

OXFAM NZ SUPPLEMENTARY SUBMISSION FOUR: WHAT ACHIEVES EFFECTIVE ODA?

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”ⁱ. Several countries, such as Canada and the United Kingdom, have legislation that governs their ODA expenditure, including ODA’s purpose and reporting requirements. Legislation is useful because it provides the long-term stability that ODA needs to achieve results – development is a long-term endeavour.

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.

Overarching 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. One of the results of a lack of an overarching policy and strategy, as well as specific thematic policies, is that ODA expenditure has no coherence around a common purpose. This can lead to activity proliferation, a lack of focus for ODA, and inefficient and ineffective expenditure.

It is not obvious to the external observer or key stakeholders – such as the private sector and NGOs – whether or not MFAT has policy positions or strategies on:

- gender equality and women’s empowerment
- human rights and inclusion
- youth
- governance
- capacity-building, including technical assistance.

Oxfam NZ is aware that MFAT has 20-year country strategies and four-year country plans, but these are not public.

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

Researchⁱⁱ 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, 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.

High level representation also assists in maintaining aid's development focus.

Leadership matters for the delivery of development cooperation. Donors with a cabinet-rank minister for development cooperation achieved, or were close to achieving, their ODA/GNI targets; expanded ODA volumes at a faster rate (and ring-fenced aid budgets at times of fiscal retrenchment following the 2008-2009 financial and economic crisis); and systematically scored higher on aid quality indicators than donors whose portfolio for development cooperation was managed by a junior minister.ⁱⁱⁱ

For example, Australia has a Minister for International Development and the Pacific, and the UK has a Secretary of State for International Development. These positions need to be situated in Cabinet, to provide sufficient representation for ODA and international development efforts.

There are four key ways donors across the world organize the management of their ODA. In all countries, there is a relationship between the development cooperation entity and the ministry of foreign affairs, particularly given that ODA is a component of foreign affairs.

There are four main organizational models:

- 1. The ministry of foreign affairs takes the lead and is responsible for policy and implementation.*
- 2. A development co-operation directorate or agency within the ministry of foreign affairs leads and is responsible for policy and implementation.*
- 3. A ministry has overall responsibility for policy and a separate executing agency is responsible for implementation.*
- 4. A ministry or agency, other than the ministry of foreign affairs, is responsible for both policy and implementation.^{iv}*

There are strengths and weaknesses of all models, with the greatest weaknesses occurring in the fully integrated model. The integrated model carries the biggest risks to ODA quality, with integrated models seeing ODA that is not focused on achieving development results and not being able to recruit and maintain the specialist skills and knowledge required for effective ODA.^v For example, Australia's experience indicates that the demise of AusAID and the deep integration of the Australian aid programme into the Department of Foreign Affairs was assessed as leading to an exodus of experienced staff, and a decrease in the impact of Australia's ODA.^{vi} The main weaknesses of approaches that give greater authority and autonomy to ODA is the need to have strong coordination mechanisms with other areas of foreign policy. This is obviously manageable, as the majority of OECD DAC members have approaches that avoid full integration.^{vii}

Historically, New Zealand has used the second model, even when the New Zealand Agency for International Development existed as a Semi-Autonomous Body it was still technically part of the Ministry. The rationale for the creation of the New Zealand Agency for International Development was that "that there [was] a substantial gulf between best practice in aid design and delivery as that is defined internationally, and what is currently happening

in NZODA^{viii}. To address this situation an executive director position was created, along with separate ODA-specific human resource and ministerial policy advice functions. A new budget allocation – Vote ODA – was established, which remains in place today. Essentially, ODA was given greater autonomy and authority in comparison with non-development foreign policy goals.

Currently the Aid Programme is integrated with 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 more specific a development focus for other parts of the world and multilateral relationships (quasi-model 2).

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”.^{ix}

The 2015 DAC Peer Review of New Zealand’s ODA highlighted that development specialist staff were “fewer in number, there has been considerable turnover and the expertise available in certain disciplines is stretched”.^x The DAC recommended that “[i]n reviewing its capabilities, New Zealand should assess and address any human resource related risks to the delivery of a high impact and cost effective development co-operation programme,”^{xi} and “[t]o meet its commitment to mainstream the cross-cutting issues of environmental sustainability, gender equality and human rights, New Zealand should continue to focus on developing staff capability and management accountability in these areas”^{xii}. Since this review, some new staff positions have been created.

It is not clear to Oxfam NZ that MFAT is implementing a human resource strategy that prioritises international development knowledge and expertise, with a clear career pathway within the Ministry for those who wish to specialise in international development. There is also little evidence that there is an organisational structure that ensures international development expertise has the authority and leadership within MFAT’s structure to drive quality ODA provision. There is a small ‘international development effectiveness’ team, but they have little authority within the Ministry. There appears to be one ‘inclusion’ advisor for the entire ODA Programme, covering a range of specialist areas, such as women’s empowerment, young people, and persons with disability.

