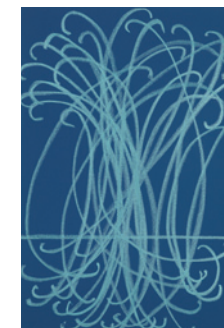


ANNUAL REPORT 2011/12

Ministry of Foreign Affairs and Trade

Giving New Zealand an edge internationally



ANNUAL REPORT 2011 - 2012 Ministry of Foreign Affairs and Trade

The Ministry at a glanceⁱ

Directory

Vote: **Foreign Affairs and Trade**

\$389,111,000

Vote: **Official Development Assistance**

\$564,746,000

Our People

1363 Staff in total

684 In New Zealand

679 Overseas, including:

254 Seconded staff,

425 Locally employed staff

Our network

53 Overseas posts

63 Honorary Consuls
of accreditation

121 Countries and
territories of accreditation

Our Work

**Securing New Zealand's
interests through
international institutions
and international rules**

Led **21** active treaty negotiations
with International Institutions

Administered **33** Acts

**Protecting the rights of
New Zealanders abroad**

Responded to **41,603**
general consular enquiries

Provided consular assistance
to **2,377** New Zealanders

**Safeguarding
New Zealand's
relationships with
other countries**

Led **5** active formal
negotiations with
other countries

**Assisting sustainable
development overseas**

Administered
24 development
programmes

**Advancing New Zealand's
economic growth
through trade**

46% of all NZ exports
covered by trade
agreements in force

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Auditor

Karen Young

Audit New Zealand

Wellington

On behalf of the Auditor-General

Bankers

Westpac

318 Lambton Quay

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ⁱ For the 2011/12 Financial year or as at 30 June 2012.

Annual report

2011/12

1

Ministry of Foreign Affairs and Trade
For the Year Ended 30 June 2012

Presented to the House of Representatives pursuant
to Section 44(1) of the Public Finance Act 1991

Contents

From the Chief Executive	4
Section one: Organisational information	6
Our Vision and Mission	6
Who we are	6
What we do	6
Section two: Our outcomes	7
Outcome 1 – New Zealand’s security and economic interests safeguarded through its political and security relationships	7
Outcome 2 – Economic growth and international competitiveness advanced through New Zealand’s international connections	12
Outcome 3 – New Zealand’s interests secured through regional and multilateral engagement and effective international rules	17
Outcome 4 – Sustainable development in developing countries in order to reduce poverty and contribute to a more secure equitable and prosperous world.	20
Outcome 5 – The rights of New Zealanders protected abroad	27
Section three: Delivering increased organisational health and capability	28
Change	28
Modernisation of our offshore delivery platform	28
NZ Inc coordination	28
Knowledge management tools and their infrastructure	29
Capability and people	30
Equal Employment Opportunities	31
Capital asset management	32
Section four: Our cost effectiveness	33
How we measure up internationally	34

Section five: Our performance	36
Statement of Responsibility	36
Statement of Service Performance	36
Administration of diplomatic privileges and immunities (M34)	38
Consular services (M34)	40
Hosting of Pacific Islands Forum Meeting (M34)	42
Pacific Security Fund (M34)	43
Policy advice and representation – International institutions (M34)	44
Policy advice and representation - Other countries (M34)	46
Policy advice and representation - Other countries (Permanent legislative authority)	48
Promotional activities - Other countries (M34)	49
Rugby World Cup: Guests of Government (M34)	50
Services for other New Zealand agencies overseas (M34)	51
Management of New Zealand Official Development Assistance (M34)	52
Section six: Vote ODA non-departmental appropriations	56
Section seven: Financial overview	72
Financial statements	74
Notes to the Financial Statements	84
Section eight: Our legal responsibilities	129
Crown entities	129
Acts we administer	130
Treaties	131
Independent Auditor's Report	134
Directory	137

From the Chief Executive

The Rugby World Cup and Pacific Islands Forum provided rare opportunities for New Zealand to host leaders from around the world. For a Ministry focused on advancing and protecting New Zealand's international trade and security interests, these events provided an excellent platform to showcase our country and enhance our international relationships. New Zealand projected vibrancy and confidence to the world, which is integral to our future success.

The Pacific Islands Forum was a prime opportunity to progress New Zealand's development agenda. The attendance of UN Secretary General Ban Ki-moon was particularly welcome, elevating the challenges of the Pacific Region to a broader context. Forum Leaders agreed to focus on actions to improve sustainable economic development providing a strong foundation for our work programme and the co-ordination of efforts across the region.

Balancing traditional and emerging relationships

As global political and economic unrest continues, New Zealand must maintain its traditional relationships while continuing to develop its presence in emerging markets. Relationships with Australia, the US and Europe remain important and we continue to progress our interests.

Anniversaries of diplomatic relations were marked with China (40th), Japan (50th) and Korea (60th), which demonstrates the depth of our relationships and stand us in good stead as we seek to develop them further. New Zealand's bond with Japan was strengthened through our response to the tragic earthquakes that impacted both countries.

Progressing the Government's international growth agenda

Collaboration across Government and business is becoming an important feature of our drive to raise New Zealand's economic growth and other interests. Issues are increasingly complex, the world is more inter-connected, and no one agency can work in isolation.

The Ministry is leading cross-agency work on NZ Inc country and regional strategies, which are designed to ensure a coordinated approach to how we operate internationally. A milestone was reached this year with the launch of strategies for both India and China, these aim to direct effort over the next five years to strengthen New Zealand's economic, political and security relationships. Industry has been involved in developing and testing the strategies to ensure they translate into tangible benefits. Strategies have also been progressed for our traditional markets Australia and the United States; and wider regional strategies are underway for the high potential ASEAN and Gulf States.

As a small trading nation located some distance from our trading partners, the Ministry's work to enhance the competitiveness of New Zealand exporters through improved trading frameworks and the negotiation of free trade agreements remains as important as ever. A shift of economic power towards Asia is positive for New Zealand given its closer proximity. We are following a multi-faceted approach to pursuing trade and economic integration in the Asia Pacific region, with strong involvement in regional architecture, including the East Asia Summit and the expanding Trans Pacific Partnership.

Protecting New Zealand's interests through international rules

The Ministry is active and highly targeted in its work with rule making institutions in order to bring stability and certainty to international debates, both political and economic. We are vigorously campaigning for a place on the United Nations Security Council, which would give New Zealand a voice on major decisions regarding peace and security.

Issues like climate change can only be advanced effectively through multi-lateral solutions and New Zealand played a key role in securing a successful outcome from a Ministerial meeting on climate change held in Durban in December. A breakthrough commitment was made to negotiate a new legal agreement, applicable to all countries, by 2015.

Significant progress was also made in the promotion of the world's largest marine protected area in the Ross Sea region. The Ross Sea region is amongst the most pristine natural regions in the world and broad stakeholder views were considered in developing New Zealand's proposal for submission.

Active leadership in the Pacific

There is growing international interest in the Pacific and greater recognition of the region's potential. As Chair of the Pacific Islands Forum this year, New Zealand has worked to gain a stronger voice for Pacific concerns in international fora. Progress was made at both the High Level Forum on Aid Effectiveness and at the Rio+20 United Nations Conference on Sustainable Development, with issues raised and commitments made to sustainable development and regional co-operation.

The New Zealand Aid Programme is advancing projects that support stability, governance and sustainable economic development, notably in fisheries, agriculture, renewable energy and tourism. We are increasingly taking a coordinated approach to issue resolution, forming new partnerships outside traditional donor relationships and aligning development with foreign policy interests.

We played a role in facilitating discussions between the United States and Pacific island countries on access and pricing for tuna fishing in the region, which has significant importance for the economic wellbeing of our Pacific neighbours.

Developing a contemporary Ministry

The Ministry has continued to progress its international policy goals this year and has achieved all its key objectives. This was done within budget and we were able to set aside funding for later use.

International volatility and the reality of flat-line budgets ahead require us to operate differently. We consulted with our people on significant changes to the way the Ministry operates. This has without doubt been confronting for Ministry staff and their families. However, the consultation was an opportunity for people to provide feedback and changes were made as a result of this input.

As the year concluded, we had announced decisions that will change some key features of the Ministry's traditional operating model and modernise our back office systems. I would like to sincerely thank our staff who maintained their professionalism throughout this period despite a range of differing views. The year ahead will remain challenging as we continue to implement changes, but ultimately New Zealand will gain from a more focused, flexible and contemporary Ministry.

Section one:

Organisational information

Our vision and mission

Our vision is to give New Zealand an edge internationally

It is our mission to create the conditions for New Zealand to thrive and to make its mark as a global citizen by:

- Being in the right place 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.

Who we are

The Ministry of Foreign Affairs and Trade is responsible for promoting and protecting New Zealand's interests abroad. The Ministry works for Ministers in four ministerial portfolios:

- foreign affairs
- trade
- international climate change negotiations
- official development assistance.

The Ministry has two votes: Vote Foreign Affairs and Trade, which also provides funding to one Crown entity (New Zealand Antarctic Institute) and two Crown charitable trusts (Pacific Cooperation Foundation and Asia New Zealand Foundation), and Vote Official Development Assistance. The Ministry has a joint role with the Ministry of Economic Development to monitor the performance of New Zealand Trade and Enterprise (NZTE).

What we do

The Ministry of Foreign Affairs and Trade helps New Zealand to navigate the global environment by being highly engaged in that environment, by effectively and creatively representing New Zealand's interests abroad, and by providing the highest quality policy advice to the New Zealand Government on New Zealand's response to the global environment.

Our key activities:

- analysis and advice
- representing and advocating
- negotiating with other governments
- designing and implementing visits and other events
- managing official development assistance
- consular services
- coordinating NZ Inc strategies.

Section two:

Our outcomes

Outcome 1 – New Zealand’s security and economic interests safeguarded through its political and security relationships



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.

Progress towards outcome

Strengthening political, defence and security, trade and economic, and people-to-people links with Australia

Strong momentum was sustained in our close relationship with Australia, with a high level of political engagement supporting advances under the security and economic pillars.

- **Number of high-level meetings:** 36 (ministerial level), including the second ever Joint Meeting of Cabinet Ministers, which will now become a regular event.
- **Major bilateral issues resolved:** Australia implemented the World Trade Organization (WTO) ruling on access for New Zealand apples, opening the way for the first apple exports in 90 years.
- **Changes in short-term visitor numbers (by country of last permanent residence):** 1,175,296 for the year ended June 2012, a 5.8 percent increase compared to the same period last year.
- **Other highlights:**
 - A new Defence Relationship Framework was launched.
 - A regular Australia New Zealand Cyber Security Dialogue was initiated, and New Zealand moved from observer status to membership of Australia’s Counter-Terrorism and Emergency Management Committees.
 - Australia-New Zealand Leadership Forum, held in Sydney, secured high-level Australian business engagement.
 - New Zealand and Australia worked extremely closely together on a joint bid for the Square Kilometre Array international radio-telescope project which resulted in the project being shared between Australia-New Zealand and South Africa.

Improving stability, security, governance, economic growth and sustainable development in Pacific island countries

New Zealand has been Chair of the Pacific Islands Forum in 2011/12. We have played an important coordinating role for the region and given profile to the Pacific's economic, development and security interests at international fora. This year saw frequent visits to and from New Zealand and regular high-level Ministerial contact with Pacific island countries.

- **Number of high-level meetings:** 36 visits (to and from New Zealand), with regular high-level ministerial contact.
- **Change in short-term visitor numbers:** 95,680 short-term visitsⁱ, a 2.6 percent increase compared to the same period last year.
- **Bilateral issues resolved:** 22 with countries across the Pacific region.
- **Other highlights:**
 - Detailed negotiations began on a regional trade agreement, PACER Plus, which incorporates the majority of Pacific Island countries.
 - The Pacific Islands Forum Leaders Meeting held in Auckland in September 2011 provided an opportunity for New Zealand to advance its development agenda at the highest levels. The Waiheke Declaration, agreed by Forum Leaders, focuses on key areas such as fisheries, tourism, renewable energy, education and infrastructure, and provides a platform for further advancing priorities for economic growth and sustainable development.
 - New Zealand has been successful in working with other Pacific governments to maintain a unified Pacific Islands Forum position on Fiji.
 - The Pacific region receives over half of the total development assistance of the New Zealand Aid Programme, which focuses on sustainable economic development. (For more information on the New Zealand Aid Programme, see Outcome 4 on page 20).

Maximising opportunities in the bilateral relationship with the US to secure benefit for New Zealand and our region

The New Zealand/US relationship has moved ahead at a substantial pace following signature of the Wellington Declaration in 2010. The US now characterises its relationship with New Zealand as the best it has been in nearly 30 years, and identifies New Zealand as a valuable partner.

- **Number of high-level meetings:** 20 visits (to and from New Zealand).
- **Change in short-term visitor numbers:** 182,816, a 2.8 percent decline compared to the same period last year.

ⁱ This is the total number of short-term visitors whose country of last permanent residence was the Cook Islands, Fiji, French Polynesia, New Caledonia, Samoa or Tonga.

- **Major bilateral issues resolved:** A Statement of Intent to conclude an agreement Preventing and Combating Crime was signed. Agreements to combat people trafficking in the Pacific and to strengthen US/New Zealand customs cooperation (including integrating the NZ Smartgate system into the US Trusted Traveller Scheme) were signed. Good progress was made on strengthening cooperation in the science and innovation sectors.
- **Other highlights:**
 - The first of now regular Strategic Dialogues was held in Washington in March.
 - The successful visit of Secretary of Homeland Security Janet Napolitano in May.
 - The Washington Declaration was signed in June 2012.
 - Bilateral and regional relationship improvement activities including commemorations of the 70th Anniversary of US Forces arriving in New Zealand during World War II; deeper engagement with the Department of Homeland Security; enhanced cooperation on Pacific development issues; stronger coordination in Asia Pacific regional organisations (PIF, EAS, ARF, ADMM Plus, APEC); and continued cooperation on Antarctic research.

Positioning New Zealand to capitalise on economic growth and development in Asia

New Zealand continues to strongly advance the development of our political and trade links with Asia and opportunities for New Zealand in Asia. Growth in trade with Asia, in particular China and ASEAN, has been fundamental to the economic prosperity of New Zealand in 2011/12.

- **Number of high level meetings:** 54ⁱⁱ
- **Changes in short-term visitor numbers:** Asia is the region with the second highest number of short-term visitors to New Zealand after visitors from Oceania. In the year to June 2012, there were 492,768 visitors from Asiaⁱⁱⁱ, a 9.8 percent increase compared to the same period last year. Of these visitors, 123,408 were from China, which is a 39 percent increase compared to last year.

North Asia

- **Bilateral issues resolved:**
 - **China** - Five, including settling the methanol anti-dumping case, expanding the Air Services Agreement, and agreeing the Investment Promotion Arrangement.
 - **Japan** - Four, including the Air Services Agreement and the Double Taxation Agreement.
 - **Korea** - Four, including access issues around potatoes, beef and kiwifruit.
 - **Hong Kong** - Two, including the signing of an Education Arrangement.

ⁱⁱ This is the number high level inwards and outwards visits serviced by the Ministry for the Asia region.

ⁱⁱⁱ This includes visitors whose place of last permanent residence included the People's Republic of China, Hong Kong (SAR), India, Indonesia, Japan, the Republic of Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand.

■ **Other highlights:**

- The New Zealand China Council was established.
- The 40th anniversary of China-New Zealand diplomatic relations has been marked with cultural events.
- Japanese leaders welcomed New Zealand's response to the Japanese earthquake and tsunami, transparency on the inquiry into the CTV building collapse in Christchurch, and initiation through a Disaster Management Workshop of collaborative scientific activities on disaster risk reduction.
- A Defence Cooperation Memorandum of Intent with Japan is ready for signature.
- 60th anniversary of Japan-New Zealand diplomatic relations has been marked with cultural events such as the Oktabe exhibition at the Pataka Museum of Arts and Culture.
- Extensive Japanese corporate and political engagement in Rugby World Cup 2011.
- The 50th anniversary of Korea-New Zealand diplomatic relations/2012 Year of Friendship has been marked with cultural events, progress in science and technology commercialisation.
- The World of Wearable Arts show in Hong Kong was the first significant WOW event in North Asia and profiled New Zealand expertise and tourism.

South East Asia

■ **Highlights**

- A Prime Minister-led business mission to Indonesia and Singapore in April lifted New Zealand's engagement with two key ASEAN economies.
- Persistent lobbying by New Zealand (MFAT and the Ministry for Primary Industries) restored horticultural exports to Indonesia, and ensured exports of key halal-compliant primary exports to Indonesia and Malaysia could continue on a more reliable basis.
- New Zealand at the table for preparatory work toward negotiation of an ASEAN-centred Regional Comprehensive Economic Partnership.
- The ASEAN Regional Forum Inter-sessional Group hosted by New Zealand in Wellington delivered on objectives and was acknowledged as highly effective by key partners.
- New Zealand-led Integration Partnership Forum was welcomed by ASEAN partners.
- Contribution of New Zealand in APEC - including on regulatory coherence, fossil fuel subsidy reform, food security – acknowledged by the US and Russia, APEC hosts in 2011 and 2012.

- New Zealand APEC initiative to establish a networking framework for Chief Science Advisers advanced and adopted by APEC Ministers.
- The year saw the first-ever visit to Burma by a New Zealand Foreign Minister in March, welcomed by the Burmese President as opening a “new chapter” in our relations, and reflecting historic political reforms there.
- In November New Zealand hosted the visit of the Malaysian Agong (King) to Antarctica, following his country’s long-sought accession to the Antarctic Treaty.

Developing a more influential relationship with the European Union (EU)

- **Number of high-level meetings:** 27, including the visit of European Commission President José Manuel Barroso, and the Prime Minister meeting with German Chancellor Angela Merkel and UK Prime Minister David Cameron.
- **Changes in short-term visitor numbers:** 449,344^{iv}, a 1.5 percent increase compared to last year.
- **Bilateral issues resolved:** Agreement was reached with the EU to enter negotiations for an EU-New Zealand Framework Agreement (FWA). The FWA is necessary as a pre-cursor to New Zealand’s longer-term objective of a fully Comprehensive Agreement with the EU. Unprecedented in its scope, the FWA has already involved over 20 New Zealand Government agencies on the mandate/preparations for the first round of negotiations held in July 2012.

^{iv} This is the total number of visitors whose country/place of last permanent residence included: Austria, Denmark, France, Germany, Ireland, Italy, Netherlands, Spain, Sweden, Switzerland and the United Kingdom.



Outcome 2 – Economic growth and international competitiveness advanced through New Zealand’s international connections

International connections underpin the Government’s economic growth agenda. Through connections we are able to protect benefits that we have negotiated, support greater competitiveness and opportunities, and help gain trade access for New Zealand exporters. These are vital for improving economic growth and productivity and maintaining New Zealand’s capacity to influence a rapidly changing world economy.

Progress towards outcome

World Trade Organization (WTO) Doha Round

New Zealand has worked to preserve outcomes negotiated to date, particularly by highlighting the need to avoid artificial deadlines for conclusion of the round. We have been an active and engaged contributor to services and trade facilitation. We have coordinated closely with like-minded developed and developing countries to promote compromise solutions on new guidelines for WTO accession of Least Developed Countries.

FTAs and other trade and economic frameworks

- Trans Pacific Partnership (TPP) – New Zealand has continued to play an active role in advancing negotiations. In June New Zealand announced on behalf of all current TPP participants that Canada and Mexico would join the negotiations and had confirmed their commitment to achieving the shared goal of high-ambition, next-generation regional trade.
- FTA negotiations with the Russia, Kazakhstan and Belarus Customs Union – substantial progress has been made towards conclusion.
- FTA negotiations with India – three further rounds of negotiation in the last year. Revised goods offers and requests have been exchanged. Services and Movement of Natural Persons offers and requests have also been exchanged and negotiations are ongoing.
- FTA negotiations with Korea – New Zealand has continued to engage with Korea on how to advance towards conclusion of the agreement.
- An Economic Cooperation Agreement between New Zealand and the WTO Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) – negotiations commenced between the New Zealand Commerce and Industry Office in Taipei and the Taipei Economic and Cultural Office in Wellington.
- Investment Protocol pursuant to the New Zealand/Hong Kong China Comprehensive Economic Partnership (CEP) – negotiations advanced with Hong Kong.
- Full Ministerial review of the NZ/Thai CEP has been completed and a pathway ahead identified for an in-built agenda.

- ASEAN-Australia-New Zealand FTA (AANZFTA) was brought into force for all ASEANs with Indonesia's ratification.
- AANZFTA Joint Committee deliver practical benefits for New Zealand business.
- China FTA implementation issues progressed through Joint Commission.
- Inaugural NZ/Hong Kong CEP Joint Commission hosted by New Zealand, establishing CEP infrastructure on a solid footing.

Minimising impact of trade access problems

The Ministry has provided expertise and support as required, especially through its network of Posts, for addressing bilateral and regional market access problems. In this work the Ministry coordinates closely with other NZ Inc agencies (notably Ministry for Primary Industries, Ministry for Economic Development, New Zealand Customs Service and NZTE) and has been in regular contact with industry stakeholders.

Improved economic growth and productivity in New Zealand through increased international linkages

The Ministry has supported a wide range of activities aimed at assisting other business agencies to promote export engagement, for example Export Credit Office changes, establishment of a new Crown entity Education New Zealand, and the double taxation review (with Inland Revenue and the Treasury). At an international level, the Ministry's engagement with the OECD on key issues such as services trade and global value chains is supporting improved understanding of international linkages.

The Ministry continued to lead cross-agency work on NZ Inc country and regional strategies, which strengthen strategic planning and operational coordination among agencies. In 2011/12 NZ Inc strategies have been launched and are being implemented for China and India, and NZ Inc agencies have worked on country strategies for the US and Australia, and regional strategies for the ASEAN and Gulf Cooperation Council regions. There has been extensive engagement with business in developing, testing and implementing the strategies. Information seminars on the China strategy took place in nine centres around New Zealand, with more than 650 people participating. The refreshed New Zealand Latin America Strategy, which Cabinet approved in 2009, continues to guide New Zealand's engagement for this substantial growth region.

The Ministry is coordinating the Building Export Markets workstream of the Government's Business Growth Agenda, which will help drive a more productive and competitive economy. Building Export Markets articulates a range of coordinated actions that the Government is undertaking to promote opportunities for New Zealand exporters and improve the operating environment for exporters both in New Zealand and in offshore markets.

New Zealand maintains a capacity to influence a rapidly changing world economy

The world economy has demonstrated significant volatility in the past year. In response to the changing times the Ministry has been positioning its network of assets and people to respond in a nimble way.

