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# COLLECTIVE RESILIENCE

New Zealand's aid contribution in times of inequality and crises

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This report examines New Zealand's overseas aid contributions against six principles of a quality aid programme that reduces inequality and poverty. The report finds that while New Zealand's aid contribution has some firm foundations, there is room for substantial improvement. Sixteen recommendations outline steps that will contribute to building a New Zealand Aid Programme that helps achieve collective resilience for all of humanity.



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# SUMMARY

Even before the novel coronavirus spread across the globe, climate destruction was threatening the progress we had achieved towards eradicating poverty. Increasing equality, too, was threatening to undermine years of work to ensure all people, everywhere, could live fulfilling lives of dignity. Now with the pandemic and associated economic recession, it is the people who already endure the indignity of poverty and discrimination who are being hurt the most.

For decades, politicians have failed to deliver on New Zealand's promise to do our bit for our international neighbours. We've made slow progress towards global targets to support countries that are poor provide for their people. It is now more important than ever to increase overseas aid and climate action to support the things that build shared resilience and unlock people's energy to solve shared problems. We can respond to global crises in a way that puts our connections with each other and the planet first. We know that when we look out for each other, we are stronger and more resilient in the face of shared challenges.

This report examines New Zealand's aid contribution against six principles: focus aid on inequality and poverty reduction; invest in climate justice; support active citizens; invest in gender justice; give more aid; and give aid well. This examination gives rise to sixteen recommendations, as listed below.

1. The Aid Programme adopt a goal to reduce poverty, and another to reduce inequality, (including defining what these concepts mean to the Aid Programme and the countries it works with).
2. New Zealand significantly expand its support to context-appropriate social protection and health systems, and reorient its education support away from tertiary scholarships towards secondary and basic education, focusing on building systems that include people who experience poverty and discrimination.
3. New Zealand join the Addis Tax Initiative, and expand its focus on supporting countries to develop DRM and tax systems that not only effectively gather tax revenue from all sources, but also do so in ways that reduce and prevent inequality.
4. New Zealand continue to expand its focus on adaptation and ensures that climate action prevents and reduces inequality and poverty.
5. New Zealand separate climate finance from its aid budget, introducing a Vote Climate in the government budget, administered by MFAT.
6. New Zealand guarantee that climate finance will not decrease in absolute amounts, and establish a timeline to expand its climate

finance expenditure, at least in proportion to the same rate of increase in aid expenditure.

7. Increase investment in active citizenship, including through NGOs – whether international or national – depending on the most appropriate approach for the context.
8. This investment must include core support for NGOs, recognising their crucial role in functioning democracies and good-enough governance.
9. Develop a clear policy statement and approach to localisation to guide New Zealand's aid expenditure, and ensure the most appropriate approach is used for the issue at hand.
10. Engage in policy dialogue with civil society in New Zealand and all countries where New Zealand has a presence, acknowledging civil society's key role in society and contribution to national discussions on sustainable development.
11. New Zealand significantly expand its focus on gender justice in the Aid Programme, including activities with both principal and significant attention to gender justice.
12. The New Zealand government boost its next triennial aid allocation by \$500 million – approximately 20% on the current year, and outline a timeframe to achieve its commitment to 0.7% of GNI to aid by 2030.
13. Expand internal capability to effectively assess the country context, including political economy, for budget support, and design budget support in ways that foster institutional capacity development and policy dialogue; use alternative funding mechanisms for desired outcomes that budget support shows little evidence in improving.
14. Prioritise and value international development cooperation as a career within the Ministry, including through instigating a clear human resource strategy and career pathway for international development cooperation specialists.
15. To improve transparency further: provide greater detail in the annual government budget, (including reinstating Vote ODA); publish country strategies and plans, and key project documents; make project-level data available in two data formats; and improve the availability and navigability of information on the website.
16. Ensure New Zealand's procurement processes do not contribute to tied aid, and reduce New Zealand's investment in tertiary scholarships that require study in New Zealand, while ensuring all scholarships awarded are tailored to country development plans.

# INTRODUCTION

Now is a good time to assess how well the New Zealand government's overseas development assistance (ODA), or aid, is responding to international development challenges across the world. Recent years have seen a rejuvenation of New Zealand's aid efforts. A significant aid increase in 2018 accompanied a refreshed approach to New Zealand's relationships with its Pacific Island neighbours – labelled the 'Pacific Reset'.<sup>1 2</sup> This Reset articulated the development challenges across Pacific Island Countries, while asserting five key principles for New Zealand's approach to its neighbourly relations: friendship, understanding, mutual benefit, collective ambition, and sustainability. These principles remain relevant even as the international development cooperation landscape alters, with the advent of the coronavirus pandemic and economic recession.

World leaders have not yet responded to climate breakdown and global heating with the collective action required to preserve human and planetary wellbeing. In contrast, the novel coronavirus pandemic forced radical action, locking down entire countries, closing borders and, in some countries, generating significant government economic packages to deal with the immediate impacts. In the short-term, the focus has been to stop the spread, or at least delay it. The pandemic has led to one of the deepest economic shocks in the last 100 years.<sup>3</sup>

We are yet to witness the full impact of the coronavirus in developing countries across the world. Imperial College modelling predicts that, in the absence of interventions, 40 million people would lose their lives.<sup>4</sup> What is certain is that the spread of the virus in countries and communities that endure poverty looks to be catastrophic. Many developing countries are already highly indebted and thus unable to respond to the coronavirus pandemic in the ways wealthier governments have been able to, and will be hit particularly hard by the recession.<sup>5 6 7</sup> Weak and under-resourced health systems, and institutional functioning of varying degrees, means developing countries are poorly equipped to deal with the coronavirus pandemic. The pandemic and subsequent economic recession will exacerbate existing poverty and inequality and could potentially lead to 500 million people falling back into extreme poverty – unravelling years of progress.<sup>8 9</sup>

While developing countries now must deal with the immediate novel coronavirus and economic recession, climate change and global heating remain the most significant challenge to long-term efforts to ensure all people, everywhere, can thrive and survive. The current restrictions on travel are reducing immediate emissions and giving the climate an 'emissions holiday' yet, unless economic stimulus packages and long-term reprogramming of the global economy are climate-friendly, global heating will continue on its unsustainable trajectory.

Aid is a more important tool than ever in our efforts to build a world where all people can live lives they value. If current global commitments are honoured, aid can provide a steady source of income for countries during volatile economic times. Aid helps to unlock every person's potential, so that we can bring the full force of human ingenuity and creativity to the global problems that harm us all, like the pandemic and global heating. In a world where humanity is more connected than ever before – a fact the coronavirus pandemic starkly shows – aid is a crucial area of government expenditure to invest in the well-being of all people. No one is safe until we are all safe.

This report proposes six broad principles for high quality aid and offers recommendations for the New Zealand Aid Programme.<sup>10</sup> If upheld and implemented, these principles and recommendations will ensure New Zealand's aid achieves excellence in preventing and reducing poverty and inequality, and unlock human potential everywhere. These principles are listed below, and elaborated on under each section within the report.

1. Stop inequality and poverty: focus aid on inequality and poverty reduction; use aid to build functioning health, education and social protection, and support efficient and progressive tax systems.
2. Invest in climate justice: do more to stop, adapt to, and compensate for, climate breakdown, and ensure people who experience poverty or discrimination are not caused further suffering.
3. Support active citizens: ensure citizens are able to collectively engage in their governance processes and hold governments to account (including those governments that provide aid).
4. Invest in gender justice: address discriminations based on peoples' diverse gender identities, particularly women and girls.
5. Give more aid: quickly and significantly expand aid expenditure and climate finance to meet New Zealand's commitments to a world where everyone thrives.
6. Give aid well: invest in budget support; ensure specialist international development capabilities; improve transparency; and stop tied aid.

Next, this report finishes its introductory notes by outlining why progress is at risk and how aid can help, and providing some background information about the New Zealand Aid Programme. This report then goes on to assess the Aid Programme against the six principles above before concluding with recommendations.

# PROGRESS NOW AT GREAT RISK

Humanity has made great strides over the past decades. Millions of people across the world have had their life opportunities expanded through things such as improved income, access to water and sanitation, and basic health and education. Between 1990 and 2015, efforts to reduce poverty reaped results, seeing substantial reductions in the proportion of people living in extreme poverty (less than US\$1.90/day) from 36% in 1990 to 10% in 2015.<sup>11</sup>

Yet, prior to the coronavirus pandemic, 734 million people still experienced the daily indignity of extreme poverty, and poverty reduction rates remained stubbornly high in the world's most fragile states.<sup>12</sup> Simultaneously, the proportion of people living on less than US\$5.50/day – poor by any stretch of the imagination – remained high.<sup>13</sup> People who experience poverty tend to live in rural areas, and in fragile and conflict-affected states, and be less educated, under 18 years of age, and in agricultural employment.<sup>14</sup> Gender differences in poverty are most profound during the years women are rearing children. On average, 104 women live in poor households for every 100 men.<sup>15</sup>

Exacerbating challenges in continued poverty reduction, climate breakdown was already beginning to undermine development gains. The IPCC 1.5°C report highlighted that if we do not maintain global heating to 1.5°C, it will “worsen existing poverty and exacerbate inequalities, especially for those disadvantaged by gender, age, race, class, caste, indigeneity and (dis)ability”.<sup>16</sup>

On top of this, current analysis shows that the coronavirus pandemic and associated economic recession could push as many as half a billion more people into poverty – 8% of the global population.<sup>17</sup> Depending on the poverty line used, an increase of this sort could represent a reversal of development progress of between 10 to 30 years. The World Bank estimates increases in poverty rates and erasure of almost all the progress made in the last five years.<sup>18</sup> At the same time, those who are already poor or experiencing discrimination are hardest hit.

A further challenge is the presence of economic, social and political inequality. At the most fundamental level, inequality is about human rights. Too many people experience exclusion and discrimination due to their income levels, race, gender, age, sexuality, experience of disability, education level, place of abode, and other characteristics. Inequality hurts us and our societies: it erodes trust, fuels crime, makes us unwell, and undermines economic growth.

Inequality also negatively impacts efforts to reduce poverty. Since the 2008 global financial crisis global growth has slowed and economies are struggling to recover. In the absence of economic growth, poverty reduction requires a focus on redistribution and inequality reduction. A reduction in inequality by 1% a year would help shift up to 100 million more people out of poverty by 2030 compared to a scenario where nothing was done to reduce inequality.<sup>19</sup>



In the face of the challenges of poverty and inequality, in 2015 leaders across the world committed to the 2030 Agenda and Sustainable Development Goals.<sup>20</sup> At the heart of this global pact for human and planetary wellbeing is the idea that no one will be left behind. Development gains must reach all people, and no individual should experience exclusion or poverty. The coronavirus pandemic only emphasizes this imperative: we're all in this together and the only way to achieve human and planetary well-being is to build collective resilience.

## AID IS A CRUCIAL TOOL

Aid exists to help to realise Agenda 2030's vision of leaving no one behind. Prior to the coronavirus pandemic and its associated economic recession, low and lower-middle-income countries required an extra US\$2.5 trillion in financing each year to achieve the Sustainable Development Goals.<sup>21</sup>

The coronavirus pandemic has expanded financing needs ever further. The United Nations Conference on Trade and Development has called for at least US\$2.5 trillion to respond to the pandemic: US\$500 billion to fund a massive investment in health systems in developing countries, US\$1 trillion in debt relief, and a further US\$1 trillion in Special Drawing Rights.<sup>22</sup> Oxfam is calling for an urgent and massive increase in aid – up to US\$300 billion from the wealthiest countries, including New Zealand – to help developing countries face the immediate health, social and economic impacts of the crisis, and to lay the foundations for a more fair and sustainable world so that we are better prepared collectively for future crises.<sup>23</sup> Managing Director of the International Monetary Fund, Kristalina Georgieva, has also said that emerging markets will need US\$2.5 trillion.<sup>24</sup> In a letter to G20 leaders, 20 experts, including four Nobel Prize winners, such as Joseph Stiglitz, Lord Nicholas Stern and seven former World Bank chief economists, called for trillions of dollars to prevent “unimaginable health and social impacts”.<sup>25</sup>

Meanwhile, emerging markets experienced “the largest capital outflow ever recorded”, with investors withdrawing at least US\$83 billion.<sup>26</sup> As of 2018, debt in developing countries had reached the highest level ever, at 191% of their combined GDP. When the coronavirus pandemic took off many countries were already instituting austerity measures.<sup>27</sup> Additionally, climate-vulnerable countries are facing increased debt as they have had to borrow to rebuild after each significant weather event.<sup>28</sup> Many countries were spending more on servicing their debt than they were on health, such as Indonesia, Laos PDR, Papua New Guinea, Tonga and Vanuatu.<sup>29</sup>

Collective action beyond aid will help, such as debt relief, halting tax avoidance through fixing broken international rules, increasing taxes on wealthy people and corporations, and keeping global heating beneath 1.5°C. Yet the scale of the challenges confronting humanity mean that aid remains a crucial tool for world governments to use to make sure everyone has a decent life, everywhere.

