

NEW ZEALAND

WHAT IS YOUR AID FOR TRADE STRATEGY?

1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?

New Zealand published its trade and development policy, “*Harnessing International Trade for Development*”, in May 2003 available at:

<http://www.nzaid.govt.nz/library/publications/policies.html>.

It recognises the need to address developing countries’ trade concerns as part of broader efforts to reduce poverty, highlighting that trade can contribute to poverty reduction when critical economic and governance factors are in place. It reflects the challenges – both in terms of international market access and domestic barriers – that developing countries face in being able to effectively participate in and benefit from trade and the role that donors can play.

The New Zealand Agency for International Development (NZAID) seeks to help meet these challenges and thereby strengthen the contribution trade can make to development through a dual approach; engaging on trade policy issues with the Ministry of Foreign Affairs and Trade and other government agencies where there are strong development interests;¹ and through programming to support partner countries to take advantage of trading opportunities. The priority areas for programming identified in the policy are:

- accessing the benefits of multilateral and regional processes;
- trade-related institutional and human capacity building (including standards and obligations with respect to human rights, labour and environmental protection); and
- community development (from community based trading partnerships and rural development through to trade promotion agencies).

NZAID is a small player globally so it is important that we are selective in our engagement. We therefore target activities seen by developing partners as being the highest priorities and those most likely to be effective in supporting pro-poor policy and practice.

1. Major themes of interest include: (i) within the WTO - special and differential treatment for developing countries in the agricultural and NAMA negotiations, trade facilitation, Aid for Trade, improving poor people’s access to essential medicines under TRIPS, and WTO accession negotiations of core partners; (ii) regional trade discussions that involve New Zealand and our ODA partner countries in Asia and the Pacific; and (iii) ensuring New Zealand’s own requirements such as SPS, rules of origin, and food safety do not unduly constrain imports from developing countries.

2. *How has this strategy evolved since the December 2005 WTO Ministerial Conference?*

This policy was developed prior to the December 2005 WTO Ministerial but is consistent with Ministers' Declaration in Hong Kong that "Aid for Trade should aim to help developing countries to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade". New Zealand's Trade and Development policy specifically identifies domestic supply-side capacity constraints (including skill and health levels and access to finance) and poor physical and services infrastructure as areas for support.

While the Trade and Development policy itself has not changed since December 2005, our programming and practice evolves as our experience in providing trade-related assistance builds. Our commitment to providing trade-related assistance is reinforced in NZAID's new Growth and Livelihoods Strategy (currently being finalised) which identifies "Making Globalisation Work for the Poor" as one of three core programming areas, along with "Creating an Enabling Environment" and "Making Markets Work Better for the Poor" which are critical for developing the supply side for trade.

3. *How does this strategy address regional aid-for-trade challenges?*

New Zealand's Trade and Development policy identifies channels for the delivery of trade-related assistance at the bilateral, regional, and multilateral level, as appropriate. This enables us to work effectively at a regional level to address challenges that go beyond an individual country and its borders. We work in support of regionally agreed frameworks that identify regional challenges and responses, in particular the Pacific Plan and the Vientiane Plan, and through regional bodies such as the Pacific Island Forum Secretariat.

HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?

SCOPE

4. *How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?*

New Zealand uses the broad definition of Aid for Trade, based on the OECD-WTO reporting definitions. Our trade-related assistance therefore covers a range of areas, including:

- **trade-related capacity building and trade facilitation** activities: such as working to reduce border barriers to trade by improving the standards of developing country exports (SPS/TBT) and customs capacity;
- **addressing supply-side constraints:** support to some productive sectors (such as agriculture, forestry, fisheries, SME development) to move into higher value-added activities and strengthen market linkages; skills training; improving access to finance; and providing selective support for critical infrastructure;
- **support at the macro level** to develop and sustain sound macroeconomic policies to provide an environment that supports economic and export development and, where appropriate, alternative revenue generating possibilities.

Additional activities include promoting environmentally sustainable production, and promoting fair trade by building consumer awareness within New Zealand. We do not include general budget support in our definition of Aid for Trade.

