and achieving sustainable livelihoods.

OUR RESPONSE AND INTERMEDIATE OUTCOMES

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

One of the Government's key responses to the challenges outlined above has been the establishment of Nga Hoe Tuputupu-mai-tawhiti / the New Zealand Agency for International Development (NZAID) from 1 July 2002, with a central focus on the elimination of poverty and a core, but not exclusive, focus on the Pacific region.

NZAID is a semi-autonomous body within the Ministry of Foreign Affairs and Trade charged with managing the Government's \$230 million p.a. ODA allocation to achieve effective development outcomes in partner countries, including through supporting New Zealand's special relationships with the Cook Islands, Niue and Tokelau.

The NZAID Mission Statement is: ***contributing to eliminating poverty through development partnerships.***

NZAID's policy statement "Towards a Safe and Just World Free of Poverty" establishes **four strategic outcome areas** for the agency that are linked directly or indirectly to the elimination of poverty, namely:

- **fulfilment of basic needs**, such as the provision of water and sanitation, food security, shelter, health, education and emergency and humanitarian assistance in the case of natural or human-induced disasters
- **achievement of sustainable livelihoods**, through interventions to assist economic growth, human resource development and private sector development
- **sustainable and equitable development**, with emphasis on sustainable natural (marine and terrestrial) resource development and maintenance of biodiversity
- **safe, just and inclusive societies**, through focus on governance and participation, gender equality and gender equity, economic and social development, community and civil society development, conflict prevention and resolution and post-conflict support

We pursue these outcomes through the **four core areas of business**, along with current specific actions, set out below:

We design and manage effective development assistance strategies, programmes and projects transparently and accountably. The Government has mandated NZAID to maintain a core (but not exclusive) focus on the Pacific and a central focus on poverty elimination. Against that background, Ministers have approved bilateral programmes with 20 partners (11 in the Pacific, 8 in Asia, and 1 in Africa). With each development partner we prepare a country strategy that sets a three-five year programme in place around the partner's development priorities. In many cases we will contract project delivery to specialist consultants, local agencies and individuals. We are reviewing regional and global programmes progressively to re-align them with our core policy and geographic focus.

FRESH PRODUCE BOOSTS HIGHLANDS PROSPERITY

Throughout the Pacific, communities struggle to overcome isolation, scarce resources and limited opportunities. Working with local communities to identify needs, goals and opportunities is a major part of NZAID's work in the Pacific, Asia, Africa and Latin America.

In Papua New Guinea's Western Highlands, subsistence farmers trying to earn a living face numerous obstacles – such as bad roads, non-existent financial access and lack of local expertise.

The Fresh Produce Development Company (FPDC) is helping change that. A local NZAID-backed enterprise, it identifies exceptional farmers and pays them a small allowance to support and inspire others.

The result has been a proliferation of successful market gardens, many run by women – like Cecilia Paraka, 29, who has built up from nothing a fruit and vegetable-growing operation now covering 55ha and employing many locals. Working with the FPDC, she and others like her, are helping change life in the district from one of hand-to-mouth existence to modest comfort.

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

We provide policy advice on ways to eliminate poverty in developing countries, especially in the Pacific. The agency is reviewing all major policy planks to align them with our poverty elimination focus. Our overarching policy statement “Towards a Safe and Just World Free of Poverty” was published on 1 July 2002, along with an NZAID Human Rights policy statement. Work is proceeding, in consultation with a wide range of stakeholders, on policy statements on education, gender, health, the environment and trade and development. A consultative document “Towards a Strategy for the Pacific Island Region” has been published and will be finalised as the basis for policy advice and action on eliminating poverty in our region. It will have a major emphasis on the need for improved governance at all levels in many societies and where we can help to achieve that.

NZAID recognises that a precursor to the long-term alleviation of poverty is creating just and stable societies. We therefore support strategies to grow the rule of law in developing countries, to foster regional initiatives to combat transnational crime and to develop or strengthen enabling environments for business and trade, including through participation in the international community. These aims are consistent with those of the wider Ministry of Foreign Affairs and Trade, with which we cooperate in accordance with the Government’s strategic directions for foreign policy and ODA.

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

BUILDING OPPORTUNITIES FOR SAMOAN YOUTH

Samoa’s secondary school curriculum is being renewed under an NZAID programme developed in partnership with Samoa’s Education Department. The aim is to improve the quality, equity, relevance and efficiency of secondary education - and encourage students to finish their schooling and increase their opportunities in life.

The project’s most visible result so far is 110,000 new textbooks for year nine and 10 pupils.

Over the next few years, improved maths, social studies, *Gagana Samoa* (Samoan language), English and science learning materials will be available in all secondary schools.

There will also be opportunities for students to learn performing arts, music, visual arts, design, technology, health and physical education at a more senior level.

Curriculum statements have been prepared and training workshops provided for teachers, school principals and review officers.

Public consultation meetings are being held so different communities' ideas can be incorporated in curriculum developments.

CAPABILITY

What does it take to do the Job?

NZAID manages the provision of a wide range of overseas development assistance activities totalling more than \$240 million. To do that effectively NZAID is building a stable, properly-resourced professional working environment, both in Wellington and overseas, to enable its staff to bring to bear professional development experience, knowledge and expertise to achieve development outcomes. In an organisation charged with achieving development outcomes, which are generally complex in nature and require long timeframes, we need to ensure a working environment that encourages evaluation, learning from experience and knowledge and skill retention.

