Paris, 8th December 1992

OLIS : >
dist. : >

SG/PRESS(92)92

DAC AID REVIEW OF NEW ZEALAND

The Development Assistance Committee (DAC) of the OECD met on 3rd December 1992 under the chairmanship of Mr. Alexander R. Love to review the development assistance efforts and policies of New Zealand, examining countries being Canada and Sweden. The New Zealand Delegation was headed by Mr. Richard Woods, Director of the Development Co-operation Division in the Ministry of External Relations and Trade.

New Zealand’s aid volume has been on a steady downward trend since reaching somewhat over 0.5 per cent of GNP in the 1970s. While rising to just over US$100 million in 1991 from US$90 million in 1989 (at constant 1990 prices and exchange rates), this recent growth was partly attributable to changes in government accounting rules, which have led to administrative costs being more fully identified, and thus captured in the aid budget. The Committee noted the relatively low share of New Zealand aid going to UN agencies and multilateral aid facilities such as IDA. Multilateral aid in fact declined in real terms by almost 6 per cent between 1985-86 and 1990-91. For the 1992/93 fiscal year the aid programme has been cut by 3 per cent. A 15 per cent saving in administrative costs was not transferred into aid programmes, resulting in a 5 per cent decrease overall in the aid budget. The ODA/GNP ratio is expected to decline towards 0.2 per cent, one of the lowest among DAC Members. The Minister responsible for aid has publicly spoken in favour of holding the ratio above 0.2 per cent of GDP.

The erosion of New Zealand’s aid effort has taken place in the context of minimal economic growth, severe fiscal constraints and major economic restructuring, including extensive trade liberalisation, which is important in the context of policy coherence. The country has now established the basis for a major strengthening of its economy. Economic growth of around 3 per cent is forecast for 1992-94 and seems sustainable beyond then. This transformation in economic prospects provides an entirely new context for decision-making on New Zealand’s aid volume.

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To avoid the aid effort falling rapidly below 0.2 per cent of GDP, the aid budget will henceforth have to increase pari passu with the rate of economic growth, i.e. 3 per cent in real terms given the current forecasts. This would imply exempting aid from the fiscal restraint which is still called for to consolidate the government’s fiscal and debt position. The Committee urged the New Zealand authorities to go beyond this however, and progressively restore the erosion in aid volume which has occurred over the years. While significant in relation to the aid programme, the amounts involved would be extremely marginal in relation to total public expenditure. But this would require developing a policy on near-term aid objectives and explaining it to the public.

In this context, the Committee noted that the New Zealand Government has described the aid programme as a major instrument of foreign policy, helping to secure stability and harmony in the international community and in particular in the South Pacific region, and demonstrating New Zealand’s international credentials as a "team player" in addressing global development needs. New Zealand restated its commitment to the UN aid target of 0.7 per cent of GNP at the UNCED Conference in Rio de Janeiro last July.

While aid volume performance has been deteriorating, the Committee noted a significant improvement in New Zealand’s aid management in recent years. An analytical and evaluation unit has been set up to provide professional support for appraisal, design and evaluation. Administrative structures have been streamlined. Country programming has been introduced based on programme and strategy papers. The policy base for development assistance has been strengthened through a series of policy statements and the development of policy dialogue with recipients, notably in the South Pacific region. Education and training assistance is progressively being moved into bilateral country programmes and a major policy review is nearing completion. A large component of the aid effort, this area of assistance needs to be more fully integrated with the human resource needs and strategies of partner countries. The policy review should facilitate progress in this direction.

While the Government has set out clear principles for its development assistance which accord well with the DAC Policy Statement on Development Co-operation in the 1990s -- an emphasis on people-centred approaches, with priority for human development, wide participation in economic and social progress by low-income and vulnerable groups and women, the promotion of the private sector, employment creation and environmental sustainability -- it has decided not to promote a development education effort in New Zealand. The Committee urged the New Zealand authorities to review their position on development education and to consider how they might harness the NGO community and the Advisory Committee on External Aid and Development, as well as the Development Co-operation Division’s own resources, to increase the range and quality of objective information available to the public on development issues. This would provide a basis for a wider public debate on the aid programme, including the rationale for aid, the geographical reach of aid, and the role of multilateral aid in the programme.
New Zealand’s bilateral aid is focused primarily on the South Pacific. The important progress made by the Pacific Island Countries, together with New Zealand, Australia and other donors, in creating a process for policy dialogue and aid co-ordination was reviewed at the DAC’s meeting on Aid Policies in the South Pacific held in December 1991. The Committee considered that there is now a much improved basis for making aid effective in this region. New Zealand has been moving to gear its aid policies and practices in the South Pacific to supporting economic policy reform, good government, private sector development and greater self-reliance. In this context, the Committee noted that budget support to the Cook Islands and Niue is being reduced or modified. In concert with Australia, a policy for financing recurrent costs has been elaborated and announced. The Committee encouraged the New Zealand authorities to continue to deepen the policy dialogue with South Pacific Island nations and adjust aid modalities and practices in a way that promotes self-reliance and wide local participation in development efforts.