
SUBMISSION TO FOREIGN AFFAIRS DEFENCE AND TRADE SELECT COMMITTEE INQUIRY INTO NZ'S AID TO THE PACIFIC

INTRODUCTION

The following addresses several questions the Foreign Affairs, Defence and Trade Select Committee outlines in the Terms of Reference for this Inquiry. In particular, Oxfam NZ focuses on the Pacific Reset, PACER Plus and Aid for Trade, and how to achieve the most effective Overseas Development Assistance (ODA) to the Pacific. We also touch on climate action, ODA quantity, and humanitarian assistance.

We have structured this Submission to focus on the key points and recommendations. We provide a series of Supplementary Submissions to provide more detail about specific areas. These are as follows.

- Oxfam NZ Supplementary Submission One: Oxfam NZ's submission to MFAT's consultation process of late 2018, requesting input from external stakeholders on what MFAT's new policy statement should be. This submission provides a comprehensive outline of Oxfam NZ's position on the global and regional development challenges, and how New Zealand could respond.
- Oxfam NZ Supplementary Submission Two: Oxfam NZ's submission to MFAT's consultation process for their 'refreshed' humanitarian policy.
- Oxfam NZ Supplementary Submission Three: What is Aid for Trade?
- Oxfam NZ Supplementary Submission Four: What achieves effective ODA?
- Oxfam NZ Supplementary Submission Five provides detail on the global system and framework for aid and development effectiveness that governs New Zealand's ODA.
- Oxfam NZ Supplementary Submission Six provides a case study about Oxfam's work with partners responding to Tonga's Cyclone Gita.

We would welcome the opportunity to speak with the Committee about our submission.

ABOUT OXFAM

Oxfam New Zealand is a New Zealand registered Charitable Trust that is a legally autonomous member of the global Oxfam Confederation. Across the world the Oxfam Confederation is comprised of 19 affiliate organisations, working in 86 countries. Oxfam delivers international development programmes on the ground, conducts advocacy and campaigns that amplify the voices of the marginalised, and responds to people in crisis.

Over 100,000 New Zealanders support Oxfam New Zealand in a variety of ways, from regularly donating to taking-part in our annual Oxfam Trail-Walker endurance event. Our annual turnover is approximately US\$7 million, and we have 50 staff in New Zealand. We work with colleagues in PNG, Solomon Islands, Fiji, Vanuatu, Tonga and Timor Leste.

THE PACIFIC RESET

The Pacific Reset is not an international development and/or ODA policy. The only place the Pacific Reset has been publicly articulated is in a heavily redacted Cabinet paper to the National Security Committee. This Cabinet paper outlines broad themes and principles, but not a coherent, clear policy framework for what New Zealand's ODA will be invested in or how New Zealand will contribute to international development efforts.

The Pacific Reset outlines principles that support ODA to the Pacific: collective ambition, mutual benefit, friendship, understanding and sustainability. These are solid principles for quality ODA expenditure and Oxfam NZ supports these principles for our ODA. Yet there is no explanation as to how the government will actually put these principles into practice in a coherent way across the Aid Programme.

Oxfam NZ was pleased to see the Pacific Reset articulate important priority areas that we also share in our work with Pacific Island Country partners. Again, as yet there is no clarity regarding precisely how the government will use ODA, and other domestic policies that impact on international development, (such as migration, biosecurity, climate change), to achieve the stated priority areas, such as good governance, human development, climate change, human rights, women's empowerment, and youth inclusion.

Recommendation 1: The Government publish an overarching policy statement for its ODA and international development work across the world, including a focus on the Pacific.

PACER PLUS AND AID FOR TRADE (A4T)

Aid for Trade (A4T) is a long-standing approach to ODA provision that supports countries to trade. We provide more detail about this in Oxfam NZ Supplementary Submission Three: What is Aid for Trade?

Alongside the PACER Plus trade agreement, New Zealand has committed to provide 20% of all New Zealand ODA to Aid for Trade initiatives to the PACER Plus signatories. PACER Plus has not yet entered into force. However, the 2018/2019 Vote ODA Estimates highlighted that New Zealand is already providing 22.67% (2018/2019

FY) of ODA to Pacific Aid for Trade Initiatives. New Zealand has been delivering A4T activities for many years. It is unclear if this work has yet been fully evaluated.

