

A Bolt from the Blue – examining the 2009 changes to the New Zealand government aid programme and what they mean now (Summary Paper)

Introduction

In late 2008 the New Zealand National Party formed a new government. By early 2009 this government had rescinded the New Zealand government aid programme's Semi-Autonomous Body (SAB) status and changed the aid programme's policy settings from poverty elimination to a core focus on economic development/growth. NZADDs' third Working Paper – 'A Bolt from the Blue' - examines these changes. The purpose of this examination is to encourage careful consideration about what it is that New Zealanders value in their government aid programme, and how New Zealand can best create and maintain a government aid programme that maximally improves the quality of life for people who suffer poverty. This document is a short summary of the Working Paper, a full version of which can be found at: www.nzadds.org.nz

The Working Paper begins with a history of NZAID, including why the agency was established and what it 'looked' like in 2008 in relation to policy and structure. Next, information surrounding the 'review' of NZAID in 2009 is examined, leading to the conclusion that there was no review, contrary to the commitment in the 2008 National Party Foreign Affairs Policy. Despite the absence of a review, significant changes were made to the New Zealand government aid programme. The Working Paper explores five potential reasons for these changes and shows that none bear scrutiny, determining that the most likely reason for the changes was a desire to implement a 'doing well while doing good' approach to New Zealand aid policy. This approach aims to align aid closely with non-aid foreign policy so that it simultaneously improves New Zealand's economic and security status, at the same time as assisting developing countries to achieve their development goals. In practice, the weighting of these dual goals inevitably tends towards New Zealand's self-centred interests, leading to inefficient aid policy of low quality. This Working Paper concludes that what is needed now is dialogue and engagement from the wider New Zealand community who care about international aid and development, to grow a New Zealand government aid programme that effectively and efficiently helps the world's poorest people.

NZAID

NZAID was established following three independent reviews of the government aid programme and the Ministry of Foreign Affairs and Trade (MFAT), within which the aid programme was a division at the time. An OECD Development Assistance Committee (DAC) routine Peer Review of NZAID in 2000 and the 2001 Ministerial Review of NZODA, entitled 'Towards Excellence in Aid Delivery' (Towards Excellence Review), both highlighted an aid programme with blurred: goals and strategy, leading to the use of aid to advance New Zealand's self-centred, non-aid foreign policy goals; no systems and guidance for budget allocation and performance assessments; and a situation whereby development experience and knowledge were undervalued within MFAT.

NZAID was created as a Semi-Autonomous Body hosted by MFAT, with high-level policy settings clearly focussed on the elimination of "poverty through development partnerships", with a vision of "a safe and just world free of poverty".¹ A suite of policies outlined the approach to various thematic areas within this overarching goal, including trade, and economic growth and livelihoods. NZAID established functioning systems within MFAT to ensure that aid and non-aid foreign policy were aligned. However, the 2005 'Ministerial

Review of Progress in Implementing 2001 Cabinet Recommendations Establishing NZAID' (Waring Ministerial Review), highlighted that concerns remained within the wider MFAT regarding the difference in approach between MFAT and NZAID on some issues, such as trade, and the inability of MFAT to use aid as a way of influencing other governments.²

The use of a semi-autonomous body (SAB) model for NZAID was recognised to have some challenges, including that the legal framework of public accountability (the Public Finances Act 1989 and the State Services Act of 1988) did not include a SAB model. This meant that technically, despite Cabinet decisions that gave the NZAID Executive Director the right to report directly to the Minister, employ staff and manage Vote ODA, the MFAT Secretary (chief executive) remained legally accountable for the functions of NZAID. The 2001 Cabinet gave direction to the MFAT Secretary and NZAID Executive Director to create delegations and protocols to ensure that this accountability was not jeopardised. The need for separateness for NZAID, to avoid the previous blurring of aid and non-aid foreign policy goals, was seen as more important than the potential challenges of a SAB.

Three years after NZAID was established the 2005 DAC review announced that "[t]he reorientation of New Zealand's development co-operation has been impressive"³ and "[t]he creation of NZAID can be considered a success".⁴

A New Government: A New Review?

Following the 2008 election, the Hon. Murray McCully became the Minister of Foreign Affairs and quickly moved to make changes to the New Zealand government aid programme under the auspices of the National Party Foreign Affairs Policy. This Policy committed to: "review the operation of NZaid [sic] to ensure aid expenditure is effective and to make sure problems identified in recent reports are rectified".⁵ (The Policy also committed to increase the Pacific focus of aid and reach an absolute ODA spend of \$600 million by 2010.)

