

Annual Report

For the year ended 30 June 2011



NEW ZEALAND MINISTRY OF
FOREIGN AFFAIRS & TRADE
MANATŪ AORERE

New Zealand Government

2010 /11 What we do and what we have done

The Ministry of Foreign Affairs and Trade is responsible for protecting and promoting New Zealand's interests overseas.

We have a total of 861 Ministry staff – 600 in New Zealand and 261 working offshore across 53 posts. In addition, 425 locally engaged staff are employed by our offshore posts.

- We monitor the performance of 4 Crown Entities
- We administer 31 Acts of Parliament on behalf of the New Zealand Government

During 2010/11 we:

- provided support services to other New Zealand government agencies at 47 offshore posts
- serviced 55 multilateral and 42 bilateral/plurilateral treaty negotiations
- signed or ratified 6 multilateral and 34 bilateral/plurilateral treaties on behalf of the New Zealand Government
- supported 94 inward visits to New Zealand by foreign visitors and 38 outward visits by New Zealand Ministers
- participated in 5 negotiation rounds of the Trans-Pacific Partnership and 5 FTA negotiation rounds with India. Over 46% of all New Zealand exports are now covered by the trade agreements in force
- administered \$495.0 million of Official Development Assistance across 33 programmes
- responded to 54,812 general consular enquiries and provided consular assistance to 2,446 New Zealanders overseas
- administered and facilitated privileges and immunities to 792 diplomatic and consular staff of foreign missions in New Zealand.

COVER ARTWORK:

Ellie Fa'amauri (born 1979)

Adorned 2009

Acrylic on canvas

765 x 1,115mm

Collection of the Ministry of Foreign Affairs & Trade

Annual Report 2010/11

MINISTRY OF FOREIGN AFFAIRS & TRADE

MANATŪ AORERE

For the year ended 30 June 2011



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

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From the Chief Executive

As the 2010/11 year began, few could have imagined the range and scale of challenges that would test the Ministry of Foreign Affairs and Trade, both internationally and at home.

While some of these were associated with planned initiatives, such as developing relationships and trade access that will lift New Zealand's economic performance, others were the result of natural phenomena that could not have been predicted. Such events have nevertheless provided opportunities for our people to perform at their best and for relationships to be enriched.

Developing our international connections

New Zealand's future prosperity is dependent on the relationships we develop offshore and this has been a landmark year.

The Ministry has actively supported the development of improved relations between the United States and New Zealand. Relations arguably reached their highest level in 25 years with the signing of the Wellington Declaration between Secretary of State Hillary Clinton and Foreign Affairs Minister Murray McCully in November 2010. Trade, security and development assistance discussions are ongoing and we are confident of further progress in our relationship with the United States.

New Zealand's relationship with China has continued to strengthen, with an unprecedented number of high level visits between our two countries this year and a successful presence at the Shanghai Expo.

A dialogue of 35 years between New Zealand and the Association of South East Asian Nations (ASEAN) culminated in the signing of an agreement between Minister McCully and ASEAN Foreign Ministers in July 2010 outlining a comprehensive partnership and action plan to guide cooperation from 2010–2015. This follows the implementation of a Free Trade Agreement between Australia, New Zealand and the ASEAN countries, which creates a new regional market of around 600 million people.

Improving trade access

The Ministry is playing a lead role in developing strategies with other NZ Inc agencies to provide a unified approach with business to advancing the two-way flow of goods, services, capital and people with key countries and regions over the next five years. This work is designed to chart a course in markets that will underpin New Zealand's growth and prosperity, in keeping with the Government's Economic Growth Agenda. Strategies were progressed this year for China, India, the United States and Australia, with India poised to launch first in the new financial year.

Negotiations began in March 2010 to expand the existing P4 Free Trade Agreement (New Zealand, Singapore, Chile and Brunei) into a nine-party Trans-Pacific Partnership (including the United States,

Australia, Peru, Viet Nam and later Malaysia). This is a strategic grouping for New Zealand and its greatest potential links to wider regional economic integration. Five Trans-Pacific Partnership (TPP) negotiating rounds took place during this year, including one in Auckland, and the aim is to conclude a framework for a regional agreement in time for Asia Pacific Economic Co operation (APEC) in November 2011.

We are continuing to progress the Single Economic Market agenda with Australia to create a seamless trans-Tasman business environment. Signing of the Closer Economic Relations Investment Protocol to reduce compliance costs for investors, and progress on the alignment of financial reporting standards will help make this a reality.

A landmark decision in favour of New Zealand made by the World Trade Organisation this year will allow access to Australia for New Zealand apples for the first time since 1921.

A review has shown that the Free Trade Agreement has underpinned significant trade growth with China, with exports doubling in the last two years and growth in all major sectors. While it is business that drives export growth, our role is to create the frameworks that support market access and these results are heartening.

Representing New Zealand's interests through international organisations

New Zealand pursues its security and other international interests vigorously. We have been building support for New Zealand's candidacy for a place on the United Nations Security Council, which comes up for election in 2014 for the 2015/16 year. Membership would give New Zealand a voice on major decisions regarding international peace and security.

We are working to address the international issue of climate change without unduly penalising New Zealand's economic wellbeing. A particular highlight this year was a Ministerial meeting convened by New Zealand to sign the charter of the Global Research Alliance on Greenhouse Gas Emissions. More than 35 countries have joined, representing key agricultural producers, and research programmes for reducing greenhouse gas emissions from agriculture are underway.

We continue to support New Zealand's efforts to bring an end to whaling in the Southern Ocean and welcomed news that the season ended early. Further progress was however impacted by the earthquake and tsunami in Japan.

There have been positive developments on fisheries this year, with the aim in sight of completing the fabric of regulatory arrangements for fisheries management in our part of the world.

Leadership in the Pacific

The Ministry is supporting New Zealand's leadership role in the Pacific through its diplomatic efforts and development assistance. Our International Development Group has reshaped its operation to better fulfil our policy objectives in the Pacific. The approach is to have fewer, deeper and longer relationships tightly focused on sustainable economic development.

One achievement of note this year relates to an initiative in Niue, where a three-year \$10.8 million investment in tourism has delivered immediate results of increasing tourism numbers by 15% year-on-year, compared with a forecast of only 5%.

In the latter part of the year, we have been preparing for the 40th anniversary of the Pacific Islands Forum that will take place in Auckland in early September 2011. The theme for the Forum is converting potential into prosperity. As host and Chair of the Forum, New Zealand will have a platform to showcase its work in the Pacific and also what the Pacific has to offer in terms of tourism, business and donor opportunities.

Rugby World Cup

The Pacific Islands Forum will be followed immediately by the Rugby World Cup – the third largest sporting event in the world.

While much of the Ministry's work is offshore, on this rare occasion the world is coming to New Zealand. A comprehensive Guest of Government programme has been developed to ensure that visitors to our shores leave with a favourable impression and a desire to deepen their relationships with us.

Response to the Christchurch earthquakes, Arab spring and Japan earthquake

When reflecting on the year, I believe it is both fitting and important to acknowledge the devastating earthquakes that struck Christchurch. Our staff worked around the clock in Christchurch, Wellington and at posts offshore to support the Government's response to the February 22 earthquake. This included working with grieving families of the foreign victims, coordinating the large amount of assistance that was offered by other countries and organisations, and helping to manage international media interest. Sadly a large number of the victims were foreign nationals and I would like to record my condolences.

This year has also seen major upheaval across the Arab world and a destructive earthquake and tsunami in Japan. Our staff provide caring and valuable support to locate and assist New Zealanders during times of crisis, sometimes in very difficult circumstances. In Japan, one of our people found herself assisting an urban search and rescue crew with translation in a seaside town, where only a handful of buildings were left standing.

It is therefore pleasing that the efforts of our people in managing these and other events involving the safety of New Zealanders abroad have been reflected in high public satisfaction with our consular services.

Of particular interest in these offshore events has been the dramatic and increasing role of social media to mobilise and inform people outside the normal channels such as the mainstream or state controlled media. These increasingly pervasive technologies will have implications for the Ministry in future; both in the way that we seek to engage with our partners, and in the way we respond to events when they occur.

Building a Ministry for tomorrow's challenges

There is no doubt the Ministry is facing even more turbulent times ahead, both internationally and within New Zealand. The change process which began last year has continued apace this year in order to reshape the Ministry and significantly reduce our operating costs.

The integration of NZ Aid into the Ministry last year and the changes we are making to the way we manage aid are already delivering efficiencies and cost savings.

A new hub and spoke model is being trialled in Europe, with the High Commission in London providing support to smaller posts in Warsaw, Madrid and Stockholm. This has seen increased efficiencies and reduced costs, and provided valuable insight as we review our offshore network as part of the 20/20 change programme. New posts have also opened in Abu Dhabi and Kabul, which take a different approach to the more traditional embassy model.

A new Vision and Values have been launched to guide decision making and culture as the Ministry transforms to support the Government's priorities.

Other projects have commenced during the year for implementation in 2011/12 and 2012/13. Overall, this change programme represents the most fundamental structural, cultural and technological reform in the Ministry's history.

It is a privilege to lead the Ministry and our dedicated staff working at home and at 53 posts abroad to ensure that New Zealand's reputation and interests are protected and advanced. The Ministry has a rich heritage and I am mindful of this as we transform our organisation to help secure a prosperous future for New Zealand in a complex and turbulent international environment. I would like to thank our staff sincerely for their contribution over the past year to meet the intense challenges we have faced to secure benefits for New Zealand. I would also like to acknowledge the contribution of other agencies and organisations who have worked closely with us to deliver on NZ Inc and other joint initiatives.

The year ahead will no doubt have its share of uncertainty as we seek to create an edge for New Zealand internationally. I am confident we are up to the challenge.

A handwritten signature in black ink, appearing to read 'John Allen', with a stylized flourish extending to the right.

John Allen



SECTION ONE:

Organisational information

Our purpose

The Ministry of Foreign Affairs and Trade (the Ministry) is responsible for protecting and promoting New Zealand's interests overseas.

Our Ministers

The Ministry works for Ministers in four portfolio areas: Foreign Affairs, Trade, Disarmament and Arms Control, and International Climate Change Negotiations.

As part of the Foreign Affairs portfolio, we are responsible for the delivery of the New Zealand Aid Programme.

The Minister of Foreign Affairs is responsible for overseeing the Government's ownership interest in the Ministry.

We administer two votes on behalf of the Minister: Vote Foreign Affairs and Trade, and Vote Official Development Assistance.

Our Vision and Mission

Our Vision is to give New Zealand an edge internationally.

Our Mission is to create the conditions for New Zealand to thrive and to make its mark as a global citizen by:

- being in the right places at the right time to actively drive new opportunities for New Zealand as well as to manage threats
- building connections at home and internationally that enable us to achieve more than we could alone
- taking a distinctly New Zealand approach, reflecting our diversity, and heritage of integrity in foreign affairs
- maintaining the highest standards of professional excellence in diplomacy, trade negotiations, international development and consular services.

Our role

The Ministry is the Government's lead source of advice on foreign and trade policy, on international climate change negotiations, diplomatic and consular issues, and on international development assistance.

We are charged by Government with ensuring that New Zealand's voice is heard abroad, that our security and economic interests are advanced and protected, that we contribute to sustainable development in developing countries, and that the rights and safety of New Zealanders abroad are protected.

We also seek to achieve our outcomes as part of the international community. This means working with other governments and international and non-government organisations to achieve our goals.

We provide legal advice on international issues and are the formal channel for the Government's communications to and from other countries and international organisations.

Through our network of staff in New Zealand and at overseas posts, we work with foreign governments on political, security, trade and other issues affecting the wellbeing and standard of living of New Zealanders.

We are also responsible for coordinating the activities of New Zealand agencies overseas as part of 'NZ Inc'.

Our people

Our senior leadership team is led by Chief Executive John Allen and comprises six deputy secretaries, the Principal Capability Advisor, the Principal Change Management Adviser, the Directors of Human Resources and Communications, and the Senior Adviser to the Secretary, Strategy.

Our wider leadership team comprises 29 directors and 54 heads of mission or heads of post around the world.

Our network is made up of 53 overseas posts accredited to 121 countries and the principal international organisations, 9 Consulates-General managed by New Zealand Trade and Enterprises (NZTE) and 65 Honorary Consuls.

More than 100 staff from other government agencies are also represented at our posts.

Crown entities

Our relationship to Crown entities and providers of non-departmental output classes funded under Vote Foreign Affairs and Trade is as follows:

New Zealand Antarctic Institute

The New Zealand Antarctic Institute is a Crown Entity established under the New Zealand Antarctic Institute Act 1996 to develop, manage and execute New Zealand's activities in Antarctica and the Southern Ocean, in particular the Ross Dependency, in cooperation with the Ministry and other government agencies. Our main responsibility is to monitor on behalf of the Minister the Institute's effectiveness and efficiency and management of risks. Key areas of focus include: providing advice on strategic direction and capability; assessing the appropriateness of output and performance measures for the Statement of Intent; advice on board appointments and inductions; and monitoring performance against expected outputs and outcomes.

Pacific Cooperation Foundation

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

Asia New Zealand Foundation

The Asia New Zealand Foundation (formerly Asia 2000 Foundation) was established in 1994 as an incorporated trust with accountability to the Crown under the Public Finance Act 1989. The Government provides funding to the Foundation through the Ministry on the basis of an annual output agreement. Through its activities in education, business, media, Track II (i.e. non-government discussion of policy issues), research, arts and community, the Foundation works to deepen New Zealanders' knowledge and understanding of Asia. We act on behalf of the Minister as purchase adviser and contract manager in respect of the Foundation. We oversee preparation of the annual output agreement and coordinate the appropriation process as part of the Foundation's performance and financial monitoring.

New Zealand Trade and Enterprise

The Ministry, in conjunction with the Ministry of Economic Development, has a joint role in monitoring the performance of New Zealand Trade and Enterprise (NZTE) on behalf of the Ministers of Trade and of Economic Development, although NZTE is not funded from Vote Foreign Affairs and Trade. We provide regular briefing and comment to Ministers on NZTE's performance. Our Chief Executive acts as a special advisor to the NZTE board. This dialogue ensures high-level policy coordination and close alignment of goals between the two organisations.

Our legal responsibilities

We administer the following Acts :

- Antarctica Act 1960
- Antarctica (Environmental Protection) Act 1994
- Antarctica Marine Living Resources Act 1981
- Anti-Personnel Mines Prohibition Act 1998
- Chemical Weapons Prohibition Act 1996
- Cluster Munitions Prohibition Act 2009
- Commonwealth Countries Act 1977
- Consular Privileges and Immunities Act 1971

- Continental Shelf Act 1964
- Cook Islands Act 1915
- Cook Islands Constitution Act 1964
- Diplomatic Privileges and Immunities Act 1968
- Foreign Affairs Act 1988
- Geneva Conventions Act 1958
- International Crimes and International Criminal Court Act 2000 (jointly administered with the Ministry of Justice)
- Kermadec Islands Act 1887
- Mercenary Activities (Prohibition) Act 2004
- New Zealand Antarctic Institute Act 1996
- New Zealand Export–Import Corporation Dissolution Act 1992
- New Zealand Nuclear Free Zone, Disarmament and Arms Control Act 1987
- Niue Act 1966
- Niue Constitution Act 1974
- Nuclear-Test-Ban Act 1999
- Pitcairn Trials Act 2002
- Territorial Sea, Contiguous Zone, and Exclusive Economic Zone Act 1977
- Terrorism Suppression Act 2002 (jointly administered with the Ministry of Justice)
- Tokelau Act 1948
- Tokelau (Territorial Seas and Exclusive Economic Zone) Act 1977
- United Nations Act 1946
- United Nations Convention on the Law of the Sea Act 1996
- Western Samoa Act 1961.

The Ministry also administers a number of statutory regulations made under the above Acts, particularly in the areas of UN Security Council sanctions, diplomatic privileges and immunities, and Tokelau.

Export controls on strategic goods are administered by the Ministry under the Customs Export Prohibition Order 2008.

Treaties

The following international agreements were signed, ratified, accepted, approved or acceded to by New Zealand, or entered into force for New Zealand, between 1 July 2010 and 30 June 2011:

Multilateral Treaties

1. Third Protocol Amending the Treaty of Amity and Cooperation in Southeast Asia

NZ Signature Date: 23 July 2010
 NZ Adherence Type: ratified
 NZ Adherence Date: 28 March 2011

2. Convention on the Conservation and Management of High Seas Fishery Resources in the South Pacific Ocean

NZ Adherence Type: ratified
 NZ Adherence Date: 01 June 2011

3. Statute of the International Renewable Energy Agency

NZ Adherence Type: acceded to
 NZ Adherence Date: 01 April 2011
 NZ Entry into Force Date: 01 May 2011

4. Convention on Cluster Munitions

NZ Entry into Force Date: 01 August 2010

5. Protocol to the Convention on International Interests in Mobile Equipment on Matters specific to Aircraft Equipment

NZ Adherence Type: acceded to
 NZ Adherence Date: 20 July 2010
 NZ Entry into Force Date: 01 November 2010

6. Convention on International Interests in Mobile Equipment

NZ Adherence Type: acceded to
 NZ Adherence Date: 20 July 2010
 NZ Entry into Force Date: 01 November 2010

Bilateral/Plurilateral Treaties

7. Agreement on Audio-Visual Co-Productions between the Government of New Zealand and the Government of the Republic of India

NZ Signature Date: 28 June 2011

8. Agreement between New Zealand and the Slovak Republic on a Working Holiday Scheme

NZ Signature Date: 14 June 2011

9. Agreement in the Form of an Exchange of Letters between the European Union and New Zealand Pursuant to Article XXIV:6 and Article XXVIII of the General Agreement on Tariffs and Trade (GATT) 1994 Relating to Modification of Concessions in the Schedules of the Republic of Bulgaria and Romania in the Course of Their Accession to the European Union

NZ Signature Date: 28 April 2011

10. Investment Protocol to the New Zealand – Australia Closer Economic Relations Trade Agreement

NZ Signature Date: 16 February 2011

11. Exchange of Letters modifying the Working Holiday Scheme between the Government of New Zealand and the Government of the Argentine Republic
NZ Signature Date: 13 December 2010

12. Exchange of Notes Amending the Agreement on a Working Holiday Scheme between the Government of New Zealand and the Oriental Republic of Uruguay
NZ Signature Date: 14 December 2010

13. Protocol to the Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Czech Republic
NZ Signature Date: 25 November 2010

14. Agreement between New Zealand and the Government of the Hong Kong Special Administrative Region of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income
NZ Signature Date: 01 December 2010

15. Agreement between New Zealand and the Swiss Confederation on Sanitary Measures Applicable to Trade in Live Animals and Animal Products
NZ Signature Date: 17 November 2010

16. Agreement between the Government of New Zealand and the Government of Samoa for the Allocation of Taxing Rights with respect to Certain Individuals and to Establish a Mutual Agreement Procedure in respect of Transfer Pricing Adjustments
NZ Signature Date: 24 August 2010

17. Agreement between the Government of New Zealand and the Government of Samoa on the Exchange of Information with respect to Taxes
NZ Signature Date: 24 August 2010

18. Agreement between the Government of New Zealand and the Government of the Republic of Vanuatu on the Exchange of Information with respect to Taxes
NZ Signature Date: 04 August 2010

19. Agreement between the Government of New Zealand and the Government of the Republic of the Marshall Islands for the Allocation of Taxing Rights with respect to Certain Income of Individuals and to Establish a Mutual Agreement Procedure in respect of Transfer Pricing Adjustments
NZ Signature Date: 06 August 2010

20. Agreement between the Government of New Zealand and the Government of the Republic of the Marshall Islands on the Exchange of Information with respect to Taxes
NZ Signature Date: 06 August 2010

21. Agreement between the Government of New Zealand and the Government of the Cook Islands concerning the Delimitation of the Maritime Boundaries between Tokelau and the Cook Islands
NZ Signature Date: 04 August 2010
NZ Adherence Type: third person note
NZ Adherence Date: 03 December 2010

22. Film Co-Production Agreement between the Government of New Zealand and the Government of the People's Republic of China

NZ Signature Date: 07 July 2010
 NZ Adherence Type: third person note
 NZ Adherence Date: 08 December 2010
 NZ Entry into Force Date: 31 January 2011

23. Exchange of Letters New Zealand and Hong Kong, China constituting an agreement on the negotiation of an investment protocol

NZ Signature Date: 29 March 2010
 NZ Adherence Type: third person note
 NZ Adherence Date: 02 December 2010
 NZ Entry into Force Date: 01 January 2011

24. New Zealand – Hong Kong, China Environment Cooperation Agreement

NZ Adherence Type: third person note
 NZ Adherence Date: 02 December 2010
 NZ Entry into Force Date: 01 January 2011

25. Memorandum of Understanding on Labour Cooperation between New Zealand and Hong Kong, China

NZ Adherence Type: third person note
 NZ Adherence Date: 02 December 2010
 NZ Entry into Force Date: 01 January 2011

26. New Zealand – Hong Kong, China Closer Economic Partnership Agreement

NZ Adherence Type: third person note
 NZ Adherence Date: 02 December 2010
 NZ Entry into Force Date: 01 January 2011

27. Exchange of letters constituting an Amendment to the Agreement between New Zealand and Australia Concerning a Joint Food Standards System

NZ Adherence Type: third person note
 NZ Adherence Date: 18 May 2010
 NZ Entry into Force Date: 06 July 2010

28. Agreement between the Government of New Zealand and the Government of the United States of America on Science and Technology Cooperation Contributing to Domestic and External Security Capabilities

NZ Adherence Type: third person note
 NZ Adherence Date: 09 September 2010
 NZ Entry into Force Date: 09 September 2010

29. New Zealand – Malaysia Agreement on Environmental Cooperation

NZ Adherence Type: third person note
 NZ Adherence Date: 28 July 2010
 NZ Entry into Force Date: 11 August 2010

30. New Zealand – Malaysia Free Trade Agreement

NZ Signature Date: 26 October 2009
 NZ Adherence Type: third person note
 NZ Adherence Date: 21 July 2010
 NZ Entry into Force Date: 01 August 2010

31. New Zealand – Malaysia Agreement on Labour Cooperation

NZ Adherence Type: third person note
 NZ Adherence Date: 21 July 2010
 NZ Entry into Force Date: 29 July 2010

32. Agreement between the Government of New Zealand and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (with Protocol)
 NZ Adherence Type: third person note
 NZ Adherence Date: 21 July 2010
 NZ Entry into Force Date: 12 August 2010
-
33. Agreement between the Government of New Zealand and the Government of the Isle of Man for the Allocation of Taxing Rights with Respect to Certain Income of Individuals and to Establish a Mutual Agreement Procedure in Respect of Transfer Pricing Adjustments
 NZ Adherence Type: third person note
 NZ Adherence Date: 27 July 2010
 NZ Entry into Force Date: 27 July 2010
-
34. Agreement between the Government of New Zealand and the Government of the Isle of Man on the Exchange of Information with Respect to Taxes
 NZ Adherence Type: third person note
 NZ Adherence Date: 27 July 2010
 NZ Entry into Force Date: 27 July 2010
-
35. Agreement between the Government of New Zealand and the Government of Jersey for the Exchange of Information with Respect to Taxes
 NZ Adherence Type: third person note
 NZ Adherence Date: 22 October 2010
 NZ Entry into Force Date: 27 October 2010
-
36. Agreement between the Government of New Zealand and the Government of Jersey for the Allocation of Taxing Rights with Respect to Certain Income of Individuals and to Establish a Mutual Agreement Procedure in Respect of Transfer Pricing Adjustments
 NZ Adherence Type: third person note
 NZ Adherence Date: 22 October 2010
 NZ Entry into Force Date: 27 October 2010
-
37. Agreement between the Government of New Zealand and the States of Guernsey for the Exchange of Information with Respect to Taxes and the Allocation of Taxing Rights with Respect to Certain Income of Individuals
 NZ Adherence Type: third person note
 NZ Adherence Date: 08 November 2010
 NZ Entry into Force Date: 08 November 2010
-
38. Protocol Amending the Convention between New Zealand and the United States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income
 NZ Entry into Force Date: 12 November 2010
-
39. World Wine Trade Group Agreement on Requirements for Wine Labelling
 NZ Adherence Type: ratified
 NZ Adherence Date: 11 June 2010
 NZ Entry into Force Date: 01 July 2010
-
40. Agreement between the Government of New Zealand and the Government of the Italian Republic regarding the employment of co-habiting dependants of diplomatic, consular and technical/administrative personnel
 NZ Entry into Force Date: 01 September 2010
-

Our outcomes

Outcome 1:

New Zealand's security and economic interests safeguarded through its political and security relationships

What did we set out to achieve?

Outcome one reflects New Zealand's influence and standing in global and regional affairs, and the role we have in achieving broader foreign policy goals. We need to maintain and develop a network of strong relationships that we can draw on in order to achieve the Government's priorities. The relationships the Ministry builds and sustains also support the work of other agencies, by facilitating access to decision makers who can assist them in achieving their objectives, particularly where these have an offshore component.

In support of this outcome we have sought to:

- establish a relationship where New Zealand fully engages Australia, improving our ability to advance New Zealand interests
- improve economic growth, security, governance, and sustainable development in Pacific island countries
- position New Zealand to capitalise on economic growth and development in Asia
- consolidate improvements in the bilateral relationship with the United States as a new level of 'business as usual'
- establish a more influential relationship with the European Union (EU).

In our Statement of Intent 2010–13 we set out two medium-term indicators of our success against this outcome, namely:

- our ability to engage other countries at the highest levels (e.g. Head of Government, Foreign Minister)
- other governments take our position into account in their decision making.

What progress did we make?

New Zealand's political and trade interests have been promoted vigorously this year. Relations with key partners have continued to warm with significant high level ministerial visits occurring in New Zealand and around the world.

Opportunities to develop common positions and influence decision makers in other countries have been actively pursued.

