Paddling on one side of the canoe?:
The changing nature of New Zealand’s development assistance programme

NZADDs Working Paper¹

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The direction and nature of New Zealand’s aid policy has undergone a near revolution under the National Party government elected in 2008. Prior to this, NZAID, a semi-autonomous unit of the Ministry of Foreign Affairs and Trade, had evolved to manage the aid budget in line with internationally-agreed principles on aid practice, reflecting concepts of partnership and shared responsibility, concepts analogous to the notion of paddling on both sides of the canoe. Under the new National Government, NZAID was reincorporated into the Ministry, its focus was shifted from poverty and diversified livelihoods to economic growth, and the aid programme has been aligned more closely with the country’s foreign policy interests. We suggest that this is tantamount to paddling the canoe on only one side. This paper interprets these shifts in the context of the restructuring in New Zealand international aid policy between 1970 and 2010.

The article has three broad aims: Firstly, to provide an overview of shifting themes and geographies of New Zealand’s aid policy over the four decades of concern; secondly, to explore the relationship between the global aid regime and national practice commenting on the factors that lead to alignment in these two imperatives or otherwise; and thirdly, to analyse the influence of politics, and of key individuals within political parties, in setting the direction of aid policy. In this sense we are interested in the relative influence of agency versus structure and how this shifts over time in terms of the evolution of aid policy.

¹ NZADDs working papers do not necessarily reflect the views of NZADDs or its Steering Committee members. Views expressed within NZADDs papers are solely those of the paper’s author(s).
Introduction – paddling in the same direction?

At the launch of the Pacific Development Strategy in 2008, the then Minister of Foreign Affairs for New Zealand, Winston Peters, delivered a speech evoking a Polynesian proverb intended to deliver travellers to their destination, entitled “paddling on both sides of the canoe”. It drew upon the metaphor in the Maori name given to NZAID - *Nga Hoe Tuputupu-mai-tawhiti* – which was translated as “the paddles that bring growth from afar” (NZAID 2002:3). Some years earlier in 2002 – echoing practice across the developed world – the New Zealand aid programme had been set aside from the Ministry of Foreign Affairs and Trade (MFAT), and a ‘semi-autonomous’ body, the New Zealand Agency for International Development (NZAID) had been created. This body was charged with two key things: fighting poverty, and doing so in New Zealand’s area of natural interest – the Pacific. By 2008, the details of the agency’s mission and its approach had become clear. Outlining the four pillars of the aid programme – governance, diversified livelihoods, improved health and education, and conflict resolution – the Minister described a relatively holistic, broad-based approach to development assistance. This approach borrowed much from current global practices in aid delivery and management derived form the Millennium Development Goals (MDGs) and the Paris Declaration of 2005. In particular, the Minister argued that:

there is nothing easy about delivering an effective aid programme. It is tough and there may be failures, mistakes and frustrations. But the alternative is to do nothing and allow others to quickly fill the void. The consequences would be unknown but most likely seriously adverse to our neighbourhood, and to our own national interests ... we know where the canoe is heading, and through friendship and hard work, all the countries of the mighty Pacific will have an opportunity to reach their destination – a prosperous and safe future (Peters, 2008).
Explicit in the notion of paddling on both sides, then, was the concept of partnership and shared responsibility. Within months of this speech, however, the direction of New Zealand’s aid programme was radically altered. Under the new National Government, elected in 2008, NZAID was reincorporated into the Ministry, and its focus was shifted from poverty and diversified livelihoods to economic growth. New Zealand’s own regional political and – crucially – economic interests were to be placed firmly at the centre of this new approach.

The geography of New Zealand aid and the themes that have influenced it have shifted markedly over the years. In this, it has been influenced by global shifts in aid regimes, as well as broader global change. At the same time, it has had to pay attention to the imperatives of the region within which New Zealand is located – the Pacific. It has also been influenced crucially by the agendas of key political figures. In this paper, we trace the history of the New Zealand aid programme over the past forty years, paying particular attention to the changes that have occurred since the year 2000.

We ask if the current policy is tantamount to paddling the canoe on only one side, or if it represents the application of a new paradigm in development aid thinking. We are interested in a range of questions with respect to this transition. How did such a drastic change come about? What does it tell us about the manner in which aid policy is determined? To what extent is this new emphasis informed by global shifts in aid practice or, conversely, party politics? What is the role of regional needs? How do geopolitics mediate the current policy? And, what is the role of key individuals in driving the direction of aid policy?

In dealing with the above questions we have three broad aims. First, at the empirical level, we wish to provide a narrative on the transition that the New Zealand aid programme has undergone which will permit us to identify the major shifts and implications of these changes. Secondly, we wish to explore the relationship between ‘global’ aid regimes and practice, and how these interact with regional imperatives and national approaches. All aid donors are unique, although some are more unique than others; New Zealand faces very particular regional and national concerns and must marry these with the more general signals. Hence, we examine the extent to which the New Zealand aid programme has moved through different phases,
including state developmentalism, neoliberalism and, most recently, a form of what can be labelled neostructuralism (Leiva, 2008). Thirdly, we wish to explore in greater depth the role of individual agency especially that of powerful politicians and bureaucrats, on the unfolding of aid policy. A number of key individuals have helped shape New Zealand’s policy – not always in progressive ways. Their interests are interwoven with those of the political parties they represent. The politicisation of New Zealand’s development assistance over time may have undermined the building of a coherent, consistent and committed aid programme. Overall then, we are interested in the relationship between structure and agency operating at various scales, and in how this determines policy outcomes.

