

STATEMENT OF INTENT 2009–2012

Ministry of Foreign Affairs and Trade

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FOREWORD: MINISTER OF FOREIGN AFFAIRS

This *Statement of Intent* sets out the Government's key strategic priorities for the next three years. It reflects the Government's view that foreign and trade policy is essential to achieving its overall goal – growing the economy in order to deliver greater prosperity, security, and opportunities for all New Zealanders. Implementing that vision means keeping New Zealand's core interests, strengths and capabilities at the centre of our external policies and engagements.

The global recession has made re-focusing on New Zealand's core interests and strengths an even greater imperative as negative growth and declining international trade and capital flows impact on our major trading partners. With the prospect of a prolonged economic slow-down, the Ministry of Foreign Affairs and Trade and partner government agencies will need to focus on implementing initiatives that help our economy – especially the tradeables sectors and their access to markets and capital – to get through the recession in as strong a condition as possible to take advantage of the recovery and the opportunities it will bring. In practice it will mean putting support for exporters as the top priority for most of our overseas posts. It will also mean a heightened focus on our near neighbourhood and giving priority to assisting the economic development of our Pacific Island partners.

The Government's specific medium-term priority goals set out in the *Statement of Intent* require a stronger focus on our relations with the Asia-Pacific region, on boosting sustainable economic development in our South Pacific neighbourhood, on a dynamic FTA strategy for a nation with global trading interests, on advocacy of New Zealand's interests in international climate change negotiations, and on more targeted engagement with multilateral institutions. Re-focusing New Zealand's external policies in these directions will change the balance of the Ministry's efforts going forward.

As part of the overall re-focusing of policies required by Government, the Ministry will also engage in the near-term in an inter-agency process to develop more flexible and cost-effective options for government agencies to pursue New Zealand's offshore interests. The aim is to have a more cooperative, productive and effective whole-of-government (NZ Inc) operation overseas. The Ministry, New Zealand Trade and Enterprise and Tourism NZ, in particular, will need to work more closely together on market development and investment promotion. The Ministry will also be a key participant in a review to ensure that New Zealand's offshore network is fit-for-purpose and focused on key countries and markets, especially in Asia.

NZAID, similarly, will re-focus the aid programme and delivery mechanisms to ensure they are well targeted on the Government's priorities, effective and efficient. That process will involve some institutional change with NZAID becoming directly accountable to the Secretary of Foreign Affairs and Trade Chief Executive under the State Sector Act rather than continuing to operate as a semi-autonomous body.

These priorities and structural changes will help position the Ministry to have a sharper focus on the challenges that New Zealand is facing in the twenty-first century. Implementing them is crucial to creating the opportunities and confronting the risks flowing from the pressures of the global recession. I have every confidence that the Ministry will be successful in meeting these challenges.



HON MURRAY McCULLY
Minister of Foreign Affairs
Responsible Minister for the Ministry of Foreign Affairs and Trade

4 May 2009

INTRODUCTION FROM THE CHIEF EXECUTIVE

As a small independent country New Zealand relies on an open and peaceful world and international cooperation to achieve its goals. Diplomacy is our main vehicle for ensuring an external environment that is stable and rules-based, and for opening up opportunities to pursue our trading and other objectives. An increasingly complex and globalised world requires a Ministry that is skilled, strategic, and agile; able to identify risks and opportunities and develop policy responses so that New Zealand can influence developments in its favour and not be limited to reactive options. In the present global recession diplomacy also has a key role to play in managing New Zealand's international relations and prospects to ensure New Zealand is well placed for the eventual recovery.

This will include engaging in ongoing evaluation and review to ensure our activities and interventions are sharply focused on the Government's priorities and New Zealand's core interests, strengths and capability. The Ministry is also committed to contributing to the Government's overriding requirement for delivering better value for money from public expenditure.

Over the period 2009–2012 the Government's priorities include intensifying efforts to secure the long-term security and economic growth of the South Pacific and key partner countries in the region; pursuing a rich agenda of trade negotiations that will deliver growth opportunities for the future; strengthening the promotion of New Zealand goods and services, and opportunities in trade and investment; working within the multilateral system to achieve New Zealand goals particularly in the areas of security, resource diplomacy, consular assistance and climate change; and enhancing the operational effectiveness of Official Development Assistance. Well-conceived and well-executed bilateral diplomacy will remain at the core of New Zealand's international relations.

In all our areas of work, we work closely with other departments and agencies, reflecting the increasing international dimension of many of the Government's domestic policies. A particular priority over the immediate period will be identifying the ways in which we can re-prioritise NZ Inc activities offshore to focus on those which are crucial to bringing New Zealand through the recession and achieving value for money from the Government's offshore network.

The following pages explain in detail how we will pursue these goals. Essentially, our job is to use our international connections to ensure New Zealand is positioned on the right side of trends that impact on the Government's goal of enhancing the security and prosperity of all New Zealanders. The Ministry will advise and support our Ministers and other New Zealand sectors as they engage with international events, personalities and organisations. Our heads of Mission and other New Zealand public servants offshore will capably represent and defend our interests under direction from the Ministry. This total effort impacts over the long term on the security and prosperity of many New Zealanders and their families.

I am very grateful to all Ministry staff, at home and abroad, whose commitment, professionalism and dedication will ensure delivery of the Government's priorities in these extraordinarily difficult times.



SIMON MURDOCH
Secretary of Foreign Affairs and Trade

4 May 2009

NATURE AND SCOPE OF FUNCTIONS

Our purpose

The purpose of the Ministry of Foreign Affairs and Trade (“the Ministry” or “MFAT”) is to provide objective advice on international relations, advance and protect New Zealand’s security and trade interests abroad, manage New Zealand’s overseas aid programme, and provide consular support for New Zealanders overseas. It is also the channel for the Government’s official communications to and from other countries and international organisations. This is expressed in the Ministry’s overarching mission:

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

The scope of our work

The Ministry works for Ministers in three portfolio areas: Foreign Affairs, Trade, and Disarmament and Arms Control.

The New Zealand Agency for International Development (NZAID) is an agency within the Ministry. With a mandate to ensure that Official Development Assistance (ODA) outcomes are consistent with and support New Zealand’s foreign policy outcomes, the agency is responsible for policy advice on, and the design and management of, development cooperation programmes with New Zealand’s development partners. The agency’s core geographic and policy focus is on sustainable economic development in the Pacific.

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

The Ministry administers two Votes on behalf of the Minister: Vote Foreign Affairs and Trade, and Vote: Official Development Assistance. The Foreign Affairs and Trade Vote also provides funding to one Crown Entity and two Crown charitable trusts (see pages 52–53). In conjunction with the Ministry of Economic Development (MED), the Ministry has a joint role in monitoring the performance of New Zealand Trade and Enterprise (NZTE).

Our role

The Ministry is the Government’s lead adviser on foreign and trade policy, international law, and diplomatic, consular and development assistance issues. As a career diplomatic service it competes for influence internationally by means of well-delivered initiatives and interventions using presence, persuasion and negotiation. It also has a key role to play in presenting New Zealand’s face and case to the non-government international audience in an increasingly crowded and complex public space.