Unique trans-Tasman relationship

An unprecedented level of Prime Ministerial and Ministerial engagement between New Zealand and Australia, including historic addresses to Parliament by each Prime Minister, has reaffirmed the uniqueness of the trans-Tasman relationship. Australia's rapid, practical and generous response to the Pike River and Christchurch earthquake disasters bore testament to this.

Australia has taken New Zealand concerns into account on a number of bilateral issues, including progressing a joint therapeutics agency. On the international stage, close cooperation with Australia on a range of common interests such as development in the Pacific, Fiji and the Trans-Pacific Partnership negotiations has supported New Zealand objectives.

Access at the highest levels in the Pacific

This year saw frequent (23 visits to and from New Zealand) increasingly routine high level Ministerial contact with Pacific island countries. Bilateral visits were made to New Zealand by Prime Ministers, Foreign Ministers and other portfolio ministers. Missions were led by the New Zealand Foreign Minister to Polynesian, Melanesian and Micronesian countries.

During these visits New Zealand had access to the highest levels of Pacific Governments and Ministers were able to engage in substantive policy discussion. New Zealand positions were explained and solutions developed that took these into account.

A ministerial Pacific Mission to Kiribati, Solomon Islands and Samoa in August/September 2010 included over 30 representatives (among them Members of Parliament, the Official Development Assistance Board and media). The Ministerial mission to the Solomon Islands and Vanuatu in June 2011 included 50 representatives from non-governmental organisations (NGOs), the private sector and the media.

Seven ministerial visits between New Zealand and Tonga demonstrated our engagement on support of democratic reforms. New Zealand has been successful in working with other Pacific Governments to maintain a unified Pacific Islands Forum position on Fiji.

Strong friendship and support for New Zealand was demonstrated by Pacific neighbours following the Pike River and Canterbury earthquake disasters, with generous donations and offers of practical assistance.

Significant engagement in Asia

Building from the step-change in the relationship in the previous year, 2010/11 saw a new level of engagement with China. New Zealand's major effort to leverage Shanghai Expo was based on a significant ministerial engagement with China, and a successful NZ Inc business links project involved more than 9,000 participants. New Zealand's trade with China continues to grow following the China New Zealand Free Trade Agreement (FTA), with exports there a bright spot.

Taiwan and Korea also grew as trading, science and innovation partners. FTA discussions with Korea continue.

The number of two-way, high level visits to our Association of South East Asian Nations (ASEAN) partner countries and India has increased. This sharpens our focus on the expansion of bilateral trade and people-to-people links. In the case of India, development of the NZ Inc strategy has as its vision that India becomes a core trade, economic and political partner for New Zealand by 2015.

The ASEAN-NZ Commemorative Summit, involving Prime Minister Key and counterparts from ASEAN countries, launched the Comprehensive Partnership Framework and Flagship initiative aimed at growing New Zealand's relationship with ASEAN.

There were 37 Ministerial (or higher) level visits to and from the North Asia region over the 2010/11 year. Many agreements were concluded during these visits. Of key importance were the conclusion of the China/New Zealand Film Co-Production Agreement in July 2010 (the first production under this agreement is being negotiated now), and New Zealand's first currency swap arrangement with China, agreed in 2011. Arrangements with China on fruit access, live seafood access and meat premises were concluded. Temporary Taiwan dairy tariff reductions were secured. New Zealand was also represented at the 60th anniversary of the start of the Korean War.

New Zealand's response to the Christchurch earthquake and to the Japan disaster preserved New Zealand's political reputation with key partners in Asia and was evidence that, when required, New Zealand's leaders can engage quickly on critical issues with Foreign Ministers and Heads of Government in North and South East Asia.

A new strategic partnership with the United States

The Wellington Declaration (November 2010) has moved the relationship between our countries to a new level, providing for a new strategic partnership between the United States and New Zealand. The declaration was signed when Secretary of State Clinton visited New Zealand in November 2010 and has two fundamental elements – a new focus on practical cooperation in the Pacific region, and enhanced political and subject-matter expert dialogue. Cooperation has been enhanced in these areas and New Zealand's views were appreciated. This was demonstrated during the Minister of Foreign Affairs' visit to Washington in May 2011 and in subsequent preparations for the Prime Minister's visit to Washington in July 2011.

A growing relationship with the European Union

Relations with the EU have been bolstered by key Prime Ministerial and Ministerial visits (inward and outward), including the Prime Minister's visit to London and Paris, the first meeting between the EU High Representative and the Minister of Foreign Affairs and the visit by the EU Commissioner for Trade to New Zealand. (In combination these have set the scene for high level visits by the EU to New Zealand in September/October 2011.) These visits have been used to good effect in advancing our Comprehensive Agreement with the EU. Efforts continue to secure broader EU membership support, and there now appears to be greater acceptance of the proposal within the European Commission as a serious one that needs to be explored in greater depth.

Outcome 2:

Economic growth and international competitiveness advanced through New Zealand's international connections

What did we set out to achieve?

A strategic priority for the Government is to promote New Zealand's economic growth, help to build more competitive firms, and to increase the ratio of exports of goods and services as a percentage of gross domestic product (GDP).

The Government has stressed the fundamental importance of international engagement in raising New Zealand's productivity and growth performance. The Ministry has a key role to support external economic activity. We do this by negotiating trade agreements, and support for trade and investment liberalisation, and through furthering the transfer of skills and technology to New Zealand. We also support exporters, particularly in those countries where there are close links between business and government.

In support of this we have continued to work towards achieving:

- greater competitiveness and opportunities for New Zealand exporters through the negotiation of FTAs, and improved trade and economic frameworks
- maximum benefits for New Zealand from a successful World Trade Organisation (WTO) Doha Round
- minimal impact on exports of trade access problems
- improved economic growth and productivity in New Zealand through increased international connectedness
- international responses to the global economic crisis that accommodate New Zealand's interests.

We identified a set of high-level measures to assess our progress against this outcome in the period to 2013. These are:

- an increase in New Zealand GDP per capita due to increased trade
- an increase in inward foreign direct investment and outward investment by New Zealand businesses
- increased international connectedness.

What progress did we make?

We focused on five key interventions to achieve our targets most effectively.

1. Negotiating bilateral and regional trade agreements

We have led a multi-agency team seeking strong market access outcomes in the context of negotiating new high quality, comprehensive free trade agreements. In particular, we have:

- engaged in five further Trans-Pacific Partnership (TPP) negotiating rounds (with an expanded membership now including Malaysia), aimed at concluding a framework agreement by the APEC Economic Leaders' Meeting in November 2011. This included organising a round in Auckland in late 2010, with a significant stakeholder component

- held five FTA negotiating rounds with India, with the New Zealand and Indian Prime Ministers agreeing to a target of March 2012 for its conclusion
- reached agreement with the Russia, Kazakhstan and Belarus Customs Unions to enter into FTA negotiations, which are targeted for completion for Russia's assumption of the APEC Chair 2012
- pursued Ministerial-level discussions to explore the parameters of an FTA deal with Korea in line with the outcome of the Prime Minister's visit in July 2010.
- completed domestic processes allowing entry into force of the closer economic partnership (CEP) with Hong Kong on 1 January 2011 and Malaysian FTA entry into force on 1 August 2010 as well as Cambodia and Lao PDR entry into force under the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) in January 2011
- completed the plurilateral Anti-Counterfeiting Trade Agreement negotiations in October 2010 (after three further Rounds in 2010/11, along with legal verification of the text). This Agreement (once signed) is aimed at curtailing the growth in global trade in counterfeit goods and pirated copyright works by establishing enforcement standards for certain Intellectual Property Rights and enhancing international co-operation in this area.

We have also improved existing trade and economic frameworks. Specifically:

- the creation of a seamless trans-Tasman business environment under the Closer Economic Relationship (CER) and the Single Economic Market (SEM) agenda was advanced on an NZ Inc basis through:
 - the decision by Prime Ministers to proceed with progressive implementation of the Australia/ New Zealand Therapeutic Products Agency
 - signing of the CER Investment Protocol to reduce compliance costs for investors in both directions
 - improved regulatory alignment including introduction of a single trans-Tasman financial reporting standard and cross-appointments to competition authorities.
- the operation of existing bilateral and regional trade agreements with China, Hong Kong, Thailand and the AANZFTA was advanced through:
 - commencement of next stage negotiations with Hong Kong on an investment protocol and pursuit of the forward negotiating work programmes under the Thailand and AANZFTA Agreements
 - completion of the first Joint Review of the China-New Zealand FTA, highlighting the benefits that had resulted for both parties
 - progress made on deepening institutional frameworks and resolving implementation issues under the AANZFTA and Thailand Agreements.

2. Progressing WTO engagement and the Doha round

The WTO Doha round remains stalled due to disagreement among key players on whether further concessions on agricultural and industrial market access should be offered in order to find a balance in the negotiations acceptable to all participants. New Zealand has worked constructively to move the negotiations forward, but it is now clear that progress in the short to medium term will not be possible, and resourcing decisions have been taken in consequence. We have continued our involvement in regular (non-Doha) WTO processes, in areas such as agriculture, technical barriers to trade and sanitary and phytosanitary issues, in order to advance New Zealand's interests in maintaining and improving access to other countries' markets.

3. Resolving trade access quickly and effectively using WTO processes

The WTO Appellate Body upheld the key findings of an earlier Panel decision in favour of New Zealand in the Australia-apples case, delivering New Zealand a solid victory. The two sides agreed on an eight-month period for Australia to implement the ruling and bring its measures into compliance with WTO obligations. Australia is reviewing its import risk analysis and, by 17 August 2011, will be in a position to issue import permits for New Zealand apples, thus opening the door to New Zealand apple exports to Australia for the first time since 1921.

4. Opening international doors for New Zealand businesses

We have been working closely with other economic agencies on international aspects of the Government's Economic Growth Agenda, principally the 'Science, Innovation and Trade' driver. In addition to negotiating FTAs, we have been involved in the reshaping of policy at home and its international implementation. We expect this to deliver more for our science partnerships and connections, international education and immigration and to assist business drive for further innovation, trade and investment growth.

We are also coordinating the government-wide NZ Inc country and regional strategies. These are an important tool for setting strategic priorities and coordinating operations across agencies for New Zealand's key economic partners. The first four NZ Inc country strategies to be completed are India, China, the United States and Australia. These will be followed by regional strategies on ASEAN, EU and the Middle East. Businesses are engaged in the development and subsequent implementation of the strategies, with the aim of supporting firms to strengthen their international connections.

In the wake of the Christchurch earthquake, we have established a physical presence in Christchurch and assisted with the earthquake fundraising initiative.

5. Influencing international responses to the global economic crisis

In the aftermath of the global financial crisis, the G20 remains the key forum for international economic cooperation among the major developed and developing economies. The Ministry continues to coordinate New Zealand's response to relevant work streams generated by the G20 process, including an annual summit and various Ministerial meetings. We work actively with both G20 and non-G20 members to ensure New Zealand's views are taken into account. Over the past year, the G20 has expanded its mandate to include food price volatility and agriculture. The action plan produced by G20 Agriculture Ministers broadly and usefully reflects our interests.

Measuring our progress towards achieving economic outcomes

The performance measures identified in the Statement of Intent 2010–2013 (see table below) provide an indication, over the longer term, of how we are tracking nationally against our targets.

INDICATOR	SUB-INDICATOR (IF ANY)	2009/10	2010/11
NZ exports grow as a percentage of GDP	NA	30.8	27.9
Foreign direct investment grows as a % of GDP	Inwards	49.1	49.2
	Outwards	13.4	11.4
New Zealand's performance on key indicators of international competitiveness improves	KOF Globalisation ranking ¹	27 out of 208	25 out of 208
	World Economic Forum competitiveness ranking	20 out of 144	23 out of 144
	World Economic Forum enabling trade ranking	11 out of 125	6 out of 125
	World Bank World trade indicators ²	-	-

Performance against these high level outcome measures was mixed. New Zealand export as a percentage of GDP and outward investment by New Zealand businesses as a percentage of GDP have declined compared to last year. On the positive side, New Zealand's international rankings on globalisation and trade enablement have improved. The level of attribution for changes to these measures is, however, low as there are too many factors outside the Ministry's control which influence the ratios and international indices.³ With this in mind, we have identified additional measures of the Ministry's contribution to New Zealand's economic growth that are more directly shaped by our work.

Percentage of New Zealand exports covered by trade agreements

The table overleaf captures the percentage of New Zealand exports covered by trade agreements. During 2010/11 the New Zealand-Malaysia FTA and the New Zealand-Hong Kong FTA entered into force. This resulted in a further 3.8% of New Zealand's goods⁴ exports, worth around \$866 million, being covered by the provisions of an FTA. Overall this increased the FTA/CEP coverage of New Zealand exports to just over 46% (or just over \$20 billion worth of New Zealand exports).

The following table also outlines the bilateral/regional trade agreements under negotiation. A comprehensive outcome in those negotiations, and signature of the New Zealand Gulf Cooperation Council (NZ-GCC) FTA, would increase the export coverage of New Zealand's FTAs/CEPs to just over 64% (taking the export value to nearly \$28 billion).

TRADE AGREEMENTS CURRENTLY IN FORCE	SHARE OF TOTAL EXPORTS IN 2010
NZ-Australia CER (1 January 1983)	23.0
NZ-Singapore CEP (1 January 2001)	1.9
NZ-Thailand CEP (1 January 2005)	1.6
P4 (Singapore 1 May 2005; Brunei 12 July 2006; Chile 8 November 2006)*	0.1
NZ-China FTA (1 October 2008)	11.1
AANZFTA (1 January 2010)*	4.8
NZ-Malaysia FTA (1 August 2010)	1.8
NZ-Hong Kong CEP (1 January 2011)	2.0
Total exports covered by agreements in force	46.3
AWAITING SIGNATURE	
NZ-GCC FTA (negotiations concluded)	2.9
UNDER NEGOTIATION	
TPP (Australia, Brunei, Chile, Malaysia, Peru, Singapore, US, Vietnam)**	8.8
NZ-Korea FTA	3.2
NZ-India FTA	2.1
NZ-Russia Belarus-Kazakhstan FTA	0.6
Total exports to be covered by agreements	64.0

* Malaysia is excluded given the separate New Zealand-Malaysia FTA.

** Only the additional contribution made by new FTA partners is reported.

New Zealand exports now entering markets duty-free

The table below captures the percentage of New Zealand goods exports subject to duty free treatment (i.e. facing no tariffs) within a bilateral or regional trade agreement.

In 2010 around 35% of New Zealand's exports were entering FTA markets duty free. This will increase to nearly 46% as tariff reductions are phased in over time.

It has not been possible in 2010/11 to capture the transition to the current duty-free position but we will aim to provide this dynamic picture in future reports.

TRADE AGREEMENTS	% OF EXPORTS TO FTA PARTNER DUTY-FREE IN 2010	% OF TOTAL NZ EXPORTS DUTY-FREE UNDER FTAS
NZ-Australia CER	100	23.0
NZ-Singapore CEP	100	1.9
NZ-Thailand CEP	65	1.0
P4		
Brunei	92	0.007
Chile	90	0.13
NZ-China FTA	41	4.6
AANZFTA		
Indonesia	36	0.8
Vietnam	28	0.3
Philippines	74	1.2
NZ-Malaysia FTA	95	0.5
NZ-Hong Kong CEP	100	2.0
Total		35.4

Outcome 3:

Trans-boundary solutions and effective international rules promoted

What did we set out to achieve?

New Zealand's ongoing prosperity depends on the health and security of the markets we trade with. It also depends on the willingness of other countries to respect international rules, many of them set by the United Nations (UN) and related organisations. Where common resources are concerned, internationally agreed rules are often required to avoid over-exploitation. As a small country, New Zealand has an interest in a rule-setting system that is effective, and gives us a voice.

In support of this we sought to achieve:

- more effective responses to international and regional security challenges, including proliferation, terrorism and radicalisation
- an international environmental and natural resource agenda that advances New Zealand interests and supports New Zealand's economic competitiveness
- a more effective and accountable UN.

We identified a set of high-level measures to assess our progress against this outcome in the period to 2013. These are:

- a reduction in the number of whales caught in the Southern Ocean
- a reduction in illegal fishing in the Southern Ocean
- the world on track to reduce greenhouse gas emissions by 50% by 2050
- no new nuclear-armed states
- development of international rules improves or maintains the efficient functioning of international food markets
- inclusive international organisations continue to be important in global decision making alongside smaller ad hoc groups of countries (eg the G20), and New Zealand has influence with both.

What progress did we make?

New Zealand is an active participant in trans-boundary organisations and in promoting the development and maintenance of international rules. We have continued our engagement in developing effective climate change response frameworks, promoting improvements to marine resource management and engagement with the UN through both large and small multilateral groups.

This year New Zealand hosted a regional event related to terrorism awareness and preparedness. We have been engaged with the United States on initiatives to reduce transnational crime in the Asia-Pacific region. We have continued to be involved in peace and reconstruction efforts in conflict zones.

Participating in international security including non-proliferation, terrorism and radicalism

We have been actively involved in efforts to improve New Zealand's offshore security interventions. We have continued to focus our effort on Afghanistan and have increased our engagement on Middle East and North Africa issues in response to events there. We deployed one of our people to Afghanistan to lead the Provincial Reconstruction Team in Bamyan province. Bamyan province being named in the first tranche of transition provinces in Afghanistan, with effect from July 2011, is in part a reflection of the role played by New Zealand since the first deployment to Bamyan in 2003. Our staff remained deployed to the Regional Assistance Mission to Solomon Islands. We also worked with other New Zealand agencies to improve the interaction between military and civilian agencies and ensure a well-coordinated New Zealand response to instability in other parts of the world.

New Zealand was actively engaged in efforts against international terrorism, including providing support to partners in the Pacific and Southeast Asia to counter terrorism and radicalisation in those regions.

- In May 2011, New Zealand co-hosted Exercise Ready Pasifika 2 which successfully tested the region's capacity to counter a variety of terrorist threats.
- In Southeast Asia New Zealand supported a variety of projects, from strengthening the rule of law to countering extremist messages and recruitment into terrorism.
- New Zealand worked with the United States to co-host an Asia-Pacific regional transnational crime symposium in November 2010 followed by supporting the UN Office on Drugs and Crime to undertake a trans-national crime threat assessment for East Asia and the Pacific.
- New Zealand strengthened its own counter-terrorism framework and formally designated for the first time a number of terrorist entities not listed by the UN.
- New Zealand continued as an active participant in multinational initiatives to combat nuclear terrorism, including the Global Initiative to Combat Nuclear Terrorism and the Proliferation Security Initiative.

New Zealand is actively involved in efforts to curb the spread of weapons of mass destruction and in promoting disarmament. De-alerting nuclear weapons is a key measure to reduce the risk of a nuclear exchange. New Zealand led the UN resolution on de-alerting last year, attracting eleven new votes in favour, including a number of NATO states and China, the first nuclear-weapon state to support the resolution. New Zealand's year-long chairmanship of the Nuclear Suppliers Group, a significant non-proliferation body, culminated in the June 2011 adoption of new, stricter export guidelines on sensitive nuclear technologies after seven years of negotiation. New Zealand remains closely involved in the ongoing negotiations of an Arms Trade Treaty that will be comprehensive, set minimum international standards and be effectively enforced. Following the Nuclear Non-Proliferation Treaty's Review Conference, we have engaged with the United States and the United Kingdom to encourage full implementation of the action plan agreed at the conference.

Playing a constructive role on climate change and natural resources

Progress towards a new, comprehensive climate change regime was marked by the Cancun Agreements, which bring within the UN framework pledges to reduce emissions of greenhouse gases by both developed and developing countries. Over the year New Zealand advanced its interests in agriculture and forestry, played a key role in facilitating agreement on the transparency provisions of the Cancun Agreements and was elected to chair the Kyoto Protocol negotiations.

The Ministerial meeting convened by New Zealand to sign the charter of the Global Research Alliance on Greenhouse Gas Emissions was a major milestone. Membership of the Alliance now exceeds 35 countries, including most major agricultural nations, and research programmes for reducing greenhouse gas emissions from agriculture are underway.

New Zealand along with the United States, worked with Japan with the aim of securing an end to whaling in the Southern Ocean through direct discussions, and continued dialogue in the International Whaling Commission (IWC). Since the reform process in the IWC has been put on hold because of continuing disagreements over the pace and direction of reform, a durable solution for whale conservation is some way off. Nonetheless, Japan cut short its whale hunt in the Southern Ocean in 2011, killing only 172 whales, compared to usual takes of over 400 in recent years and Japan's self-allocated quotas of approximately 850 whales per annum. New Zealand agreed, in principle, to intervene in the case that Australia has brought to the International Court of Justice, which asserts that Japan's 'research' whaling programme in the Southern Ocean is contrary to the International Convention on the Regulation of Whaling.

New Zealand led the UN oceans and marine environment work, chairing the UN Informal Consultative Process on Oceans and Law of the Sea, and championing the organisation of the first global assessment of the marine environment. A New Zealand-led workshop provided crucial legal and scientific input to allow forward momentum on marine biodiversity in areas beyond national jurisdiction, an area under the UN Convention on the Law of the Sea highlighted as requiring further work.

New Zealand played a constructive role in the final stages of negotiation that resulted in the adoption of the Nagoya Protocol in October 2010, including chairing sessions on traditional knowledge. This treaty provides a new international framework with implications for those seeking to utilise genetic resources and associated traditional knowledge for research and development. The final text of the Nagoya Protocol provides the flexibility needed for the Government to develop a domestic bio-prospecting regime, and to respond to the Waitangi Tribunal report 'Wai 262'. It appropriately balances New Zealand's interests as both a user and provider of genetic resources.

We have continued our strong contribution to international fisheries management, including advancing institutional arrangements for the South Pacific Regional Fisheries Management Organisation (SPRFMO) which is on course to start work in 2012. New Zealand hosted the first SPRFMO Preparatory Conference in July 2010 and on 1 June 2011, ratified the Convention on the Conservation and Management of High Seas Fishery Resources in the South Pacific (which establishes the SPRFMO). The Ministry worked to advance New Zealand's interests in the Commission for the

Conservation of Southern Bluefin Tuna, the Western and Central Fisheries Commission and the Forum Fisheries Commission. The Ministry was also active in negotiating resolutions passed by the United Nations General Assembly on fisheries and oceans issues.

Development of a New Zealand proposal to establish a high seas marine protected area in the Ross Sea region under the auspices of the Conservation of Antarctic Marine Living Resources (CCAMLR) progressed significantly in 2011. The Ministry continued to lead New Zealand's strong contribution to the International Maritime Organisation's work to develop a mandatory shipping code for vessels operating in polar regions. At the 2011 Antarctic Treaty Consultative Meeting/Committee for Environmental Protection, New Zealand displayed leadership in a number of areas, including non-native species and the development of frameworks for tourism and non-governmental activities in Antarctica.

According to the latest statistics produced by the CCAMLR Secretariat, the estimated catch taken by illegal, unreported and unregulated (IUU) fishing from the CCAMLR area increased from 938 tonnes in 2008/09 to 1,615 tonnes in 2009/10. The 2009/10 figure is however still down from previous years. (It should be noted, however, that CCAMLR members have concerns about the reliability of the methodology that produces these figures).

New Zealand has continued to work with CCAMLR to strengthen CCAMLR's toolkit of measures to combat IUU fishing in the CCAMLR Convention Area. It has also taken steps nationally to deter IUU activities in the Southern Ocean. In 2010/11, New Zealand patrols detected two North Korean flagged IUU vessels. Following diplomatic representations to the Government of the Democratic People's Republic of Korea, both of these vessels were removed from the North Korean register.

Strengthening our position with the United Nations

We have strengthened New Zealand's UN Security Council campaign through increased lobbying, Ministerial and other visits, regional strategies and a communications strategy. We have developed and implemented vote swap proposals. While the entry of Turkey as a candidate now makes for a contested election in 2014, we have already achieved a substantial number of commitments to New Zealand.

In human rights, we successfully promoted resolutions in priority areas (including maternal mortality, the rights of disabled persons and the death penalty) at both the Human Rights Council and the Third Committee of the General Assembly. We demonstrated our human rights credentials during an oral presentation before the Committee on the Rights of the Child, a visit by the UN Special Rapporteur on Indigenous Rights, and the election of a New Zealand judge to the Subcommittee on Prevention of Torture.

Pandemic response planning was a reduced priority for us as the risk diminished over the year. We worked with the Ministries of Health and Agriculture to ensure that New Zealand's trade and foreign policy interests were safeguarded during multilateral engagement on food security, alcohol and tobacco.

Outcome 4:

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

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What did we set out to achieve?

Since April 2009, the New Zealand Aid Programme has been working to a refreshed mandate to 'support sustainable development in developing countries, in order to reduce poverty and contribute to a more secure, equitable and prosperous world'. This is also a key foreign policy objective for the Ministry.

In March 2011 the Ministry published the 'International Development Policy Statement: Supporting Sustainable Development'. This overarching policy underlines the priority the New Zealand Aid Programme gives to sustainable economic development and the Pacific, and sets out a targeted approach for aid and development in other regions.

The policy statement identifies four themes: investing in economic development; promoting human development; improving resilience and responding to disasters; building safe and secure communities; and sets out the approach to be followed in managing and delivering the aid programme.

2010/11 has been a year of considerable change for the New Zealand Aid Programme, and it is now reintegrated into the Ministry. The New Zealand Aid Programme is managed by the Ministry's International Development Group, whose staff have specialist expertise in aid policy and programme management. A new business model and staff structure underpins the strategy of fewer, larger and more effective activities supported by simpler business processes focused on results, together with increased oversight and management of implementation of activities by posts.

Our aim is to achieve effective and efficient delivery on the Government's mandate and priorities for the New Zealand Aid Programme. Actual expenditure against programmes in 2010/11 is set out in the table overleaf.