Trade is essential for development. Oxfam New Zealand supports the use of our ODA to assist Pacific Island Countries to trade. However, there are several things that must be in place to ensure that trade, and A4T, contributes to inclusive sustainable development (economic, social and environmental).

While offering the potential to expand exports and create employment, particularly through niche sustainable agriculture and value-added products, PACER-Plus also has the potential to cause negative impacts in signatory Pacific Island Countries. Oxfam would like to see New Zealand's aid package attached to the PACER-Plus agreement focus on mitigating these negative impacts. If it is not possible within an 'aid for trade' approach, then Oxfam suggests that general aid to these countries account for these impacts. Based on robust social and environmental impact assessments, the PACER-Plus monitoring framework can also include indicators to assess the impact of PACER-Plus implementation against employment creation and income generation, as well as potential negative impacts.

Under PACER-Plus some Pacific Island Country signatories have committed to reduce or remove tariffs on tobacco products, alcoholic drinks and ultra-processed foods. These products are known to cause non-communicable diseases, which already account for 70 percent of all deaths in several Pacific Island Countries¹ – most of which are premature deaths. New Zealand needs to assist Pacific Island Countries to mitigate the substantial negative impacts of these products on their people. This should include support to governments to provide evidence-based legislation and policy interventions that will withstand challenge through trade dispute mechanisms. We suggest the availability and consumption of tobacco, alcohol and ultra-processed foods could be useful indicators for monitoring PACER-Plus.

Some countries have also agreed to open their economies to trade in services, including in education and health. This should be monitored to ensure that public services are not privatised, and that inequalities are not exacerbated or created through disparities in access to services.

At times, governments respond to tariff reductions by increasing regressive taxes, such as Value Added Tax. Oxfam's CRI Index² indicates that several Pacific Island Countries already have room to improve on the progressivity of their taxation regimes. Oxfam suggests that New Zealand works with governments to ensure regressive taxes are not imposed following tariff phase-out, and that this could be a useful indicator for monitoring PACER-Plus's implementation.

There is no labour chapter in PACER-Plus. Labour rights are often eroded through liberalising trade agreements. Oxfam suggests that labour rights are monitored closely during PACER-Plus's implementation. Again, Oxfam's CRI indicates that some Pacific Island Country signatories need to improve their labour conditions, including minimum wages. We suggest that New Zealand's 'aid for trade' strategy funds the

strengthening of unions and labour rights inspectors as key mechanisms for protecting labour rights.

Women comprise the majority of small-holder producers in most Pacific Island Countries and gain substantial income through selling their produce. Tariff removals under PACER-Plus may undermine their ability to sell their produce, due to an influx of cheap, ultra-processed food-stuffs. At the same time, there are significant export opportunities in high-value, low-volume niche exports, such as single source products of coffee, chocolate, spices, and virgin coconut oil, cosmetics, indigenous nuts and oils, fresh fruit and vegetables, livestock, cut flowers, organic produce and timbers. We suggest that this area should form a significant component of the 'aid for trade' strategy, and broader aid investments, with a specific focus on women's active participation and decision-making. PACER-Plus's impact on women of all ages also should be a key monitoring indicator. Government legislation and policies to protect small-holder production should also be encouraged and supported.

Recommendation 2: Evaluate past A4T activities in the Pacific and use these findings in combination with social and environmental impact assessments, to inform an A4T strategy for New Zealand's ODA for trade to the Pacific, once PACER Plus enters into force.

Recommendation 3: Ensure a component of New Zealand's A4T to the Pacific focuses on supporting governments to assess, prevent and manage the adverse effects of trade liberalisation, particularly the social and environmental effects.

Recommendation 4: Ensure meaningful participation and involvement of women in all aspects of PACER Plus's implementation and A4T activities.

EFFECTIVE PACIFIC ODA AND INTERNATIONAL DEVELOPMENT

Below, we outline top-level points and recommendations for how to achieve effective ODA in the Pacific. More detail and rationale is provided in Oxfam NZ Supplementary Submission Four: What Achieves Effective ODA?