Aid is a form of global redistribution. We live in a world of plenty, where just 2,153 individuals have the same amount of wealth as the bottom 50% of humanity – 4.6 billion people.<sup>30</sup> OECD countries have per capita wealth 52 times greater than low-income countries.<sup>31</sup> Aid is the only public policy by which wealthy countries assist poorer countries. Often these countries are poorer as a legacy of slavery and colonialism. Viewed from this perspective, aid is not charity. Aid is an act of global justice.

Aid is a rare source of financing for poor countries, enabling them to add to their budget without increasing fiscal debt. It supports them to spend more on the public services that their people need to survive and escape poverty. Aid can help mobilise other finances, grow government capacity, build resilience to climate breakdown, support civil society, and be targeted to focus on those who most experience poverty and exclusion.

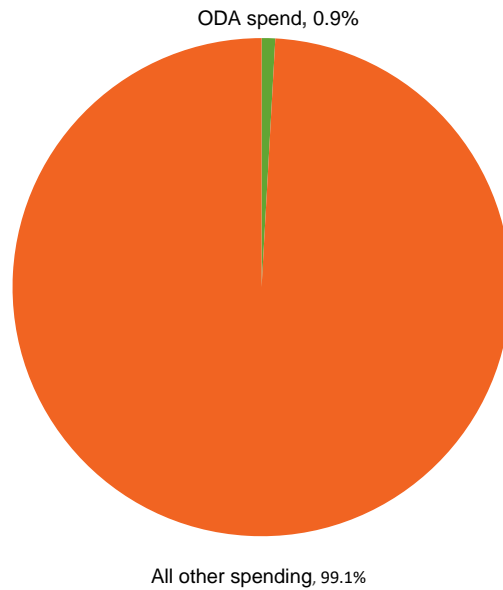
The coronavirus pandemic, global economic recession, and the mass movement of people from poverty and conflict in the Middle East and some African countries, has illustrated that the world is ever more connected. It is not possible to separate the wellbeing, safety and prosperity of people living in New Zealand from people living anywhere else. We are an interconnected global human family. As such, New Zealand has a duty, based on our shared humanity, to assist countries that struggle and to address our collective problems.

## NEW ZEALAND'S AID

New Zealand's aid efforts can be tracked back to its former colonial relationships with Cook Islands, Niue and Samoa. After 1945, the earlier transfer of funds for predominantly administrative purposes evolved into assistance for basic social services and infrastructure. As well as small amounts of aid to Pacific Island Countries, New Zealand provided aid to selected Asian countries through the Colombo Plan, and to multilateral agencies, such as the United Nations. In 1978, aid was a significant enough component of New Zealand's foreign affairs to warrant the establishment of the External Aid Division (EAD), an arrangement that has more or less remained in place. In 2020, New Zealand's aid budget was NZ\$869 million, which is less than 1% of total government expenditure, as depicted below in Figure 1.



**Figure 1: Aid as Proportion of New Zealand Government Expenditure, 2019**

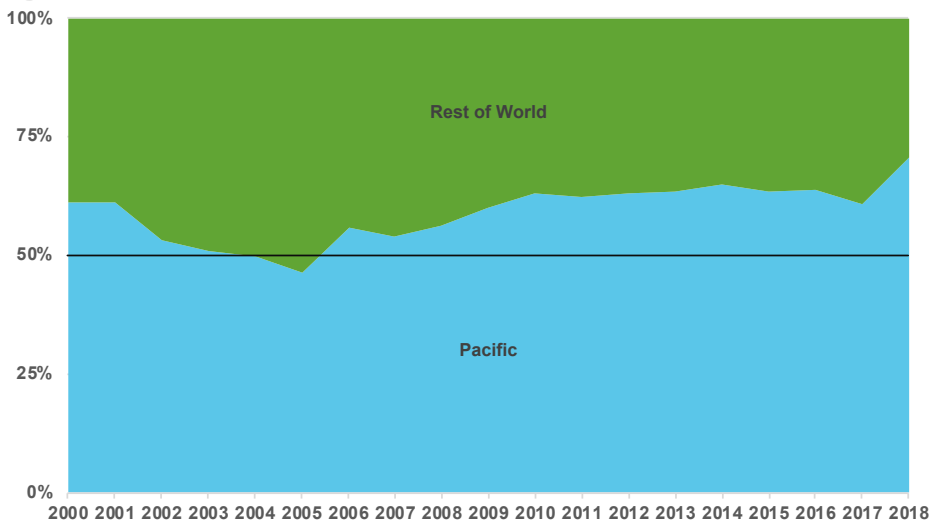


Source: ODA data 2019 budget accessed at <https://treasury.govt.nz/publications/ise/budget-2019-data-estimates-appropriations-2019-20>; Total government spending, October 2019, accessed at [https://treasury.govt.nz/system/files/2019-10/fsgnz-year-jun19\\_0.xlsx](https://treasury.govt.nz/system/files/2019-10/fsgnz-year-jun19_0.xlsx)

Three features of New Zealand’s aid set it aside from other donors. First, New Zealand does not give loans. This is good news. It means that New Zealand avoids aid modalities that increase the risk of indebtedness, an important approach when many poorer countries are so indebted.

Second, New Zealand’s international development cooperation efforts focus predominantly on the Pacific region.<sup>32</sup> New Zealand’s commitment to the Pacific has been iterated time and again across successive governments and currently through the Pacific Reset. As Figure 2 below shows, New Zealand’s aid to the Pacific fluctuates at approximately 60% of total ODA. The current government has a goal to provide at least 60% of all ODA to the Pacific region.<sup>33</sup>

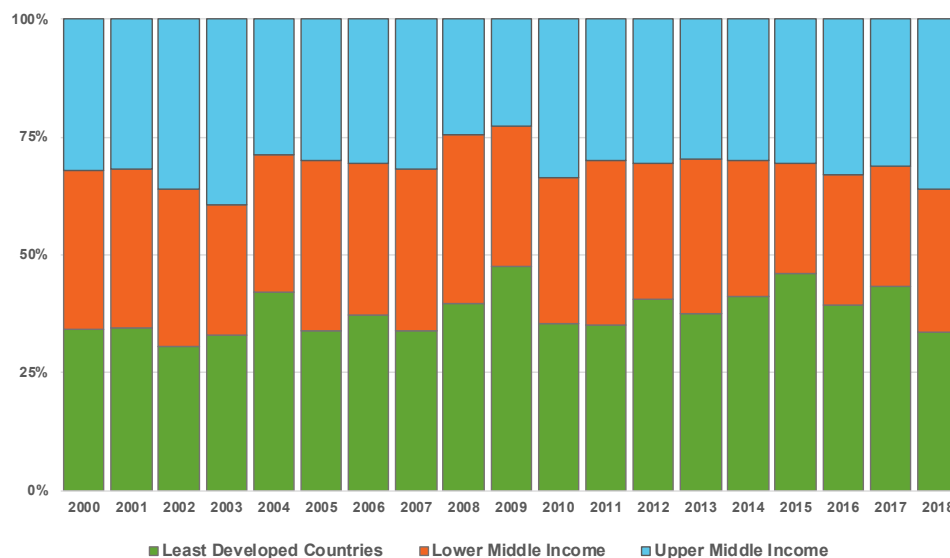
**Figure 2: New Zealand Aid to Pacific, 2000 - 2018**



Source: Data extracted on 08 Feb 2020 21:33 UTC (GMT) from OECD.Stat.: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE2A#>

This means New Zealand is often below OECD DAC expectations of aid levels to least-developed countries, because most Pacific Island Countries are not classified as least-developed countries. Figure 3 below indicates that less than half of New Zealand’s aid goes to the poorest countries in the world with the most significant development challenges.

**Figure 3: Share of New Zealand Aid to Least-Developed Countries, 2000 - 2018**

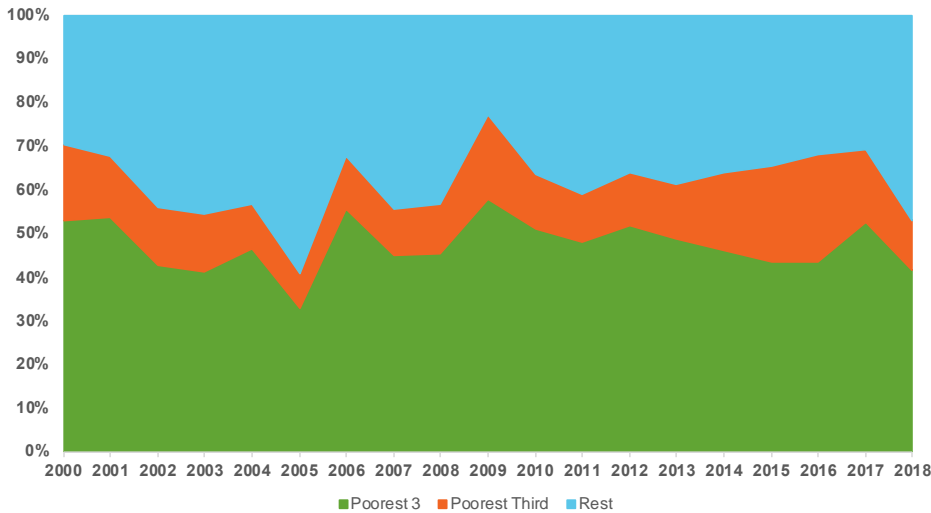


Source: Data extracted on 08 Feb 2020 22:30 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE2A#>

There are good reasons for New Zealand to focus its aid on the Pacific region, particularly given New Zealand’s geographical proximity, the significant and unique development challenges that the mostly Small Island Developing States / Large Ocean States face, the historical absence of other donors in this region, and now the severe threat that climate breakdown poses to countries in the region. On top of this, the coronavirus-induced border closures have severed many Pacific Island Countries from their primary sources of revenue, particularly tourism.

Yet, even within the Pacific, New Zealand’s aid does not focus on the countries with the greatest poverty, partly due to New Zealand’s Realm state responsibilities. Figure 4 below shows that in 2018, approximately 50% of New Zealand’s (country allocable) aid to the Pacific went to the poorest third of countries, with 40% going to the poorest three countries (Kiribati, Papua New Guinea and Solomon Islands). The current trend is of a lesser share of aid going to the region’s poorest countries. Without a clear filter for the Aid Programme to assess how its aid is contributing to poverty and inequality reduction, there is a risk that New Zealand’s aid does not go to where it is needed most – either in the Pacific or elsewhere.

**Figure 4: Proportion of Pacific New Zealand Aid to the Poorest Countries, 2000 - 2018**



Source: Data extracted on 09 Feb 2020 00:44 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE2A#> Regional aid excluded. Poorest three countries: Kiribati, Papua New Guinea, Solomon Islands.

The third feature is that New Zealand’s aid is relatively predictable. Since 2003 the Aid Programme has received triennial allocations in the annual government budget. While this does not prevent the government from making significant annual changes, the three-year allocation provides the Aid Programme with a degree of certainty about the quantity of aid it will have to spend. This then allows countries that receive New Zealand’s aid some certainty for their planning.

MFAT also has rolling four-year plans and twenty-year country strategies for countries that receive New Zealand’s aid.<sup>34</sup> These strategies are not public. Yet, the stated presence of these strategies indicates a significant degree of forward-thinking within MFAT about the role of aid in New Zealand’s relationship with countries. Long-term thinking and budget predictability are good foundations that the Aid Programme can build on to expand good aid practice, alongside the recommendations in this report.