This is also particularly important with the increasing use of other government agencies. Again, international development is not simply about providing technical skills or funding. It is a discipline, and MFAT could be the home of international development expertise across

government, to support individuals from other government agencies who might have specific technical expertise, but have no idea about how to achieve change in the Pacific Island Countries' diverse, complex and uncertain institutional environments.

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 below: 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. Currently, MFAT's systems and policies are weak, including for the protection of children. For example, it is not routine practice for consultants employed by MFAT to have to provide a police check. This is an area where NGOs, such as Oxfam NZ, have done a great deal of work to improve our systems. Due to the integrated nature of international development work done by New Zealand actors, it is important that we all work collectively to improve our systems and ensure we do no harm.

Over the past decade, much greater attention has been placed on using ODA to promote, attract and subsidize private sector investment. This is necessary, and can make a positive contribution when this supports national development strategies, addresses real issues of market failure and increases public revenues. However, 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.

For example, the World Bank actively encourages governments to expand the private provision of education, and Oxfam's research shows that between 2013 and 2018 over a fifth of World Bank education projects supported the private provision of education, including through public-private partnerships (PPPs).^{xiii} Yet, there is evidence that these approaches contribute to unequal access to education, particularly for girls, and offer poor quality education with little accountability. The New Zealand government provides solid amounts of ODA to the World Bank, including for its work in the Pacific, yet MFAT does not appear to engage in policy dialogue with the World Bank regarding how to ensure its ODA does no harm, despite opportunities to do so.

Too much ODA also does not leave the donor country, such as New Zealand. This is called 'tied aid': ODA that is spent on goods and/or services from the donor country. Tied aid is less efficient and effective than ODA that is spent based on the criteria of value for money for the development outcomes sought. Earlier this year, New Zealand was ranked poorly on the Overseas Development Institute's 'Principled Aid Index', which measures how donor countries contribute to development outcomes rather than promote donors' short-term geopolitical and economic interests overseas. New Zealand was ranked 19 out of 29 states, well behind countries like Australia, Canada, France, Germany, Ireland, Norway, Sweden, the United Kingdom, the United States of America.

The OECD DAC measure 'tied aid', although donors are notoriously bad at reporting tied aid. OECD DAC data for 2017 (the latest available) show that approximately 7% of all New Zealand's ODA is tied, while 24% of its ODA to the Pacific is tied. The median OECD DAC member donor gives approximately 3% of its total ODA as tied aid. 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. Scholarships for tertiary students from Pacific Island Countries to study in New Zealand have mixed development outcomes. They can be helpful, yet they are also a form of tied aid. Scholarships are also an excellent instrument for diplomacy, often building allegiances and relationships amongst the elite of a country. The OECD discourages donors from spending too much ODA on scholarships. In 2017 (the latest data available), the average OECD DAC member donor gave 2% of their ODA as scholarships. Australia gave 5%. New Zealand gave 11% - both of ODA to the Pacific and to the rest of the world. This is high for a development activity that has contended and mixed development impact.

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

Since the late 1990s, research has consistently shown that ODA focused solely on helping people who are poor achieves the most results, most efficiently. Giving ODA for mixed donor and recipient benefits can inflate the cost of ODA by between 15 and 30 percent. World Bank economists, Dollar and Collier (1999), found that focusing ODA on poverty alleviation only would at least double the number of people who ODA helped to escape poverty. The OECD DAC also recommends that donors set a clear mandate and establish mechanisms to ensure that policies are assessed for their impact on poor countries.^{xiv}

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" (p. 16).

New Zealand could emulate the World Bank, which has as its twin guiding goals poverty and inequality reduction. The World Bank's focus on poverty and inequality reduction is based on the understanding that when ODA is focused on one sole task – helping people to live free from poverty and fulfil their potential – then it is more effective. While great progress has been made in lifting people out of extreme poverty across the world, there are still those who struggle on less than US\$5 a day – still poor by any stretch of the imagination. In Papua New Guinea, the World Bank estimates that 38% of the population live on less than US\$1.90/day, which is the defining criteria for extreme poverty.