The paper begins by considering the history of the new aid programme since 1970, tracing the shifting themes and geographical focus over time. We then consider the most recent shifts in aid policy enacted during the 2000s. We pay particular attention to the National Party Government’s current policy, which was brought into being in 2008. Finally, we reflect upon this critically, commenting on the influence of various factors in determining policy. Crucially, we assess to what extent the current policy of the National Government is influenced by external factors. We note that the current policy phase appears to reflect the agenda and opinions of one particularly powerful politician, rather than the lessons of history, development theory or global aid practice.

New Zealand’s Development Assistance 1970-2000

In 1970 New Zealand’s official development assistance (ODA) programme was still in its infancy. It was guided by two main concerns: firstly a commitment to the South Pacific region where some countries were just recently independent whilst others remained under the direct administration of New Zealand and other powers; and secondly involvement in Southeast Asia where the Vietnam War still raged. At that time New Zealand’s present and former territories and jurisdictions (the Cooks Islands, Tokelau, Niue and (Western) Samoa) accounted for over a third of ODA, most of this being directed to budget support so that the administrations of these countries could continue to function. Even well into the 1980s, these countries accounted for 30% of New Zealand’s aid budget (Overton 2009:4). For the Asian region, involvement in the
Colombo Plan, signed in 1950, influenced aid given by the New Zealand Government from then until well into the 1970s (MFAT 2001b). This plan involved the funding of scholarships for students from Asia to study in New Zealand and it extended to technical assistance in the region.

In 1972, with the election of the Kirk Labour Government, the aid programme received a considerable fillip. Prime Minister Norman Kirk expressed a strong commitment to the Pacific region, especially the territories that New Zealand had strong historical and constitutional ties with, though other Pacific countries, such as Fiji, also began to receive more attention. The new government substantially increased the aid budget. In 1971/72 the aid budget allocation was for a total of $NZ13.3 million but by 1975/76 it had climbed to $NZ59.7 million. When the United Nations Conference on Trade and Development (UNCTAD) set an official development assistance target of 0.7 percent of GNP, New Zealand’s Official Development Assistance (NZODA) recorded the equivalent of 0.5 percent of GNP in 1976 (Scheyvens and Overton 1995). This proved to be a temporary spike, however. Kirk died in 1974, the government lost the election in the following year and the oil crises hit the economy hard. New Zealand’s aid contracted considerably, to the extent that throughout most of the 1980s and early 1990s, aid volumes were less than half of 1976 levels in real terms (and around 0.25 percent of GNP) (Figure 1).
Throughout the 1980s, the aid programme appeared to be changing little. Budget allocations increased but barely kept pace with inflation. There was little enthusiasm for aid as the economy struggled and, after 1984, the profound restructuring of the New Zealand economy and public sector under the Lange Labour Government also had an effect. This programme of neoliberal reform cut the size and scope of the state within New Zealand and deregulated much of the economy. In these conditions, an increase in spending on aid was unlikely and the Finance Minister, Roger Douglas, enthusiastically pursued a strategy of market-led growth. Furthermore, as financial crisis in 1987 began to bite, the aid budget was further compromised.

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2 Note: These data are taken from the annual aid allocations listed in various publications including Programme Profiles, NZAID annual reports and other departmental documents. They include only the allocations for the coming year, rather than the total aid budget (which includes administrative costs and overheads) or the actual expenditure. It represents the sum of bilateral and multilateral aid allocations together with funds allocated for scholarships and humanitarian relief. There seem to be some inconsistencies in the way these data have been recorded over this long time period.
There was some irony here for although the Lange Government championed what it saw as regional causes in the Pacific, such as opposition to French nuclear testing and promotion of a nuclear-free zone, and it pursued an independent foreign policy, it was not prepared to fund its aid programme in line with this independent and Pacific-focused stance.

Indeed, as the Labour Government gave way to the Bolger National Government in 1990, aid budgets were further tightened and the programme of public sector reform within the country was transferred, through the aid programme, to the bureaucracies that New Zealand had consistently supported through the previous three decades: the domestic reform agenda was exported. Also in the 1990s, economic motives such as pursuing commercial benefits for New Zealand and the development of potential trade partners began to influence where NZODA was directed. This was particularly noticeable in the new aid relationships that were established with China, Cambodia, Laos and Vietnam. A key feature of foreign policy regarding the aid programme in the 1990s, then, was the desire to ensure commercial benefits for New Zealand itself as a consequence of aid spending. After noting that of every $100 the government spent on aid $77 was generated for New Zealand businesses, the Foreign Minister Don McKinnon reported enthusiastically that “New Zealand firms, suppliers, educational institutions and individual consultants are doing well out of our doing good” (MFAT, 1995: 1).

In addition, despite MFAT making strong statements about the centrality of poverty to its ODA work in 1990 (when it was listed along with the environment and women as central ‘cross cutting issues’), by 1992 poverty had been dropped from the list and replaced with private sector development (Scheyvens and Overton, 1995). At the time, the Ministry argued that promotion of the private sector was a means to balance NZODA’s historical focus on the public sector. It appears there was also some international influence on this decision, as the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) also encouraged member countries to prioritise the private sector, the environment and women’s development (ibid). In addition, an associated theme that gained support from NZODA from 1997 onwards was trade policy assistance.
In the latter half of the 1990s, another key thread derived from the international context was developing in NZODA funding: assistance for the good governance agenda. This aligned with the export of New Zealand’s model of public sector reform noted earlier. Conflict and peace-building also gained specific attention around this time due in large part to the difficult peace-building process in Bougainville, and continued to require dedicated development assistance through to the 2000s as other crises emerged in countries such as the Solomon Islands, East Timor, Afghanistan and Fiji. These efforts later merged with the linking of aid to security issues in the post-September 11 international environment, although regionally the Bali bombings of October 2002 were arguably more critical in shifting donor concerns (see Rosser, 2009).