PROGRAMME	2008/09 \$M	2009/10 \$M	2010/11 \$M
Cook Islands	5.5	7.4	18.8
Niue	11.9	11.2	23.7
Tokelau	15.4	14.6	20.5
Tonga	11.4	12.7	14.2
Samoa	11.4	20.4	17.9
Papua New Guinea	23.4	24.7	28.1
Solomon Islands	30.8	40.7	32.7
Vanuatu	18.5	20.7	16.3
Tuvalu	6.0	2.8	1.7
Fiji	3.8	4.8	4.4
Kiribati	6.7	5.9	8.8
Pacific Environment and Vulnerability	6.2	5.8	2.5
Pacific Governance	11.6	6.7	7.9
Pacific Human Development	12.8	8.7	11.4
Pacific Growth	10.6	11.8	12.3
Pacific Regional Agencies	17.1	15.8	20.7
NZ State Sector Development Partnership Fund	4.6	2.1	2.2
Laos	2.5	2.2	3.7
Philippines	4.1	4.3	5.6
Cambodia	3.2	4.2	4.4
Timor-Leste	8.1	7.4	8.5
Indonesia	15.9	8.6	13.6
Viet Nam	7.4	12.6	7.9
Asia Regional	11.3	10.1	8.2
Latin America Regional	4.6	5.6	4.7
Africa Regional	7.5	7.9	6.0
Humanitarian	26.0	14.1	24.6
Civil Society	38.6	39.4	30.1
Multilateral	92.6	93.1	123.8
Other non-programme	11.8	9.0	9.9
Grand Total	461.2	435.3	495.0

The key bilateral partners of the New Zealand Aid Programme are shown below, with basic statistics including the amount of aid they have received from New Zealand and other donors.

	NEW ZEALAND AID (NZ \$M)						
	POPULATION (M) ⁵	GNI PER CAPITA, ATLAS METHOD (US\$) ⁶	TOTAL AID FROM ALL DONORS 2009 (US\$ m) ⁷	NET ODA AS A PERCENT OF GNI 2009 (US\$ m) ⁸	2008/09	2009/10	2010/11
Cook Islands	0.02	9202	7.6	n.a.	5.9	7.7	18.9
Niue	0.00	n.a.	9.0	n.a.	16.9	11.2	23.7
Tokelau	0.00	n.a.	9.8	n.a.	30.5	14.6	20.5
Samoa	0.18	2840 ↑	77.4	16.1	11.6	21.8	18.5
Tonga	0.10	3260 ↑	39.5	12.4	11.5	13.0	14.6
Tuvalu	0.01	2685	17.5	n.a.	6.1	2.8	1.8
Papua New Guinea	6.74	1180 ↑	413.7	5.3	24.3	25.1	31.4
Solomon Islands	0.53	910 ↓	205.9	42.9	31.3	41.1	33.4
Vanuatu	0.24	2620 ↑	103.3	16.5	18.8	21.0	16.7
Kiribati	0.10	1830 ↓	27.2	15.6	6.8	6.0	8.9
Fiji	0.85	3840 ↓	71.1	2.5	4.9	5.8	4.5
Indonesia	234.18	2050 ↑	1047.6	0.2	17.0	10.2	16.4
Viet Nam	86.93	1000 ↑	3744.3	4.1	8.0	12.7	9.0
Timor-Leste	1.07	2460	217.0	n.a.	9.5	7.8	9.4
Cambodia	14.30	650 ↑	722.3	7.3	4.4	5.9	4.6
Philippines	94.01	1790 ↓	310.1	0.2	5.0	5.2	5.9
Lao PDR	6.23	880 ↑	420.0	7.2	2.8	2.6	3.7

n.a = data not available

What progress did we make?

During 2010/11, in line with the government mandate, the amount of ODA (Official Development Assistance) spent on sustainable economic development activities increased by nearly 40% (from \$72 million to \$100.6 million). There was also an increase in the amount of aid going to the Pacific from \$224.6 million to \$257.3 million; an increase in the use of higher order aid modalities from 52% to 59%; and an increase in the median annual expenditure on activities from \$137,688 to \$200,000. These are positive results in line with Government policy directions and the new business model.

As part of the drive to reduce fragmentation and improve aid effectiveness the number of programmes has been reduced from 33⁹ to 24. A good start has also been made in reducing the number of activities to larger, higher impact, more comprehensive ones, and this will continue to be a focal area for efforts in 2011/12.

Results from activity monitoring and completion reports, annual programme reports and the programme of independent evaluations have confirmed the significant impacts of the New Zealand Aid Programme.

Higher level outcomes, such as the Millennium Development Goals¹⁰ (MDG), are mostly tracking in a positive direction. The number of Pacific Island countries reported as being either off track or slightly off track to achieving at least half of the MDGs fell from nine to seven. The New Zealand Aid Programme can only claim to have a limited direct impact on such higher level outcomes as these results are dependent on the policies and actions of a large number of partners, particularly the developing countries themselves.

The New Zealand Aid Programme received a positive overall assessment from the OECD following the 2010 Peer Review of its development co operation policies and programmes. The OECD's Development Assistance Committee noted that *"New Zealand boasts an internationally recognised aid programme with specific understanding of the unique Pacific context."*

And while New Zealand is still not meeting all its Paris Declaration Aid Effectiveness targets, there was a positive shift across three of the targets we track.

The high level measures to assess the success of the New Zealand Aid Programme set out in the Statement of Intent 2010–13 are reported on in more detail below.

Progress in economic and human development

The table opposite shows the latest information for a range of important economic indicators for key partner countries. Data quality, particularly in the Pacific, is highly variable and statistics should be treated with caution. In the Pacific, four countries, Papua New Guinea, Samoa, Solomon Islands and Vanuatu have projected economic growth of more than 2% for 2011. This is an improvement for both Samoa and the Solomon Islands from 2009/10. In the other five Pacific countries, economic growth is not yet sufficient to make inroads into poverty.

Balance of payments figures are unreliable and volatile, and no significant improvements are obvious from recent time series data.

The "ease of doing business" is a key indicator provided by the World Bank. Compared to last year, Samoa, Papua New Guinea, Solomon Islands and Vietnam have all shown an improvement in their relative ranking. Other countries have either shown a slight deterioration or no change in their rankings.

While attribution is difficult, this data forms a starting point for a high-level consideration of progress being made towards the development outcomes that New Zealand, together with partner governments, other donors and other partners, is pursuing.

PROGRAMME	FORECAST GROWTH RATE OF GDP 2011 ²²	CURRENT ACCOUNT BALANCE 2010 (% OF GDP) ²³	EASE OF DOING BUSINESS RANKING (LOW NUMBERS BETTER) ²¹		HUMAN DEVELOPMENT INDEX (HDI) VALUES 2010 ^{24, 25}
			2010	2011	
Cook Islands	1.1	4.9	n.a.	n.a.	n.a.
Samoa	2.1	-8.1	67	61	n.a.
Tonga	0.5	-5.6	66	71	0.677
Tuvalu	0.0	n.a.	n.a.	n.a.	n.a.
Papua New Guinea	8.5	-26.6	108	103	0.431
Solomon Islands	7.5	-20.0	106	96	0.494
Vanuatu	3.0	-2.4	59	60	n.a.
Kiribati	2.0	-13.7	91	93	n.a.
Fiji	1.2	-2.3	61	62	0.669
Indonesia	6.3	0.9	115	121	0.600
Viet Nam	7.0	-4.0	88	78	0.572
Timor-Leste	10.0	238.0	174	174	0.502
Cambodia	6.0	-11.0	145	147	0.494
Philippines	4.6	4.5	146	148	0.638
Lao PDR	7.5	-9.0	169	171	0.497

n.a = data not available

Progress towards the Millennium Development Goals¹⁶

In the past three years some countries in the Asia and Pacific region, led by high growth rates in parts of Asia, have made substantial progress towards achieving the MDGs and improved levels of human development.

However, many countries are still lagging behind and are struggling to achieve the goals; including several countries in the Pacific region. The overall trend continues to be that the Polynesian countries are performing relatively well; while Kiribati and the Melanesian countries, particularly Papua New Guinea and the Solomon Islands are not making as much progress.

Overall progress has been made in the number of individual MDGs on track, moving from 37% in 2009/10 to 42% in 2010/11. Progress at country level has also been made in 2010/11, with seven Pacific Island countries (compared to nine countries in 2009/10) considered either off track or slightly off track to achieving at least half of the MDGs.

Seven out of ten countries for which data is available are on track to achieve the MDGs for Reduced Child Mortality and six countries are on track to achieve Universal Primary Education. Five countries are on track for improved Maternal Mortality. Conversely only three countries are on track to achieve the targets for Environmental Sustainability and two countries for Eradicating Extreme Poverty and Hunger and Gender Equality. The most off-track countries are Kiribati and the Solomon Islands, which are either slightly off track or off track across all MDGs. Papua New Guinea is off track across all MDGs.

Impact of our programmes and activities

Programme performance

The high level indicators of economic change and progress towards the MDGs are largely attributable to the performance of the countries themselves with donor support supplementing their efforts.

The New Zealand Aid Programme's strategies and Joint Commitments for Development (for Pacific countries) set out New Zealand's specific contribution towards these development outcomes for each country.

Each programme in 2010/11 completed an annual plan and report. The reports include a rating of progress towards the development outcomes set out in programme strategies. For 2010/11, of a total of 126 strategic objectives that were rated, 70% were rated good or better, and 95% were rated as adequate or better.

Programme ratings

DRAWN FROM 30 PROGRAMMES	EXCELLENT	GOOD	ADEQUATE	UNSATISFACTORY	TOTAL
Number of objectives	18	70	32	6	126
2010/11	14%	56%	25%	5%	100%
2009/10	6%	62%	27%	4%	100%

Examples of our impact from annual programme reports

NEW ZEALAND AID PROGRAMME ACTION	IMPACT
New Zealand provides assistance to the Solomon Islands to help the government achieve equitable access for all boys and girls to quality basic education by 2015. Specifically, the programme aims to improve literacy and numeracy, increase available teaching resources and improve school infrastructure. Provision of training to over 1,600 teachers has been a key mechanism for achieving these objectives.	The Solomon Islands has made good progress in education, with the Standard Test of Achievement showing an 11% increase in year 6 students at satisfactory literacy levels or higher. In numeracy, there has been a 5% increase in students at satisfactory levels or higher. There have also been progressive improvements in the gender parity index for all sectors except early childhood education since 2007. In June 2011, Prime Minister Danny Philip commended New Zealand as a significant contributor to the progress made.

NEW ZEALAND AID PROGRAMME ACTION	IMPACT
<p>New Zealand's programme in Tonga includes support for the transition to a more representative and participatory government. New Zealand has provided support for the Tongan Electoral Commission, election monitoring, civic education and preparation for the 2010 elections.</p>	<p>Historic changes were made to Tonga's Constitution. The 2010 elections were implemented peacefully, and declared free and fair by independent electoral monitors. With a voter turn-out of 90%, Tonga is making good progress towards the transition to a more representative and participatory government.</p> <p>New Zealand's support contributed directly to this result, through provision of an election monitor team, a legal drafter and funding for civic education and broadcasting.</p>
NEW ZEALAND AID PROGRAMME ACTION	IMPACT
<p>New Zealand's programme in Cambodia focuses on reducing poverty through improved livelihood opportunities and sustainable resource management.</p> <p>The programme promotes building skills and income generation through support for various initiatives including the Cambodian Agribusiness Development Facility, Silk Sector Programme, and Angkor Participatory Natural Resource Management and Livelihoods Programme.</p>	<p>Agribusiness initiatives have been particularly successful in stimulating economic development through value chain development for smallholder producers of vegetables and pigs. Profits of the 2,300 participating farmers have on average increased by \$250 per annum.</p> <p>Similarly, 603 silk weavers have been successfully trained in the technical skills of dyeing, warping and weaving, leading to a 90% increase in volume of sales.</p>

Activity performance

In late 2010, Activity Monitoring Assessments (AMAs) and Activity Completion Assessments (ACAs) were introduced as part of the New Zealand Aid Programme's focus on managing for results. The AMAs and ACAs are tools to help actively monitor our activities and track progress against results. They provide measures of relevance, effectiveness, efficiency, and likely impact and sustainability of benefits. As this is a transition year, there is not yet sufficient data to draw firm conclusions. The indicative data so far indicates positive results around relevance and the most challenges being around efficiency and likely sustainability of benefits.

Examples of our impact from Activity Completion Assessments¹⁷ and from independent evaluation reports¹⁸

- From 2008 to 2010 New Zealand provided support to the University of the South Pacific. This led to improvements in the University's financial health, reporting and strategic planning.
- From 2007 to 2010 support for smallholder coffee farming households in rural Laos resulted in improved quality and quantity of coffee production and increased incomes for 2,500 households.
- Support for an interim ferry service in Tonga during 2010 restored confidence in safe seafaring and increased transportation of goods and produce.
- New Zealand's response to the 2007 Solomon Islands earthquake/tsunami contributed to the rehabilitation of 108 schools (including 244 classrooms) that had suffered major damage, enabling the safe schooling of 8,500 students.
- The Vanuatu Farm Support Association fostered increased production, quality and sale of agricultural produce in some areas of rural Vanuatu, through provision of expert advice and farmer training.

- The Community Policing Pilot Programme, implemented by the New Zealand Police under United Nations Police (UNPOL), was successful in developing a community policing model and philosophy in Timor-Leste, contributing to a more stable community.
- Support to the Solomon Islands School of Education is meeting the annual demand for new teachers. In 2010, 250 new teachers were trained. Training was provided that will lead to certification for 660 in-service teachers. This training has resulted in substantial improvements in teaching quality.

Key lessons from activity evaluations

- Building partner capacity is an important ongoing component of sustainable development. Greater focus and resourcing for capacity building is needed including in activity design, and particularly in financial management.
- Time invested at the outset of activity implementation can reap long-term sustainable benefits. Stronger outcomes are achieved when all stakeholders share a clear, common understanding of activity objectives, roles and expectations. It is worthwhile investing time at the start of activities to develop this shared understanding and ownership.
- Aid is more effective when it is focused on results rather than inputs. Achieving this requires strong monitoring systems. There is also a need for better baseline data collection prior to activity implementation, particularly in the Pacific, in order to effectively assess and monitor results.

During 2010/11, the New Zealand Aid Programme redesigned how it manages its activities to enable more effective and efficient administration and strengthen results monitoring and reporting. This included the introduction of the Activity Results Frameworks, which focus on identifying results (outputs and outcomes) and developing strong integrated monitoring and evaluation systems at the start of the activity life cycle. Part of this focus on results is ensuring we capture more comprehensive gender disaggregated data. As of July 2011, the new activity management processes (including the Activity Results Frameworks) have become mandatory for all activities.

How we work with others

New Zealand often works through partnerships with third parties to deliver ODA. This enables the New Zealand Aid Programme to draw on the expertise, knowledge and experience of a variety of different organisations throughout New Zealand and abroad.

In 2010/11, \$168.7 million or 34% of the New Zealand Aid Programme was delivered through multilateral organisations, including humanitarian agencies. The largest multilateral recipients are the International Development Association (IDA), the UN Development Programme (UNDP) and the Asian Development Bank (ADB). Channelling aid through effective multilateral agencies can support deeper engagement, greater coherency and harmonisation of aid within a region or sector, and helps reduce the administrative burden of aid for recipient countries. It also enables leveraging of larger scale resourcing to address significant challenges.

New Zealand NGOs also continue to be key partners in the delivery of effective development outcomes. In 2010/11, our partnership with NGOs has been shaped by the introduction of the new Sustainable Development Fund. This Fund prioritises sustainable economic development activities and has a strong Pacific focus. An external selection panel has been appointed to support MFAT,

which includes representatives from non-for-profit, private and government sectors. NGOs have also adopted the new business model focused on outputs and results. In 2010/11, the Ministry committed \$56 million to NGOs for multi-year projects. Over 50% of the projects funded under the Sustainable Development Fund have a focus on the Pacific and on economic development.

Examples of impacts from third parties funded by New Zealand

TRADE AID IMPORTERS

Trade Aid Importers (TAI) is a New Zealand-based NGO and fair-trade organisation that works to maximise returns to partners through successful trading. TAI operates in collaboration with local partners across Asia-Pacific, Africa and Central America to develop commodity and handicraft livelihood opportunities.

An independent evaluation in 2010 found that the support provided to local producers has resulted in improved quality and quantity of handicraft and commodity production and increased incomes for producer communities. The evaluation concluded that the TAI provides good value for money and successfully contributes to sustainable economic development.

Source: Gray, A. & Cretney, M. 2010. Independent Review of Trade Aid Importers.

PAKISTAN FLOODS: Humanitarian Response

The Pakistan floods crisis in July 2010 affected over 20 million people. In response the UN launched its largest ever Flash Appeal of US\$1.9billion. New Zealand supported the Flash Appeal by providing \$2 million to United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) and \$1 million to United Nations Children's Fund (UNICEF) New Zealand also provided \$500,000 to the International Federation of the Red Cross (IFRC) and \$100,000 to each of five New Zealand NGOs.

UNOCHA scaled up rapidly and coordinated an international response, reaching 20 million people. School supplies and temporary learning centres, provided by UNICEF, enabled more than 260,000 children to continue their education and in many cases attend school for the first time.

With New Zealand Aid Programme support, the IFRC provided food and shelter to over 1.3 million people, and health care, water and sanitation and livelihood recovery assistance to a further 1.2 million. In addition the five New Zealand NGOs were able to provide humanitarian assistance to more than 70,000 people.

Source: 2011 OCHA Annual report; March 2011 DEC Real-Time Evaluation report of the 2010 Pakistan floods; 8 April 2011, IFRC, Pakistan Monsoon Flash floods operations update no. 13; 2011, UNICEF, Pakistan update titles "After the floods, new schools provide normalcy and opportunities for communities in Pakistan"; NGO Final Humanitarian Response Fund reports.

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

The Pacific Financial Technical Assistance Centre (PFTAC) is an International Monetary Fund initiative supported by the New Zealand Aid Programme and other donors. PFTAC's objective is to build the macroeconomic and fiscal policy capacity of Pacific island countries and regional organisations. The Centre provides quality technical advice and practical support in four focus areas: public financial management, revenue policy and administration, financial sector supervision and macro-economics.

An independent evaluation in 2009 found that PFTAC delivers high quality, effective and efficient services and is widely recognised as one of the most effective regional technical assistance organisation in the area. While substantial institutional change will take time, PFTACs services were found to be rapid, flexible and responsive to Pacific Island government priorities. The Centre has contributed to tangible improvements in financial capacity and performance of many Pacific island governments and institutions.

Source: Murray, B., Abrams, R., & Vaai, K. (2009). Independent Evaluation of the Pacific Financial Technical Assistance Centre. International Monetary Fund.

Outcome 5:

The rights of New Zealanders abroad protected

What did we set out to achieve?

The Ministry is responsible for assisting New Zealanders in distress overseas, including in the event of a natural disaster or other large-scale emergency. The Ministry also seeks to mitigate risks to New Zealanders by raising the awareness of New Zealanders travelling and living overseas of the importance of preparedness, and of the Ministry's consular role.

The primary test of whether the Ministry has protected the rights of New Zealanders abroad is whether the recipients of consular services are satisfied with the assistance provided – whether they consider their rights have been protected.

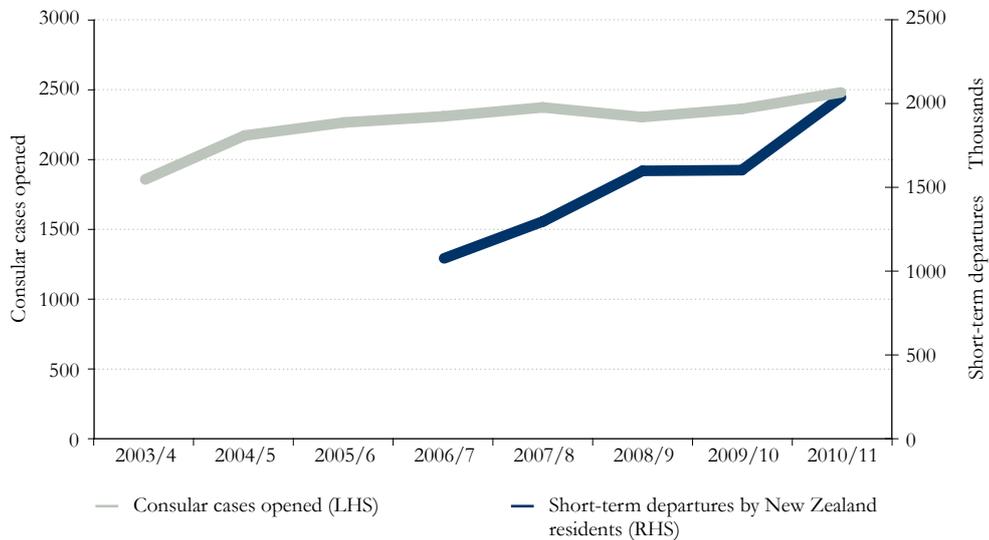
What progress did we make?

It was a busy year for consular emergencies. Key events were the floods and Cyclone Yasi in Australia; unrest in North Africa and the Middle East involving evacuation of New Zealanders from Egypt, Libya, Bahrain, Syria and Yemen; and the Japan earthquake and tsunami.

We accounted for over 2,000 New Zealanders thought to be in Japan at the time of the earthquake. We also played a central role in the February Christchurch earthquake response, liaising with foreign governments whose nationals were caught up in the earthquake and coordinating offers of assistance from overseas.

We also provide a routine consular service to individual New Zealanders in distress overseas. During 2010/11 we provided consular assistance to 2,446 New Zealanders (a 10.5% increase over last year), as well as responding to general consular enquiries from 54,812 other New Zealanders across 53 posts.

Demand for consular services and short term departures



The figure above illustrates that the growth rate in the number of new consular cases outpaces the growth in short-term departures by New Zealand residents. The number of consular cases per 100,000 short-term New Zealand travellers grew from 98 in 2009/10 to 103 in 2010/11.

The Ministry’s document authentication services remained in high demand. We helped 10,384 New Zealanders, including exporters, to meet other governments’ requirements.

This year, we contracted an independent research company to conduct a client satisfaction survey for consular services. The results painted a very positive picture.

A total of 83% of respondents who had been recipients of consular services over the twelve months to May 2011 were satisfied with their service experience. This puts the service in the top 30% of government services that have used the Common Measures Tool as a performance benchmark.

Our organisational health and capability

In 2009 the Ministry embarked on a process in three main areas to review, refresh and enhance its capability to deliver the foreign trade, development and consular interventions sought by the Government. This process is set out in the Ministry's performance improvement action plan, and consists of three main elements:

- an organisational change programme, Ministry 20/20
- ODA effectiveness and value for money
- the offshore review of the Ministry's network of posts, and the working and strategic planning arrangements of NZ Inc on and offshore.

Ministry 20/20

The Ministry has a significant transformational change programme underway, known as Ministry 20/20. It aims to deliver a modern, flexible organisation that is focused on strategic priorities, performance oriented, ideas-driven and ambitious, and continues to deliver tangible foreign policy results and value for New Zealand.

Ministry 20/20 has seven streams of work focusing on strategy and structure, how success is measured and tracked, developing people capability and effectiveness, along with the tools, technologies and capabilities that enable the Ministry to compete.

Strategy

We are improving our ability to understand the strategic opportunities and challenges facing New Zealand and continue to meet the needs of the Government.

A major piece of Strategy work was the roll-out of new NZ Inc strategic planning and operational coordination among government agencies. New processes were set up to develop NZ Inc country and regional strategies with the emphasis on increasing trade and economic links with key markets including India, China, the United States and Australia. Close engagement with business reference groups and the wider business community is integral to the development of these strategies. This work contributes to the Government's principal economic goal to deliver greater prosperity, security and opportunity to all New Zealanders.

Structure

It is important that our structure is aligned with business models and business outcomes to deliver on Government priorities.

Work to design a future offshore operating model for back office corporate support services as well as consular services, is well advanced. The aim is to reduce corporate costs, increase operational effectiveness, and where possible redistribute resources to the front office. The trial of a new hub and mini-spoke model is underway in Europe. We are also developing future operating models for core front office functions, including the full range of policy advice and diplomacy.

The integration of the former NZAID, now the International Development Group, into the Ministry is largely complete. A new business model supports the strategy of fewer, larger and more effective activities supported by simpler processes, together with increased oversight and management of implementation of activities by posts. The aim is to achieve effective and efficient delivery on the Government's mandate and priorities for the New Zealand aid programme.

People

Good progress has been made implementing the HR strategy developed last year. We have redesigned our performance management system, which is closely aligned to and will further enable the embedding of the organisational Values. We have designed and implemented a new selection process for Heads of Mission and Director roles and have designed a new leadership development framework. In addition, a review of our remuneration, staff allowances and benefits is underway to ensure they are fit for purpose, and to enable delivery of our business objectives and outcomes.

Technology and knowledge management

Several projects have been completed and more are underway to deliver new technology platforms and tools that will enable us to operate effectively and efficiently in a globally connected, fast-paced world. Progress with these projects is reported under the long-term focus on our capital assets section on pages 46–47.

Measures

Performance measures help us demonstrate what success looks like. During the past year we have established baseline performance measures for our key service areas. By developing and measuring against indicators of success, we will know how we are tracking. Work is underway to refresh our outcome measures to ensure they continue to remain relevant.

Efficiency

The efficiency stream of work is focused on creating sustainable efficiencies across the Ministry that include the areas of procurement, business processes, and infrastructure improvements. During the year we implemented new contracts for goods and services that have reduced costs by up to \$2 million per annum; completed a review of procurement that identifies scope for both further efficiency gains and process improvements, and identified options to reduce accommodation costs in Wellington by more than \$2 million per annum, once implemented.

Culture and values

We have introduced a set of Values, along with an organisational Vision and Mission. The Vision, Mission and Values guide our strategy and programme of activity.

Offshore review

During 2010/11 we implemented the Government's decisions on the review of NZ Inc's offshore network. These included:

- opening an Embassy in Abu Dhabi
- setting up a hub and spoke model with London as the hub supporting three smaller mini-spoke missions in Warsaw, Stockholm and Madrid
- establishing a bilateral presence in Vienna
- expanding the role of the Ministry's Consul-General in Sao Paulo to support the trade operation and build commercial links with Brazil
- closing the Consulate-General in Brisbane, and transferring the management of the Consulate-General in Melbourne to New Zealand Trade and Enterprise.