Throughout this change we have successfully maintained the capacity required to continue implementing our strategic policy objectives.

The Ministry continued to engage with relevant international economic organisations – such as the OECD – to help promote New Zealand's interests in international economic policy development.

Measuring progress towards economic outcomes

Indicator	Sub-indicator	2009/2010 (March Year)	2010/2011 (March Year)	2011/2012 (March Year)
NZ exports grow as a percentage of GDP ¹		28.3%	29.7%	30.2%
Foreign direct investment as a proportion of GDP ¹	Inwards	49.4%	47.9%	48.1%
	Outwards	11.5%	11.7%	12.0%
NZ performance on key indicators of international competitiveness improves	KOF globalisation ranking	27 out of 208	25 out of 208	27 out of 208
	World Economic Forum competitiveness ranking ²	20 out of 144	23 out of 144	25 out of 142
	World Economic Forum enabling trade ranking	11 out of 125	6 out of 125	5 out of 132

¹ Figures quoted for 2009/10 and 2010/11 are different to those used in the MFAT Annual Report 2010/11 due to a revision of GDP figures covering several financial years preceding.

² The lower the ranking the better the performance.

Percentage of merchandise trade covered by trade agreements

	Share of total exports in 2011	Share of total exports in 2010
TRADE AGREEMENTS CURRENTLY IN FORCE		
NZ-Australia CER (1 January 1983)	23.0	23.0
NZ-Singapore CEP (1 January 2001)	1.7	1.9
NZ-Thailand CEP (1 January 2005)	1.5	1.6
P4 (Singapore, 1 May 2005; Brunei, 12 July 2006); (Chile, 8 November 2006) ³	0.1	0.1
NZ-China FTA (1 October 2008)	12.3	11.1
AANZFTA (1 January 2010) ⁴	4.3	4.8
NZ-Malaysia FTA (1 August 2010)	1.8	1.8
NZ-Hong Kong CEP (1 January 2011)	1.7	2.0
Total exports covered by agreements in force	46.6	46.3
PENDING FINALISATION		
NZ-GCC FTA	3.2	2.9
UNDER NEGOTIATION		
TPP (Australia, Brunei, Chile, Malaysia, Peru, Singapore, US, Viet Nam) ⁵	8.6	8.8
NZ-Korea FTA	3.5	3.2
NZ-India FTA	2.0	2.1
NZ-Chinese Taipei –ECA ⁶	1.9	-
NZ – Russia Belarus-Kazakhstan FTA	0.6	0.6
Total exports to be covered by agreements	66.4	64.0

³ Only reports the additional contribution made by new FTA partners.

⁴ Only reports the additional contribution made by new FTA partners and also excludes Malaysia given the separate New Zealand-Malaysia FTA.

⁵ Only reports the additional contribution made by new FTA partners. Note the table does not include Mexico and Canada, although they are expected to join TPP negotiations later in 2012.

⁶ Negotiated by the New Zealand Commerce and Industry Office in Taipei and the Taipei Economic and Cultural Office in Wellington

The proportion of New Zealand merchandise exports entering FTA markets duty-free

Trade agreements currently in force	% of exports to FTA partner duty-free in 2011	% of exports to FTA partner duty-free in 2010 ⁹
NZ-Australia CER (1 January 1983)	100	100
NZ-Singapore CEP (1 January 2001)	100	100
NZ-Thailand CEP (1 January 2005)	51.1	56.3
P4 (Singapore, 1 May 2005; Brunei, 12 July 2006); Chile (8 November 2006) ⁷		
Chile	85.8	85.8
NZ-China FTA (1 October 2008)	37.5	37.7
AANZFTA (1 January 2010) ⁸		
Indonesia	49.9	49.6
Philippines	78.1	73.6
NZ-Malaysia FTA (1 August 2010)	94.9	93.2
NZ-Hong Kong CEP (1 January 2011)	100	100

⁷ Only reports the additional contribution made by new FTA partners.

⁸ Only reports the additional contribution made by new FTA partners and also excludes Malaysia given the separate New Zealand-Malaysia FTA. Figures for Viet Nam, Brunei, Cambodia, Laos, and Myanmar are not available.

⁹ Note the figures reported here for 2010 differ from those reported in the 2010/11 Annual Report. The 2010/11 Annual Report was based on *projections* from the National Impact Assessments of the respective FTAs, whereas all figures presented here reflect *actual* trade flows.

Approximately 36 percent of **total** New Zealand merchandise exports entered duty-free into the various FTA markets. In addition, FTAs have secured favourable trading conditions for New Zealand investors and services exporters in key sectors, including a range of professional and business services.

Outcome 3 – New Zealand’s interests secured through regional and multilateral engagement and effective international rules



New Zealand’s ongoing prosperity depends on the prosperity and security of the markets we trade with. It also depends on the willingness of other countries to respect international rules, many of which are set by the 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.

Progress towards outcome

Enhanced security through more effective responses to international and regional security challenges

New Zealand promotes rules-based approaches to international security, and more effective functioning of regional and international security institutions. New Zealand also participates in targeted interventions offshore, to address the security challenges related to fragile and failing states, and is actively engaged in efforts against threats to national and international security such as terrorism, illegal migration and proliferation of WMD and conventional weapons.

Peace support deployments

- The Ministry leads the Provincial Reconstruction Team (PRT) in Bamyān, Afghanistan. The PRT has contributed to the province’s standing as one of the more secure in Afghanistan. Bamyān was one of the first two provinces declared “in transition” in Afghanistan in July 2011 and was the number one ranked province for the Performance Based Governors Fund in 2011.
- Progress in Timor-Leste and Solomon Islands has enabled development of withdrawal options for peace support deployments.
- Contribution to the Multinational Force & Observers has helped maintain stability in the Sinai despite instability elsewhere in Egypt. Our Syria deployment lent support for international pressure on the regime.
- New Zealand maintained its contribution to the UNCMAC force on the Korean peninsula.

Counter-terrorism

- Southeast Asian counter-terrorism capacity has been enhanced through targeted regional and bilateral technical assistance and training projects funded under the Asia Security Fund.
- Pacific island countries’ counter-terrorism legal frameworks were enhanced and compliance with international counter-terrorism obligations increased through a New Zealand-funded UN Office on Drugs and Crime project.
- Key partners’ awareness of New Zealand counter-terrorism contributions has improved, and donor coordination enhanced, through New Zealand’s participation in the new Global Counter-Terrorism Forum, launched in September 2011.

- Financial and other sanctions were enacted against terrorist organisations through the formal designation of these entities under New Zealand's domestic counter-terrorism legislation (in addition to listing all terrorist entities designated by the UN).

People smuggling

- There has been improved cross-government coordination of policy and operational responses to maritime people smuggling and effective management of attempted maritime ventures.
- New Zealand made targeted contributions to the Bali Process to help combat trans-national crime in the Asia-Pacific region.
- New Zealand's mass arrival response capability was tested through successful completion of Exercise BARRIER 2012.

Nuclear security

- New Zealand made direct contributions to improving nuclear security in Uzbekistan and Southeast Asia.
- The Prime Minister's participation in the second Nuclear Security Summit in March 2012 raised the global profile of New Zealand's efforts.

Non-proliferation

- New Zealand joined international efforts to put pressure on Iran, Syria and the Democratic People's Republic of Korea to comply with non-proliferation commitments through the International Atomic Energy Agency.
- New Zealand provided Global Initiative to Combat Nuclear Terrorism partners with a model table-top exercise to improve state-level nuclear security controls and continued active support for and participation in the Proliferation Security Initiative.
- New Zealand chaired the four-yearly assessment by Wassenaar Arrangement members, during which a number of long standing initiatives were concluded or moved forwards. Subsequently the New Zealand chair was appointed to head the Wassenaar Secretariat.

Conventional weapons

- New Zealand has been the coordinator of national implementation measures in the Convention on Cluster Munitions, resulting in 13 ratifications during the year.
- New Zealand was closely involved in preparations for the launch in July 2012 of formal negotiations on a comprehensive treaty to stop the illicit trade in conventional arms.

Progress in advancing an international environmental and natural resource agenda that advances New Zealand interests and supports New Zealand economic competitiveness

- At the COP 17 climate change talks in Durban, New Zealand's over-arching interests in a comprehensive global agreement were advanced with the decision to negotiate a new legal agreement, applicable to all parties, by 2015. New Zealand successfully facilitated all aspects of the global effort to mitigate greenhouse gas emissions during the transition to this new agreement, and secured outcomes that advanced our specific interests in carbon markets, forestry and agriculture.

- In the International Whaling Commission, New Zealand was in the forefront of cumulative pressure on Japan to withdraw from whaling in the Southern Ocean, but efforts to persuade Japan and to find a long-term solution were unsuccessful. New Zealand's role reflected our conservation interests and we led resolution of divisive issues. Last year 267 whales were caught in the Southern Ocean. There are variances year to year, but an overall downward trend.
- At the annual Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR), New Zealand's objectives were fully achieved, including development of conservation measures to underpin the sustainable management of the fishery. New Zealand's proposal for a marine protected area in the Ross Sea region was advanced. The CCAMLR Secretariat reported that the trend of illegal fishing in the Southern Ocean was estimated to have continued at a relatively low level.
- At the annual Antarctic Treaty Consultative Meeting/Committee for Environmental Protection, New Zealand proposals on fishing vessel safety, tourism, and several new initiatives to identify and protect areas requiring conservation were adopted. Issues relating to the Antarctica (Environmental Protection) Act, such as unauthorised expeditions and permitting, were managed effectively.
- The South Pacific Regional Fisheries Management Organisation (SPRFMO) continued momentum towards entry into force with strong New Zealand support. In a further positive step forward, the Preparatory Conference agreed on revised interim management measures.
- At the UN Conference on Sustainable Development (Rio+20), there were good outcomes on oceans, fisheries, including a commitment to eliminate harmful fisheries subsidies, and further multilateral recognition of the importance of fossil fuel subsidy reform. Pacific objectives were secured in the outcomes of Rio+20 through New Zealand's role as Pacific Island Forum coordinator. New Zealand continued to provide strong leadership on other UN oceans processes, including chairing roles. New Zealand is a partner of the World Bank-led Global Partnership on Oceans.
- New Zealand's interests were advanced and protected across a wide range of issues under the Convention on Biodiversity. We supported the development of the Nagoya Protocol following conclusion of negotiations.
- At an IAEA International Conference on the Safe and Secure Transport of Radioactive Material New Zealand continued to advance the concerns of coastal states about the importance of adequate communication and liability arrangements around the transportation of radioactive materials, and helped to secure agreement to work on the development of best practice guidelines in relation to Government-to-Government communication.

A more effective and accountable UN that is more responsive to New Zealand's interests

- New Zealand's UN Security Council bid is on track with agreed vote target met.
- New Zealand continues to advocate for reform in relevant UN fora with incremental progress.
- Securing the visit of UN Secretary General Ban Ki-moon to the Pacific Islands Forum that New Zealand chaired was an opportunity to focus on the challenges and concerns of New Zealand and the Pacific region.
- A mechanism has been established for annual Pacific/UN Secretary General dialogue.

A relevant and more effective Commonwealth that advances respect for the rule of law

- New Zealand objectives at 2011 CHOGM, including New Zealand's interests in new Commonwealth Charter were achieved.
- New Zealand continues to advocate for reform in relevant Commonwealth fora with incremental progress.



Outcome 4 – Sustainable development in developing countries in order to reduce poverty and contribute to a more secure equitable and prosperous world.

Good development outcomes in the Pacific and elsewhere are critical elements of New Zealand's foreign policy objectives.

The Ministry's 'International Development Policy Statement: Supporting Sustainable Development' was published in March 2011 and sets out the approach the New Zealand Government follows in managing and delivering development assistance. It identifies four themes: investing in economic development, promoting human development, improving resilience and responding to disasters, and building safe and secure communities. The policy statement identifies sustainable economic development and the Pacific as priorities, and sets out a targeted approach for other regions.

Progress towards outcome

During 2011/12 the amount of development assistance spent on sustainable economic development activities increased by 40 percent (from \$100 million to \$140 million). The percentage of support going to the Pacific increased from 52 percent to 56 percent (from \$257.3 million to \$287 million¹), and the median annual expenditure on activities increased from \$200,000 to \$255,519. Ten Joint Commitments for Development and programme strategies have been agreed with bilateral partner countries. These are positive results in line with Government policy directions and the new business model. (For details of development results resulting from New Zealand's development assistance, refer to section six of this report.)

Economic Indicators

High level indicators of economic change form a starting point for tracking progress towards the development outcomes that New Zealand seeks to support. Results are largely attributable to the performance of the countries themselves with donor support supplementing their efforts, which makes direct attribution difficult.

¹ This figure includes the Pacific appropriation, plus projects in the Pacific funded through the Sustainable Development Fund (New Zealand Agencies Appropriation)

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.

Bilateral partner countries: basic statistics

Bilateral Partners	Population (M) ¹	GNI per capita 2010, Atlas Method (US\$) ²	Total aid from all donors 2010 (US\$ M) ³	Net ODA as a percentage of GNI 2010 (US\$ M) ⁴	New Zealand ODA (NZ\$M)		
					2009/10	2010/11	2011/12
Cook Islands	0.03	n.a	13	n.a	7.7	18.9	19.4
Niue	n.a	n.a	15	n.a	11.2	23.7	16.2
Tokelau	n.a	n.a	15	n.a	14.6	20.5	23.3
Samoa	0.19	2,980	147	25.5	21.8	18.5	20.4
Tonga	0.1	3,290	70	19.5	13.0	14.6	25.5
Tuvalu	0.01	4,760	13	26.2	2.8	1.8	7.4
Papua New Guinea	7.06	1,300	513	5.5	25.1	31.4	27.6
Solomon Islands	0.54	1,030	340	61.4	41.1	33.4	33.6
Vanuatu	0.24	2,640	108	16.2	21.0	16.7	18.2
Kiribati	0.11	2,000	23	10.5	6.0	8.9	22.0
Fiji	0.85	3,630	76	2.5	5.8	4.5	6.6
Indonesia	241.37	2,500	1,393	0.2	10.2	16.4	19.5
Viet Nam	87.84	1,160	2,945	2.9	12.7	9.0	9.3
Timor-Leste	1.09	2,220	292	9.2	7.8	9.4	9.9
Cambodia	14.52	750	737	6.9	5.9	4.6	4.6
Philippines	94.09	2,060	535	0.3	5.2	5.9	4.6
Lao PDR	6.38	1,040	416	6.2	2.6	3.7	6.9

n.a = data not available

¹ ADB Basic Statistics 2012

² ADB Basic Statistics 2012

³ OECD Aid Statistics, Recipient Charts (last updated Jan 2012)

⁴ World Bank: World Development Indicators (accessed July 2012)

Economic growth

Economic growth forecast in the Pacific region accelerated from 2.9 percent in 2011 to 3.6 percent in 2012ⁱⁱ. The major contributors to this performance were Papua New Guinea, Solomon Islands and Timor-Leste, with economic growth rates of more than 6.0 percent. In the Cook Islands, Tuvalu and Kiribati projected economic growth rates improved at least 1.4 percent from 2010/11. The 2012 projected growth rate of 6.95 percent in the Asian region has moderated and remained stable since 2010/11 due to weaker external demand and tightened monetary policies to battle inflation.

Ease of doing business

Ease of doing business is a key indicator provided by the World Bank. Three of the 13 New Zealand partner countries measured have improved their regulatory environments for starting and operating local firms. Compared to last year, Tonga, Solomon Islands and Timor-Leste have shown an improvement in their rankingsⁱⁱⁱ. Other partner countries have stayed the same or shown a slight reduction in their rankings.

Progress in Sustainable Development

Programme	Forecast growth rate of GDP 2012	Current account balance 2011 (% of GDP) ⁵	Ease of doing business ranking (low numbers better) ⁶		Human development index (HDI) values 2011 ⁷
			2011	2012	
Cook Islands	5.4	4	n.a	n.a	n.a
Samoa	2.5	-9.3	55	60	0.688
Tonga	0.4	-11	62	58	0.704
Tuvalu	1.4	n.a	n.a	n.a	n.a
Papua New Guinea	7.5	-36.8	97	101	0.466
Solomon Islands	6	-11.2	81	74	0.51
Vanuatu	4.5	-5.9	75	76	0.617
Kiribati	3.5	-28.9	111	115	0.624
Fiji	1	-11.2	72	77	0.688
Indonesia	6.5	0.2	126	129	0.617
Vietnam	6.3	0.2	90	98	0.593
Timor-Leste	10	339.4	169	168	0.495
Cambodia	6.5	-7.1	138	138	0.523
Philippines	4.8	3.1	134	136	0.644
Lao PDR	7.6	-15.9	163	165	0.524

n.a = data not available

⁵ ADB Basic Statistics 2012

⁶ Ease of Doing Business Ranking 2012: World Banking Group: Doing Business in a more transparent world 2012. Figures quoted for 2011 are different to those used in the MFAT Annual Report 2010/11 due to a revision of the previous years 'Ease of doing business ranking' figures.

⁷ Human Development Index 2011: UNDP

ⁱⁱ ADB, Asia Economic Monitor, December 2011 and the ADB Pacific Economic Monitor, March 2012

ⁱⁱⁱ Ease of Doing Business Ranking 2012: World Banking Group: Doing Business 2012.

Dependence on Official Development Assistance

The majority of Asian developing countries have made progress towards a reduction in dependence on development assistance as a proportion of their GNI compared to last year^{iv}. In contrast four from eight of our Pacific partner countries (with data available) appear to have increased dependence, especially Samoa and Solomon Islands. (This may reflect increased assistance following the 2009 tsunami in Samoa and an increase in Australian support for Solomon Islands).

Human Development Index (HDI)

HDI is a comparative measure of life expectancy, literacy, education, and standards of living of a country. HDI values in New Zealand's bilateral partner countries slightly improved over the past year^v.

Millennium Development Goals (MDGs)

In the Pacific, the overall trend is that Polynesian countries are performing relatively well and are on track to achieve four of the MDGs: universal primary education, reducing child mortality, improving maternal health, and ensuring environmental sustainability^{vi}. The Cook Islands and Niue are on track for six out of seven MDGs and Tonga is on track for five. In contrast, Melanesian countries and Kiribati are not making much progress. Papua New Guinea is the most off track and its large population of approximately 7 million tends to skew the statistics for the Pacific.

In Asia, most countries are on target to eradicate extreme poverty and hunger – all have reduced the percentage of population living below the international poverty line (US\$1.25 per day)^{vii}. There has been less consistency in achieving universal primary education, with the Philippines, Timor-Leste, Lao and Cambodia not on track to meet the MDG education targets. No Asian country is on track to meet all seven MDGs, although Viet Nam is on track to meet six, and Timor-Leste has shown significant gains and is now on track to meet at least four. The Philippines is not on track to meet any of the MDGs.

^{iv} Net ODA as a percent of GNI 2010, World Bank: World Development indicators <http://data.worldbank.org/indicator/DI.ODA.ODAT.GN.ZS>

^v Human Development Indicators (HDI) values, UNDP 2011.

^{vi} 2011 Pacific Regional MDGs Tracking Report.

^{vii} 2011 ADB Key indicators for Asia and the Pacific.

Improving how we manage development assistance and measure our impact

Programme performance

Throughout 2011/12 the Ministry has been developing new development programme management policy, planning and results frameworks that will better define what official development assistance (ODA) New Zealand will contribute to a particular programme and how New Zealand can support the best outcomes. New Zealand's specific contribution towards development outcomes for each country programme are outlined in Joint Commitments for Development (for Pacific countries) and programme strategies.

Efforts to reduce fragmentation and improve aid effectiveness have seen the number of programmes reduce from 33 to 24 in 2011/12. Each programme completes an annual plan and progress report including a rating of progress towards the development outcomes set out in programme strategies. For 2011/12, out of a total of 130 strategic objectives, 70 percent were rated good or better, and 97 percent were rated as adequate or better (see section six).

Programme ratings

Drawn from 26 reports		Excellent	Good	Adequate	Unsatisfactory	Total
2011/12	No. objectives	17	74	35	4	130
	%	13%	57%	27%	3%	100%
2010/11	No. objectives	18	70	32	6	126
	%	14%	56%	25%	5%	100%

During 2011/12 a multi-year strategic evaluation programme was developed in order to contribute to both accountability and learning. Key strategic evaluations currently underway include sector evaluations of our work in policing and Pacific fisheries.

Programme spend

Programme	2009/10 \$M	2010/11 \$M	2011/12 \$M
Cook Islands	7.4	18.8	19.0
Niue	11.2	23.7	16.2
Tokelau	14.6	20.5	23.3
Fiji	4.8	4.4	3.2
Kiribati	5.9	8.8	21.4
Papua New Guinea	24.7	28.1	23.7
Samoa	20.4	17.9	18.8
Solomon Islands	40.7	32.7	32.6
Tonga	12.7	14.2	25.1
Tuvalu	2.8	1.7	6.9
Vanuatu	20.7	16.3	16.5
Pacific Economic Development	17.6	14.8	15.6
Pacific Human Development	15.4	19.3	20.2
Pacific Regional Agencies	15.8	20.7	20.3
Afghanistan	5.1	7.8	7.1
Indonesia	8.6	13.6	18.8
Timor-Leste	7.4	8.5	9.8
Viet Nam	12.6	7.9	9.3
Asia/ASEAN Regional	20.8	21.9	24.8
Africa Regional	7.9	6.0	3.9
Latin America Regional	5.6	4.7	2.3
Partnerships	41.5	32.3	31.0
Humanitarian	9.0	16.8	20.1
Multilateral	93.1	123.8	114.1
Other Non-programme	9.0	9.9	6.4
Grand Total	435.3	495.1	510.4

Activity performance

In 2011/12 Activity Management Operational Guidance was released, covering a suite of activity cycle management and contracting policies, guidelines, templates and business tools for managing development assistance. New mandatory Activity Results Frameworks focus on identifying results (outputs and outcomes) that are directly due to New Zealand's contribution and on developing strong integrated monitoring and evaluation systems at the start of the activity life cycle. Activity Monitoring Assessments and Activity Completion Assessments monitor our activities and track progress against results. They provide measures of relevance, effectiveness, efficiency, likely impact and sustainability of benefits.

Efforts to reduce the number of activities being managed and ensure increased number of larger and higher impact activities have been successful. In 2011/12 there were a total of 597 activities, compared to 718 activities in 2010/11. (For details on selected activities from the Pacific and Global Appropriations refer to section six.)

Working with others

New Zealand works in partnerships with third parties to deliver ODA. This enables us to draw on the expertise, knowledge and experience of a variety of different organisations throughout New Zealand and abroad. It is also a way to support greater coherence and harmonisation of aid within a region or sector and enables New Zealand to contribute towards larger scale resourcing needed to address significant challenges.