In the 1997 budget allocations (for the 1997-98 financial year), the New Zealand ODA budget was set at just under $200 million. About a quarter of this sum went to multilateral agencies, such as the United Nations, and the ten biggest bilateral recipients (all in the Pacific except Indonesia) were allocated between $4.8 and $7.7 million each, with Samoa receiving the largest allocation. The total Pacific Island region budget was $71.4 million, the budget for Asia was $29.9 million, and education scholarships accounted for $25.4 million (MFAT 1997).

While these figures show a strong proportional bias towards the Pacific, the total amounts reveal a disappointing situation for a country that portrayed itself as a responsible developed country in the Pacific region with long standing relationships with – and responsibilities to – several Pacific Island states. During the 1990s, its aid budget target had faltered, hovering around the 0.2 to 0.25 percent of GNI mark (CID, 2005). Furthermore, NZODA had shifted in focus away from supporting recipient governments in the Pacific to deliver basic services and welfare, and towards instituting – in concert with other donors – an enforced programme of neoliberal reform in Pacific Island states. Aid budgets fell, and the civil service was dramatically cut in countries such as the Cook Islands. This 1990s aid regime was, near the end of the decade, significantly out of step with other donors (particularly European donors but also their Australian counterparts), who had embraced poverty alleviation (at least rhetorically) as a central objective of aid policies (Storey et al., 2005).
The Making of NZAID

Political realities

The general election of 1999 in New Zealand brought the Helen Clark-led Labour Party to power, governing with support from the Alliance Party. Matt Robson from the Alliance Party became Associate Minister of Foreign Affairs with responsibility for the aid programme. Although Clark herself and Phil Goff (as Minister of Foreign Affairs) did not appear to be centrally concerned with aid, there were strong connections and influences within the Labour and Alliance parties that pushed for change. Pat Webster was Executive Director of the Council for International Development (CID), the umbrella organization for development NGOs in New Zealand, and was also involved in the Labour Party hierarchy. Keith Locke of the Green Party had had a long interest in development issues and, though not in government, was another voice for change. Many development NGOs and individuals were also arguing for a modified aid programme.

Prior to the election, CID had commissioned a report on New Zealand’s aid policies (Davenport and Low, 1999), and this was critical of the programme in several ways. It argued for a substantial increase in aid funding (towards the target of 0.7% of GNP), the adoption of a poverty focus, a shift to regions and countries where poverty was greatest, a move from tertiary education scholarships to a focus on primary education, and greater involvement of civil society in the delivery of New Zealand’s aid. After the election, the new government commissioned a ministerial review of aid, and its report Towards Excellence in Aid Delivery (MFAT, 2001a), authored by two consultants (Grossman and Lees), was published in 2001. Its recommendations echoed the CID report in a number of ways, but went further. They included the adoption of poverty elimination as the ‘one, unambiguous goal’ (MFAT, 2001a, p.1), the separation of the constitutionally-linked programmes to the Cook Islands, Niue and Tokelau from the aid budget, and a reduction in the number of aid partners. But its most important call was for the foundation of a new agency, a ‘semi-autonomous’ branch of MFAT with its own mission, chief executive and budget. It was critical of the fact that the aid budget had been managed within MFAT in ways that put diplomatic, trade and strategic goals ahead of development objectives, and that it was handled by staff that had no particular expertise in development and aid issues.
The Government accepted the recommendations, though it shied away from the one which called for a separation of assistance for the Cook islands, Niue and Tokelas from the aid budget, and the new agency, called NZAID, came into existence in July 2002.

Officials within the diplomatic branches of MFAT were unhappy about losing control of a very large share of their budget and a set of posts (hitherto positions that junior ministry staff rotated through early on in their career progressions towards sought-after diplomatic postings) and pointed to the successes of the aid programme to date (Schwass and Norman 2006:6). National Party MP John Luxton also wrote to the editor of the Dominion newspaper, calling the authors of the ministerial review “a couple of left-wing activists with a narrow view of New Zealand’s role in assisting others in the world” (ibid). Yet on the other side of the political divide, there was widespread acceptance of the changes. A consensus appeared to exist amongst the political parties within the new government and amongst the development NGO community. It was what might be called the ‘Wellington Consensus’ – a broad agreement to focus on poverty elimination and develop a specialised aid agency. One aspect of this consensus was that, although it had high level political support, it lacked a senior political champion. Matt Robson was only an associate minister, as was his successor in 2002, Marian Hobbs. Further, after 2005, when the political control of the agency passed directly to the then Minister of Foreign Affairs Winston Peters, it did so to the leader of the minority partner in the government coalition and someone who had many other responsibilities. To a large extent, then, the direction for NZAID had been set by the 2001 review, but the institution itself was then left largely responsible for defining its place. Ministerial support was forthcoming, but interference was minimal.

**Setting the mission of the agency: Balancing regional realities with global agreements**

The new agency rapidly set about defining its role and structure. Its first chief executive, former diplomat Dr Peter Adams, consulted widely and began a process of staff recruitment that brought in new people with training and experience in development work to replace the diplomatic staff as they cycled out of their placements in the agency. Policy reviews took place, and there were major efforts to implement the recommendations of the Ministerial Review.
Team, such as the poverty focus, the call to cut the number of bilateral partners and the shift towards greater involvement of civil society.

When NZAID officially came into being on July 1st 2002, it adopted the policy statement: ‘Towards a safe and just world free of poverty’ (NZAID 2002). This indicated a significant shift from the previous policy framework of 1996, which was ‘Investing in a common future’. While neoliberalism had characterised the thinking behind NZODA in the 1990s, in the 2000s poverty elimination and human rights had become central to the newly formed agency’s work.

