

Submission to the Foreign Affairs, Defence and Trade Select Committee

Inquiry into New Zealand Development Assistance to the Pacific

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Executive Summary

This submission is informed by findings gathered as part of a Masters of Development Studies research into the Pacific Reset. It pays particular attention to the following terms of reference of the inquiry:

- Evaluating the effectiveness of existing programmes such as the Pacific Reset, Aid for Trade, and PACER Plus, and
- Comparing the effectiveness of New Zealand's past and present aid models in the Pacific to those used in other parts of the world.

Publication of this research is forthcoming (expected early 2020), and will be made available to through Victoria University of Wellington, or through direct contact.

Effective Components of the Pacific Reset

1. The Pacific Reset has been incredibly effective in attracting attention to, and shifting the focus of New Zealand development efforts in the Pacific. The increased funding allows for a greater ability to operationalise the Pacific Reset. This momentum must be ridden to ensure the Pacific Reset is operationalised effectively in a way that maintains aid effectiveness and sovereignty of Pacific partners.
2. The methodical construction of institutional architecture (ministry staffing arrangements, physical diplomatic presence, inter-departmental collaboration and sectoral buy-in) to support the Pacific Reset was received well by participants who saw this as an important feature in ensuring not only a robust programme, but the longevity of the Pacific Reset as well.
3. The focus on extending and maintaining connections within Pacific and development communities as part of the Pacific Reset is effective in promoting New Zealand's relations in the region. Although this was found to be heavily skewed towards Polynesian connections and partners.

4. Positive changes to morale and engagement in the development community have been registered, and can be attributed to the Pacific Reset. The change of rhetoric and policy priorities have seen an on-boarding of civil society actors in New Zealand to the principles of engagement and gradual independent alignment of sectoral focus on social and climate-focused objectives in the region.

Ineffective Components of the Pacific Reset

1. Communicating the finer points of the Pacific Reset were considered to be the greatest shortcoming of the programme thus far. There is a feeling of uncertainty and scepticism within the development community on how the Pacific Reset is informing development activities, and the role of the business community has in operationalising the programme.
2. Although portrayed under the same umbrella, the importance and relevance of agreements such as PACER Plus is not communicated effectively to key stakeholders.
3. The dissemination of progress on the Pacific Reset is not widely known, or published. This is ineffective in tracking long-term objectives, or allowing the programme to be accountable and transparent to the general public and stakeholders.

New Zealand's Past Aid Models

1. The consistent support across the political spectrum for development assistance to be focused in the Pacific has seen targeted and more efficient use of New Zealand aid.
2. Although fraught with wide-spread inequalities, past aid models used by New Zealand and other donors (under neoliberal models) allowed for sweeping changes to provision of aid in short time frames.
3. Relationships between New Zealand-based actors and Pacific partners over generations has seen effective networks established.

New Zealand's Present Aid Model

1. The inclusion of social and climate focused indicators is welcome, aligning well with the needs of partners in the region.
2. Principles of engagement and rhetoric are popular and promotes a degree of alignment behind partner objectives.
3. Sustainable economic development objective is disputed to have any impact on social indicators, or to have had any lasting development outcomes.

4. There is a desire to move away from lower-level modalities (such as projects) towards General Budget Support (which would align well with the Pacific Reset).
5. The whole-of-government approach to development allows for an entrenchment of policy, and sectoral buy-in to the model.
6. The adoption of modalities used by other donors in the region (such as concessionary loans) is cautioned against as it will come at a cost to the relations with partners and contribute to burdensome debt
7. The use of military actors in the development process for the likes of disaster relief is a global trend. New Zealand is a recognised leader in HADR, but there needs to be a clear delineation of efforts between actors to minimise duplication of assistance

Recommendations

1. Communicate to key stakeholders in New Zealand as to how they are/can be incorporated into the Pacific Reset, and what they can focus on to assist in its operationalisation.
2. Communicate to partners in the region how the Pacific Reset will translate into development practice through updated Joint-Commitments of Development (or like bilateral documents).
3. Greater consultation with partners in the region on development objectives and aspirations so that New Zealand can harmonise and align development efforts behind that of partners.
4. Adopt a longer-term horizon when considering development interventions under the Pacific Reset to allow for improvements in social indicators to eventuate.
5. Adopt greater flexibility in programme management and reporting on activities. Too much red tape binds smaller NGOs and projects that can effect development outcomes.
6. Progress to higher-level modalities in financing development activities with partners in the region. A move towards more General Budget Support is noted and welcomed.
7. Discourage the tying of aid in the region and progress away from political concessions in development interactions.
8. Decrease the importance of national security, influence and geopolitical contestation in New Zealand development rhetoric, as it crowds out altruism and goodwill of the New Zealand Aid Programme.
9. Continue to construct robust institutional architecture to support the Pacific Reset in a way that ensures its flexibility in changing to the needs of partners in the region.