METHODOLOGY

5. How do you allocate the aid-for-trade share in individual projects and programmes?

For significant multi-sectoral projects or programmes that include some trade-related activity, we reflect this in our reporting on trade-related assistance by identifying the approximate share that is for trade-related purposes.

New Zealand does not target a specific amount of funding for trade-related activities. Overall decisions on NZAID programming reflect priorities identified in regional and country strategies for assistance, which have been developed in conjunction with development partners. Where partners identify trade-related assistance as a priority then NZAID will look to support this.

COMMITMENTS

6. According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?²

On the basis of the new OECD CRS reporting structure, our Aid for Trade commitments for 2002-2005 were:

All \$US thousands, 2004 constant prices

	2002	2003	2004	2005
Trade Policy and Regulations	1,352	1,167	1,513	2,357
Economic Infrastructure	2,570	2,900	2,120	4,719
Building Productive Capacity	7,547	11,295	10,576	15,432
Total	11,469	15,362	14,209	22,508

PLEDGES

7. Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference.

New Zealand funding for trade-related activities has increased since December 2005 and we expect this will continue as we are entering new trade-related programmes. We have not, however, made any high level pledges on Aid for Trade as some other donors have done. As noted elsewhere, the level of aid for trade activity in any particular NZAID programme will depend upon the content of the country or regional strategy agreed with our partners.

8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?

Decisions on how New Zealand's ODA is programmed will continue to reflect the priorities for assistance that are identified in regional and country strategies developed in conjunction with development partners. Where partners identify trade-related assistance as a priority then NZAID will

look to support this. New Zealand's overall ODA budget is rising – from 0.27% of GNI in 2006 to 0.35% in 2010 – and we expect the volume of funding for trade-related activities to continue to rise.

HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

New Zealand is working to ensure that our trade-related activities are designed, implemented, and monitored in accordance with the principles outlined in the Paris Declaration. Most of our assistance is delivered through bilateral and regional programmes, but assistance is also being provided through multilateral channels. We adopt a cross-agency team approach to enable us to build on experience and best-practice.

MAINSTREAMING

9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at head quarters and in-country?

Support for trade-related activities features in NZAID's 5-year strategy (under economic development) and down into regional and country strategies and programmes. Both NZAID's Asia and Pacific Strategies (the two focus regions for New Zealand's ODA) have identified broader based economic growth and improved livelihoods as priorities for NZAID activity. In the Pacific, specific outcomes sought include an environment that supports economic growth, markets that work for the poor and strengthened rural livelihoods and food security. NZAID's programme in Southeast Asia is focused on sustainable rural livelihoods, complemented by initiatives in other sectors such as education and health. Further, in both Asia and the Pacific, the themes of gender equity, environment, HIV/AIDS, good governance, human rights and poverty and conflict are considered across all NZAID's programmes.

Through the priorities of growth and livelihoods, NZAID effectively integrates trade-related activities in the context of our overall strategy and programming. Programming decisions ultimately reflect assistance priorities as identified by partner countries. We actively encourage our partners (particularly in the Pacific) to ensure economic and trade issues, where priorities, are reflected in their national strategies.

We ensure staff, both at headquarters and in-country, are aware of our Trade and Development policy and programming through formal and informal mechanisms. Nevertheless we recognise the need to increase these efforts. A particular priority is to increase dialogue and coordination between our bilateral programmes and our regional trade and development programmes to ensure coherence and avoid duplication. We would not expect to necessarily be supporting trade-related activities in all our partner countries given our small size and limited capacity to engage.

10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?

In 2006 NZAID created a new Trade and Development advisory position, thus increasing the capacity within the agency to engage on trade policy issues and provide advice to staff managing trade and development programmes. Human resources allocated for the Pacific trade programme and the Asia trade and development programme have also been increased. A number of people from across the agency (both at headquarters and in-country) actively participate in an internal Trade and Development network of practitioners. A key objective is to ensure linkages are made between policy and practice, to stimulate information sharing and lesson learning on trade-related issues, and to advise on trade and development priorities across the agency. We are also looking to connect more

actively with international networks of experts to ensure we are up to date with international best practice, and are engaged with the ongoing work on the effectiveness of trade-related assistance agenda.