By the time of NZAID’s 2003/2004 Annual Review (NZAID, 2004) the strategic priorities for the organisation were noted as:

- empowering those in poverty to improve their lives;
- strengthening governance; and
- reducing vulnerability to poverty.

Within two years, though, the 2005/2006 Annual Review showed a shifted from ‘priorities’ to three ‘goals’ (protection and promotion of human rights, sustainable livelihoods and the development of safe, just and inclusive societies) which had moved the agency further away from the neoliberal focus of the previous decade (NZAID 2006). The operating principles were reworked in this context to underline this new alignment to become human rights, gender, the environment, the MDGs, partnerships and participation. It was within this framework that themes such as strengthening governance, trade development assistance, health, conflict and peace building, whole of government approaches, and harmonisation became entrenched areas of focus for the organisation.

NZAID also consolidated and deepened its support to the voluntary sector during this period. It viewed New Zealand NGOs as agencies with expertise in grassroots community development activities; agencies that could support the poverty alleviation efforts of NZAID’s partners in a wide range of countries and regions. A 2005 review of the Voluntary Agency Support Scheme through which NGOs could apply for government funding led to recommendations that a new scheme be formed: KOHA/PICD (Partnerships for International Community Development).
NZAID’s central focus on poverty elimination also aligned very closely with the intentions of the MDGs. The MDGs were endorsed in subsequent NZAID documents, and the agency also reported specifically on its efforts to achieve the targets set under the MDGs in the 2005 report ‘New Zealand’s Contribution to the Global Partnership for Development’. Although New Zealand remained a very small player in the global aid industry, it was felt that it could still make a difference by concentrating on key regions and sectors.

One of the features of staff changes was the influence of staff recruited or on temporary assignments to NZAID from other development agencies such as DFID (UK Department for International Development), CIDA (the Canadian International Development Agency) and AusAID. That, together with visits from other development personnel from a variety of agencies and the participation of NZAID in overseas aid meetings and conferences, meant that the agency was connected to current thinking and practice in international aid; and NZAID was quick to align itself with this. The adoption of the MDGs by the United Nations in 2000 had coincided very neatly with the ministerial review and the formation of the agency. Thus, although New Zealand’s ODA was much slower than, for example, the United Kingdom’s or Australia’s in adopting the new poverty agenda (Storey et al., 2005), it did so now enthusiastically, and indeed more completely than the latter (Rosser 2008).

NZAID’s mission from its inception was ‘Elimination of poverty through development partnerships’, and the rhetoric of partnership was translated into practice, partly directed by New Zealand being a signatory to the 2002 Rome Declaration on Harmonisation and the Paris Declaration on Aid Effectiveness signed in 2005. The latter declaration, widely adopted by donors and partner countries alike, called on aid donors to do the following: recognise the ‘ownership’ of aid (in effect, of the responsibility for poverty alleviation strategies) by recipient countries; align themselves with these recipient strategic plans; harmonise their efforts (to avoid donor competition and duplication), and strive to achieve accountability and results-oriented management (OECD, 2005a; also Buiter, 2007; Eyben, 2007; de Haan, 2009).

The Paris Declaration had a significant influence on the way in which the agency worked with other development stakeholders. For example, NZAID took over the administration of AusAID
(the Australian Agency for International Development)’s programme in the Cook Islands, and NZAID and AusAID began to regularly ‘sit in’ on each other’s talks with partner governments. NZAID also coordinated activities with other agencies in the Pacific region, including the Asian Development Bank, European Union, and World Bank. Unsurprisingly then, an evaluation of NZAID in 2007 found that it was “playing a leadership role in promoting harmonisation and programme-based approaches” (NZAID, 2008:33).

Alongside these broad principles was an emerging set of operating principles that called for aid to be delivered in fundamentally different ways. Instead of funding discrete development projects, donors were to move towards more comprehensive, long-term and state-controlled development programmes. This approach implied a transition towards direct budget support for governments (in poverty alleviation-related fields such as health care and primary education) through the more intermediate step of SWAps (NZAID, 2007, 2008b). Essentially, this new approach involved diverting funding away from ad-hoc projects and towards broader budget support to specific development sectors, the Sector Wide Approach (SWAp).

From 2004, NZAID began operationalising these new modalities, influenced by international aid trends. In 2004, for example, NZAID was asked by Papua New Guinea (PNG) to take the lead as the coordinating donor in a SWAp to the health sector, and since then the agency has been involved in SWAps in health and/or education in Samoa, the Solomon Islands, and Tonga. The shift to programmes and SWAps was summed up by a new agency mantra: “bigger, fewer, deeper and longer” (OECD, 2005b:14). It reflected a fundamental philosophical shift in New Zealand’s aid towards much closer and committed relationships with a smaller number of key recipient ‘partners’. This involved much larger sums of aid, longer-term planning horizons, and much closer involvement with recipient government agencies. It was in line with what might be called a neostructural approach to aid delivery, supporting and (re)building state institutions to deliver welfare services (Leiva, 2008; Murray and Overton, 2010).

**Further reviews**

Three years after its formation, having barely been given time to put many of the new strategies and programmes into place, NZAID found itself subject to two major reviews. One was a routine
DAC peer review (OECD, 2005b) and the other was another ministerial report by Dr Marilyn Waring to review the implementation of the 2001 reforms (Waring, 2005). Both gave the agency a remarkably good report. The DAC team commended NZAID in “the building up of a competent and dedicated team of development specialists with extensive expertise and experience able to have significant impact on development” and for creating “a range of new policies and systematic capacities ... to deliver state-of-the-art programmes” (OECD, 2005b:13). It did however recommend that New Zealand should give more aid, and should focus on a smaller range of countries. This led to a 23 percent increase in the allocation of aid monies in the budget that year, and further increases in subsequent years. In addition, NZAID increased its staff numbers through the 2000s and the agency started developing positions ‘at post’, rather than situating its entire staff in Wellington. The Waring Report also endorsed the changes that had taken place, and though it made a number of recommendations to sharpen the work of the agency, both it and the DAC report could be seen as strong tests of approval for NZAID. Unfortunately, the favourable findings of these two comprehensive reviews were soon to be overshadowed by more narrowly-based audit reports.