In the period covered by this Statement of Intent, NZAID will complete implementation of its structure and staffing in Wellington and proceed to implement decisions from the offshore capability review in regard to strengthening programme delivery on the ground. The agency will be using sectoral or thematic teams, and a consultative approach, to the formulation of policies and approaches. We will also be developing a team-based approach to the management of country programmes, combining the Wellington-based development programme management and strategic and advisory capabilities with the resources at the post. The whole operation will be underpinned by efficient and adaptable management services.

Analysis of the bilateral programme shows that for every dollar spent on ODA a corresponding 5.3 cents needs to be spent on growing departmental capability. As the programme grows, so too will the need for competent, committed staff and an infrastructure to support them.

Organisational Capability

Key challenges for the future will arise from international changes in what is regarded as “best practice” aid delivery. These include:

- **increasing the participation and ownership of partner countries in the development process.** This requires the focus of NZAID staff in-country, increased visits of Wellington-based programme managers to partner countries and staff who are capable of maintaining effective partnership relationships with officials and agencies across a diverse range of cultures
- **harmonising aid interventions by donor countries and agencies.** There are a large number of donor countries and international agencies delivering ODA into countries where New Zealand is also active. The degree of coordination between countries and agencies has varied considerably and there is now a major effort internationally to identify and implement successful models for effectively coordinating aid delivery. For New Zealand this will require increased capability to engage jointly in planning and strategy processes with other agencies and with officials from recipient countries. Planning horizons are likely to increase and interdependencies will become more complex
- **managing risk around programmes.** NZAID is a small agency by international standards and is delivering development assistance across more than twenty countries or regional areas. In general there is only one programme manager for each programme and they are required to develop a wide range of working relationships and an in-depth understanding of the programmes they lead. NZAID’s key challenge will be to attract, retain and develop the best people to these roles and to provide them with flexible support

Areas of Management Concentration

- develop coherent and relevant policies and strategies and provide high-quality advice on development issues, with poverty elimination as the central focus
- implement well-designed, effective programmes in line with NZAID policies
- forge and maintain strong and effective relationships with partners in the New Zealand development community
- promote quality in NZAID practice and disburse official aid funds transparently and accountably
- build an effective agency founded on development expertise and professionalism

- work with the wider Ministry of Foreign Affairs and Trade to ensure cooperation in accordance with the Government's strategic directions for foreign policy and ODA

RISK MANAGEMENT

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

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

PERFORMANCE INDICATORS

NZAID has begun work on the framework for and content of performance indicators for the agency's functions and for the ODA programme outcomes. Completion of this work will be a priority, and we will draw on whole-of-government assistance and experience as we refine and apply performance measures.

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

specify the “intervention logic” which explains particular interventions and to be able to relate these interventions to intermediate outcomes which in turn are linked to larger goals.

With this in mind, it is likely that long-term outcomes will vary according to the situation of recipient countries. Factors that will influence outcomes include whether the recipient country is:

- **in a conflict or post-conflict situation** where outcomes will be focused on stability, rebuilding, etc
- **in a failed or failing state situation**, where outcomes will be focused on building and maintaining law and order, infrastructure, and the capability of officials, government and local services
- **in countries where the main problem is widespread, nearly universal, poverty**, where outcomes will be focused on economic development, building capability and improving national poverty indicators
- **in countries where there are pockets of poverty or where the main risks are potential for poverty or poverty of opportunity**. Outcomes will be focused on mitigating risk around potential poverty, improving capability and expanding opportunities for specific communities

It is likely that intermediate outcomes will include measures such as:

- recipient countries actively participating in and taking ownership of aid intervention strategies (except in conflict or failed state situations)
- independent programme evaluation showing New Zealand’s aid interventions are sensible, realistic, effective and aligned with the work of other donors
- the New Zealand Government evaluating NZAID as enhancing New Zealand’s standing and interests internationally

PART B

DEPARTMENTAL FORECAST REPORT

RESPONSIBLE MINISTER

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

STATEMENT OF RESPONSIBILITY

The forecast financial statements of the Ministry of Foreign Affairs and Trade presented in this report for the year ended 30 June 2004 have been prepared in accordance with section 34A(5) of the Public Finance Act 1989.

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

The financial performance forecast to be achieved by the Ministry for the year ending 30 June 2004 that is specified in the Statement of Intent is as agreed with the Minister of Foreign Affairs and Trade who is the Minister responsible for the financial performance of the Ministry of Foreign Affairs and Trade.

The performance for each class of outputs forecast to be achieved by the Ministry for the year ending 30 June 2004 specified in the Statement of Intent is as agreed with the Minister of Foreign Affairs and Trade, who is responsible for the Vote administered by the Ministry.

We certify that the information contained in this report is consistent with the appropriations contained in the Estimates for the year ending 30 June 2004 that are being laid before the House of Representatives under section 9 of the Public Finance Act 1989.

Signed:



Chief Executive
14 April 2003

Countersigned:



Director of Finance
14 April 2003

PART 1

INTRODUCTION AND FINANCIAL HIGHLIGHTS

INTRODUCTION

In 2003/04 the Ministry expects to receive \$188.633 million from the Crown and \$11.576 million from other purchasers of services it will supply under the ten departmental output classes detailed in the Statement of Objectives in this report. The Ministry expects to incur expenses of \$200.209 million in providing these services (Vote Foreign Affairs and Trade \$179.874 million and Vote Official Development Assistance \$20.335 million).