As part of the review, we were also asked to establish new NZ Inc coordination machinery to improve strategic planning and operational coordination among agencies represented offshore. During 2010/11 the NZ Inc agencies, led by their Chief Executives, set up a unified approach to setting strategic priorities and coordinating operations in relation to New Zealand's key economic partners. The aim is to develop ambitious, high level NZ Inc country and regional strategies to support New Zealand's trade and economic goals and help New Zealand firms strengthen their international connectedness. Work this year has been focused on India, China, United States and Australia.

Performance Improvement Framework (PIF)

The PIF Action Plan, developed in response to a review led by the State Services Commission in 2010, identified 11 key areas for improvement. The PIF Action Plan continues to be implemented under our change programme, Ministry 20/20. Over the 2010/11 financial year we have taken several actions to improve performance.

We have:

- strengthened our change management capability with better organisation change governance structures
- infused new talent into the senior leadership team including appointing the Senior Advisor to the Secretary, Strategy
- progressed our longer term strategic role with the delivery of NZ Inc strategies with China, India, United States and Australia
- replaced the Ministry's Audit Committee with an independent Audit and Risk Committee
- integrated the former NZAID into the wider Ministry renamed as the International Development Group (IDG)
- redesigned and implemented the IDG business model
- implemented a new organisation performance measurement framework and reporting system.

Equal employment opportunities

We place strong emphasis on fostering a diverse workplace and inclusive culture. In representing New Zealand, it is important for us to have an internal culture that respects and reflects the diversity of New Zealand and its society. We are continuously working towards promoting and fostering equality and diversity in our workplace. To this end we continue to negotiate with other governments on reciprocal arrangements for partners of diplomatic officers.

Measures of organisational health and capability

People

Annual leave balances for staff are being proactively managed as we recognise that for many staff, their leave balances are unduly high. Staff sick leave rates per person are at a low level, which is consistent with previous years. Staff turnover is higher than in recent years, particularly amongst specialist staff including staff from the IDG. It is not unusual to see a rise in staff turnover during periods of significant organisational change.

INDICATORS	JUNE 2011	JUNE 2010
Time to fill vacancies	Measure not developed	Measure not developed
Annual leave balance	218 with over 30 days balance	221 with over 30 days balance
Sick leave	4.4 days	5.3 days
Turnover	14.20%	9.4%

A long-term focus on managing our capital assets

Our capital programme continues to focus on providing modern, secure, flexible and effective premises for accommodating NZ Inc's requirements offshore, and modernising information technology (IT) systems.

Capital asset management within the Ministry is long-term focused with the formulation of multi-year asset management plans, ensuring investment decisions fit within our overall strategic direction, and are justified based upon an analysis of full life costs and anticipated benefits.

Measures of success for our capital asset management include:

- assets availability to meet requirements (physical assets: 24 hours a day, 7 days a week; IT: 98.5% available 24 hours a day, 7 days a week)
- optimal space requirements to meet current and anticipated future needs
- the functionality of assets is fit for the required purpose
- the physical status and condition of the assets
- appropriate governance of capital project management.

The first measure has been met while the rest are still subject to development.

Property

We have completed building condition reports and work programmes for the majority of the properties we own. These reports have resulted in substantial work programmes in 2011/12 and out years for chanceries in Tokyo, Canberra and official residences in Washington, The Hague and Santiago.

The following major capital works were completed during the year:

- Ankara: fit-out new leased combined chancery and official residence
- Nuku'alofa: fit-out chancery
- Santiago: fit-out new leased chancery
- Seoul: fit-out new leased chancery
- Tarawa: extend chancery and build staff house.

We have developed an Official Residence Acquisition Strategy, through which we are looking to purchase up to 17 currently leased official residences. This strategy is forecast to deliver long term cost savings and provide a hedge against increasing rents. It reflects the increasing importance of official residences as a key business tool.

Our Wellington office space is to be consolidated from three buildings into one and remaining space will undergo a mid-term refurbishment to allow the intensification of use. This programme will reduce costs by more than \$2 million per annum once implemented and reduce the amount of space per person from 25 sqm to 18 sqm.

Technology

The Ministry's Information and Communications Technology capital planning revolves around an overall goal to make the environment more dynamic and flexible for staff. Several projects were implemented during the year and good progress was made with several others, namely we:

- built and launched a new intranet
- set up business productivity sites for free trade negotiations, security clearances, OIAs and Ministerials
- upgraded the financial management information system
- introduced a 24/7 Call Centre service, partnering with NZ Police
- implemented new offshore data centres in Washington, Tokyo and London
- made significant progress with the development of a new restricted environment, Windows7/Office 2010 and an interim document management system
- introduced global video conferencing.



SECTION FOUR:

Our cost effectiveness

Cost effectiveness is the relationship between the level of resources used (costs) and progress towards a predetermined outcome (effect). While costs are relatively easy to quantify, outcomes are less so. Outcomes are inherently high-level aspirations that are beyond the direct control of a single entity – in this case, the Ministry. The Ministry is developing a cost-effectiveness framework that outlines the logic behind and illustrates the links between our inputs, outputs/interventions, impacts and their contribution to our intended outcomes.

The development of an intervention logic and cost-effectiveness framework will allow us to better assess our contribution towards the desired outcomes and their costs. While the framework is in development, we have identified the following as proxies for assessing the Ministry's cost effectiveness.

- allocation of costs to intermediate outcomes
- changes in costs and service performance over time
- changes in costs and outcome indicators over time.

This year, we introduced a method to allocate expenditure against intermediate outcomes. Although we cannot assess previous expenditure using this method, it will give us a benchmark to monitor expenditure on intermediate outcomes in the future.

Over the past year we have embarked on a major change programme to modernise the way we do business offshore. This will result in a leaner, more nimble organisation that makes better use of technology and systems. Where possible, savings will be reinvested in front-line services. The Ministry also began implementation of findings from a review of its overseas posts to ensure they are focused on key countries and markets and positioned to take advantage of new trade and economic opportunities.

These changes have resulted in the consolidation of back office functions in a hub and spoke configuration being trialled at selected posts in Europe. Cost savings have enabled the opening of a new post in the Middle East. New NZ Inc coordination processes have been set up to focus on joint strategic planning and engagement with NZ business in priority markets. NZ Inc strategies aim to provide a more cohesive and cost-effective use of offshore resources to advance New Zealand's goals in key markets.

While it is too early to have refined measures for the above changes, there is evidence that back office savings achieved to date have enabled more resource to be directed to markets at the forefront of New Zealand's trade agenda.

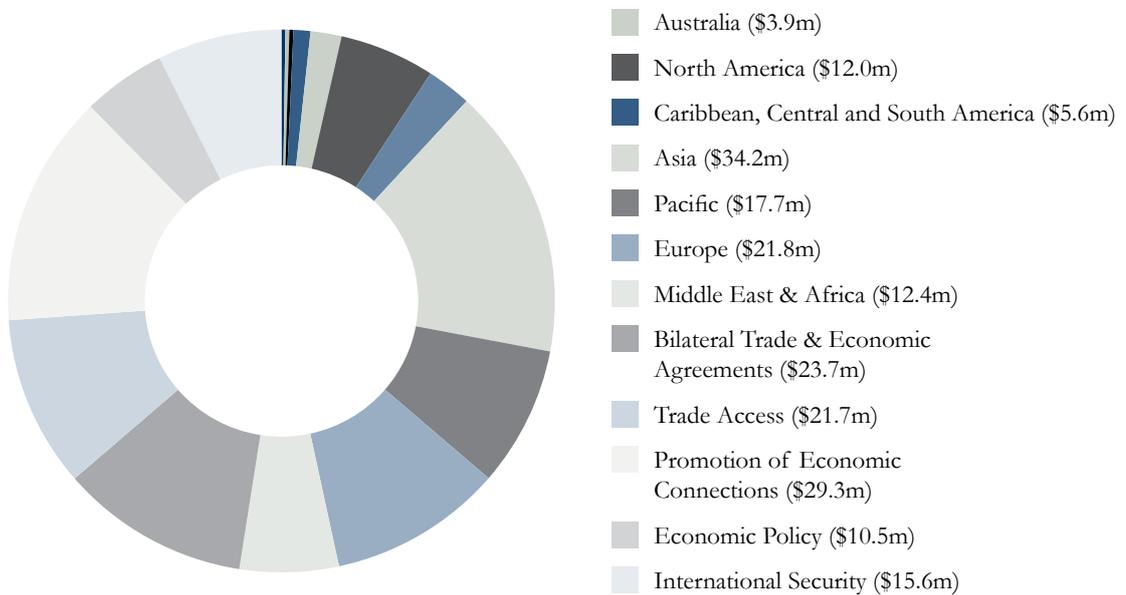
In 2010/11, the total expense for the Ministry was \$372 million – an increase of around \$11 million or 3% compared to 2009/10. However, expenditure on personnel reduced by around 1.5% with fewer staff than in previous years. This reduction in expenditure on personnel may, in some part be attributed to a higher than normal level of unfilled vacancies leading into the current transformational change process.

Our outcomes indicators suggest a complex picture, especially in the areas over which we have less direct influence. On the economic front, a number of our indicators have gone backwards, as have the high level multilateral outcomes in the environmental area, such as the estimated tonnage of illegal, unreported and unregulated fishing. We have performed well in the areas where we have more direct input, such as trade negotiations. As mentioned in the section on Outcome 2, an additional \$866 million of export was generated as a result of the FTAs with Hong Kong and Malaysia. The consular services area has handled an unprecedented volume of work during 2010/11. Given the context of reduced staffing, the Ministry is becoming increasingly mindful of cost effectiveness.

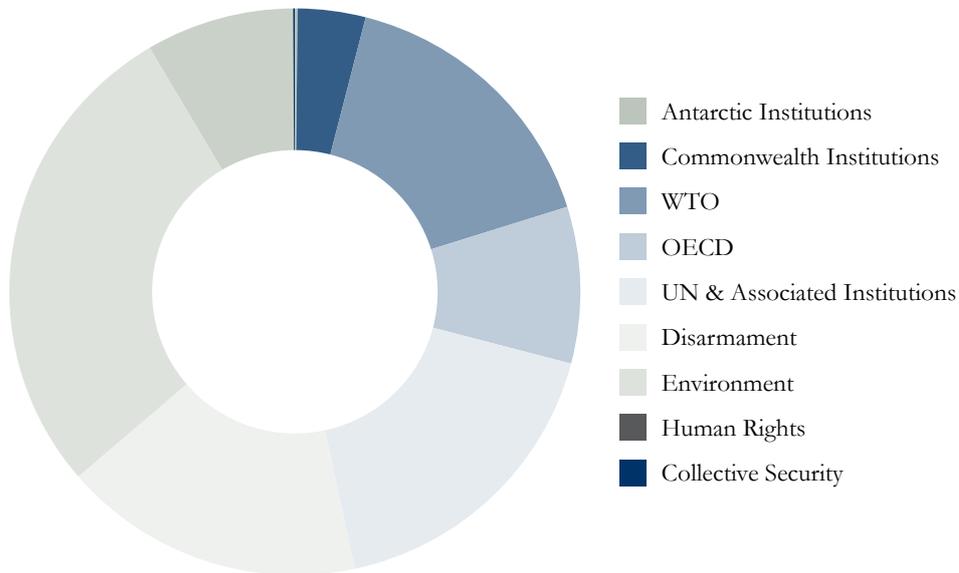
At a glance – where Vote Foreign Affairs and Trade was spent

The following two charts show the breakdown of the Ministry’s two largest output classes, ‘Policy advice and representation – Other countries’ and ‘Policy advice and representation – International institutions’ by geographical region and by international institution respectively.

Policy advice and representation – other countries: expenditure²⁹



Policy advice and representation – internal institutions: expenditure by institution



ODA effectiveness and value for money

In 2010/11, there has been a strong focus on improving the value for money and effectiveness of ODA. Initiatives included the reintegration of the New Zealand Aid Programme into the Ministry, the restructuring of the divisions responsible for its management, and building stronger ‘value for money’ checks into business processes.

Cost effectiveness of New Zealand’s Aid Programme

A significant body of international research has been undertaken on the cost effectiveness of development assistance. Drawing on this research, the Ministry has been able to develop a set of proxy measures of the cost effectiveness of our development assistance.

One consideration is that the use of larger, fewer, longer and deeper interventions reduces transaction costs for the Ministry and our partners, and improves the ability of all involved to have a larger and more strategic impact. The Ministry describes approaches that support more strategic interventions as ‘higher order aid modalities’, and has a target to increase their use. During 2010/11, there was an increase in the use of higher order aid modalities from 52% in 2009/10 to 59%.

A major further threat to the effectiveness of ODA has been identified as ‘fragmentation’ of the programme into a large number of small activities. One of the Ministry’s Performance Improvement Actions is to pursue a progressive shift in the ratio of ODA away from small, administratively expensive aid projects to larger, higher impact, more comprehensive initiatives. The number of activities has been reduced from 805 in 2009/10 to 718 in 2010/11, and the median annual expenditure on activities has increased from \$137,688 in 2009/2010 to \$200,000 in 2010/11.

Progress of the Ministry's performance against these key measures is set out in the table below:

MEASURE	TARGET	RESULT	COMMENT OR EXPLANATION
Increasing amount and proportion of ODA spent directly on sustainable economic development	Increasing from 27% of ODA directly spent on sustainable economic development and \$72 million	Partially met – 27% \$100.6 million	There has been a significant increase in dollar terms but not to the percentage of ODA spent directly on sustainable economic development. This is due to a \$60 million increase in total aid that can be directly allocated to particular sectors. ²⁰ This percentage figure is however expected to increase significantly in 2011/12.
Increasing percentage of aid going to the Pacific ²¹	Increasing from 52%	Partially met – 52% but amount of aid increased from \$224.6 million to \$257.3 million	The amount of aid going to the Pacific has increased from \$224.6 million to \$257.3 million for 2010/11, whereas in previous years it remained largely static. The increase can be attributed to programmes that were under design beginning to come on stream.
Number of activities ²²	750	Met – 718	The baseline number of activities is currently being reviewed; activity numbers will be significantly reduced during 2011/12. The Ministry has set targets to decrease the number of activities by 20% by the end of 2011 and by a third by the end of 2011/12.
Median annual expenditure on an activity	\$150,000	Met – \$200,000	
Use of 'higher order aid modalities'	55%	Met – 59%	Includes methods for delivering aid such as support for a sector as a whole (rather than a single project), or international pooled funds. These approaches allow a deeper and more cost-effective engagement.

How we measure up internationally

The Ministry's ratings in assessments of international good practice in development assistance also provide a measure of cost effectiveness. Key reviews of the Ministry's practice identified in the Ministry's Statement of Intent 2009–13 are reported on below:

Progress towards international targets for aid effectiveness

International evidence shows that adherence to internationally agreed aid effectiveness principles will lead to efficient and cost-effective results. We are tracking our progress towards achieving these principles.

While some progress is being made, New Zealand will not meet all the targets for 2010 set out in the 2005 Paris Declaration on Aid Effectiveness. In particular, in 2010/11 only 55% of aid provided to partner countries was delivered using a 'programme-based approach', which was less than the target of 66%, but an improvement from 52% in 2009/10.²³

In 2009/10, New Zealand provided funding through around 90 stand-alone 'project implementation units' that were imperfectly integrated into partner systems; the target was to reduce this number by two thirds from 2005. In 2010/11, this had been reduced to 86.

In 2010/11, around 43% of aid to partner countries used the partner's own financial and procurement systems. In 2010/11, this fell slightly to 40%. This suggests there is still some way to go to meet the target of reducing by between one and two thirds the percentage of aid not using such local systems, depending on their strength.²⁴

Performance assessed by external peer review

In response to the 2010 Peer Review of the New Zealand Aid Programme, the OECD Development Assistance Committee gave a positive overall assessment of New Zealand's development co-operation policies and programmes. New Zealand's humanitarian support was particularly commended, as well as its flexibility, pragmatic approach to partnerships and bottom-up approach to implementation. The volume of aid delivered by New Zealand relative to economic size was however highlighted as falling short of international targets and in comparison with other donors' efforts.

Performance against other international measures

In 2010, the Centre for Global Development commenced an annual assessment of donor aid quality across four dimensions.²⁵ In a preliminary assessment of 31 bilateral donors, New Zealand achieved the following rankings: 6th Transparency and Learning; 10th Maximising Efficiency; 13th Reducing Burden on Recipients and 23rd Fostering Institutions.

The Commitment to Development Index measures a range of indicators to provide an overall measure of countries' commitment to development. In 2010 New Zealand ranked 5th out of 22 countries for Commitment to Development.

The Humanitarian Response Index (HRI), measured annually by DARA International, provides an assessment of donor humanitarian response performance, based on the 23 Principles of Good Practice of Humanitarian Donorship. In 2010, New Zealand ranked 3rd out of 20 donors on the HRI.

Improving value for money assessments

During 2010/11, the Ministry worked to strengthen information on value for money, particularly through improved cost and value assessments within independent evaluations. Of 22 evaluations conducted in 2010, 19 provided an assessment of value for money.²⁶ Of the 63% of the reviews and evaluations, 63% assessed value for money to a high standard, 11% to a medium standard and 26% did not adequately assess value for money.

An assessment for value for money is now compulsory from July 2011 at the design stage for all activities.

SECTION FIVE:

Our performance

Statement of Responsibility

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

I am responsible for establishing and maintaining a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In my opinion, these financial statements and statement of service performance fairly reflect the financial position and operations of the Ministry for the year ended 30 June 2011.

Signed by:



John Allen
CHIEF EXECUTIVE
30 September 2011

Countersigned by:



Paul Laplanche
DIRECTOR OF FINANCE
30 September 2011

Our planning and evaluation process

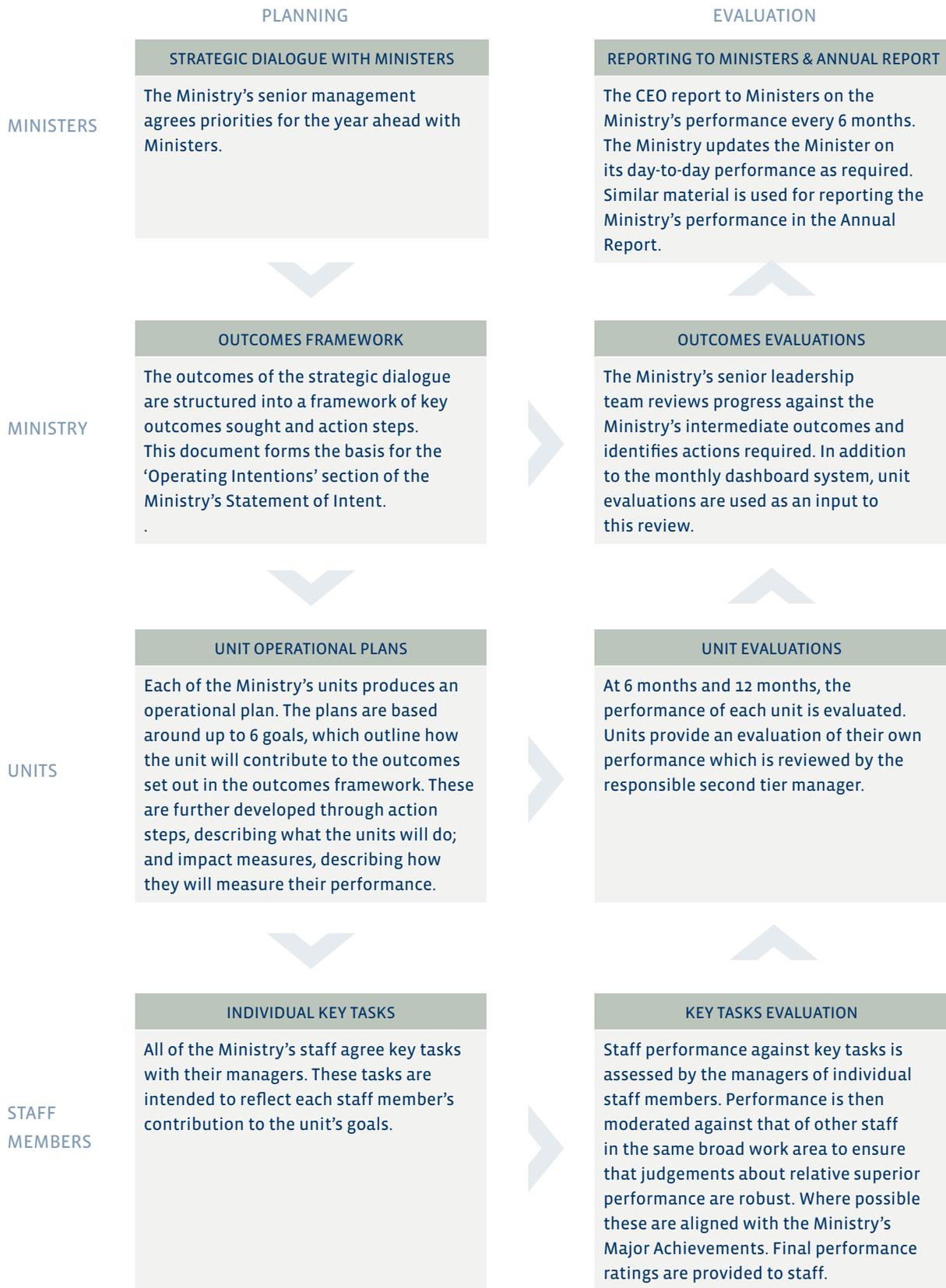
Our planning and evaluation process helps ensure that the services we provide are in line with Ministers' expectations and allow us to measure their quality.

Our planning process begins with our senior leadership team's strategic dialogue with Ministers. This provides an opportunity for the Ministry to engage in detail on Ministers' priorities for the year. This then forms the basis for the Statement of Intent, and cascades down through unit operational plans and individual key tasks, with the aim of effectively aligning our resources and activities with Ministerial priorities.

Our evaluation process allows us to review our performance for the year, including whether units and individuals have met the standards expected of them.

In 2010/11, we have developed a more real-time performance measurement system that allows for monthly reviews of progress at the organisational level by the senior leadership team. This monthly report is referred to as the 'dashboard' and reports against intermediate outcomes and organisational health measures.

The Ministry's planning and evaluation process



Links between outcome and departmental appropriations

The following table links our outcomes to our output expense classes and to activities under those output expense classes.

	OUTCOME 1	OUTCOME 2
VOTE FOREIGN AFFAIRS AND TRADE		
Policy advice and representation – other countries Representation and advocacy Negotiation with other governments Design and implementation of events and activities Analysis and advice	<ul style="list-style-type: none"> • Australia • Pacific (Government priority) • United States • Asia • European Union 	<ul style="list-style-type: none"> • Bilateral and regional trade agreements (Government priority) • Trade access • International connectedness • Global economic crisis
Policy advice and representation – international institutions Representation and advocacy Negotiation with other governments Analysis and advice		<ul style="list-style-type: none"> • World Trade Organisation (Government priority) • International connectedness • Global economic crisis
Pacific Security Fund Design and implementation of events and activities	<ul style="list-style-type: none"> • Pacific 	
Promotional activities – other countries Design and implementation of events and activities Representation and advocacy		<ul style="list-style-type: none"> • International connectedness
Consular services Consular services		
Administration of diplomatic privileges and immunities Administration of legislation	Objective: To administer the Government's responsibilities and obligations under the Vienna Conventions on Diplomatic and Consular Relations.	
Services for other New Zealand agencies overseas Services for other New Zealand agencies	Objective: To provide services for other New Zealand agencies with overseas interests	
VOTE OFFICIAL DEVELOPMENT ASSISTANCE		
Management of Official Development Assistance Management of Official Development Assistance		
Strategic advice and evaluation Analysis and advice		

OUTCOME 3	OUTCOME 4	OUTCOME 5
<ul style="list-style-type: none"> International security 		
<ul style="list-style-type: none"> Climate change and natural resources (includes Government priority) United Nations 		
		<ul style="list-style-type: none"> Consular services
<p>Objective: To administer the Government's responsibilities and obligations under the Vienna Conventions on Diplomatic and Consular Relations.</p>		
<p>Objective: To provide services for other New Zealand agencies with overseas interests</p>		
	<ul style="list-style-type: none"> Sustainable development in partner countries (includes Government priority) 	



Statement of objectives and service performance

For the year ended 30 June 2011

The Minister of Foreign Affairs purchased from the Ministry provision of the following 10 output expenses in Vote Foreign Affairs and Trade, and two output expenses in Vote Official Development Assistance:

Vote Foreign Affairs and Trade

- Administration of diplomatic privileges and immunities
- Consular services
- Pacific Security Fund
- Policy advice and representation – international institutions
- Policy advice and representation – other countries
- Policy advice and representation – other countries (permanent legislative authority)
- Promotional activities – other countries
- Services for other New Zealand agencies overseas
- Hosting Pacific Islands Forum meeting
- Rugby World Cup: Guest of Government

Vote Official Development Assistance

- Management of Official Development Assistance Programme
- Strategic advice and evaluation

The following statement of service performance records results and services delivered for each of the above class of outputs as agreed between the Minister of Foreign Affairs and the Secretary of Foreign Affairs and Trade in the Statement of Intent 2009–2012 and the 2009/10 Estimates of Appropriations and Information Supporting the Estimates, as required by section 45 of the Public Finance Act 1989.

The following table lists departmental expenses by output expenses for the year ended 30 June 2011.