Working with foreign governments and organisations

The Ministry is responsible for advising the Government on the management of its security and prosperity interests abroad including its ODA programmes. It manages the Government’s relations with other governments and international organisations, advocates and represents New Zealand positions and views to foreign governments and organisations, and negotiates agreements on behalf of the Government.

It also administers some 30 pieces of legislation, including those relating to the special status of the Cook Islands, Niue and Tokelau, Antarctica, New Zealand’s nuclear-free zone, the Geneva Conventions and other treaties.

The Ministry's critical resource is its staff who are highly skilled and knowledgeable with an extensive range of professional qualifications and experience, and an ability to work in foreign cultures and settings and communicate effectively to diverse groups. The Ministry also maintains the Government's specialist expertise in areas such as international trade negotiations and trade disputes, international climate change negotiations, international law, security dialogue, disarmament and arms control, and development assistance. Its key resources include a global network of posts and information systems to cultivate influence over time and prepare the ground for specific initiatives and interventions. The Ministry supports Government Ministers and official delegations abroad.

Working with other government agencies

The Ministry works very closely with other government agencies in New Zealand and offshore. The Ministry chairs the External Relations and Defence network (ERD) comprising the Chief Executives of 30 agencies with external interests. Numerous inter-agency sub-groups meet at the working level on specific issues. These working groups cover issues ranging from cooperation on New Zealand's participation in international peace support operations to joint activities with NZTE to help New Zealand companies compete abroad. The Ministry has also agreed on a shared long-term policy outcome with MED and NZTE – to advance sustainable economic growth and international competitiveness through New Zealand's international connections – and consults regularly with them on policies and activities to achieve this.

The Government has authorised the heads of New Zealand's diplomatic posts around the world to ensure that all New Zealand government agencies in a country operate in a coherent and aligned way in pursuit of the Government's goals. Further guidelines to enhance this process are being developed as part of a review of NZ Inc and its mode of operating offshore.

The Ministry's network of overseas posts provides office accommodation and support services to some 110 staff from other government agencies serving abroad. Ministry staff offshore also act on behalf of other agencies when required.

Working with the wider community

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

The Ministry also engages with the wider community on international issues and the direction of New Zealand's foreign and trade and development policy. Its domestic stakeholders include business organisations and the private sector, academia and the media, non-government organisations (NGOs), Māori and various interest groups. At times the Ministry conducts domestic consultative processes with civil society and specific interest groups to secure the widest possible ownership of initiatives or policy positions, eg the private sector has a key role in our work to negotiate Closer Economic Partnerships or Free Trade Agreements (FTAs) with other countries.

STRATEGIC DIRECTION

In the speech from the throne on 9 December 2008, the Government stated that its driving goal is “to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities for all New Zealanders”.

Raising productivity has been identified as one of the major economic challenges to achievement of this goal and raising New Zealanders’ living standards over the medium term. It has been shown¹ that improved international connections are important for lifting productivity and long-term economic growth.

The Ministry is the Government’s chief adviser on international relations and the changing global environment. It is also the steward of New Zealand’s network of overseas staff and posts, and the coordinator of NZ Inc² in other countries. The focus of our effort over the period of this *Statement of Intent* will be to pursue and support a set of international connections in support of the Government’s driving goal to raise productivity and growth. The activities prioritised under this approach will assist the flow of people, capital, trade, technology and ideas to New Zealand to build a more competitive resource base for the economy. Inter-agency efforts on a set of agreed international connections will encourage the development of domestic policy settings that target, attract and exploit the factors most likely to increase New Zealand’s competitive advantage and productivity. They will also encourage better use of New Zealand’s offshore resources to support New Zealand business in key foreign markets and countries.

The above strategy is a vital means for the public sector to help New Zealand lift its economic performance. It is even more critical at a time of global recession. The world is currently in its worst recession since the 1930s and when it ends, the international environment, attitudes, and relations among states will not be the same as we have known them over the past three decades. The challenge for the Government is to bring New Zealand through the recession in the best possible position to face the future. The core task for the Ministry is to manage the Government’s international relations in ways that contribute to bringing New Zealand through the recession and able to take advantage of the recovery. This is not a time for business as usual.

The three great challenges for the medium term are therefore to:

- manage the Government’s international political and security relationships with other governments to meet the challenges posed by the global recession
- support exporters and business offshore and leverage our international connections to position New Zealand to survive the recession and respond quickly to opportunities when they start to emerge
- manage NZ Inc’s international connections and outputs to help lift productivity and growth and achieve better value for money from New Zealand’s offshore resources.

1 See New Zealand Treasury Productivity Paper (09/01) International Connections and Productivity: Making Globalisation Work for New Zealand

2 NZ Inc is used here to refer to New Zealand Government agencies staff that are stationed, on fixed-term assignments, in New Zealand Government posts (Embassies, High Commissions, Consulates-General, Consulates, other New Zealand Government offices) for the purpose of representing New Zealand’s external policies and/or delivering services on behalf of Government.

It is against this backdrop, that the Government has identified six priorities relevant to the Ministry's work:

- Strengthen New Zealand's key bilateral relationships to support our security and economic aspirations
- Intensify efforts to secure the long-term security and economic growth of the South Pacific and key partner countries in the region
- Pursue a rich agenda of trade negotiations that will deliver growth opportunities for the future
- Strengthen the promotion of New Zealand goods and services, and opportunities in trade and investment, through more determined and efficient NZ Inc approaches
- Work within the multilateral system to achieve New Zealand goals particularly in the areas of security, resource diplomacy and climate change
- Enhance the operational effectiveness of Official Development Assistance within the approved levels of aid expenditure.

How will we work to support the Government's priorities?

The Ministry will seek to deliver the Government's priorities through its work in the international relations, security, trade, resource and development areas. These are reflected in four of the Ministry's five long-term policy outcomes:

- I. New Zealand's **security and economic interests safeguarded** through its political and security relationships
- II. **Economic growth and international competitiveness** advanced through New Zealand's international connections
- III. **Trans-boundary solutions and effective international rules** promoted
- IV. **Sustainable development in partner countries**
- V. The rights of **New Zealanders abroad** protected.

Outcome I is primarily aimed at the ongoing need for the Ministry to invest in the network of political and security relations that underpin our economic linkages. It is important to recognise that there are strong linkages between achieving the Government's long-term economic objectives and maintaining strong and positive political relationships. An FTA with China could not, for example, have been achieved without a positive bilateral relationship as the size of the New Zealand market would not, on pure economic grounds, have warranted the negotiation from China's perspective. The work of the Ministry frequently involves building the logic and momentum for engagement, and then pursuing positive relations using policies and activities delivered through the resources and outputs of our posts, policy divisions and partner agencies. This is frequently a long-run process taking years. It also draws on the contributions of other agencies whose own outcomes, in turn, are supported by positive bilateral relationships.