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

- *Vote Foreign Affairs and Trade* - three output classes totalling \$11.519 million for the purchase of the following services:
 - I. Antarctic research and support from the New Zealand Antarctic Institute (\$8.823 million)
 - II. Promotion of Asian skills and relationships from the Asia 2000 Foundation (\$2.021 million)
 - III. Promotion of mutual understanding and constructive linkages with the other countries of the Pacific from the Pacific Cooperation Foundation (\$0.675 million)
- *Vote Foreign Affairs and Trade* - three Other Expense appropriations totalling \$33.671 million for expenditure on the following:
 - I. Subscriptions to International Organisations (\$32.260 million)
 - II. Payments in accordance with the Diplomatic Privileges and Immunities Act 1968 (\$1.011 million)
 - III. Payments made on behalf of other governments (\$0.400 million)
- *Vote Foreign Affairs and Trade* - one appropriation of \$3.937 million for a one-off capital contribution to the New Zealand Antarctic Institute for the construction of a new heated field store at Scott Base.
- *Vote Official Development Assistance* - two annual Other Expense appropriations totalling \$87.903 million, and three multi-year Other Expense appropriations totalling \$472.607 million over three years, for expenditure on the following:

- I. International Agency Funding payments (\$70.491 million - annual);
- II. New Zealand Voluntary Agency Grants (\$17.412 million - annual);
- III. Pacific Development Assistance (\$304.767 million multi-year, 2003/04 annual estimate \$101.712 million);
- IV. Global Development Assistance (\$154.340 million multi-year, 2003/04 annual estimate \$51.447 million); and
- V. Global Development Assistance (\$13.500 million multi-year, 2003/04 annual estimate \$4.500 million).

The Ministry expects to collect \$0.400 million of Crown revenue in 2003/04 from recoveries of payments made on behalf of other governments and international organisations.

FINANCIAL HIGHLIGHTS

	2003/04 Forecast	2002/03 Budget	2002/03 Estimated Actual
	\$000	\$000	\$000
GST exclusive			
Revenue: Crown	188,633	184,456	183,634
Revenue: Department	9,311	9,178	9,502
Revenue: Other	2,265	2,669	2,265
Interest	100	200	100
Output expenses	200,209	196,303	195,401
Other expenses	-	-	-
Net surplus/(deficit)	100	200	100
Taxpayers' funds	131,621	119,836	131,621
Net cash flows from operating and investing activities	(4,974)	7,578	(3,362)

- Revenue: Crown is expected to increase by \$4.999 million in 2003/04. The main reasons for the increase in Revenue Crown are as follows:
 - i. Additional resources for WTO negotiations and Bilateral Closer Economic Partnerships/Free Trade Agreements (+\$2.366 million);
 - ii. The establishment of a Pacific Security Fund (+\$1.707 million);
 - iii. Implementing security enhancements to ensure staff and their families and property are safe, secure and protected (+\$1.895 million);
 - iv. New Zealand's hosting of the 34th Pacific Islands Forum in Auckland in August 2003 (+\$1.240 million);
 - v. Part year costs of opening a new post in Warsaw (+\$0.640 million);
 - vi. Reallocation and increased funding for Management of Official Development Assistance (+\$1.400 million); and
 - vii. The impact of a strengthening New Zealand dollar, reducing the cost of overseas operations in New Zealand dollar terms (-\$4.107 million).

- Revenue: Department and Revenue: Other are expected to decrease by \$0.191 million in total in 2003/04. This decrease primarily reflects the lower cost, via a stronger New Zealand dollar, of providing services for other agencies offshore
- Output expenses are expected to increase by \$4.808 million in 2003/04 reflected in the changes as detailed above

PART 2

FORECAST FINANCIAL STATEMENTS

STATEMENT OF FORECAST FINANCIAL PERFORMANCE FOR THE YEAR
ENDING 30 JUNE 2004

	2003/04 Forecast \$000	2002/03 Budget \$000	2002/03 Estimated Actual \$000
Revenue			
Crown	188,633	184,456	183,634
Departments	9,311	9,178	9,502
Other	2,265	2,669	2,265
Interest	100	200	100
Total Revenue	200,309	196,503	195,501
Output Expenses			
Personnel	83,944	82,993	82,167
Operating	55,803	53,880	53,119
Rental and leasing costs	37,974	35,425	37,333
Audit fees	200	238	200
Depreciation	12,513	12,708	12,222
Capital charge	9,775	11,059	10,360
Total Output Expenses	200,209	196,303	195,401
Other Expenses	-	-	-
Net Surplus/(Deficit)	100	200	100

STATEMENT OF FORECAST FINANCIAL POSITION AS AT 30 JUNE 2004

	Forecast Position as at 30 June 2004 \$000	Estimated Position as at 30 June 2003 \$000	Actual Position as at 30 June 2002 \$000
Assets			
<i>Current Assets</i>			
Cash and bank balances	11,012	16,086	20,047
Prepayments	2,477	2,477	2,477
Receivables and advances	948	948	26,260
Total Current Assets	14,437	19,511	48,784
<i>Non-Current Assets</i>			
Receivables and advances	2,476	2,476	2,476
Physical assets	135,359	131,290	103,395
<i>Total Non-Current Assets</i>	<i>137,835</i>	<i>133,766</i>	<i>105,871</i>
Total Assets	152,272	153,277	154,655
Liabilities			
<i>Current Liabilities</i>			
Payables and provisions	5,494	5,494	5,494
Provision for payment of surplus	100	100	599
Provision for employee entitlements ¹	5,524	7,247	6,765
<i>Total Current Liabilities</i>	<i>11,118</i>	<i>12,841</i>	<i>12,858</i>
<i>Term liabilities</i>			
Other term liabilities ¹	9,533	8,815	8,647
<i>Total Term Liabilities</i>	<i>9,533</i>	<i>8,815</i>	<i>8,647</i>
Total Liabilities	20,651	21,656	21,505
Taxpayers' Funds			
General funds	125,546	125,546	125,546
Revaluation reserve	6,075	6,075	7,604
Total Taxpayers' Funds	131,621	131,621	133,150
Total Liabilities and Taxpayers' Funds	152,272	153,277	154,655