Multilateral organisations

In 2011/12, \$145.4 million^{viii} or 28 percent of the New Zealand Aid Programme was delivered through multilateral organisations, including humanitarian agencies. The largest multilateral recipients are the Asian Development Bank, United Nations Development Programme (UNDP), the World Bank, and the United Nations Children's Fund (UNICEF).

New Zealand non-government organisations (NGOs)

In 2011/12, the Ministry committed \$23 million to NGOs for multi-year projects through the Sustainable Development Fund (SDF). The SDF will be replaced in 2012/13 by the New Zealand Partnerships for International Development Fund that will provide contestable support to New Zealand NGO, state and private sector organisations to deliver development results offshore. (For additional details on selected activities in the International Agency and Voluntary Agency Grants, refer to section six.)

^{viii}This figure includes the International Agency Appropriations, plus other bilateral, regional and humanitarian funding channelled through multilateral agencies.

Outcome 5 – The rights of New Zealanders protected abroad



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.

The Ministry's consular emergency response capacity would also be activated in the event of a major natural disaster in New Zealand in order to facilitate international assistance and liaise with foreign missions.

Progress towards outcome

Raising the awareness of New Zealanders travelling and living overseas

We receive consistently positive feedback on our service performance in our surveys of recipients of consular services. Preliminary indications of this year's survey indicate a very high 82 percent client satisfaction rate and an increased awareness of the safe travel website (up by 10 percent).

Consular emergency responses

There have been no large emergency response events this year. Assistance was, however, provided to a handful of New Zealanders evacuating from civil unrest situations in Syria, Mali, Guinea Bissau and Thailand floods in October.

Section three:

Delivering increased organisational health and capability

Change

Successful implementation of key change programmes.

- Following a comprehensive and complex planning, consultation and decision-making process, work is now underway to implement a new business model for the Ministry.
- The model introduces new organisational structures and modernises the Ministry's staffing models and processes that will lead to efficiency gains.
- The Ministry is also implementing updated systems for management of resources, including increased devolution of financial and management authority to line managers in Wellington and at overseas posts.

Modernisation of our offshore delivery platform

The Ministry is continuing to invest in modernisation to achieve efficiency gains and improved operational outcomes over the longer term. Key initiatives are:

- Review of the number and function of offshore posts has resulted in the closure of one post and significant changes being implemented to how we manage posts
- Significant investment in developing a more flexible and modern global network along with enhanced mobile computing
- Simplification and streamlining of corporate processes and systems
- Modernisation and simplification of financial processes and systems.

NZ Inc coordination

The Ministry continued to lead cross-agency work to develop and implement the NZ Inc country and regional strategies. These strategies strengthen strategic planning and operational coordination among agencies. In 2011/12:

- Strategies have been launched and are being implemented for China and India.
- NZ Inc agencies worked on country strategies for the US and Australia, as well as regional strategies covering ASEAN and the Gulf Cooperation Council regions.
- There has been extensive engagement with business in developing, testing and implementing the strategies. Information seminars on the China strategy took place in nine centres around New Zealand, with more than 650 people participating.

Knowledge management tools and their infrastructure

The Ministry has invested around \$5.5 million in developing a more flexible and modern global network environment along with adopting enhanced mobile computing solutions. This comprises:

- Implementing a new Global Restricted network across Wellington and all posts (enabling all staff direct access to the internet and intranet)
- An upgrade to the Windows 7 and Office 2010 platforms
- Implementing a Sharepoint-based interim document management system in preparation for a global document management system
- Developing an e-Records capability, and expanding mobile device capability (laptops, iPads, PDAs).

Flexibility: continue to increase the number of mobile tools deployed to users

2010/2011	2011/2012
1,197 at 28 February 2011	864 mobile tools at 30 June 2012, comprising: 560 laptops, 285 mobile phones (including Blackberries and iPhones), 19 iPads.

Reliability of systems:

What we said we would achieve	2010/2011	2011/2012
Maintain a high level of systems availability (>98%) of core systems.	Exceeded	99.51%

Capability and people

We said we would implement a new toolkit for developing capability in the organisation, including a redesigned performance management system, more targeted learning and development opportunities, and a new leadership development framework.

The performance management framework was redesigned and implemented over 2011/12. This framework focuses on recognising and rewarding staff performance based on the achievement of results and through the demonstration of the Ministry's values. The system is simplified and provides for the delegation of decision making to line managers.

A leadership and management development program has been developed and is being progressively rolled out to support the new leadership development framework. An increased focus on talent management is ensuring that learning and development opportunities are becoming more targeted with higher performers and those with high potential being more actively identified and supported in their development.

The remuneration system, including allowances and benefits, was reviewed and redesigned. The new system enables staff performance recognition based on updated remuneration ranges. A more rationalised approach has been adopted for offshore allowances.

A review of language training has been undertaken to increase the efficiency and effectiveness of the investment. Consultation and decisions on review proposals will occur in the 2012/13 financial year.

What we said we would achieve	What we achieved	
	This year 2011/12	Last year 2010/2011
Improvement in the Ministry's staff engagement score	Engaged 14.4% Ambivalent 57.2% Disengaged 28.4%	Engagement Survey not undertaken
Maintaining the Ministry's low sick leave rates. (days per person)	5.2 days	4.8 days
Maintaining the Ministry's low turnover rates. (Core Unplanned)	12.5%	9.2%
Proportion of Employees with annual leave balances >5 weeks	45.0%	39.3%

Note: Measures in this table have been brought into line with the State Services Commission Departmental Comparator Report. Values and the measure related to annual leave have had a calculation methods update to be consistent with those used by the Human Resource Capability Survey. This methodology will be adhered to in future.

Implementation of changes to the Ministry's business model for the delivery of official development assistance (ODA)

Over 2011/12 the International Development Group of the Ministry (which manages the delivery of ODA) has undergone profound change. A new business model with streamlined operating and procurement processes has been implemented. Building on the major re-organisation and re-integration within the Ministry in 2010-11, the new structure and roles have been bedded in. Procurement and scholarships functions were reviewed, refocused and restructured. The focus is on the effective and efficient delivery of development assistance. The new business model supports a move towards fewer, larger, more impactful development activities; improved value for money; working more in partnerships with other donors, the private sector and civil society; and increasing the overall results focus and effectiveness of the aid programme.

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.

Capital asset management

Over the past 12 months our major capital projects have included:

Technology

- Orange Phase 2 - development of Global Restricted network across Head Office and posts
- Interim document management system (precursor to global document management to be implemented later in 2012)
- Upgrade of all Ministry desktops and laptops to Microsoft Windows 7, Office 2010 & Exchange 2010
- Global document management system design
- Implementation of e-records technology commenced.

Property

At the direction of the Minister the Ministry has paused on advancing all non-essential capital expenditure on property assets.

Significant capital projects completed over the last 12 months include:

- Office relocations in Taipei and Abu Dhabi
- The construction of an Official Residence in Seoul
- Office refurbishments in Wellington Head Office.

Significant capital projects currently in progress include:

- The construction of the new Chancery and Official Residence in Beijing and Official Residence in Ottawa.

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. The Ministry's work of providing foreign policy advice and representation does not lend itself easily to direct cost effectiveness analysis. Few of the Ministry's outcomes have readily quantifiable measures of impact, and many are realised gradually over many years. While work continues to develop appropriate impact measures there is anecdotal evidence that the Ministry is getting more efficient. In 2011/12, the total output expenses for the Ministry was \$361 million – a decrease of around \$9 million or 2% compared to 2010/11. This reduction in expenditure is beginning to represent the results of the Ministry's 20/20 Change Programme and the drive to reduce costs while maintaining output quality and quantity.

In 2011/12, there has been continued focus on improving value for money and effectiveness of ODA. Initiatives developing stronger 'value for money' checks have been incorporated into business processes and procurement processes have been strengthened. Improvements include a new three year strategic plan 2012-2015, with results frameworks and indicators that are to be used across relevant programmes, sectors, thematic areas and activities. The indicators will collect results to address both medium/long term 'development results' and short term 'New Zealand results' that are more directly attributable to the New Zealand Aid Programme.

Approaches that support more strategic interventions are considered 'higher order aid modalities'. During 2011/12, the use of higher order aid modalities decreased from 59 percent in 2009/10 to 51 percent. A contributing factor to the lower use of higher order aid modalities was that the International Agencies appropriation spend was down by \$9 million compared to 2010/11. The number of activities reduced from 718 in 2010/11 to 597 in 2011/12, and the median annual expenditure on activities increased from \$200,000 in 2010/11 to \$255,519 in 2011/12 demonstrating progress in scaling up activities.

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 33% of ODA directly spent on sustainable economic development and \$110 million	Met - 37% \$140.4 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 \$56 million increase in total aid that can be directly allocated to particular sectors. ¹ This percentage figure is however expected to increase significantly in 2011/12.
Increasing percentage of aid going to the Pacific ²	Increasing from 52%	Met - 56%	The amount of aid going to the Pacific has increased from \$257.3 million to \$287 million for 2011/12.
Number of activities	650 or less	Met - 597	The baseline number of activities is currently being reviewed; activity numbers have been significantly reduced during 2011/12.
Median annual expenditure on an activity	\$200,000 or more	Met - \$255,514	
Use of higher order aid modalities	58%	Not met – 51%	A contributing factor for not meeting this target was the decreased spend on multilateral aid in 2011/12.

¹ This excludes aid to multilateral organisations where we are unable to attribute spend to a particular sector.

² This figure represents Pacific expenditure as a percentage of bilateral, regional assistance and international agencies.

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.

International targets for aid effectiveness

There has been a significant review of international aid effectiveness commitments. A survey of progress towards attaining the Paris Declaration indicators formed the basis of discussions at the Fourth High Level Forum on Aid Effectiveness held in Busan at the end of 2011. The survey gave misleading results for the New Zealand Aid Programme as funding to only four partner countries (representing just 7 percent of total aid), was used for the 2005 baseline upon which progress in 2010 was judged.

When looking at total funding New Zealand has made good progress towards achieving the Paris indicators, especially in the area of alignment with partner countries' own systems and priorities. In 2011/12, 69 percent of aid for the government sector used partner countries' own public financial management systems and 73 percent used national procurement systems; a significant increase from 40 percent in 2010/11ⁱ. New Zealand used just 26 'parallel project implementation units' (delivery mechanisms outside the national implementation agencies) to deliver funding to the government sector. This number has continued to reduce since 2005 as partner governments have taken increased ownership of development programmes.

The proportion of New Zealand funding that is untied has increased each year from approximately 85 percent in 2007/08 to over 95 percent in 2011/12.

The use of Programme Based Approaches (PBAs) is an area where New Zealand has not met the global target of 66 percent and increasingly this statistic will be a focus for the futureⁱⁱ. In 2011/12, 56 percent of funding was delivered through PBAs: this is trending upwards from 55 percent in 2010/11 and 52 percent in 2009/10.

Other international measures

In 2011, the Centre for Global Development published the second edition of its Quality of Official Development Assistance (QuODA) Assessment. Out of 31 bilateral donors New Zealand achieved the following rankings across four dimensions: 11th Maximising Efficiency, 24th Fostering Institutions, 4th Reducing Administration Burden on Recipients (increase from 13th in 2010), and 11th Transparency and Learningⁱⁱⁱ.

The Commitment to Development Index measures a range of indicators to provide an overall measure of countries' commitment to development. In 2011 New Zealand ranked 7th out of 22 countries for Commitment to Development, compared to 5th in 2010^{iv}.

New Zealand was not included in the Humanitarian Response Index (HRI), measured annually by DARA International in 2011, as insufficient survey responses were obtained to calculate the qualitative indicators that make up the index^v.

ⁱ As a guardian of New Zealand tax payers' money, the New Zealand Aid Programme will use local systems after a rigorous assessment where they are proven to be robust.

ⁱⁱ 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

ⁱⁱⁱ Nancy Birdsall, Homi Kharas and Rita Perakis 2011, Center for Global Development, Measuring the Quality of Aid: QuODA Second Edition www.cgdev.org/content/publications/detail/1425642,

^{iv} David Roodman, Julie Walz and Tejaswi Velayudhan 2011, Center for Global Development, Commitment to Development Index 2011, New Zealand.

^v Humanitarian Response Index 2011, DARA, Donor Assessments New Zealand

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 2012.

Signed by:



John Allen
CHIEF EXECUTIVE
28 September 2012

Countersigned by:



Phil Goulin
CHIEF FINANCIAL OFFICER
28 September 2012

Statement of Service Performance

The Minister of Foreign Affairs purchased from us provision of the following nine output expenses in Vote Foreign Affairs and Trade, and one output expense 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 of Pacific Island Forum meeting
- Rugby World Cup: Guest of Government

Vote Official Development Assistance

- Management of New Zealand Official Development Assistance

This is a new appropriation established in 2011/12, effective from 1 July 2011. This replaces the departmental appropriations: Management of Official Development Assistance Programme (2010/11 actual expenditure: \$50.863 million) and Strategic Evaluation and Advice (2010/11 actual expenditure: \$11.085 million), which were consolidated into this appropriation and disestablished at this date.

The following statement of service performance records results and services delivered for each of the above output expenses as agreed between the Minister of Foreign Affairs and the Secretary of Foreign Affairs and Trade in the Statement of Intent 2011–2014 and the 2011/12 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 2012.

30/06/2011 Actual excl. Remeasurement \$000		30/06/2012 Actual incl. Remeasurement \$000	30/06/2012 Remeasurement \$000	30/06/2012 Actual excl. Remeasurement \$000	30/06/2012 Supp. Estimates \$000	2010/12 Actual as % of Final Supp. Estimates
1,474	Administration of Diplomatic Privileges and Immunities	1,438	2	1,440	1,720	84%
19,831	Consular Services	19,336	30	19,366	21,737	89%
1,460	Pacific Security Fund	1,086	2	1,088	2,143	51%
58,892	Policy Advice and Representation - International Institutions	67,109	103	67,212	73,729	91%
211,399	Policy Advice and Representation - Other Countries	196,307	299	196,606	216,042	91%
638	Policy Advice and Representation - Other Countries (PLA)	18	-	18	20	90%
148	Promotional Activities - Other Countries	145	-	145	225	64%
14,253	Services for Other New Zealand Agencies Overseas	14,277	-	14,277	14,485	99%
18	Rugby World Cup Guests of Government	3,276	-	3,276	3,455	95%
68	Hosting of the Pacific Islands Forum	3,587	-	3,587	3,650	98%
-	Management of New Zealand Official Development Assistance	54,251	-	54,251	61,359	88%
50,863	Management of Official Development Assistance Programme	-	-	-	-	-
11,085	Strategic Evaluation and Advice	-	-	-	-	-
370,129	Total Departmental Output Expenditure	360,830	436	361,266	398,565	91%

Notes referred to in the tables can be found in the Information Supporting the Estimates for Vote Foreign Affairs and Trade and Vote Official Development Assistance if further information is required.

Administration of diplomatic privileges and immunities (M34)

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
QUANTITY			
Diplomatic and consular staff of foreign missions in New Zealand at 30 June ¹	500-520	977	792
Policy papers produced for Ministers or Cabinet under this output expense class	3-5	6	8
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%	100%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ²	7.5	7.4	7.3
TIMELINESS			
All arrival and departure documentation for foreign diplomats in New Zealand completed within 10 working days	95%	95%	95%
All programmes of calls requested by foreign Heads of Mission processed within 10 working days	95%	95%	95%
All documentation for New Zealand Head of Mission appointments processed within a timeframe of six weeks	95%	95%	95%
MINISTERIAL SERVICES³			
Number of Ministerial letters prepared	900-1,000	1,234	1,146
Number of Official Information Act request (OIA) responses provided	150-200	133	260
Percentage of ministerial correspondence completed within 15 working days	90%	80%	85%
Percentage of ministerial correspondence accepted without amendments	95%	95%	97%
Percentage of OIA requests completed within 20 working days ⁴	70%	41%	47%
Percentage of OIA requests completed within 40 working days	95%	82%	83%

¹ This measure is largely demand driven. The figure of 977 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.

² The review by NZIER essentially uses a 5 point scale ranging from 5 to 9+. The following interpretation is applied to NZIER's assessment: 5 – Poor; 6 - Borderline: does the job but with risks; 7 – Adequate; 8 -Good: goes beyond the task at hand somewhat; 9+ Excellent. The figure of 79% reported in the 2010/11 Annual Report was the percentage of the paper sampled received a rating of 7 or above and the average score was 7.3.

³ Ministerial services data for 2010/11 included vote ODA. This year vote ODA has been reported separately.

⁴ Twenty working days is the statutory deadline for responding to requests for information under the Official Information Act. 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 (twice the statutory deadline) is an attempt to represent the potential for extensions to be notified. During 2011/12 the Ministry received a number of OIAs that required significant research and consultation prior to release. This had a general knock-on effect on other OIA work. A new Executive Services Division is being established which will have responsibility for Ministerial replies and should contribute to improved performance in 2012/13.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
1,499	Crown	1,689	1,526	1,720
1,499	Total revenue	1,689	1,526	1,720
1,492	Total expenditure	1,438	1,526	1,720
7	Net surplus	251	-	-

Consular services (M34)

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
QUANTITY			
Number of overseas locations where consular services are provided	61	62	62
Distressed New Zealanders overseas who received consular services	2,000-2,200	2,377	2,446
General consular advice enquiries responded to	38,000-40,000	41,603	54,812
Notarial services provided	9,000-10,000	9,738	10,384
Consular emergencies responded to ⁵	3-6	There were no consular emergencies	3

⁵ Consular emergencies are those that require activation of the emergency co-ordination centre.

Performance Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
Policy papers produced for Ministers or Cabinet under this output expense class	5-7	1	-
QUALITY			
Survey of recipients of consular services rate the Ministry's service performance 4-5/5 for consular services in the top quartile of departments using the State Services Commission's Common Measurement Tool to measure their service performance ⁶	Service performance in top quartile	3rd of 9 (81% of respondents satisfied)	11th of 38 (83% of respondents satisfied)
Lessons learned reviews conducted on all consular emergencies	100%	There were no consular emergencies	100%
Lessons learned incorporated into procedures or otherwise actioned within six months	95%	There were no consular emergencies	100%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ⁷	7.5	7.4	7.3

⁶ The survey sample includes all New Zealanders who received consular assistance between 1 April 2011 and 31 March 2012, where the contact details of the individual were known (either a postal or email address).

⁷ The review by NZIER essentially uses a 5 point scale ranging from 5 to 9+. The following interpretation is applied to NZIER's assessment: 5 – Poor; 6 – Borderline: does the job but with risks; 7 – Adequate; 8 – Good: goes beyond the task at hand somewhat; 9+ Excellent. The figure of 79% reported in the 2010/11 Annual Report was the percentage of the paper sampled received a rating of 7 or above and the average score was 7.3.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
19,414	Crown	20,404	20,158	21,387
537	Other	437	350	350
19,951	Total revenue	20,841	20,508	21,737
20,075	Total expenses	19,336	20,508	21,737
(124)	Net surplus / (deficit)	1,505	-	-

Explanation of significant variances

The under-expenditure of \$2.401 million between supplementary estimates and actual expenditure is

mainly due to no major emergencies which required consular responses during 2011/12.

Hosting of Pacific Islands Forum Meeting (M34)

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 hosted 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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
Post-meeting review confirms that the organisation of the meeting was of a high standard.	Internal post-meeting review confirms that the organisation of the meeting was of a high standard.	Several internal post-meeting debriefs were held to discuss New Zealand's role as host of the 2011 Pacific Islands Forum. Internal feedback and feedback received from Forum Members, Post Forum Dialogue partners, media, and private sector participants confirmed that the organisation of the Forum was of a very high standard and assisted in enhancing New Zealand's international standing.	Not measured.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
100	Crown	3,650	4,900	3,650
100	Total revenue	3,650	4,900	3,650
68	Total expenses	3,587	4,900	3,650
32	Net surplus	63	-	-

Pacific Security Fund (M34)

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
All programmes and project bids are assessed as consistent with Government objectives for the Pacific Security Fund, and this is confirmed by periodic audit.	100%	100%	Partially met
Funds are accessed, disbursed and monitored in accordance with the management process established by the Pacific Security Coordinating Committee.	100%	100%	100%
Independent assessments of at least two projects over \$100,000 finds that they were successful in achieving the majority of their objectives.	Independent assessment of projects finds that they were successful in achieving the majority of their objectives	An independent review will be conducted in the second half of 2012 when the targeted projects have progressed to a point that they are ready for review. The scope and scale of projects funded in 2011/12 has not necessitated an independent review.	Not measured
Annual review of fund finds that projects are well implemented, and are making a contribution to achieving the objectives of the fund.	Annual review of fund finds that projects are well-run, and are making a contribution to achieving the objectives of the fund	Met. PSF projects continue to be well-run and are making a contribution to achieving the objectives of the fund.	Not measured

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
2,265	Crown	2,038	3,043	2,143
2,265	Total revenue	2,038	3,043	2,143
1,478	Total expenses	1,086	3,043	2,143
787	Net surplus	952	-	-

Explanation of significant variances

The under-expenditure of \$1.057 million between supplementary estimates and actual expenditure was primarily due to delays in projects undertaken by other agencies where funds had been allocated in the 2011/12 financial year under the PSF's contestable funding structure.

Policy advice and representation – International institutions (M34)

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
QUANTITY			
Active treaty negotiations led by the Ministry under this output expense class ⁸	8-10	5	Not applicable (New measure)
Negotiating sessions requiring formal credentials ⁹	12-15	15	Not applicable (New measure)
Policy papers produced for Ministers or Cabinet under this output expense class	200-250	226	168
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 ¹⁰	80%	79%	76%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ¹¹	7.5	7.4	7.3
Percentage of survey respondents providing positive feedback on the quality of New Zealand's diplomacy ¹²	80%	Did not measure	Did not measure

⁸ The performance measure used in the 2010/11 report was "active formal negotiations serviced by the Ministry", which included international agreements led by the Ministry and by other agencies. The measure was revised to "Active treaty negotiations led by the Ministry under this output expense class" to more accurately reflect workload implications for the Ministry.

⁹ Formal credentials are required by major plenary sessions of international organisations. The number of formally credentialed meetings each year represents a good estimate of the quantity of negotiation taking place in formal decision-making bodies of established international organisations. There is some overlap with active treaty negotiations, where treaties are being negotiated under the auspices of an international organisation.

¹⁰ This is a survey of the Ministry's negotiation partners on the Ministry's performance against quality standards for negotiations, published in the Information Supporting the Estimates.