Outcome II reflects the Ministry's direct contribution to New Zealand's international competitiveness and is a long-term outcome shared with MED and NZTE. The focus of the Ministry's work in this area is opening up access to new markets, preserving ongoing access to existing markets, removing other countries' regulatory and policy barriers to New Zealand exporters in the form of tariffs, subsidies and unjustified or unreasonable technical standards, and working with NZTE and other

The Association of Southeast Asian Nations (ASEAN) remains the vehicle for integration in Southeast Asia, and the adoption of the ASEAN Charter will add to its standing. ASEAN will seek to maintain its centrality in the wider process of Asian integration. Indonesia is reasserting its regional leadership. Malaysia, Singapore and increasingly Viet Nam are key players in ASEAN. Thailand's return to democracy has been marked by uncertainty. In Myanmar, the prospects for democracy remain slim. The difficulties with reconstruction and nation-building in Timor-Leste require long-term engagement by the UN and external partners.

Recent momentum towards closer regional integration and community building in Asia may be tested by growing protectionist sentiment in response to the financial crisis. Maintaining momentum will require continuing efforts to promote "open" regionalism through Asia Pacific Economic Cooperation (APEC), East Asia Summit (EAS), ASEAN and a Trans-Pacific Partnership regional FTA. Further evolution of the regional architecture is likely, with the EAS a possible basis for an emerging Asian community.

Australia

While Australia has benefited from a decade of strong mineral commodity-based economic growth and is better placed than most other developed countries to weather the global economic crisis, it is not immune from the impacts of the crisis, with rising unemployment as a result of softening global demand an early indicator of tougher times ahead. Australia is an active player in international efforts to improve global financial and economic structures, particularly through the G20, WTO and other forums. In foreign policy, the Rudd government puts major store on its important links with the United States and East Asia. It has proposed new initiatives in the areas of regional structures (the Asia Pacific Community), nuclear disarmament, and engagement with the UN (including ratifying the Kyoto Protocol and seeking a non-permanent seat on the UN Security Council). Australia remains significantly engaged in the South Pacific, as a major donor, and is seeking to re-orient its development assistance through new partnerships which place emphasis on measurable results.

The Pacific

The outlook for the Pacific remains troubling. Weak institutions, political instability and capacity concerns are signs of persistent regional fragilities that for much of the Pacific pose risks to future stability and development. Fiji is an example, particularly in light of the 2006 coup and its aftermath. The impact of the global economic downturn will exacerbate problems around stability and sustainable economic development. Limited progress in addressing these issues has been made through the provision of targeted development and good governance assistance to regional countries by external partners. But sustained efforts over time will be needed to entrench improvements and to advance cross-boundary priorities such as fisheries, the broadening security agenda, the environment, regional approaches to trade, and to address longer-term social trends with serious implications such as population growth and migration, the threat of HIV/AIDS and land issues. The quality of the engagement by external partners will be critical to the longer-term prosperity of the region. Official development activities will need to support wealth creation and business development as well as public sector goals, if long-run contractionary influences and trends towards dependency are to be reversed by Pacific Island governments. Particular attention will be required for the countries of the Realm of New Zealand – the Cook Islands, Niue and Tokelau – as each deals with the particular challenges associated with small and diminishing populations, the lure of New Zealand for most of their peoples and in the case of the latter two, almost total reliance on New Zealand assistance.

These trends will hinder the achievement of development targets and may even cause reversals. Projections of economic growth in New Zealand's aid partner countries in the Pacific and Asia are being sharply revised downwards. Gains in poverty reduction are being slowed or reversed, with possible flow-on impacts even on social and political stability.

Even before the crisis, it was clear that many countries in the Pacific would struggle to meet the Millennium Development Goals (MDGs). Of 11 Pacific island countries (and Timor-Leste) where data is available, seven were assessed as unlikely to meet the first MDG to halve extreme poverty and hunger by 2015. Only a significant increase in sustainable economic growth will make success more likely. There is a danger that the Pacific will continue to be largely left behind by the extraordinary economic growth in developing countries over the past six decades.

Aid-Effectiveness

Government and non-government aid agencies around the world continue to come under increasing pressure to strengthen the effectiveness of their aid and the evidence of its results. In 2008, New Zealand (along with more than 100 other countries and aid agencies) signed the Accra Agenda for Action which sets out the steps needed to make aid more effective. Developing countries are committing to take control of their own futures, donors to coordinating better amongst themselves, and both parties to the Agenda are pledging to account to each other and their citizens. The Accra Agenda for Action builds on the 2005 Paris Declaration on Aid Effectiveness. It agrees to strengthen predictability and transparency of aid; use partner countries' own systems where possible; and further relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can get the best value for money.

LONG-TERM OUTCOME IV: SUSTAINABLE DEVELOPMENT IN PARTNER COUNTRIES

What are we seeking to achieve?

In April 2009, Cabinet agreed that the mission statement for New Zealand's Official Development Assistance (ODA) should be to "support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world". This accords with New Zealand's national interest and as such is a key foreign policy objective. Within the mission, the core focus is to be the pursuit of sustainable economic development. The Pacific is to remain the core focus and receive an increased proportion of New Zealand's development assistance.

Sustainable economic development, as the new core focus of the programme, will ensure that programme outcomes are aimed at lifting the economic performance of our development partners, especially in the Pacific, and the prosperity of their peoples. There are strong linkages between sustainable economic development, human development, safe and just societies, and poverty reduction. Sustainable economic development is necessary to address poverty, and is itself necessarily underpinned by health, education, environmental considerations, accountable governments with competent service delivery, and a regulatory environment and infrastructure that facilitate private sector development.

The central focus on sustainable economic development is a new emphasis within this broad approach. In the Pacific, it will involve three broad areas of action:

- making globalisation work regionally
- improving the enabling environment for business
- fostering private sector development.

New Zealand's development assistance serves the country's wider interests by contributing to the building of a peaceful, prosperous and just world. Development assistance contributes to New Zealand's reputation as a good international citizen, with strong Pacific links. It also responds to New Zealanders' wish to "do their bit" and respond to genuine need.

NZAID manages 33 programmes in a range of countries and sectors, all with their own development challenges and objectives. For each there is a strategy or framework that sets out the development objectives relevant to the particular context. The Pacific region remains the core focus and will receive an increased share of New Zealand's ODA. Of 17 bilateral programmes, 11 are in the Pacific. These represent 85 percent of country-level ODA. These strategies define in more detail the achievements that are intended for each programme.

Under each of the 33 programmes, more detailed outcomes and objectives are defined for individual ODA Activities³. At any one time, NZAID is administering roughly 800 Activities. The relationship between what we are trying to achieve at the Activity, Programme and Agency level is illustrated in the following table.

Examples of the outcomes set for programmes from recently approved strategies include:

Programme	Example objective	Link to core focus	Example indicators of success
Cook Islands (constitutional relationship)	To provide sound infrastructure that will support sustained growth and basic services for outer islands	Direct link	Progress against the priorities in the Cook Islands Preventative Infrastructure Master Plan, particularly in the outer islands Access to quality water services in both Rarotonga and outer islands increases by 40 percent
Solomon Islands (major bilateral)	To improve livelihoods and promote broad-based economic growth	Direct link.	Oceanic fisheries industry is developed in a sustainable manner, and is generating significant new income, employment and government revenue Increased connectivity of rural communities to markets and services improves people's lives and livelihoods and promotes broad-based economic growth
Africa (regional)	To bring about improvements in child health and nutrition, and maternal health for target groups in Zambia and Zimbabwe	As well as being an objective in its own right, improvements in health address a constraint on economic development	Improvements for assisted communities in the appropriate indicators

New Zealand and Australia's Prime Ministers agreed in March 2009 on the need for continued close cooperation on developments in the Pacific, especially helping Pacific island countries achieve the MDGs. It will be essential to sustain support for developing Pacific island nations in the face of the effects of the global economic crisis on the region. As part of New Zealand's overall relationship, partnership and support for the Pacific, effective aid has a crucial role to play.