Submission Structure

This submission is structured as follows: First it looks at the effectiveness and areas of less effectiveness of the Pacific Reset, distilled from responses from unnamed research participants involved in the New Zealand development community. Secondly it looks at the past and present aid models with that of other parts of the world. Finally it states several recommendations for the future of New Zealand development assistance in the Pacific.

Evaluating the Effectiveness of the Pacific Reset

In looking at the ideational genesis of the Pacific Reset, it was found that it is informed by several factors, namely historical relations between New Zealand and the Pacific; the 2017 change of government and rhetoric concerning the Official Development Assistance (ODA); and shifting geopolitical sands in the Pacific.

It was difficult to establish the outcomes of the Pacific Rest (and thus its effectiveness) due to the infancy of the programme. It was found that research participants were sceptical as to whether the Pacific Reset has been effective to date, as exemplified by a participant who said:

I think the rhetoric around the Reset is quite admirable and very warm and probably quite welcome. I am just unsure whether it is going to mean anything in practice.

When asked about their knowledge of outcomes of the Pacific Reset, participants tended to focus on less tangible outcomes of the programme, with these being positive shifts in policy priorities, institutional arrangements and a positive shift in the attitude of the development community.

Aside from the increasing ODA as a percentage of Gross National Income (GNI) and funds for development purposes, the Pacific Reset marks a change to the rhetoric in framing New Zealand's engagement with the Pacific. Research participants expressed initial scepticism that this rhetoric will translate into practice with one participant saying that "New Zealand must walk the talk" or risk its influence and goodwill in the region.

Effective Components

Some elements of establishing the Pacific Reset have been effective. While research participants cautioned the quick timeline required, there was praise for the methodical construction of the institutional architecture to support the Pacific Reset:

Yes, it has to be built from the ground up and it is a lot better than the Australian 'Step Up' which is essentially policy on the run.

This sentiment was echoed by other research participants:

MFAT has done a fair bit of restructuring to support the Reset. So building that architecture to support the Reset with higher numbers of Pasifika diplomats being posted to the region for example. My fear being can the bureaucracy keep up with the Reset? Keep up with the (very altruistic) principles of the Reset? My feeling is that it is going to take a long time.

This fear of a sluggish bureaucracy is important to keep in mind when crafting policy as transformative as the Pacific Reset. There is no doubt that those involved in policy creation and implementation are reflexive as possible. Together with the boost to capital spending and staffing arrangements within the Ministry of Foreign Affairs and Trade (MFAT), there is an effective buffer for staving off sluggishness in the sector. This must be used to ensure timely reporting on the New Zealand Aid Programme and release of relevant documents in-line with the OECD-DAC 2018 mid-term review.

The establishment of the Pacific Connections Unit and the Pacific Reset Advisory Group are effective outputs of this institutional arrangement with the tendering of advice from the development community welcomed. The greater cooperation with civil society actors to action and build off of the Pacific Reset is welcomed by the development community and has contributed to an increase in morale in the sector. One participant had the following to say about this:

[The Pacific Reset is a] Perfectly rational narrative, and is very exciting for an organisation such as ourselves, working away to find our space and relevance within it. To all of a sudden, feeling like a teenager and someone has given you permission to be bold.

This sentiment was shared by many participants of whom some witnessed a positive change in morale within MFAT with the Pacific Reset. This allows for greater buy-in to the Pacific Reset and comparative advantages of NGOs can be leveraged to achieve development outcomes in the Pacific, as described by one participant:

So we do feel that we can bring to the table a lot more of what we feel is important to us and what we are already doing...We have that comparative advantage which is now been potentially recognised as worth something. I think what I am hearing from MFAT is that it is worth something.

The greater focus on climate change mitigation and a substantial climate financing commitment were welcomed and is effective in illustrating a shift in policy priorities. Communication of this shift was effective with priority given to health, governance and climate sectors. Although effective in communicating this shift, attention must be paid to the actioning of these priorities in a timely manner, in order to give reassurance of New Zealand's commitment in this space.