¹ These include annual, long service and retirement leave provisions

**STATEMENT OF FORECAST CASH FLOWS FOR THE YEAR ENDING 30
JUNE 2004**

	2003/04 Forecast	2002/03 Budget	2002/03 Estimated Actual
	\$000	\$000	\$000
Cash Flows from Operating Activities			
Cash provided from:			
Supply of outputs to: Crown	188,633	184,456	183,634
Departments	9,311	9,178	9,502
Other	2,265	6,669	8,955
Interest	100	200	100
Cash disbursed to:			
Cost of producing outputs:			
Output expenses	178,926	172,225	172,169
Capital charge	9,775	11,059	10,360
Net Operating Cash Flows	11,608	17,219	19,662
Cash Flows from Investing Activities			
Cash provided from:			
Sale of physical assets	300	10,572	18,932
Cash disbursed to:			
Purchase of physical assets	16,882	20,213	41,956
Net Investing Cash Flows	(16,582)	(9,641)	(23,024)
Cash Flows from Financing Activities			
Cash disbursed to:			
Payment of surplus to the Crown	100	200	599
Capital repayments	-	10,273	-
Net Financing Cash Flows	(100)	(10,473)	(599)
Net (Decrease) in Cash Held	(5,074)	(2,895)	(3,961)
Opening total cash balances at 1 July	16,086	14,452	20,047
Closing Total Cash Balances at 30 June Projected	11,012	11,557	16,086

**RECONCILIATION OF FORECAST NET CASH FLOWS FROM OPERATING
ACTIVITIES TO NET SURPLUS IN THE STATEMENT OF FINANCIAL
PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2004**

	2003/04 Forecast	2002/03 Budget	2002/03 Estimated Actual
	\$000	\$000	\$000
Operating Surplus from Statement of Financial Performance	100	200	100
<i>Add non-cash items</i>			
Depreciation and Amortisation	12,513	12,708	12,222
Other Non-Cash Items	-	-	-
<i>Add/(deduct) non-cash working capital items</i>			
Increase in Receivables and Advances	-	4,000	6,690
Increase/(Decrease) in Employee Entitlements Provision	(1,005)	311	650
<i>Other Operating Activity Cash Flows</i>	(1,005)	4,311	7,340
Net Cash Flows from Operating Activities	11,608	17,219	19,662

STATEMENT OF MOVEMENTS IN TAXPAYERS' FUNDS AS AT 30 JUNE 2004

	Forecast Position as at 30 June 2004 \$000	Estimated Position as at 30 June 2003 \$000	Actual Position as at 30 June 2002 \$000
Taxpayers' Funds at the start of the period	131,621	133,150	125,235
<i>Movements during the year (other than flows to and from the Crown)</i>			
Add net surplus	100	100	28,305
Net increase/(decrease) in revaluation reserves	-	(1,529)	7,088
<i>Total recognised revenues and expenses for the period</i>	100	(1,429)	35,393
<i>Adjustment for flows to and from the Crown</i>			
Provision for payment of surplus to the Crown	(100)	(100)	(599)
Capital Repayments	-	-	(26,879)
<i>Total Adjustments for flows to and from the Crown</i>	(100)	(100)	(27,478)
Taxpayers' Funds at the end of the period	131,621	131,621	133,150

FORECAST DETAILS OF FIXED ASSETS BY CATEGORY AS AT 30 JUNE 2004

	Forecast 30 June 2004			Estimated Actual 30 June 2003		
	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000	Cost \$000	Accumulated Depreciation \$000	Net Book Value \$000
Land	42,419	-	42,419	42,419	-	42,419
Buildings	57,931	5,197	52,734	51,551	979	50,572
Plant and Equipment	75,249	49,535	25,714	68,372	43,990	24,382
Furniture and Fittings	28,854	18,039	10,815	27,754	17,461	10,293
Motor Vehicles	6,282	2,956	3,326	6,107	2,759	3,348
Other Assets	10,000	9,649	351	9,925	9,649	276
Total	220,735	85,376	135,359	206,128	74,838	131,290

STATEMENT OF FORECAST OBJECTIVES - SPECIFYING THE FINANCIAL PERFORMANCE FORECAST FOR THE MINISTRY FOR THE YEAR ENDING 30 JUNE 2004

	2003/04 Forecast	2002/03 Budget	2002/03 Estimated Actual
OPERATING RESULTS (in \$000s)			
Revenue: departmental and other	11,576	11,847	11,767
Revenue: interest	100	200	100
Output expenses	200,209	196,303	195,401
Departmental Other expenses	-	-	-
Net surplus/(deficit)	100	200	100
WORKING CAPITAL			
Net current assets (in \$000s)	3,319	4,388	6,670
Current ratio	1.3:1	1.4:1	1.5:1
Average debtors outstanding (in days)	30	27	29
Average creditors outstanding (in days)	21	20	22
RESOURCE UTILISATION (in \$000s)			
Physical assets:			
Total physical assets at year-end	135,359	121,915	131,290
Value per employee	139	125	137
Purchases as a % of total physical assets	12.5	16.6	32.0
Taxpayers' funds:			
Level at year-end	131,621	119,836	131,621
Level per employee	135	123	137
FORECAST NET CASH FLOWS (in \$000s)			
Surplus operating activities	11,608	17,219	19,662
(Deficit) investing activities	(16,582)	(9,641)	(23,024)
(Deficit) financing activities	(100)	(10,473)	(599)
Net (decrease) in cash held	(5,074)	(2,895)	(3,961)
HUMAN RESOURCES			
Staff turnover ² (as a %)	7.0	7.0	7.0
Average length of service ² (in years)	12	12	12
Total Staff	976	976	960

² Excludes locally employed staff

**STATEMENT OF OBJECTIVES SPECIFYING THE PERFORMANCE
FORECAST FOR EACH CLASS OF OUTPUTS FOR THE YEAR ENDING
30 JUNE 2004**

The Ministry of Foreign Affairs and Trade has committed to providing output classes in 2003/04 that meet the requirements of its Vote Minister in terms of their nature, timeliness, quality and quantity specifications, and cost.