Now this report moves into an assessment of New Zealand’s aid against the six principles outlined above, highlighting strengths and areas for improvement. The first principle is about focusing the Aid Programme on reducing inequality and poverty, which involves, *inter alia*, supporting health, education and social protection, and building efficient and inequality-reducing tax systems.

# FOCUS ON REDUCING INEQUALITY & POVERTY

Released in late 2019, the New Zealand International Cooperation for Effective Sustainable Development (ICESD) Policy sets out the purpose of New Zealand's international development cooperation: "to contribute to a more peaceful world, in which all people live in dignity and safety, all countries can prosper, and our shared environment is protected".<sup>35</sup> This policy makes a commitment to ensuring that the New Zealand government uses a range of domestic and foreign policy levers to assist in sustainable development beyond its borders. Aid is a significant component of this action, and the component with the most funding associated with it.

The Policy asserts New Zealand's commitment to the 2030 Agenda for Sustainable Development, which includes the first goal to end poverty in all its forms everywhere, and the tenth, to reduce inequality within and amongst countries. The OECD DAC stated in its 2015 Peer Review 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).<sup>36</sup> The new Policy is a good step in the right direction. However, the Aid Programme will require a concerted focus over time to integrate inequality and poverty reduction and prevention measures into its work. The coronavirus pandemic adds heightened urgency to this imperative, on top of climate breakdown. Both phenomena exacerbate inequality and poverty, while also causing the most harm to people already experiencing inequality and poverty.

To focus its Aid Programme and add substance to its purpose statement, New Zealand should adopt the same approach as the World Bank, and establish two goals: one to reduce poverty, and another to reduce inequality. The World Bank's goals are to "end extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3%; and promote shared prosperity by fostering the income growth of the bottom 40% for every country".<sup>37</sup> The New Zealand Aid Programme could develop poverty and inequality measures for these two goals in consultation with people in the countries that receive New Zealand's aid and key New Zealand stakeholders. Having clear goals to guide aid expenditure provides a focal point for all policies and programmes, making sure that New Zealand's Aid Programme coherently and consistently works to leave no one behind.

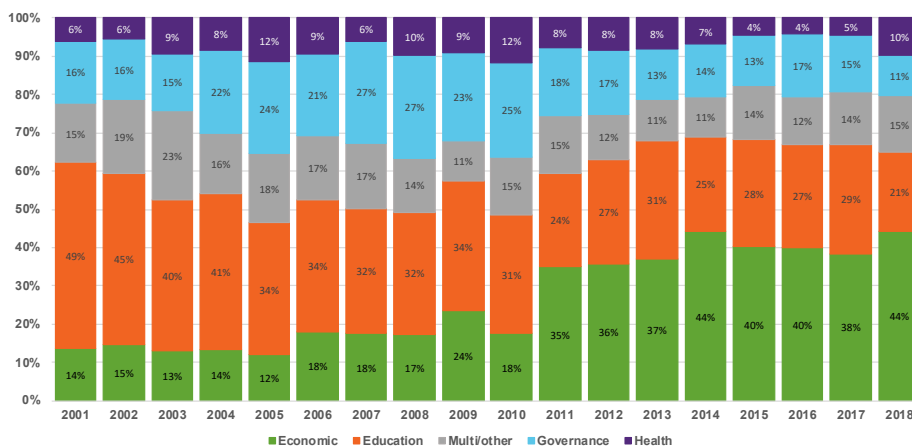
# INCREASE AID TO PUBLIC SERVICES & SOCIAL PROTECTION

The coronavirus pandemic has starkly highlighted the crucial importance of functioning public health, education and social protection systems. These are vital for every country to ensure the rights of their people every day. In times of disaster, functioning public services provide resilience – countries are better able to cope and to recover if these services are functioning well before the disaster.

A robust body of evidence now exists showing that free public health and education systems, accompanied by social protection, are central to preventing and reducing poverty and inequality.<sup>38</sup> When free, these systems help to redistribute resources to people who endure poverty and discrimination, such as women, girls and persons with disabilities. This helps to expand their opportunities to participate fully in society.

As Figure 5 below shows, the New Zealand Aid Programme has invested heavily in economic activities over the past decade, followed by education. Economic development is crucial for development, yet people first need to be healthy and educated to engage constructively in economic development activities, and they need support mechanisms when jobs are unavailable. MFAT’s new 2019 International Development Cooperation for Effective Sustainable Development Policy indicates a shift towards a more balanced approach across the three domains of sustainable development: the economic, social and environmental. More time is required to see if this filters through into actual expenditure.

**Figure 5: Proportion of NZ Aid per Sector, 2001 - 2018**



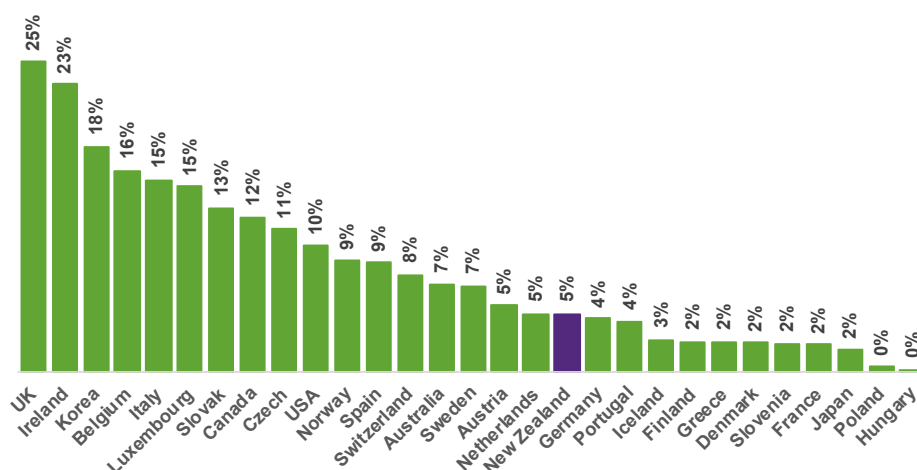
Source: Data extracted on 29 Feb 2020 21:36 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE5#>

## Health

New Zealand’s heavy investment in economic development has meant less support to strengthening health systems in partner countries, the impacts of which have been brought into glaring relief during the coronavirus pandemic. Over the years 2001-2013 on average 9% of New Zealand’s aid was spent on health. In the years 2014-2017 just 5% was devoted to health.

New Zealand's low aid investment in health situates it poorly when measured against peer OECD DAC members, as Figure 6 below shows. Recent indicators highlight that the New Zealand Aid Programme acknowledges this and is now planning to scale up its focus on health systems.<sup>39</sup> Data for 2018 show health spending increasing to about 10% of New Zealand. It is crucial this scale up continues and expands access for people who experience poverty and discrimination, including in the poorest countries.

**Figure 6: OECD DAC Donors' Aid to Health as Proportion of All Aid, 2017**



Source: Data extracted on 01 Mar 2020 01:03 UTC (GMT) from OECD.Stat, <https://stats.oecd.org/Index.aspx?datasetcode=TABLE5#>

One area of health spending that New Zealand has long supported is sexual and reproductive health, a critical focal area to reduce exclusion and inequality, particularly for women and girls. New Zealand has also invested in initiatives to prevent and address non-communicable diseases. Yet, as SARS CoV-2 has shown us, communicable diseases remain an important health issue that must be attended to. A focus on specific diseases or conditions raises a long-term challenge of providing aid to health: ensuring that vertical, disease-focused programmes do not undermine building strong and functioning overall health systems. This is a question the New Zealand Aid Programme will need to grapple with as it expands its expenditure on health. Alongside this, the government must ensure 'health security' does not become a dominant focal area at the expense of investing in sustainable health systems, and any investment in health security is harmonised with Australia's substantial investment in this area.

## Social Protection

Social protection is about the prevention, management and avoidance of situations that impact negatively on people's resilience, and potential impoverishment. Social protection is comprised of policies and interventions that limit and mitigate people's exposure to economic and social risks, such as unemployment, sickness, disability and older age. Historically, in many countries, the extended family and wider community has acted as a social safety net. This is now eroding, as phenomenon such as urbanisation, aging populations and increasing rates of non-



communicable diseases place heavy and unmanageable demands on families. These increasing needs have a strong gendered impact, with women most often providing care, and leaving employment or educational activities to do so. The impacts of climate breakdown, the coronavirus pandemic and the resulting halt to economic activity, with a looming recession, has increased peoples' need for social protection. Beyond the extended family, current systems tend to favour those who are not experiencing poverty and to neglect women's specific needs.<sup>40,41</sup>

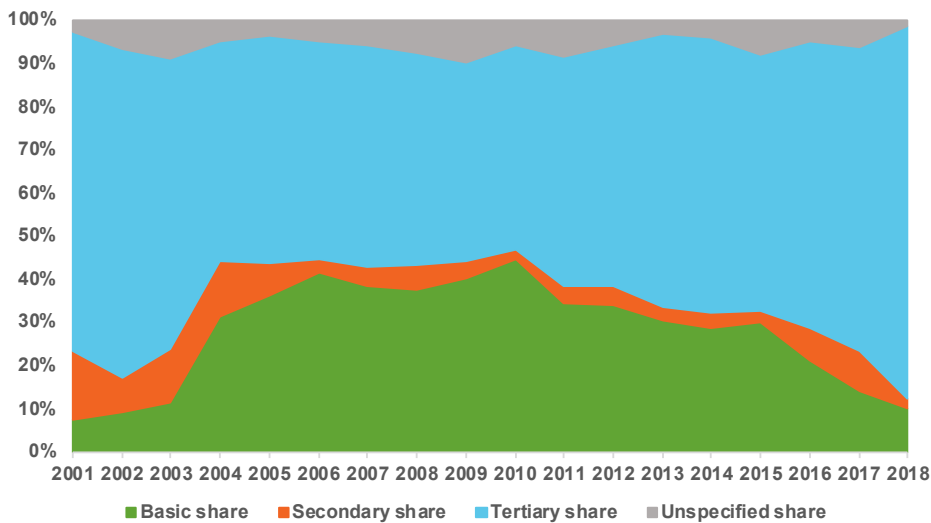
The available data for New Zealand's Aid Programme investment in social protection is neither reliable nor comprehensive enough to give a clear account. It appears that social protection has not been considered a priority in New Zealand's international development cooperation efforts. New Zealand aid projects allocated to the OECD DAC aid reporting code for social protection include activities such as the establishment of a dog control unit in Samoa, and the upgrade of a multipurpose youth hall in Honiara, Solomon Islands. This renders OECD data unusable and indicates a potential lack of understanding within the New Zealand Aid Programme regarding what constitutes social protection.

Given the deep needs for expanded social protection systems, we welcome the indications that the New Zealand Aid Programme is going to "look more closely" at this area.<sup>42</sup> We recommend the New Zealand Aid Programme significantly expand its support to social protection, ensuring that actions focus on those who already experience poverty and inequality, such as persons with disabilities. Both during the coronavirus pandemic and the subsequent economic hardship, people are in critical need of this type of support and governments will struggle to provide it without donor assistance.

## **Education**

In terms of education, New Zealand's aid has been heavily invested in tertiary education as shown in Figure 7 below. What is more, the share going to tertiary education has increased steadily since 2010. Most of New Zealand's funding for tertiary education has gone to scholarships for study in New Zealand. There is a need for people with tertiary education in countries where New Zealand provides aid. However, the significant share of New Zealand aid that goes to tertiary education is questionable when the need for secondary and basic education still exists.