¹¹ The review by NZIER essentially uses a 5 point scale ranging from 5 to 9+. The following interpretation is applied to NZIER's assessment: 5 – Poor; 6 – Borderline: does the job but with risks; 7 – Adequate; 8 – Good: goes beyond the task at hand somewhat; 9+ Excellent. The figure of 79% reported in the 2010/11 Annual Report was the percentage of the paper sampled received a rating of 7 or above and the average score was 7.3.

¹² The stakeholder research that was intended to provide information to report against this measure was deprioritised and deferred in response to the development of the Ministry's change programme.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
59,881	Crown	70,122	72,219	73,729
-	Other	-	-	-
59,881	Total revenue	70,122	72,219	73,729
59,618	Total expenses	67,109	72,219	73,729
263	Net surplus	3,013	-	-

Explanation of significant variances

The variance of \$6.620 million between supplementary estimates and actual expenditure arises mainly from the impact of under-expenditure by corporate units resulting in reduced allocations across outputs.

Policy advice and representation – Other countries (M34)

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
QUANTITY			
Active formal negotiations led by the Ministry under this output expense class ¹³	15-20	21	Not applicable (New measure)
Inwards visits supported by the Ministry under this output expense class ¹⁴	150-170	78	94
Outwards visits by New Zealand Ministers supported by the Ministry under this output expense class ¹⁵	15-20	38	38
Policy papers produced for Ministers or Cabinet under this output expense class	400-700	388	493

¹³ The performance measure used in the 2010/11 report was "active formal negotiations serviced by the Ministry", which included international agreements led by the Ministry and by other agencies. The measure was revised to "Active treaty negotiations led by the Ministry under this output expense class" to more accurately reflect workload implications for the Ministry.

¹⁴ As recorded in the Ministry's inwards visits list. This list covers only major visits to New Zealand. It does not distinguish between visits for which Executive Government Support in the Department of Internal Affairs manages logistics and planning, and those supported wholly by the Ministry. The 2011/12 figure includes some Guests of Government from the Rugby World Cup 2011.

¹⁵ While the Ministry supports the overseas travel by many New Zealand ministers, the reported figure includes travel supported by the Ministry of the Minister of Foreign Affairs, Minister of Trade and Prime Minister only. The figure represents trips taken, not countries visited. It counts visits by multiple Ministers separately.

Performance Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
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 ¹⁶	80%	79%	76%
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	80%	83% of rated criteria or 80% of visits	80% of rated criteria or 60% of visits
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ¹⁷	7.5	7.4	7.3
Percentage of survey respondents providing positive feedback on the quality of New Zealand's diplomacy	80%	Did not measure ¹⁸	Did not measure

¹⁶ This is a survey of the Ministry's negotiation partners on the Ministry's performance against quality standards for negotiations, published in the Information Supporting the Estimates.

¹⁷ The review by NZIER essentially uses a 5 point scale ranging from 5 to 9+. The following interpretation is applied to NZIER's assessment: 5 – Poor; 6 – Borderline: does the job but with risks; 7 – Adequate; 8 – Good: goes beyond the task at hand somewhat; 9+ Excellent. The figure of 79% reported in the 2010/11 Annual Report was the percentage of the paper sampled received a rating of 7 or above and the average score was 7.3.

¹⁸ The stakeholder research that was intended to provide information to report against this measure was deprioritised and deferred in response to the development of the Ministry's change programme.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
218,118	Crown	204,953	227,319	215,727
429	Other	428	315	315
218,547	Total Revenue	205,381	227,634	216,042
214,004	Total Expenses	196,307	227,634	216,042
4,543	Net Surplus	9,074	-	-

Explanation of significant variances

The under-expenditure of \$19.735 million between supplementary estimates and actual 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 application of remuneration market movement
- less contractors and consultants than budgeted due to delay in organisational change decisions and IT projects and deferrals of property maintenance work at Posts
- decrease in resources anticipated for WTO negotiations and Bilateral Closer Economic partnerships/ Free Trade Agreements
- impact of under expenditure by Corporate units resulting in reduced allocations across outputs.

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
New Zealand Government Superannuation Scheme for locally recruited staff in the United States of America is financially viable.	Fully funded	Fully funded	Fully funded

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supplementary Estimates \$000
	REVENUE			
790	Other Appropriations	20	77	20
790	Total Revenue	20	77	20
	EXPENDITURE			
646	Other Appropriations	18	77	20
646	Total Expenses	18	77	20
144	Net Surplus/(Deficit)	2	-	-

Promotional activities – Other countries (M34)

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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
All activities are in conformity with Government objectives and criteria for the fund	100%	100%	100%
Annual review of fund finds that projects are well implemented, and are making a contribution to achieving the objectives of the fund	Annual review of fund finds that projects are well-implemented, and are making a contribution to achieving the objectives of the fund	Met ¹⁹	Not Applicable (New Measure)

¹⁹ 2011/12 review of the Investment Promotion Fund found that projects were well implemented and all had contributed to the objectives of the fund.

Particular highlights included:

- a baseline study into Gulf Cooperation Council (GCC) interest in investing into New Zealand, which identified a number of immediate opportunities for New Zealand companies and contributed to the Government's understanding of GCC investment markets.
- Funding to enable the Geothermal NZ steering group to research and assess offshore investment markets at the Geothermal Energy Expo 2011 in San Diego.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
350	Crown	225	406	225
350	Total Revenue	225	406	225
150	Total Expenses	145	406	225
200	Net Surplus	80	-	-

Explanation of significant variances

The under-expenditure of \$0.080 million between supplementary estimates and actual expenditure was primarily due to cancellation of some projects for which funds were allocated, or deferral of projects funded from the Investment Promotion Fund until 2012/13.

Rugby World Cup: Guests of Government (M34)

This output expense is limited to the purchase of services to fund the cost of hosting of Guests of Government attending the Rugby World Cup (RWC).

We played 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 Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
Post-implementation report on the visits programme confirms that its objectives were met and that visits were implemented to a high standard.	Post-implementation report on the visits programme confirms that its objectives were met and that visits were implemented to a high standard.	Met ²⁰	Not measured ²¹

²⁰ 50 VIPs from 37 countries attended the RWC Opening Ceremony and Match. During the course of the Tournament itself further visits were arranged for 40 VIPs from 19 countries, who attended a total of 47 games. The programme strengthened existing international partnerships and helped to create and develop platforms for cooperation in other parts of the world where New Zealand has growing interests.

²¹ The number of reviews and evaluations, while a good indicator of quantity of output is not necessarily a 'more is better' situation. A budget standard is not set in order to avoid unnecessary endeavours to achieve a target.

Financial performance (figures are gst exclusive)

	30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
		REVENUE			
45		Crown	3,455	9,955	3,455
45		Total Revenue	3,455	9,955	3,455
18		Total Expenses	3,276	9,955	3,455
27		Net Surplus	179	-	-

Services for other New Zealand agencies overseas (M34)

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

In 2011/12, services were provided to the following agencies by our diplomatic and consular posts overseas:

- Ministry of Primary Industries
- New Zealand Customs Service
- New Zealand Defence Force
- Ministry of Economic Development
- Education New Zealand
- Department of Internal Affairs
- New Zealand Immigration Service
- New Zealand Police
- Ministry of Science and Innovation
- 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).

Performance Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
Number of seconded staff from other government agencies collocated in Ministry posts offshore	94	127	114
Number of locations providing services on behalf of other government agencies	47	47	47
Percentage of respondents rating the Ministry's service performance as 4 or better on a scale of 1-5	80%	65%	62%

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE			
14,242	Other	14,424	14,444	14,485
14,242	Total Revenue	14,424	14,444	14,485
14,253	Total Expenses	14,277	14,444	14,485
(11)	Net Surplus / (deficit)	147	-	-

Management of New Zealand Official Development Assistance (M34)

This appropriation is limited to advice and representation on international development issues and the management of the New Zealand Aid Programme.

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 'Section Two: Our outcomes' of this Annual Report, and further details are available in annex 1.

The Ministry's 2011/12 delivery of outputs against the performance measures specified in the Statement of Forecast Service Performance in the 2011/12 Estimates were as follows:

Performance Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
QUANTITY			
Number of Programmes administered	24	24	33
Volume of Crown ODA resources administered	\$524.9m	\$510.5 spent	\$495.0m
Revision or development of programme strategies ²²	Not set ²³	12	12
Policy papers and submissions produced for Ministers or Cabinet under this output expense class ²⁴	120-160	129	239
Evaluations or activity reviews ²⁵	Not set ²⁶	10	25
QUALITY			
Percentage of programmes rated 4 or higher on a scale of 1-5 by review against the Ministry's quality standard for programme management ²⁷	80%	100%	83%
Percentage of activities rated 4 or higher on a scale of 1-5 by review against the Ministry's quality standard for activity management ²⁸	80%	82%	81%
Average score out of 10 of a sample of policy papers reviewed by an external reviewer (NZIER) ²⁹	7.5	7.4	7.3
Feedback from programme partners on MFAT engagement on the NZ Aid Programme	90% or more of partners report expectations met	Not Measured ³⁰	Not measured

²² In 2011/12 the Ministry developed a Programme Management Policy which requires all programmes to be governed by a strategic framework, or those in the Pacific by a Joint Commitment for Development (JCfD), signed by the Minister of Foreign Affairs. Twelve bilateral Strategic Frameworks, JCfDs or Ministerial submissions were developed and signed-off by the Minister in 2011/12.

²³ An important component of the Ministry's work under this output expense class is the commissioning and management of evaluations of individual ODA activities and of thematic or sectoral issues. The results of these evaluations are used to improve programme management. The number of reviews and evaluations, is a good indicator of the quantity of output, but more is not necessarily better.

²⁴ In 2011/12 there were 126 ministerial submissions and three Cabinet papers.

²⁵ In 2011/12 new activity level evaluation policy and guidelines were introduced, which included a higher benchmark for mandatory activity evaluations with the focus being on fewer, more focussed and higher quality evaluations. This will have contributed to the lower number of evaluations undertaken and completed in 2011/12.

²⁶ The number of reviews and evaluations, while a good indicator of quantity of output is not necessarily a 'more is better' situation. A budget standard is not set in order to avoid unnecessary endeavours to achieve a target.

²⁷ See note below. This measure for programmes was not included in the information supporting the estimates 2011/12 but it has been reported here to complete the performance picture.

²⁸ The Ministry undertook a quality management review of its development programmes and activities against the quality standards in the Performance Information for Appropriations Vote Official Development Assistance. Five programmes and four to five activities (a total of 22 activities) under each programme were reviewed.

²⁹ The review by NZIER essentially uses a 5 point scale ranging from 5 to 9+. The following interpretation is applied to NZIER's assessment: 5 – Poor; 6 – Borderline: does the job but with risks; 7 – Adequate; 8 – Good: goes beyond the task at hand somewhat; 9+ Excellent. The figure of 79% reported in the 2010/11 Annual Report was the percentage of the paper sampled received a rating of 7 or above and the average score was 7.3.

³⁰ The stakeholder research that was intended to provide information to report against this measure was deprioritised and deferred in response to the development of the Ministry's change programme.

Performance Measures	2011/12		2010/11
	Budgeted Standard	Actual Standard	Actual Standard
Amount and proportion of sector-allocable ODA directed primarily to sustainable economic development	\$110.0m and 33%	\$140.4 million and 37%	\$100.6m and 27%
Number of activities ³¹	650 or less	597	718
Median annual activity expense ³²	\$200,000 or more	\$255,519	\$200,000
Percentage of the value of ODA delivered using higher order aid modalities ³³	58%	51%	59%
Progress towards the Paris Declaration 2010 targets for aid effectiveness ³⁴	Progress	Progress – 2011/12 targets partially met	Progress – 2010 targets partially met
Reviews and evaluations comply with good practice guidelines ³⁵	70%	Not measured	64%
Programme strategies that are up to date as per the schedule of reviews and revisions ³⁶	100%	85.7%	83% (20 programmes)
MINISTERIAL SERVICES³⁷			
Number of Ministerial letters prepared	180-220	92	179
Number of Official Information Act request (OIA) responses provided ³⁸	20-50	35	84
Percentage of ministerial correspondence completed within 15 working days	90%	48%	68%
Percentage of ministerial correspondence accepted without amendments	95%	88%	84%
Percentage of OIA requests completed by MFAT within 20 working days	70%	20% ³⁹	24%
Percentage of OIA requests completed within 40 working days	95%	71% ³⁹	55%

³¹ A key threat to the effectiveness of ODA has been identified as “fragmentation” of the programme across a large number of small activities. One of the New Zealand Aid Programme’s Performance Improvement Actions is to reduce the ratio of ODA going from small, administratively expensive aid projects to larger, higher impact, more comprehensive initiatives. Progress against these targets provides one indicators of the quality of programme management.

³² Ibid.

³³ 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’. One contributing factor to the lower use of higher order aid modalities was the International Agencies (or Multilateral) appropriation spend was down by \$9 million in 2011/12 compared to 2010/11.

³⁴ 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.

³⁵ A review of the quality of evaluations was not undertaken in 2011/12. This was because of the transition to new evaluation policy and practice settings. The Ministry is currently examining whether the monitoring of the quality of its development activity evaluations would be better undertaken within the Quality Management Review.

³⁶ The focus in 2011/12 has been on completing new Strategic Frameworks/JCfDs rather than reviewing existing ones. All programmes must be reviewed or evaluated prior to a new Programme Strategic and Results Framework being developed (usually every five years). Twelve bilateral Strategic Frameworks, JCfDs or Ministerial submissions were developed and signed in 2011/12.

³⁷ Ministerial services for vote ODA were not measured separately as part of the 2010/11 annual report. Data was assessed this year to provide comparative information.

³⁸ Ministerial response rates were significantly impacted by the 2011 general election, during which time responses were held until Ministers were officially sworn in.

³⁹ During 2011/12 the Ministry received a number of OIAs that required significant research and consultation prior to release. This had a general knock-on effect on other OIA work. A new Executive Services Division is being established which will have responsibility for Ministerial replies and should contribute to improved performance in 2012/13.

Financial performance (figures are gst exclusive)

30/06/11 Actual incl. Remeasurement \$000		30/06/12 Actual incl. Remeasurement \$000	30/06/12 Main Estimates \$000	30/06/12 Supplementary Estimates \$000
	REVENUE			
63,161	Crown	57,859	61,242	61,359
115	Other	127	-	-
63,276	Total Revenue	57,986	61,242	61,359
61,948	Total Expenses	54,251	61,242	61,359
1,328	Net Surplus	3,735	-	-

Explanation of significant variances

The variance of \$7.108 million between supplementary estimates and actual expenditure is primarily due to under-expenditure by corporate units resulting in reduced allocations across outputs, savings from the International Development Group restructuring and resulting staff vacancies and travel savings, and a reduction in operating costs across Posts undertaking Vote ODA work.

Section six:

Vote ODA non-departmental appropriations

Development results for Vote Official Development Assistance non-departmental appropriations – This section reports on the development results and performance of the four non-departmental appropriations of Vote Official Development Assistance (M34) (ODA). Section 32A of the Public Finance Act 1989 requires the Ministers responsible for such non-departmental appropriations (or a class of outputs within an appropriation) to present to the House, within 3 months of the end of the financial year, a report that includes either:

- a statement of service performance in relation to that appropriation or class of outputs that compares the service performance that was achieved with the service performance that was forecast to be achieved; or
- if the nature of the appropriation is such that a statement of service performance is inappropriate, a statement of the results produced or achieved in relation to that appropriation that compares those results with the results that were forecast to be produced or achieved from the expenses or capital expenditure.

Introduction

The New Zealand Aid Programme has now been fully reintegrated with the wider Ministry of Foreign Affairs and Trade. Good development results are now much more firmly part of our wider foreign policy; our aid efforts have a much clearer focus; and the aid programme is now being delivered much more efficiently.

As this report shows, New Zealand has stepped up the assistance we are providing for sustainable economic development. We have sought out opportunities to support projects that will have a transformational impact in areas where we know New Zealand has the expertise to assist. These include investments in fisheries, agriculture, energy and infrastructure, alongside on-going support for education and health. This report provides examples of many of these efforts: such as our investment in solar power in Tonga which offsets 470,000 litres of diesel imports per year; our support for the Ministry of Finance and Treasury in Solomon Islands which has contributed to an increase of \$230 million of tax revenue; and the support we have provided for improved education in Samoa which now delivers free education to nearly 40,000 children.

New Zealand's support is making a real difference to people's lives by generating the employment and livelihoods they need to lift themselves out of poverty, and the revenues their governments need to maintain infrastructure, education, health and other essential services.

As a relatively small donor, New Zealand works closely with others so that we can have both a catalytic and leveraging role. Partnerships, with other countries like Australia and China, with other New Zealand government departments, like Customs and the New Zealand Police, and with the private sector and civil society, have become increasingly important to channelling the knowledge and resources of others towards shared development priorities.

Our close links with the Pacific, Asia and further afield mean that good development results are not just good for the people we directly assist, they are good for New Zealand as well.

Looking ahead, it is important that we are able to demonstrate even more clearly the results that are being achieved by the New Zealand Aid Programme – the real, attributable differences that we make. Things like increased income and employment, the amount of renewable power we help countries to generate, and the numbers of children we help to receive a quality education. The difference New Zealand is making is difficult to describe against the current reporting framework so a new results framework been developed that better reflects our practical contribution under four key themes covering economic and social development, security, and disaster management and relief. The framework is aligned to the new appropriation for 2012/13-2014/15 and will be the basis for reporting from next year.

The refocused programme is delivering increased value of agricultural production, increased revenue more sustainable management of fisheries, a trained tourism workforce, upgraded roading and inter-island shipping services in the Pacific, more renewable energy, improved access to safe water, basic sanitation and improved housing as well as more effective policing and more and better quality access to both basic and tertiary education. New Zealand has also responded promptly and effectively to humanitarian crises as well as improving disaster preparedness in both the Pacific and Asia. In future the new results framework will mean we can put clearer measures around these impacts.

This section reports on the development results and performance of the four non-departmental appropriations of Vote Official Development Assistance (M34) (ODA).

In 2011/12, the four appropriations were: Pacific Development Assistance, International Agency Funding, Global Development Assistance and New Zealand Voluntary Agency Grants. These were used to fund the Crown activities of the New Zealand Aid Programme, which is managed within the Ministry of Foreign Affairs and Trade. This section meets the requirements of Section 32A of the Public Finance Act 1989 and should be read in conjunction with Section 2: Outcome 4 of this report.

This report provides service performance data and a number of examples selected from the range of activities supported by the New Zealand Aid Programme in order to contribute to Outcome 4 “Sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world.” These reflect a ‘whole of New Zealand’ approach to better harness New Zealand’s comparative advantage and to strengthen the coherence of New Zealand’s effort across all sectors.

Statements of Service Performance

Appropriation: Pacific Development Assistance (M34)

Scope of appropriation and expenses

Type, Title, Scope and Period of Appropriation	Appropriations, Adjustments and Use	\$000
PACIFIC DEVELOPMENT ASSISTANCE (M34)	Original Appropriation	755,801
<p>This appropriation is limited to provision of assistance for development activities in Pacific Island countries. The assistance will be provided to development organisations, partner countries and through other delivery mechanisms. It will be used to implement activities that include humanitarian assistance; and design, management, implementation and evaluation of those partner-led activities. The assistance is to be consistent with the Minister's requirement for the New Zealand Aid Programme to work with development partners to ensure aid expenditure is targeted as closely as possible to need.</p> <p>Commences: 1 July 2009</p> <p>Expires: 30 June 2012</p> <p>This is a multi-year non-departmental other expense appropriation.</p>	Adjustments to 2010/11	1,953
	Adjustments for 2011/12	-
	Total Adjusted Appropriation	757,754
	Actual for 2009/10	217,017
	Actual for 2010/11	257,879
	Actual for 2011/12	276,909
	Appropriation unspent at 30 June 2012 (approved in-principle for transfer to 2012/13)	5,949

Intended impact

Impact: More prosperous, secure and equitable Pacific island countries.

Description of activities

The Pacific Development Assistance Appropriation funds New Zealand's direct assistance to 12 Pacific bilateral partners: Tonga, Cook Islands, Samoa, Fiji, Tuvalu, Solomon Islands, Vanuatu, Papua New Guinea, Kiribati, Nauru, Niue, and Tokelau. These bilateral programmes are supplemented by regional and thematic programmes and New Zealand's response to humanitarian disasters in the Pacific.

In line with the geographic focus set out in Government policy, \$276.9 million representing 56 percent of total programme expenditure was provided in assistance through the Pacific Development Assistance Appropriation in 2011/12. Our Pacific programmes have been increasing their focus on sustainable economic development, particularly in the renewable energy, tourism, fisheries, agriculture and transport sectors. Leveraging opportunities through partnerships has been fundamental to the development of new activities in the Pacific, as highlighted in the examples provided in this report.

Over the period covered by this report, MFAT worked collaboratively with eight Pacific partner governments to finalise high-level agreements on the focus of our assistance under Joint Commitments for Development (JCfDs). The JCfDs clearly set out jointly agreed responsibilities and priorities for New Zealand's development cooperation based on each partner country's specific development challenges and plans, and the New Zealand Government's policy settings.

In early September 2011, New Zealand hosted the 40th Anniversary of the Pacific Islands Forum (Forum 2011) in Auckland. The Aid Programme was an important contributor to the development and success of Forum 2011, which focused on the importance of sustainable economic development as the key to a better quality of life in the Pacific. This was reflected in the Waiheke Declaration on Sustainable Economic Development agreed by Leaders at the Forum, which further highlighted the critical importance to Pacific development of areas such as fisheries, tourism, agriculture, energy, education and infrastructure.

During 2011/12, whole of government procedures and systems for emergency response in the Pacific continued to be strengthened. This has included improved training for MFAT response staff, and a joint exercise for the cross-agency Emergency Task Force that coordinates any response in the Pacific.

Service performance

	Budgeted Standard	Actual Standard	
	2008/09-2011/12	2010/2011	2011/2012
Balance of trade in Pacific bilateral partners (Cook Islands, Niue, Tokelau, Samoa, Tonga, Papua New Guinea, Solomon Islands, Vanuatu, Tuvalu, Kiribati and Fiji).	Significant improvement	-9.2% (Current account balance % of GDP)	-13.8% (Current account balance % of GDP) ¹
Ratings for ease of doing business with Pacific bilateral partners, as rated by the annual survey conducted by the World Bank.	Significant improvement	Rankings for 2011 range from 55 to 111, with an average ranking of 79.7	Rankings for 2012 range from 58 to 115, with an average ranking of 80.1 ²
Pacific bilateral partner countries' dependence on aid as measured by total development assistance as a proportion of the recipients' Gross National Income (GNI).	Progress on a plausible path to reduced aid dependence (not necessarily an immediate reduction)	15.9% (Net ODA as a % of GNI)	20.9% (Net ODA as a % of GNI) ³
Improved progress towards the 2015 Millennium Development Goals for New Zealand's bilateral partners.	More than 34% on track or achieved	42% on track or achieved	41.3% on track or achieved ⁴

¹ Current Account Balance (% of GDP), Asian Development Bank (ADB) Basic Statistics 2011. In 2011/12 the balance of trade in the Solomon Islands improved. However, elsewhere deficits increased with substantial increases in Papua New Guinea and Kiribati.