Effective ODA requires a clear, top-level purpose statement that stands the test of time.

The OECD DAC has found that what leads to effective ODA is having a "clear, top-level statement of purpose, whether in legislation or another form, that has wide ownership and can remain relevant for a sufficient period"³. Several countries, such as Canada and the United Kingdom, have legislation that governs their ODA expenditure. A clear guiding purpose and policies are what outline the results our ODA is spent to achieve, and how. They are imperative for effective and efficient ODA, so that New Zealand taxpayers' funds are spent towards a clear purpose and goals, and progress can be assessed against these.

Currently, New Zealand has an International Development Policy Statement that dates back to 2011, despite significant regional and global change. Oxfam NZ understands a new policy may be imminent and we eagerly await this.

Recommendation 5: The Committee explore legislation as a long-lasting, top-level purpose statement for New Zealand's ODA.

Recommendation 6: New Zealand's ODA to the Pacific is guided by policies and strategies that articulate New Zealand's unique approach to women's empowerment, human rights and inclusion, youth, governance and capacity building.

Autonomy and authority over ODA and international development decisions.

Research⁴ shows that the way ODA is managed within a donor government has an impact on ODA's effectiveness. Effective ODA requires a donor government entity that prioritises development outcomes. This can be achieved through a clear purpose statement focused on development outcomes (as above), in combination with an organisational arrangement that ensures the people making decisions about ODA's expenditure have the required authority and autonomy to achieve development outcomes.

Currently the Aid Programme is integrated within the former Pacific Division of MFAT, bringing together all aspects of New Zealand's foreign policy relationships with Pacific Island Countries together alongside New Zealand's other international development-focused relationships. This is essentially a hybrid model, with the Pacific development and non-development foreign policy fully integrated (model 1), but with a more specific development focus for other parts of the world and multilateral relationships (quasi-model 2).

Research also highlights that countries that have a cabinet-ranked individual responsible for ODA provide better quality ODA⁵.

Recommendation 7: The Committee acknowledge the need for ODA to have the organisational authority and autonomy required to achieve development results in the Pacific.

Recommendation 8: The Committee support the establishment of a ministerial-level position in Cabinet responsible for New Zealand's ODA in the Pacific (and potentially beyond).

Staff capability and expertise.

Delivering quality ODA is a specialist skill. Achieving development outcomes with ODA requires much more than allocating funds and managing contracts. ODA attempts what no other government expenditure does – social, economic and environmental change in another sovereign state with its own cultural, political, historical, economic and social context and history. Effective ODA expenditure requires staff who can not only manage government contracts in countries with weak and/or different institutions to New Zealand, but who also have a solid understanding of the context they are working in, excellent interpersonal skills, and an understanding of what 70 years of international development efforts have taught us. As the OECD DAC states: "securing and developing well-qualified, motivated local and expatriate staff is essential to effectiveness. Quality agencies attract quality staff"⁶.

Recommendation 9: MFAT develop and implement a human resource strategy that creates an international development career pathway within the Ministry, and prioritises specialist ODA experience and skills in recruitment.

Do no harm.

A key principle for effective ODA is 'do no harm'. There are key areas of ODA provision where we know harm may be done and this needs to be mitigated. Oxfam NZ focuses on three areas: protection, ODA to expand privatisation, and tied ODA.

- The New Zealand government, including MFAT must have robust systems and policies to prevent, detect and act on any instances of abuse, exploitation or harassment perpetrated by MFAT staff, consultants, or those undertaking activities funded with New Zealand ODA.
- The evidence-base is weak regarding how ODA to the private sector can achieve reductions in poverty and inequality, yet there is evidence that this sort of ODA can do harm.
- New Zealand has high levels of tied aid – aid that is spent on donor country goods and services. The median OECD DAC member donor gives approximately 3% of its total ODA as tied aid. New Zealand appears to give 24% of its Pacific ODA as tied ODA. Even accounting for some inaccuracies in other donors' reporting, New Zealand's tied aid levels are concerningly high. This may relate to New Zealand's ODA expenditure on scholarships, which is also much higher than the global OECD DAC donor average.