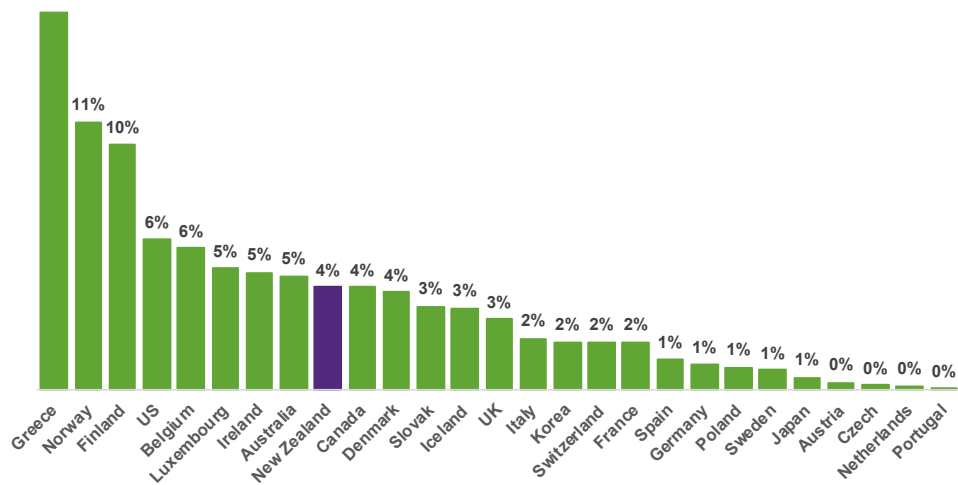
**Figure 7: Proportion of New Zealand Education Aid to Primary, Secondary and Tertiary Education, 2001 - 2018**



Source: Data extracted on 29 Feb 2020 21:36 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE5#>

Figure 8 shows that while New Zealand’s support for basic education in 2017 was among the middle of other OECD DAC members, it is still low in comparison to need and the amount it spends on education in total.

**Figure 8: OECD DAC Donors Aid to Basic Education as Proportion of All Aid, 2017**



Source: Data extracted on 01 Mar 2020 01:03 UTC (GMT) from OECD.Stat, <https://stats.oecd.org/Index.aspx?datasetcode=TABLE5#> The value for Greece is 33%.

## INVEST IN EFFICIENT & PROGRESSIVE TAX SYSTEMS

Taxation is a key way for governments to gain the revenue they need to invest in their people. Tax systems that focus on redistribution and boosting funding for public services can support governments to reduce inequality and poverty while also maintaining growth.<sup>43</sup>

Yet it is challenging for governments to increase domestic resource

mobilisation (DRM) and build progressive tax systems. Progressive tax systems that prevent and reduce inequality focus on taxing strong economic sectors, large companies and wealthy individuals. These actors can create powerful political economy challenges that hinder progressive tax reform. There are also technical and financial difficulties.

However, investing in DRM can create significant benefits. For example, a USAID study highlighted that a 10% increase in DRM leads to a 17% increase in public health expenditures in low-income countries.<sup>44</sup> A government-led DRM initiative in Nepal, supported by donors (Danida, USAID, World Bank and UNCTAD) saw total domestic revenue increase from 11.3% to 21.6% of Gross Domestic Product over six years, even with the impact of the 2015 earthquake.<sup>45</sup> Overall, a DRM increase of two percentage points over the past two years would have seen low and lower-middle income countries add US\$144 billion to their collective annual budgets – the same amount as all aid in 2017.<sup>46</sup>

Recognising the importance of DRM, donors, partner countries and global organisations have signed-up to the Addis Tax Initiative (ATI) Declaration, committing to strengthen tax systems and tax policy engagement for development outcomes. Australia is a member, as is Solomon Islands. Organisational members include the OECD, World Bank and the IMF. Despite contributing some support for developing countries to expand their DRM, New Zealand is not an ATI member.

New Zealand continues to support tax reform in Solomon Islands and provides region-wide support through funding the IMF's Pacific Islands Financial Technical Advisory Committee (PIFTAC), which provides technical assistance on financial issues, such as tax administration. The Aid Programme funds some tax policy reform through budget support, if it fits with a country's own national strategy. There is also some engagement from the New Zealand Inland Revenue Department with Pacific regional organisations, such as the Pacific Islands Tax Administrators' Association.

A 2014 evaluation examined New Zealand's work to support effective tax systems across the Pacific region, finding that while New Zealand's contribution had improved tax systems, weaknesses in terms of sustainability were identified and Pacific Island Country tax systems remained "fragile".<sup>47</sup> A key recommendation was to move to a more systematic engagement and dialogue with Pacific Island governments. It is not clear if this occurred.

While New Zealand is fundamentally a strong proponent of robust tax collection systems, the New Zealand Aid Programme does not currently have an articulated approach for its work with partner countries on taxation and DRM, despite the potential impact DRM can have on building country ownership and sustainable means of leaving no one behind.<sup>48</sup>

In responding to the post-coronavirus world and concomitant economic recession, New Zealand has the opportunity to greatly expand its support to partners to build fair tax systems. This will require a broadening of

focus beyond narrow reforms to also assist countries to address excessive corporate tax incentives. Greater focus could be placed on progressive forms of taxation such as wealth and asset taxes, and supporting countries to avoid short-term 'quick-fixes', such as hurting the poorest through fast rate hikes or expansion of consumption taxes.

We encourage New Zealand to join the Addis Tax Initiative and develop a coherent programme of assistance to inequality-busting DRM activities across the region and in specific countries.

## **Recommendations**

1. The Aid Programme adopt a goal to reduce poverty, and another to reduce inequality, (including defining what these concepts mean to the Aid Programme and the countries it works with).
2. New Zealand significantly expand its support to context-appropriate social protection and health systems, and reorient its education support away from tertiary scholarships towards secondary and basic education, focusing on building systems that include people who experience poverty and discrimination.
3. New Zealand join the Addis Tax Initiative, and expand its focus on supporting countries to develop DRM and tax systems that not only effectively gather tax revenue from all sources, but also do so in ways that reduce and prevent inequality.

# CLIMATE JUSTICE & INEQUALITY

Climate destruction and its impacts are critical development issues that affect countries in multiple ways, hitting the poorest people the hardest: developing countries will bear an estimated 75-80 percent of the impacts of climate change.<sup>49</sup> Climate breakdown is already placing a greater burden on women. For example, it is estimated that by 2025, up to 2.4 billion people will be living in areas without enough water, meaning women and girls will be forced to walk further and further to find it.<sup>50</sup> Unless our response to climate breakdown focuses on people who already experience inequalities, such as women and girls, it will be these people who are placed most at risk of further suffering in efforts to move to a carbon-neutral economy.

## CLIMATE FINANCE

Along with other wealthy countries, New Zealand is obligated under the UN Framework Convention on Climate Change to provide support to help countries that are poor to reduce emissions and adapt to global heating (called climate finance). Under the Paris Agreement, New Zealand has committed to helping mobilise a total \$151 billion a year of climate finance for developing countries.

As this is a collective commitment from wealthy governments, it is important to assess the fair share of each individual government's contribution to the \$151 billion target. Calculating a donors' fair share of this commitment to climate finance can involve many variables. Using various formulae, we calculated a range for New Zealand's fair share of wealthy countries' commitment. We assumed a 2:1 split in public versus private finance. We found that the New Zealand government's fair share ranges between NZ\$423 million and NZ\$797 million per year, depending on the donor country list, and the responsibility and capacity parameters selected.<sup>51</sup> These calculations show New Zealand is a long way off meeting its fair share of global climate finance commitments.

In 2018 the government announced a renewed four-year climate finance package of NZ\$300 million from within the existing aid budget. This was an annual \$25 million increase on the prior years, to NZ\$75 million a year to 2022. New Zealand also increased its contribution to the Green Climate Fund (GCF) in the second replenishment round in late 2019, from NZ\$3 million over the previous four years to NZ\$15 million over the coming four years. This is a welcome increase. Unfortunately, it falls far short of New Zealand's fair share of the GCF's replenishment call, which Oxfam calculates at approximately \$75 to \$135 million.<sup>52</sup>

Using the government's definition of 'climate-related finance', New Zealand gave \$150 million in 2018.<sup>53</sup> The government reaches this number by including core multilateral funding to institutions like the Asian Development Bank. Not only is this general untagged funding, but the climate portfolios of these institutions cannot easily be attributed back to donor

contributions. Oxfam advocates for the exclusion of this funding, and calculates a measure of 'climate specific' finance.<sup>54</sup> In 2018, New Zealand gave \$63.7 million in 'climate-specific' finance.<sup>55</sup>

Using United Nations data from all donor countries in 2016,<sup>56</sup> Oxfam calculates that per capita, New Zealand was ranked 19<sup>th</sup> out of 23 OECD countries in its climate finance contributions, with US\$7.34 dollars per person provided in 2016.<sup>57</sup> Only Canada, Italy, Portugal and Greece contribute less per person. The highest per capita contributions come from Luxembourg, with US\$239.50 per person and Germany with US\$111.63 per person. New Zealand is not a generous climate finance donor.

Most donors need to do much better in terms of financing climate action, including New Zealand, as can be seen from the Figures in the mitigation and adaptation sections below. It is heartening to see indications that the Aid Programme is "committed to supporting partner countries to rebuild more inclusive, more diversified, low-emission and climate-resilient economies" in response to the economic impacts of the coronavirus pandemic.<sup>58</sup>

The substantive policy and programming guidance for the New Zealand Aid Programme's climate action comes from the relatively new Climate Change Programme.<sup>59</sup> MFAT has also seen increased staff with specialist knowledge in this area. The Climate Change Programme's four main objectives are to enable Pacific Island Countries to lead their climate change response; promote greater global action to reduce greenhouse gas emissions; support adaptation activities to increase Pacific resilience; and promote action to avert, delay, prepare for, and support climate change-related human mobility. Alongside this, there is also a significant amount of activity mainstreamed, which the Aid Programme wishes to expand.

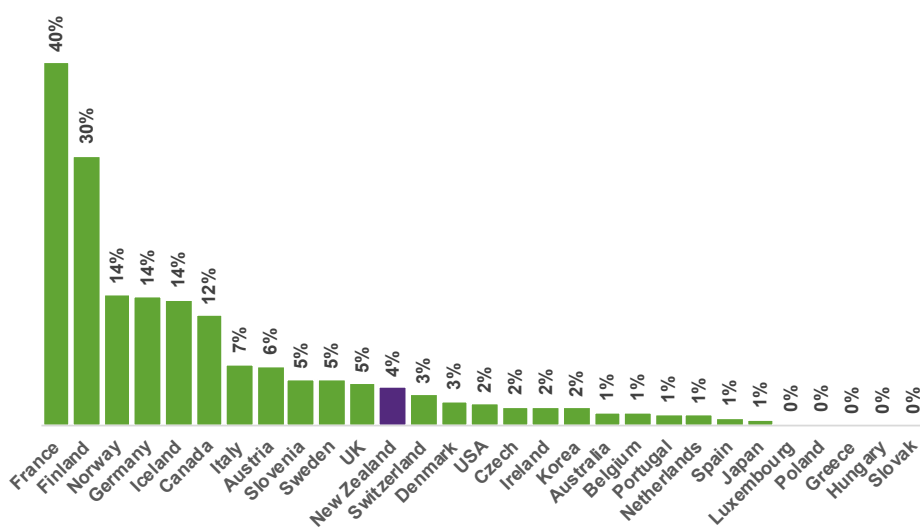
## MITIGATION

As well as volumes of specific climate finance, one way of assessing how seriously donors are working to address the issue of climate change is to look at their aid project reporting to the OECD. Donors use the OECD DAC 'policy marker' system to measure their aid projects attention to climate action and associated climate finance. For environmental and climate issues, these markers are collectively referred to as the 'Rio Markers', which emerged from the 1992 Rio Conference on Environment and Development, where the United Nations Framework Convention on Climate Change (UNFCCC) was formulated.<sup>60</sup> There is a marker for climate adaptation and one for climate mitigation activities. Every aid activity can be assessed as principal, significant or not targeted. Principal activities are those that are totally climate-focused – they would not occur if they were not about climate action. Significant activities are those for which climate mitigation or adaptation are important objectives for an aid activity, but not the main reason for the activity. Activities marked 'significant' for climate give an indication of the extent to which climate action is mainstreamed across the New Zealand Aid Programme – an area that has been prioritised in the Aid Programme for future action. Those labelled 'not targeted' have not been assessed for their impact on climate breakdown. These markers assist donors to account for their expenditure and focus on climate action.