³ NZAID uses the term "Activity" to refer to a package of ODA working towards defined outcomes with a specific budget and plan or design. Approval of funds occurs at the Activity level. Activities may be projects, or other aid modalities such as "sector-wide approaches".

How will we demonstrate success in achieving this?

NZAID continues to develop and implement the new performance reporting framework that was introduced in the 2008–2011 *Statement of Intent*. From 2008/09 this includes systemic reporting on progress towards programme-level outcomes. By 2009/10, more comprehensive reporting than is possible now will also be available on the achievement of Activity-level outcomes. Taken together with reviews and evaluations, these assessments of success at the Activity, programme and regional level will allow judgement on the contribution of NZAID to the outcomes sought by the Government.

Economic indicators are particularly important in measuring the contribution of sustainable economic development to outcomes and have been incorporated into the framework from 2009/10.

These economic indicators are complemented by continued use of the MDGs which have a 2015 target date. The MDGs were agreed in 2000 by the international community including New Zealand. The MDGs aim to substantially reduce poverty and poverty-related conditions for hundreds of millions of people and, in doing so, create a more stable, prosperous world for all nations. By setting targets for decreased poverty and increased standard of living (eg health), the MDGs articulate one significant reason for economic development. There are also linkages in the other direction – poor health, low levels of education, and higher initial levels of inequality (including between men and women) have all been shown to constrain economic development.

Measures of NZAID's contribution to outcomes

Indicators and measures	Current status (more detail will be available in the Ministry's Annual Report)	NZAID contribution
<p>Progress in high-level economic indicators in key partner countries in the region:</p> <ul style="list-style-type: none"> • Positive real growth in gross domestic product per capita • Improving balance of trade • Improving ratings for "ease of doing business" 	<p>Annual GDP per capita for our key partners in the Pacific ranges from US\$653 in Kiribati to US\$8,553 in the Cook Islands. Generally, Melanesia is much poorer than Polynesia. Economic growth has recently picked up in Melanesia, with Papua New Guinea, Vanuatu and Solomon Islands experiencing between five percent and seven percent annual growth in recent years. Other key countries, particularly the Cook Islands, Fiji and Tonga, have experienced less growth. However, the economic crisis will certainly impact negatively upon the whole region⁴</p> <p>On latest data (which has many omissions), the balance of trade in goods and services for key Pacific partners ranges from a deficit of 52 percent of GDP for Tonga, to a surplus of 16 percent for Papua New Guinea. Fiji, Vanuatu, Solomon Islands and Samoa have deficits ranging from 11 percent to 26 percent of their GDP</p> <p>Ease of doing business in the Pacific, rated by the World Bank, varies from 95th and 89th most difficult in the world (Papua New Guinea and Solomon Islands) to 39th and 43rd (Fiji and Tonga)⁵</p>	<p>NZAID – or indeed, New Zealand – is only a small contributor to this overall outcome. Programmes and Activities are coordinated under an overall strategy for assistance in the economic development area. Programme and Activity outcomes contribute towards the broader effort to improve partners' economic outcomes</p>

⁴ Sourced from AusAID's *Tracking development and governance in the Pacific*

⁵ <http://www.doingbusiness.org>

Indicators and measures	Current status (more detail will be available in the Ministry's Annual Report)	NZAID contribution
<p>Progress towards the Millennium Development Goals (MDG) in relevant regions and countries:⁶</p> <ol style="list-style-type: none"> 1. Eradicate extreme poverty and hunger 2. Achieve universal primary education 3. Promote gender equality and empower women 4. Reduce child mortality 5. Improve maternal health 6. Combat HIV/AIDS, malaria and other diseases 7. Ensure environmental sustainability 8. Develop a global partnership for development 	<p>Some countries in the region are unlikely to achieve the MDGs. Papua New Guinea, Solomon Islands, Vanuatu, Kiribati, Tuvalu and Timor-Leste are the countries facing the most serious problems. All these countries face challenges on the targets for halving poverty and hunger and many of them other targets for universal education, child mortality, and TB prevalence. Polynesian countries are having more success</p>	<p>NZAID's contribution is only a small part of the overall effort of our partners to achieve the MDGs. The whole NZAID programme can be seen as contributing – directly or indirectly – to the MDGs</p>
<p>Progress towards intermediate level economic indicators in key partner countries in the region including infrastructure, remittances, trade access, business skills and access to finance</p>	<p>Data will be presented in the Ministry's Annual Reports from 2009/10 onwards</p>	<p>These indicators are set out in more detail in NZAID's strategy for assistance for economic development. NZAID has more control over factors leading to change for these indicators than the high-level indicators, but progress is still dependent on many external factors</p>
<p>Progress towards outcomes identified in NZAID programme strategies⁷</p>	<p>A pilot application of this system for 2007/08 showed roughly 60 percent of objectives for Pacific programme strategies were undergoing good or better progress. Eight percent were rated as "unsatisfactory". Strategic objectives relate to development outcomes in partner countries and unsatisfactory performance is usually the result of factors outside of NZAID's control. Future Annual Reports will have more analysis</p>	<p>NZAID has a moderate degree of control over the objectives set for each of its 33 programmes (examples provided earlier in the text)</p>

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

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

Indicators and measures	Current status (more detail will be available in the Ministry's Annual Report)	NZAID contribution
Summary evaluative results (relevance, effectiveness, efficiency, impact and sustainability) for Activities completing a phase, funding cycle, or all New Zealand assistance	Example: review showed that the Timor-Leste Social and Community Development Fund has delivered value for money and provided a flexible and responsive vehicle for NZAID to meet the needs of the Timorese communities and civil society organisations and institutions that support community and social development	NZAID's 800+ Activities contribute to defined development objectives. From 2009/10, systemic information will be available on achievement of objectives (effectiveness) and the other criteria
Example impacts of NZAID Activities	Example: evaluation showed that the Pacific Regional Blindness Prevention Programme substantially achieved its objectives and delivered benefits of 'inestimable value' that will become increasingly evident during the next five to 10 years and beyond	Activities administered by NZAID aim to achieve specific development impacts appropriate to their context, challenges and resources available
Example impacts from third parties funded by NZAID	Example: the World Bank's 2008 <i>Annual Review of Development Effectiveness</i> found that "development outcomes from Bank lending have improved over the medium term... Achievements of country programs in meeting their objectives – typically including growth, poverty reduction, and environmental sustainability – have been moderately satisfactory or better in three-fifths of countries"	NZAID funding contributes to outcomes managed by third parties such as the World Bank, United Nations agencies and NGOs. Evidence of the impact "on the ground" of these Activities will be reported on where possible

The Ministry's Annual Report will also include lessons learned and emerging themes across programmes.

How will we achieve this?