Recommendation 10: In collaboration with the wider sector, MFAT develop and/or publicise systems and policies that prevent, detect, monitor and address abuse, harassment and exploitation in ODA-funded activities, particularly those of NGOs, New Zealand government agencies, and private sector contractors.

Recommendation 11: MFAT reduce its tied aid and establish a timeframe to reduce scholarships to a more appropriate proportion of the overall Aid Programme.

Recommendation 12: MFAT explore innovative ways to support private sector development but monitor and evaluate these carefully to ensure the overarching aims of poverty reduction and inclusion are not harmed through this work.

A Focus on Poverty Reduction and Inclusion

There is little evidence that New Zealand's ODA as a whole has a coherent, agency-wide focus on poverty reduction and inclusion. This is despite a call from the OECD DAC [back in 2015](#) that the government needed to "demonstrate that New Zealand's programming makes a positive difference to the lives of poor and vulnerable people in its partner countries"⁷. Research shows that ODA is most effective and efficient at achieving development results when it is focused on poverty and inequality reduction.

Recommendation 13: New Zealand align with the World Bank and focus its ODA on poverty and inequality reduction, to achieve effective development results.

Transparency, accountability and results

These areas are interrelated. To achieve results requires accountability, both to taxpayers in New Zealand but also to the people New Zealand ODA is supposed to benefit. To achieve accountability requires transparency – information provision in the public realm. Accountability provides external scrutiny and perspectives that drive quality improvement, and helps to make sure that scarce ODA dollars are spent in the best way possible. Accountability is also necessary for learning – assessing what works and what doesn't, from a range of perspectives, helps to expose lessons learned that can then be integrated into future action.

Currently, New Zealand's transparency is rated 'poor'⁸, fourth from the bottom of 45 country and multilateral donors. Sharing information about how ODA is spent is the first step in stimulating debate and dialogue, and engaging the public. The 2015 OECD DAC Peer Review of New Zealand's ODA urged greater attention to transparency⁹, based on the widespread acceptance that transparency promotes learning, accountability and improved ODA quality.

Parliament can certainly do more to provide scrutiny of New Zealand's ODA. The Committee Estimates meetings are not adequate oversight of what is a complex policy domain involving significant amounts of taxpayer funds spent in other countries with different institutional contexts.

Recommendation 14: Increase the social licence for NZ's aid through improving transparency: publish country strategies, four-year plans, and meet commitments to the International Aid Transparency Initiative; and provide evaluation findings in ways that are accessible to the public.

Recommendation 15: The Committee further explore ways to expand Parliament's ability to properly and fully scrutinise New Zealand's ODA, including through the use of independent experts.

CLIMATE ACTION AND ODA QUANTITY

Oxfam NZ has been pleased to see the attention the New Zealand government has placed on climate action. Our colleagues and partners across the Pacific region are already experiencing the impacts of climate breakdown: having to relocate their homes due to sea-level rise, struggling to grow their crops because of not enough or too much rain, and experiencing massive disruption from increasingly severe weather events. The Climate Change Programme that MFAT has developed is excellent and provides a model for how policy and programming in other areas could be developed. The Climate Action Programme involved consultation with others in NZ and across the region. The result is a considered, focused programme of work that contributes to needs at country and regional levels, and enables New Zealand to deepen its climate action in key areas.

MFAT are also working to 'mainstream' climate action – to ensure that all ODA activities account for climate breakdown. This is crucial. Climate change is no longer an issue of its own – it permeates all aspects of human society and the planet we live on, and therefore all ODA activities

must consider climate breakdown in design, implementation and evaluation.

With a solid Climate Change Programme in place, now is the time to fund this properly. New Zealand's contribution to climate finance must be rising, within a rising ODA budget, at the same proportion. New Zealand has made commitments to both ODA and climate finance, and one cannot be used to subsidize the other. New Zealand does not provide enough funding for either.