OWNERSHIP

Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.

11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?

New Zealand's broad definition of trade-related assistance (including for example, supporting the development of productive sectors, fiscal reform etc), means that even if trade *per se* is not strongly articulated in a national development strategy, there are often country priorities that New Zealand is supporting that do support our partners' ability to benefit from trade opportunities. We have regular dialogue with our partner countries to understand their priorities. We are conscious though, particularly in the Pacific which has very limited capacity, not to overburden countries with additional priorities.

In addition to our bilateral programmes we have regional activities that respond to partners' articulation of their needs and priorities through regional fora and frameworks, such as the Pacific Plan. Regional mechanisms provide an alternative means of support on trade issues in-country where a partner country has not identified trade as a priority for bilateral assistance.

12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?

In the Pacific, where New Zealand is a larger player, we are increasingly looking at how we can encourage greater policy dialogue between stakeholders across all key issues, including the demand side for such dialogue. On trade-related issues, New Zealand is exploring ways of supporting efforts to build trade policy capacity including the ability of civil society and the private sector to engage. New Zealand also supports the ability of agricultural and fisheries officials to engage in trade policy issues through annual fora. We expect that greater coordination and dialogue with stakeholders in partner countries on all trade issues will also result in more effective discussions on Aid for Trade and priorities for trade-related assistance. We are conscious of the importance of this in the Pacific where they are engaging in various trade negotiations (currently with the EU and in the future with New Zealand and Australia).

ALIGNMENT

Refers to donors basing their overall support on partner countries. national development strategies, institutions and procedures.

13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?

All our programmes look to respond to partner priorities, as reflected in planning documents. Most of our trade-related activities at the national level do not currently use partner countries' budgeting frameworks, however the cost of any assistance being provided is known to our partners and could be noted in their budgets if our partners wished to do this. Some of our regional trade funding in the Pacific does flow through the budget of the Pacific Island Forum Secretariat and thus responds to

the relative priorities of member countries as reflected in the Secretariat's planning and budgeting processes.

HARMONISATION

Refers to donors. actions being more harmonised, transparent and collectively effective.

14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?

New Zealand makes a conscious effort to coordinate with other donors at the country level in order to avoid duplication, identify gaps and synergies, and compare learning. We participate in regional mechanisms (e.g. the ASEAN Secretariat and the Pacific Islands Forum Secretariat) that harmonise recipient country needs and donor activities. New Zealand contributes to a number of multi-donor trade-related initiatives at the bilateral, regional and multilateral level (e.g. NZAID co-funds an infrastructure project in the Solomon Islands; the Pacific Regional Trade Facilitation Programme; and we have supported the WTO Global Trust Fund). We also provide assistance through regional institutions who deliver trade-related programmes, such as the IFC's Private Enterprise Partnership offices in the Pacific and the Greater Mekong Region (PEP-PAC and MPDF), the Foreign Investment Advisory Service (FIAS) the Pacific Financial Technical Advisory Centre (PFTAC, who provide advice on revenue reform, amongst other things), and the Mekong Institute (which runs trade-related courses for officials from the Greater Mekong countries).

15. Are you increasing the amount of aid-for-trade for regional and/or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)

New Zealand is increasing funding for our regional trade and development programmes in both the Pacific and Asia, and our support through multilateral mechanisms. We have recently formulated a multilateral trade and development programme of support to the International Trade Centre (ITC), the Agency for International Trade Information & Cooperation (AITIC), and the WHO CODEX Trust Fund. Ensuring greater effectiveness of our spending is also a priority in order to achieve the greatest impact with our limited resources.

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?

The Trade and Development policy, launched in 2003, sets out broad principles and priorities rather than explicit policy objectives or a standard template for individual activities' objectives. Aid for Trade objectives are thus defined in the normal process of mutual identification of priorities with partners. Objectives are set for individual activities or for programme strategies in response to specific needs rather than centrally set in the policy.

