

The Deputy Director
DEVELOPMENT CO-OPERATION DIRECTORATE
Director's Office

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To: DAC Delegates and Observers

New Zealand Mid-Term Review, 2 May 2018, Wellington

Dear Colleagues,

On 2 May, I visited Wellington to conduct the New Zealand mid-term review, accompanied by John Egan of DCD. I would like to thank Mr Jonathan Kings, Deputy Secretary Pacific and Development Group and all his staff for an excellent programme of meetings and discussions. I was pleased to have the opportunity to meet with Brook Barrington, the Secretary of Foreign Affairs, Bernadette Cavanagh, Deputy Secretary Multilateral and Legal Affairs Group, Vangelis Vitalis, Deputy Secretary Trade and Economic Group, representatives from civil society and academia, and a wide range of senior staff from the Ministry of Foreign Affairs and Trade (MFAT). All those we met openly shared their views on developments in New Zealand since 2015, changes within the Ministry, and how New Zealand is addressing the 2015 peer review recommendations.

Overall, I was pleased to note that New Zealand is making good progress with many of the Committee's recommendations.

While the main objective of the mid-term review was to focus on implementation of the DAC's recommendations, we also discussed changes in the national and international context for New Zealand's development co-operation since 2015, including:

- the creation of the Pacific and Development Group in July 2016 which manages New Zealand's development cooperation globally, and comprises a Pacific Branch which leads an integrated approach to New Zealand's diplomatic and development engagement with Pacific countries;
- development in 2017 of a twenty-year horizon Pacific Framework to provide long-term direction to New Zealand's ambition and priorities within the region, and a suite of country strategies;
- conclusion in 2017 of the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) between Australia, New Zealand and fourteen Pacific Forum Island Countries, involving significant aid for trade and policy coherence for development undertakings; and
- the election of a Labour-led coalition government in October 2017, whose approach to international development includes reversing the decline in New Zealand's ODA/GNI ratio and emphasises increased attention to the Pacific, climate change, governance, human rights and women's political and economic empowerment, as well as to multilateral institutions.



A solutions-based, whole-of-government approach to sustainable development in the Pacific

New Zealand's approach to achieving sustainable development in the Pacific is outlined in its *Pacific Framework 2035* and is in line with the 2030 Agenda for Sustainable Development. The approach builds on New Zealand's understanding of its place in the Pacific and the fact that its engagement in the region is non-discretionary; a safe and prosperous Pacific is considered integral to New Zealand's long-term peace and prosperity. The framework draws on New Zealand's understanding of Pacific people's priorities for their countries and the region. It is underpinned by principles of friendship, honesty, trust and respect, and is centred on mutual benefit and collective ambition about long-term, sustainable outcomes. I welcomed the tone and the approach of New Zealand's engagement.

This whole-of-government approach reflects the integrated nature of the 2030 Agenda and the Sustainable Development Goals (SDGs). The fact that New Zealand identifies issues that are key to implementing the SDGs and that cut across sectors and government departments is very positive. New Zealand recognises the need to build systems in the Pacific and is searching for solutions to a range of difficult issues – e.g. immigration, seasonal labour, child protection and implications for trafficking – tackling the policies and the politics needed for lasting change. New Zealand has identified development as one of the tools in a range of levers, which will help Pacific countries to achieve the SDGs. I encouraged the Ministry to share its overarching policy on international co-operation for sustainable development with other members of the Committee once it is completed.

Ownership of development priorities by Pacific countries

New Zealand is consolidating its various planning instruments. The Pacific framework is complemented by four-year country strategies and rolling plans for each. While these strategies and plans reflect whole-of-Ministry priorities for engagement, New Zealand needs to ensure that development priorities are owned by Pacific countries themselves. The Ministry is in the process of linking its plans to joint commitments for development, entered into with each partner country, using the current round of high-level consultations between New Zealand and each partner government to update them. However, the task of capturing all programmes across government, as recommended in the 2015 review, remains a work in progress.

A formal approach to policy coherence for sustainable development

New Zealand is making progress on policy coherence for sustainable development in the Pacific, including a Cabinet-mandated Pacific policy coherence test for domestic policy. An updated agenda, which outlines priority medium-term themes, is currently awaiting approval. Inter-departmental committees are established to deal with specific issues, such as lowering the cost of remittances and ensuring protection for vulnerable children. However, as suggested in recent peer reviews, New Zealand may wish to consider adopting a more formal approach to managing its policy coherence for sustainable development initiatives, setting inter-departmental targets and monitoring progress towards these using agreed indicators.

ODA levels are set to recover

Shortly after my visit, the New Zealand government announced an official development assistance (ODA) increase of \$714.22 million (USD 491 million) over the next four-year budget cycle. With this welcome change, ODA is projected to recover to 0.28 percent of gross national income (GNI), less than the most recent high of 0.30 percent in 2008 under the last Labour-led coalition government. The Minister of Foreign Affairs has indicated his intention to seek further increases in future budget rounds. I emphasised the importance of a long-term plan to address New Zealand's ODA levels and noted that now would be a good time to invest in development education, building public support for the SDGs and for increased aid levels in future years.