Ineffective Components

Through researching the Pacific Reset, several areas which can be considered ineffective thus far have been identified. It was found that participants saw the communication of the Pacific Reset to be ineffective and a problem in actioning

activities. Particular attention is paid to the perceived lack of communication of the Pacific Reset to the New Zealand business community who work with and export to the Pacific. The political speeches and statements used to communicate to the public at large were not seen to be an effective communication tool with the private sector. This was expressed by one research participant:

It would be fair to say for some in the private sector – in my experience – there has been a lack of clarity as to what exactly the Pacific Reset is. To what it actually means to them at the end of the day in terms of trade, tariffs and agreements?

This touches on the integration of bilateral and multilateral trade agreements (such as PACER Plus) with the Pacific Reset. How this impacts the business community is ineffectively communicated clearly as civil society and business actors must infer from the principles of engagement of the Pacific Reset themselves in order to align strategies and activities. There needs to be a clear approach to communicating the roles New Zealand-based actors can play in operationalising the Pacific Reset in the long term that goes beyond inter-departmental discussion documents. In short, civil society and business actors have established connections in the region that can assist in operationalising the Pacific Reset. The government must communicate how they best can do so to promote effectiveness in aid delivery.

It is understood by those within the development community that work is still being undertaken in translating the Pacific Reset into bilateral projects and agreements with partners. This is seemingly done away from the public domain, with most documentation still withheld. What documentation exists in the public domain shows the 2019 Budget increased the real value of New Zealand ODA further and high-level leadership diplomacy has allowed New Zealand to communicate how the Pacific Reset will be operationalised. Work must be done to further communicate how the Pacific Reset is informing development activities at all levels to allow the public and development partners to be informed on how New Zealand development assistance is delivered. This would grow and strengthen trust in the Pacific Reset that is needed for the longevity of the programme.

Failure to remedy the ineffective communication of the Pacific Reset to key stakeholders is a risk to the programme's potential positive long term impact on development outcomes. Development interventions do take time to be implemented, but with the more socially-focused indicators of the Pacific Reset, there is the potential for activities to have a far reaching impact beyond that of reported deliverables.

New Zealand's past and present aid models in the Pacific

New Zealand's previous models of aid delivery in the Pacific have been informed by historical relationships, but were ultimately deemed paternalistic. This has shifted throughout the years as New Zealand's connections with the region have deepened. Undertones of these former models of aid delivery remain today as focus shifted to less developed parts of the Pacific. The review of New Zealand's historical development assistance to the Pacific, conducted by this researcher, show that this has been governed by optics and international trends because of the influence they exert on New Zealand's actions globally.

Past Aid Models

New Zealand has been reflexive to trends in international development, and often leads such changes in the Pacific. How New Zealand frames its development assistance translates into its provision. Colonial heritage clouded New Zealand's engagement in the Pacific in the early stages of aid delivery. New Zealand's coherent programme of development assistance started in the 1970s, being heavily focused on Polynesia and the Realm Territories. This focus has rarely shifted and seems to have wide bipartisan support. Participants of this research saw New Zealand as having a heavy hand in enforcing global trends of development as discussed by one participant:

They got what they wanted. The government got bolder and bolder in terms of what they thought needed to happen, and it was very much in that neoliberal, economic framework – which development was forced to squeeze into

It seems as if New Zealand has been too focused on 'doing' development rather than aligning with partner countries' ambitions outright. This echoes the paternalist sentiments throughout the literature on past (and to a degree, present) development assistance in the Pacific as outlined by one participant:

But that underlying sentiment that has driven New Zealand's relations with that Pacific forever, is still very much 'we know better, we might listen but ultimately we are going to tell you what needs to happen'. I still see that to a degree. That is changing slowly but you've got to ask yourself what has lead up to us being in that place, and taking a really hard look at yourself.

This approach, although systemic, has changed over time. This is still defined by the neoliberal model that dominated development discourse in the 1990s. Although disputed as to the large scale positive social impacts, the enforcement of neoliberal Structural Adjustment Packages was effective in bringing about quick change to systems of exchange in the region. Western financial monitoring systems and

economic growth models saw Gross Domestic Product (GDP) growth, but the socio-cultural impacts of sudden change of neoliberalism far outweighed any economic gains.