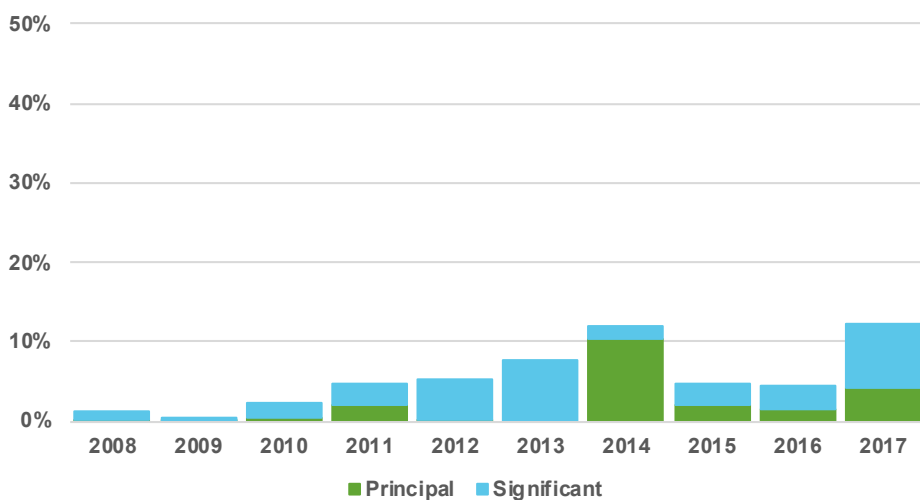
On the basis of this reporting data, in 2017 New Zealand did somewhat better in comparison with its OECD DAC peers in terms of funding the mitigation efforts of developing countries, as Figure 9 shows. However, as Figure 10 shows, 2017 was an exceptionally good year for New Zealand in this area. In most of the preceding years it focused much less on mitigation. With the New Zealand Aid Programme’s focus on the Pacific region and the high needs for adaptation in Pacific Island Countries and Territories, a low level of ‘principal’ mitigation expenditure may be appropriate for New Zealand. However, as Figure 10 illustrates there is scope to expand ‘significant’ mitigation expenditure, particularly if countries that receive New Zealand’s aid request support in this area.

**Figure 9: OECD Donors Aid on Mitigation (principal) as Proportion of All Aid, 2017**



Source: Data extracted on 02 Mar 2020 01:00 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS>

**Figure 10: Proportion of NZ Aid Against Climate Change Mitigation Rio Markers, 2008 - 2017**

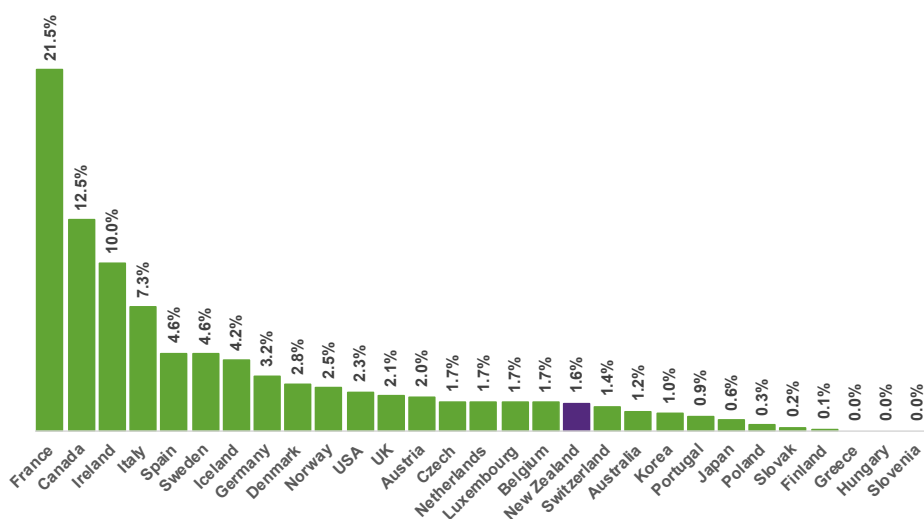


Source: Data extracted on 02 Mar 2020 01:26 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS>

# ADAPTATION

New Zealand also needs to do substantially better in terms of its adaptation expenditure. The needs in all countries New Zealand provides aid to are high – from Indonesia to Myanmar to Papua New Guinea to Tuvalu. These needs justify greater investment in both principal and significant climate adaptation activities. Particularly given the Aid Programme’s focus on the Pacific region, where climate breakdown has been declared the region’s greatest threat, one would expect New Zealand’s ranking among OECD DAC peers to be higher than 18 out of 29, and a long way behind at 1.6% of aid compared to France’s 21.5% or even Ireland’s 10% - see Figure 11.

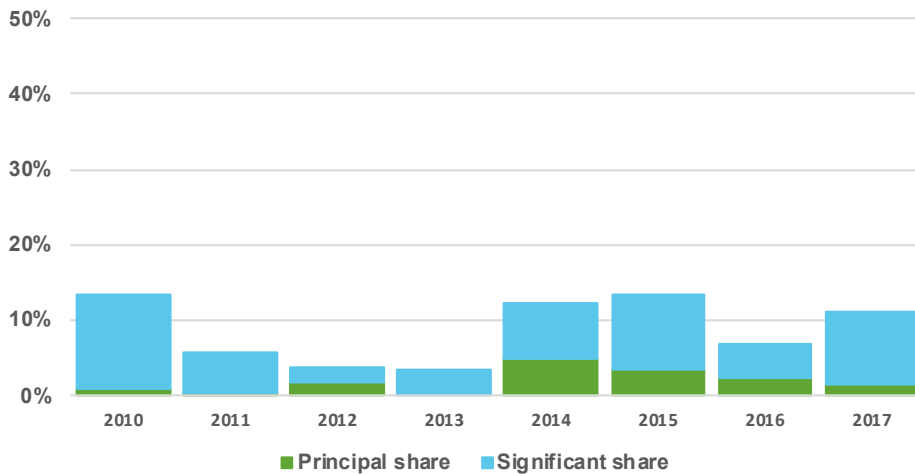
**Figure 11: OECD Donors Aid to Adaptation (principal) as Proportion of All Aid, 2017**



Source: Data extracted on 02 Mar 2020 01:09 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS>

Highlighting the significant challenge that the New Zealand Aid Programme has to expand its focus on adaptation, only 1% of aid in 2017 went to aid activities solely focused on adaptation (principal), while approximately 10% of aid projects had a key climate adaptation component (significant). This has no doubt increased since 2017 with the new Climate Change Programme and will continue to do so now with a clear policy and programmatic focus. These recent efforts must be sustained and expanded to meet the deep need across all countries.

**Figure 12: Proportion of NZ Aid Against Climate Change Adaptation Rio Markers, 2010 - 2017**



Source: Data extracted on 02 Mar 2020 01:37 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS>

## NEW & ADDITIONAL

The principle underpinning climate finance is that it is ‘new and additional’ finance.<sup>61</sup> This means that climate finance should not come from the existing aid budget. Yet, because public climate finance is provided in the same ways that aid is, and climate breakdown is a cross-cutting development issue, climate finance tends to be included in donors’ aid. New Zealand is no different. Funds donors have committed to provide to address long-term development needs, and which get counted towards the 0.7% of Gross National Income to aid, also get counted towards their commitments to climate finance. This presents challenges to accurate accounting and also diminishes the finances available to address *both* long-term development challenges *and* those arising from climate breakdown.

There is a way to amend this to ensure climate finance is clearly differentiated from aid, even when allocated as a ‘significant’ policy marker or mainstreamed as part of a broader project. Climate finance could be provided as a separate Vote in the annual government budget. MFAT could then manage and expend these funds in same ways as aid. The Vote Climate budget could be accounted for using the government’s existing accounting method of weighting activities differently according to whether or not they are principal or significant climate action activities.

For example, the building of a new health clinic in a climate-resilient way has a significant climate component to it, but the primary reason for building the clinic is to enable people’s access to health services. The climate component would come from Vote Climate while the remainder of the funding will come from Vote ODA – the aid budget. This provides a straightforward approach to ensuring that both New Zealand’s climate finance and aid commitments are achieved in a clear manner that avoids double-counting. This approach also ensures transparent and accountable reporting of these funds as climate finance increases, particularly if funds increase at the substantial levels that are required.

## Recommendations

4. New Zealand continue to expand its focus on adaptation and ensures that climate action prevents and reduces inequality and poverty.
5. New Zealand separate climate finance from its aid budget, introducing a Vote Climate in the government budget, administered by MFAT.
6. New Zealand guarantee that climate finance will increase, and establish a timeline to expand its climate finance expenditure, at least in proportion to the same rate of increase in aid expenditure.

# INVEST IN CITIZEN ENGAGEMENT

People's active participation in holding powerful state and corporate institutions to account is key to preventing and reducing poverty and inequality. Yet often the people who experience poverty and inequality are the most excluded from political decision-making. As a result, their needs are neglected. This means that "those who have power and voice are able to shape policies and tax and spending decisions to give them yet more money and power",<sup>62</sup> while the less powerful are left behind. Active citizenship is crucial to ensuring states provide for all their people.

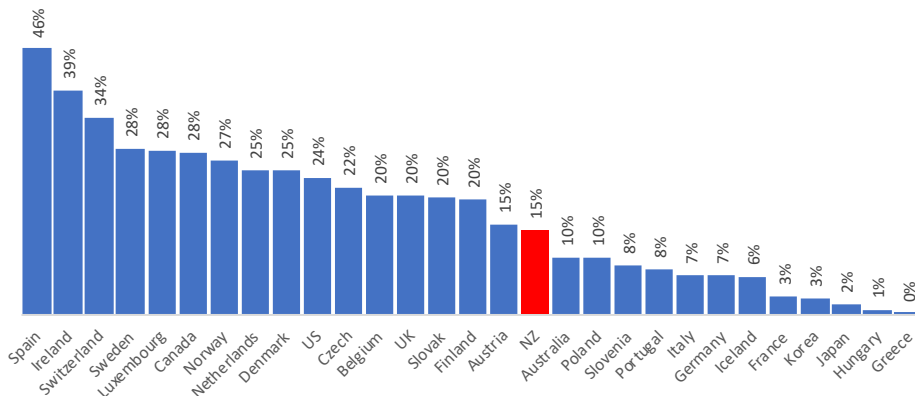
Now more than ever we need active citizenship across the world. As the 2020 CIVICUS State of Civil Society report outlines, even before the coronavirus pandemic civic space was severely eroded: only 3% of people live in countries where the fundamental freedoms of association, peaceful assembly and expression are upheld.<sup>63</sup> While governments across the world have legitimately curtailed some freedoms to stop the spread of the novel coronavirus, in some countries people's civil rights are being infringed upon, particularly among people who already experience exclusion and discrimination.<sup>64</sup> In addition, lockdowns are causing massive economic hardship and hunger.<sup>65</sup>

It is crucial to support civil society groups and citizens to actively participate in decision-making and monitor the implementation of government decisions. This will help prevent corruption, protect human rights, and ensure governments are meeting the needs of all citizens, particularly those who experience inequality and poverty.

For example, supporting women's organisations is known to be central to achieving women's rights; active trade unions help to protect workers' rights and reduce wage inequality; and civil society advocacy on education has advanced better policies for education for all.<sup>66</sup> Active citizenship involves a great deal more than the presence of non-governmental organisations (NGOs), nevertheless, donors' support for NGOs is one indicator of how governments that provide aid can contribute to active citizenship.

Compared to other donors, the New Zealand Aid Programme provides comparatively little aid to NGOs, as Figure 13 depicts. New Zealand is situated in the lower half of the OECD DAC member league table for support to NGOs.