Consistent with past reviews, the professional development community of New Zealand expected that this review would involve careful consideration and consultation. This did not occur. As Barry Coates of Oxfam New Zealand and then Chair of the Council for International Development outlined: "[u]nlike the previous four comprehensive studies that supported poverty reduction and some autonomy for NZAid [sic], the reviews will be quick and without public consultation or parliamentary debate."⁶ In his paper to the Cabinet, Minister McCully stated of the review of NZAID that "[t]his is an internal review...".⁷ Minister McCully has given three different descriptions of who had been consulted regarding the changes: in a May 2009 speech⁸ and media article⁹ and one in answer to an oral parliamentary question in 2011¹⁰. These descriptions progressively widened the group of people who had been consulted to the 2011 description:

"... consulted a wide range of individuals, including heads of mission, former heads of mission, officials, non-governmental organisation leaders, and representatives of the Governments that receive New Zealand's development assistance. I also consulted the New Zealand public, who considered National's policy of changing the previous focus of the aid programme and elected a National-led Government."¹¹

The Working Paper shows that the leaders of non-government organizations were not consulted and that there was also no evidence of consultation with aid-recipient governments. Finally, the National Party Foreign Affairs Policy did not refer to a change in the focus of the aid programme. The document does not even contain the words 'poverty', 'sustainable economic development' or 'economic growth'.¹²

Despite the commitment to one, a review did not occur. NZ Treasury provides a clear summary regarding the 'review', which was in effect an internal assessment within key government agencies (the State Services Commission, MFAT and NZAID, with input from Treasury). In a March 2009 document, obtained under the OIA, the following advice is given to the Minister of Finance.

“Substantive changes to NZAID’s policy, mandate, and institutional settings would ideally be accompanied by thorough analysis, articulating the rationale, options considered and pros and cons of each, and risks of change, which could be made publically available once decisions are made. We do not consider that this suite of Cabinet papers meets such a test.”¹³

Reasons for Change

Despite the absence of a review, significant changes were made to the New Zealand government aid programme. The major changes were the removal of a poverty elimination focus to one of economic development/growth and the rescinding of the SAB structure. It is difficult to find a clear set of reasons for these changes due to the lack of specificity in the National Party Foreign Affairs Policy, the absence of terms of reference for the internal assessments by government agencies, the variety of reasons provided in media coverage and speeches, and the fact that even a cursory assessment of where NZAID was at in 2008 gives no clear rationale for change. Nevertheless, the five main reasons that the Working Paper explores are:

1. the concerns in the National Party Foreign Affairs Policy that major problems from the 2005 Waring Ministerial Review had not been previously addressed
2. the idea that economic growth is a more appropriate focus for a government aid programme than poverty elimination (or reduction)
3. a perception that NZAID was ineffective
4. concerns regarding accountability and financial management, with a focus on the 2007 NZAID audit reports and the SAB structure
5. a desire for greater alignment of aid policy and non-aid foreign policy.

One: The Concerns in the 2005 Waring Ministerial Review

There is no specificity in the National Party Foreign Affairs Policy so it is not clear exactly what was viewed as “the major problems identified in the 2005 report by Professor Marilyn Waring [which had been] left unattended”.¹⁴ The Working Paper draws three probable concerns: the SAB model, geographic spread of ODA, and policy coherence. The Waring Ministerial Review identified some ongoing problems with the SAB model, although noted that overall it was working well. To address the problems the Review recommended an exploration of amendments to the public sector accountability framework. NZAID was disbursing aid across a large number of countries – up to 100 in total, and this was raised as another issue, but not one that required structural or policy changes.

The most significant issue raised was that of a consistent, whole-of-government approach to work in the Pacific. From an aid-policy perspective this relates to policy coherence – across-government policy consistency in line with the development goals of aid policy. The lack of coordination and consistency raised was a serious issue and required action. Steps were taken to address these concerns and progress had been made in line with recommendations, which were to implement coordination activities based on NZAID best development practice. Structural and policy changes were not necessary to address these concerns, or called for in the Waring Ministerial Review.

Economic Growth Not Poverty

The validity of this reason for change rests on two points: that economic development/growth can alleviate poverty and that aid can stimulate economic development/growth; and that a focus on poverty elimination, and therefore NZAID, neglected economic development/growth. Economic development/growth does alleviate poverty but it cannot do this alone. It requires supportive institutional, legal and policy conditions to reduce poverty. Also, improvements in areas such as health and education can occur, to a point, in the absence of economic development/growth.¹⁵ A dominant focus on economic development/growth has risks, in that the poorest are neglected. In relation to aid's ability to stimulate economic development/growth, available evidence shows that on average, it is not clear that aid makes a significant and consistent contribution to economic development/growth.¹⁶ Aid is more likely to have a consistent benefits in areas such as health and education.

Neither poverty elimination nor NZAID neglected economic development/growth. As the OECD DAC articulates "[t]he poverty reduction agenda adopted by the international community... includes trade and private sector development...".¹⁷ The first thematic policy NZAID wrote was on international trade and the agency recognised the importance of economic development/growth, as stated in the Economic Growth and Livelihoods Policy: "[e]conomic growth is a cornerstone of most countries' poverty reduction and national development strategies."¹⁸

Was NZAID Ineffective?