² World Bank Group, Doing Business 2012. The ease of doing business rankings in Tonga and Solomon Islands improved in 2012. All other Pacific Islands remained the same or showed a slight reduction in their rankings.

³ Net ODA received (% of GNI) World Bank Development Indicators. Dependence on aid decreased in Vanuatu and Kiribati and substantially increased in Samoa and Solomon Islands. This may reflect the reconstruction phase following the 2009 tsunami in Samoa and an increase in Australian assistance to Solomon Islands. Figures include Tuvalu for the first time and do not include Cook Islands, Niue and Tokelau.

⁴ Pacific Regional MDGs Tracking Report 2011, Pacific Islands Forum Secretariat. Across New Zealand's Pacific bilateral partners, 160 indicators were rated from the 7 MDGs, with 66 on track or already achieved.

	Budgeted Standard	Actual Standard	
	2008/09-2011/12	2010/2011	2011/2012
Bilateral partner countries' Human Development Index (HDI – a composite measure of GDP per capita, life expectancy, and education outcomes).	Increase in Pacific bilateral partner scores by 1% per year on average from 2007	Pacific bilateral partner scores increased by 0.361% per year on average since 2007	Pacific bilateral partner scores increased by 0.364% per year on average since 2007 ⁵
Annual progress towards the medium-term outcomes identified in the programme strategies and strategic frameworks for New Zealand ODA under this appropriation, measured by MFAT's annual programme reporting cycle.	Continued progress	Overall 70% of objectives rated good or excellent. For Pacific programmes, 69% rated good or excellent	Overall 70% of objectives rated good or excellent. For Pacific programmes, 69% rated good or excellent ⁶
Summary evaluative results for completed Crown-funded activities.	Demonstrated result	See the 2010/2011 Section 32A report for the latest data	
Example impacts of Crown-funded activities.	Demonstrated impacts	Refer to examples in the following pages of this section.	
Example impacts from third parties funded by the New Zealand Aid Programme.	Demonstrated impacts		

⁵ Human Development Indicators (United Nations Development Programme [UNDP]) 2011. Bilateral partner Human Development Index (HDI) scores ranged from 0.466 to 0.704 in 2011, with an average score of 0.614. The closer the value to one, the better the country rating. Data was only available for seven Pacific bilateral partners (Samoa, Fiji, Tonga, Kiribati, Vanuatu, Solomon Islands and Papua New Guinea). For the data series available Papua New Guinea (1.046%), met the 1% target; however, Samoa, Tonga, Solomon Islands and Fiji have not. UNDP released revised HDI figures for 2010/11 subsequent to the release of the 2010/11 Section 32A report. The revised 2010/11 figures have been included in this table.

⁶ Twenty-four annual programme reports were reviewed for the overall figure. The overall figure and the Pacific bilateral partner figure appear to be the same between years due to rounding of results.

Examples of development results from the Pacific Development Assistance Appropriation

Tonga photovoltaic power plant: New Zealand has invested \$7.9 million to construct a 1 MW (megawatt) photovoltaic solar plant in Tonga. The project is being delivered through an arrangement with Meridian Energy Ltd, Tonga Power Limited, and the Tongan Government and was opened in July 2012. To date four villages have also received upgraded power lines. The solar plant will produce about 4 percent of Tongatapu's annual generation, and will offset approximately 470,000 litres of annual diesel imports.

Kiribati Cassidy Airport: In 2010 the Government of Kiribati listed rehabilitation of its two international airports as top priorities for donor funding. It was agreed that New Zealand would fund the rehabilitation of Cassidy airport on Kiritimati (located in the Northern Line Islands, south of Hawai'i). The \$18 million New Zealand-funded rehabilitation of the runway has allowed Cassidy Airport to remain open. It was completed in June 2012 and the surface is expected to have a useful life of more than 20 years. The airport provides a critical transport link for those living in the Northern Line Islands, and facilitates the economic development of the area, with tourism and fishing being the main drivers of the local economy.

Tuvalu Ship to Shore Transport Project: New Zealand's contribution of \$5.15 million to fund reef channel construction on six islands and install navigational aids on Funafuti and outer islands was completed in April 2012 below budget and ahead of schedule. New Zealand helped Tuvalu obtain co-funding of \$2.2 million from AusAID to undertake the project, including improved cargo packaging and handling. Savings from the outer island channel works are being put towards better quality navigational aids for Funafuti Harbour, Tuvalu's main international port. These improvements make it easier for boats to navigate through the access channels and enable them to dock closer to land to load and offload passengers and cargo.

Samoa Education Sector Project Phase II: New Zealand's on-going support (\$13 million since 2005/06) has helped ensure better education in Samoa, including improved student achievement and retention in schools, increased numbers of qualified teachers, and an enhanced curriculum. Support for the 'School Fee Free' scheme enabled nearly 40,000 children in 167 primary schools to receive free education. Primary school enrolments have increased (an increase of 250 new primary school enrolments between March and October 2011), numeracy and literacy skills have improved, and an increased proportion of schools are meeting Minimum Service Standards. Tenders have also been completed for construction/repair of nine secondary schools.

Solomon Islands: As part of on-going Regional Assistance Mission to Solomon Islands (RAMSI) support to the Solomon Islands Ministry of Finance and Treasury, New Zealand invested \$3.5 million in 2011/12 to strengthen the capability of the Solomon Islands Inland Revenue Department to protect and enhance tax revenues and provide an enabling environment for business. New Zealand provides technical assistance and support for in-line positions (including the Tax Commissioner). Our support has helped contribute to a total revenue take of SBD 1.34 billion (\$230 million) in 2011 – an increase of 10 percent from 2010, largely due to improved tax administration and compliance. Revenue is projected at SBD 1.7 billion (\$290 million) for 2012. The value of exemptions continues to decline and improved targeting of audits has also helped to improve revenue collection.

Cook Islands: New Zealand has committed \$2.1 million in the Cook Islands to support the development and implementation of a modern border management system (Project Kaveinga). The system is aligned with New Zealand's own border management technology and can be updated as technology advances. The passing of new customs legislation was a cooperative exercise with the New Zealand Parliamentary Council Office, New Zealand Customs and a Cook Islands legal drafter. Under Project Kaveinga, passenger processing has been modernised by developing new databases and networks. The project will also support trade facilitation by streamlining the processing of imports and exports. Revenue collection is being automated. New Zealand Customs support to the region includes developing and delivering a customs leadership programme, which is being piloted in the Cook Islands.

Pacific Humanitarian Assistance: In late 2011, following a severe water shortage, New Zealand provided \$300,000 of natural disaster assistance to Tuvalu and Tokelau, including a water engineer, water containers and commercial water shipments. In addition, New Zealand Defence Force deployed desalination units and personnel. New Zealand worked closely with a range of partners including Australia, the US, Japan and the Red Cross. New Zealand also provided \$4 million of recovery assistance to Fiji following two floods in January and April 2012. Support included funding to the Fiji Red Cross, the Adventist Development and Relief Agency (ADRA) and Rotary to replenish pre-positioned

supplies; and to a range of New Zealand and Fiji NGOs to assist with their response efforts. Funding was also provided to refurbish evacuation centres, to support the operation of the Fiji National Disaster Management Office and to Habitat for Humanity, for water and shelter systems repairs.

Appropriation: International Agency Funding (M34)

Scope of appropriation and expenses

Type, Title, Scope and Period of Appropriation	INTERNATIONAL AGENCY FUNDING (M34)			
	Contributions to international agencies for multilateral humanitarian and development policy and programme activity.			
	This is an annual non-departmental other expense appropriation.			
	2010/11		2011/12	
	Budgeted (\$000)	Actual (\$000)	Budgeted (\$000)	Actual (\$000)
Total Appropriation	97,000	123,767	115,000	114,119

Intended impact

Impact: A multilateral system that is able to effectively and accountably address global issues such as food security, global economic crisis and climate change.

Description of activities

The International Agency Funding Appropriation covers the core funding provided by the New Zealand Aid Programme to support International Agency Development programmes. In 2011/12, \$114.1 million was invested through core funding to multilateral agencies, 22 percent of New Zealand's total ODA commitment.

New Zealand's multilateral partnerships help to leverage larger-scale resources to address significant needs and challenges, and contribute to development and humanitarian results in and beyond our region. Key multilateral partnerships include the United Nations Development Programme (UNDP), World Bank, Asian Development Bank (ADB), United Nations Children's Fund (UNICEF), United Nations Population Fund, and the World Food Programme.

Throughout 2011/12, MFAT continued to work with multilateral agencies to increase the focus on delivering results, and to improve efficiency, performance and value for money. This work was reflected in improved results-focused reporting by many of these organisations. Examples of global achievements include a 27 percent increase (2010) in HIV affected persons receiving antiretroviral therapy through UNAIDS. The United Nations High Commissioner for Refugees (UNHCR) has helped over 25 million people, including 14.7 million internally displaced persons, and UNICEF has contributed to the vaccination of 10 million children and the provision of vitamin A supplements to a further 350 million.

Input at the governance level and direct engagement with multilateral agencies has ensured improved responsiveness to Pacific needs, and Pacific perspectives and issues continue to be raised and prioritised at every opportunity.

On-going engagement with the UN and International Financial Institutions has helped reinforce New Zealand's reputation as a credible and responsible member of the international community.

During 2011/12 the International Agency Funding Appropriation increased by \$20.5 million to \$115 million (of which we spent \$114.1 million) because of a review of the application of MFAT's accounting policy. The portion of New Zealand's International Agency Commitments that are unconditional obligations are recognised under New Zealand's International Financial Reporting Standards (NZIFRS). In 2011/12, this increase is primarily due to a one-off need to recognise three years of funding to the Asian Development Fund (ADB) in one year. The increase in appropriation was funded by an expense transfer from the non-departmental multi-year appropriation: Global Development Assistance.

Service performance

	Budgeted Standard	Actual Standard	
	2008/09-2011/12	2010/2011	2011/2012
Bilateral partner countries' dependence on aid as measured by total development assistance as a proportion of the recipients' GNI. (Bilateral partners are: Cook Islands, Niue, Tokelau, Samoa, Tonga, Papua New Guinea, Solomon Islands, Vanuatu, Tuvalu, Kiribati, Fiji, Indonesia, Timor-Leste, Viet Nam, Philippines, Cambodia and Lao PDR)	Progress on a plausible path to reduced aid dependence (not necessarily an immediate reduction)	10.9% (Net ODA as a percent of GNI)	13.8% (Net ODA as a percent of GNI) ⁷
Progress towards the 2015 Millennium Development Goals for New Zealand's bilateral partners.	More than 38% on track or achieved	Pacific 49% on track or achieved. In Asia 59% on track or achieved	Pacific 41.3% on track or achieved. In Asia 53% on track or achieved ⁸
Bilateral partner countries' HDI (a composite measure of GDP per capita, life expectancy, and education outcomes).	Increase in bilateral partner scores by 1% per year on average from 2007	Bilateral partner scores increased by 0.840% per year on average since 2007	Bilateral partner scores increased by 0.757% per year on average since 2007 ⁹

⁷ Net ODA received (% of GNI) World Bank Development Indicators. Under the International Agency Funding Appropriation in the Pacific, dependence on aid decreased in Vanuatu and Kiribati and substantially increased in Samoa and Solomon Islands. Figures include Tuvalu for the first time and do not include Cook Islands, Niue and Tokelau. Across New Zealand's six Asian bilateral partner countries (Indonesia, Timor-Leste, Viet Nam, Philippines, Cambodia and Lao PDR) progress towards a reduction in dependence on aid was seen in Viet Nam, Cambodia and Lao PDR and stayed the same in Indonesia. Dependence on aid increased in the Philippines.

⁸ Pacific Regional MDGs Tracking Report 2011, Pacific Islands Forum Secretariat. Across New Zealand's Pacific bilateral partners, 160 indicators were rated from the 7 MDGs, with 66 on track or already achieved. Asia-Pacific Regional MDG Report 2011/12, UNESCAP. Across New Zealand's six Asian bilateral partner countries 132 indicators were rated from the 7 MDGs with 70 on track or already achieved.

⁹ Human Development Indicators UNDP 2011. Bilateral partner Human Development Index (HDI) scores ranged from 0.466 to 0.704 in 2011, with an average score of 0.592. The closer the value to one, the better the country rating. Data was only available for seven Pacific bilateral partners (Samoa, Fiji, Tonga, Kiribati, Vanuatu, Solomon Islands and Papua New Guinea). For the data series available Papua New Guinea (1.046%), met the 1% target; however Samoa, Tonga, Solomon Islands and Fiji have not. Data was available for all Asian bilateral partners. Indonesia (1.082%) and Lao PDR (1.179%) met the 1% target; however Viet Nam, Timor-Leste, Cambodia and the Philippines have not. UNDP released revised figures for HDI 2010/11 subsequent to the release of the 2010/11 Section 32A report. The revised HDI 2010/11 figures have been included in this table.

	Budgeted Standard	Actual Standard	
	2008/09-2011/12	2010/2011	2011/2012
Annual progress towards the medium-term outcomes identified in the programme strategies and strategic frameworks for New Zealand ODA under this appropriation, measured by MFAT's annual programme reporting cycle.	Continued progress	Overall 70% of objectives rated good or excellent. For the multilateral and humanitarian programmes, 83% rated good or excellent	Overall 70% of objectives rated good or excellent. For the multilateral and humanitarian programmes, 100% rated good or excellent ¹⁰
Example impacts from third parties funded by the New Zealand Aid Programme.	Demonstrated impacts	See the 2010/2011 Section 32A report for the latest data	Refer to examples in the following pages of this section.

¹⁰ Twenty-four annual programme reports were reviewed for the overall figure. The overall figure appears to be the same between years due to rounding of results.

Examples of development results from the International Agency Funding Appropriation

The Asian Development Fund (ADF): ADF provides poor countries in the Asia-Pacific region with low interest rate loans, grants, and technical assistance. Two-thirds of ADF's work in the Pacific is planned to focus on the energy and transport sectors and economic development through infrastructure investment, which has strong alignment with New Zealand's priorities for the region. ADF contributions include rehabilitating 241 km of the North East Power System in Afghanistan (accounting for 54 percent of the total high voltage transmission lines and 13 percent of all transmission lines). ADF also helped to build or upgrade a total of 1,410 km of rural roads in Cambodia (accounting for 10 percent of the 14,010 km of rural roads rehabilitated by development partners).

The World Food Programme: The World Food Programme (WFP) plays a significant role in countries where many people face high levels of food insecurity, malnutrition and vulnerability. New Zealand contributed \$10.5 million to the WFP's global operations in 2011/12. WFP provides emergency food assistance in response to famine and other humanitarian crisis situations. It also works strategically in countries with endemic food insecurity to support governments to develop and implement initiatives aimed at building local and national resilience levels. This assistance includes support for local 'food for assets' programmes where food is provided while local water sources or infrastructure are constructed, and strengthening national safety net and crop management strategies. (Refer to the Global Development Assistance Appropriation example: 2011 Horn of Africa WFP Food Assistance.)

UNICEF: New Zealand contributes \$6 million annually to UNICEF's global efforts to improve child survival, health, safety, and education. In 2011/12, UNICEF's work contributed to the vaccination of over 10 million children against measles, the distribution of 14.5 million bed-nets, the provision of clean drinking water to over 7 million households, and the restoration of education to over 6 million vulnerable children affected by emergencies.

Appropriation: Global Development Assistance (M34)

Scope of appropriation and expenses

Type, Title, Scope and Period of Appropriation	Appropriations, Adjustments and Use	\$000
GLOBAL DEVELOPMENT ASSISTANCE (M34)	Original Appropriation	312,000
<p>This appropriation is limited to provision of assistance for development activities for non-Pacific Island countries including Asian, African, Latin American, Caribbean, and Middle Eastern countries. The 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 the Minister's requirement for the New Zealand Aid Programme to work with development partners to ensure aid expenditure is targeted as closely as possible to need.</p> <p>Commences: 1 July 2009</p> <p>Expires: 30 June 2012</p> <p>This is a multi-year non-departmental other expense appropriation.</p>	Adjustments to 2010/11	(705)
	Adjustments for 2011/12	(20,500)
	Total Adjusted Appropriation	290,795
	Actual for 2009/10	92,455
	Actual for 2010/11	84,712
	Actual for 2011/12	96,597
	Appropriation unspent at 30 June 2012 (approved in-principle for transfer to 2012/13)	17,031

Intended impacts

Impact 1: Enhanced sustainable development in Asia, Africa and Latin America, with New Zealand's international relationships strengthened as a result of its ODA interventions.

Impact 2: An effective New Zealand response to international emergencies in developing countries outside the Pacific, including social and economic recovery, with New Zealand's international relationships strengthened as a result of its ODA interventions.

Description of activities

The Global Development Assistance Appropriation covers New Zealand's assistance for development activities and humanitarian responses in Asia, Africa and Latin America. In 2011/12, \$96.6 million of assistance was provided to support the strategic focus areas of sustainable economic development including agriculture, tourism and private sector development, along with human resource development and disaster risk management.

In line with the Government's policy and the Joint Comprehensive Partnership between New Zealand and ASEAN, implementation continues on four key flagship initiatives, with \$74 million to be disbursed under the three-year commitment to June 2014. Under the NZ ASEAN scholars flagship programme 89 students have been awarded scholarships to study at New Zealand tertiary institutions. The agricultural, disaster risk management and young business leaders' flagship programmes are also well underway.

Throughout 2011/12 the Global development programme has looked to make better use of New Zealand's comparative advantage in response to partner requests. For example, bilateral arrangements were signed with Indonesia in April for cooperation in agriculture and geothermal energy. The Indonesia programme plans to invest up to \$13.5 million over the next five years in activities to support Indonesia's geothermal energy expansion. A five-year geothermal energy training development activity at Indonesia's University of Gadjah Mada, delivered by GNS Science, began in May.

Micro-finance initiatives in Timor-Leste have promoted small enterprise development and financial literacy, and initiatives to promote savings and loans have been provided for poor urban areas of Zimbabwe. Support has also extended New Zealand's private sector investment in agricultural development in South America through work on bio-control of pests and diseases in the Ecuadorian Andes.

In Afghanistan, legacy development projects are supporting the transition of security from the international community to Afghan leadership. An agricultural support programme has involved the introduction of mechanised farming techniques and building capacity of provincial agriculture institutions. Designs have been completed for a solar hybrid electricity system under the renewable energy programme, with the goal to bring electricity and associated improved economic opportunity to Bamyan. Tourism development support has also been provided, including an upgrade of the Bamyan airport in partnership with Japan.

Service performance

	Budgeted Standard	Actual Standard	
	2008/09-2011/12	2010/2011	2011/2012
Bilateral partner countries' dependence on aid as measured by total development assistance as a proportion of the recipients' GNI. (Bilateral partners are: Indonesia, Timor-Leste, Viet Nam, Philippines, Cambodia and Lao PDR)	Progress on a plausible path to reduced aid dependence (not necessarily an immediate reduction)	3.8% (Net ODA as a percent of GNI)	4.3% (Net ODA as a percent of GNI) ¹¹
Improved progress towards the 2015 Millennium Development Goals for New Zealand's bilateral partners.	More than 50% on track or achieved	59% on track or achieved	53% on track or achieved ¹²
Bilateral partner countries' HDI (a composite measure of GDP per capita, life expectancy, and education outcomes)	Increase in global bilateral partner scores by 1% per year on average from 2007	Global bilateral partner scores increased by 0.824% per year on average since 2007	Global bilateral partner scores increased by 0.788% per year on average since 2007 ¹³
Annual progress towards the medium-term outcomes identified in the programme strategies and strategic frameworks for New Zealand ODA under this appropriation, measured by Ministry's annual programme reporting cycle.	Demonstrated impacts	Overall 70% of objectives rated good or excellent. For programmes in Africa, Asia and Latin America 62% rated good or excellent	Overall 70% of objectives rated good or excellent. For programmes in Africa, Asia and Latin America 64% rated good or excellent ¹⁴
Summary evaluative results for completed Crown-funded activities.	Demonstrated impacts	See the 2010/2011 Section 32A report for the latest data	Refer to examples in the following pages of this section.
Example impacts of Crown-funded activities.	Demonstrated impacts		
Example impacts from third parties funded by the New Zealand Aid Programme.	Demonstrated impacts		

¹¹ Net ODA received (% of GNI) World Bank Development Indicators. Across New Zealand's six Asian bilateral partner countries (Indonesia, Timor-Leste, Viet Nam, Philippines, Cambodia and Lao PDR) progress towards a reduction in dependence on aid was seen in Viet Nam, Cambodia and Lao PDR and stayed the same in Indonesia. Dependence on aid increased in the Philippines.

¹² Asia-Pacific Regional MDG Report 2011/12, UNESCAP. Across New Zealand's Asian bilateral partner countries 132 indicators were rated from the 7 MDGs with 70 on track or already achieved.

¹³ Human Development Indicators UNDP 2011. Bilateral partner Human Development Index (HDI) scores ranged from 0.495 to 0.644 in 2011, with an average score of 0.566. The closer the value to one, the better the country rating. Indonesia (1.082%) and Lao PDR (1.179%) met the 1% target; however Viet Nam, Timor-Leste, Cambodia and the Philippines have not. UNDP released revised figures for HDI 2010/11 subsequent to the release of the 2010/11 Section 32A report. The revised HDI 2010/11 figures have been included in this table.

¹⁴ Twenty-four annual programme reports were reviewed for the overall figure. The overall figure appears to be the same between years due to rounding of results.

Examples of development results from the Global Development Assistance Appropriation

Indonesia: Support worth \$600,000 over two years to cocoa farmers in Maluku as part of the Maluku Economic Recovery Programme (phase 2) has resulted in improved productivity and profitability in the agricultural sector through improved training, equipment, and establishing market linkages. Mercy Corps Cocoa Clinics have promoted greater awareness among farmers of the latest techniques in cocoa production, post-harvest best practice, and new market opportunities. Economic opportunities for at least 4,000 households in 15 communities were increased by 15 percent. A contract for 10,000 tonnes of cocoa beans has been agreed with the largest single buyer of cocoa in Indonesia.