NZAID seeks to strengthen our partners' ability to achieve sustainable development and to reduce poverty through four key areas of action:

- providing Ministers with high quality policy advice on development cooperation issues in general and the New Zealand ODA programme in particular. NZAID also works to ensure there is policy coherence for development within the New Zealand government
- effective management of a range of bilateral, regional, multilateral, humanitarian and agency programmes and relationships
- policy engagement with our developing country partners, other donors, NGOs, and regional and multilateral agencies and processes
- supporting public outreach and development education. This facilitates New Zealanders' understanding and appreciation of development.

In developing programmes and activities, cross-cutting issues such as gender, environment, human rights and youth will be pursued as a means to ensure good outcomes and to manage risks.

In line with international good practice for aid effectiveness, NZAID will support larger, longer-term, more comprehensive initiatives with clear development outcomes. These measurable results will be pursued through programmes that are well coordinated with other donors and closely aligned to partner country needs.

In 2009/10, NZAID will manage ODA totalling \$500 million including administration expenses. With this amount and the ODA provided through other departments, total reported ODA for the year is expected to be \$537.6 million, or 0.32 percent of GNI.

The key priorities for assistance are:

The Pacific: We will increase our direct support of countries in the Pacific region over the coming four-year period. This will be complemented with support to regional programmes and regional agencies where we are confident they provide effective solutions to the collective challenges facing Pacific countries. New Zealand's direct support to the Pacific will be focused on the following countries: Solomon Islands, Papua New Guinea, Vanuatu, Tokelau, Niue, the Cook Islands, Tonga, Samoa, Kiribati, Fiji and Tuvalu.

Outside the Pacific: We will maintain engagements in countries of Southeast Asia – specifically Indonesia, Viet Nam, Timor-Leste, Lao PDR, the Philippines and Cambodia. We will continue to target niche regional engagements in Africa and Latin America.

Multilateral engagement: We will contribute to the core funding, governance and delivery work of key international agencies like the UN, and international banks where their work and their focus complements our aid priorities. Our priorities will be policy engagement and promotion of reforms that improve agencies' efficiency and effectiveness.

Humanitarian assistance: We will continue to provide humanitarian support (including rehabilitation and reconstruction) following natural disasters and conflict worldwide, including in Afghanistan.

New Zealand NGOs: Recognising that NGOs have proven capability and competence in delivering aid, we will continue to support them where they are demonstrated to be an effective and efficient channel.

MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT

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

The Ministry operates a broad risk matrix or framework listing the strategic and organisational capability risks it faces, and the treatments and measures of success for identifying and managing them. The 10 high-level risks in that framework, and the structures and processes in place for mitigating them, are set out in the table overleaf.

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

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

There are a number of major risks which the Ministry will be monitoring in the course of the next three years through one or more of its processes such as the standard monitoring and evaluation cycle, project management and quality assurance controls, internal audits, or strategic reviews. These include the close monitoring of NZ Inc coordination under a new and improved operating model including any changes involving NZAID, fragilities in the Pacific, security and regional integration trends in Asia, new forms of trade policy challenges in responding to climate change, managing scarce financial resources in the recession, modernisation of infrastructure and systems through progressive implementation of the Ministry's information and communications technology, knowledge management and property and capital asset management strategies, and planning for changing staff demographics including retirements.

The Ministry operates separate risk registers with mitigation measures for a number of major projects which it manages, eg in the information technology area. In the period of this *Statement of Intent* the Ministry also plans to review and strengthen its risk management reporting systems.

Matrix of main strategic and organisational capability risks

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

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

Additional NZAID-specific risks

NZAID shares many of the risks and risk mitigation strategies of the wider Ministry. It does, however, have a number of additional specific risk assessments and mitigations for the many activities and programmes which it delivers.

In 2007, an audit of NZAID's procurement and contracting identified a number of areas where policy and practices were not meeting public sector expectations. NZAID has implemented a comprehensive multi-year programme of change across policy, systems, practices and tools to address all issues identified in the audit. NZAID is on track to complete this programme by August 2009.

Specific risk	Risk management measures	Key measures of success we will use
Global economic crisis impacts on programme outcomes, through partners' fiscal constraints or through broader economic or social disruption and unrest	Strengthened monitoring of economic measures; new core focus on sustainable economic development	Programme reports in 2009 and 2010 conclude that NZAID adapted appropriately, in a timely fashion, and helped partners' responses to the crisis
Uncoordinated activities by donors in a country or region leading to duplication of effort, or contradictory activities that counter or cancel each other out	Monitoring of donor activities in countries, regions and sectors where New Zealand has ODA programmes	Surveys of donors show many or all donors working off one partner owned strategy Donors working in the same country or region and in the same sector have aligned and/or harmonised programme strategies
Insecurity and lack of safety for those implementing ODA activities in pre- and post-conflict situations Negative influences from inside and/or outside the country from such sources as international crime, drugs trafficking, etc	Close monitoring of the security and stability of countries and regions when staff and contractors are present The design and implementation of activities specifically mitigates the risks associated with these issues	Staff and contractors are not placed in-country or in-region where instability creates an unacceptable degree of personal risk.
Corruption, political instability and/or inadequate capacity in-country causing disruption, failure or cancellation of programmes and activities	International measures of corruption are considered in the design and implementation of programmes and ODA activities The capacity and capability of officials and agencies involved in programmes and activities is adequately assessed and reflected in the design of activities	There is a high degree of transparency and accountability around funding applied to ODA activities
Contracting and procurement systems cannot ensure suitable public sector accountability, value for money, openness, fairness, integrity or effectiveness leading to a loss of confidence in NZAID as the best vehicle for the management of New Zealand's ODA	All areas of weakness identified by Audit New Zealand in their audit of NZAID procurement and contracting are being systematically and comprehensively addressed	The annual audits of NZAID's procurement and contracting control environment by Audit NZ show that NZAID is making satisfactory progress towards addressing areas of weakness identified in September 2007, or have been adequately addressed

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

How will we demonstrate success in achieving this?

The following are measures of our health and capability and the key management priorities above:

Area	Activity	Indicators and measures
Our planning and performance	Strengthen MFAT's evaluation capability and processes	At least one substantive evaluation completed by 30 June 2010
	Plans and outputs tightly aligned with the Government's priorities	Satisfactory feedback from Ministers on quality of outputs
Our people	Recruit and retain high calibre staff	Staff turnover and average time to fill vacancies remain within public sector norms
	Maintain investment in our people	One percent of budget invested in training
Our physical and financial resources	Resources well managed	External audit and central agency reporting indicates MFAT is operating in accordance with good public sector practice.
	Maintain \$450 million property portfolio	Five percent of value of buildings and fit-outs spent on maintenance
Our processes and systems	Develop more collaborative systems, processes, and tools for sharing knowledge and working more efficiently	By the end of 2009/10, we will have improved the way we utilise and manage existing KM tools and prepared a new enterprise content management structure to apply new KM tools
Our public diplomacy	Upgrade Ministry's ability to influence key overseas decision-makers outside government about New Zealand's priorities and positions	Feedback from managers that communications planning has assisted them achieve their objectives
Our partners	Lead reviews of NZ Inc and New Zealand's offshore footprint	Reviews' recommendations accepted by Ministers

Additional NZAID-specific management priorities

Over the life of this *Statement of Intent*, NZAID will need to deliver the planned growth in ODA to \$600 million by 2012/13, and the 2009 change in focus in the programme. Recognising it takes time to adjust the programme balance, given forward commitments, the NZAID management priorities are as follows.