SUMMARY OF DEPARTMENTAL OUTPUT CLASSES

Departmental output classes to be delivered by the Ministry of Foreign Affairs and Trade, and their associated revenue, expenses and surplus or deficit are summarised below:

FORECAST OUTPUT OPERATING STATEMENT: 2003/04

<i>Departmental Output Class</i>	<i>Description</i>	<i>Revenue: Crown \$000</i>	<i>Revenue: Depts \$000</i>	<i>Revenue: Other \$000</i>	<i>Total Expenses \$000</i>	<i>Surplus/ (deficit) \$000</i>
<i>Vote Foreign Affairs and Trade</i>						
D1: Policy Advice and Representation: Other Countries	Management of NZ's foreign and trade relations with other countries, bilaterally and in regional organisations	128,000		365	128,365	-
D2: Policy Advice and Representation: International Institutions	Management of NZ's membership of, and foreign and trade interests in, international institutions	30,698	-	-	30,698	-
D3: Consular Services	Provision of consular services to New Zealanders abroad	5,100		300	5,400	-
D4: Services for Other NZ Agencies Overseas	Provision of services to other NZ agencies with overseas interests	-	9,311	1,600	10,911	-
D5: Administration of Diplomatic Privileges and Immunities	Administration of the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971	687		-	687	-
D6: Promotional Activities: Other Countries	Activities promoting NZ's interests in other countries	786	-	-	786	-
D7: Pacific Security Fund	Advisory, training and technical support for Pacific Island countries on external threats	1,743		-	1,743	-
D8: Hosting of Pacific Islands Forum Meeting	Arranging the Pacific Islands Forum and associated meetings in Auckland	1,284	-	-	1,284	-
Total		168,298	9,311	2,265	179,874	-

<i>Departmental Output Class</i>	<i>Description</i>	<i>Revenue: Crown \$000</i>	<i>Revenue: Depts \$000</i>	<i>Revenue: Other \$000</i>	<i>Total Expenses \$000</i>	<i>Surplus/ (deficit) \$000</i>
<i>Vote Official Development Assistance</i>						
D1: Strategic Advice and Evaluation	Development of strategies and evaluation of the effectiveness of development assistance	4,558	-	-	4,558	-
D2: Management of ODA Programmes	Design and management of development assistance programmes	15,777	-	-	15,777	-
Total		20,335	-	-	20,335	-

GST STATUS OF DEPARTMENTAL OUTPUT CLASSES

Departmental Output Classes	GST Exclusive (SOI) \$000	GST \$000	GST Inclusive (Vote) \$000
Vote Foreign Affairs and Trade			
D1: Policy Advice and Representation: Other Countries	128,365	4,118	132,483
D2: Policy Advice and Representation: International Institutions	30,698	1,876	32,574
D3: Consular Services	5,400	248	5,648
D4: Services for Other NZ Agencies Overseas	10,911	21	10,932
D5: Administration of Diplomatic Privileges and Immunities	687	100	787
D6: Promotional Activities: Other Countries	786	70	856
D7: Pacific Security Fund	1,743	217	1,960
D8: Hosting of PIF Meeting	1,284	161	1,445
Total Vote Foreign Affairs and Trade	179,874	6,811	186,685
Vote Official Development Assistance			
D1: Strategic Advice and Evaluation	4,558	554	5,112
D2: Management of Official Development Assistance Programmes	15,777	1,065	16,842
Total Vote Official Development Assistance	20,335	1,619	21,954
Total Departmental Output Classes	200,209	8,430	208,639

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

- the GST-exclusive amounts for each departmental output class corresponds to "total output expenses" for 2003/04 in the Statement of Forecast Financial Performance, and "total expenses" for 2003/04 in the Forecast Output Operating Statement, in this report.
- the GST-inclusive amounts for each departmental output class correspond to the annual and other appropriations appearing in the relevant Part B1 of the Vote Foreign Affairs and Trade, and Vote Official Development Assistance Estimates of Appropriation.

STATEMENT OF SIGNIFICANT UNDERLYING ASSUMPTIONS

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Standards

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

Measurement Base

The financial statements have been prepared on the basis of modified historical cost except for certain items with specific accounting policies outlined below.

Revenue

Revenue is recognised when earned and is reported in the financial period to which it relates.

Leases

Operating leases, where the lessors substantially retain the risks and rewards of ownership, are recognised in equal instalments over the lease term.

Taxation

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

Goods and Services Tax (GST)

All Statements are exclusive of GST except where specified. The amount of GST owing to the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Payables and Provisions in the Statement of Financial Position.

Depreciation

Depreciation of plant, property and equipment, other than freehold land and works of art, is provided on a straight-line basis so as to allocate the cost of assets over their useful lives.

Receivables

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

Prepayments

Payments that relate to future reporting periods have been treated as prepayments and will be expensed in the accounting period to which they relate.