Cambodia: A mid-term independent evaluation of the Cambodia Agribusiness Development Facility (CADF) revealed that good results are being achieved including increased production, incomes and profits for participating farmers. The estimated return on investment during 2011 was \$1.72 for each \$1 invested, over a total investment of \$605,000. CADF farmers have won national awards in recent years in recognition of their agricultural performance.

Lao PDR: New Zealand funding of \$ 1.1 million supported UXO Lao for clearing unexploded ordnance from Lao's Xieng Khuang province. The project aims to clear land for productive use (predominately agriculture) as well as enhancing safety and promoting awareness of the risks of unexploded ordnance in local communities. To date 501 hectares of land have been cleared, supporting almost 300,000 beneficiaries. UXO Lao has met its target of increasing the land available for food production and other development activities and reduced the number of unexploded ordnance-related casualties through risk education activities. In June 2012 New Zealand agreed an additional two years of support (\$ 2.4 million).

Timor-Leste: Financial Literacy Training Project Phase II was implemented in two districts in Timor-Leste, by Moris Rasik in cooperation with World Education. The New Zealand Aid Programme contribution was \$223,000. The project has assisted 560 women in rural Timor-Leste to improve the way they manage their money, and develop elementary skills in building a small business to support household income and contribute to community well-being. The project has increased basic numeracy skills, improved knowledge of money management skills and basic business concepts, and diversified household income-generating activities.

Afghanistan: Afghanistan 'Mountains to Market' was based on the assumption that rangelands, watersheds, farming systems and markets must all be considered as part of any integrated community development effort. New Zealand contributed US\$744,000 and as a result community based management systems were established in four catchment areas. Nine watershed management committees and 13 water use-groups were established, and 50 farmers per catchment were introduced to mechanised technology, alternative fuels and fodder production. Five hundred farmers were provided with better access to markets, which resulted in increased income generation of between 15 percent and 35 percent. Over 200 extra women were employed in carpet weaving enterprises owned by 112 women.

2011 Horn of Africa WFP Food Assistance: New Zealand contributed \$1 million to international efforts to address the acute food crisis in the Horn of Africa. Food assistance was provided to 6.6 million extremely vulnerable people across the Horn of Africa (Kenya, Ethiopia, Djibouti and Somalia) in the form of general food distributions and response and recovery programmes. WFP was the only humanitarian agency with the size and logistical capacity to source, transport and distribute the scale of food needed during this region-wide food crisis.

Appropriation: New Zealand Voluntary Agency Grants (M34)

Scope of appropriation and expenses

Type, Title, Scope and Period of Appropriation	NEW ZEALAND VOLUNTARY AGENCY GRANTS (M34) Contributions to non-government organisations (NGOs) providing humanitarian and development assistance overseas, conducting development education within New Zealand and providing capacity building and co-ordination support to New Zealand NGOs. This is an annual non-departmental other expense appropriation.			
	2010/11		2011/12	
	Budgeted (\$000)	Actual (\$000)	Budgeted (\$000)	Actual (\$000)
	32,826	28,658	32,826	22,870

Intended impact

Impact: Effective contributions by New Zealand NGOs to sustainable development, reducing poverty and responding to humanitarian crises overseas.

Description of activities

The New Zealand Voluntary Agency Grants Appropriation covers the contributions made to non-government development agencies within New Zealand. New Zealand Voluntary Agencies (NGOs) are key partners in New Zealand's delivery of effective development outcomes.

The primary window of support to New Zealand NGOs has been the Sustainable Development Fund (SDF), which held its third funding round in 2011/12. Applications are assessed by an external selection panel (the International Development Advisory and Selection Panel), which makes recommendations to the MFAT CEO on which activities to approve. During 2011/12, the New Zealand Aid Programme committed \$23 million through SDF to NGOs for multi-year projects. Of these projects, 63 percent had a focus on the Pacific and 52 percent had a focus on economic development.

The SDF will be replaced in 2012/13 by the New Zealand Partnerships for International Development Fund that will provide contestable support to New Zealand NGO, state and private sector organisations to deliver development results off-shore.

As the SDF approves multi-year activities, the under-spend for 2010/11 (\$4.168 million) and 2011/12 (\$9.956 million) has been approved for transfer to 2012/13. This is to meet existing commitments made under the SDF, which will be expensed when the conditions under each contract are met.

In addition to the SDF, the New Zealand Voluntary Agency Grants Appropriation provides funding for Volunteer Service Abroad, the Council for International Development, Trade Aid and the Hillary Himalayan Trust.

Service performance

	Budgeted Standard	Actual Standard	
	2008/09-2011/12	2010/2011	2011/2012
Bilateral partner countries' dependence on aid as measured by total development assistance as a proportion of the recipients' GNI. (Bilateral partners are: Cook Islands, Niue, Tokelau, Samoa, Tonga, Papua New Guinea, Solomon Islands, Vanuatu, Tuvalu, Kiribati, Fiji, Indonesia, Timor-Leste, Viet Nam, Philippines, Cambodia and Lao PDR)	Progress on a plausible path to reduced aid dependence (not necessarily an Immediate reduction)	10.9% (Net ODA as a percent of GNI)	13.8% (Net ODA as a percent of GNI) ¹⁵
Improved progress towards the 2015 Millennium Development Goals for New Zealand's bilateral partners.	More than 40% on track or achieved	Pacific 49% on track or achieved In Asia 59% on track or achieved	Pacific 41.3% on track or achieved In Asia 53.0% on track or achieved ¹⁶
Bilateral partner countries' HDI (a composite measure of GDP per capita, life expectancy, and education outcomes).	Increase in bilateral partner scores by 1% per year on average from 2007	Bilateral partner scores increased by 0.840% per year on average since 2007)	Bilateral partner scores increased by 0.757% per year on average since 2007 ¹⁷
Annual progress towards the medium-term outcomes identified in the programme strategies and strategic frameworks for New Zealand ODA under this appropriation, measured by the Ministry's annual programme reporting cycle.	Continued progress	Overall 70% of objectives rated good or excellent. For the Civil Society programmes, 75% rated good or excellent	Overall 70% of objectives rated good or excellent. For the civil society programmes, 83% rated good or excellent ¹⁸
Summary evaluative results for completed Crown-funded activities.	Demonstrated impacts	See the 2010/2011 Section 32A report for the latest data	Refer to examples in the following pages of this section.
Example impacts of Crown-funded activities.	Demonstrated impacts		
Example impacts from third parties funded by the New Zealand Aid Programme.	Demonstrated impacts		

¹⁵ Net ODA received (% of GNI) World Bank Development Indicators. Under the International Agency Funding Appropriation in the Pacific, dependence on aid decreased in Vanuatu and Kiribati and substantially increased in Samoa and Solomon Islands. Figures include Tuvalu for the first time and do not include the Cook Islands, Niue and Tokelau. Across New Zealand's six Asian bilateral partner countries (Indonesia, Timor-Leste, Viet Nam, Philippines, Cambodia and Lao PDR) progress towards a reduction in dependence on aid was seen in Viet Nam, Cambodia and Lao PDR and stayed the same in Indonesia. Dependence on aid increased in the Philippines.

¹⁶ Pacific Regional MDGs Tracking Report 2011, Pacific Islands Forum Secretariat. Across New Zealand's Pacific bilateral partners, 160 indicators were rated from the 7 MDGs, with 66 on track or already achieved. Asia-Pacific Regional MDG Report 2011/12, UNESCAP. Across New Zealand's six Asian bilateral partner countries 132 indicators were rated from the 7 MDGs with 70 on track or already achieved.

¹⁷ Human Development Indicators UNDP 2011. Bilateral partner HDI scores ranged from 0.466 to 0.704 in 2011, with an average score of 0.592. The closer the value to one, the better the country rating. Data was available for seven Pacific bilateral partners (Samoa, Fiji, Tonga, Kiribati, Vanuatu, Solomon Islands and Papua New Guinea). For the data series available Papua New Guinea (1.046%) met the 1% target; however Samoa, Tonga, Solomon Islands and Fiji have not. Data was available for all Asian bilateral partners. Indonesia (1.082%) and Lao PDR (1.179%) met the 1% target; however Viet Nam, Timor-Leste, Cambodia and the Philippines have not. UNDP released revised figures for HDI 2010/11 subsequent to the release of the 2010/11 Section 32A report. The revised HDI 2010/11 figures have been included in this table.

¹⁸ Twenty-four annual programme reports were reviewed for the overall figure. The overall figure appears the same between years due to rounding of results.

Examples of development results from New Zealand Voluntary Agency Grants Appropriation

Engineers Without Borders: The New Zealand Aid Programme provided \$48,500 to Engineers Without Borders New Zealand (EWB) for technical assistance to design and construct upgraded community-owned water schemes in Samoa. Water schemes were in disrepair because of lack of technical expertise and funding, which resulted in decreasing water quality. Six full and 4 partial water schemes have been upgraded. Designs have been completed for an additional 18 schemes and a 4 year work plan has been provided to upgrade all other water schemes. An EWB volunteer also provided training for local plumbers.

Childfund New Zealand: The New Zealand Aid Programme provided Childfund with \$307,000 to support career guidance to youth for post-conflict recovery in Sri Lanka. As a result, 315 young people were given employment skills, such as backhoe operation, tractor driving, computer skills and English language skills. Two hundred young people got jobs in sectors such as machinery operation, hospitality, insurance, food manufacturing and retail. Eight career guidance centres were built and 30 young people were trained to run the centres that provide 600 youth with access to information about vocational training and job opportunities.

Volunteer Service Abroad: From 2011 Volunteer Service Abroad (VSA) expanded its Pacific programme and volunteer options to include short term assignments with a focus on economic development initiatives in the productive sector. VSA received \$7.2 million and sent 151 skilled New Zealand volunteers during 2011/12. Volunteers contributed to a wide range of achievements that included the provision of new or improved access to drinking water for nearly 9,000 people; new or improved sanitation facilities for over 3,000 people; and 90 km of roads upgraded or built.

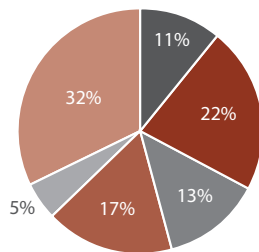
Section seven: Financial overview

For the year ended 30 June 2012

72

The Ministry's departmental operating expenditure for the 2011/12 year (before re-measurements), was \$361.266 million compared with a final appropriation of \$398.565 million (refer Appropriation Tables page 81) resulting in under-expenditure of \$37.299 million. The Ministry planned to carry forward \$19.000 million to 2012/13 which results in a net underspend of \$18.299 million.

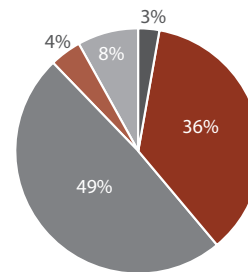
**Ministry Operational
Expenditure by Region**



- Americas (\$39.067 million)
- Asia (\$78.691 million)
- Australia & Pacific (\$47.722 million)
- Europe (\$60.532 million)
- Middle East & Africa (\$18.786 million)
- New Zealand (\$116.467 million)

This 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**



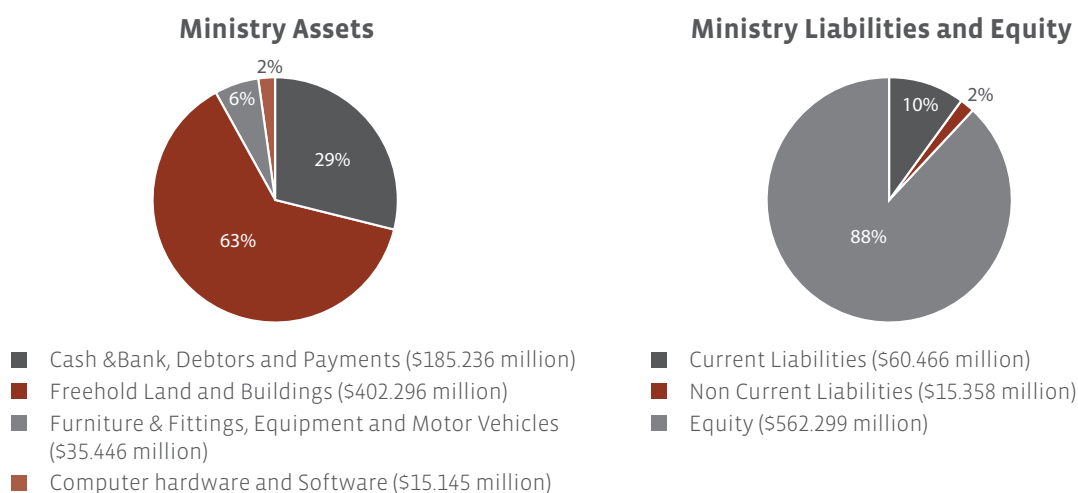
- Consultancy Building (\$11.012 million)
- Infrastructure Costs (\$128.035 million)
- Staffing Costs (incl. relocation and training) (\$176.621 million)
- Specialised Funds (\$14.901 million)
- Other (\$30.261 million)

This highlights that staff costs and infrastructure costs represent approximately 85 percent of the Ministry's overall operational expenditure.

Financial position

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

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

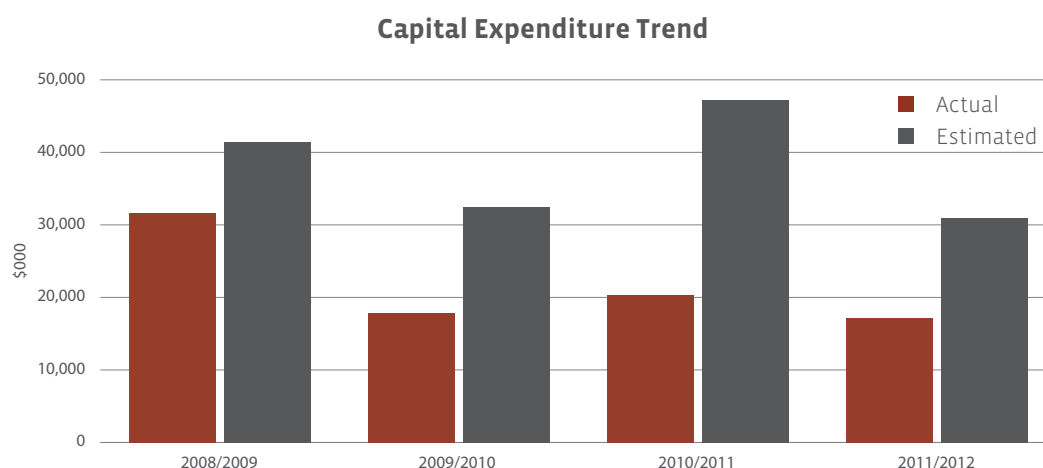


Asset management

Capital Infrastructure Expenditure Programme

Capital expenditure in 2011/12 was \$17.228 million (\$15.729 purchase of fixed assets, plus \$1.499 million purchase of intangible assets) below the planned spend of \$30.938 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 and changes in operational and business requirements.

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



Financial statements

Statement of Comprehensive Income

For the year ended 30 June 2012

74

30/06/11 Actual \$000		Notes	30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	REVENUE				
365,623	Crown		364,415	400,845	383,415
15,323	Other	2	15,416	15,109	15,150
34	Interest		22	100	100
170	Gain on sale of assets		230	-	-
381,150	Total Revenue		380,083	416,054	398,665
	EXPENDITURE				
163,689	Personnel	3	160,006	167,539	168,869
78,808	Operating	4	79,466	127,814	100,672
55,470	Accommodation	5	48,046	53,056	52,111
25,476	Depreciation	6	23,465	22,918	23,112
2,796	Amortisation on intangible assets	7	2,520	4,334	2,369
37,772	Capital charge	8	40,182	40,293	40,182
6,118	Net loss on foreign exchange	19	7,581	-	-
370,129	Total Output Expenses		361,266	415,954	387,315
	RE-MEASUREMENT				
3,514	Net loss/(gain) on derivative financial instruments	20	(1,372)	-	-
107	Movement in discount rate for Long Service Leave and Retirement Leave	17	936	-	-
3,621	Total Re-measurement		(436)	-	-
373,750	Total Expenses		360,830	415,954	387,315
7,400	Net operating surplus/(deficit)		19,253	100	11,350
	OTHER COMPREHENSIVE INCOME				
-	Gain on property revaluations		60,038	-	60,038
7,400	Total Comprehensive Income		79,291	100	71,388

* These are the estimated actuals according to the 2011/12 Supplementary Estimates as shown in the 2012/13 Main Estimates. The individual output statements disclosed with the Statements of Service Performance reflect the appropriations for the 2011/12 Supplementary Estimates. The accompanying accounting policies and notes form part of these financial statements. For information on major variances against budget refer to Note 23 (page 113).

Statement of Changes in Taxpayers' Funds

For the year ended 30 June 2012

75

30/06/11 Actual \$000		Notes	30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
505,521	Taxpayers' Funds Brought Forward as at 1 July		501,825	505,446	501,825
7,400	Total comprehensive income		79,291	100	71,388
(11,021)	Return of operating surplus to the Crown	15	(18,817)	(100)	(11,350)
-	Capital injections		-	20,000	-
(75)	Capital withdrawals		-		-
(3,696)	Movement in Taxpayers' Funds for the Year		60,474	20,000	60,038
501,825	Taxpayers' Funds as at 30 June	9	562,299	525,446	561,863

* These are the estimated actuals according to the 2011/12 Supplementary Estimates as shown in the 2012/13 Main Estimates. The accompanying accounting policies and notes form part of these financial statements. For information on major variances against budget refer to Note 23 (page 113).

Statement of Financial Position

As at 30 June 2012

76

30/06/11 Actual \$000		Notes	30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	TAXPAYERS' FUNDS				
403,759	General funds	9	404,195	427,380	403,759
98,066	Property revaluation reserve	9	158,104	98,066	158,104
501,825	Total Taxpayers' Funds		562,299	525,446	561,863
	Represented by:				
	CURRENT ASSETS				
49,416	Cash and cash equivalents		66,342	30,185	32,833
100,875	Debtor Crown		102,451	81,779	112,630
2,281	Debtors and other receivables	10	2,673	2,146	2,281
9,001	Prepayments	11	6,693	6,023	9,001
151	Derivative financial instruments	20	112	1,156	151
161,724	Total Current Assets		178,271	121,289	156,896
	NON-CURRENT ASSETS				
3,271	Debtors and receivables	10	3,192	3,279	3,271
3,921	Prepayments - leased land	11	3,773	3,995	3,921
395,375	Property, plant, and equipment	12	447,475	433,802	451,297
6,433	Intangible assets	13	5,412	14,455	15,706
409,000	Total Non-Current Assets		459,852	455,531	474,195
570,724	Total Assets		638,123	576,820	631,091
	CURRENT LIABILITIES				
16,453	Creditors and other payables	14	12,547	17,022	16,453
11,021	Return of operating surplus	15	18,817	100	11,350
427	Provisions for other costs	16	6,531	213	427
17,574	Provision for employee entitlements	17	17,781	16,282	17,497
6,200	Derivative financial instruments	20	4,790	3,690	6,200
51,675	Total Current Liabilities		60,466	37,307	51,927
	NON-CURRENT LIABILITIES				
6,279	Provisions for other costs	16	3,550	2,536	6,832
10,945	Provision for employee entitlements	17	11,808	11,531	10,469
17,224	Total Non-Current Liabilities		15,358	14,067	17,301
68,899	Total Liabilities		75,824	51,374	69,228
501,825	NET ASSETS		562,299	525,446	561,863
570,724	Total Liabilities and Taxpayers' Funds		638,123	576,820	631,091

* These are the estimated actuals according to the 2011/12 Supplementary Estimates. The accompanying accounting policies and notes form part of these financial statements. For information on major variances against budget refer to Note 23 (page 113).

Statement of Cash Flows

For the year ended 30 June 2012

30/06/11 Actual \$000		Notes	30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	OPERATING ACTIVITIES				
	Cash provided from:				
328,549	Receipts from Crown		362,839	395,291	371,660
14,658	Receipts from Departments and other		15,236	15,209	15,150
-	Interest		22	-	100
967	Goods and services tax (net)		-	-	-
344,174			378,097	410,500	386,910
	Cash disbursed to:				
(163,649)	Payments to employees		(155,253)	(166,946)	(168,335)
(139,793)	Payments to suppliers		(137,375)	(181,463)	(153,317)
(37,772)	Payments for capital charge		(40,182)	(40,293)	(40,182)
-	Goods and services tax (net)		(528)	-	-
(341,214)			(333,338)	(388,702)	(361,834)
2,960	Net cash flow from operating activities	18	44,759	21,798	25,076
	INVESTING ACTIVITIES				
	Cash provided from:				
1,735	Sale of property, plant, equipment		416	37,986	300
	Cash disbursed for:				
(18,088)	Purchase of property, plant, equipment		(15,729)	(72,998)	(19,296)
(2,234)	Purchase of intangible assets		(1,499)	(7,000)	(11,642)
(18,587)	Net cash flow from investing activities		(16,812)	(42,012)	(30,638)
	FINANCING ACTIVITIES				
	Cash provided from:				
-	Capital injections		-	20,000	-
	Cash disbursed for:				
(3,084)	Return of operating surplus		(11,021)	(10,100)	(11,021)
(3,084)	Net cash flow from financing activities		(11,021)	9,900	(11,021)
(18,711)	Net increase/(decrease) in cash		16,926	(10,314)	(16,583)
68,127	Add cash at the beginning of the year		49,416	40,499	49,416
49,416	Closing cash at the end of the year		66,342	30,185	32,833

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.

* These are the estimated actuals according to the 2011/12 Supplementary Estimates. The accompanying accounting policies and notes form part of these financial statements.

Statement of Commitments

As at 30 June 2012

78

30/06/11 Actual \$000		30/06/12 Actual \$000
	CAPITAL COMMITMENTS	
	<i>Land and buildings</i>	
5,411	Less than one year	4,880
5,411	Total capital commitments	4,880
	NON-CANCELLABLE OPERATING LEASES	
	<i>Accommodation</i>	
30,554	Less than one year	32,291
59,661	One to five years	55,603
26,547	More than five years	40,985
116,762	Total non-cancellable operating lease commitments	128,879
122,173	Total Commitments	133,759

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 recognised as a liability as at 30 June 2012.

Non-cancellable operating leases

The Ministry leases property, plant and equipment in the normal course of its business. The majority of these leases are for premises 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.

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

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2012

79

The Ministry has a contingent liability in the form of an indemnity as at 30 June 2012 to HSBC for \$0.788 million (30 June 2011: \$0.749 million).

The Ministry has other contingent liabilities relating to employment disputes and property disputes as at 30 June 2012 for \$0.462 million (30 June 2011: \$0.508 million).