The shift away from monetary reforms to alleviating poverty, with the Millennium Development Goals, saw a concerted effort to engage with multiple actors in the Pacific. Research participants termed this as the 'golden era' of the New Zealand development programme. This collaboration between civil society and government actors during this time was considered effective in focusing development efforts on alleviating poverty which is somewhat missed by actors in the sector today. New Zealand made gains towards the 0.7% ODA-GNI ratio during this period, getting as far as 0.3% before sweeping institutional restructure.

Present Aid Model

In the present aid model, New Zealand has been at the forefront of international trends to tie foreign policy and development together in the national interest. Research participants disputed its effectiveness, referencing the infrastructure-heavy focus of the current 'sustainable economic development' model as exemplified below:

New Zealand at that time was doing some good work but was pushing quite hard in terms of progressing some of that work quite quickly – I was involved in some of that stuff in the Solomon Islands programme. Pushing some big infrastructure projects, often quite a heavy handed fashion I thought, which made me uncomfortable at times.

This was reiterated by another research participant:

New Zealand was trying to progress some complicated work with the desire to get things done really quickly and it was that haste that meant we ran into a lot of problems with that work – major cost over runs for example. It ultimately meant some difficult conversations with the partner government when it came to figuring out who was going to pay for the over runs.

These sentiments echo throughout this research as participants agreed that the demotion of 'poverty alleviation' as a central objective was considered a small change, but one that had reverberating impacts. This allowed space for the promotion of infrastructure, business ties, and private interests in what has been termed 'Retroliberalism'¹, becoming a trend amongst Global North donors.

¹ Murray, W. E., & Overton, J. (2016). Retroliberalism and the new aid regime of the 2010s. *Progress in Development Studies*, 16(3), 244–260.
<https://doi.org/10.1177/1464993416641576>

Although Retroliberalism analyses the development landscape in the wake of the 2007/8 Global Financial Crisis, looking at PACER Plus and the Aid for Trade agenda, these agreements and programmes align well with those trends in development. The active tying together of foreign and development policy is evident in the Pacific Reset, even to the point of inter-departmental inclusion of Pacific Reset principles of engagement. This can allow for a revaluation and entrenchment of socially focused objectives in development in place of the hard infrastructure focus of the recent past. Here, New Zealand can not only effect positive change in development outcomes for the Pacific, but change the global trend away from solely focusing on infrastructure and business interests in development.

This trend came to prominence under the previous National-led Government with many in the development community believing the large infrastructure projects (like the Munda Runway Upgrade) as being white elephants with little, or no development outcomes besides offering New Zealand-based consultants a share of the ODA budget. Research participants saw that under the sustainable economic development approach, New Zealand development assistance to the Pacific became increasingly project-based (or as one participant put it 'projectised').

This trend is seen in other countries' aid models with the likes of China and Australia adopting lower-level modalities with a focus on funding large infrastructure projects that have latent geostrategic benefits such as deep-water ports or government buildings. Australian development efforts in the region are seemingly in response to Chinese efforts in their immediate region. The Pacific Step-up was considered to be policy with little consideration or planning for development outcomes, or as one research participant put it "*policy on the run*".

Research participants also saw the growing geopolitical concerns of New Zealand's and Australia's development programmes. One participant observed the increased propensity of mirroring modalities used by the Chinese development programme. Chinese development efforts are underpinned by a geopolitical push tied to its expanding One Belt One Road Initiative and to contest Taiwanese (ROC) development efforts in the region. Concessionary loans given to Pacific countries to fund large public works and infrastructure projects are seen to accumulate burdensome debt :

It is pretty obvious that it is a response to China, Australia has moved in a similar direction setting up their infrastructure loans to provide more aid to the Pacific. Although it is only in the form of loans.

The possibility of New Zealand development assistance adopting similar modalities was met with disdain, with one research participant believing:

I think it will be a desperate day if they started going down that path, simply because there is too much credibility at stake and Australia would hold New Zealand to account as well – and that is saying something. I think the real danger is they get so caught up in trying to sell the Reset message to the Pacific that they potentially lose sight of building capacity where it needs to be built.

A general desire for the New Zealand Aid Programme to progress away from project-based modalities towards more General Budget Support as financial management systems of partners in the region are trusted. It is unclear how higher-level modalities will be employed, but is a recommendation from the development community as communicated by one participant:

Another sensible thing to do is look for sectors where it makes sense for a long term intervention. Because Sector Wide Approaches or Budget Support makes more sense than a projectised approach, the reality is that New Zealand will be engaged with the Pacific for a long time and it makes sense to be upfront in the sectors you will be engaged with for a decade plus. And signals a commitment that that partnership is meaningful.