**Figure 13: Donor Table of Aid to NGOs as a Proportion of Total Aid, 2018**



Source: Data extracted on 28 Feb 2020 03:07 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=CRS1>

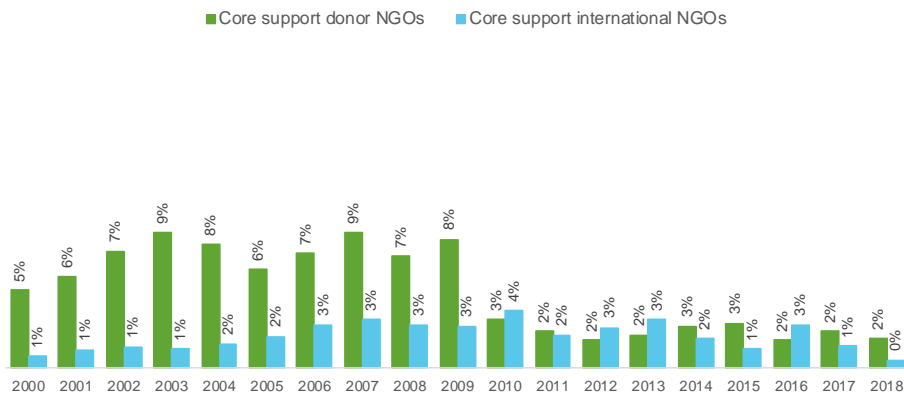
## LOCALISATION

Border closures and restrictions on people’s movements have curtailed the ability of international development workers to move from country to country. In some cases, activity of this nature may not resume for some time. This provides greater impetus to the ongoing discussion about localisation and how it might be fostered. While this concept came to prominence in the 2016 World Humanitarian Summit and its Grand Bargain commitments, localisation has been a long-standing focus in international development efforts, and is closely related to the concepts of sustainability and ownership. The underpinning principle of localisation is to channel aid to local actors, organisations and institutions rather than external, international actors, such as contractors and international NGOs.<sup>67</sup>

The practice of localisation is complex and requires significant attention to context and political economy analysis. While localisation is a critical strategy in any aid programme, it has both advantages and disadvantages.<sup>68</sup> What is most important is to identify the desired goals and to select the best approach for the situation at hand. To date, while there is much discussion about localisation in New Zealand’s international development cooperation community, there is little evidence that its practice is guided by a clear, shared definition or suite of approaches. As Figure 14 below indicates, a relatively small amount of New Zealand aid support is actually going to local NGOs (‘core support international NGOs). There may be good reasons for this, but these must be interrogated and discussed to progress meaningful and effective localisation work.



**Figure 14: New Zealand Aid to Core Support for NGOs, 2000 - 2018**



Source: Data extracted on 28 Feb 2020 03:25 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE1#>. Donor NGOs are those NGOs in New Zealand that receive funding from MFAT to carry out international development work; international NGOs are NGOs that are not based in a donor country.

The Aid Programme’s new emphasis on governance, including transparency and accountability, as well as on partnership, may see an increase in support to NGOs and other forms of citizen action. It is Oxfam New Zealand’s recommendation that supporting NGOs, and other forms of collective citizen action, become a greater focus for the Aid Programme.

## Recommendations

7. Increase investment in active citizenship, including through NGOs – whether international or national – depending on the most appropriate approach for the context.
8. This investment must include core support for NGOs, recognising their crucial role in functioning democracies and good-enough governance.
9. Develop a clear policy statement and approach to localisation to guide New Zealand’s aid expenditure, and ensure the most appropriate approach is used for the issue at hand.
10. Engage in policy dialogue with civil society in New Zealand and all countries where New Zealand has a presence, acknowledging civil societies’ key role in society and contribution to national discussions on sustainable development.

# GENDER JUSTICE & INEQUALITY

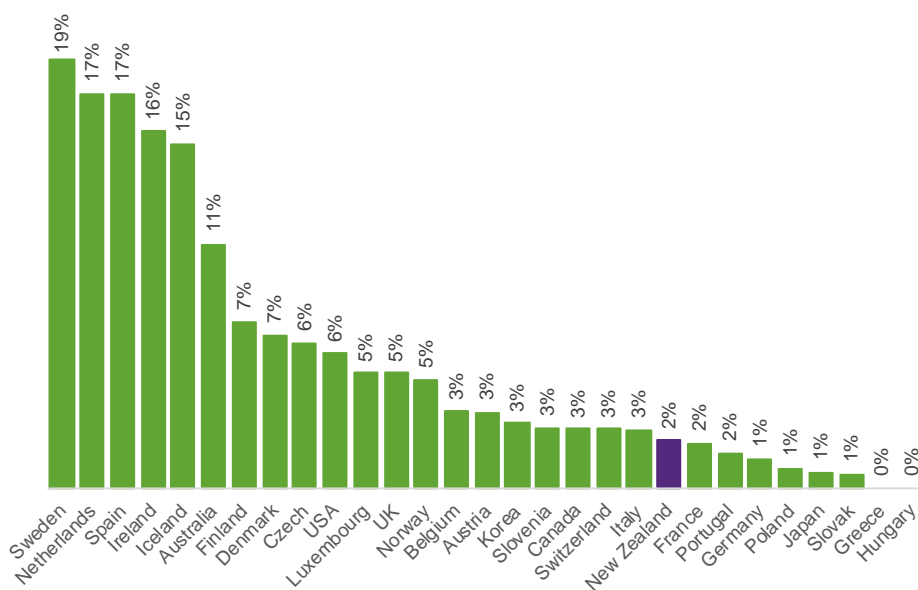
Gender<sup>69</sup> discrimination is pervasive across the world. Despite gains in areas such as health and education,<sup>70</sup> women and girls continue to experience systematic and significant discrimination, including physical and sexual violence. Albeit an improvement from previous years, in 2019 women held only 25% of parliamentary seats and 21% of ministerial positions across the globe.<sup>71</sup> Women’s economic participation and opportunity is stagnant.<sup>72</sup> Women’s ability to participate in safe, full employment is heavily impacted by their unpaid and underpaid care responsibilities – women undertake over 75% of unpaid care,<sup>73</sup> totalling more than 12.5 billion hours every day and countless more for poverty wages.<sup>74</sup> This work underpins thriving families, safe communities, and healthy and productive societies.

The coronavirus pandemic and economic recession is disproportionately hurting women. Women comprise almost 70% of the healthcare workforce, placing them at greater risk of contracting coronavirus, while they also have less participation in healthcare decision-making. Women’s already disproportionate engagement in unpaid care has increased, with school and child-care centre closures, travel restrictions, and the heightened risk of older people to coronavirus, all adding to the required unpaid care. While there are contextual variations, women in developing countries are likely to endure greater job and income losses than men.<sup>75</sup>

New Zealand’s aid investments do not correspond with this need. Because gender is a cross-cutting issue, similar to assessing climate action, the OECD DAC has created policy makers to assess donors’ investments in women’s empowerment and gender equality: principal, significant, and not targeted.<sup>76</sup>

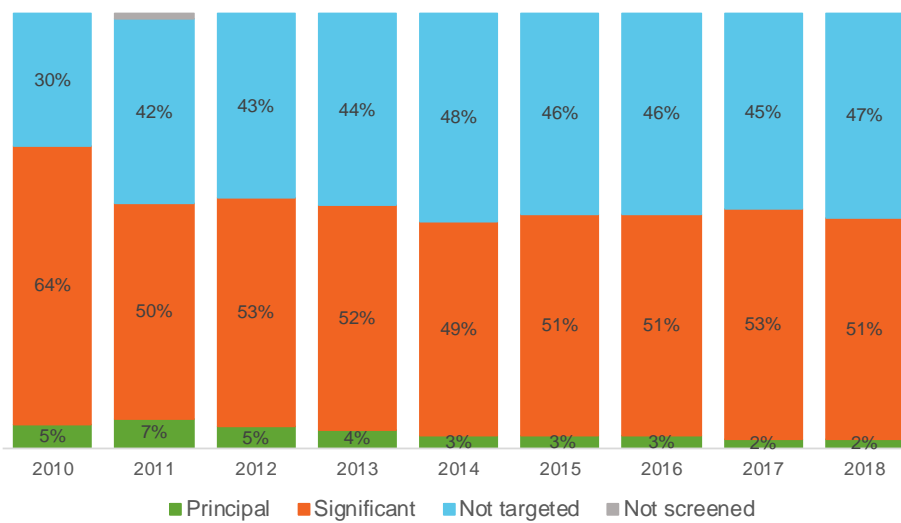
New Zealand compares poorly against its OECD DAC peers on the per cent of aid activities that have a principal focus on gender equality, as Figure 15 below shows.

**Figure 15: OECD DAC Donors, Proportion of Total Aid with Principal Focus on Gender, 2017**



Despite a long-standing commitment from the New Zealand government to mainstream gender across its Aid Programme,<sup>77</sup> over the past several years over 40% of New Zealand’s aid activities do not have any focus at all on gender equality, as depicted in Figure 16 below. It is a positive sign that 51% of activities do have a significant gender focus. Yet, these assessments must be treated with caution, as donors do not always accurately use the gender markers.<sup>78</sup> It is possible New Zealand is excellent at using the gender markers and the statistics represent an accurate picture. If so, for an Aid Programme that expressly states a focus on gender mainstreaming and gender equality there remains room for improvement.

**Figure 16: Proportion of NZ Aid Allocated to Gender (as per markers)**



Source: Data extracted on 01 Mar 2020 02:18 UTC (GMT) from OECD.Stat: [https://stats.oecd.org/Index.aspx?DataSetCode=DV\\_DCD\\_GENDER#](https://stats.oecd.org/Index.aspx?DataSetCode=DV_DCD_GENDER#); CRS for 2018 data

## Recommendation

11. New Zealand significantly expand its focus on gender justice in the Aid Programme, including activities with both principal and significant attention to gender justice.

# SIGNIFICANTLY & QUICKLY EXPAND AID

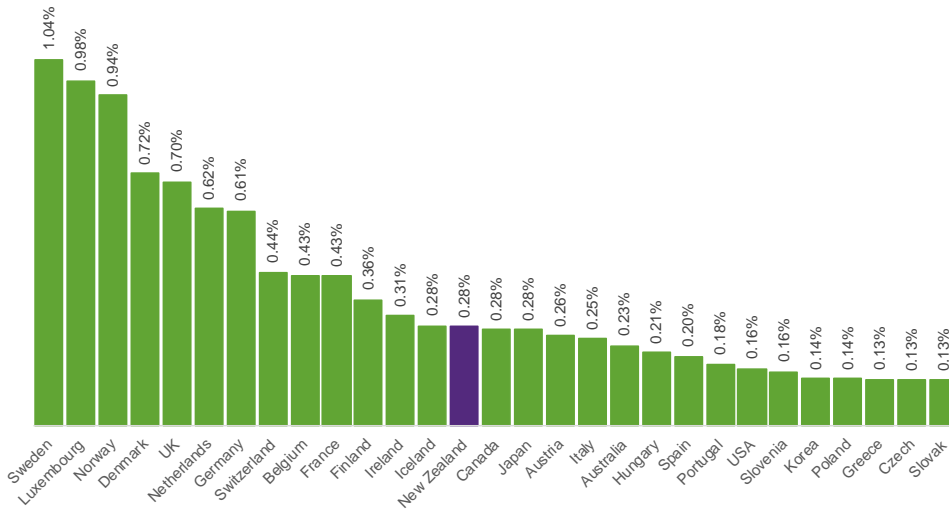
Aid is a powerful and useful source of funding for countries that are poor. While developing countries require many different development resources, aid is unique in that its purpose and activities are set by public policy, and governments can choose to fully devote it to reducing poverty and inequality, focusing on gender equality and women's empowerment, and leaving no-one behind. Aid is also one of the only ways to put long-term, predictable finance on-budget in the poorest countries. Aid is an essential source of finance, and a form of global redistribution both within and between countries. These are some of the reasons why aid must be spent well.

Despite the importance of aid, donors are not meeting their stated commitments to either the quantity or quality of aid. Recent years have seen a trend back towards donors using more of their aid for self-serving purposes, ignoring decades of experience and research that shows this makes aid a less effective and efficient tool to reduce poverty and inequality.

Now more than ever New Zealand needs to expand its aid budget. The coronavirus pandemic and economic recession highlight the need for more focus on areas such as health and social protection,<sup>79</sup> but the development challenges New Zealand invested in prior to the pandemic also remain important. The pandemic has shown how connected humanity is and how we have the opportunity to build a world where no one is left behind. Achieving this will require a rapid and massive expansion in aid budgets across the world, to once and for all build societies where all people and our planet thrive and survive.

New Zealand's aid levels have generally been low in comparison to its stated commitment to achieve 0.7% of GNI to aid. In comparison to New Zealand's OECD DAC peers, New Zealand is below average, as Figure 17 shows below.