Plant, Property and Equipment

The initial cost of a fixed asset is the value of the consideration given to acquire or create the asset and any directly attributable costs of bringing the asset to working condition for its intended use.

Land and Buildings are stated at fair value as determined by an independent registered valuer by reference to their highest and best use. They are revalued every three years, or earlier where circumstances arise that indicate that their fair value varies significantly from the carrying amount.

Provision for Employee Entitlements

Annual leave and time in lieu are recognised as they accrue to employees. Long service leave and retirement leave are recognised on a present value basis.

Cost Allocation

The Ministry has derived the costs of outputs shown in these statements using a cost allocation system which is expected to allocate 84% of annual costs with the balance charged direct to outputs.

“Corporate costs” are those costs of support service cost centres attributed to output-producing divisions and posts as overhead. Corporate costs are allocated to output producing divisions and posts based on:

- PC numbers for Information Technology Division costs
- head counts for all other corporate costs

“Output allocation factor” is a ratio calculated from an estimate of time each officer spends on each output. The costs of output-producing divisions and posts, including attributed overheads, are allocated to outputs based on output allocation factors.

Foreign Currency

Foreign currency transactions are converted into New Zealand dollars at the exchange rate at which the foreign currency was purchased. Foreign exchange gains or losses are not required to be forecast.

Financial Instruments

Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. The Ministry enters into foreign currency forward contracts to hedge its foreign currency transactions. As the Ministry ensures that the term and value of the contracts match the term and value of the related commitments any exposure to gains and losses on these contracts is minimal.

Apart from foreign currency forward contracts all financial instruments are recognised in the Statement of Financial Position.

Commitments

Future payments are recognised as commitments at the point a contractual obligation arises to the extent that they are equally unperformed obligations.

Changes in Accounting Policies

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

SERVICE PERFORMANCE OBJECTIVES - OUTPUT PERFORMANCE

Vote Foreign Affairs and Trade Departmental Output Classes

Output Class D1: Policy Advice and Representation: Other Countries

Description

This output class is concerned with policy advice and representation activities directed towards the management of New Zealand's foreign affairs and trade relations with other countries, focused on individual country relationships and through regional organisations of significance to New Zealand.

Definition

Policy advice and representation involves:

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

Delivery Standards

Delivery of the outputs in D1 will be assessed against the following measures:

Quantity

- management of relationships with countries and regional organisations, and of issues arising, will be undertaken as agreed with the Minister. Priorities for each issue and relationship will be translated into annual work programmes for each unit in the Ministry incorporating objectives, activities, performance measures and timeliness where appropriate

- briefings and reports on external events and issues will be provided for Ministers, Members of Parliament, Select Committees and relevant organisations and groupings
- responses will be prepared for all Ministerial correspondence, Parliamentary Questions and Official Information Act requests

Quality

- the purpose of advice will be clearly stated; its assumptions made explicit; its arguments logical; all material facts will be included and accurate; a range of options will be presented and assessed for benefits, costs and consequences; consultation will be undertaken; implementation issues will be considered and professionally presented
- representation, negotiation and implementation will effectively convey and advance the Government's policies and views
- quality assurance measures will be implemented through managers directing the completion of work, maintaining approval processes, ensuring deadlines are met and controlling quality either directly or through delegation procedures. This will be supported by an individual performance management system, and Senior Management oversight of unit performance through internal operational planning and evaluation. Confirmation of Ministerial satisfaction will be obtained through ongoing, regular dialogue between Senior Management and Ministers
- responses to Ministerial correspondence, Parliamentary Questions and Official Information Act requests will be well presented

Timeliness

- advice will be given, and action taken, in a prompt and appropriate manner. Substantive responses to Ministerial correspondence will be prepared within 14 days, unless otherwise agreed
- responses to Parliamentary Questions and Cabinet papers will be prepared, in time for the Minister to consider and review the response prior to the due date
- responses to Official Information Act requests will be referred to the Minister's office no later than five working days before the statutory deadline

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D1: Policy Advice and Representation: Other Countries	128,365	128,665

Output Class D2: Policy Advice and Representation: International Institutions

Description

This output class is concerned with policy advice and representation activities directed towards the management of New Zealand's membership of, and foreign affairs and trade interests in, international institutions. This includes major areas of multilateral cooperation to which the Government has decided to give special attention, such as international trade in goods and services, disarmament and international environment issues.

The organisations include:

- the United Nations and its associated institutions
- the World Trade Organisation
- the Commonwealth and its associated institutions
- the OECD
- Antarctic organisations
- international environmental organisations³
- international disarmament organisations⁴

Definition

Policy advice and representation involves:

- maintenance of an appropriate pattern of representation at international institutions
- ensuring New Zealand's interests in international institutions are managed in accordance with their scope and functions and the rights and obligations of membership
- advocacy and representation of the Government's positions and views, and the negotiation of agreements, in the Ministry's capacity as the internationally accepted formal channel of communication with the institutions themselves, and with other governments with interests in the same institutions

³ **Environmental Organisations** include: the Montreal Protocol, the Commission on Sustainable Development, the Global Environment Facility, the International Whaling Commission, the Convention on Biological Diversity, the Basel Convention, the Valdivia Group, the South Pacific Regional Environment Programme, the UN Framework Convention on Climate Change and the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES).

⁴ **Disarmament Organisations** include: the Conference on Disarmament, the CTBT Preparatory Commission and its Provisional Technical Secretariat, the International Atomic Energy Agency, the Organisation for the Prohibition of Chemical Weapons, the Australia Group, the Missile Technology Control Regime, the Nuclear Suppliers Group and Wassenaar Arrangement. In addition New Zealand works within the meetings of states parties to the following treaties: Nuclear Non Proliferation Treaty, the Biological Weapons Convention and its Ad Hoc Group and the Ottawa Convention on Landmines.