30/06/10 ACTUAL EXCL. RE- MEASUREMENT \$000		30/06/11 ACTUAL INCL. RE- MEASUREMENT \$000	30/06/11 REMEASURE- MENT \$000	30/06/11 ACTUAL EXCL. RE- MEASUREMENT \$000	2010/11 SUPP. ESTIMATES	2010/11 ACTUAL AS % OF FINAL SUPP. ESTIMATES
449	Administration of diplomatic privileges and immunities	1,492	(18)	1,474	1,525	97%
14,967	Consular services	20,075	(244)	19,831	19,850	100%
2,419	Pacific Security Fund	1,478	(18)	1,460	2,272	64%
51,399	Policy advice and representation – international institutions	59,618	(726)	58,892	59,825	98%
238,305	Policy advice and representation – other countries	214,004	(2,605)	211,399	227,370	93%
34	Policy advice and representation – other countries (PLA)	646	(8)	638	790	81%
396	Promotional activities – other countries	150	(2)	148	350	42%
14,009	Services for other New Zealand agencies overseas	14,253	-	14,253	14,514	98%
-	Rugby World Cup: Guest of Government	18	-	18	45	40%
-	Hosting of the Pacific Islands Forum Meeting	68	-	68	100	68%
29,231	Management of Official Development Assistance Programme	50,863	-	50,863	51,151	99%
9,242	Strategic evaluation and advice	11,085	-	11,085	12,124	91%
360,451	Total departmental output expenditure	373,750	(3,621)	370,129	389,916	95%

Vote Foreign Affairs and Trade

Ministerial Services

We provided the following services for Ministers across its two votes in the 2010/11 financial year. This information is aggregated from across all output expense classes to provide clearer reporting.

Performance

The quantity measures for Ministerial services are largely demand driven. While the number of Ministerial letters prepared was less than expected, the number of Official Information Act (OIA) requests (OIA) that we responded to exceeded initial expectation. The unexpectedly large volume contributed to the underachievement of timeliness measures for OIA requests. As part of Ministry 20/20, we are considering to establish a ministerial services unit.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/ 11 ACTUAL	2009/10 ACTUAL	2008/09 ACTUAL
Number of Ministerial letters prepared	1,650–1,800	1,146	1,968	1,558
Number of Parliamentary Question responses provided	160–330	187	159	129
Number of OIA request responses provided	200–240	260	237	179
Percentage of Ministerial correspondence completed within 10 working days ²⁷	90%	85%	37%	New measure 2009/10
Percentage of Ministerial correspondence accepted without amendments	95%	97%	-	New measure 2010/11
Percentage of OIA requests completed within 20 working days ²⁸	70%	47%	67%	New measure 2009/10
Percentage of OIA requests completed within 40 working days ²⁹	95%	83%	88%	New measure 2009/10

Output expense: Administration of diplomatic privileges and immunities

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

Services we provided include:

- the administration and facilitation of privileges and immunities to members of the diplomatic and consular corps and their dependants
- the resolution of immunity issues arising under the Vienna Conventions on Diplomatic and Consular relations
- the facilitation, documentation and formalities for the appointment of diplomatic and consular staff of foreign missions and consular posts accredited to New Zealand
- the provision of host government services to the diplomatic and consular corps
- the provision of advice to Ministers, diplomatic missions, government agencies and other parties regarding the interpretation and application of diplomatic and consular privileges and immunities in New Zealand.

Performance

We have met most of our performance standards for this output expense class. This means that New Zealand's responsibilities and obligations under the respective Vienna Conventions on Diplomatic and Consular Relations, the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971, were fulfilled.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/ 11 ACTUAL	2009/10 ACTUAL
Quantity			
Diplomatic and consular staff of foreign missions in New Zealand at 30 June ³⁰	500–520	792	New measure 2010/11
Policy papers produced for Ministers or Cabinet under this output expense class	6–10	8	New measure 2010/11
Quality			
All documentation prepared in compliance with the Diplomatic Privileges and Immunities Act 1968 and Consular Privileges and Immunities Act 1971 and the Vienna Convention on Diplomatic Relations and the Vienna Convention on Consular Relations	100%	100%	New measure 2010/11
Percentage of policy advice rated as 4 or better on a scale of 1–5 by external review against the Ministry's quality standard for analysis and advice ³¹	80%	79%	New measure 2010/11

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/ 11 ACTUAL	2009/10 ACTUAL
Timeliness			
All arrival and departure documentation for foreign diplomats in New Zealand completed within 10 working days	95%	95%	100%
All programmes of calls requested by foreign Heads of Mission processed within 10 working days	95%	95%	100%
All documentation for New Zealand Head of Mission appointments processed within a timeframe of six weeks ³²	95%	95%	92%

FINANCIAL PERFORMANCE (Figures are GST exclusive)

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
459	Crown	1,499	1,971	1,525
459	Total revenue	1,499	1,971	1,525
Total expenses				
451	Total expenses	1,492	1,971	1,525
8	Net surplus	7	-	-

Output expense: Consular services

This output expense concerns the provision of consular and notarial services to New Zealanders abroad. This includes helping New Zealanders in distress, providing a response capability in the event of an emergency involving New Zealanders overseas, such as a terrorist incident or natural disaster, and formally validating documentation for use in other countries.

Performance

The provision of consular services are demand driven, making it difficult to forecast the volume of service required by consular staff. In 2010/11 – the volume of work we handled exceeded all the expected targets. In particular, we responded to an unprecedentedly high number of general consular enquires of 54,812, exceeding the number recorded for the 2009/10 year by more than 25%.

We contracted an independent research company, Research New Zealand, to conduct a client satisfaction survey for those who had used consular services over the past year. The results from the survey are highly positive. Eighty-three percent of survey respondents were satisfied with their experience with consular services. This places the survey in the 11th place among 38 government services who use the State Services Commission endorsed Common Measurements Tool (CMT)³³ for service satisfaction benchmark. While we have missed our target of being in the top quartile among the CMT users, the survey captured some very positive feedback from New Zealanders who have received consular assistance. This is a very heartening result for our dedicated staff at overseas posts and in the Wellington office.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/11 ACTUAL	2009/10 ACTUAL	2008/09 ACTUAL
Quantity				
Number of overseas locations where consular services are provided	61	62	-	-
Distressed New Zealanders overseas who received consular services	2,000–2,400	2,446	2,413	2,213
General consular advice enquiries responded to	42,000–46,000	54,812	39,566	38,655
Notarial services provided	8,800–9,600	10,384	9,478	8,999
Consular emergencies responded to	3 to 6	3	4	4
Quality				
Survey of recipients of consular services rate the Ministry's service performance for consular services in the top quartile of departments using the State Services Commission's Common Measurement Tool to measure their service performance ³⁴	Service performance in top quartile	11th of 38	Not measured	Not measured
Lessons learned reviews conducted on all consular emergencies (eg, floods in Australia, unrest in Middle East and North Africa, and Japan earthquake and tsunami)	100%	100%	Not measured	Not measured
Lessons learned incorporated into procedures or otherwise actioned within 6 months	95%	100%	Not measured	Not measured
Percentage of policy advice rated as 4 or better on a scale of 1–5 by external review against the Ministry's quality standard for analysis and advice	80%	79%	Not measured	Not measured

FINANCIAL PERFORMANCE (Figures are GST exclusive)

	30/06/10 ACTUAL \$000	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
14,989	Crown	19,414	23,764	19,500
556	Other	537	350	350
15,545	Total revenue	19,951	24,114	19,850
15,027	Total expenses	20,075	24,114	19,850
518	Net surplus/(deficit)	(124)	-	-

Explanation of significant variances

Expenditure includes \$19.831 million appropriated expenditure, with the over-spend related to the \$244,000 remeasurement of the Ministry's forward exchange contracts for the year ended 30 June 2011.

Output expense: Pacific Security Fund

This output expense supports the implementation of New Zealand's Pacific Security Strategy. The Pacific Security Fund (PSF) is a \$3 million contestable inter-agency fund, which we administer. The fund is drawn on by government departments and agencies to meet the cost of activities that advance or protect New Zealand's security interests by reducing risks from threats arising in or operating through Pacific Island countries.

Performance

We coordinated the work of the Pacific Security Coordinating Committee (PSCC) in taking a whole-of-government approach to the assessment of proposals for funding from the PSF. We also managed expenditure under the PSF. In 2010/11, there has been an under expenditure of \$0.794 million compared to the supplementary estimates. This was primarily due to a reduced number of project applications from government agencies being submitted to the PSCC for consideration, some projects coming substantially under budget and some not proceeding because of a range of external factors.

The internal review of activities was not completed for 2010/11 as planned, due to staff vacancy. However, an independent assessor undertook an evaluation of two of the larger PSF projects and found that they had given value-for-money with substantial benefits for both Pacific island countries security and protection of New Zealand interests.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/11 ACTUAL	2009/10 ACTUAL
All programmes and project bids are assessed as consistent with the Pacific Security Strategy, and this is confirmed by periodic audit. ³⁵	100%	Partially met	100%
Funds are accessed, disbursed and monitored in accordance with the management process established by the Pacific Security Coordinating Committee. ³⁶	100%	100%	100%
All activities assessed as being of high quality by internal review. ³⁷	100%	Not measured	Not all targets met

FINANCIAL PERFORMANCE (Figures are GST exclusive)

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
	Revenue			
2,748	Crown	2,265	3,240	2,272
2,748	Total revenue	2,265	3,240	2,272
2,429	Total expenses	1,478	3,240	2,272
319	Net surplus	787	-	-

Explanation of significant variances

The under-expenditure was primarily due to delays in other agencies projects where funds had been allocated in the 2010/11 financial year under the PSF's contestable structure.

Output expense: Policy advice and representation – International institutions

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

The organisations include:

- the UN and its associated institutions
- the WTO
- the Commonwealth and its associated institutions
- the OECD
- Antarctic organisations
- international environmental organisations
- international disarmament organisations

Performance

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/ 11 ACTUAL	2009/ 10 ACTUAL
Quantity			
Policy papers produced for Ministers or Cabinet under this output expense class ³⁸	300–350	168	Not measured
Active treaty negotiations serviced by the Ministry under this output expense class ³⁹	44	55	Not measured
Quality			
Percentage of peers rating the quality of the Ministry's negotiation of international agreements as 4 or better on a scale of 1–5 against the Ministry's quality standard for negotiation ⁴⁰	80%	76%	Not measured
Percentage of policy advice rated as 4 or better on a scale of 1–5 by external review against the Ministry's quality standard for analysis and advice (see the output expense class Administration of diplomatic privileges and immunities for the Ministry's quality standard for analysis and advice, and related caveats for this measure) ⁴¹	80%	79%	Not measured

FINANCIAL PERFORMANCE (Figures are GST exclusive)

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
52,387	Crown	59,881	65,258	59,825
52,387	Total revenue	59,881	65,258	59,825
Total expenses				
51,604	Total expenses	59,618	65,258	59,825
783	Net surplus	263	-	-

Explanation of Significant Variances

The under-spend is primarily due to net realised foreign exchange losses.

Output expense: Policy advice and representation – other countries

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

Performance

The performance on this output expense relates closely to Outcome 1 “New Zealand’s security and economic interests safeguarded through its political and security relations” All the quality measures for this output expense class were introduced in 2010/11 and the targets were set independent of prior information on the likely level of service performance. Despite this, performance levels achieved are very close to the targets. The 2010/11 results will serve as benchmarks against which the Ministry can measure its ongoing performance.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/ 11 ACTUAL	2009/ 10 ACTUAL
Quantity			
Active formal negotiations serviced by the Ministry	51	42	Not measured
Inwards visits supported by the Ministry	130–180	94	Not measured
Outwards visits by New Zealand Ministers supported by the Ministry	30–40	38	Not measured
Policy papers produced for Ministers or Cabinet ⁴²	900–1100	493	Not measured
Quality			
Percentage of peers rating the quality of the Ministry’s negotiation of international agreements as 4 or better on a scale of 1–5 against the Ministry’s quality standard for negotiation ⁴³	80%	76%	Not measured
Percentage of visits rated as 4 or better on a scale of 1–5 by internal review against the Ministry’s visits quality standard for visits management ⁴⁴	80%	80%	Not measured
Percentage of policy advice rated as 4 or better on a scale of 1–5 by external review against the Ministry’s quality standard for analysis and advice ⁴⁵	80%	79%	Not measured

FINANCIAL PERFORMANCE (Figures are GST exclusive)

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
238,210	Crown	218,118	248,632	227,845
571	Other	429	315	315
238,781	Total revenue	218,547	248,947	228,160
239,312	Total expenses	214,004	248,947	228,160
(531)	Net surplus/(deficit)	4,543	-	-

Explanation of significant variances

The under-expenditure is primarily related to savings in travel costs, reduction in ECA taxable allowances and reduced tax on overseas terms and conditions, staff vacancies and no remuneration market movement, anticipated costs related to closure of posts which did not eventuate and property rental costs less than anticipated due to the recessionary impact on rents. These savings were offset by accelerated depreciation and amortisation of assets due to change in capital plans and impairment of assets such as the Beijing Chancery, contracting service costs due to unfilled vacancies, and re-measurement of the Ministry's forward exchange contracts for the year ended 30 June 2011.

Output expense: policy advice and representation – other countries (permanent legislative authority)

This output expense is limited to the costs set out in the Foreign Affairs Act 1998, of superannuation for local staff employed by overseas posts to help with the management of New Zealand's foreign and trade relations with other countries.

Performance

The New Zealand Government Superannuation scheme for locally engaged staff in the United States is fully funded which makes the scheme financially viable.

FINANCIAL PERFORMANCE (Figures are GST exclusive)

	30/06/10 ACTUAL \$000	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
43	Crown	790	21	790
43	Total revenue	790	21	790
34	Total expenses	646	21	790
9	Net surplus	144	-	-

Explanation of significant variances

The requirement to fund the unfunded liability of the North American locally engaged superannuation scheme was less than anticipated.

Output expense: promotional activities – other countries

This output expense supports the promotion of investment in New Zealand by funding a range of activities including:

- enhancing the understanding of New Zealand and offshore markets as investment destinations
- demonstrating the Government's interest in attracting investment to New Zealand and support for New Zealand industries undertaking overseas direct investment activities
- establishing and maintaining influential overseas investment contacts
- supporting investment-related visits to and from New Zealand
- enabling New Zealand industries to undertake overseas direct investment activities to support their sustainable growth and international competitiveness.

Performance

Performance under this output expense class was independently reviewed during 2009 along with other Ministry funds that are disbursed through a contestable mechanism. A follow-up review in 2011 confirmed that improvements have been made to the administration of the output expense class to ensure better alignment with Government priorities, including regular strategic discussions between us and NZTE – Investment colleagues.

An evaluation of activities undertaken under this output class in 2010/11 concluded that they had made valuable contributions to New Zealand's investment goals in a number of areas. Particular highlights included:

- networking and promotional activities held in conjunction with the 10th Busan International Film Commission and Industry Exhibition in Seoul in October 2010
- events in London and Los Angeles that promoted New Zealand's Investor Plus immigration category to selected high net worth individuals
- the launching of the New Zealand – Saudi Arabia Business Network in Riyadh in February 2011.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/ 11 ACTUAL	2009/ 10 ACTUAL
All activities are in conformity with Government objectives and criteria	100%	100%	100%
All activities assessed as being of high quality by internal review	100%	100%	100%

FINANCIAL PERFORMANCE (Figures are GST exclusive)

	30/06/10 ACTUAL \$000	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
680	Crown	350	500	350
680	Total revenue	350	500	350
398	Total expenses	150	500	350
282	Net surplus	200	-	-

Explanation of significant variances

The under-expenditure was primarily due to cancellation of some projects for which funds were allocated, or deferral of projects in the Trade Access Support Programme and the Investment Promotion Fund until 2011/12.

Output expense: services for other New Zealand agencies overseas

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

In 2010/11, services were provided to the following departments by our diplomatic and consular posts overseas:

- Ministry of Agriculture and Forestry⁴⁶
- New Zealand Customs Service
- New Zealand Defence Force
- Ministry of Economic Development
- Ministry of Education
- New Zealand Food Safety Authority⁴⁷
- Passports, Department of Internal Affairs
- Immigration New Zealand: Department of Labour
- New Zealand Police
- Ministry of Research, Science and Technology⁴⁸
- New Zealand Tourism Board
- New Zealand Trade and Enterprise
- The Treasury.

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

An aggregate total of 151 annual fee schedules were negotiated with agencies to cover the services provided by posts to agencies overseas. The fee schedules were calculated on a full cost-recovery basis, with monthly invoicing/payments.

Performance

The Ministry's performance against the two quantity measures for this output exceeded the targets. However, it did not meet the service quality target. This quality measure was introduced in 2010/11 as a benchmark without prior knowledge of level of service satisfaction. The survey generated not only quantitative but also qualitative feedback on services to New Zealand government agencies offshore and will be taken into account through our transformational change programme, Ministry 20/20.

PERFORMANCE MEASURES	EXPECTED / TARGET	2010/11 ACTUAL
Number of seconded staff from other government agencies collocated in Ministry posts offshore	96	114
Number of locations providing services on behalf of other government agencies	46	47
Percentage of respondents rating the Ministry's service performance as 4 or better on a scale of 1-5 ⁴⁹	80%	62%

FINANCIAL PERFORMANCE (Figures are GST exclusive)

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
	Revenue			
14,010	Other	14,242	13,599	14,514
14,010	Total revenue	14,242	13,599	14,514
14,009	Total expenses	14,253	13,599	14,514
1	Net surplus/(deficit)	(11)	-	-

Output expense: Rugby World Cup: Guest of Government

This output expense is limited to the purchase of services to fund the cost of hosting of Guest of Government attending the rugby world cup (RWC).

We are playing a central role in contributing to whole-of-government efforts to make the most of the opportunities offered by the RWC. We have contributed Ministry resources to the RWC Guests of Government Taskforce established to manage a major programme of RWC Guests of Government visits.

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Number of visits by leaders secured ⁵⁰	>4	Not measured ⁵¹
Number of visits by other ministers secured. ⁵²	>12	Not measured ⁵³
Post implementation report on the visits programme confirms that its objectives were met and that visits were implemented to a high standard. ⁵⁴	Post implementation report on the visits programme confirms that its objectives were met and that visits were implemented to a high standard.	Not measured ⁵⁵

FINANCIAL PERFORMANCE (Figures are GST exclusive)

	30/06/10 ACTUAL \$000	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
- Crown		45	-	45
- Total revenue		45	-	45
- Total expenses		18	-	45
- Net surplus		27	-	-

Output expense: Hosting the Pacific Islands Forum Meeting

This output expense is limited to the purchase of services to fund the hosting of the Pacific Islands Forum Meeting in Auckland in September 2011.

In early September New Zealand will be hosting the 40th Pacific Island Forum meeting in Auckland. In the 2010/11 financial year the Pacific Island Forum Taskforce was established to project manage this event.

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Post meeting review confirms that the organisation of the meeting was to a high standard.	Post meeting review confirms that the organisation of the meeting was to a high standard.	Not measured ⁵⁶

FINANCIAL PERFORMANCE (Figures are GST exclusive)

	30/06/10 ACTUAL \$000	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
- Crown		100	-	100
- Total revenue		100	-	100
<hr/>				
- Total expenses		68	-	100
- Net surplus		32	-	-

Vote Official Development Assistance

Output expense: Management of Official Development Assistance Programme

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

Performance

The contribution of this departmental output expense to outcomes is indirect, through the effective delivery, direction and management of the Crown appropriations of the New Zealand Aid Programme. Those results are provided earlier in this Annual Report, in the section on Our Outcomes. The Ministry's delivery of outputs in 2010/11 against the performance measures specified in the Statement of Forecast Service Performance in the 2010/11 Estimates was as follows:

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD 2010/11	ACTUAL STANDARD 2010/09
Indicators of the quantity of output			
Number of Programmes administered	30–32	Met – 33	33
Volume of Crown ODA resources administered	\$484.9m	\$495.0 m spent	\$435.3 m spent, compared to appropriation of \$483.8m
Indicators of the quality of output			
Percentage of programmes rated 4 or higher on a scale of 1–5 by review against the Ministry's quality standard for programme management	80% ⁵⁷	Met – 83%	Not measured
Percentage of activities rated 4 or higher on a scale of 1–5 by review against the Ministry's quality standard for activity management	80% ⁵⁸	Met – 81%	Not measured
Feedback from programme partners on NZAID engagement	90% or more of partners report expectations met	Not Measured ⁵⁹	Expectations met

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD 2010/11	ACTUAL STANDARD 2010/09
Amount and proportion of sector-allocable ODA directed primarily to sustainable economic development ⁶⁰	\$90.0m and 30%	Partially met – \$100.6m and 27%	Met – \$72 m & 28%
Number of activities ⁶¹	750 or less	Met – 718	Met – 805
Median annual activity expense ⁶²	\$150,000 or more	Met – \$200,000	Met – \$137,688
Percentage of the value of ODA delivered using higher order aid modalities ⁶³	55% or more	Met – 59% (by value)	Not met – 52% by value
Progress towards the Paris Declaration 2010 targets for aid effectiveness ⁶⁴	Progress	Progress – 2010 targets partially met	Not met
Percentage of activity payments on time	95%	Not met – 94%	Not measured

FINANCIAL PERFORMANCE (Figures are GST exclusive)

	30/06/10 ACTUAL \$000	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
29,226	Crown	51,062	29,743	51,062
24	Other	115	116	89
29,250	Total revenue	51,177	29,859	51,151
29,231	Total expenses	50,863	29,859	51,151
19	Net surplus	314	-	-

The under-expenditure relates to travel cost savings, significant staff vacancies and corporate cost savings.

Output expense: strategic evaluation and advice

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

Performance

The contribution of this departmental output expense to outcomes is largely indirect, through the effective delivery, direction and management of the Crown appropriations of the New Zealand Aid Programme. Those results are provided earlier in this Annual Report, in the chapter on Our Outcomes. The Ministry's delivery of outputs in 2010/11 against the performance measures specified in the Statement of Forecast Service Performance in the 2010/11 Estimates was as follows:

PERFORMANCE MEASURE IN ESTIMATES	BUDGETED STANDARD	ACTUAL STANDARD
Indicators of the quantity of output		
Revision or development of programme strategies ⁶⁵	At least 4	Met – 12
Policy papers and submissions produced for Ministers or Cabinet under this output expense class	120–160	239 ⁶⁶
Evaluations or activity reviews ⁶⁷	25–30	Met – 25 ⁶⁸
Indicators of the quality of output		
Percentage of policy advice rated as 4 or better on a scale of 1–5 by external review against the Ministry's quality standard for analysis and advice	80%	79%
Reviews and evaluations comply with good practice guidelines	70%	Not met – 64% ⁶⁹
Programme strategies that are up to date as per the schedule of reviews and revisions ⁷⁰	100% (with numbers reported)	Not met – 83% (20 programmes) ⁷¹

FINANCIAL PERFORMANCE (Figures are GST exclusive)

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
Revenue				
9,365	Crown	12,099	9,671	12,099
85	Other	-	33	25
9,450	Total revenue	12,099	9,704	12,124
9,242	Total expenses	11,085	9,704	12,124
208	Net surplus	1,014	-	-

The under-expenditure relates to travel cost savings, significant staff vacancies and corporate cost savings.

Financial overview

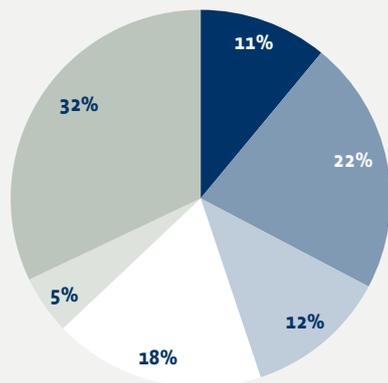
For the year ended 30 June 2011

EXPENDITURE

Operational expenditure

The Ministry's departmental operating expenditure for the 2010/11 year (before re-measurements) was \$370.129 million compared with a final appropriation expenditure of \$389.916 million resulting with an under-spend of \$19.787 million. The Ministry plans to carry forward \$9.000 million to 2011/12 which results in a net under-spend of \$10.787 million.

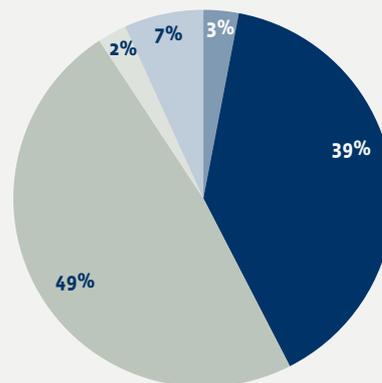
Ministry operational expenditure by region



- Americas (\$40.553 million)
- Asia (\$80.644 million)
- Australia & Pacific (\$44.926 million)
- Europe (\$66.680 million)
- Middle East & Africa (\$18.583 million)
- New Zealand (\$118.743 million)

This pie graph illustrates the Ministry's departmental operational expenditure by region. The largest portion is New Zealand followed by Asia, Europe, Australia/Pacific, Americas and Middle East and Africa.

Ministry operational expenditure by category



- Constituency Building (\$11.023 million)
- Infrastructure Costs (\$147.543 million)
- Staffing Costs (incl. relocation and training) (\$180.548 million)
- Specialised Funds (\$9.250 million)
- Other (\$25.206 million)

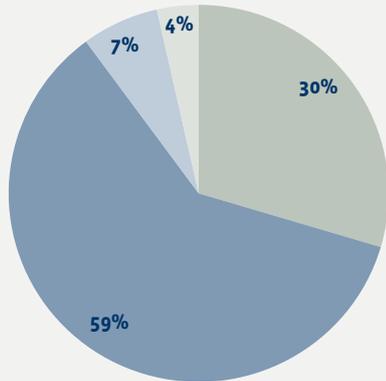
This pie graph highlights that staff costs and infrastructure costs represent approximately 90% of the Ministry's overall operational expenditure.

FINANCIAL POSITION

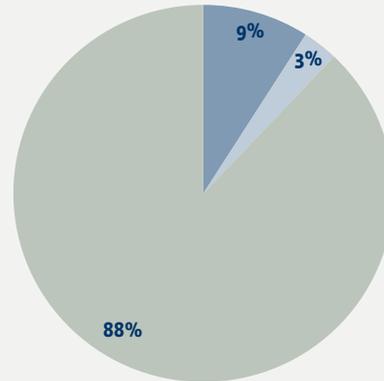
The financial position at balance date is robust. The proportion of current liabilities is 9% of total assets compared to the Ministry's current assets being 28% of total assets, which means that the Ministry is in a strong financial position to pay creditors. Also, the Ministry's sizeable asset portfolio supports the Ministry providing modern, secure and effective premises for accommodating New Zealand Inc's requirements offshore and modernising its IT systems.