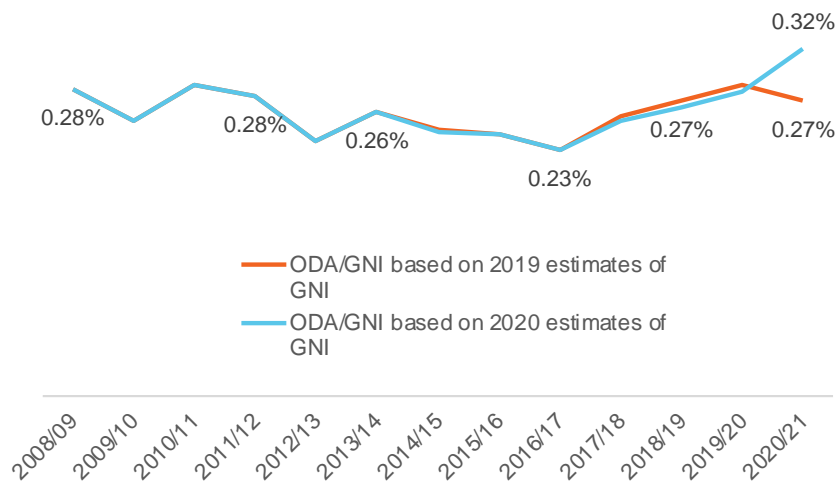
**Figure 17: OECD DAC Donors Aid as a Percent of GNI, 2018**



Source: Data extracted on 02 Mar 2020 00:26 UTC (GMT) from OECD.Stat: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE1#>

New Zealand gave the highest levels of aid in 1977, where aid levels reached over 0.5% of GNI. A subsequent high was 0.3% in 2009, before falling and stagnating below this until the current financial year (2020-2021), where it once again reached over 0.3% of GNI, as shown in Figure 18 below. Unfortunately, this was due to a drop in New Zealand's GNI, rather than an increase in aid levels.

**Figure 18: NZ Aid as Per Cent of GNI, 2008 – 2021**

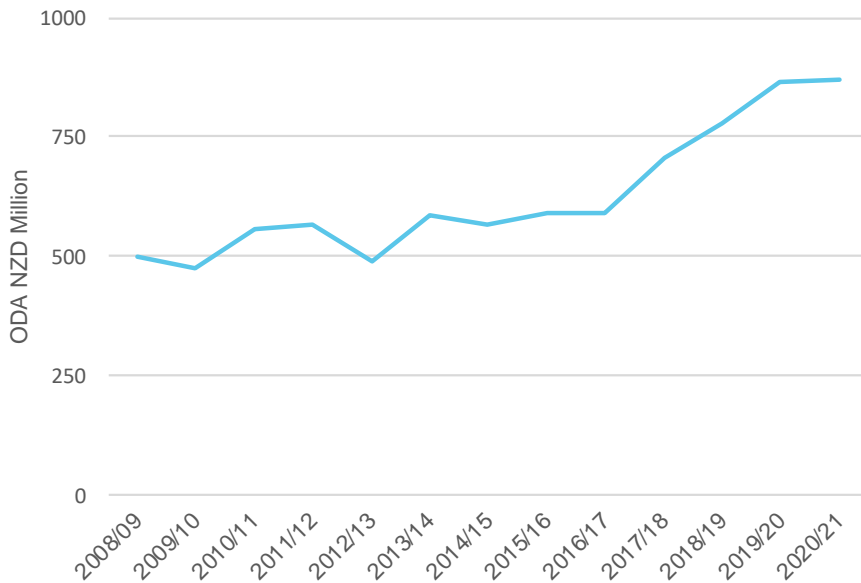


Source: ODA data from Budget 2020: <https://budget.govt.nz/budget/excel/data/b20-expenditure-data.xlsx>; GNI data obtained directly from Treasury in 2019 and 2020.

The aid increase announced in 2018 was substantial, as illustrated in Figure 19 below. In the 2019 budget, additional funding has steepened the gradient of the increase, but not substantially expanded it. Over the three-year allocation period 2018 to 2021, aid was approximately NZ\$2.2

billion dollars. In the 2020 budget, due to overspends in the first two years of the triennial allocation, an extra NZ\$50 million was secured to ensure the NZ\$869 million already budgeted for was not reduced to make up for the over-spend in earlier years of the triennial allocation. Overall, across the triennium from 2018 to 2021, annual expenditure ranged between \$770 to \$870 million a year.

**Figure 19: Inflation Adjusted Absolute NZ Aid, 2012 - 2023**



Source: Data from budget document here: <https://www.budget.govt.nz/budget/pdfs/estimates/v4/est19-v4-offdev.pdf>; Inflation data: <https://treasury.govt.nz/sites/default/files/2019-05/befu19-charts-data.xlsx>parent url; <https://treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2019>

Prior to the coronavirus pandemic, the current Foreign Affairs Minister, Winston Peters, stated that he wanted New Zealand’s aid to reach 0.35% of GNI by 2024.<sup>80</sup> Now, with the pandemic and economic recession, this goal is not ambitious enough. New Zealand is one of the least indebted countries in the world and can afford to assist others.<sup>81</sup> The pandemic has shown us how connected we are and that all wealthy countries have to contribute adequately to unlock everyone’s potential, so that we can bring the full force of humanity’s creativity and ingenuity to solve our collective problems, such as finding a coronavirus vaccine and stopping global heating.

## Recommendation

12. The New Zealand government boost its next triennial aid allocation by \$500 million – approximately 20% on the current year, and outline a timeframe to achieve its commitment to 0.7% of GNI to aid by 2030.

# GIVE AID WELL

Giving aid is no simple task – more than 70 years of the practice has taught us that much. However, there are several aspects of aid-giving that support it to be more effective and efficient. There is no doubt that the ability to assess context and deliver aid in ways that respond to the political economy are key components of giving aid well. Here, we focus on budget support as an important mechanism to strengthen country systems and ownership (linked to the discussion above about localisation), the need for skilled and experienced development professionals employed in an aid programme, transparency, and untying aid.

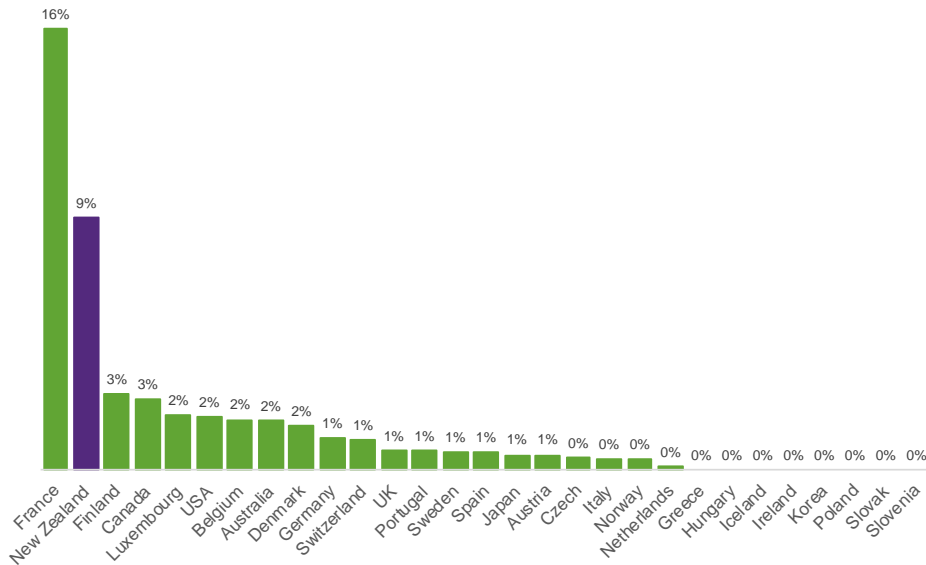
## USE COUNTRY SYSTEMS & BUILD COUNTRY OWNERSHIP

Budget support involves a package of financial contributions paid directly to the treasury of the government receiving aid, combined with policy dialogue, technical assistance and conditionality, all focused on achieving particular development objectives laid out in the development plans of the country receiving aid.<sup>82</sup> Budget support arose at the turn of the millennium, as governments providing aid worked to do so in ways that supported the ownership of government's receiving aid, alignment with their country plans, harmonisation between donors, accountability and results (the Paris Declaration aid effectiveness principles).

Evaluations have found that budget support can increase public spending, particularly in education and health, improve public financial management, strengthen finance and statistics ministries, and can contribute to macroeconomic stability.<sup>83</sup> There is mixed evidence regarding budget support's impact on the demand side of government accountability – factors such as a strong civil society, parliament, and media, corruption reduction, and domestic resource mobilisation (DRM). There is no evidence that budget support improves quality in service delivery.

The Aid Programme has grown its budget support over recent years, and it is highly likely that this modality will expand with the coronavirus pandemic. Currently, New Zealand compares well against other OECD DAC donors in relation to budget support.

**Figure 20: OECD DAC Donors Proportion of Aid Given as Budget Support, 2017**



Source: Data extracted on 01 Mar 2020 03:13 UTC (GMT) from OECD.Stat

One of the reasons why New Zealand ranks so highly in relation to budget support, is the constitutional arrangements in place to provide budget support to New Zealand’s Realm countries of Cook Islands, Niue and Tokelau. This budget support is not linked to policy reforms.

Other countries that receive budget support from New Zealand are Fiji, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, and Tuvalu. This is done in shared arrangements in conjunction with other donors. These arrangements have increased in recent years, with Vanuatu likely to be included in 2020, and are connected to countries’ policy reforms. The five donors in these multilateral budget support arrangements are New Zealand with the Asian Development Bank (ADB), Australia, the European Union and the World Bank. The exact arrangements vary from country to country, but this joint approach reduces the compliance burden on the government receiving aid, as they do not have to meet five separate sets of donor accountability requirements. These multilateral arrangements follow a set of good principles for budget support outlined by the Friends of the Pacific Budget Support Group.<sup>84</sup>

As noted above, budget support is not only about providing finance, but is also accompanied by policy dialogue and conditionalities. The core focus, however, is reinforcing the key policy reforms and strategies of the governments receiving aid. This means that if partner governments don’t prioritise poverty and inequality reduction, or human rights, tension can arise between the expectations of the taxpayers providing aid, the government delivering it,<sup>85</sup> and the government receiving aid. For example, there can be tension between an expectation from donor governments to see advances on gender equality, the rights of persons with disabilities, and social protection, which may not necessarily be included in the policy plans of the government receiving aid.



This highlights the importance of policy dialogue and technical assistance, to ensure that these tensions and differences are broached and discussed in productive ways between government partners. This requires skilled and experienced staff (as discussed below). Given budget support's limited impact on demand-side governance, corruption and service quality, it is crucial that MFAT ensure these areas are invested in through various mechanisms, including those outlined in other areas of this report.

## SKILLED & EXPERIENCED STAFF

International development cooperation, including the delivery of aid, requires specialist skills and experience. Ensuring aid is spent effectively and efficiently requires staff who understand the practical realities of the countries they are working in, and are able to engage in constructive relationships with their colleagues in countries receiving aid. Core competencies are required, such as cross-cultural abilities, interpersonal relations, development theory and practice, change management skills, technical capabilities, and role-specific capabilities.<sup>86</sup> This is not to argue that all individuals employed in a government aid programme require all these capabilities, but that the aid programme as a whole has to ensure these capabilities are present to an appropriate degree.

International development cooperation is a complex endeavour, operating in uncertain environments and aiming to achieve locally-led change that results in expanded human and planetary well-being. Each country has its own cultural, economic, social, environment, political and historical context and history that any international development cooperation activities have to account for. This is no easy task and, as the OECD DAC states, “securing and developing well-qualified, motivated local and expatriate staff is essential to effectiveness”.<sup>87</sup>

Over the past decade, the New Zealand Aid Programme has struggled with staff capability. The 2015 DAC Peer Review of New Zealand's ODA highlighted that development specialist staff had diminished over the preceding years and that the Aid Programme needed to address the potential risks this posed to delivering effective and efficient aid.<sup>88</sup> A particular need was noted for staff who could work to ensure the central issues of environmental sustainability, gender equality and human rights were integrated into all programming.<sup>89</sup>

This situation has improved recently, with expanded roles for specialist staff in areas such as gender, human rights and inclusion. Climate change work has also been bolstered through the recruitment of several new staff members. There has always been a focus on specialist technical capabilities in recruitment for the Development Sectoral and Thematic Team of the Pacific and Development Group of MFAT, yet there has not always been a concurrent emphasis on international development cooperation skills and experience. It remains unclear to what degree international development cooperation capabilities are prioritised amongst bilateral programme staff.