- organisation of visits, meetings and liaison with relevant interests
- provision of informed and comprehensive advice to the Government based on thorough research and analysis
- provision of advice to Ministers on proposals from other departments
- close liaison with other government agencies and the maintenance of a strong network of relationships with relevant departments
- outreach and communication with key groups in New Zealand.

Delivery Standards

Delivery of the outputs in D2 will be assessed against the following measures:

Quantity

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

Quality and Timeliness

- As for Output Class D1.

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D2: Policy Advice and Representation: International Institutions	30,698	31,362

Output Class D3: Consular Services

Description

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

Definition

Consular services provided in this output class cover:

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

Delivery Standards

Delivery of the outputs in D3 will be assessed against the following measures:

Quantity

- assistance cases - estimated 4,900, actual number will be demand driven, and the size of each case and effort required will vary depending on circumstances (2002/03 projected 4,100)
- notarisational services - estimated 7,400, actual number will be demand driven (2002/03 projected 6,700)

Quality and Timeliness

- Services will be delivered in an efficient, effective and timely manner, within the limits permitted by international and domestic law; and within quality assurance procedures as outlined in Output Class D1

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D3: Consular Services	5,400	4,833

Output Class D4: Services for Other New Zealand Agencies Overseas

Description

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

Definition

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

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

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

Delivery Standards

Delivery of the outputs in D4 will be assessed against the following measures:

Quantity, Quality and Timeliness

- Service activity and performance standards will be determined with each agency on a full cost recovery basis. Those with representatives overseas and Identity Services come under the aegis of agreements for the delivery of international administrative services. Miscellaneous services, with performance standards, will be agreed as required.
- Services will be delivered within performance standards set out in agency agreements and as agreed at overseas posts with relevant agency managers.

- Heads of Mission at overseas posts will be expected to ensure that any quality assurance requirements and reporting deadlines are met, and that outputs are produced within agreed time allocations.

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D4: Services for Other New Zealand Agencies Overseas	10,911	11,182

Output Class D5: Administration of Diplomatic Privileges and Immunities

Description

This output class involves the administration of the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971.

Definition

Services in this output class include:

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

Expected Services Provision	2003/04
Foreign missions in Wellington	35
Cross-accreditations from other capitals	67
Consulates in New Zealand	23
Honorary Consuls in New Zealand	87

- approximately 22 new Heads of Mission accredited to New Zealand
- approximately 158 new staff and dependants at foreign missions processed
- approximately 30 programmes of calls for Heads of Mission processed

Delivery Standards

Delivery of the outputs in D5 will be assessed against the following measures:

Quantity, Quality and Timeliness

- processing of arrival/departure documentation will be completed within four days

- Head of Mission appointments will be processed within a timeframe of two weeks
- programmes of calls, as requested by Heads of Mission, will be processed within one week
- advice will be provided, on an ongoing basis, on cases or disputes involving issues of privileges or immunities. Such advice will be accurate within the parameters of international and domestic law and will contribute to resolution of the issues. Quality assurance measures will be implemented as for Output Class D1
- The Diplomatic List will be issued twice a year, in April and October

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D5: Administration of Diplomatic Privileges and Immunities	687	778

**Output Class D6:
Promotional Activities: Other Countries**

Description

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

Definition

This output class involves:

- in close cooperation with other departments and agencies, assisting in the development and implementation of the Government's policies for economic transformation, including through leading the external dimensions of the Growth and Innovation Framework (GIF)
- contributing with the Ministry of Economic Development (MED) to the successful establishment of New Zealand Trade and Enterprise with special focus on deepening cooperation with export promotion and service delivery to New Zealand exporters in the field
- undertaking promotional and other activities in support of the Growth and Innovation Framework at relevant overseas posts as part of posts' mainstream activities, including development of networks, participation in trade, investment, science and technology activities and public speaking engagements

Delivery Standards

Delivery of the outputs in D6 will be assessed against the following measures:

Quantity, Quality and Timeliness

- the Ministry will deliver in time for consideration in the 2004/05 budget round an informed and comprehensive package of proposed initiatives which meet the objectives of the GIF funding stream and the broad Growth and Innovation Framework
- through a joint MFAT/MED unit the Ministry will provide informed and comprehensive recommendations to Ministers and the board of New Zealand Trade and Enterprise in respect of purchase advice, monitoring and evaluation matters relating to the new entity and in line with quality and timeliness standards established in D1
- MFAT posts will support Investment New Zealand in achieving its Key Performance Indicators in relation to identifying 30 potential investors and succeeding in having 10 of these visit New Zealand under the

Visiting Investor Programme (VIP) to further assess attractiveness for investment

- in addition to supporting Investment New Zealand's specific investment activities the Ministry's posts will arrange/be involved with an estimated 10 seminars/events held to promote New Zealand investment opportunities, either generic or specific
- feedback from Ministry of Research, Science and Technology during regular ongoing dialogue with them will rate highly the work put into identifying potential international science activities

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D6: Promotional Activities: Other Countries	786	551

Output Class D7: Pacific Security Fund

Description

This output class involves the establishment of a fund to meet the costs of advisory, training and technical support for Pacific Island countries which serves to address the external threats posed to Pacific Island countries.