There was no evidence put forward in late 2008 or early 2009 to show that NZAID was ineffective. Comments in the Cabinet Papers of 2009, media and speeches show that the National Party-led government and Minister McCully were concerned that NZAID had done nothing to improve the poor economic and political instability evidence across the Pacific. Yet no review of effectiveness occurred. Only two Tongan anecdotes were put forward, with potential explanations showing effective aid. The counter-factual was not considered: that without NZAID's work things could be worse. Also, the small nature of NZ aid funds alongside some of the Pacific country economies, particularly those with the greatest development challenges, means that aid has limited effect on their economies. Finally, it was not explored as to whether other New Zealand policies, such as immigration, were in fact a constraint on Pacific economic growth, not aid policy.

Accountability and Financial Management

The 2007 audit reports and NZAID's SAB structure were cited as reasons to change NZAID's structure, in order to improve accountability and financial management. In 2007 NZAID received a poor audit report from Audit NZ and the Office of the Controller and Auditor General (OAG). NZAID senior management rapidly took action and by late 2008 Audit NZ was pleased with progress, citing marked improvement. In relation to the SAB structure, a predominantly theoretical approach was taken during the 'internal assessment' of the government aid programme. This perspective prioritised the principle of simplicity in government structures. The State Services Commission argued that the SAB status led to transaction costs. However, there are also transaction costs in not having a SAB – those associated with maintaining a quality aid programme within a Ministry that was focussed on all of New Zealand's foreign policy goals. The fact that NZAID as a SAB was working well was also not given full consideration. Accountability and financial management did not provide a strong reason to make significant changes to the New Zealand government aid programme.

Doing Well While Doing Good?

The final reason for change explored in the Working Paper is the desire for greater alignment of aid and non-aid foreign policy. Aid and non-aid foreign policy will always be aligned to some degree, because aid is a component of foreign policy. But how the different goals of aid and non-aid foreign policy are articulated and weighted, relates to how New Zealand's interests overseas are defined: shorter-term, self-centred interests to advance New Zealand's economic success, or longer-term, strategic interests about building a prosperous, peaceful and equitable world, which will also be good for New Zealand. While New Zealand foreign policy contains aspects of both of these definitions, how they are operationalized within overarching MFAT goals is crucial for the quality of aid policy. The Working Paper argues that while the National-led government wants to 'do good' by assisting Pacific countries to achieve their development aspirations, the weight is placed more heavily on the 'do well' set of goals for foreign policy – hence the labelling of this approach as a 'doing well while doing good' approach to aid policy.

The Working Paper argues that New Zealand aid policy has not become a crude instrument of non-aid foreign policy, but that the scales are tipped in the direction of non-aid foreign policy. This unequal weighting can be seen through examining: the influence on the National Party of New Zealand business groups and individuals who prioritise New Zealand's trade interests; the focus of the New Zealand aid programme "in sectors such as fisheries, agriculture, renewable energy, tourism, education, law and justice, including policing"¹⁹ - areas where New Zealand has strong industry group interests; a desire to make it easy and quick for New Zealanders to get involved in aid work; and the current weighting of aid policy within foreign policy that sees priority falling on New Zealand's economy and success. An example of the latter is the aid activity that brings Asian business leaders to New Zealand to build ties with New Zealand business. This move to a 'doing well while doing good' approach begs the question: will this achieve effective and efficient aid?

History shows that doing good at the same time as doing well is difficult. Prior to NZAID's existence there were instances of the use of aid to benefit New Zealand with no development benefits for the aid-receiving country. The tensions that occurred during NZAID's life, when aid could not be used to sweeten trade negotiations, highlight that the temptation to use aid will be difficult to resist when New Zealand's economic success is the priority goal within MFAT. International evidence shows that a doing well while doing good approach to ODA "ha[s] reduced and continue[s] to reduce aid's potential development and welfare effects".²⁰ One study explored the geographical allocation of aid based on non-developmental aims. It found that if aid was given on an assessment of development need, the number of people lifted out of poverty would be increased from 30 million to 80 million people a year (Collier and Dollar, 2002).²¹ A 'doing well while doing good' approach leads to a less effective and efficient government aid programme.

Conclusion

The Working Paper shows that the changes made to NZAID in 2009 were not necessary. The reasons provided for the changes were based on out-of-date information, incorrect information, or ignorance of international aid and development thinking. A review would have provided the analysis required for such significant government agency changes, and indicated if there was a need for such change. Instead, all that was requested by the National-led government was an internal assessment of how predetermined changes could be put in place. This leaves New Zealand with an inefficient and lower quality aid programme, which means that the New Zealand government is not making best use of scarce aid resources to help those who need them.

New Zealand and the countries that receive New Zealand ODA cannot afford flip-flops on aid policy every time a new government comes to power. The New Zealand government aid programme is embedded in a much larger New Zealand community of those who care about, and work in, international aid and development. Alongside parliament and the executive, this wider community has an obligation to actively stimulate and engage in this dialogue, including the place of aid policy within broader foreign policy. From this dialogue, action can be taken to grow a future New Zealand government aid programme that gives the best quality ODA, focussed on the development goals of those who receive New Zealand ODA. Only then will New Zealand be able to fully contribute to creating a peaceful, prosperous and equitable world for all people, everywhere.

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