The Aid Programme is different from the remainder of MFAT in that it focuses on achieving New Zealand's long-term interests through growing peace, equity, prosperity and well-being in other countries. No other part of MFAT does this. While specialist skills are required elsewhere in the Ministry, such as trade, these areas are all tasked with advancing clear and shorter-term New Zealand interests. First and foremost, the Aid Programme exists to achieve development in other countries. As argued above, this requires a very particular knowledge and skill set. This requirement must be prioritised and valued within the Ministry, including through instigating a clear human resource strategy and career pathway for international development specialists within the Ministry.

## TRANSPARENT AID

All government spending ought to be transparent. Transparency is also integral to good aid practice. Unlike domestic spending, the effects of aid are felt far away and are not easily observed by people in donor countries. Journalists, advocates, and concerned citizens need to know what aid is being used for to be able to hold their own government to account for its aid spend.

Transparency is also important for people in the countries that receive foreign aid. People in the countries where aid is spent need to have a clear picture of how much aid is coming from each donor and what it is supposed to be used for, if they are to hold their governments to account for money they have received, and if they are to hold donors to account for their actions on the international stage.

Aid transparency has not been a strong point of the New Zealand aid programme over the last decade. The global campaign – Publish What You Fund, which publishes assessments of donors' transparency – rated New Zealand fourth from bottom in 2018, with a score of 31.<sup>90</sup> However, in 2020, New Zealand improved markedly, due to the recommencement of the publication of IATI-compliant aid data, leaping-up to a rank of 13 out of 47 donors assessed, with a score of 78.<sup>91</sup> This is a significant improvement and the increase was deserved. Nevertheless, New Zealand continues to have significant issues when it comes to aid transparency.

Country strategies and plans are not published. These are the core documents describing where New Zealand's aid is invested and why. Taxpayers and citizens in both New Zealand and the countries receiving New Zealand aid need to see these documents to understand the rationale for what aid is being spent on and where, highlighting how the Aid Programme assesses multiple competing priorities.

Current, publicly available, country-level aid spending data have only intermittently been available in recent years. Updates are also often long-delayed. This contrasts unfavourably with countries such as Australia that produce indicative country-level budgets ready for budget night. The recent merger of Vote ODA into Vote Foreign Affairs for the New Zealand budget risks further diminishing transparency.

A truly transparent donor will provide easily accessible information on its projects around the world, including budget, sector and project purpose. But access to project-level data is very limited. At present, information of this sort is only available for New Zealand on the OECD's Common Reporting Standard (CRS) system. This is useful but data is only released after a long lag. Although New Zealand has recommenced publishing IATI data, this data are only available as XML files, which are of no use to anyone lacking specific IT skills. Access to an XML converter is provided from the aid programme's website but the data that emerge from the converter are themselves not easily used. The New Zealand aid programme should provide simple CSV files of project level spending in a timely manner.

Although the Aid Programme does an excellent job of publishing project evaluations, other key project documents relating to scoping and planning are not available (once again this is at odds with the aspirations of other similar donors such as Australia). Documentation needn't be made available for all projects but key documents should be placed online for all major projects and made easy to find on Aid Programme website country pages.

The aid section of the New Zealand Foreign Ministry's website is not easily navigated. The most obvious pages are basic country information pages. It is challenging to find information that is crucial from a transparency perspective, such as who contracts are being awarded to. Moreover, information in areas such as contracts has a short half-life online and no time series are available.

It would not be onerous to make improvements in these areas. All that is required to turn New Zealand into a leader in aid transparency would be providing greater detail in the annual government budget, a mandatory policy of publishing key documents, (such as country strategies), the simple task of making project-level data available in two data formats, and improvements in website information and navigability.

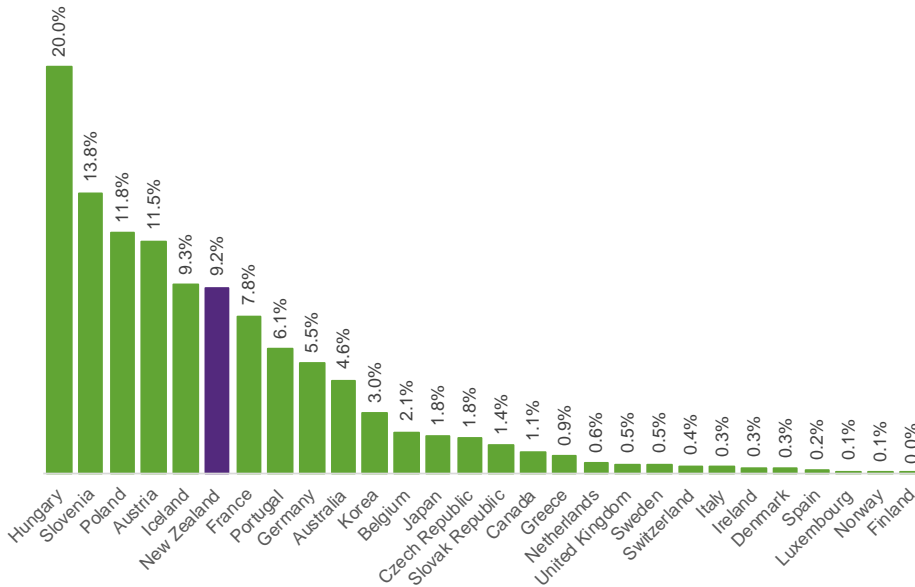
## UNTIE AID

Tied aid is aid that is linked to the use of products and services in the donor country. Tied aid is inefficient at best and does harm at worst, through directing aid expenditure away from important activities that reduce and prevent poverty and inequality, in favour of a donor's economic interests. Research has consistently demonstrated that aid focused on addressing poverty and inequality achieves the best results, most efficiently. Aid given for donor benefit can actually make aid more costly for countries that receive it, and the impact on poverty reduction is reduced when donor benefit is factored into aid allocation.<sup>92</sup>

Accurate measures of donors' tied aid are challenging due to weak donor reporting and procurement processes that disadvantage firms outside the

donor country.<sup>93</sup> Eurodad’s analysis shows that 66% of aid contracts from Zealand aid were awarded to firms in New Zealand in 2016.<sup>94</sup> Also, scholarships are arguably a form of tied aid. These comprise approximately 9% of New Zealand’s total aid budget, as Figure 21 below shows.

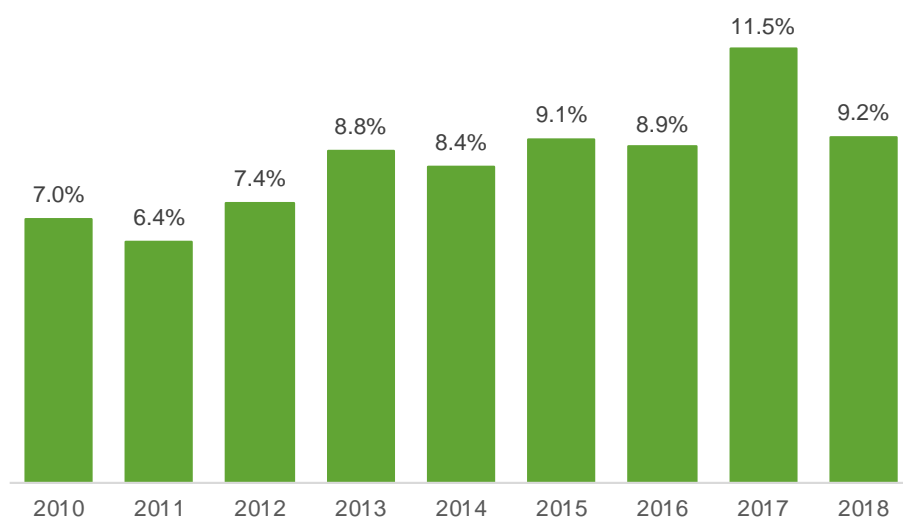
**Figure 21: OECD DAC Donor Aid to Scholarships, 2018**



Source: Data extracted on 09 Feb 2020 01:57 UTC (GMT) from OECD.Stat  
<https://stats.oecd.org/Index.aspx?datasetcode=TABLE1#>

New Zealand spends a significantly large proportion of its aid on tertiary scholarships. Scholarships have long been a useful diplomatic tool, in that they can build favourable relationships with people from other countries, particularly those who may go on to assume positions of political power. Scholarships can also help subsidise the tertiary education sector in a donor country like New Zealand, providing a form of marketing, advertising and income. However, the development impact of scholarships is contested and often unclear, particularly when scholarships are not closely related to country and sector development plans.

**Figure 22: New Zealand Aid to Scholarships as a share of all Aid, 2010 - 2018**



Source: Data extracted on 09 Feb 2020 01:48 UTC (GMT) from OECD.Stat: US Dollar, Millions: <https://stats.oecd.org/Index.aspx?datasetcode=TABLE1#>

## Recommendations

13. Expand internal capability to effectively assess the country context, including political economy, for budget support, and design budget support in ways that foster institutional capacity development and policy dialogue; use alternative funding mechanisms for desired outcomes that budget support shows little evidence in improving.
14. Prioritise and value international development cooperation as a career within the Ministry, including through instigating a clear human resource strategy and career pathway for international development cooperation specialists.
15. To improve transparency further: provide greater detail in the annual government budget, (including reinstating the Vote ODA); publish country strategies and plans, and key project documents; make project-level data available in two data formats; and improve the availability and navigability of information on the website.
16. Ensure New Zealand's procurement processes do not contribute to tied aid, and reduce New Zealand's investment in tertiary scholarships that require study in New Zealand, while ensuring all scholarships awarded are tailored to country development plans.

# CONCLUSION

The world is at a crossroads. Humanity is faced by several crises: inequality, poverty, climate destruction, a novel coronavirus pandemic and accompanying economic recession. These crises work together in a vicious cycle that cause the people who already endure the indignities of inequality and poverty to struggle even more, while also threatening to undo years of progress and push people back into extreme poverty. The climate crises threatens to destroy the very environment human beings rely on to survive.

But these are not intractable or unsolvable crises. Over the past decades we shifted millions of people out of extreme poverty. We created drugs that successfully treat the Human Immunodeficiency Virus (HIV), preventing millions of people from dying of Auto-Immuno-Deficiency Syndrome (AIDS). We stopped the degradation of the ozone layer. We eradicated smallpox and have almost achieved the eradication of polio.

The way we achieved these successes was by working together as a global community. The crises we face today are collective action problems that require collective responses. One crucial tool for the response is aid and climate finance. This funding supports collective action, not only by directly funding joint action through global institutions, but also by enabling people across the world to get the basics they need for a life of dignity and opportunity – health care, support when things go wrong, education, support to survive climate breakdown, meaningful jobs, and a voice in how they are governed. New Zealand can make a significant contribution to alleviating and reversing the challenges the human family faces by providing enough aid, as well as possible, and for the things that expand people's capabilities and dignity.

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<sup>69</sup> Gender is broadly defined as the characteristics and dynamics associated with masculinity and femininity. A person's gender is the result of an interaction between their biological sex, social norms, and their sense of who they are. Gender does not only refer to men and women, but also people of diverse gender identities. However, in the world of international development, gender is most often used to refer to women's rights and empowerment, and relationships between women and men. In efforts to promote and protect everyone's human rights and gender justice, this needs to change. Here, we focus on women's empowerment and equality, because that is what the OECD DAC gender policy markers predominantly focus on. This should not be read as a deliberate exclusion of people with diverse gender identities or their experiences of discrimination, which are global and systematic.

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<sup>76</sup> A principal aid activity is an activity that has gender equality as its main objective. A significant aid activity is one that has gender equality as a central and deliberate objective, but it is not the main reason for implementing the activity. If gender was systematically mainstreamed across an aid programme, arguably all activities should have a significant gender component. Not targeted means that the activity has been assessed against the gender markers and found not to target gender equality. Retrieved at: <https://www.oecd.org/dac/gender-development/dac-gender-equality-marker.htm>

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