In 2007 two audit reports were conducted on NZAID. One was a performance audit by the Office of the Auditor General (OAG) and the other was Audit New Zealand’s annual statutory audit. The OAG report looked generally at how NZAID planned, implemented, monitored, and evaluated its aid programmes, whilst the Audit New Zealand report targeted more specific financial management practices. Neither found any serious misconduct or misappropriation but there were findings that pointed to some deficiencies in the management control environment and contract management systems, processes and practices. This was probably not surprising given the diversity of work that the agency was involved in and the difficulty of applying rigid Western auditing and management systems with partner governments and agencies in many donor countries where these did not exist. Nonetheless, opposition politicians seized on these reports to criticize NZAID (Young, 2008).

The changing volume and geography of New Zealand’s aid

The formation and evolution of NZAID was soon reflected in its annual reports and in data on New Zealand’s aid distribution. Firstly, there was a noticeable increase in aid volumes in real
terms. Figure 1 shows the long-term trends in New Zealand aid over the past 40 years. The zenith of the mid 1970s was never reached again (in terms of aid as a proportion of GNI), and aid levels had fallen steadily throughout the later 1970s, 1980s and early 1990s. Thereafter they began to recover, and the 2000s was generally a time of increase, particularly after the government affirmed its commitment in 2007 to move towards the goal of 0.7 percent of GNP by setting the intermediate target of 0.35 % by 2015. Aid volumes in both actual and real terms increased sharply after 2004-05 and by the last two years of the decade had finally surpassed, in real dollar terms, the peak of the mid 1970s.

The second notable aspect is the significant geographical shift in the direction of aid. To begin with, there was a marked trend towards the ‘fewer’ objective. Through the 2000s, recipients such as Thailand, Mongolia and China had their budgets cut to zero or minimal levels. Aid budgets for other recipients such as the Philippines stayed steady at modest levels. Then, the ‘centre of gravity’ of New Zealand’s aid shifted westwards (Figure 2). In the early part of the decade, traditional Polynesian recipients (the Cook Islands, Samoa and Tonga, together with Fiji) experienced static or declining allocations. This was largely because the development/poverty indicators for these countries were relatively favourable and it was hard to justify increases to them at a time when NZAID was seriously considering the implications of its central poverty objective. However, Niue and the Tokelau, which also did not count among the region’s poorest countries, began to experience some substantial increases in aid allocation from New Zealand. Niue’s allocation increased from $6.25 million in 2000-01 to a peak of $24.6 million in 2004-05. Tokelau’s allocation similarly increased from $6.5 million in 1999-2000 to $16.29 million in 2004-05, and the forecast allocation for 2009-10 is $21.575 million (NZAID 2009). These two countries, together with the Cook Islands, qualified for special attention because of their constitutional ties to New Zealand as self-governing but associated states. Their allocations represent not a poverty-directed aid allocation but a commitment by New Zealand to maintain the apparatus of government and service delivery in small and dependent countries that are unlikely to be able to be financially self-sustaining.
Figure 2: Main Bilateral NZODA Recipients 1994/95 – 2009/10

Source: Various MFAT and NZAID publications given annual aid allocations. See note for Figure 1.
The main benefactors of NZAID’s new poverty mandate were those Pacific countries whose poverty and demographic indicators showed the greatest need. PNG, the Solomon Islands and Vanuatu not only had much larger populations than the traditional Polynesian recipients but their development indicators, for such indices as maternal mortality, literacy, primary school attendance and life expectancy, were much poorer (Kidu, 2009; Parks, 2009). In 1999-2000, these three countries each received between $5 million and $5.75 million from the New Zealand aid budget. A decade later their allocations had grown to $27 million, $36 million and $18 million respectively. Although such increases were justifiable simply on the basis of poverty indicators, they were also boosted by security concerns: the Solomon Islands government in particular had been on the brink of collapse in 2003 until the multinational regional intervention under the banner of the Regional Assistance Mission to the Solomon Islands (RAMSI) (Dinnen and Firth, 2008; Anderson, 2008). New Zealand’s commitment to RAMSI and to the rebuilding, in effect, of the state of the Solomon Islands, meant that this country has become the largest single recipient of New Zealand aid. In the 2007/08 allocations, the three above recipients together accounted for 28.7% of total bilateral aid (up from a mere 10.6% ten years earlier) (NZAID 2008a).

Thus, in the few years of its existence (2002-2009), NZAID was an agency that oversaw probably the most profound change in New Zealand’s aid policies and practices in the past 50 years. It administered a substantial increase in aid volumes (nearly doubling in dollar terms), it adopted a tight focus on poverty alleviation and redirected its aid accordingly, it directed higher levels of funding through NGOs as they were seen to have expertise in community development and poverty-alleviation, it developed a raft of new policy statements that linked the country to international agreements and best practice but tried to maintain a degree of independence and New Zealand identity linked to the Pacific region, and it was transformed by the recruitment of a new cadre of professional staff. Yet its origins in the political manoeuvrings of the early 2000s would soon place it under threat.

**The Unmaking of NZAID**

On May 1st 2009, the Minister of Foreign Affairs in the newly elected National Government, Murray McCully, gave a speech to the Institute of International Affairs at Victoria University of
Wellington in which he set out a new direction for the New Zealand aid programme and NZAID (McCully 2009a). This speech marked the first unveiling of a policy position that McCully and the National Party had been signalling prior to their election to government in late 2008.