Aid for Trade activities are incorporated into NZAID's mainstream processes for performance information. Most importantly, these processes include mutually agreed strategies at the programme level (e.g. for each bilateral partner) and individual activities within those programmes. Individual activities have their own rigorous objectives, time-frames and performance indicators. Programme Strategies are now also required to include a results framework (formally a requirement from 2007).

Success at both the activity and programmes levels is measured by on-going monitoring and by more thorough evaluation exercises. These systems measure success against the original objectives, with a strong focus on contribution to the wider poverty elimination objectives.

We recognise that many of the challenges facing countries to take advantage of trade opportunities will take time to address. We endeavour to take this into account in setting objectives and timeframes for our Trade and Development policy and programmes.

In 2007, NZAID has allocated new resources to renewing and strengthening its overall performance information and reporting systems. Accordingly, these systems should be regarded as subject to revision.

The Trade and Development policy, launched in 2003, indicates a full review would be completed in 2006 or following the conclusion of the WTO Doha Round. As such we have not yet conducted a review of the policy.

17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?

We consider evaluation has an essential role in enhancing the effectiveness of NZAID programmes. The approach we take for Aid for Trade projects and programmes is the same as for all NZAID's other programmes. NZAID's evaluative activities are guided by the principles of partnership (in both design and implementation of development partners and stakeholders); independence; participation; transparency; and capacity building (to enhance the organisational capacity of stakeholders to undertake evaluation). We follow the OECD/DAC recommendations of five criteria for evaluations: effectiveness; relevance; impact; sustainability; and efficiency. In choosing an approach for a particular evaluation we consider the purpose of undertaking the evaluation, the evaluative criteria, and the context within which it is being undertaken.

18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?

Reviews and evaluations can be, and are, undertaken jointly with our partners, other donors and key stakeholders (e.g. an upcoming example is a review of the Pacific Regional Trade Facilitation Programme). In doing so we seek to use processes that are sufficiently robust to manage any potential bias or conflict of interest. A harmonised and inclusive approach facilitates wider ownership and shared use of the monitoring and evaluation outcomes by NZAID, other donors, and our in-country development partners. We encourage these approaches whenever feasible and appropriate. They are particularly important when working within the context of multi-donor programme activities using partner countries systems and plans. Including partner countries can also have a positive impact in developing their capacity to carry out evaluative activities.

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?

New Zealand's Trade and Development policy emphasises the importance of mutual accountabilities for both parties in a trade and development partnership. We work with partner countries, regional organisations, other donors and stakeholders as appropriate in reviewing programming and our commitments to programmes. In some instances formal accountability mechanisms exist, for example, the Pacific Regional Trade Facilitation Programme is formally discussed at the annual meeting of the region's Trade Ministers. When we undertake a more formal review of our Trade and Development policy, other relevant partners and stakeholders, including New Zealand NGOs, will be included in that process.

New Zealand Annex:

The *New Zealand Agency for International Development* (NZAID) is the main policy and delivery agency for trade-related assistance. It is a semi-autonomous body within the New Zealand Ministry of Foreign Affairs and Trade, which has overall responsibility for New Zealand's international trade policy. NZAID was established in 2002, making it a relatively new agency. With a total budget of NZ\$429 million in 2007/08 and a New Zealand-based staff of approximately 140, NZAID is a relatively small development agency.

NZAID has increased its in-country-presence in recent years and is devolving an increasing amount of programme management to country posts. We are also devolving programme development to posts where there is sufficient capacity. New Zealand's Official Development Assistance (ODA) budget is increasing from 0.27% of GNI in 2007 to 0.35% in 2010.

New Zealand's Trade and Development Policy, "*Harnessing International Trade for Development*" can be found at: <http://www.nzaid.govt.nz/library/publications/policies.html>

A factsheet giving examples of New Zealand's trade-related programming can be found at: <http://www.nzaid.govt.nz/library/docs/factsheet-trade.pdf>