For example, the New Zealand government has contributed just US\$3 million to the Green Climate Fund since 2014 – a long way off a fair share of global climate financing goals. Oxfam has calculated New Zealand's fair share to only the Green Climate Fund as between US\$101 to US\$147 million.¹⁰

Quantity

After several years of stagnation, Oxfam NZ has been pleased to see increases in ODA levels. Our ODA currently sits at about 0.27/0.28% of Gross National Income. This places us right in the middle of all donors. Most donors (but not all) that have lower aid/GNI ratios than New Zealand are either poorer and/or more indebted than New Zealand. Oxfam NZ would like to see the New Zealand government commit to a timeframe to achieving 0.35% of ODI/GNI, half-way to the 0.7% mark. However, first, we would like to see ODA quality improve. With increasing amounts of money, it is essential that this is spent scrupulously on what we know about what works for ODA.

Recommendation 16: After improving ODA's quality, set a timeline to expand the aid budget, and climate finance within it at the same rate of increase, to get to 0.7% of ODA/GNI and New Zealand's fair share of the global US\$100 billion climate finance annually.

HUMANITARIAN

The humanitarian space in the Pacific has become more crowded. Humanitarian responses in recent years have seen significant immediate relief shipments provided by a growing range of actors - from the People's Republic of China, the United States, United Kingdom, South Korea and elsewhere. Many of these emerging donors' humanitarian engagement is limited to direct government-to-government support during the response phase of an emergency. New Zealand's unique value-added remains the strong, long-established community linkages between New Zealand-based NGOs, Pacific diaspora communities, and community-level organisations in Pacific island countries. New Zealand humanitarian actors have long-standing community-to-community ties that extend far beyond the immediate response phase of a disaster.

New Zealand's extensive non-government networks deliver the most effective and far-reaching life-saving support in times of emergency, but their greatest value-added is in the development of community-based disaster preparedness, preparation and management systems prior to and following the immediate response phase. This reduces the impact and cost of natural hazards when they occur, decreasing the need for outside assistance.

MFAT can accentuate its value-add in this respect by continuing support to NZ NGOs to build community resilience, preparedness and disaster risk management through increased programmatic focus on and funding

access for disaster risk reduction. This approach allows New Zealand Inc. to build partnerships with Pacific countries throughout the disaster cycle, leading to more sustainable development outcomes and mutually-beneficial ties between New Zealand and Pacific island communities that stand New Zealand apart from other international donor partners in the region.

Recommendation 17: Increase funding and funding access for New Zealand civil society and diaspora in Community Based Disaster Risk Reduction (CBDRR), and mainstream CBDRR to be incorporated as a component of all MFAT-funded development and humanitarian programming in the Pacific.

THE REST OF THE WORLD

It is worth mentioning that 40% of New Zealand's ODA does not go to the Pacific. New Zealand is an active global citizen and has a contribution to make beyond the Pacific region. While we need to concentrate and focus our ODA efforts, and the Pacific region has been a core focus of our ODA since at least the late 1990s, it is imperative that New Zealand does not confine its view beyond its borders to only the Pacific. Further, the ODA spent outside the Pacific region requires just as much scrutiny, focus and clear policy guidance as ODA spent anywhere else. Poverty, inequality and humanitarian need are high in countries beyond the Pacific, and New Zealand has both a responsibility and the capability to respond to this in focused, impactful ways.

Oxfam NZ Supplementary Submission Five outlines the global ODA system and governing framework for ODA and development effectiveness.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: The Government publish an overarching policy statement for its ODA and international development work across the world, including a focus on the Pacific.

Recommendation 2: Evaluate past A4T activities in the Pacific and use these findings in combination with social and environmental impact assessments, to inform an A4T strategy for New Zealand's ODA for trade to the Pacific, once PACER Plus enters into force.

Recommendation 3: Ensure a component of New Zealand's A4T to the Pacific focuses on supporting governments to assess, prevent and manage the adverse effects of trade liberalisation, particularly the social and environmental effects.

Recommendation 4: Ensure meaningful participation and involvement of women in all aspects of PACER Plus's implementation and A4T activities.

Recommendation 5: The Committee explore legislation as a long-lasting, top-level purpose statement for New Zealand's ODA.

Recommendation 6: New Zealand's ODA to the Pacific is guided by

policies and strategies that articulate New Zealand's unique approach to women's empowerment, human rights and inclusion, youth, governance and capacity building.

Recommendation 7: The Committee acknowledge the need for ODA to have the organisational authority and autonomy required to achieve development results in the Pacific.