One element of the announcement from the Minister was a commitment by the government to an increase in New Zealand’s ODA over the next three years – from $472 million in 2009 to $600 million by 2012/13. While he did note that these increases were less than the increases that had been planned under the previous Labour government (and hence effectively meant a reduction in dollar terms of New Zealand’s future ODA commitments, and the dropping of the aim of 0.35% of GNI 2015), Mr McCully clearly hoped that this would offset criticism directed at the more overt, fundamental changes he had brought in. Indeed, this commitment to continue to increase the size of the aid budget (if not to adhere to the 0.35% of GNI target) has resulted in the new government producing the highest ever aid budgets in real dollar terms. The policy changes effectively revolve around two central themes: firstly, a greater alignment of NZAID with New Zealand’s foreign policy interests; and secondly a shift away from a mission statement that centres on a discourse of ‘poverty alleviation’ to one of ‘sustainable economic development’

On the first of these themes, the Minister explicitly stated that:

I see stewardship of the substantial overseas aid budget as a key part of the Foreign Affairs portfolio, which needs to be aligned, so far as possible, with the management of New Zealand’s wider foreign policy interests (McCully 2009a).

The most explicit manifestation of this has been the incorporation of NZAID back into MFAT. NZAID remains as a brand only, and has officially simply become part of MFAT, known internally at least, as the International Development Group (IDG).

The push by McCully to realign NZAID policy with broader foreign policy interests has already had effects. A recent illustration of such ‘alignment’ has been its emphasis on the development of a trans-Tasman Pacific trade strategy. Known as the PACER Plus trade agreement, this strategy aims to provide for a Pacific-wide free trade agreement and is largely driven by New
Zealand and Australia (Kelsey, 2004; Oxfam, 2009). The wording of a recent call by MFAT for public submissions illustrates its vision of an integrated trade and aid policy:

On the second of the two pillars, Murray McCully was at his most colourful. Poverty alleviation was a “rather nebulous concept”, and was “too lazy and incoherent” as a guide for where NZAID’s priorities should lie; in his words, “You could ride around in a helicopter pushing hundred-dollar notes out the door and call that poverty elimination” (McCully, 2009a). He criticised the “lofty rhetoric of the MDGs”, which are, he acknowledged, important but “too often used to obscure more important questions … about the quality, effectiveness and efficiency of our aid programmes” (ibid.). What is particularly significant here is that while McCully espoused the language of aid effectiveness and efficiency, he made no reference to the international principles on precisely these topics that have evolved in the past decade, through agreements such the 2005 Paris Declaration or the 2008 Accra Agenda for Action. Indeed, as discussed below, the type of approach that the Minister is instilling within NZAID appears to be working completely against the ethos of aid as partnership and broad-based development that is widely regarded as critical for effective development assistance.

Instead of ‘poverty alleviation’, then, the new NZAID mission has become the apparently more focussed ‘sustainable economic development’. The way in which this mission is couched, though, reflects the tension within NZAID between the international poverty consensus and the Minister’s directive. For example, the current NZAID mission statement still conceals its economic imperatives within the context of a much more broadly-based poverty-focussed sustainable development:

The NZAID programme supports sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, just, equitable, and prosperous world.

Reducing poverty is inherently linked to economic growth and trade. Broad-based sustainable economic development must also be underpinned by investment in human development, good governance, and the protection of the environment and natural resource base.
Economic development provides the resources needed to achieve and maintain internationally agreed health, education, and other poverty reduction objectives set out in the MDGs (NZAID, 2010).

Despite the discursive confusion and tangling of mandates apparent in such a mission statement, what is clear is that this change has shifted NZAID’s attention towards productive sectors of the economy. Tourism is the most obvious of these, and was the only sector explicitly referred to by the Minister in his May 1st speech (McCully, 2009a). The continued viability of Pacific Island tourism was the explicit rationale used by the Minister to defend the use of substantial subsidies to maintain Air New Zealand Pacific Island routes in the Pacific in 2008 and 2009. In November 2008 it was reported that the government underwrote Air New Zealand’s once-a-week link between Rarotonga and Los Angeles to the tune of $US3 million dollars. Similar promises were reportedly made to the Samoan government in support of the Apia-Los Angeles link (Campbell 2009). Agriculture, a sector in which, for certain types of activities at least, New Zealand has demonstrated expertise as well as substantial production and trade interests, is now pushed by the Minister as a priority focus for the aid programme.

Neatly falling into the nexus of the two key trends, and revealing of both the rationale for the changes and the implications of them, is a change in the regional focus of NZAID within the Pacific. Not only is NZAID (and NGOs that receive funding from NZAID) now more focussed on the Pacific region, there is a shift in emphasis discernable from Melanesia to Polynesia within the Pacific. Even though the total funding for Melanesia continues to grow, in proportional terms funding for Polynesian countries is now increasing at a faster rate (Figure 2). Such a shift represents a move away from areas of the region with far greater levels of poverty (Melanesia) and towards areas of New Zealand’s greatest influence (Polynesia). This can be clearly read as a move that, in linking the NZAID programme more closely to New Zealand foreign interests, moves the programme away from the poverty focus and aims of the global aid consensus.

This shift away from the globally agreed principles of aid delivery and effectiveness is revealing in terms of the role that the Minister himself has played in pushing the new agenda and foci.
Unlike the previous changes in the past two decades described earlier, no formal review of the organisation formed the basis for these changes. Instead, the Minister drew on a limited round of consultations (largely with arms of government) and a strong dose of political ideology informed by observations and domestic political engagements. One example of this ideology is a clear antipathy towards a significant role for civil society in the aid landscape.