The following graph reflects the Ministry's assets, liabilities and equity

Ministry assets



Ministry liabilities



- Cash & Bank, Debtors and Prepayments (\$168.916 million)
- Freehold Land and Buildings (\$344.143 million)
- Furniture & Fittings, Equipment and Motor Vehicles (\$37.459 million)
- Computer hardware and software (\$20.206 million)

- Current Liabilities (\$51.675 million)
- Non current Liabilities (\$17.224 million)
- Equity (\$501.825 million)

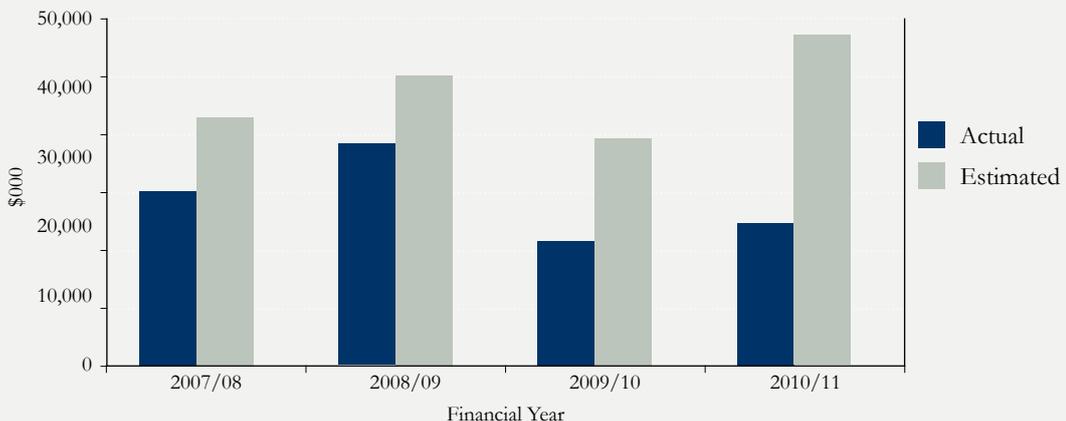
ASSET MANAGEMENT

Capital Infrastructure Expenditure Programme

Capital expenditure in 2010/11 was \$26.922 million (\$21.552 purchase of fixed assets, plus \$5.370 purchase of intangible assets) below the planned spend of \$47.244 million due to delays with capital projects arising from design and tendering processes taking longer than anticipated, as well as the reprioritisation and rephrasing of the capital works programme; changes in operational and business requirements; and tightening fiscal forecasts.

The graph below reflects the Ministry's capital expenditure trend over the past four financial years:

Capital expenditure trend



Financial statements

For the year ended 30 June 2011

Statement of Comprehensive Income

For the year ended 30 June 2011

30/06/10 ACTUAL \$000		NOTE	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ⁷² ESTIMATES \$000
	REVENUE				
348,098	Crown		365,623	382,779	374,623
15,246	Other	2	15,323	14,413	15,293
21	Interest		34	100	100
170	Gain on sale of assets		170	-	-
363,535	Total revenue		381,150	397,292	390,016
	EXPENDITURE				
164,972	Personnel	3	163,689	180,972	165,539
74,382	Operating	4	78,808	97,979	98,468
54,819	Accommodation	5	55,470	54,430	53,413
21,975	Depreciation	6	25,476	22,617	21,914
3,222	Amortisation on intangible assets	7	2,796	3,183	2,810
35,024	Capital charge	8	37,772	38,011	37,772
6,057	Net loss on foreign exchange		6,118	-	-
360,451	Total output expenses		370,129	397,192	379,916
	RE-MEASUREMENT				
1,286	Net loss on derivative financial instruments		3,514	-	-
-	Movement in discount rate for long service leave and retirement leave		107	-	-
1,286	Total re-measurement		3,621	-	-
361,737	Total expenses		373,750	397,192	379,916
1,798	Net operating surplus/(deficit)		7,400	100	10,100
-	Other comprehensive income		-	-	-
1,798	Total comprehensive income		7,400	100	10,100

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 23.

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2011

30/06/10 ACTUAL \$000		NOTE	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ²³ ESTIMATES \$000
466,989	Taxpayers' funds brought forward as at 1 July		505,521	506,807	505,521
1,798	Total comprehensive income		7,400	100	10,100
(3,084)	Return of operating surplus to the Crown	15	(11,021)	(100)	(10,100)
40,000	Capital injections		-	20,000	-
(182)	Capital withdrawals		(75)		(75)
548	Sale of property transfer from revaluation reserve		-	-	-
(548)	Property, plant and equipment revaluation reserve		-	-	-
38,532	Movement in taxpayers' funds for the year		(3,696)	20,000	(75)
505,521	Taxpayers' funds as at 30 June	9	501,825	526,807	505,446

The accompanying notes form part of these financial statements. For information on major variances against budget refer to Note 23.

Statement of Financial Position

As at 30 June 2011

30/06/10 ACTUAL \$000		NOTE	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ⁷⁴ ESTIMATES \$000
	TAXPAYERS' FUNDS				
407,455	General funds	9	403,759	428,193	407,380
98,066	Property revaluation reserve	9	98,066	98,614	98,066
505,521	Total taxpayers' funds		501,825	526,807	505,446
	Represented by:				
	CURRENT ASSETS				
68,127	Cash and cash equivalents		49,416	30,627	40,499
63,801	Debtor Crown		100,875	63,176	76,225
3,040	Debtors and other receivables	10	2,281	1,598	1,574
6,023	Prepayments	11	9,001	4,959	6,023
1,156	Derivative financial instruments	20	151	1,036	1,156
142,147	Total current assets		161,724	101,396	125,477
	NON-CURRENT ASSETS				
3,279	Debtors and receivables	10	3,271	3,337	3,851
3,995	Prepayments – leased land	11	3,921	3,995	3,995
404,362	Property, plant, and equipment	12	395,375	452,431	421,708
6,995	Intangible assets	13	6,433	16,203	11,789
418,631	Total non-current assets		409,000	475,966	441,343
560,778	Total assets		570,724	577,362	566,820
	CURRENT LIABILITIES				
17,916	Creditors and other payables	14	16,453	19,294	17,022
3,084	Return of operating surplus	15	11,021	100	10,100
16,626	Provision for employee entitlements	17	17,574	16,625	16,282
213	Provisions for other costs	16	427	-	213
3,690	Derivative financial instruments	20	6,200	2,285	3,690
41,529	Total current liabilities		51,675	38,304	47,307
	NON-CURRENT LIABILITIES				
11,192	Provision for employee entitlements	17	10,945	12,251	11,531
2,536	Provisions for other costs	16	6,279	-	2,536
13,728	Total non-current liabilities		17,224	12,251	14,067
55,257	Total liabilities		68,899	50,555	61,374
505,521	NET ASSETS		501,825	526,807	505,446
560,778	Total liabilities and taxpayers' funds		570,724	577,362	566,820

Statement of Cash Flows

For the year ended 30 June 2011

30/06/10 ACTUAL \$000		NOTE	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ⁷⁵ ESTIMATES \$000
	OPERATING ACTIVITIES				
	Cash provided from:				
332,068	Receipts from Crown		328,549	408,898	362,199
15,328	Receipts from departments and other		14,658	14,413	15,293
21	Interest		-	100	100
-	Goods and services tax (net)		967	-	-
347,417			344,174	423,411	377,592
	Cash disbursed to:				
(166,037)	Payments to employees		(163,649)	(180,425)	(164,946)
(135,791)	Payments to suppliers		(139,793)	(152,956)	(152,474)
(35,024)	Payments for capital charge		(37,772)	(38,011)	(37,772)
(572)	Goods and services tax (net)		-	-	-
(337,424)			(341,214)	(371,392)	(355,192)
9,993	Net cash flow from operating activities	18	2,960	52,019	22,400
	INVESTING ACTIVITIES				
	Cash provided from:				
2,166	Sale of property, plant and equipment		1,735	300	300
	Cash disbursed for:				
(16,925)	Purchase of property, plant, equipment		(18,088)	(58,769)	(39,640)
(874)	Purchase of intangible assets		(2,234)	(7,329)	(7,604)
(15,633)	Net cash flow from investing activities		(18,587)	(65,798)	(46,944)
	FINANCING ACTIVITIES				
	Cash provided from:				
40,000	Capital injections		-	20,000	-
	Cash disbursed for:				
(2,529)	Return of operating surplus		(3,084)	(10,100)	(3,084)
(171)	Repayment of capital		-	-	-
37,300	Net cash flow from financing activities		(3,084)	9,900	(3,084)
31,660	Net increase/(decrease) in cash		(18,711)	(3,879)	(27,628)
36,467	Add cash at the beginning of the year		68,127	34,506	68,127
68,127	Closing cash at the end of the year		49,416	30,627	40,499

The GST (net) component of operating activities reflects the net GST paid and received to/from the Inland Revenue Department. The GST component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Statement of Commitments

As at 30 June 2011

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	CAPITAL COMMITMENTS	
	Land and buildings	
8,596	Less than one year	5,411
8,596	Total capital commitments	5,411
	NON-CANCELLABLE OPERATING LEASE COMMITMENTS	
	Accommodation	
30,904	Less than one year	30,554
21,772	One to two years	22,249
37,877	Two to five years	37,412
36,430	More than five years	26,547
126,983	Total non-cancellable operating lease commitments	116,762
	OTHER NON-CANCELLABLE OPERATING COMMITMENTS	
	Other non-cancellable leases	
8,747	Less than one year	9,776
2,595	One to two years	3,003
6,738	Two to five years	4,711
3	More than five years	-
18,083	Total other non-cancellable operating lease commitments	17,490
145,066	Total non-cancellable operating lease commitments	134,252
153,662	Total commitments	139,663

Capital commitments

Capital commitments are the aggregate amount of capital expenditure contracted for the acquisition of property, plant and equipment, and intangible assets that have not been paid for or been recognised as a liability as at balance date.

Non-cancellable operating lease commitments

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

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

Other non-cancellable commitments

The Ministry has entered into non-cancellable contracts for computers, maintenance, cleaning services, consulting services and other contracts for service.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2011

The Ministry has a contingent liability in the form of an indemnity as at 30 June 2011 to HSBC for \$0.749 million (30 June 2010: \$0.899 million).

The Ministry has other contingent liabilities relating to employment disputes and property disputes as at 30 June 2011 for \$0.508 million (30 June 2010: \$0.474 million).

The Ministry has one contingent asset relating to an insurance claim for cancelled business travel due to the volcanic eruption in Chile for \$13,000 as at 30 June 2011 (30 June 2010: nil).

Statement of Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2011

The Ministry had no departmental unappropriated expenditure as at 30 June 2011 (30 June 2010: nil)

Departmental Net Asset Schedule

The Ministry had no breaches of projected departmental net asset schedules (30 June 2010: nil).

Statement of Departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2011

30/06/10 \$000		30/06/11 \$000	30/06/11 APPROPRIATION VOTED ⁷⁶ \$000
	VOTE: FOREIGN AFFAIRS AND TRADE		
	Appropriations for output expenses		
449	Administration of diplomatic privileges and immunities	1,474	1,525
14,967	Consular services	19,831	19,850
2,419	Pacific Security Fund	1,460	2,272
51,399	Policy advice and representation: international institutions	58,892	59,825
238,305	Policy advice and representation: other countries	211,399	227,370
34	Policy advice and representation: other countries (Permanent Legislative Authority)	638	790
396	Promotional activities: other countries	148	350
14,009	Services for other New Zealand agencies overseas	14,253	14,514
-	Rugby World Cup Guest of Government	18	45
-	Hosting of the Pacific Islands Forum Meeting	68	100
321,978	Sub-total	308,181	326,641
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE		
	Appropriations for output expenses		
29,231	Management of Official Development Assistance programme	50,863	51,151
9,242	Strategic advice and evaluation	11,085	12,124
38,473	Sub-total	61,948	63,275
360,451	Total expenditure and appropriations before re-measurement	370,129	389,916
	Non-output expenses		
1,286	Unrealised loss on the re-measurement of foreign exchange contracts	3,514	-
-	Movement in the discount rate for long service leave and retirement leave	107	-
1,286	Total re-measurements	3,621	-
361,737	Total expenditure after re-measurement	373,750	389,916
	Appropriations for departmental capital expenditure		
17,799	Capital expenditure (Permanent Legislative Authority)	20,322	47,244
17,799	Total capital expenditure	20,322	47,244

The accompanying notes form part of these financial statements.

Statement of Trust Monies

For the year ended 30 June 2011

ACCOUNT	AS AT 30/06/10 \$000	CONTRIBUTION \$000	DISTRIBUTION \$000	REVENUE \$000	AS AT 30/06/11 \$000
NZ/France Friendship Trust Fund	25	487	(283)	1	230
Niue Administration Building Trust Fund	272	-	-	4	276
Judicial Development Trust Fund	929	-	(945)	16	-
Cook Islands Trust Fund	10	2,281	(2,281)	10	20
Pacific Islands Police Women's Trust Fund	42	-	(43)	1	-
Fred Hollows Foundation Trust	132	6,038	(5,645)	49	574
Kiribati Sustainable Towns Programme Trust Account	279	-	(279)	4	4
Total	1,689	8,806	(9,476)	85	1,104

Purpose of Trust Accounts

New Zealand/France Friendship Fund

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

Niue Administration Building Trust Fund

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

Judicial Development Trust Fund

The Judicial Development Trust was established to receive funding from the Australian Agency for International Development (AusAID) for programmes to strengthen governance and the rule of law in Pacific Island countries. In June 2011 AusAID's contribution to the Pacific Judicial Development Programme (PJDP) ended. The trust account's unspent funds of \$0.458 million were returned to AusAID in accordance with the Donor Funding Arrangement in June 2011. The trust account was closed in July 2011.

Cook Islands Trust Fund

The Cook Islands Trust account was opened to hold funds provided by AusAID. The Trust was established following the decision by AusAID and New Zealand Aid Programme to harmonise the aid programmes for the Cook Islands under New Zealand Aid Programme's management.

Pacific Islands Police Women's Trust Fund

The Pacific Islands Police Women's Trust account was opened to hold funds received from AusAID. This is to be managed as part of the New Zealand Aid Programme for a project on the Pacific Islands Chiefs of Police Women's Advisory Network. In June 2011 AusAID's contribution to the Pacific Island Chiefs of Police Women's Advisory Network activity ended. The trust account's unspent funds of \$0.043 million were returned to AusAID in June 2011 in accordance with the Donor Funding Arrangement. The trust account was closed in July 2011.

Fred Hollows Trust Fund

The Fred Hollows Trust account was opened to hold funds received from AusAID and to be managed as part of the New Zealand Aid Programme for a jointly funded programme to address vision impairment in the Pacific.

Kiribati Sustainable Towns Programme Trust

The Kiribati Sustainable Towns Programme Trust account was opened to hold and manage funds received from the Cities Alliance Secretariat – the World Bank; and to be managed as part of the New Zealand Aid Programme.



Notes to the Financial Statements

For the year ended 30 June 2011

Note 1: STATEMENT OF ACCOUNTING POLICIES

Reporting entity

The Ministry of Foreign Affairs and Trade (the Ministry) is a New Zealand Government department as defined by section 2 of the Public Finance Act 1989.

In addition, the Ministry has reported on Crown activities and trust monies which it administers.

The Ministry manages the Government's business with foreign countries and their governments, and with international organisations. The primary objective of the Ministry is to provide services to the Government rather than making a financial return. Accordingly, the Ministry has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The reporting period for these financial statements is the year ended 30 June 2011. The financial statements were authorised for issue by the Chief Executive on 30 September 2011.

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Act 1989, and with New Zealand generally accepted accounting practice (NZ GAAP and Treasury Instructions).

Measurement base

These financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities including land and buildings and derivative financial instruments.

Financial and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Accounting policies

The Ministry has adopted the following revision to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- NZ IAS 24 *Related Party Disclosures* (Revised 2009) replaces NZ IAS 24 *Related Party Disclosures* (Issued 2004) and is effective for reporting periods commencing on or after 1 January 2011. The effect of early adopting the revised NZ IAS 24 is:

- More information is required to be disclosed about transactions between the Ministry and entities controlled, jointly controlled, or significantly influenced by the Crown;
- Commitments with related parties require disclosure.

Information is required to be disclosed about any related party transactions with Ministers of the Crown.

Standards, amendments and interpretations issued that are not yet effective and have not been adopted include:

- NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Ministry has not yet assessed the effect of the new standard and expects it will not be early adopted.

There has been one change in accounting policies during the financial year. The Ministry has altered its output cost allocation policy so as to fully cost the International Development Group (IDG) following its reintegration back into the Ministry. The impact of this change was to transfer \$24.058 million of cost to Vote Official Development Assistance. In the period 1 July 2002 to 30 June 2009 when IDG was a semi-autonomous body (NZ AID) within MFAT it was costed on a marginal costing basis. A fiscally neutral transfer was required in the 2010 October Baseline Update to realign costs on a full cost allocation basis for financial reporting in 2010/11 and outyears. This ensures outputs across Vote Foreign Affairs and Trade and Vote Official Development Assistance reflect the direct and indirect cost to produce them, under the new Ministry structure.

Judgements and estimations

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.⁷⁷ The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue Crown

Revenue earned from supply of outputs to the Crown is recognised as revenue when earned.

Revenue from services to third parties

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

Sales of publications

The sale of publications is recognised when the produce is sold to the customer. The recorded revenue is the gross amount of the sale.

Interest

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

Rental income

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

Donated or subsidised assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as income when control over the asset is obtained.

Expenses

Grants

Where grants are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense (and corresponding liability) is recognised when the Ministry does not have discretion over the payment. For example, for grants with conditions attached, the expense/liability is recognised when the specified criteria have been fulfilled and notice has been given to the Ministry. For grants without conditions attached, the expense/liability is recognised when the Ministry has an unconditional obligation to make payment.

Interest

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

Foreign currency

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated into New Zealand dollars at a foreign exchange rate which materially represents the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated into New Zealand dollars at the exchange rate applicable at the fair value date. The associated foreign exchange gains or losses follow the fair value gains directly to an asset revaluation reserve in equity.

Financial instruments

Financial assets

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

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

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

Financial liabilities

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

Derivatives

The Ministry uses derivative financial instruments to hedge its exposure to foreign exchange movements. In accordance with its Foreign Exchange Management Policy, the Ministry does not hold or issue derivative financial instruments for trading purposes. The Ministry has not adopted hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value on each balance date. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively. Movements in the fair value of derivative financial instruments are recognised in the surplus or deficit.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, foreign exchange derivatives are classified as non-current.

Goods and services tax (GST)

All items in the financial statements, including appropriation statements, are stated exclusive of GST except for Creditors and Payables and Debtors and Receivables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

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

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those included in the information Supporting the Estimates of Appropriations for the Government of New Zealand for the year ended 30 June 2011, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates and the estimated actuals in the 2011/12 Estimates of Appropriation. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those in preparing these financial statements.

Income tax

As a Government department, the Ministry is exempt from the payment of income tax (Income Tax Act 2007) and no charge for income tax has been provided for.

Commitments

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

Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost. Where an asset is acquired for nil or nominal consideration the asset will be recognised initially at fair value, where fair value can be

reliably determined. The fair value of the asset received, less costs incurred to acquire the asset, is also recognised as revenue in the surplus or deficit.

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

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

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

Land and buildings

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

Works of art

Works of art are recorded at cost less impairment losses.

Other property, plant and equipment – at cost

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

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

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

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

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment over its estimated useful life. Typically, the estimated useful lives of different classes of property, plant and equipment are as follows:

Buildings	
– Structure	35 to 60 years
– Fit out	3 to 20 years
– Services	3 to 20 years
Plant and machinery	10 years
Computer equipment (excluding computer software)	3 to 8 years
Equipment	4 to 20 years
Leasehold improvements	5 to 15 years
Motor vehicles	8 years
Furniture and fittings	6 years 8 months

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

Intangible assets

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

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

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

Unrealised gains and losses arising from changes in the value of intangible assets are recognised as at balance date. To the extent that a gain reverses a loss previously charged to the surplus or deficit, the gain is credited to the surplus or deficit. Otherwise, gains are credited to an asset revaluation reserve for that asset. To the extent that there is a balance in the asset revaluation reserve for the intangible asset, any loss is debited to the reserve. Otherwise, losses are reported in the surplus and deficit.

Realised gains and losses arising from disposal of intangible assets are recognised in the surplus and deficit in the period in which the transaction occurs.

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

Non-current assets held for sale and discontinued operations

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

Employee benefits

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries accrued up to balance date, annual leave earned but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Ministry has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retiring leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlements information
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Defined contribution schemes

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

Termination benefits

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

Leases

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

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

Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are recorded in the Statement of Contingent Liabilities and contingent assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Taxpayers' funds

Taxpayers' funds are the Crown's investment in the Ministry and is measured as the difference between total assets and total liabilities. Taxpayers' funds are disaggregated and classified as general funds and property revaluation reserves.

Property revaluation reserves

These reserves relate to the revaluation of land and buildings to fair value.

Changes in accounting policies

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

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

Comparatives

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

Related parties

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

Cost allocation

The Ministry's policy is to directly charge costs to outputs wherever possible. This is done using the following activity based principles: i) total corporate costs are allocated to operational cost centres based on head, and ii) operating costs are accumulated in operational cost centres and attributed to outputs on the basis of pre-established ratios. Output allocation factors are based on estimates of the time that staff intend to spend on producing various outputs. They are reviewed annually as part of an operational planning and evaluation exercise to ensure they provide an accurate measure of resource consumption.

To summarise, the Ministry has determined the cost of outputs using the cost allocation system outlined below.

Definition of terms

'Operational cost centre' is a unit that produces outputs. All overseas posts and regional and functional divisions in Wellington are operational cost centres.

'Support service cost centre' is a unit that provides support services to operational cost centres.

'Output allocation factor' is a ratio calculated from an estimate of time each officer spends on producing specified outputs.

'Direct costs' are those costs directly attributed to outputs.

'Indirect costs' are those costs directly attributed to operational cost centres.

'Corporate costs' are those costs of support service cost centres attributed to operational cost centres as overhead. Corporate costs account for approximately 24 percent (2010:17 percent) of the Ministry's output costs.

Note 2: OTHER REVENUE

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

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

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

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

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
14,010	Services for other New Zealand agencies	14,242
556	Consular services	537
680	Miscellaneous	544
15,246	Total other revenue	15,323

Note 3: PERSONNEL COSTS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
131,622	Salaries and wages	131,584
5,752	Employer contributions to defined contribution plans	7,160
127	ACC levy	606
(1,112)	Increase/(decrease) in employee entitlements	192
47	Increase/(decrease) in sick leave liability	(45)
28,536	FBT	24,192
164,972	Total personnel costs	163,689

Note 4: OPERATING COSTS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
329	Audit fees for financial statement audit	329
12	Audit fees for assurance services	-
52,141	Other operating	51,317
8,771	Travel	8,750
7,035	Professional services and contractors	9,922
3,976	Staff training	4,409
2,053	Representational	1,929
-	Works of art impairment	1,342
26	Asset/debt write-offs	776
39	Loss on sale of assets	34
74,382	Total operating costs	78,808

Note 5: ACCOMMODATION COSTS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
38,254	Rentals and operating leases	41,147
9,139	Maintenance	6,741
7,426	Premises	7,582
54,819	Total accommodation and operating lease costs	55,470

Note 6: DEPRECIATION AND IMPAIRMENT ON PROPERTY, PLANT AND EQUIPMENT

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
6,437	Freehold buildings	7,915
2,787	Plant and equipment	2,493
6,697	Furniture and fittings	8,750
906	Motor vehicles	867
5,148	Computer equipment	5,451
21,975	Total depreciation charge and impairment	25,476

Note 7: AMORTISATION ON INTANGIBLE ASSETS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
3,222	Computer software	2,796
3,222	Total amortisation charge	2,796

Note 8: CAPITAL CHARGE

The Ministry pays a capital charge to the Crown on its taxpayers' funds balance as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2011 was 7.5 percent (2010: 7.5 percent).

Note 9: TAXPAYERS' FUNDS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	General funds	
368,375	Balance at 1 July	407,455
1,798	Net operating surplus/(deficit)	7,400
40,000	Capital injection from the Crown	-
(182)	Capital withdrawal to the Crown	(75)
548	Transfer from revaluation reserve on disposal of property	-
(3,084)	Return of operating surplus to the Crown	(11,021)
407,455	General funds as at 30 June	403,759
	Property revaluation reserves	
98,614	Balance at 1 July	98,066
(548)	Transfer to general funds on disposal	-
98,066	Revaluation reserves as at 30 June	98,066
505,521	Total taxpayers' funds	501,825
	Property revaluation reserve consists of:	
94,443	Land revaluation reserve	94,443
3,623	Buildings revaluation reserve	3,623
98,066	Total property revaluation reserve	98,066

Note 10: DEBTORS AND RECEIVABLES

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	Current	
1,472	Trade debtors	2,186
84	Receivables	63
572	GST receivable	-
894	FBT receivable	-
18	Post establishment loans	32
3,040	Total current	2,281
	Non-current	
130	Deposit bonds	152
2,953	Lease deposits	2,933
196	Post establishment loans	186
3,279	Total non-current	3,271
6,319	Total debtors and receivables	5,552

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

As at 30 June 2011 and 2010, all receivables have been assessed for impairment and no provision was required.