Definition

This output class involves:

- cooperation and coordination between New Zealand agencies towards the development of a multi-agency Pacific Security Strategy by July 2003 that addresses the external threats posed to Pacific countries, the risks to New Zealand national interests and New Zealand's response
- evaluation and prioritisation of funding proposals within a comprehensive, multi-agency framework, involving close consultation with relevant agencies
- delivery of advice, training and technical support to Pacific Island countries as identified in the Pacific Security Strategy

Delivery Standards

Delivery of the outputs in D7 will be assessed against the following measures:

Quantity, Quality and Timeliness

- whole-of-government Pacific Security Strategy, to be completed and endorsed by Cabinet by July 2003, which will provide the policy framework and detail the management process for how the fund will be accessed, disbursed and audited. Once a policy framework (ie Pacific Security Strategy) is agreed:
 - all programme and project bids will be assessed against the Pacific Security Strategy
 - mechanisms will be in place to ensure funds are transferred from Vote Foreign Affairs and Trade to relevant agencies in a timely manner
 - accountability mechanisms will be in place: ie regular and ongoing reporting on all aspects of each project; all contracts and payments will meet criteria set out in the objectives established in the contract

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D7: Pacific Security Fund	1,743	-

Output Class D8: Hosting of the Pacific Islands Forum Meeting

Description

This output class involves the purchase of management services for the Pacific Islands Forum meeting to be held in Auckland in August 2003.

Definition

This output class involves:

- establishment of a Task Force to set up and arrange the Pacific Islands Forum and associated meetings in Auckland from 12 to 19 August 2003

The Minister is purchasing logistical arrangements for the meetings, which will be jointly funded by MFAT, the Visits and Ceremonial Office, Ministry of Pacific Island Affairs, Police, New Zealand Defence Force and Aviation Security, and will include the appointment of a Conference and Events Management Consultant. There will also be an appropriate range of consultations with the Minister, other departments, local government organisations, Maori and Pacific Island community groups, NGOs, business, other governments and international organisations and the Forum Secretariat.

Delivery Standards

Delivery of the outputs in D8 will be assessed against the following measures:

Quantity, Quality and Timeliness

- high-quality event managers and staff will be appointed and will be required to perform their duties professionally
- the Task Force will provide timely reporting to the Prime Minister and Minister
- officials meetings shall be organised to the satisfaction of the Secretary of Foreign Affairs and Trade
- leader and minister level meetings shall be organised to the satisfaction respectively of the Prime Minister and the Minister of Foreign Affairs and Trade
- the budget will be prudently managed and held within allocation allowing for unforeseen circumstances.

Cost

Vote Foreign Affairs and Trade Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D8: Hosting of PIF Meeting	1,284	-

Vote Official Development Assistance

Output Class D1: Strategic Advice and Evaluation

Description

This class of output involves coordination of policy formation and the provision of strategic analysis. This analysis contributes to the development of sectoral and thematic policies and strategies, and country and regional strategies. These will align with international best practice, NZAID's areas of excellence and partner countries' priorities and goals. They will achieve coherence with other key investors including investments in specific sectors against overall development targets. NZAID works in the Pacific primarily, but also has a significant Asian programme and smaller programmes in Latin America and Africa.

This output class includes New Zealand representation and policy contributions to international development debates and relevant global plans of action. It also includes strategic coordination with international development agencies.

Included in this output is the appraisal of new development assistance proposals or designs and the analysis around the impact of delivery mechanisms and contracting on development outcomes. This also involves the provision of specialist advice to the programming groups within NZAID that contribute to high quality project design and implementation.

This output class includes coordination for the evaluation of development assistance through the development of evaluation policies, strategies and processes, the provision of reviews and evaluation, and the dissemination of evaluation findings for programme improvement. Evaluations will assess the effectiveness and impact of past investments in development assistance and the sustainability of benefits, the assessment against development targets as well as thematic evaluations to inform future development assistance investment decisions.

In addition this output class includes:

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

Delivery Standards

Delivery of the outputs in D1 will be assessed against the following performance measures:

Quantity

- strategic analysis of 4 country, regional or thematic reviews
- appraisal of 20 proposals/design studies for programme and/or project reviews
- analysis for 4 new policy areas
- provision of 15 evaluations

Quality and Timeliness

- programme reviews will be submitted within agreed timeframes and agreed recommendations approved by NZAID and by partners
- proposals and design studies will be appraised within agreed timeframes and agreed with programme groups
- sectoral and thematic analysis will be submitted within agreed timeframes and will contribute directly to policy formation
- evaluation advice will comply with best practice guidelines

Cost

Vote: Official Development Assistance Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D1: Strategic Advice and Evaluation	4,558	-

Output Class D2: Management of Official Development Assistance Programmes

Description

This class of outputs involves the design and management of development assistance programmes for different countries and regions focused on the elimination of poverty, and includes the monitoring of projects and contracting for development projects management. The output class also involves forging and maintaining relationships that achieve poverty elimination with developing country partners, development organisations and agencies, civil society and the wider New Zealand community. This includes drawing on poverty analysis in the preparation of development programmes. Poverty analysis takes into account human rights, gender issues, equity and environmental principles.

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

In addition this output class includes:

- the allocation of resources to, and composition of, each development cooperation programme after consultation with partner governments or agencies
- the management of disbursements and review of progress

Delivery Standards

Delivery of the outputs in D2 will be assessed against the following performance measures:

Quantity

- an estimated 25 to 35 programme management visits will take place during the financial year
- the number of contracts/agreements being negotiated and agreed during the year will be in the range of 550 to 600
- 20 bilateral programmes will be managed

Quality

- all projects will comply with relevant approved programme strategies and criteria of NZAID

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

Timeliness

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

Cost

Vote: Official Development Assistance Departmental Output Class (GST exclusive)	2003/04 \$000	2002/03 \$000
D2: Management of New Zealand's Official Development Assistance Programmes	15,777	18,932