As outlined earlier, in the 2000s NGOs had come to assume a significant role in the delivery of NZAID programmes within the Pacific. In April 2010, after delaying confirmation of funding during 2009, the Minister announced that the KOHA-PICD fund, a contestable fund of $21 million for NGOs that was regarded as a model for government-NGO partnerships in the area of aid, was to be replaced. At the time, his comment was that “the current programmes for partnerships with NGOs are clearly out of step with [NZAID’s new] priorities”; he encouraged a greater focus by New Zealand NGOs on economic development (the word ‘sustainable’ fell out of the Minister’s letter) and the Pacific (McCully, 2010). The replacement funds, to be administered by officials rather than in tandem between NZAID and NGOs, were delineated as a Humanitarian Response Fund and a Sustainable Development Fund. While earlier indications were that the Sustainable Development Fund would require NGOs to direct 50 percent of their funding from NZAID toward the Pacific region, a significant alignment away from established partnerships that many NGOs have in other parts of the world, this has been revised upwards such that 75 percent of funding from the Sustainable Development Fund must go to the Pacific. The criteria for receiving money from these funds included “alignment with sustainable economic development” (MFAT, 2010). The Minister also chose in 2010 to cut by three-quarters funding to the NGO umbrella group, CID, which provides training for the sector and a political voice for charitable organisations in the development sector, and similarly cut funding for development education being carried out by Global Focus Aotearoa.

Significantly perhaps, much of the inspiration for the policy direction (such that it is) for these changes appears to come from Australian policy institutes rather than global agreements and directions. Helen Hughes at the Centre for Independent Studies has criticised the Australian aid programme and specifically the nature of its engagement with the Pacific (see Hughes 2003) and much of the Minister’s pessimism towards NZAID’s previous work in the Pacific appears to find
succour in these critiques. More directly, the Lowry Institute has likewise focussed recently on issues of Pacific development and aid. The Minister gave a speech to a Lowry Institute Conference in August 2009 (McCully 2009b) and the Lowy Institute paper by Heyward-Jones (2008) has been positively cited by the Minister in relation to a need to move beyond governance in the Pacific and focus on “assistance to the productive sectors of Pacific islands economies”, develop “new public-private alliances to generate better business outcomes in the Pacific” and “introduce an output-based approach to service delivery’ for basic service delivery” (Heyward-Jones, 2008: p. 4).

In summary, the changes that have been initiated by the new government can be seen as paddling directly against the gathering global consensus on best practice aid delivery and effectiveness. The changes seemingly are driven by political ideology rather than evidence, and are designed to ensure that New Zealand’s ODA efforts further its own foreign policy and economic interests in its region of most immediate interest – Polynesia. Likewise the end of the KOHA scheme also signals a departure from the partnership ethos that guided NZAID’s work from its inception.

**Discussion**

The discussion above has traced the dynamic history and shifting geography of New Zealand’s international aid programme. Below we summarise this trajectory, paying particular attention to the factors that have motivated the geographical and thematic shifts that we have identified. The aim is to throw light on the factors that influence donor policies and critically assess how these reflect the balance between global aid trends and regional imperatives. We also wish to reflect upon how key individuals associated with particular political parties influence and mediate the interaction of these various processes operating at different scales. The story of New Zealand’s aid programme provides fertile ground for such an analysis and demonstrates how aid has been politicised throughout the past forty years.

We argued that the 1970s was a period of substantial dynamism and progress, where the New Zealand government made serious and concerted attempts to reach the 0.7 percent of GDP target. The period was characterised by the significant leadership of Norman Kirk, who
galvanised the efforts made during this period. Many of the countries that New Zealand donated aid to had only recently won independence. In the Pacific, this left New Zealand with a significant historical obligation, which was manifested particularly in the high per capita levels of aid that were channelled into Samoa, the Cook Islands and Niue, as well as other parts of Polynesia.

The 1980s can be characterised as the ‘lost decade’ of New Zealand aid. The neoliberal turn in New Zealand, beginning in 1984 and implemented under the Labour Government’s Minister of Finance Roger Douglas, emphasised the shift to a more narrowly focused path of economic development through free market reform. This continued into the early 1990s. This period saw the introduction of conditionalities for aid recipients as well as a significant reduction in overall levels (in real dollar terms), based on the neoliberal argument that aid ‘crowds out’ private sector activity. During this period, the use of project-specific programmes became widespread. There was a reshaping of the aid sector in the early 1990s, centred on the galvanising character of Don McKinnon, the then Minister of Foreign Affairs. There was a more overt linking of the aid programme to New Zealand’s wider foreign policy and trade agendas and its connection to New Zealand business development.

Following the implementation of the Millenium Development Goals in 2000, the global aid regime shifted substantially – at least on the surface – and New Zealand’s programme began to reflect this. Poverty became the explicit focus of aid, although underlying the new emphasis on poverty reduction was often an implicit desire to increase private sector efficiency (see Storey et al., 2005). It was during this period that the aid component of New Zealand’s foreign affairs was separated from MFAT and NZAID was formed. This restructuring was clearly the result of a changed political landscape that saw a close relationship between governing parties and the development NGO community in the country. However, neither the junior ministers responsible for NZAID in its infancy nor Winston Peters, the Minister of Foreign Affairs who took the aid portfolio under his wing in 2005, were strongly interventionist. In this situation, Peter Adams, who was appointed as head of NZAID, retained considerable autonomy throughout the lifetime of the agency. However, it could be argued that the lack of a very powerful champion for NZAID
at the cabinet level may have made it more vulnerable to the eventual re-amalgamation under the National Government’s Foreign Minister Murray McCully in 2009.