Re-focusing the programme

- Consistency between ODA and **foreign policy outcomes** evident in the overall ODA programme
- Increased percentage of ODA deployed for **sustainable economic development** including infrastructure, transport (including aviation), tourism, trade, private sector development, youth employment
- Increased proportion of ODA to the **Pacific**
- Relationships with partner countries with clear development objectives, focus on results and **mutual accountability**
- Working closely with **Australia** and other donors, including on joint initiatives
- Demonstrable **larger more comprehensive initiatives** that have bigger front-end impacts.

Improving effectiveness, efficiency and accountability

- Quality of development interventions lifted
- Full implementation of the strengthened performance framework (Activity Completion Report process running well, evaluations published, programme stock-takes and annual reports used effectively)
- Improved monitoring, review and evaluation
- Better utilisation of lessons learned and follow up of evaluations
- Strengthened processes for evaluating and monitoring value for money
- An annual report on development programme effectiveness, to be produced for the first time in late 2010 (covering 2009/10).

Consolidating organisational structures and processes

- Revised structure for executive decision-making that provides leadership appropriate to strategic and management demands
- Organisational reconfiguration that allows successful management of the growing ODA programme
- Implementation of a new Activity Planning Framework and other process improvements that strengthen quality control and quality assurance processes
- Strengthened control environment leading to financial and contract management rated good or higher.

In addition to monitoring implementation of the management priorities listed above, NZAID uses the following measures of its health and capability, including its capacity to engage with partners:

Indicators and measures	Degree of NZAID responsibility for progress	Current status
Staff turnover and average time to fill vacancies remain within public sector norms	High	Yes
External audit and central agency reporting indicates NZAID is operating in accordance with good public sector practice	High	Office of the Auditor General found in its audit for 2007/08 that NZAID had “moved quickly to put in place a wide range of initiatives to address the issues raised in the last audit. As a result the issues in Wellington have been largely addressed and NZAID is making very good progress in addressing the issues in overseas posts. NZAID has done well to get where they are in less than a year”
Policies and programme strategies are up to date and/or finalised in accord with the NZAID Five Year Strategy or other agreed timelines	Medium	Eight of the nine policies identified in the Five Year Strategy to be completed by 2009/10 have been completed. A programme framework, defining the 33 programmes that need strategies, was finalised in 2008. Currently there are 15 programme strategies on the NZAID website
Satisfactory feedback from Ministers on quality of outputs	High	Yes
Satisfactory feedback from partners on policy and programmes and NZAID commitments under mutual accountability frameworks	Medium	Yes. More detail will be provided in the Ministry’s Annual Report
Surveys show that the public generally understands and supports New Zealand’s ODA programme	Low	A study in July 2007 found interest in overseas aid the same as in 2004, with two thirds of New Zealanders expressing some interest and 13 percent very interested. Thirty-four percent know “a fair amount” or “a lot” about overseas aid. Seventy-six percent approve of the Government providing overseas aid
Satisfactory feedback from partners on quality of NZAID engagement	Medium	Yes, but little systematic data currently available
NZAID operating within its desired values and cultural principles	High	Yes

COST-EFFECTIVENESS

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

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

Since it is important for government agencies to be able to demonstrate that their expenditure of public funds adds value, the Ministry has examined its cost-effectiveness using a number of other measures. These are quite separate from its ongoing efforts to ensure that all expenditures are valid and competitively priced. The Ministry's *Statement of Intent* for 2007–2010 provided two examples of alternative approaches to cost-effectiveness. One showed the effectiveness of the Ministry's cost structure alongside other foreign services. This has been independently confirmed by comparative material contained in a recent report by the Lowy Institute for International Policy entitled *Australia's Diplomatic Deficit: Reinvesting in our instruments of international policy*. The other example illustrated the unit costs for delivering consular services to New Zealand citizens. Last year's *Statement of Intent* for 2008–2011 gave an example of the return on the costs of investing in international trade negotiations, which we summarise below. All three examples remain valid illustrations of the Ministry's cost-effectiveness.

The Ministry leads the whole-of-government effort to negotiate FTAs and generally deploys the largest resource. The Ministry's costs to negotiate the FTA with China were of the order of \$760,000 for travel, accommodation and other direct costs in 2007/08, the final year of the negotiations when there was less travel than in the previous two years. This suggests a broadly indicative investment of about \$1 million a year in direct negotiating costs. A Joint Study Report in 2004 estimated that this FTA could boost New Zealand's real GDP by US\$1.9 billion and potentially increase New Zealand's exports to China by US\$180 million – \$280 million a year over 20 years. While quantification of benefits can only be indicative and depends on the rate at which commercial opportunities are taken up by New Zealand business, the potential export gains from the FTA represent a significant return on the Ministry's three-year investment in negotiations.

Additional cost-effectiveness for NZAID

Cost-effectiveness and value for money are also very important concerns for NZAID. Value for money is a key consideration in Activity selection, procurement processes, review and evaluation. However, measuring cost-effectiveness is a complex task.

The indicators below have been carefully chosen to reflect a broad range of aspects of value for money. While some are clearly related to efficiency (eg findings from evaluations relating to value for money) others have more indirect links but are necessary to give a fully rounded picture of cost-effectiveness. The proxies of overall agency cost-effectiveness are included because they reflect international consensus on what makes efficient and effective aid that delivers value for money. For example, the United Kingdom's Department for International Development estimates conservatively that programme-based approaches "will result in benefits of at least 20 percent compared to the channelling of equivalent funds through project support". Increased use of programme-based approaches is one of the commitments of the Paris Declaration on Aid Effectiveness, and hence our compliance with this Declaration is taken as one proxy for overall value for money for bilateral programmes. Effective implementation of management priorities and Government policy (including, for example, compliance with sectoral policies) is seen as an important part of the "value" in "value for money".