Aged debtors

	30/06/10 \$000	30/06/11 \$000
Not past due	997	97
Past due 1–30 days	472	1,693
Past due 31–60 days	20	131
Past due 61–90 days	13	45
Past due >91 days	14	220
Total	1,516	2,186

Note 11: PREPAYMENTS

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

Note 12: PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND \$000	FREEHOLD BUILDINGS \$000	FURNITURE & FITTINGS \$000	PLANT & EQUIPMENT \$000	MOTOR VEHICLES \$000	COMPUTER EQUIPMENT \$000	TOTAL \$000
Cost or valuation							
Balance at 1 July 2009	246,663	109,441	61,314	25,642	7,282	25,641	475,983
Additions	-	8,137	575	1,536	1,148	5,529	16,925
Asset class reclassification	-	-	-	-	-	-	-
Asset class adjustment – reclassification	-	(2,625)	2,621	68	-	(68)	(4)
Revaluation increase	-	-	-	-	-	-	-
Disposals	(1,490)	(328)	(2,149)	(1,221)	(765)	(830)	(6,783)
Balance at 30 June 2010	245,173	114,625	62,361	26,025	7,665	30,272	486,121
Balance at 1 July 2010	245,173	114,625	62,361	26,025	7,665	30,272	486,121
Additions	946	2,347	7,463	1,708	1,062	4,562	18,088
Asset class reclassification	-	-	-	-	-	-	-
Asset class adjustment – reclassification	-	(2,610)	2,610	(1,018)	-	1,018	-
Revaluation increase	-	-	-	-	-	-	-
Transfer to held for sale	-	-	-	-	-	-	-
Works of art impairment	-	-	(1,342)	-	-	-	(1,342)
Disposals	-	-	(2,457)	(1,108)	(1,054)	(854)	(5,473)
Balance at 30 June 2011	246,119	114,362	68,635	25,607	7,673	34,998	497,394
Accumulated depreciation and impairment losses							
Balance at 1 July 2009	-	2,002	29,819	16,999	4,055	11,635	64,510
Depreciation expense	-	6,436	6,521	2,787	906	5,149	21,799
Eliminate on disposal	-	(11)	(2,092)	(1,215)	(594)	(810)	(4,722)
Asset class adjustment – reclassification	-	(4)	-	-	-	-	(4)
Impairment adjustment	-	-	176	-	-	-	176
Balance at 30 June 2010	-	8,423	34,424	18,571	4,367	15,974	81,759
Balance at 1 July 2010	-	8,423	34,424	18,571	4,367	15,974	81,759
Depreciation expense	-	7,915	8,780	2,493	867	5,451	25,506
Eliminate on disposal	-	-	(2,364)	(1,094)	(906)	(852)	(5,216)
Asset class adjustment – reclassification	-	-	-	(652)	-	652	-
Impairment adjustment	-	-	(30)	-	-	-	(30)
Balance at 30 June 2011	-	16,338	40,810	19,318	4,328	21,225	102,019
Carrying amounts							
At 1 July 2009	246,663	107,439	31,495	8,643	3,227	14,006	411,473
At 30 June and 1 July 2010	245,173	106,202	27,937	7,454	3,298	14,298	404,362
At 30 June 2011	246,119	98,024	27,825	6,289	3,345	13,773	395,375

Movements in values

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

Buildings purchased or capitalised on or after 1 July 2009 have been recorded at cost.

The total amount of property, plant and equipment in the course of construction is \$7.682 million (2010: \$8.190 million).

As at 30 June 2011 the Ministry had no properties intended for sale (30 June 2010: nil).

The Ministry owns property in 14 locations globally that have restrictions on their sale, mostly in relation to their use, or requiring that country's Government's approval to sell. The carrying amount of the property is \$106 million (2010: \$108 million).

Note 13: INTANGIBLE ASSETS

	ACQUIRED SOFTWARE \$000
Cost	
Balance at 1 July 2009	15,224
Additions	874
Disposals	(635)
Balance at 30 June 2010	15,463
Balance at 1 July 2010	15,463
Additions	2,234
Balance at 30 June 2011	17,697
Accumulated amortisation and impairment losses	
Balance at 1 July 2009	5,880
Amortisation expense	3,223
Disposals	(635)
Balance at 30 June 2010	8,468
Balance at 1 July 2010	8,468
Amortisation expense	2,796
Balance at 30 June 2011	11,264
Carrying amounts	
At 1 July 2009	9,344
At 30 June and 1 July 2010	6,995
At 30 June 2011	6,433

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

Note 14: CREDITORS AND PAYABLES

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
3,618	Trade creditors	3,112
6,976	Accrued expenses	6,864
7,322	FBT payable	6,082
-	GST payable	395
17,916	Total creditors and payables	16,453

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

Note 15: RETURN OF OPERATING SURPLUS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
1,798	Net surplus/(deficit)	7,400
	Add/(Less)	
-	Movement in discount rate for long service leave and retirement leave	107
1,286	Net loss on derivative financial instruments	3,514
3,084	Total return of operating surplus	11,021

The repayment of surplus is required to be paid by 31 October each year.

Note 16: PROVISIONS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	Current portion	
63	Onerous contracts	291
150	Lease make good	136
213	Total current	427
	Non-current portion	
389	Onerous contracts	4,182
2,147	Lease make good	2,097
2,536	Total non-current	6,279
2,749	Total	6,706

	ONEROUS \$000	MAKE GOOD \$000	TOTAL \$000
Balance as 1 July 2009	-	-	-
Additional provisions made	452	2,297	2,749
Balance as at 30 June 2010	452	2,297	2,749
Balance as 1 July 2010	452	2,297	2,749
Additional provisions made	4,064	-	4,064
Amounts used	(62)	(64)	(126)
Discount unwind	19	-	19
Balance as at 30 June 2011	4,473	2,233	6,706

Note 17: PROVISION FOR EMPLOYEE ENTITLEMENTS

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	Current liabilities	
8,986	Annual leave	8,876
1,087	Long service leave	1,150
1,251	Retirement leave	1,114
749	Retirement gratuities	829
343	Posting-related leave	186
3,869	Salaries and allowances	4,644
214	Sick leave liability	169
127	ACC levy	606
16,626	Total current	17,574
	Non-current liabilities	
911	Long service leave	1,037
8,118	Retirement leave	7,583
1,475	Retirement gratuities	1,948
688	Posting-related leave	377
11,192	Total non-current	10,945
27,818	Total provision for employee entitlements	28,519

An independent actuarial valuation was undertaken by AON Consulting New Zealand Limited as at 30 June 2011 to estimate the present value of retirement leave and long service leave.

The key assumptions used in discounting to present values were:

- Discount rate for the 2010/11 financial year: 2.84 percent per annum (2010: 3.48 percent).
- Salary growth rate for the 2010/11 financial year: 3.5 percent per annum (2010: 3.5 percent).
- If the discount rate were to differ by 1.0 percent higher than the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$567,000 lower.
- If the discount rate were to differ by 1.0 percent lower than the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$634,000 higher.
- If the salary inflation factor were to differ by plus or minus 1.0 percent from the Ministry's estimates, with all other factors held constant, the carrying amount of the liability would be an estimated \$637,000 higher and \$578,000 lower respectively.

Note 18: RECONCILIATION OF NET SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
1,798	Net operating surplus/(deficit)	7,400
	Add/(less) non-cash items	
25,198	Depreciation, amortisation and impairment	28,272
1,286	Net (gains)/loss on derivatives and foreign exchange	3,514
-	Movement in discount rate for long service leave and retirement leave	107
26,484	Total non-cash items	31,893
	Add/(less) items classified as investing or financing activities	
(131)	(Gains)/losses on disposal property, plant and equipment	(136)
(131)	Total items classified as investing or financing activities	(136)
	Add/(less) working capital movements	
(17,414)	(Inc)/dec in debtors and receivables	(37,772)
(1,064)	(Inc)/dec in prepayments	(2,904)
(1,364)	Inc/(dec) in creditors and payables	(72)
213	Inc/(dec) in provisions	214
(167)	Inc/(dec) in current employee entitlements	1,103
(19,796)	Net working capital movements	(39,431)
	Add/(less) movements in non-current liabilities	
(898)	Inc/(dec) in employee entitlements	(1,062)
2,536	Inc/(dec) in provisions	4,296
1,638	Net working non-current movements	3,234
9,993	Operating activities net cash flows	2,960

Note 19: FINANCIAL INSTRUMENT RISKS

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

The Ministry is exposed to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Ministry has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

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

The Ministry uses foreign exchange forward contracts to manage foreign exchange exposures.

The notional principal amounts of outstanding forward exchange contracts in NZD equivalents at 30 June 2011 were:

	30/06/10 \$000	30/06/11 \$000
USD	19,614	17,259
JPY	4,131	4,094
EUR	21,710	18,567
Other	35,345	34,838
Total	80,800	74,758

Sensitivity analysis

Forward foreign exchange contracts

Derivative financial instruments include forward foreign exchange contracts in gain with a fair value totalling \$0.151 million and forward foreign exchange contracts in loss with a fair value totalling \$6.201 million (2010: \$1.477 million and \$4.385 million respectively). A movement in foreign exchange rates plus or minus 10% has an impact of (\$0.941) million/(\$0.165) million on the Ministry's revenue/expenditure and assets/liabilities (2010: \$7.604 million/(\$11.509) million) based on a derivative valuation model using balance date forward exchange rates plus or minus 10%.

Creditors denominated in foreign currencies

As at 30 June 2011, if the New Zealand dollar had weakened/strengthened by 5 percent against the US dollar with all other variables held constant, the surplus/deficit for the year would have been \$6,300 (2010:\$10,500) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of US dollar denominated creditors.

As at 30 June 2011, if the New Zealand dollar had weakened/strengthened by 5 percent against the Japanese yen with all other variables held constant, the surplus/deficit for the year would have been \$7,700 (2010: \$4,500) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of Japanese Yen denominated creditors.

As at 30 June 2011, if the New Zealand dollar had weakened/strengthened by 5 percent against the Euro with all other variables held constant, the surplus/deficit for the year would have been \$16,200 (2010:\$48,800) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of Euro denominated creditors.

As at 30 June 2011, if the New Zealand dollar had weakened/strengthened by 5 percent against the GBP with all other variables held constant, the surplus/deficit for the year would have been \$3,700 (2010:\$6,000) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of Great Britain pound denominated creditors.

Interest rate risk

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

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

Credit risk

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

The Ministry's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, net debtors and derivative financial instrument assets. There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

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

Liquidity risk

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

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

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

The table below analyses the Ministry's financial liabilities that will be settled based on the remaining period at 30 June 2011 to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	LESS THAN 6 MONTHS \$000	BETWEEN 6 MONTHS AND 1 YEAR \$000
2010		
Creditors and other payables	17,916	-
Derivative financial instrument liabilities	1,905	1,785
2011		
Creditors and other payables	16,453	-
Derivative financial instrument liabilities	2,817	3,383

The table below analyses the Ministry's forward exchange contract derivatives into the relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	LIABILITY CARRYING AMOUNT \$000	ASSET CARRYING AMOUNT \$000	CONTRACTUAL CASH FLOWS \$000	LESS THAN 6 MONTHS \$000	6-12 MONTHS \$000
2010					
Gross settled foreign exchange contracts:	3,690	1,156			
– outflow	-	-	80,800	42,573	38,227
– inflow	-	-	78,266	41,218	37,048
2011					
Gross settled foreign exchange contracts:	6,200	151			
– outflow	-	-	74,758	36,365	38,393
– inflow	-	-	68,708	33,653	35,055

Note 20: CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value

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

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	Loans and receivables	
68,127	Cash and cash equivalents	49,416
6,319	Debtors and other receivables	10 5,552
63,801	Debtor crown	100,875
138,247	Total loans and receivables	155,843
	Fair value through surplus and deficit – held for trading	
1,156	Derivative financial instrument assets	151
(3,690)	Derivative financial instrument liabilities	(6,200)
(2,534)	Total fair value through surplus and deficit – held for trading	(6,049)
	Financial liabilities measured at amortised cost	
17,916	Creditors and other payables	14 16,453

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

Fair value hierarchy

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	VALUATION TECHNIQUE		
	TOTAL \$000	QUOTED MARKET PRICE \$000	OBSERVABLE INPUTS \$000
Financial assets			
Foreign exchange derivatives	1,156		1,156
Financial liabilities			
Foreign exchange derivatives	3,690		3,690
30 June 2011			
Financial assets			
Foreign exchange derivatives	151		151
Financial liabilities			
Foreign exchange derivatives	6,200		6,200

Note 21: CAPITAL MANAGEMENT

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

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

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

Note 22: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

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

Significant transactions with government-related entities

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

In conducting its activities, the Ministry is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Ministry is exempt from income tax.

The Ministry also purchased goods and services from entities controlled, significantly influenced, or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2011 totalled \$3.053 million (2010: \$3.237 million). These purchases included air travel from Air New Zealand, electricity from Meridian Energy and postal services from New Zealand Post.

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

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

Key management personnel compensation

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
2,740	Salaries and other short-term employee benefits	3,428
11	Other long-term benefits	70
2,751	Total key management personnel compensation	3,498

Note 23: MAJOR BUDGET VARIATIONS**Statement of comprehensive income**

Variances between estimates

The movement in total expenses between the 2010/11 Main Estimates and the 2010/11 Supplementary Estimates was a reduction of \$7.276 million. The net reduction is due to increases arising from:

- a one-off expense transfer for Chairmanship of the Nuclear Suppliers Group: \$50,000
- foreign exchange and overseas inflation movements: \$1.162 million
- one-off funding for an increase in the Government Superannuation Fund employer subsidy: \$1.085 million
- an expense transfer for the hosting of the Pacific Islands Forum meeting in Auckland in September 2011: \$100,000
- an expense transfer for a review of NZ Inc's Offshore Network: \$3.848 million
- an increase in level of services purchased by other departments and agencies: \$839,000
- Market Access Forestry funding transferred from 2009/10: \$80,000
- an expense transfer for the hosting of Guests of Government attending the Rugby World Cup: \$45,000

Offset by following decreases:

- an expense transfer arising from the Ministry's Organisational Change improvement project: \$12.0 million
- AANZFTA commitments: \$700,000
- cost of the Development Advisor in the Bamyán Province, Afghanistan: \$308,000
- change in demand for services from AusAID: \$35,000
- transfer to Vote Immigration for lower capital charge and depreciation on asset transfer: \$24,000
- lower capital charge arising from unrealised forward exchange contract loss repaid to the Crown: \$96,000
- transfer to Vote Customs for National Maritime Coordination Centre AIS Funding: \$47,000

Variances between actual and supplementary estimates

Actual expenditure (excluding remeasurements) was \$9.787 million less than the supplementary estimates. The main drivers for this under-expenditure are costs lower than forecast such as:

- reduction in ECA Taxable allowances resulting from ECA review, and reduced tax on overseas terms and conditions (\$2.782 million)
- uptake of leave less than anticipated (\$2.133 million)
- unfilled vacancies in the Ministry and no remuneration market movement (\$9.230 million)
- anticipated costs related to closure of posts which did not come to charge (\$1.724 million)
- property rental costs less than anticipated due to the recessionary impact on rents (\$1.420 million)
- chancery move projects put on hold (\$578,000) and also the deferral of Security implementation projects (\$410,000)
- software maintenance due to a change in software provider delivering ongoing savings (\$191,000) and deferral in purchase of consumable IT equipment (\$793,000)
- the Pacific Security Fund due to timing delays in projects by departments for which funds had been allocated in the 2010/11 financial year under the Pacific Security Fund's contestable structure (\$1.569 million)
- decrease in resources anticipated for WTO negotiations and Bilateral Closer Economic partnerships/Free Trade Agreements (\$1.700 million) and AANZFTA (\$165,000)
- projects deferred until 2011/12 for the Asia Security and Governance Fund (\$188,000); new multilateral initiatives (\$197,000), Trade Access Support Programme (\$80,000) and the Investment Promotion Fund (\$349,000)
- reduced travel expenditure arising from lesser need and prioritising travel plans (\$2.395 million)
- decrease in demand driven expenditure such as training costs during the year arising from lesser need and prioritising requirements (\$997,000)
- staff movement costs less than anticipated due to vacancies in the Ministry, the organisational change review project currently underway deferring rotational staff postings (\$1.682 million)

The lower costs outlined above are offset by costs higher than forecast such as:

- depreciation and amortisation of assets due to change in capital plans resulting in accelerating the depreciation for Head Office fit outs, Head Office work stations arising from the building consolidation project, and the Beijing chancery building fit outs due to asset impairments (\$1.917 million)
- consultancy and contracting services costs due to unfilled vacancies in the Ministry and additional contractors assisting the Ministry's organisational change review project currently underway (\$3.341 million)
- a provision for make good costs following a review of lease agreements overseas and onerous leases related to reduced property requirements onshore (\$4.031 million)
- impairment to the Ministry's works of art (\$1.342 million) and write off relating to the work in progress of the new Honiara capital project which did not go ahead (\$768,000)

- the Ministry's emergency response to earthquakes in Christchurch, and crises in Queensland, Egypt, Bahrain, Libya and Japan (\$690,000)
- increase in rates and utilities paid at posts (\$289,000).

\$782,000 of the variance is a combination of net realised foreign exchange losses on settlement of forward exchange contracts offset by net foreign exchange gains on translation of foreign currency transactions to New Zealand dollars for the year ended 30 June 2011.

Forecast revenue from the Crown of \$9.0 million was not drawn down because the Ministry received approval for in-principle expense transfers to transfer expenses from 2010/11 to 2011/12 for organisational change (\$2.0 million) and also to meet the additional costs of New Zealand hosting the Guests of Government during the Rugby World Cup and the hosting of the Pacific Islands Forum (\$7.0 million). The Ministry's year end under-expenditure against appropriations has enabled the transfer to take place.

Statement of Financial Position and Statement of Cash Flows

The movement in the forecast net closing cash balance between the 2010/11 Main Estimates and the 2010/11 Supplementary Estimates of \$9.872 million was partly due to a revision of cash flows reflecting changes to the operating budgets in the Statement of Comprehensive Income above.

The actual cash balance as at 30 June 2011 is \$8.917 million higher than in the Supplementary Estimates mainly due to a build up of capital funds over the years and the capital expenditure is \$26,922 million lower than supplementary estimates arising from slower than expected capital expenditure demonstrated by expenditure on the purchase of assets being \$9.015 million lower than forecast associated with the development of overseas properties.

The property revaluation reserve is \$548,000 lower between the 2010/11 Main Estimates and the 2010/11 Supplementary Estimates due to the sale of a property in Canberra in 2009/10. Also, anticipating an increase in the property revaluation reserve based on forecast information that was later affected by the world wide recessionary impact on both property values and the foreign exchange rates is reflected in the property, plant and equipment decrease of \$30.723 million between the 2010/11 Main Estimates and the 2010/11 Supplementary Estimates.

The increase in debtor crown (\$13.049 million), the decrease of plant, property and equipment (\$30.723 million) and the decrease of intangible assets (\$4.414 million) between 2010/11 Main Estimates and the 2010/11 Supplementary Estimates is due to delays with capital projects arising from design and tendering processes taking longer than anticipated, as well as the reprioritisation and rephrasing of the capital works programme, changes in operational and business requirements, and tightening fiscal forecasts.

Note 24: EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events after the balance sheet date.

Non-departmental statements and schedules

For the year ended 30 June 2011

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

Statement of non-departmental expenditure and capital expenditure against appropriations

For the year ended 30 June 2011

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
	VOTE: FOREIGN AFFAIRS AND TRADE			
	Non-departmental output expenses			
	Annual			
12,468	Antarctic research and support	13,168	13,168	13,168
2,000	Promotion of Asian skills and relationships	4,000	4,000	4,000
1,400	Pacific Cooperation Foundation	1,400	1,400	1,400
15,868	Total	18,568	18,568	18,568
	Non-departmental other expenses			
1,066	Disbursements made and exemptions from Taxation – permanent legislative authority	860	1,150	1,150
	Annual			
51,941	Subscriptions to international organisations	54,084	56,688	56,438
-	Contribution to Australian flood relief	4,000	-	4,000
-	Hardship assistance for families of foreign nationals victims of the Christchurch earthquake	-	-	250
-	Contribution to the March 2011 Japan earthquake and tsunami relief effort	1,000	-	1,000
53,007	Total	59,944	57,838	62,838
	Capital expenditure			
300	New Zealand Antarctic Institute	-	-	-
69,175	Total	78,512	76,406	81,406

Statement of non-departmental expenditure and capital expenditure against appropriations (continued)

For the year ended 30 June 2011

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE			
	Other expenses incurred by the Crown			
32,801	New Zealand voluntary agencies grants	28,658	32,826	32,826
93,060	International agency funding	123,767	97,000	98,413
92,455	Global development assistance *	84,712	103,342	90,221
217,017	Pacific development assistance *	257,879	251,799	271,750
435,333	Total	495,016	484,967	493,210

* Multi-year appropriations 1 July 2009 – 30 June 2012

Details of multi-year appropriations

The Ministry has two multi-year appropriations in Vote Official Development Assistance being global development assistance and Pacific development assistance for other expenses to be incurred by the Crown for the provision of assistance for development activities for non-Pacific Island countries including Asian, African, Latin American, Caribbean, Middle Eastern countries and also Pacific island countries. This assistance will be provided to development organisations, partner countries and through other delivery mechanisms and be used to implement activities that include humanitarian assistance, design, management, implementation and evaluation of those partner-led activities. The assistance is to be consistent with Ministers' requirement for New Zealand's Aid Programme to work with development partners to ensure aid expenditure is targeted as close as possible to need. Both appropriations commenced on 1 July 2009 and expire on 30 June 2012.

Statement of non-departmental expenditure and capital expenditure against appropriations (continued)

For the year ended 30 June 2011

	ACTUAL 2009/10 \$000	ACTUAL 2010/11 \$000
VOTE OFFICIAL DEVELOPMENT ASSISTANCE		
Appropriation: Global development assistance		
Original appropriation	312,000	312,000
Cumulative adjustments	9,044	(705)
Total adjusted appropriation	321,044	311,295
Cumulative actual expenditure 1 July	-	92,455
Current year actual expenditure	92,455	84,712
Cumulative actual expenditure 30 June	92,455	177,167
Appropriation remaining 30 June	228,589	134,128
Appropriation: Pacific development assistance		
Original appropriation	755,801	755,801
Cumulative adjustments	12,203	1,953
Total adjusted appropriation	768,004	757,754
Cumulative actual expenditure 1 July	-	217,017
Current year actual expenditure	217,017	257,879
Cumulative actual expenditure 30 June	217,017	474,896
Appropriation remaining 30 June	550,987	282,858

The accompanying notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/11.

Statement of non-departmental unappropriated expenditure and capital expenditure

For the year ended 30 June 2011

The Ministry had unappropriated expenditure in Vote Official Development Assistance: Non-Departmental Other Expense Appropriation – International Agency Funding of \$25.354 million.

The unappropriated expenditure arose from a review of the application of the Ministry's accounting policy to recognise the portion of New Zealand's International Agency Commitments which are unconditional obligations under New Zealand International Financial Reporting Standards (NZIFRS).

Validation has been sought for this unappropriated expenditure under section 26C of the Public Finance Act 1989.

If the Ministry had reviewed the application of this policy in prior years, the Ministry may also have incurred unappropriated expenditure. However it is not practical to determine the amount of unappropriated expenditure by year.

As at 30 June 2010 the Ministry had unappropriated expenditure of \$0.653 in Vote Foreign Affairs and Trade: non-departmental other expense – Subscriptions to International Organisations.

Schedule of non-departmental revenue

For the year ended 30 June 2011

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
71	Other operational revenue	23	100	-
188	Gain on derivatives	694	-	-
259	Total revenue	717	100	-

Schedule of non-departmental assets

As at 30 June 2011

30/06/10 ACTUAL \$000		NOTE	30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
	CURRENT ASSETS				
59,674	Cash		49,861	-	4,750
517	Debtors and receivables	2	872	3	517
20,816	Prepayments	3	3,633	16,139	20,816
321	Derivatives in gain		-	1,318	321
81,328	Total current assets		54,366	17,460	26,404
	NON-CURRENT ASSETS				
8,388	Shares in foreign organisations	4	6,951	24,945	8,388
8,388	Total non-current assets		6,951	24,945	8,388
89,716	Total assets		61,317	42,405	34,792

In addition, the Ministry monitors the New Zealand Antarctic Institute – a Crown Entity. The Ministry also monitors two other entities as defined by Schedule 4 of the Public Finance Act – the Pacific Cooperation Foundation and the Asia New Zealand Foundation respectively. The investment in these entities is recorded within the Crown Financial Statements on a line-by-line basis. No disclosure is made in this schedule.

Schedule of non-departmental liabilities

As at 30 June 2011

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000	30/06/11 MAIN ESTIMATES \$000	30/06/11 SUPP. ESTIMATES \$000
	CURRENT LIABILITIES			
24,072	Creditors and payables	42,392	17,796	24,072
694	Derivatives in loss	-	-	694
24,766	Total current liabilities	42,392		
	NON-CURRENT LIABILITIES			
-	Creditors and payables	23,530	-	-
-	Total non-current liabilities	23,530	-	-
24,766	Total liabilities	65,922	17,796	24,766

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

Schedule of non-departmental commitments

As at 30 June 2011

Other commitments

This schedule sets out the level of commitment made against out-year appropriations and funding baselines for non-departmental expenditure. The Ministry on behalf of the Crown has entered into contracts for Official Development Assistance and subscriptions to international organisations. Some of these commitments entered into are cancellable. However, the Ministry intends to meet its future aid commitments.

30/06/10 ACTUAL \$000		30/06/11 ACTUAL \$000
	Operating commitments	
	Official Development Assistance	
196,928	Less than one year	240,884
82,719	One to two years	116,732
60,336	Two to five years	50,717
61,310	More than five years	52,185
401,293	Total	460,518
	Subscriptions to international organisations	
56,688	Less than one year	49,807
457,981	Total non-departmental commitments	510,325

The accompanying notes are an integral part of these statements and schedules. These non-departmental balances are consolidated into the Financial Statements of the Government and therefore readers of these statements and schedules should also refer to the Financial Statements of the Government for 2010/11.