The policy direction of the new NZAID clearly reflected broader shifts in the world as well as regional imperatives, together with geopolitical frames. In particular was the confirmation of poverty as the central focus of aid provision. This was influenced by the MDGs, but presented something of a conundrum in the context of some Pacific states, where poverty levels were not as high as they were in other developing regions.

The terrorist attack of September 11th, 2001 and the Bali bombings of 2002 also had a significant impact on the direction of aid across the world and in New Zealand. The prospect of the failed state as a harbour for terrorists became an important concern informing policy. This was especially apparent in the AusAID tactics of the time (Rosser 2008), and it influenced NZAID too. It underpinned intervention in the Solomon Islands and to an extent PNG, where the possibility of failed states was real and significant throughout the 2000s. Ultimately, it reinforced the ‘shift back to the state’ that occurred following the Paris Declaration of 2005.

**Conclusion: Paddling Where and With Whom?**

The shifts in New Zealand aid policy and practice signalled in this article have been significant, particularly since the National government came to power in 2008. The new policies which came into play after the establishment of NZAID as a semi-autonomous unit of the Ministry of Foreign Affairs in 2002 evolved to align with internationally-agreed principles on aid practice, and they reflected concepts of partnership and shared responsibility, concepts that are central to the notion of paddling on both sides of the canoe. Current policy, by contrast, with its move away from the discourse of partnerships, we argue is tantamount to paddling the canoe on only one side.
How can we conceptualise the interaction of the factors that have influenced New Zealand’s aid policy over the four decades until the present? It can be suggested that there are four factors that interact to determine the unfolding of any given aid regime:

- Global geopolitics
- Dominant international aid practices and agreements
- Regional imperatives pressing upon the given donor
- The role of individuals and political agendas in particular contexts

Each of these factors can assume a different level of importance at any given time and in New Zealand’s case this has waxed and waned vastly across the different time periods. Clearly then, until 2008 at least, New Zealand’s aid practice was influenced by a range of factors. Particularly important throughout has been the influence of general geopolitics on the direction of aid modalities, both internationally and regionally. Independence in the Pacific in the 1960s and 1970s, the debt crisis, the end of the Cold War, and 9/11 were all ‘watershed’ moments that impacted upon the geography and general nature of New Zealand’s aid programme. Also highly important, and in some ways influenced by broader geopolitical factors, is the global aid regime and practice. The shift from state developmentalist to neoliberal theories had a clear impact on New Zealand’s policy. More recently, the ideas flowing from the MDGs and the Paris Declaration have had an important impact also, reinscribing the developmental state as the central player in aid design and delivery.

Clearly, the nature of regional imperatives is also of importance. New Zealand aid policy has had to balance global shifts with regional concerns. As one of the two countries in the Pacific that is directly descended from the major colonial power in the region (Great Britain), New Zealand has had to face particular historical obligations. The migration of large numbers of Pacific Islanders to New Zealand in the post-war years means that there are cultural connections as well as economic ones. This is reflected particularly strongly in the importance of remittances, which have a bearing on New Zealand’s relationship with the broader region. Furthermore, regional security issues – such as those presented by instability in Fiji, the Solomons and Tonga – have influenced New Zealand’s approach greatly, but in a different way to Australia’s (see Rosser
2008), one that highlights the ways in which regional relationships and imperatives impact on aid policy.

However, while global signals and regional imperatives are important, it is often individual actions, motivations and agendas that push aid practice in one direction or another. Throughout the history of New Zealand’s aid programme, key individuals associated with particular political parties have played important roles. Norman Kirk, Roger Douglas, Don McKinnon and Murray McCully have all made substantial impacts, in varying ways. But these people must act within a broader context – and their ability to do so is related to their own political force, the strength of the broader signals, and of course to the resistance they might receive to their policy agendas.

In the present period, the role of the individual has come to the fore in terms of steering New Zealand’s aid policy. The recent shifts enacted by the National Government beginning in 2008 and vigorously pursued with great speed and efficiency by a proactive Minister have been discussed above at length. There has been a move away from the poverty agenda and a re-focussing on the concept of economic growth and private sector development, paddling against the currents of accepted global aid theory and practice. There has also been an explicit return to the notion of achieving measurably positive outcomes in terms of New Zealand’s interests. The policy that now informs NZAID harks back to the modernist phase, with strong elements of neoliberalism. Meanwhile issues of human rights and social justice have been diluted, and the power of NGOs has been undermined considerably by the constraints placed on their funding arrangements. It could be argued that there has been a regression, or at least a movement around the circle to a policy of some decades ago.

The lack of bipartisan agreement over New Zealand’s aid strategies and policies has meant that the aid programme has shifted, sometimes significantly, in response to domestic political changes over the past forty years. Such shifts have left others involved in New Zealand’s aid programme – recipient governments and civil society, and development NGOs and consultants within New Zealand – in the uncomfortable position of having to respond rapidly to changes in political signals rather than commit to long term programmes and relationships.
To conclude, we contend that New Zealand’s aid policy, especially since 2008, is only weakly influenced by external signals in terms of the aid regime or concepts of development theory. It is not strongly based on wider geopolitical trends or imperatives of the region and the recipients there. Rather, since 2008 it is driven by the domestic political agenda and opinions of one powerful politician who has placed New Zealand interests above those of the recipients and combines this with a faith in the neoliberal market mechanism. We argue that this has moved New Zealand’s aid policy back to a place it inhabited some three decades ago. Such a policy is theoretically ill-informed and empirically unsupported. Without strong and enduring partnerships, based on mutual respect and dialogue, we suggest that New Zealand’s current aid programme is paddling the canoe on one side, a practice that inevitably leads to it moving in ever-decreasing circles.
References


Paddling on One Side of the Canoe