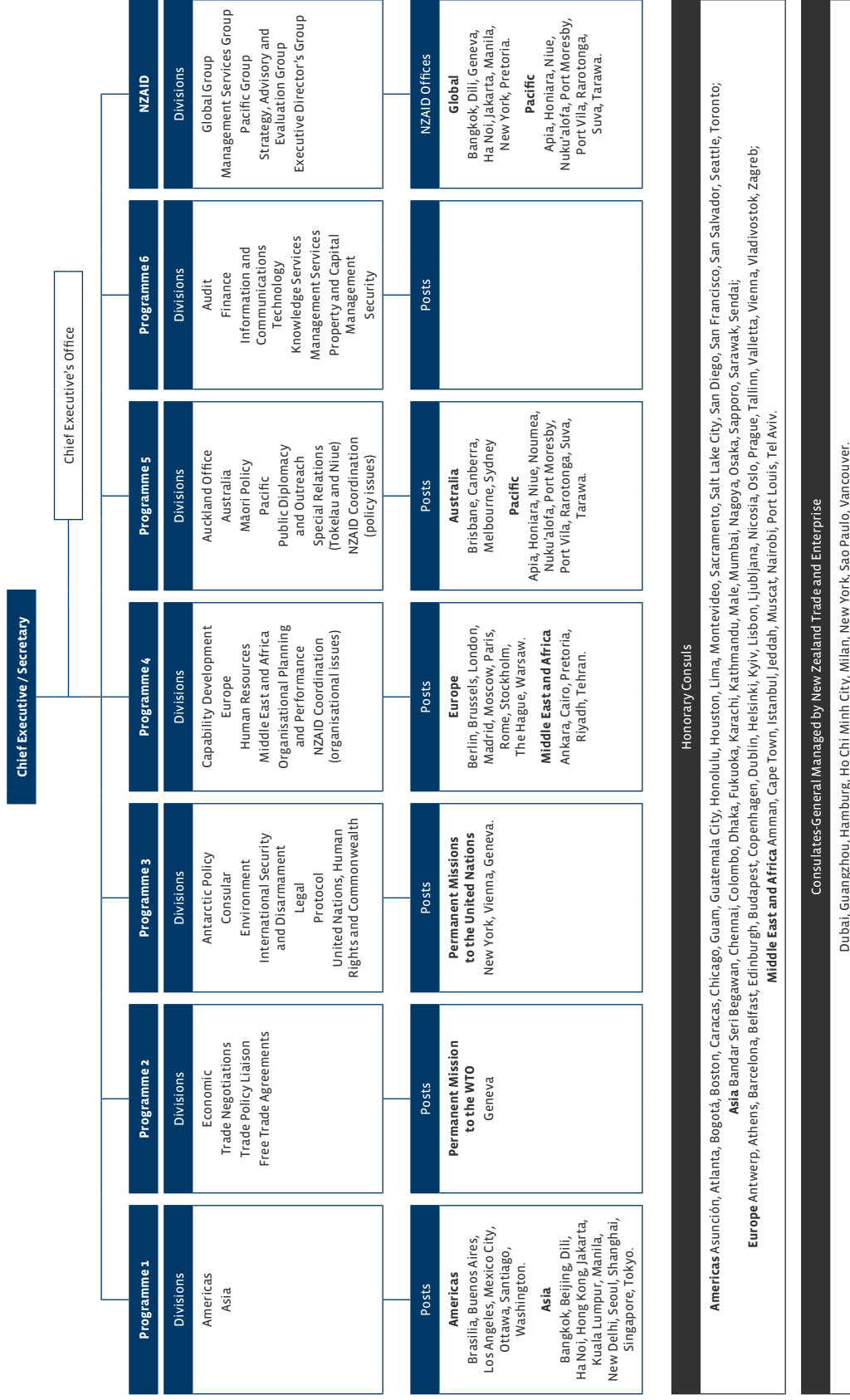
NZAID indicators of cost-effectiveness and value for money

Indicators and measures	Current status (more detail will be available in the Ministry's 2008/09 Annual Report)		
Effective implementation of management priorities and Government policy			
	Economic development ODA	2007/08	Target
Increasing amount and proportion of ODA spent on economic development	Expenses	\$51.9m	↑
	As a percentage of sector-allocable ODA	28%	↑
	Pacific allocation	2008/09	Target
Increasing percentages of bilateral ODA, bilateral and regional ODA, and all ODA go to the Pacific	Of bilateral ODA	80%	↑
	Of all bilateral + regional ODA	77%	↑
	Of all ODA	53%	↑
Evidence of increasing consistency between ODA and foreign policy objectives in programme strategies and Activities	Formal reporting will begin in 2009/10.		
		2007/08	Target
Declining number of Activities, allowing focus on a smaller number of larger and more comprehensive initiatives	Number of Activities	882	↓
	Median annual expenses	\$119,535	↑
	Activities in high order modalities	14%	↑
Increasing median annual expenses of Activities	Expenses in high order modalities	54%	↑
Increasing percentage (by count and by expenses) that are delivered using "high order aid modalities"			
Evidence of compliance with sectoral and thematic policies (education, health, human rights, etc)	Reporting will begin in the Ministry's 2008/09 Annual Report		

Indicators and measures	Current status (more detail will be available in the Ministry's 2008/09 Annual Report)		
Proxies of overall agency cost-effectiveness			
Progress towards the 2010 targets for aid effectiveness including 66 percent of bilateral aid to use programme approach; increased use of partner financial management and procurement systems; 50 percent of technical cooperation to be coordinated with other donors; higher proportion of ODA to be recorded on partners' budgets; and qualitative assessment of progress towards the aid effectiveness principles	A review in 2007 of NZAID implementation of the Paris Declaration on Aid Effectiveness found that there was good overall performance and a good alignment between NZAID leadership and culture with the Declaration		
NZAID performance assessed against Good Humanitarian Donorship benchmarks ⁸	In 2008 New Zealand was rated by the inter-governmental Good Humanitarian Donorship group positively compared with other donors for committing a high proportion of humanitarian funds under flexible terms; un-earmarked; and not requiring donor-specific reporting. New Zealand was rated less positively than other donors for timeliness of commitment and the proportion of humanitarian funds going to internationally identified priorities		
NZAID performance assessed by external peer or other review	OECD peer review in 2005 found that the re-orientation of NZ development cooperation since 2002 was "impressive" The 2008 Commitment to Development Index by Washington-based think tank, the Center for Global Development, rated New Zealand low relative to other donors on aid, because of a low ODA to GNI ratio; and for its many small projects. However, New Zealand was rated 7 th out of 22 donors for its overall Commitment to Development, with high scores on trade, security and environment policies		
Findings on programme and activity cost-effectiveness			
Summary findings from reviews and evaluations relating to value for money	Example: the mid-term review of the Commonwealth Local Government Forum Pacific project found it represented good value for money		

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

ANNEX 2: MINISTRY ORGANISATION CHART



ANNEX 3: HOW THE MINISTRY'S OUTCOMES AND RESULTS CONTRIBUTE TO THE GOVERNMENT'S PRIORITIES

The Government's overall goals

- Grow the economy in order to deliver greater prosperity, security and opportunities to all New Zealanders
- Improve value for money from public spending

The Government's priorities

<ul style="list-style-type: none"> • Strengthen key relationships • Intensify efforts to secure the long-term security and economic growth of the South Pacific and key partner countries in the region 	<ul style="list-style-type: none"> • Pursue a rich agenda of trade negotiations that will deliver growth opportunities for the future • Strengthen the promotion of New Zealand goods and services, and opportunities in trade and investment, through more determined and efficient NZ Inc approaches 	<ul style="list-style-type: none"> • Work within the multilateral system to achieve New Zealand goals particularly in the areas of security, resource diplomacy and climate change 	<ul style="list-style-type: none"> • Enhance the operational effectiveness of Official Development Assistance within the approved levels of aid expenditure 	<ul style="list-style-type: none"> • Deliver high quality consular services for New Zealanders travelling abroad
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The Ministry's mission