Clarifying a focus on poverty and cross-cutting issues



The link between sustainable economic development and poverty reduction was articulated in the *New Zealand Aid Programme Investment Priorities, 2015-19*, which committed New Zealand to supporting sustained, inclusive and resilient development. With the new government placing emphasis on well-being, the Ministry intends to outline in a new *Development Quality Policy* how New Zealand's development co-operation will be inclusive, equitable and leave no one behind.

An evaluation of the Ministry's approach to cross-cutting issues noted a need for improvement in the treatment of cross-cutting issues within the New Zealand aid programme. In addition, the Ministry acknowledges that the approach taken in recent years has not driven better practice. Given the government's increased attention to cross-cutting issues, the development quality policy will also outline how staff are expected to treat these. Whether the Ministry is successful in its plan to combine the existing gender and human rights advisory roles and focus effort at a strategic advisory and policy level, using external capacity to supplement advice, will be a topic for the next peer review to consider.

High levels of staff engagement

I was pleased to learn of the high levels of staff engagement and low staff turnover within the Pacific and Development Group. Development staff have experienced significant change of structure in recent years, and the Ministry acknowledges that its rotational model has led to considerable staff churn. There has been a large programme of work underway – determining the strategic direction, and the structures, processes and guidance which serve this direction – and given the Ministry's focus on continuous improvement, there is more to come. Moving to an adaptive and flexible approach, in particular, will require a change in thinking and practice.

While staff are reportedly embracing the Ministry's new strategic direction, I was not able to assess the extent to which practice has changed. However, I did sense that the direction in which New Zealand is moving is not yet clear to staff, nor external partners. It is important that processes and guidance are quickly finalised and communicated to staff and external stakeholders. Consolidation will enable the Ministry to maintain momentum.

Considering decentralisation models

New Zealand has made progress in addressing a number of challenges it faces with decentralisation from Wellington to its missions abroad. It has defined roles and responsibilities between headquarters and the field and is adapting its project and information management systems to facilitate real-time management regardless of location. It is clear that limited resources – human and financial – present challenges for New Zealand.

I was surprised that field missions do not have more of a driving role in the strategy development process, particularly given New Zealand's interest in embracing a more adaptive management approach. During our discussions, I presented work that DCD undertook in 2012 on models of decentralisation, updated with findings from recent peer reviews. A mixed model might be the most sensible course for New Zealand to follow given the very different contexts in which it works in the Pacific.

A more transparent approach

New Zealand last reported to the International Aid Transparency Initiative in March 2017. The Ministry is focusing on completing the development of its new *Enquire* aid management system, which covers programme, activity, contract and financial management, results and reporting for the whole aid programme and for all aid management staff regardless of location. It rolled out the first phase in April 2018 and the second phase will be released in September 2018. Once implemented, this should deliver greater transparency of New Zealand's development co-operation.



Using evaluation of the scholarships programme to determine its impact on capacity building

New Zealand's expenditure on scholarships accounts for 8-9% of its annual ODA expenditure, and between 2013 and 2016 it averaged 15% of ODA to Asia and 6% to the Pacific. Work is under way on an evaluation of the scholarships programme as well as an updated Monitoring and Evaluation Framework. Both are intended to strengthen evidence of the impact scholarships have on long-term capacity building and development outcomes. I suggested that evidence of impact is essential to ensure that this politically-charged issue does not derail New Zealand's adaptive, responsive approach.

Taking advantage of a high degree of openness within civil society

While engagement with civil society organisations and academics has not been easy in recent years, both groups see a real sea-change occurring in their relationship with the Ministry, including greater access to leadership and staff. I encouraged the Ministry to move quickly to take advantage of this openness, as civil society and academics can help to communicate what New Zealand wants to achieve, particularly in the Pacific, and are well-placed to encourage greater public awareness of the SDGs, and support for increased aid levels.

Non-governmental organisations (NGOs) want support to build civil society in partner countries but feel that this is not facilitated by the *Partnerships Fund for International Development* and its matched funding requirements. The Ministry recognises that matched funding is an issue and is consulting with NGOs on the findings of a recent evaluation of the Partnerships Fund.

Sharing lessons from humanitarian work, especially in the Pacific

New Zealand has been sharing lessons it learns from humanitarian work, as recommended in 2015. I encouraged the Ministry to continue down this path, in particular the way it bridges the humanitarian-development nexus. The Ministry is discussing with NGOs how it engages with them in humanitarian assistance. While NGOs appreciate this openness, they would value a deeper conversation about humanitarian policy, in particular New Zealand's response to long-term protracted crises outside the Pacific. I was pleased to see that the Ministry is now using its financial delegations and that funding decisions are not routinely taken at levels higher than required.

Conclusion

Overall, I was pleased to hear of the significant progress that New Zealand has made to address the DAC's 2015 recommendations and the opportunity that a new political agenda presents. The government is clearly committed to a different approach to development co-operation, particularly in the Pacific, and the Ministry is embracing this change. The next peer review will allow for a more in-depth examination of the impact of the reforms being introduced.

Finally, I wish to thank Jonathan Kings and his team, in particular Pete Zwart who facilitated arrangements, for helping to organise a most productive and enjoyable day of discussions in Wellington.

Yours sincerely,

Brenda Killen



cc: Ms. Charlotte Petri Gornitzka, DAC Chair
Mr. Jorge Moreira da Silva, Development Co-operation Directorate
Mr. Rahul Malhotra, Development Co-operation Directorate