Schedule of non-departmental contingent liabilities

As at 30 June 2011

	FOREIGN CURRENCY '000	30/06/10 NZD \$000		30/06/11 FOREIGN CURRENCY '000	NZD \$000	
GUARANTEES – ASIAN DEVELOPMENT						
Bank for loans to the Cook Islands Government						
SDR	3,098	6,612	Telecommunications loan	SDR	2,983	5,770
SDR	555	1,185	Multiple small-project loan	SDR	502	972
SDR	1,400	2,989	Multi-project loan	SDR	1,320	2,554
SDR	465	993	Development bank loan	SDR	426	824
SDR	751	1,603	Development bank loan	SDR	733	1,418
SDR	254	543	Telecommunications loan	SDR	248	480
SDR	6,523	13,925		SDR	6,212	12,018
		675	Guarantees – other			-
		-	Indemnity – other			2,000
European Bank for Reconstruction and Development						
EUR	7,000	12,332	Uncalled share capital	EUR	7,000	12,209
		26,932	Total non-departmental contingent liabilities			26,227

Unquantified contingent liabilities

The Ministry on behalf of the Crown also has an unquantifiable contingent liability for site restoration costs at Scott Base Antarctica should New Zealand withdraw from the Antarctic programme (2010: unquantifiable).

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (30 June 2010: nil).



Notes to the non-departmental statements and schedules

For the year ended 30 June 2011

Note 1: NON-DEPARTMENTAL STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

These non-departmental balances are consolidated into the Financial Statements of the Government. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should also be made to the Financial Statements of the Government.

Accounting policies

The non-departmental schedules and statements have been prepared in accordance with the Government's accounting policies as set out in the Financial Statements of the Government, and in accordance with relevant Treasury instructions and Treasury circulars.

Measurement and recognition rules applied in the preparation of these non-departmental schedules and statements are consistent with New Zealand generally accepted accounting practice as appropriate for public benefit entities.

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

The following particular accounting policies have been applied:

Budget figures

The budget figures are those included in the Ministry's main estimates for the year ended 30 June 2011. In addition, these financial statements also present the updated budget information from the supplementary estimates.

Foreign exchange

Foreign currency transactions are translated into New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the schedule of non-departmental income or expenses.

Goods and services tax

All items in the financial statements, including appropriation statements, are stated exclusive of GST. Receivables and payables are stated on a GST inclusive basis. In accordance with Treasury instructions, GST is returned on revenue received on behalf of the Crown, where applicable. However, an input tax deduction is not claimed on non-departmental expenditure. Instead, the amount of GST applicable to non-departmental expenditure is recognised as a separate expense and eliminated against GST revenue on consolidation of the government financial statements.

Debtors and receivables

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

Commitments

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

Contingent liabilities

Contingent liabilities and contingent assets are recorded in the Statement of Contingent Liabilities and Contingent Assets at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote. Contingent assets are disclosed if it is probable that the benefits will be realised.

Expenses

Grants

Where grants are discretionary until payment, the expense is recognised when the payment is made. Otherwise, the expense (and corresponding liability) is recognised when the Ministry does not have discretion over the payment. For example, for grants with conditions attached, the expense/liability is recognised when the specified criteria have been fulfilled and notice has been given to the Ministry. For grants without conditions attached, the expense/liability is recognised when the Ministry has an unconditional obligation to make payment.

Other liabilities and provisions

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value.

Investments

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

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

Note 2: DEBTORS AND RECEIVABLES

Debtors and receivables relate principally to recoveries of payments made on behalf of the Secretariat of the Pacific Environmental Programme.

Note 3: PREPAYMENTS

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

Note 4: SHARES

The Ministry held the following shares as at balance date.

European Bank for Reconstruction and Development

30/06/10 AT COST \$000	AT NET CURRENT VALUE \$000		30/06/11 NUMBER	SHARE VALUE EUR '000	PAID IN VALUE EUR '000	AT NET CURRENT VALUE \$000	AT COST \$000
5,781	3,381	Ordinary	1,050	10,500	3,500	3,772	5,781
5,781	3,381	Total				3,772	5,781

The European Bank for Reconstruction and Development's authorised share capital is EUR 21 million divided into 2.100 million shares, having a face value of EUR 10,000 each. New Zealand has been allocated 1,050 shares, amounting to 0.05 percent of the Bank's capital. The authorised share capital is divided into paid-in and callable shares. The total par value of paid-in shares is EUR 3.500 million. A contingent liability exists for EUR 7 million for uncalled share capital. The shares have been valued at cost.

Pacific Forum Line

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

Prior to the implementation of NZ IFRS, shares in the Pacific Forum Line were valued at the lower of cost and net current value.

The Ministry holds 10,000 A shares (2010: 10,000), and 4,768,000 B shares (2010: 4,768,000). This represents 22.85 percent (2010: 22.85 percent) of total Pacific Forum Line shares.

Pacific Forum Line net assets for the year ended 31 March 2011 were \$5.122 million (2010: \$11.410 million). The Ministry's share of these net assets is \$1.170 million (\$2010: \$2.607 million).

The summarised financial information of the Pacific Forum Line is:

• Assets	\$20.051 million (2010: \$24.704 million)
• Liabilities	\$14.929 million (2010: \$13.294 million)
• Revenues	\$32.554 million (2010: \$56.736 million)
• Surplus/(deficit)	\$(5.825) million (2010: (\$8.711) million)

As at 30 June 2011 an additional 62,500 B Shares in Pacific Forum Line were held on behalf of the Government of Vanuatu.

Note 5: MAJOR BUDGET VARIATIONS

Schedule of non-departmental expenditure

Under-expenditure in Vote Official Development Assistance: Non-Departmental Other Expense Appropriations - New Zealand Voluntary Agencies Grants, Global Development Assistance and Pacific Development Assistance is mainly the result of a change in the structure of the Sustainable Development Fund (to fund multi-year activities), slower than anticipated progress to establish complex funding arrangements and activities costing less than forecast.

Expenditure over the total appropriation Vote Official Development: Non-Departmental Other Expense Appropriation - International Agency Funding arose from a review of the application of the Ministry's accounting policy to recognise the portion of New Zealand's International Agency Commitments which are unconditional obligations under New Zealand International Financial Reporting Standards (NZIFRS). Validation has been sought for this unappropriated expenditure under section 26C of the Public Finance Act 1989.

Schedule of non-departmental assets

The higher than forecast cash balance is a result of the lower than expected ODA expenditure noted above. Also, a prepayment variance arises from an obligation to recognise unconditional grants as a liability at the time an obligation arises. A number of grants meets this criteria.



Independent Auditor's Report

To the readers of the Ministry of Foreign Affairs and Trade's financial statements and non-financial performance information and schedules of non-departmental activities for the year ended 30 June 2011

The Auditor-General is the auditor of the Ministry of Foreign Affairs and Trade (the Ministry). The Auditor-General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the non-financial performance information and the schedules of non-departmental activities of the Ministry on her behalf.

We have audited:

- the financial statements of the Ministry on pages 78 to 115, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2011, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of trust monies, statement of unappropriated expenditure and capital expenditure and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the non-financial performance information of the Ministry that comprises the statement of service performance on pages 58 to 75 and the report about outcomes, and impacts on page 18 to 41; and
- the schedules of non-departmental activities of the Ministry on pages 116 to 127 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2011, the schedule of expenses, schedule of expenditure and capital expenditure against appropriations, schedule of unappropriated expenditure and capital expenditure, schedule of revenues, for the year ended on that date and the notes to the schedules that include accounting policies and other explanatory information.

Opinion

In our opinion:

- the financial statements of the Ministry on pages 78 to 115:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Ministry's:
 - financial position as at 30 June 2011;
 - financial performance and cash flows for the year ended on that date;
 - expenses and capital expenditure incurred against each appropriation administered by the Ministry and each class of outputs included in each output expense appropriation for the year ended 30 June 2011; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2011.
- the non-financial performance information of the Ministry on pages 18 to 41 and 58 to 75:

- complies with generally accepted accounting practice in New Zealand; and
- fairly reflects the Ministry's service performance and outcomes, and impacts for the year to 30 June 2011, including for each class of outputs:
 - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and
 - its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.
- the schedules of non-departmental activities of the Ministry on pages 116 to 127, fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2011 managed by the Ministry on behalf of the Crown; and
 - the revenues, expenses, expenditure and capital expenditure against appropriations and unappropriated expenditure and capital expenditure for the year ended on that date managed by the Ministry on behalf of the Crown.

Our audit was completed on 30 September 2011. This is the date at which our opinion is expressed.

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

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the non-financial performance information and the schedules of non-departmental activities are free from material misstatement.

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the non-financial performance information and the schedules of non-departmental activities. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the non-financial performance information and the schedules of non-departmental activities, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Ministry's preparation of the financial statements and the non-financial performance information and the schedules of non-departmental activities that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Chief Executive;
- the appropriateness of the reported non-financial performance information within the Ministry's framework for reporting performance;

- the adequacy of all disclosures in the financial statements and the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements and the non-financial performance information and the schedules of non-departmental activities.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the non-financial performance information and the schedules of non-departmental activities. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Chief Executive

The Chief Executive is responsible for preparing:

- financial statements and non-financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Ministry's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
 - fairly reflect its service performance and outcomes ; and
- schedules of non-departmental activities, in accordance with the Treasury Instructions 2010 that fairly reflect those activities managed by the Ministry on behalf of the Crown.

The Chief Executive is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and non-financial performance information and schedules of non-departmental activities that are free from material misstatement, whether due to fraud or error.

The Chief Executive's responsibilities arise from the Public Finance Act 1989.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the non-financial performance information and the schedules of non-departmental activities and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

Independence

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

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



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements, Statement of Service Performance, and Schedules of Non-departmental Activities

This audit report relates to the financial statements, statement of service performance, and schedules of non-departmental activities of the Ministry of Foreign Affairs and Trade for the year ended 30 June 2011 included on the Ministry of Foreign Affairs and Trade's website. The Secretary of Foreign Affairs and Trade is responsible for the maintenance and integrity of the Ministry of Foreign Affairs and Trade's website. We have not been engaged to report on the integrity of the Ministry of Foreign Affairs and Trade's website. We accept no responsibility for any changes that may have occurred to the financial statements, statement of service performance, and schedules of non-departmental activities since they were initially presented on the website.

The audit report refers only to the financial statements, statement of service performance, and schedules of non-departmental activities named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements, statement of service performance, and schedules of non-departmental activities. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, statement of service performance, and schedules of non-departmental activities and related audit report dated 30 September 2010 to confirm the information included in the audited financial statements, statement of service performance, and schedules of non-departmental activities presented on this website.

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

Glossary

ABBREVIATIONS AND ACRONYMS	MEANING
ACA	Activity Completion Assessment
ACC	Accident Compensation Corporation
ADB	Asian Development Bank
AMA	Activity Monitoring Assessment
AANZFTA	Asean-Australia-New Zealand Free Trade Agreement
ANZAC	Australia New Zealand Army Corps
ASEAN	Association of Southeast Asian Nations. Members are: Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Burma, Philippines, Singapore, Thailand, Viet Nam
AusAID	Australian Agency for International Development
CCAMLR	Conservation of Antarctic Marine Living Resources
CEP	Closer Economic Partnership
CER	Closer Economic Relations
ECA	Employment Conditions Abroad
EU	European Union
EUR	Euro
FBT	Fringe benefit tax
FTA	Free Trade Agreement
G20	“Group of 20”. A forum of 20 economies that meets for cooperation and consultation on matters pertaining to the international financial system.
GCC	Gulf Cooperation Council. Members are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
GDP	Gross domestic product
GNP	Gross national product
GST	Goods and services tax
HRI	Humanitarian Response Index
IAS	International Accounting Standard
ICT	Information and Communications Technology
IFRC	International Federation of the Red Cross
IT	Information technology
IUU fishing	Illegal, unreported and unregulated fishing
IWC	International Whaling Commission

ABBREVIATIONS AND ACRONYMS	MEANING
MDG	Millennium Development Goal
MFAT	Ministry of Foreign Affairs and Trade
NGO	Non-Governmental Organisation
NZ AID	New Zealand Agency for International Development (now the International Development Group)
NZ IFRS	New Zealand International Financial Reporting Standards
NZ Inc	A term used to refer to the whole of government acting together offshore. Sometimes also used to include the private sector, and other non-government actors.
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OIA	Official Information Act 1982
PACER	Pacific Agreement on Closer Economic Relations
PFTAC	Pacific Financial Technical Assistance Centre
PIF	Performance Improvement Framework
PSCC	Pacific Security Coordinating Committee
PSF	Pacific Security Fund
RWC	Rugby World Cup (2011)
SEM	Single Economic Market
SPC	Secretariat of the Pacific Community
SPRFMO	South Pacific Regional Fisheries Management Organisation
TAI	Trade Aid Importers
TPP	Trans-Pacific Partnership
UN	United Nations
UNDP	United Nations Development Programme
UNPOL	United Nations Police
UNOCHA	United Nations Office for Coordination of Humanitarian Affairs
UNICEF	United Nations Children's Fund
USD	United States Dollar
USP	University of the South Pacific
WTO	World Trade Organisation

Endnotes

- ¹ Not available, based on 2008 data only.
- ² Not available for full set of five indicators.
- ³ For example exchange rate pressures that serve to slow export growth (and depending on the rate of economic growth, the export to GDP ratio) could undermine efforts to negotiate better market access in offshore markets for our traders.
- ⁴ Given the lack of bilateral services export data we are unable, at this stage, to include service exports. As better bilateral services export data become available over time we would look to build this into the analysis.
- ⁵ Population: ADB Basic Statistics 2011.
- ⁶ GNI Per Capita, Atlas Method: ADB Basic Statistics 2011.
- ⁷ Total Aid from All Donors: DAC, Development Co-operation Directorate Aid Statistics.
- ⁸ Net ODA as a Percent of GNI: World Bank: World Development Indicators.
- ⁹ The programme table above amalgamates some small regional programmes. This means it adds to 30 programmes rather than the official 33 in the programme framework.
- ¹⁰ The Millennium Development Goals are: eradicate poverty and hunger; achieve universal primary education; promote equality and empower women; reduce child mortality; improve maternal health; combat malaria, HIV and TB; ensure environmental sustainability; and develop a global partnership for development. Each of these goals has relevant quantitative targets, available from UN websites and elsewhere.
- ¹¹ Ease of Doing Business Ranking 2011: World Bank Group: Doing Business 2011.
- ¹² Forecast Growth Rate of GDP 2011: ADB Pacific Economic Monitor July 2011 and ADB Asia Economic Monitor December 2010.
- ¹³ Current Account Balance 2010 (% of GDP): ADB Basic Statistics 2011.
- ¹⁴ Human Development Index Values 2010: UNDP 2010 Rankings.
- ¹⁵ The closer the value is to one, the better the country ranking. The methodology for calculating the HDI was substantially revised in 2010, making comparison with earlier years of limited value.
- ¹⁶ Detailed assessment by country against MDGs can be found in the Pacific Islands Forum Secretariat Annual Report 2010.
- ¹⁷ Examples drawn from Activity Completion Assessments (ACAs); examples were not drawn from Activity Monitoring Assessments (AMAs) because of the difficulty in drawing accurate conclusions around the impacts of projects that are yet to be completed.
- ¹⁸ Findings drawn from the 24 independent evaluations completed in 2010.
- ¹⁹ This chart does not include those costs which cannot be directly or easily attributed to a region (ie expenditure on Ministerial servicing).
- ²⁰ This excludes aid to multilateral organisations where we are unable to attribute spend to a particular sector.
- ²¹ This figure represents Pacific expenditure as a percentage of bilateral, regional assistance and international agencies.
- ²² Large activities are defined as those over \$500,000, reflecting a shift to fewer, larger activities.
- ²³ Programme-based approaches involved coordinated support for locally owned development programmes. They help reduce fragmentation and administrative costs while promoting increased local ownership and a greater focus on development outcomes.
- ²⁴ As a guardian of New Zealand tax payers' money, the New Zealand Aid Programme will use local systems where after a rigorous assessment they are proven to be robust. There were no cases of substantiated fraud in the 2010/11 year. Since 2008/09 the amount of substantiated fraud in a total \$1.426 billion Aid Programme equates to 0.008 of 1 per cent (\$1 for every \$12,500 of ODA provided).
- ²⁵ N. Birdsall, H. Kharas, A. Mahgoub, & R. Perakis. 2010. Quality of Official Development Assistance Assessment. Centre for Global Development.
- ²⁶ This data is drawn from the *Annual Report on Quality* (2011); the report assessed 22 independent evaluations conducted during 2010.
- ²⁷ There was a marked improvement in meeting the Ministerial deadline, however we still fell just short of our performance target. This will be the subject of ongoing improvement actions.
- ²⁸ The statutory deadline for responding to Official Information Act requests is 20 days. Requests can, however, be extended under Section 15A of the Act "for a reasonable period of time having regard to the circumstances". The 40 working day deadline is an attempt to represent an expectation of the outer limit of the criteria set out in Section 15A of the Act and follows the measure set out in the Ministry's Estimates for the 2010/11 financial year. Figures exclude requests received by the Ministry but transferred to other agencies for reply.
- ²⁹ Refer to endnote 28.
- ³⁰ This quantity measure is largely demand driven. The figure of 792 does not include cross accredited diplomatic and consular staff or official dependants all of whom require the administration of diplomatic and consular privileges and immunities.
- ³¹ The Ministry contracted an independent consulting firm, the New Zealand Institute of Economic Research (NZIER), to conduct the review on policy advice. A 10-point rating scale was used, which allow the results of the review to be comparable to the reviews of policy advice of other government agencies. The figure report here of 79% is the percentage of papers in the review given a score of 7 or above.
- ³² This performance measure has been corrected. It had incorrectly been included in the forecaste Statement of Forecast Service Performance for 2010/11 (and previous years) as three weeks.
- ³³ The Common Measurements Tool is a set of survey questions and scales that allow State Services agencies to measure client satisfaction and identify service delivery improvements for service users. By using a common set of questions agencies are able to compare their performance with other State Services agencies, with the Kiwis Count national survey and also measure how they are progressing over time.
- ³⁴ Refer to endnote 33.
- ³⁵ Project bids were reviewed and assessed by an external assessor and the interdepartmental PSCC as being consistent with Government policy goals for Pacific security, although no audit has taken place.
- ³⁶ Funding was provided to implementing agencies as laid down in memoranda of understanding between MFAT and the agencies.
- ³⁷ The report on the performance of the Pacific Security Fund for year 2010/11 has not yet been produced due to resource issues.
- ³⁸ This measure is demand driven.
- ³⁹ The figure of 55 includes international agreements led by us as well as agreements led by other agencies. We are engaged in all these treaties at some point but the amount of work entailed varies from large multi-party agreements where we are the lead negotiator, to small-scale arrangements led by other departments. The figure also excludes our ongoing involvement in the functioning of and decision-making in already established international organisations.
- ⁴⁰ We conducted a survey of those who had negotiated alongside us over the 12 months to June 2011. The majority of survey respondents were peers from other New Zealand government agencies. The purpose of the survey was to assess the effectiveness of Ministry negotiator in the eyes of negotiation partners. The survey looked at six key areas: alignment with goals and priorities; negotiation skills; preparation, analysis and reporting; leadership and management; stakeholders management and communication, and continued capability development. The reported figure of 76% represents the percentage of 4 or above ratings in a 5 point scale, among all responses.
- ⁴¹ Refer to endnote 33.
- ⁴² This quantity measure is largely demand driven.
- ⁴³ Refer to endnote 40.
- ⁴⁴ We conducted an internal review of visits management. A panel of staff reviewed a randomly selected sample of 10 visits that took place in the 12 months to June 2011. The figure of 80% is the percentage of 4 or above ratings in a 5 point scale, among all assessed criteria.

⁴⁵ Refer to endnote 33.

⁴⁶ During the 2010/11 financial year it is noted that the Ministry of Agriculture and Forestry merged with the New Zealand Food Safety Authority, and the Ministry of Science and Innovation was established following the merger of the Ministry of Research, Science and Technology and the Foundation for Research, Science and Technology.

⁴⁷ Refer to endnote 46.

⁴⁸ Refer to endnote 46.

⁴⁹ For the first time, this year we invited peers from New Zealand government agencies who have received support services from the Ministry to participate in a client satisfaction survey. The figure of 62% represents the percentage of respondents who gave a 4 or higher rating on a 5-point rating scale, where 1 means 'Very dissatisfied' and 5 means 'very satisfied', to the question "How satisfied were you with the overall quality of service delivery?"

⁵⁰ Event to be held in September 2011 and will be reported against in the 2011–12 annual report.

⁵¹ Rugby world cup to be held in September-October 2011 and will be reported against in the 2011–12 annual report.

⁵² Refer to endnote 50.

⁵³ Refer to endnote 51.

⁵⁴ Refer to endnote 50.

⁵⁵ Refer to endnote 51.

⁵⁶ Refer to endnote 50.

⁵⁷ The New Zealand Aid Programme has 33 programmes it administrates in its official programme framework. For annual reporting purposes, three small regional programmes have been amalgamated together.

⁵⁸ In 2011, the New Zealand Aid Programme undertook its first ever quality management review of its programmes and activities against the quality standards in the Performance Information for Appropriations Vote Official Development Assistance. Six programmes and three to four activities (making a total of 21 Activities) under each Programme were reviewed.

⁵⁹ This indicator was difficult to measure meaningfully. Over 2011/12, MFAT will identify whether another measure and system would be more appropriate to measure this.

⁶⁰ The New Zealand Aid Programme received a new mandate in 2009 requiring a change of focus to sectors directly supporting sustainable economic development. The New Zealand Aid Programme's expenditure on sectors directly supporting sustainable economic development (for example, transport and energy infrastructure, tourism and agriculture, etc) has increased from \$72 million in 2009/2010 to \$100.6 million in 2010/11. However, the proportion of expenditure was roughly the same as the previous year, which was 28%. This is due to a \$60 million increase in total sector-allocable aid. The percentage figure is expected to increase significantly in 2011/12.

⁶¹ A key threat to the effectiveness of the Vote Official Development Assistance (ODA) is the fragmentation of the New Zealand Aid Programme into a large number of small activities. New Zealand Aid Programme is progressively shifting the ration of ODA going from small, administratively expensive aid projects to larger higher impact, more comprehensive initiatives. Accordingly, targets have been set to decrease the number of activities and increase their average size.

⁶² Refer to endnote 61.

⁶³ The use of fewer, longer and deeper interventions reduces the transaction costs for partners, and improves the ability of donors to take a long term view. Such approaches are described as 'higher order aid modalities', and the New Zealand Aid Programme is targeting an increase in their usage.

⁶⁴ The Paris Declaration indicators and targets reflect the commitments of both donor and partner countries with a specific focus on: ownership, alignment, harmonisation; managing for results; and mutual accountability. The indicators and targets provide a benchmark against which individual donor agencies (like the New Zealand Aid Programme) or partner countries can measure their performance.

For more information on the Paris Declaration on Aid Effectiveness and the indicators please go to the OECD website: www.oecd.org/document A direct link to the indicators document is: www.oecd.org/dataoecd Progress for both donor agencies and partner countries can be found in the Cairns Compact Reporting (PIFS) and OECD-DAC Report on Survey on Monitoring the Paris Declaration (to be released in October 2011).

It is important to note that some indicators and targets and their achievement can be the responsibility of both donor agencies and partner countries, or each individually. With this in mind, for the Ministry's Annual Report we have only reported against those indicators and targets that are the clear responsibility of the New Zealand Aid Programme (as a donor agency), and where information can be easily collated on an annual basis. These indicators and targets are reported on page 52.

⁶⁵ Each of the 30 country programmes administered by the Ministry is governed by a strategic framework or in the Pacific by a Joint Commitment for Development (JCD). Keeping these up to date, reflecting New Zealand government policy and partner priorities is important for achieving development results. Over 2010/2011, 12 strategic frameworks or JCDs were reviewed and/or developed, and have either been: signed-off (or in the process of being signed off) by the Minister; are being negotiated with partner countries; and/or have been substantially progressed.

⁶⁶ In 2010/11, the number of policy papers and submissions produced for Ministers or Cabinet is well above the budgeted standard. The number of ministerial submissions has increased significantly as MFAT has refocused its policies, programmes and activities, and undertakes organisational change, to reflect Government priorities. This increase is not expected to continue beyond this period of change.

⁶⁷ In 2010/11, 23 reviews and evaluations were completed and submitted to IDG's Evaluation and Research Committee (ERC). This excludes two reviews/evaluations not yet submitted to ERC. The results of these reviews and evaluations are used to improve programme management, and also inform the MFAT Annual Report. The annual review of the quality of evaluations undertaken in 2010 as part of the New Zealand Aid Programme found that 64% of 22 evaluations meet all or most of the quality standards and 36% (eight reports) meet some of the quality standards.

⁶⁸ Refer to endnote 67.

⁶⁹ Refer to endnote 67.

⁷⁰ Refer to endnote 65.

⁷¹ Twenty of the programme strategies are current. Nine strategies were not up dated as a result of the decision to develop a single ASEAN Regional Strategy, which will now encompass five existing programme strategies. Another three programme strategies have not been updated as a result of New Zealand's Aid Programme review of the business model, which has meant that these programmes have been amalgamated or discontinued. Work on two programmes was delayed awaiting the finalisation of the international development policy, which has now been completed.

⁷² These are the estimated actuals as approved in the 2010/11 Supplementary Estimates as shown in the 2011/12 Main Estimates. The individual output statements disclosed with the Statements of Service Performance report the appropriations for the 2010/11 Supplementary Estimates.

⁷³ These are the estimated actuals as approved in the 2010/11 Supplementary Estimates as shown in the 2011/12 Main Estimates.

⁷⁴ These are the estimated actuals as approved in the 2010/11 Supplementary Estimates.

⁷⁵ Refer endnote 74.

⁷⁶ This includes adjustments made in the Supplementary Estimates.

⁷⁷ Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided with a relevant note.

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