Recommendation 8: The Committee support the establishment of a ministerial-level position in Cabinet responsible for New Zealand's ODA in the Pacific (and potentially beyond).

Recommendation 9: MFAT develop and implement a human resource strategy that creates an international development career pathway within the Ministry, and prioritises specialist ODA experience and skills in recruitment.

Recommendation 10: In collaboration with the wider sector, MFAT develop and/or publicise systems and policies that prevent, detect, monitor and address abuse, harassment and exploitation in ODA-funded activities, particularly those of NGOs, New Zealand government agencies, and private sector contractors.

Recommendation 11: MFAT reduce its tied aid and establish a timeframe to reduce scholarships to a more appropriate proportion of the overall Aid Programme.

Recommendation 12: MFAT explore innovative ways to support private sector development but monitor and evaluate these carefully to ensure the overarching aims of poverty reduction and inclusion are not harmed through this work.

Recommendation 13: New Zealand align with the World Bank and focus its ODA on poverty and inequality reduction, to achieve effective development results.

Recommendation 14: Increase the social licence for NZ's aid through improving transparency: publish country strategies, four-year plans, and meet commitments to the International Aid Transparency Initiative; and provide evaluation findings in ways that are accessible to the public.

Recommendation 15: The Committee further explore ways to expand Parliament's ability to properly and fully scrutinise New Zealand's ODA, including through the use of independent experts.

Recommendation 16: after improving ODA's quality, set a timeline to expand the aid budget, and climate finance within it at the same rate of increase, to get to 0.7% and New Zealand's fair share of the global US\$100 billion climate finance annually.

Recommendation 17: Increase funding and funding access for New Zealand civil society and diaspora in Community Based Disaster Risk Reduction (CBDRR), and mainstream CBDRR to be incorporated as a component of all MFAT-funded development and humanitarian programming in the Pacific.

NOTES

- ¹ Anderson, I 2013a, *The Economic Costs of Non-Communicable Diseases in the Pacific Islands: A Rapid Stocktake of the Situation in Samoa, Tonga and Vanuatu*, The International Bank for Reconstruction and Development/The World Bank, Washington DC.
- ² Oxfam International and Development Finance International, 2018, *The Commitment to Reducing Inequality Index 2018*, Accessed at: <https://www.oxfam.org.nz/reports/commitment-reducing-inequality-index-2018>
- ³ OECD DAC, 2009, *Managing Aid: Practices of DAC Member Countries*, OECD: Paris, p. 14
- ⁴ Lancaster, C. 2007. *Foreign Aid: Diplomacy, Development, Domestic Politics*, Chicago: The University of Chicago Press; Lundsgaarde, E. 2013. *The Domestic Politics of Foreign Aid*, Abingdon, Oxon, Routledge. Summarised [here](#).
- ⁵ Faure, R., Long, C., Prizzon, A. 2015. Do organisational and political models for development cooperation matter for development effectiveness? Overseas Institute for Development, Accessed at: <https://www.odj.org/sites/odj.org.uk/files/odj-assets/publications-opinion-files/9611.pdf>, p. 20.
- ⁶ OECD DAC, 2009, *Managing Aid: Practices of DAC Member Countries*, OECD: Paris, p. 14.
- ⁷ Development Assistance Committee, 2015. *New Zealand Development Assistance Committee Peer Review 2015*. Paris: Organisation for Economic Cooperation and Development, p.16.
- ⁸ Publish What You Fund, 2018, The 2018 Aid Transparency Index, Accessed on 16 August 2019 at: <https://www.publishwhatyoufund.org/the-index/2018/>
- ⁹ Development Assistance Committee, 2015. *New Zealand Development Assistance Committee Peer Review 2015*. Paris: Organisation for Economic Cooperation and Development.
- ¹⁰ Oxfam, 2019, *Green Climate Fund Replenishment: Briefing Note*, Unpublished paper, Available on request.

© Oxfam New Zealand Month 2019

This paper was written by Joanna Spratt, Advocacy and Campaigns Director.

For further information on the issues raised in this paper please e-mail oxfam@oxfam.org.nz

OXFAM

Oxfam is an international confederation of 17 organizations networked together in 92 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit www.oxfam.org.