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

The Ministry's long-term outcomes

<ul style="list-style-type: none"> • New Zealand's security and economic interests safeguarded through its security and economic relationships 	<ul style="list-style-type: none"> • Economic growth and international competitiveness advanced through New Zealand's international connections 	<ul style="list-style-type: none"> • Transboundary solutions and effective international rules promoted 	<ul style="list-style-type: none"> • Sustainable development in partner countries 	<ul style="list-style-type: none"> • The rights of New Zealanders abroad are protected
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The Ministry's intended impacts	
<ul style="list-style-type: none"> • Australian foreign policy accommodates critical New Zealand interests • Effective whole-of-government responses by New Zealand help address common challenges and counter risks of instability within the Pacific region • Pacific governments are able to improve the international competitiveness of their business sectors • Political and security relations with key Asian partners are strengthened in ways that underpin our trade and economic interests and enable New Zealand to be an active participant in Asian regional processes • The United States recognises New Zealand as a valuable partner and takes account of our perspectives on issues of importance to us • The European Union agrees to a more formal comprehensive arrangement with New Zealand 	<ul style="list-style-type: none"> • Maximum net benefit secured for New Zealand from a completed WTO Doha Round, in particular, elimination of agricultural export subsidies • Completion of trade negotiations with the United States (as part of the Trans-Pacific Partnership Agreement), Republic of Korea, Malaysia, Gulf Cooperation Council and India • Completion of further initiatives to deepen economic integration with Australia as part of a Single Economic Market • Increased engagement by New Zealand exporters in key markets • New Zealand's specific interests reflected in internationally agreed responses to the global economic crisis • Ministry-led review identifies ways in which NZ Inc can operate more efficiently and effectively offshore and provide greater value for money from the Government's investment in key overseas locations and markets
<ul style="list-style-type: none"> • New Zealand's participation in international security operations is recognised as being of value and of high quality by security partners, particularly with regard to the integration of military and civilian elements • An international agreement on climate change that will result in meaningful reductions of global CO2 emissions and accommodate New Zealand's agricultural emissions profile • New Zealand's interests reflected in the outcomes of key environmental forums on biodiversity, forestry, oceans and fisheries issues • Renewed progress in the United Nations on its reform agenda • Renewed forward movement on nuclear disarmament and non-proliferation • Neighbouring countries' capacity to deal with trans-boundary threats is enhanced by New Zealand's initiatives and support 	<ul style="list-style-type: none"> • New Zealand's expenditure on ODA remains effective while maintaining and implementing a \$600 million ODA programme by 2012/13, increasing the aid focus on the Pacific and on sustainable economic development, pursuing concrete measurable results, and reducing administrative overheads as a percentage of the ODA budget
<ul style="list-style-type: none"> • The Ministry responds effectively to consular emergencies as they arise • The Ministry provides a high quality consular service 	

ANNEX 4: LINKS BETWEEN THE MINISTRY'S OUTCOMES AND DEPARTMENTAL APPROPRIATIONS

The Ministry's mission				
<ul style="list-style-type: none"> New Zealand's security and prosperity interests are advanced and protected, our voice is heard abroad 				
The Ministry's long-term outcomes				
New Zealand's security and economic interests safeguarded through its political and security relationships	Economic growth and international competitiveness advance through New Zealand's international connections	Trans-boundary solutions and effective international rules promoted	Sustainable development in partner countries	The rights of New Zealanders abroad protected

Vote: Foreign Affairs and Trade: Output Expenses				
Policy Advice and Representation – Other Countries <ul style="list-style-type: none"> Gathering and analysing information on the views of other governments, and on trends in countries' economies and society Lobbying other governments and influential decision-makers in favour of New Zealand interests Developing networks of relationships with decision-makers 	<ul style="list-style-type: none"> Australia Pacific Asia United States Europe 	<ul style="list-style-type: none"> Trade negotiations that deliver growth opportunities Internationalisation of New Zealand business Global financial crisis 	<ul style="list-style-type: none"> International security Climate change and natural resources 	

Vote: Foreign Affairs and Trade: Output Expenses					
<p>Policy Advice and Representation – Other Countries <i>continued</i></p> <ul style="list-style-type: none"> • Representation of New Zealand in regional organisations • Negotiation of bilateral agreements (including trade agreements) • Supporting Ministerial visits (briefing, policy advice, logistics) • Promoting New Zealand in other countries (eg cultural diplomacy) • Provision of advice to the Government on international law • Policy advice: eg on interventions to achieve outcomes 					
<p>Policy Advice and Representation – International Institutions</p> <ul style="list-style-type: none"> • Representation and negotiation in international forums • Provision of advice to the Government on international law • Policy advice: eg on interventions to achieve outcomes 	<ul style="list-style-type: none"> • World Trade Organisation • Trade negotiations that deliver growth opportunities • Global financial crisis 	<ul style="list-style-type: none"> • Climate change and natural resources • United Nations • Disarmament and arms control • International security 			
<p>Pacific Security Fund</p> <ul style="list-style-type: none"> • Coordination of inter-agency fund to enhance Pacific islands' security and mutually reinforce New Zealand's security interests 	<ul style="list-style-type: none"> • Pacific 				

Vote: Foreign Affairs and Trade: Output Expenses				
<p>Promotional Activities – Other Countries</p> <ul style="list-style-type: none"> Administration of funds to promote New Zealand as an attractive market for trade and investment 		<ul style="list-style-type: none"> Internationalisation of New Zealand business 		
<p>Consular Services</p> <ul style="list-style-type: none"> Provision of consular services to New Zealanders overseas including notarial services Provision of policy advice to the Government including on international law relevant to the rights of New Zealand citizens overseas 				<ul style="list-style-type: none"> Delivery of services that contribute directly to the above outcome “The rights of New Zealanders abroad protected”
<p>Administration of Diplomatic Privileges and Immunities</p> <ul style="list-style-type: none"> Administration of the diplomatic and consular privileges and immunities under the Diplomatic Privileges and Immunities Act 1968 and the Consular Privileges and Immunities Act 1971 Provision of policy advice to the Government on international law relevant to privileges and immunities 				<p>Ministry objective: Delivery of services to meet New Zealand’s international obligations and ensure reciprocal benefits</p>

Vote: Foreign Affairs and Trade: Output Expenses			
Services for other New Zealand Agencies Overseas	Ministry objective: Indirect contribution to other agencies' outputs and to each of the above Ministry outcomes		
<ul style="list-style-type: none"> Provision of accommodation and support services to other New Zealand agencies with external interests 		<ul style="list-style-type: none"> Outcomes for NZAID programmes and Activities funded through ODA 	
Vote: Official Development Assistance: Output Expenses			
Management of Official Development Assistance			
<ul style="list-style-type: none"> Design, management and monitoring of multilateral, regional and bilateral development assistance programmes in consultation with partners (governments, agencies, NGOs, etc) Provision of policy analysis on the preparation of development programmes 			
Strategic Advice and Evaluation			
<ul style="list-style-type: none"> Provision of policy advice and strategies for delivery of ODA including to sectors and on cross-cutting issues Provision of policy advice and strategies for delivery of multilateral, regional and bilateral ODA Evaluation and appraisal of ODA proposals, programmes and projects Representation of New Zealand views and positions in international development forums 		<ul style="list-style-type: none"> Outcomes for NZAID programmes and Activities funded through ODA 	