The New Zealand public want our ODA to focus on poverty. A 2015 stakeholder survey^{xv}, including NGOs and private contractors who engaged regularly with the New Zealand Aid Programme, found that while stakeholders thought the Aid Programme functioned reasonably effectively, they uniformly wanted New Zealand's ODA to focus more on poverty. In 2016 a representative poll of New Zealanders found that 68% wanted New Zealand's

ODA to help people in poor countries.^{xvi} This has remained consistent over time, with approximately 76% of New Zealanders wanting to see their ODA spent on poverty reduction in 2007.^{xvii}

Focusing on poverty and inequality reduction in developing countries also serves New Zealand's national interests overseas through assisting other countries to achieve their development outcomes. When done successfully, the development of other countries will serve New Zealand's security and economic interests, providing a safer and more prosperous world for New Zealanders and our exports. Our national interests are the same as our global responsibilities. Providing effective and efficient development outcomes, particularly focusing on assisting people to live free from poverty and inequality, is a strong expression of New Zealand's values and will advance our national interests.

In terms of specific groups that experience exclusion, women and girls are one key group. The New Zealand Aid Programme has been weak on gender equality and women's empowerment. In the 2018/2019 financial year, ODA activities that had gender equality or women's empowerment as their purpose totalled \$21.91m or 3.14% of the entire ODA budget. OECD DAC data for 2017 (the latest available) shows that only 1% of Pacific ODA activities had gender equality or women's empowerment as their core focus, while 44% had gender equality or women's empowerment as a secondary focus and 42% had no gender equality or women's empowerment aspect to them at all. Given that women are half the population, and experience significant discriminations in Pacific Island Countries, this area of work needs to expand.

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.

For both accountability and public engagement, information is necessary. The New Zealand public also want to know more about our international development efforts. A recent survey found that 78% of the population express some degree of interest in New Zealand's ODA^{xviii}. New Zealanders will support ODA when they get more information about it, and can have their faith in its effectiveness expanded

Currently, there is very limited information about New Zealand's ODA and international development efforts in the public realm. With the quantity of ODA increasing, it is crucial that the New Zealand public are informed about where and how their taxpayers dollars are spent. One way to do this is to fully implement New Zealand's commitments under the International Aid Transparency Initiative, which is the global standard for donors across the world in relation to sharing of information about ODA. Currently, New Zealand's transparency is rated 'poor'^{xix}, 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 transparency^{xx}, based on the widespread acceptance that transparency promotes learning, accountability and improved ODA quality.

This lack of transparency is a particularly acute problem for aid, because the people who are supposed to benefit from aid do not vote or pay taxes in the country that provides it. Transparency from the New Zealand government offers some potential for accountability. Taxpayers, civil society, academics, journalists and people in the countries that receive New Zealand's aid can look at what the government says it does with its aid through its expenditure, policies, strategies and frameworks, and then compare this with what happens on the ground. It is not perfect, but it is one of the best ways to ensure the scarce aid dollar is spent most efficiently and effectively to reduce poverty and inequality.

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.

Other donors have recognised this. One acclaimed mechanism that may be worth further exploration is the United Kingdom's Independent Commission for Aid Impact (ICAI). This was created in 2011 under David Cameron's government to improve the effectiveness and impact of UK ODA, through providing greater accountability to parliament and the UK taxpayer. ICAI undertakes independent performance reviews of the UK Department for International Development (DfID), using DfID's evaluations, but also through the ICAI's own assessments of various issues impacting on ODA delivery. The ICAI reports directly to the UK Parliament's International Development Committee. More information can be found [here](#).

An argument against establishing such a mechanism in NZ is that we have scarce parliamentary resources and these need to be used wisely. However, NZ's ODA is moving close to NZ\$1 billion a year and it is imperative that this taxpayer money is used well. Greater parliamentary scrutiny is essential for this. NZ's international development efforts, foreign policy, and ODA expenditure are technical, specialist areas. While the general public supports this work, they do not pay attention to it in the same way they do domestic health and education services, for example. This will not change. It is therefore up to the parliament, alongside NZ civil society and private sector, to contribute to a broader discussion and scrutiny of how the government spends taxpayers' ODA. To do this well requires resourcing in itself, although the cost would be a negligible amount compared to the overall ODA budget and the potential benefits in improved efficiency.

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.

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- ^{iv} OECD DAC, 2009, *Managing Aid: Practices of DAC Member Countries*, OECD: Paris, p. 30.
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- ^x Development Assistance Committee, 2015. *New Zealand Development Assistance Committee Peer Review 2015*. Paris: Organisation for Economic Cooperation and Development, p. 18.
- ^{xi} Development Assistance Committee, 2015. *New Zealand Development Assistance Committee Peer Review 2015*. Paris: Organisation for Economic Cooperation and Development, p. 18.
- ^{xii} Development Assistance Committee, 2015. *New Zealand Development Assistance Committee Peer Review 2015*. Paris: Organisation for Economic Cooperation and Development, p. 16.
- ^{xiii} Oxfam International, 2019, *False Promises: How Delivering Education through Public-Private Partnerships Risks Fueling Inequality Instead of Achieving Quality Education For All*: <https://www.oxfam.org/en/research/false-promises>
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