The Ministry has one contingent asset relating to a refund receivable due to a property dispute for \$4,550 as at 30 June 2012 (30 June 2011: \$13,000).

Statement of Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2012

80

The Ministry had no departmental unappropriated expenditure as at 30 June 2012 (30 June 2011: nil)

Departmental Net Asset Schedule

The Ministry had no breaches of projected departmental net asset schedules as at 30 June 2012 (30 June 2011: nil).

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

Statement of Departmental Expenditure and Capital Expenditure against Appropriations

For the year ended 30 June 2012

81

30/06/11 \$000		30/06/12 \$000	30/06/12 Appropriation Voted* \$000
	VOTE: FOREIGN AFFAIRS AND TRADE		
	<i>Appropriations for Output Expenses</i>		
1,474	Administration of Diplomatic Privileges and Immunities	1,440	1,720
19,831	Consular Services	19,366	21,737
1,460	Pacific Security Fund	1,088	2,143
58,892	Policy Advice and Representation: International Institutions	67,212	73,729
211,399	Policy Advice and Representation: Other Countries	196,606	216,042
638	Policy Advice and Representation: Other Countries (Permanent Legislative Authority)	18	20
148	Promotional Activities: Other Countries	145	225
14,253	Services for Other New Zealand Agencies Overseas	14,277	14,485
18	Rugby World Cup Guests of Government	3,276	3,455
68	Hosting of the Pacific Islands Forum 2011	3,587	3,650
308,181	Sub-total	307,015	337,206
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE		
	<i>Appropriations for Output Expenses</i>		
-	Management of New Zealand Official Development Assistance	54,251	61,359
50,863	Management of Official Development Assistance Programme	-	-
11,085	Strategic Advice and Evaluation	-	-
61,948	Sub-total	54,251	61,359
370,129	Total Expenditure and Appropriations Before re-measurement	361,266	398,565
	<i>Re-measurements</i>		
3,514	Unrealised loss/(gain) on the re-measurement of foreign exchange contracts	(1,372)	-
107	Movement in discount rate for Long Service Leave and Retirement Leave	936	-
3,621	Total re-measurements	(436)	-
373,750	Total Expenditure after re-measurement	360,830	398,565
	<i>Appropriations for Departmental Capital Expenditure</i>		
20,322	Capital expenditure (Permanent Legislative Authority)	17,228	30,938
20,322	Total Capital Expenditure	17,228	30,938

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

Statement of Trust Monies

For the year ended 30 June 2012

82

Account	As at 30/06/11 \$000	Contribution \$000	Distribution \$000	Revenue \$000	As at 30/06/12 \$000
NZ/France Friendship Trust Fund	230	31	(240)	1	22
Niue Admin Building Trust Fund	276	-	-	4	280
Cook Islands Trust Fund	20	2,200	(2,200)	3	23
Fred Hollows Foundation Trust	574	-	(583)	10	1
Kiribati Sustainable Towns Programme Trust Account	4	-	-	1	5
Niue Primary School Infrastructure Project Trust	-	2,738	-	-	2,738
Tuvalu Ship to Shore Transport Project Trust	-	-	-	-	-
Afghanistan New Zealand Aid Programme Trust	-	-	-	-	-
Total	1,104	4,969	(3,023)	19	3,069

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 Admin Building Trust Fund

The Niue Admin 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/destroyed in a cyclone several years ago.

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 the New Zealand Aid Programme's management.

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.

Niue Primary School Infrastructure Project Trust

The Niue Primary School Infrastructure Project Trust account was set up in May 2012 to hold and manage funds on behalf of AusAID to undertake oversight of the construction of the Niue Primary School through the Niue Primary School Infrastructure project.

Tuvalu Ship to Shore Transport Project Trust

The Tuvalu Ship to Shore Transport Project Trust account was set up in May 2012 to hold and manage funds on behalf of AusAID to undertake oversight and management of the Tuvalu Ship to Shore Transport project. No transactions had flowed through this new trust account as at 30 June 2012.

Afghanistan New Zealand Aid Programme Trust

The Afghanistan New Zealand Aid Programme Trust account was set up in May 2012 to hold and manage donor funds relating to the New Zealand Aid Programme in Afghanistan for the purpose specified within each donor co-operation agreement for (a) Agricultural Support Programme and (b) Renewable Energy Programme. No transactions had flowed through this new trust account as at 30 June 2012.

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

Notes to the Financial Statements

For the year ended 30 June 2012

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 2012. The financial statements were authorised for issue by the Chief Executive on 28 September 2012.

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).

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

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 to fair value.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of the Ministry is New Zealand dollars (NZ\$).

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 1 Presentation of Financial Statements – The amendments introduce a requirement to present, either in the statement of changes in equity or the notes, for each component of equity, an analysis of other comprehensive income by item. The Ministry has presented this analysis in note 9.

- FRS-44 New Zealand Additional Disclosures and Amendments to NZ IFRS to harmonise with IFRS and Australian Accounting Standards (Harmonisation Amendments) – The purpose of the new standard and amendments is to harmonise Australian and New Zealand accounting standards with source IFRS and to eliminate many of the differences between the accounting standards in each jurisdiction. The main effect of the amendments to the Ministry is that certain information about property valuations is no longer required to be disclosed. Note 12 has been updated for these changes.
- NZ IFRS 7 Financial Instruments: Disclosures - The amendment reduces the disclosure requirements relating to credit risk. Note 10 has been updated for the amendments.

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 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 assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Ministry is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Ministry expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Ministry is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

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.¹ 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 publication 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.

¹ Where material information on the major assumptions is provided in the relevant accounting policy or will be provided with a relevant note.

Expenses

Grants

Where grants are discretionary until payment, the expense is recognised when the payment is advised. 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 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 2012, 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 2012/13 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.

The Main Estimates are the original forecast for the financial year, as tabled in Parliament on 19 May 2011. The Supplementary Estimates are the forecast as tabled in Parliament on 24 May 2012.

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 2011. Land and buildings are revalued every three years, or whenever it is determined that 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 5 years
Equipment	5 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.

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.

Creditors and other payables

Short-term creditors and other payables are recorded at their face value.

Employee benefits

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 recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. 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 arm's length basis.

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 (2011: 24 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.

30/06/11 Actual \$000		30/06/12 Actual \$000
14,242	Services for other New Zealand agencies	14,423
537	Consular services	437
544	Miscellaneous	556
15,323	Total Other Revenue	15,416

Note 3: Personnel costs

30/06/11 Actual \$000		30/06/12 Actual \$000
131,584	Salaries and wages	131,026
7,160	Employer contributions to defined contribution plans	6,257
606	ACC levy	493
192	Increase / (decrease) in employee entitlements	85
(45)	Increase / (decrease) sick leave liability	(8)
24,192	FBT	22,153
163,689	Total Personnel Costs	160,006

Note 4: Operating costs

30/06/11 Actual \$000		30/06/12 Actual \$000
329	Audit fees for financial statement audit	330
-	Audit fees other	20 ¹
51,317	Other operating	53,438
8,750	Travel	8,423
9,922	Professional services and contractors	11,758
4,409	Staff training	3,469
1,929	Representation	1,992
2,118	Asset/Debt write-offs	20
34	Loss on sale of assets	16
78,808	Total Operating Costs	79,466

¹ Audit Services provided for the review of a tender process

Note 5: Accommodation costs

30/06/11 Actual \$000		30/06/12 Actual \$000
41,147	Rentals and operating leases	34,911
6,741	Maintenance	5,096
2,939	Rates, Taxes & Communal Charges	2,673
3,890	Utilities	4,269
753	Other	1,097
55,470	Total Accommodation and Operating Lease Costs	48,046

Note 6: Depreciation and impairment on property, plant and equipment

30/06/11 Actual \$000		30/06/12 Actual \$000
7,915	Freehold buildings	7,534
2,493	Plant and equipment	2,563
8,750	Furniture and fittings	6,423
867	Motor vehicles	913
5,451	Computer equipment	6,032
25,476	Total Depreciation Charge	23,465

Note 7: Amortisation on intangible assets

30/06/11 Actual \$000		30/06/12 Actual \$000
2,796	Computer software	2,520
2,796	Total Amortisation Charge	2,520

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 2012 was 8.0 percent (2011: 7.5 percent).

Note 9: Taxpayers' funds

30/06/11 Actual \$000		30/06/12 Actual \$000
407,455	Balance at 1 July	403,759
7,400	Net operating surplus/ (deficit)	19,253
(75)	Capital withdrawal to the Crown	-
(11,021)	Return of operating surplus to the Crown	(18,817)
403,759	General Funds as at 30 June	404,195
	PROPERTY REVALUATION RESERVES	
98,066	Balance at 1 July	98,066
-	Revaluation gains / (losses)	60,038
98,066	Revaluation Reserves as at 30 June	158,104
501,825	Total Taxpayers' Funds	562,299
	PROPERTY REVALUATION RESERVE CONSISTS OF:	
84,129	Land revaluation reserve	145,170
13,937	Buildings revaluation reserve	12,934
98,066	Total Property Revaluation Reserve	158,104

Note 10: Debtors and receivables

30/06/11 Actual \$000		30/06/12 Actual \$000
2,186	Trade debtors	2,343
63	Receivables	169
-	GST receivable	133
32	Post establishment loans	28
2,281	Total Current	2,673
	NON-CURRENT	
152	Deposit bonds	147
2,933	Lease deposits	3,001
186	Post establishment loans	44
3,271	Total Non-Current	3,192
5,552	Total Debtors and Receivables	5,865

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

As at 30 June 2012 and 2011, all receivables have been assessed for impairment and no provision was required.

Aged Debtors	30/06/11 \$000	30/06/12 \$000
Not past due	97	-
Past due 1-30 days	1,693	1,794
Past due 31-60 days	131	170
Past due 61-90 days	45	175
Past due >91 days	220	204
Total	2,186	2,343

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, 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 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 adjustment - reclassification	-	(2,610)	2,610	(1,018)	-	1,018	-
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
Balance at 1 July 2011	246,119	114,362	68,635	25,607	7,673	34,998	497,394
Additions	40	5,608	4,141	939	1,683	3,318	15,729
Asset class adjustment - reclassification	-	2	10	1,248	35	(1,295)	-
Revaluation	61,041	(19,981)	-	-	-	-	41,060
Disposals	-	-	(2,577)	(688)	(1,688)	(974)	(5,927)
Balance at 30 June 2012	307,200	99,991	70,209	27,106	7,703	36,047	548,256

	Freehold Land \$000	Freehold Buildings \$000	Furniture & Fittings \$000	Plant & Equipment \$000	Motor Vehicles \$000	Computer Equipment \$000	Total \$000
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
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
Balance at 1 July 2011	-	16,338	40,810	19,318	4,328	21,225	102,019
Depreciation expense	-	7,534	6,470	2,563	913	6,032	23,512
Eliminate on disposal	-	-	(2,526)	(681)	(1,557)	(961)	(5,725)
Asset class adjustment - reclassification	-	1	14	(33)	-	18	-
Eliminate on revaluation	-	(18,978)	-	-	-	-	(18,978)
Impairment adjustments	-	-	(47)	-	-	-	(47)
Balance at 30 June 2012	-	4,895	44,721	21,167	3,684	26,314	100,781
CARRYING AMOUNTS							
At 1 July 2010	245,173	106,202	27,937	7,454	3,298	14,298	404,362
At 30 June and 1 July 2011	246,119	98,024	27,825	6,289	3,345	13,773	395,375
At 30 June 2012	307,200	95,096	25,488	5,939	4,019	9,733	447,475

Movements in values

Land and Buildings were revalued at fair value as at 31 October 2011. This valuation was conducted by an independent registered valuer, S N Dean, Director – Valuation and Advisory Services, Colliers International New Zealand Limited, FNZIV, AREINZ 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.

The total amount of property, plant, and equipment in the course of construction is \$2.945 million (2011: \$7.682 million).

As at 30 June 2012 the Ministry had no properties intended for sale (30 June 2011: nil).

Restrictions on sale of land and buildings

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 \$160 million (2011: \$106 million).

There are conditions that apply to the land leased by the Ministry in New Delhi. The following restrictions in relation to the sale and treatment of sale proceeds apply:

- If the sale is to another diplomatic mission the Ministry retains 100 percent of the proceeds, and the purchaser inherits the same terms of ownership;
- If the sale is to other than a diplomatic mission, then the Indian Government has the first right of refusal and if accepted the Ministry retains 20 percent of the land value increase since the original purchase and 100 percent of the buildings proceeds; and
- If the Indian Government does not purchase it, then it can be offered to a non-diplomatic third party with the Ministry retaining 20 percent of the increased value of the land proceeds and 100 percent of the buildings proceeds, with the Indian Government receiving 80 percent of the land value. The purchaser inherits the same terms of ownership.

Based on the above restrictions the Ministry's Valuer has valued the New Delhi land at 20 percent of the fair value, which is \$59.36 million.

Note 13: Intangible assets

	Acquired software \$'000
COST	
Balance at 1 July 2010	15,463
Additions	2,234
Balance at 30 June 2011	17,697
Balance at 1 July 2011	17,697
Additions	1,499
Disposals	(2,361)
Balance at 30 June 2012	16,835
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	
Balance at 1 July 2010	8,468
Amortisation expense	2,796
Balance at 30 June 2011	11,264
Balance at 1 July 2011	11,264
Amortisation expense	2,520
Eliminate on disposal	(2,361)
Balance at 30 June 2012	11,423
CARRYING AMOUNTS	
At 1 July 2010	6,995
At 30 June and 1 July 2011	6,433
At 30 June 2012	5,412

Note 14: Creditors and payables

30/06/11 Actual \$000		30/06/12 Actual \$000
3,112	Trade creditors	2,798
6,864	Accrued expenses	4,391
6,082	FBT payable	5,358
395	GST payable	-
16,453	Total Creditors and Payables	12,547

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

30/06/11 Actual \$000		30/06/12 Actual \$000
7,400	Net Surplus/ (Deficit)	19,253
	Add/(Less)	
107	Movement in discount rate for Long Service Leave and Retirement Leave	936
3,514	Net loss/(gain) on derivative financial instruments	(1,372)
11,021	Total return of operating surplus	18,817

The operating surplus is required to be paid to the Crown by 31 October.

Note 16: Provisions

30/06/11 Actual \$000		30/06/12 Actual \$000
	CURRENT PORTION	
291	Onerous contracts	1,125
136	Lease make good	640
-	Restructuring	4,568
-	Other	198
427	Total Current	6,531
	NON-CURRENT PORTION	
4,182	Onerous contracts	2,211
2,097	Lease make good	1,339
6,279	Total Non-Current	3,550
6,706	Total	10,081

	Onerous \$000	Make good \$000	Restructuring \$000	Other \$000	Total \$000
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
Balance as 1 July 2011	4,473	2,233	-	-	6,706
Additional provisions made	-	-	4,568	198	4,766
Amounts used	(291)	(35)	-	-	(326)
Unused amounts reversed	(846)	(219)	-	-	(1,065)
Balance as at 30 June 2012	3,336	1,979	4,568	198	10,081

Restructuring

The restructuring provision arises from the Ministry's organisational change decisions and relates to the cost of expected redundancies (\$3.105 million) and costs associated with relocation of affected staff (\$1.463 million). Management anticipate that the restructuring will be completed within 12 months of balance date and the amount of the liability is considered to be reasonably certain.

Lease make good

In respect of a number of its leased premises, the Ministry is required at the expiry of the lease term to make good any damage caused to the premises and to remove any fixtures or fittings installed by the Ministry. In many cases, the Ministry has the option to renew these leases, which affects the timing of the expected cash outflows to make good the premises.

Onerous contracts

The provision for onerous contracts arises from a non-cancellable lease where the unavoidable costs of meeting the lease contract exceed the economic benefits to be received from it. Due to decisions to consolidate staff into one building and reduce accommodation costs. This will result in four vacant floors located in two buildings from 1 January 2013 with two years remaining on one lease (three floors) and five years remaining on the other (one floor). Tenants have not yet been found for the vacant floors. No sublease cash inflows on the vacant floors have been included in measuring the provision as there is not sufficient certainty that these floors will be let.

Note 17: Provision for employee entitlements

30/06/11 Actual \$000		30/06/12 Actual \$000
	CURRENT LIABILITIES	
8,876	Annual leave	9,385
1,150	Long service leave	1,008
1,114	Retirement leave	1,215
829	Retirement gratuities	1,070
186	Posting-related leave	154
4,644	Salaries and allowances	4,168
169	Sick leave liability	161
606	ACC levy	620
17,574	Total Current	17,781
	NON-CURRENT LIABILITIES	
1,037	Long service leave	1,261
7,583	Retirement leave	8,577
1,948	Retirement gratuities	1,656
377	Posting-related leave	314
10,945	Total Non-Current	11,808
28,519	Total Provision for Employee Entitlements	29,589

An independent actuarial valuation was undertaken by AON Consulting New Zealand Limited as at 30 June 2012 to estimate the present value of retirement leave and long service leave.

The key assumptions used in discounting to present value were:

- discount rate for the 2011/12 financial year: 2.43 percent per annum (2011: 2.84 percent)
- salary growth rate for the 2011/12 financial year:

Projection year	Salary Growth	
	2011/12	2010/11
1	3.10%	3.50%
2	3.40%	3.50%
3+	3.50%	3.50%

- 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 \$725,000 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 \$627,000 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 \$717,000 higher and \$630,000 lower respectively.
- The movements in discount rate are recognised in the Statement of Comprehensive Income as a remeasurement (i.e. net gain or loss).

Note 18: Reconciliation of net surplus to net cash flow from operating activities

30/06/11 Actual \$000		30/06/12 Actual \$000
7,400	Net operating Surplus/ (Deficit)	19,253
	Add/ (Less) Non-Cash Items	
28,272	Depreciation and amortisation	26,043
3,514	Net (gains)/loss on derivatives and foreign exchange	(1,372)
107	Movement in discount rate for Long Service Leave and Retirement Leave	936
31,893	Total Non-Cash Items	25,607
	Add/(Less) Items Classified as Investing or Financing Activities	
(136)	(Gains) / losses on disposal property, plant and equipment	(214)
(136)	Total Items Classified as Investing or Financing Activities	(214)
	Add/(Less) Working Capital Movements	
(37,772)	(Inc)/Dec in debtors and receivables	(1,756)
(2,904)	(Inc)/Dec in prepayments	2,456
(72)	Inc/(Dec) in creditors and payables	(4,097)
214	Inc/(Dec) in Provisions	1,536
1,103	Inc/(Dec) in current employee entitlements	3,963
(39,431)	Net Working Capital Movements	2,102
	Add/(Less) Movements in Non-Current Liabilities	
(1,062)	Inc/(Dec) in employee entitlements	790
4,296	Inc/(Dec) in Provisions	(2,779)
3,234	Net Working Non-Current Movements	(1,989)
2,960	Operating Activities Net Cash Flows	44,759

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 New Zealand dollar equivalents at 30 June 2012 were:

	30/06/11 \$000	30/06/12 \$000
USD	17,259	17,551
JPY	4,094	4,366
EUR	18,567	17,834
Other	34,838	30,376
Total	74,758	70,127

Sensitivity analysis

Forward Foreign Exchange Contracts

Derivative financial instruments include forward foreign exchange contracts in gain with a fair value totalling \$0.112 million and forward foreign exchange contracts in loss with a fair value totalling \$4.790 million (2011: \$0.151 million and \$6.201 million respectively). A movement in foreign exchange rates plus or minus 10 percent has an impact of (\$2.596) million / \$10.627 million on the Ministry's revenue/expenditure and assets/liabilities (2011: (\$0.941) million/(\$0.165) million) based on a derivative valuation model using balance date forward exchange rates plus or minus 10 percent.

Creditors Denominated in Foreign Currencies

As at 30 June 2012, 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 \$6,900 (2011:\$6,300) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of US dollar denominated creditors.

As at 30 June 2012, 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 \$6,800 (2011: \$7,700) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of Japanese Yen denominated creditors.

As at 30 June 2012, 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 \$10,300 (2011:\$16,200) higher/lower. This movement is attributable to the foreign exchange gains/losses on translation of Euro denominated creditors.

Foreign exchange Transaction Exposure

The Ministry faces large foreign exchange transaction exposure due to the inherent risk related to volatile foreign exchange markets impacting expenditure incurred in multiple currencies offshore. The Ministry uses Forward Exchange Contracts to hedge its exposure to foreign exchange movements.

Foreign currency transactions each month are translated into New Zealand dollars at an average ('spot') foreign exchange rate, regardless of whether those transactions have been hedged at a different exchange rate. When the Foreign Exchange Contracts mature and are settled, the exchange rate difference between the New Zealand dollar amount at the forward contract rate compared to the New Zealand dollar amount at the spot rate is recognised as a realised gain or loss in the Statement of Comprehensive Income. The resulting net foreign exchange loss or gain has no impact on the bottom line as it is offset by lower or higher costs in the other expenditure lines appearing in the Statement of Comprehensive Income.

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 as no funds were 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 2012 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
2011		
Creditors and other payables	16,453	-
Derivative financial instrument liabilities	2,817	3,383
2012		
Creditors and other payables	12,547	-
Derivative financial instrument liabilities	2,341	2,448

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	Contract cashflows \$000	Less than 6 months \$000	Between 6 months and 1 year \$000
2011					
Gross settled foreign exchange contracts:	6,200	151	-	-	-
- outflow	-	-	74,758	36,365	38,393
- inflow	-	-	68,708	33,653	35,055
2012					
Gross settled foreign exchange contracts:	4,790	112	-	-	-
- outflow	-	-	70,126	34,469	35,657
- inflow	-	-	65,449	32,183	33,266

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:

30/06/11 Actual \$000		Notes	30/06/12 Actual \$000
	LOANS AND RECEIVABLES		
49,416	Cash and cash equivalents		66,342
5,552	Debtors and other receivables	10	5,865
100,875	Debtor Crown		102,451
155,843	Total Loans and Receivables		174,658
	FAIR VALUE THROUGH SURPLUS AND DEFICIT - HELD FOR TRADING		
151	Derivative financial instrument assets		112
(6,200)	Derivative financial instrument liabilities		(4,790)
(6,049)	Total Fair Value through Surplus and Deficit - Held for Trading		(4,678)
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		
16,453	Creditors and other payables	14	12,547

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.

Movements in fair value of derivative financial instruments are recognised in the Statement of Comprehensive Income as a net gain or loss on derivative financial instruments.