Ultimately New Zealand development in the Pacific needs to take a long-term horizon. Project-based modalities and funding projects for short-sighted development objectives are inherently unsustainable if there is no trained in-country staff and partner competence to maintain and build on the projects. Working collaboratively with partner countries, aligning behind their objectives, and targeting assistance to best achieve results. General Budget Support and higher-level modalities can offer increased aid effectiveness as New Zealand works with partner countries over time to achieve results. If New Zealand actively supports their ambitions and objectives to harmonise and align with partner countries' development effort, then logic dictates that latent support for future geopolitical contests will be successful.

However, the mixed modality approach to New Zealand development assistance to the Pacific is believed to continue, as one participant said:

Under the Minister McCully era there was a lot more project aid than previously. Things had started to change in terms of the modalities used towards project aid, but there was still budget support happening even under McCully. I imagine that trend would continue under the Pacific Reset.

The main difference in the Pacific Reset from previous aid models is an increased focus on governance, health and climate focused priorities alongside economic development and resilience. One participant viewed this as a degree of path dependency in New Zealand's development assistance:

It's a refocus, but it's not as if you look at the aid programme now and sectoral spend—and Australia is a good example of this—it hasn't changed that much over the last 15 year. I think the same would be for New Zealand. Economic development grew definitely, but it's not as if it crowded out everything else entirely. To an extent there is a degree of path dependency that resists change although change does occur, it's more incremental over time.

A major global trend noted is the inclusion of military actors in the development process. There has been a global redefining of the components of aid lead by the OECD. Here, the OECD has opted to include spending on development activities that traditionally encompass military actions and tangentially constitute international efforts (such as resettling refugees). In the Pacific, humanitarian assistance and disaster relief efforts have become a central pillar in the Boe Declaration which is important in the quickly shifting climate change affected region. New Zealand is a recognised leader in HADR and together with inter-agency operations led by MFAT, responses to the crises in the region have been efficient. However, there needs to be a clearer delineation of responsibilities of actors so military actors do not encroach on development efforts and to minimise the duplication of efforts. This would allow the NZDF to be seen as a development actor (rather than a military actor) by partner countries because they undertake development efforts.

Research participants thought it prudent to establish sound institutional architecture to deliver the Pacific Reset and cautioned against untied funding to deliver development outcomes, with one participant saying:

You see in the Australian case, DFAT has had money thrown at it and told 'you need to make this happen' and are coming up with policies independent of each department not knowing what others are doing. So there is a real sense of frustration in Canberra in coming up with policies and hoping that something will stick.

The Pacific Reset has been incredibly effective in attracting attention to New Zealand development efforts in the Pacific. This momentum must be ridden to ensure the Pacific Reset is operationalised effectively in a way that maintains aid effectiveness and sovereignty of Pacific partner countries.

In terms of advocating for changes to the aid model, one participant had this to say:

In terms of our aid and development focus, we have got to keep poverty reduction and meeting basic needs as a central thing but in terms of the overarching paradigm, I think it will be climate change that will push us towards a new way of doing economics and politics in a desperate attempt to survive as a species.

As a researcher, I agree with the adoption of social indicators as measures of development outcomes. Health, education and governance indicators work towards empowering Pasifika in their lives and build resilience to threats of gender-based violence, climate change and to democracy in the region.

Recommendations

1. Communicate to key stakeholders in New Zealand as to how they are incorporated into the Pacific Reset, and what they can focus on to assist in its operationalisation.
2. Communicate to partners in the region how the Pacific Reset will translate into development practice through updated Joint-Commitments of Development (or like bilateral documents).
3. Greater consultation with partners in the region on development objectives and aspirations so that New Zealand can harmonise and align development efforts behind that of partners.
4. Adopt a longer-term horizon when considering development interventions under the Pacific Reset to allow for improvements in social indicators to eventuate.
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8. Decrease the importance of national security, influence and geopolitical contestation in New Zealand development rhetoric, as it crowds out altruism and goodwill of the New Zealand Aid Programme.
9. Continue to construct robust institutional architecture to support the Pacific Reset in a way that ensures its flexibility in changing to the needs of partners in the region.