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	Significant non-observable inputs \$000
30 JUNE 2011				
FINANCIAL ASSETS				
Foreign exchange derivatives	151	-	151	-
FINANCIAL LIABILITIES				
Foreign exchange derivatives	6,200	-	6,200	-
30 JUNE 2012				
FINANCIAL ASSETS				
Foreign exchange derivatives	112	-	112	-
FINANCIAL LIABILITIES				
Foreign exchange liabilities	4,790	-	4,790	-

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 through the management of income, expenses, assets, liabilities, and compliance with the Government Budget processes and the Public Finance Act 1989.

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, whilst remaining a going concern.

Note 22: Related party transactions and key management personnel

All related party transactions have been entered into on an arm's length basis.

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. The Ministry has received funding from the Crown of \$364 million (2011: 366 million) to provide services to the public for the year ended 30 June 2012.

Collectively, but not individually significant transactions with government-related entities

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 paying 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 2012 totalled \$6.712 million (2011: \$6.096 million). These purchases included transport services from VIP Transport Service, contributions and grants to Ministry of Economic Development and New Zealand Police, travel and accommodation to Department of Internal Affairs for Rugby World Cup Guest of Government, air travel from Air New Zealand and postal services from New Zealand Post.

Sales to government-related entities for the year ended 30 June 2012 totalled \$14.022 million (2011: \$14.228 million) relating to accommodation and support services provided to other New Zealand agencies such as Department of Labour, New Zealand Defence Force, Ministry for Primary Industries and New Zealand Trade and Enterprise.

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

Key management personnel compensation

30/06/11 Actual \$000		30/06/12 Actual \$000
3,428	Salaries and other short-term employee benefits	4,297
70	Other long-term benefits	62
3,498	Total Key Management Personnel Compensation	4,359

Key management personnel include the Chief Executive and the 12 members of the Senior Leadership Team including additional Senior Management personnel appointed for a fixed term for oversight of the Change Programme (2011: \$3.478 million consisting of the Chief Executive and 11 SLT members including some who took up their roles part way through the financial year).

The above key management personnel compensation excludes the remuneration and other benefits the Minister of Foreign Affairs receives. The Minister's remuneration and other benefits are not received only for his role as a member of key management personnel of the Ministry. The Minister's remuneration and other benefits are set by the Remuneration Authority under the Civil List Act 1979 and are paid under Permanent Legislative Authority, and not paid by the Ministry of Foreign Affairs and Trade.

Note 23: Major budget variations

Statement of comprehensive income

Variances between estimates

The movement in total expenses between the 2011/12 Main Estimates and the 2011/12 Supplementary Estimates was a reduction of \$28.639 million. The net reduction is due to increases arising from:

- an expense transfer from 2010/11 for the hosting of the Pacific Islands Forum meeting in Auckland in September 2011: \$2 million
- an increase in level of services purchased by other departments and agencies: \$306,000
- an expense transfer from 2010/11 for the hosting of Guests of Government attending the Rugby World Cup: \$5 million
- an expense transfer from 2010/11 arising from the Ministry's Organisational Change improvement project: \$2 million

Offset by following decreases:

- an expense transfer to Vote Economic Development for Rugby World Cup 2011: \$6 million
- an expense transfer to 2012/13 for the Ministry's 20/20 organisational change improvement project: \$5 million
- an expense transfer to 2012/13 for NZ Inc initiatives for International Marketing and Promotion: \$8.75 million
- foreign exchange and overseas inflation movements: \$4.671 million
- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) due to reduced demand: \$850,000
- decrease in resources anticipated for WTO negotiations and Bilateral Closer Economic Partnerships/ Free Trade Agreements: \$809,000
- lower capital charge arising from unrealised forward exchange contract loss repaid to the Crown: \$290,000
- higher capital charge and lower depreciation resulting from the revaluation of overseas properties: \$325,000.

Variances between actual and supplementary estimates

Actual expenditure (excluding remeasurements) was \$26.049 million less than the Supplementary Estimates. The main drivers for this under-expenditure are costs lower than forecast such as:

- unfilled vacancies in the Ministry and no remuneration market movement (\$1.188 million)
- reduction in overseas allowances and reduced tax on overseas terms and conditions (\$2.393 million)
- reversal of accelerated depreciation for Head Office fit out due to timing delays from organisational change review decisions and six month extension before vacating office space (\$1.024 million)
- contractors and consultants under-spent mainly due to timing of the Change Management Programme activities (\$4.968 million), pausing official residence strategy work (\$0.390 million), and delays in several IT projects (\$0.563 million)
- deferrals in commencing post maintenance projects (\$0.757 million), deferral of purchase of consumable furniture, fittings and equipment items (\$0.142 million) and deferral of software maintenance (\$0.247 million)
- projects deferred until 2012/13 for Public Diplomacy Fund (\$0.138 million), Trade Access Support Programme (\$0.082 million), Asia Security and Governance Fund (\$0.085 million) and major meetings (\$0.245 million)
- the Pacific Security Fund due to timing delays in projects by departments for which funds had been allocated in the 2011/12 financial year under the Pacific Security Fund's contestable structure (\$0.691 million)
- decreases in resources anticipated for WTO negotiations and Bilateral Closer Economic partnerships/ Free Trade Agreements (\$1.730 million) and AANZFTA (\$0.119 million)
- decrease in demand driven expenditure such as training costs during the year arising from lesser need and prioritising requirements (\$1.694 million)
- reduced travel expenditure arising from lesser need and prioritising travel plans and extending of staff postings pending Ministry's Organisational Change project decisions (\$1.562 million)
- staff movement costs less than anticipated due to vacancies in the Ministry, the organisational change review project review deferring rotational staff postings (\$1.082 million)
- property rental costs less than anticipated due to the lower impact on rents (\$0.425 million).

Forecast revenue from the Crown of \$19 million was not drawn down because the Ministry received approval for in-principle expense transfers to transfer expenses from 2011/12 to 2012/13 relating to initiatives and projects arising from the Modernisation Programme and Pacific Island Forum initiatives. 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 2011/12 main estimates and the 2011/12 supplementary estimates of \$2.648 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 2012 is \$33.509 million higher than in the supplementary estimates mainly due to a build-up of capital funds over the years arising from slower than expected capital expenditure demonstrated by expenditure on the purchase of assets being \$3.568 million lower than forecast associated with the development of overseas properties.

The actual intangibles balance as at 30 June 2012 is \$10.294 million less than in the supplementary estimates mainly due to delays with capital projects arising from design and implementation processes taking longer than anticipated; as well as the rephrasing of the capital works programme; changes in operational and business requirements; and tightening of fiscal forecasts.

The property revaluation reserve is \$60.038 million different between 2010/11 main estimates and the 2011/12 supplementary estimates due to the three year property revaluation which happened in October 2011.

The increase in debtor crown (\$30.851 million), the increase of plant, property and equipment (\$17.495 million) and the increase of intangible assets (\$1.251 million) between 2011/12 main estimates and the 2011/12 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 2012

116

The following non-departmental statements and schedules record the income, 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 2012

117

30/06/11 Actual \$000		30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	VOTE: FOREIGN AFFAIRS AND TRADE			
	NON-DEPARTMENTAL OUTPUT EXPENSES			
	ANNUAL			
13,168	Antarctic Research and Support	15,530	13,168	15,530
4,000	Promotion of Asian Skills and Relationships	4,000	4,000	4,000
1,400	Pacific Cooperation Foundation	1,400	1,400	1,400
18,568	Total Non-Departmental Output Expenses	20,930	18,568	20,930
	NON-DEPARTMENTAL OTHER EXPENSES			
860	Disbursements made, and exemptions from taxation - Permanent Legislative Authority	884	1,150	1,150
	ANNUAL			
54,084	Subscriptions to International Organisations	43,053	55,744	55,744
4,000	Contribution to Australian Flood Relief	-	-	-
1,000	Contribution to the March 2011 Japan earthquake and tsunami relief effort	-	-	-
59,944	Total Non-Departmental Other Expenses	43,937	56,894	56,894
78,512	Total	64,867	75,462	77,824

30/06/11 Actual \$000		30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	VOTE: OFFICIAL DEVELOPMENT ASSISTANCE			
	OTHER EXPENSES INCURRED BY THE CROWN			
28,658	New Zealand Voluntary Agencies Grants	22,870	32,826	32,826
123,767	International Agency Funding	114,119	94,500	115,000
84,712	Global Development Assistance *	96,596	128,619	113,628
257,879	Pacific Development Assistance *	276,910	268,987	282,858
495,016	Total	510,495	524,932	544,312

* MYA 1 July 2009 – 30 June 2012

The accompanying accounting policies and 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 2011/12

Statement of non-departmental expenditure and capital expenditure against appropriations

For the year ended 30 June 2012

118

During the year ending 30 June 2012, the Ministry had two multi-year appropriations in Vote Official Development Assistance: Global Development Assistance; and Pacific Development Assistance. These funded other expenses to be incurred by the Crown for the provision of assistance for development activities for non-Pacific countries (including Asian, African, Latin, American, Caribbean, and Middle Eastern countries), and Pacific Island countries. This assistance, which also included some humanitarian assistance, was provided to development organisations, partner countries and through other delivery mechanisms, to implement a range of development activities including the design, management, implementation and evaluation of those partner-led activities. The assistance is to be consistent with the government's directions and the Minister's requirements for the New Zealand Aid Programme to work with development partners to ensure aid expenditure is delivered efficiently and is targeted as closely as possible to need. Both appropriations commenced on 1 July 2009 and expired on 30 June 2012.

Appropriation	Global Development Assistance \$000	Pacific Development Assistance \$000
Original appropriation	312,000	755,801
MYA commences	1-Jul-09	1-Jul-09
MYA expires	30-Jun-12	30-Jun-12
Adjustments 2009/10	9,044	12,203
Adjustments 2010/11	(9,749)	(10,250)
Adjustments 2011/12	(20,500)	-
Appropriation	290,795	757,754
Actual to 2011/12 Year End	(273,763)	(751,806)
Unspent	17,032	5,948

The accompanying accounting policies and 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 2011/12.

Statement of non-departmental unappropriated expenditure and capital expenditure

For the year ended 30 June 2012

119

The Ministry had no unappropriated expenditure as at 30 June 2012 (30 June 2011: Vote Official Development Assistance: Non-Departmental Other Expense Appropriation – International Agency Funding \$25.354 million.)

Schedule of non-departmental revenue

For the year ended 30 June 2012

120

30/06/11 Actual \$000		30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	NON-DEPARTMENTAL RECOVERIES			
23	Other operational revenue	155	-	-
694	Gain on derivatives	-	-	-
717	Total Revenue	155	-	-

* These are the estimated actuals according to the 2011/12 Supplementary Estimates as shown in the 2012/13 Main Estimates.

Other operational revenue is primarily the repayment of unspent grant funding, on completion of development activities by Partners. These grants were provided for the delivery or implementation of development Activities under the New Zealand Aid Programme in prior years.

Schedule of non-departmental expenditure

For the year ended 30 June 2012

121

30/06/11 Actual \$000		30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	OUTPUTS			
13,168	New Zealand Antarctic Institute	15,530	13,168	15,530
4,000	Asia New Zealand Foundation	4,000	4,000	4,000
1,400	Pacific Cooperation Foundation	1,400	1,400	1,400
18,568	Total Outputs	20,930	18,568	20,930
	OTHER EXPENSES			
54,084	Subscriptions to International Organisations	43,053	55,744	46,744
495,016	Official Development Assistance	510,495	524,932	534,697
4,000	Contribution to Australian Flood Relief	-	-	-
1,000	Contribution to the March 2011 Japan earthquake and tsunami relief effort	-	-	-
860	Diplomatic exemptions	884	1,150	1,150
1,437	Revaluation of Shares	818	-	-
321	Unrealised loss on the re-measurement of foreign exchange contracts	-	-	-
280	Net loss on foreign exchange	90	-	-
556,998	Total Other Expenses	555,340	581,826	582,591
575,566	Total Operating Expenses	576,270	600,394	603,521

* These are the estimated actuals according to the 2011/12 Supplementary Estimates as shown in the 2012/13 Main Estimates.

Schedule of non-departmental assets

As at 30 June 2012

122

30/06/11 Actual \$000		Notes	30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	CURRENT ASSETS				
49,861	Cash		40,555	-	18,615
872	Debtors and receivables	2	120	517	872
3,633	Prepayments	3	2,327	20,816	3,633
-	Derivatives in gain		-	321	-
54,366	Total Current Assets		43,002	21,654	23,120
	NON-CURRENT ASSETS				
6,951	Shares in foreign organisations	4	6,133	8,388	6,951
-	Debtors and receivables		896	-	-
6,951	Total Non-Current Assets		7,029	8,388	6,951
61,317	Total Assets		50,031	30,042	30,071

* These are the estimated actuals according to the 2011/12 Supplementary Estimates as shown in the 2012/13 Main Estimates.

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.

The non-current debtors and receivables is the bond for the Tokelau interim ferry.

Schedule of non-departmental liabilities

As at 30 June 2012

123

30/06/11 Actual \$000		30/06/12 Actual \$000	30/06/12 Main Estimates \$000	30/06/12 Supp* Estimates \$000
	CURRENT LIABILITIES			
42,392	Creditors and payables	53,726	24,072	65,923
-	Derivatives in loss	-	-	-
42,392	Total Current Liabilities	53,726	24,072	65,923
	NON-CURRENT LIABILITIES			
23,530	Creditors and payables	32,180	694	-
23,530	Total Non-Current Liabilities	32,180	694	-
65,922	Total Liabilities	85,906	24,766	65,923

Current Liabilities - Creditors and payables, includes \$25.797 million of accruals and accounts payable for contracts providing for the delivery or implementation of development Activities under the New Zealand Aid Programme (Vote Official Development Assistance). The balance of \$27.929 million is for promissory notes issued to the Asian Development Bank, World Bank and Global Environment Fund by New Zealand that will be due for encashment during the year ending 30 June 2013.

Non-Current Liabilities – Creditors and payables of \$32.180 million is for promissory notes issued to the Asian Development Bank, World Bank and Global Environment Fund by New Zealand, that will be due for encashment during 30 June 2014 and outyears.

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.

Statement of non-departmental contingent liabilities

As at 30 June 2012

124

	Foreign Currency \$000	30/06/11 NZD \$000			30/06/12 Foreign Currency \$000	NZD \$000
GUARANTEES						
ADB LOAN GUARANTEES FOR THE COOK ISLANDS GOVERNMENT:						
SDR	2,983	5,770	Telecommunications Loan	SDR	2,830	5,460
SDR	502	972	Multiple Small-Project Loan	SDR	449	867
SDR	1,320	2,554	Multi-Project Loan	SDR	1,240	2,393
SDR	426	824	Development Bank Loan	SDR	387	747
SDR	733	1,418	Development Bank Loan	SDR	706	1,362
SDR	248	480	Telecommunications Loan	SDR	242	468
SDR	6,212	12,018		SDR	5,854	11,297
		-	Other	-	-	10,040
		2,000	Indemnity - other	-	-	2,000
EUR	7,000	12,209	EBRD Uncalled Share Capital	EUR	7,000	11,079
	26,227		Total Non-Departmental Contingent Liabilities			34,416

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 (2011: unquantifiable).

Contingent assets

The Ministry on behalf of the Crown has no contingent assets (30 June 2011: nil).

Notes to the Non-Departmental Statements and Schedules

As at 30 June 2012

125

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 2012. 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 advised. 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

30/06/11		30/06/12					
At Cost \$000	At Net Current Value \$000	Type	Number	Share Value EUR	Paid in Value EUR '000	At Net Current Value \$000	At Cost \$000
5,781	3,772	Ordinary	1,050	10,500	3,500	2,432	5,781
5,781	3,772	Total				2,432	5,781

The European Bank for Reconstruction and Development's authorised share capital is EUR 30 million divided into 3.000 million shares, having a face value of EUR 10,000 each. New Zealand has been allocated 1,050 shares, amounting to 0.04 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.

The following is based on the unaudited financial statements of the Pacific Forum Line as at 31 March 2012. The audited results were not available at the time of preparing the Ministry's financial statements.

The Ministry holds 10,000 A shares (2011: 10,000), and 4,768,000 B shares (2011: 4,768,000). This represents 22.85 percent (2011: 22.85 percent) of total Pacific Forum Line shares.

Pacific Forum Line net assets for the year ended 31 March 2012 were \$1.541 million (2011: \$5.122 million). The Ministry's share of these net assets is \$0.352 million (\$2011: \$1.170 million).

As at 30 June 2012 62,500 (2011:62,500) B Shares in Pacific Forum Line were held on behalf of the Government of Vanuatu.

Information on the Pacific Forum Line's assets, liabilities, revenue and net result as at 31 March 2012 were not available at the time of preparing the Ministry's financial statements.

The audit opinion was issued on 28 September 2012 on the Pacific Forum Line's financial statements for the year ended 31 March 2012 and is available on the Pacific Forum Line's website.

Note 5: Major budget variations

Schedule of non-departmental expenditure

ODA under-expenditure is mainly the result of more complex contracts and grant funding arrangements taking longer than expected, and slower than expected progress arising from reduced in-country capacity.

Schedule of non-departmental assets

The higher than forecast cash balance is a result of the lower than expected ODA expenditure noted above.

Section eight:

Our legal responsibilities

For the year ended 30 June 2012

Crown entities

The Ministry's relationship to Crown entities and providers of other organisations that provide 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. Its purpose is 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, efficiency and management of risks. The Ministry does this by providing advice on strategic direction and capability, assessing the appropriateness of output and performance measures for the Statement of Intent, providing advice to the Minister 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 with accountability to the Crown under the Public Finance Act 1989. By undertaking targeted projects 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. The Foundation works to deepen New Zealanders' knowledge and understanding of Asia through its activities in education, business, media, Track II (i.e. non-government discussion of policy issues), research, arts and community. 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

New Zealand Trade and Enterprise is a Crown entity. The Ministry, in conjunction with the Ministry of Economic Development, has a joint role in monitoring the performance of 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.

Acts we administer

- 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 (UNSC) 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 2011 and 30 June 2012.

Multilateral treaties

1. Anti-Counterfeiting Trade Agreement
2. 2010 Manila amendments to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978 and the Seafarers' Training, Certification and Watchkeeping (STCW) Code
3. International Tropical Timber Agreement 2006
4. Optional Protocol to the Convention on the Safety of United Nations and Associated Personnel
5. Protocol Amending the TRIPS Agreement
6. Protocol of Amendments to the Convention on the International Hydrographic Organisation
7. Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography

Bilateral/plurilateral treaties

8. Convention between New Zealand and Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (with Protocol)
9. Agreement between New Zealand and the European Union Establishing a Framework for the Participation of New Zealand in European Union Crisis Management Operations
10. Memorandum of Understanding between the Government of New Zealand and the Government of the Republic of Indonesia on Environmental Cooperation
11. Memorandum of Understanding between the Government of New Zealand and the Government of the Republic of Indonesia on Labour Cooperation
12. Agreement between New Zealand and the European Union Amending the Agreement on Mutual Recognition in Relation to Conformity Assessment between New Zealand and the European Union
13. Agreement between the Government of New Zealand and the Government of the Republic of South Africa Concerning Co-Production of Films
14. Agreement on Audio-Visual Co-Productions between the Government of New Zealand and the Government of the Republic of India
15. 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

16. Exchange of Notes amending the Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Argentine Republic
17. Exchange of Notes amending the Agreement on a Working Holiday Scheme between the Government of New Zealand and the Oriental Republic of Uruguay
18. Protocol to the Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Czech Republic
19. 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
20. Agreement between New Zealand and the Swiss Confederation on Sanitary Measures Applicable to Trade in Live Animals and Animal Products
21. 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
22. Agreement between the Government of New Zealand and the Government of Samoa on the Exchange of Information with respect to Taxes
23. Exchange of Letters constituting an Amendment to Article 3 of the Australia New Zealand Closer Economic Relations Trade Agreement
24. Exchange of Letters constituting an Amendment to the Product Specific Rules in Annex G of the Australia New Zealand Closer Economic Relations Trade Agreement
25. Agreement between the Government of New Zealand and the Government of Turkey for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income
26. Agreement on a Working Holiday Scheme between the Government of New Zealand and the Government of the Republic of Turkey
27. Agreement between the Government of New Zealand and the Government of the Republic of Turkey relating to Air Services
28. Second Protocol amending the Convention between the Government of New Zealand and the Government of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income, and the Protocol, signed at Brussels on 15 September 1981
29. Agreement between the Government of New Zealand and the Government of the Cayman 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
30. Agreement between the Government of New Zealand and the Government of the Cayman Islands on the Exchange of Information with Respect to Taxes
31. Agreement between the Government of New Zealand and the Government of Canada on Air Transport

32. Agreement between the Government of New Zealand and the Government of the Cook Islands on the Exchange of Information with Respect to Taxes
33. Agreement between the Government of New Zealand and the Government of the Cook Islands on the Allocation of Taxing Rights with Respect to Certain Income of Individuals and to Establish a Mutual Agreement Procedure in Respect of Transfer Pricing Adjustment

Independent Auditor's Report
To the readers of
Ministry of Foreign Affairs and Trade
financial statements, and non-financial performance information
and schedules of non-departmental activities
for the year ended 30 June 2012

The Auditor-General is the auditor of the Ministry of Foreign Affairs and Trade (the Ministry). The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, 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 74 to 115, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2012, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure, statement of cash flows and statement of trust monies for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the non-financial performance information of the Ministry that comprises the statement of service performance on pages 36 to 55 and the report about outcomes on pages 7 to 27; and
- the schedules of non-departmental activities of the Ministry on pages 116 to 128 that comprise the schedule of assets, schedule of liabilities, schedule of commitments and schedule of contingent liabilities and contingent assets as at 30 June 2012, the schedule of expenditure, statement of expenditure and capital expenditure against appropriations, statement of unappropriated expenditure and capital expenditure and schedule of revenue, 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 74 to 115:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect the Ministry's:
 - financial position as at 30 June 2012;
 - 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 2012; and
 - unappropriated expenses and capital expenditure for the year ended 30 June 2012.

- the non-financial performance information of the Ministry on pages 7 to 27 and 36 to 55:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Ministry’s service performance and outcomes for the year ended 30 June 2012, 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 128:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the assets, liabilities, contingencies, commitments and trust monies as at 30 June 2012 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 28 September 2012. 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, 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, 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, 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, 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, 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, the non-financial performance information and the schedules of non-departmental activities; and
- the overall presentation of the financial statements, 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, 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 2011 that:
 - comply with generally accepted accounting practice in New Zealand; and
 - 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, 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.

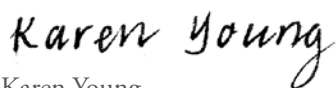
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, 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.

During the year we provided independent assurance over a tender process. Other than this and the audit, we have no relationship with or interests in the Ministry.



Karen Young
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand