Ministerial Review of Progress in Implementing 2001 Cabinet Recommendations Establishing NZAID

Reviewer: Dr Marilyn Waring
July 2005

Despite all the attention on Asia and relief effort there, New Zealand did not helping hand to its Pacific Islands the massive tsunami hesitate to lend a neighbours.

It is appropriate that this is remembered today.

For New Zealand quickly comes to our aid in such emergencies so many times it would be easy to take this for granted.

But New Zealand's continuous commitment to the Pacific deserves to be applauded.

It is a massive, expensive and continuing commitment by what is itself really a small country by international standards.

New Zealand is sometimes these days overshadowed by the resources much-bigger Australia is now putting into the Pacific Islands.

But even as New Zealand joined the world in rushing to help the tsunami victims in Asia, the Kiwis signalled they would not forget their longtime Pacific Islands friends particularly in the lands of Polynesia, with which New Zealand has such a special empathy.

- Samoa Observer 18 February 2005

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SECTION 1

Introduction

In 2001 the New Zealand Government responded to a review of New Zealand Official Development Assistance (ODA) with the establishment of a new semi-autonomous body (SAB) NZAID, attached to the Ministry of Foreign Affairs and Trade (MFAT). The Cabinet agreed that joint MFAT Ministers should "assess progress made in implementing the organisational and programme changes" through a further review within a year. That proved too short a period for constructive feedback. It became eminently sensible to commission the review at a time to coincide with the OECD Development Assistance Committee (DAC) peer review of New Zealand. The Reviewer began work in November 2004. The terms of reference for the Ministerial Review appear as Appendix One.

The Cabinet Minute (01) 28/8 set the following major directions for New Zealand's ODA:

- Elimination of poverty as the central focus of NZAID, which would need to be incorporated in a new policy framework.
- Integration of the International Development Targets (IDTs) – subsequently incorporated into the Millennium Development Goals (MDGs) – within the new policy framework, and in Pacific regional strategy papers.
- A complete overhaul of the NZODA policy framework that would need to be strategic, accountable and focused, based on international best practice in ODA.
- Bilateral programmes to be based on country-based poverty analysis and country programme strategies.
- A core focus on the Pacific should be maintained.
- Development Assistance to the Cook Islands, Niue and Tokelau should remain within the NZODA programme.
- A bilateral assessment framework should consider the degree to which the ODA programme was too dispersed, and a strategic approach to funding multilateral allocations should be adopted.
- A new education strategy should be developed that would give greater prominence to basic education needs and individual country circumstances.
- NZODA should mainstream human rights, gender and environment throughout its operations.
- A framework should be developed for determining the level of contributions to regional and multilateral institutions.
- Monitoring and evaluation systems to measure the impact of New Zealand ODA should be established.
- NZODA should develop "centres of excellence" in aid delivery.

At the institutional level, the government's decision provided for:
- New Zealand's ODA to be managed by a new semi-autonomous body attached to MFAT, with a separate budget vote for ODA.

- A chief executive to be appointed by, and reporting to, the Secretary of Foreign Affairs and Trade, but with responsibility for providing ODA policy advice direct to Ministers.
- All other staff appointed by the chief executive, with human resource policies and pay scales internal to NZAID.
- Shared service arrangements domestically and offshore with MFAT.

The Cabinet minute then outlined areas that protocol and delegation arrangements between the Secretary of MFAT and the CE of NZAID might be expected to cover. These are addressed in this Review, and particular attention is paid to matters of consistency for the Government's strategic directions between ODA and foreign policy, and the degree of effective coherence and co-ordination of New Zealand's ODA across public sector agencies. The Review also addresses capability and resource issues and their impact on NZAID's ability to carry out the objectives set for it.

What Did the Cabinet Minute Mean?

From the outset the Reviewer noted that the Cabinet minute referred to New Zealand's ODA, and to the name of the former MFAT division, NZODA, which had been in charge of the ODA programme. The decision to name the new SAB NZAID had not been taken. This means that CAB Min (01) 28/8 is capable of two quite clearly different readings. A literal reading is that the Cabinet wished to reorient the focus and direction of all New Zealand's ODA; that delivered by the new SAB NZAID, and including all other "dacable"[1] ODA delivered by New Zealand agencies, approximately 11% of the total ODA on an annual basis.

An alternate reading, that appears to have been the practical interpretation of the Cabinet minute, is that Cabinet saw the change in focus and direction as applying only to ODA delivered by NZAID, and that the quite specific policy and strategy changes, the mainstreaming, the Pacific regional and poverty focuses, and even the goal of "excellence in aid delivery", were not to be adopted by other government agencies in the field.

This seems to the Reviewer to have been an area where clarity of intention and purpose need to be addressed. This is particularly important now that additional contestable ODA funds have been specified in NZAID's budget for the 2005-2006 financial year. Ministers need to revisit the 2001 intention and state clearly its strategic policy view. Does the Cabinet minute on focus and direction of New Zealand's ODA apply only to NZAID, or to all New Zealand agencies engaged in ODA work?

For the purposes of this Review, a literal interpretation of the Cabinet minute has been adopted.

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[1] "Dacable" development assistance is that considered to fall inside the OECD DAC guidelines on what qualifies as ODA.

Process for the Review:

In accordance with paragraph 6.1 of the Review TOR, wide ranging consultations were undertaken. Appendix 2 outlines the OECD / DAC itineraries in the Solomon Islands and Wellington, and the Reviewer's programmes in Niue, Samoa and Bangkok. Visits were also made to the OECD and New Zealand Embassy in Paris, and the Commonwealth Secretariat and the New Zealand High Commission in London. Appendix 3 lists New Zealand Government agencies, NGO and other key stakeholders with whom meetings were held in the review period. At these meetings the Reviewer took more than 160 pages of notes, and gathered documents of relevance to the Review. Those are listed in Appendix 4 along with all written materials examined by the Reviewer.

Inside New Zealand the Reviewer attended / participated in NZAID staff presentations at the Friday Forum, the NZAID Human Rights Workshop, the first meeting of the reference group on the Laos and Cambodia Bilateral Strategies and the 6 monthly report to staff from the Secretary of Foreign Affairs. The Reviewer had time with all NZAID staff from the Pacific posts during their week long meeting in Wellington. In 2004, before being asked to conduct the Review, the Reviewer was a member of the Asia Strategy Reference Group.

The Reviewer also had a separate working space in NZAID's offices, where she could observe the working environment, the workers, and workplace culture over a 5 month period. In this capacity she also had access to and was able to monitor the NZAID Wellington Intranet, which added significantly to her observations on workplace culture. She was also able to notice what NZAID staff at posts didn't receive, when they were left out of this loop. She also wrote to all NZAID staff with the terms of reference asking them to please write to her or feel free to speak to her if they wished to assist her with information, comments and ideas, and a number of them did this.

Throughout this period the Reviewer also approached individual NZAID staff for further clarification of Review matters and on every occasion they have been quickly responsive and, it seemed to the Reviewer, very honest. The Reviewer did not "change behaviours" as she moved through the office spaces in her position of participant / observer.

The Reviewer met with the Parliamentary Select Committee on Foreign Affairs, Defence and Trade at her request, as she perceived them to be key stakeholders in respect of the terms of reference. This was very valuable, and the Reviewer felt their questions clearly reflective of the public interest, and of stakeholder concern. The Reviewer wanted to know what they wanted to know in the context of the Ministerial Review TOR. Their key questions were:

- Are there some problems with a semi-autonomous body?
- Do we get the full story, as NZAID would like to tell it?
- Why is there no timetable or programme to reach 0.7% of GNI as our contribution to ODA?
- Is our ODA outcomes based?
- What are the links between our NZAID, our ODA and trade?
- How proactive is NZAID in engaging with a wide range of New Zealand communities?
- Has the boundary been clearly defined between MFAT and NZAID? Are we running NZAID as a relative of MFAT?

- Do we know if NZ Inc knows what best practice development actually is?
- How can you convince the population that foreign aid is acceptable and supported by politicians?
- How can I be helped as a legislator to work in and with the community to raise the level of aid?
- How independent can the Reviewer be with her report?

To address the last of these questions at this point, the Reviewer has been totally independent in her report, and believes that the research process followed has been sufficiently rigorous to address the other questions on the minds of the Select Committee, throughout the body of this Review Report.

The Reviewer met with members of the Parliamentary Committee on Population and Environment, and with several individual members of parliament at their request. She monitored Oral and Written Questions in the House on overseas development assistance issues over the Review Period.

She also met with, or corresponded with six private contractors in the development assistance sector. Others asked for meetings which were not possible. The key issues raised in these meetings were not those central to the Ministerial Review TOR.

The Reviewer's Personal Standpoint

There is always the possibility that my own experience or engagement with the issues in the sector will bias the process and analytical and narration documentation stages of the Review. Key influences can be declared. I have worked in a wide variety of roles for various multilateral / bilateral / NGO development projects in a dozen countries in the past 20 years. I have not been in the field in the front-line of practice with the new modalities – Sector Wide Approaches (SWAPS), harmonised donor assistance, and with policies of human rights, gender and the environment cross cut through engagement in any programme. I have plenty of criticism of the old approaches, and no front line practice in the new. I have also acted as a mentor for teams in a number of projects under the Asia Development Assistance Framework (ADAF). I had a number of criticisms of this programme, but fortunately the ADAF facility has itself been under review throughout the period of the Ministerial Review, so I have not engaged with these issues.

In the past three years I have spent time on academic leave at the Association for Women's Rights in Development (AWID) in Toronto as a visiting scholar researching, writing and mentoring. I have also spent two periods of time with New Zealand's Human Rights Commission, and wrote a background paper for them in the context of the National Plan of Action on Human Rights and New Zealand's Policies and Practices in respect of Foreign Affairs, Trade and Overseas Development Assistance.

I also attended the in house meeting of the OECD DAC Committee with Jeffrey Sachs and his colleagues when they briefed the Committee in Paris July 18 - 19 2004 on the draft documents on the Millennium Development Goals, which finally appeared in January 2005.

Some Practical Dilemmas:

The Ministerial Review process provides the reviewer with a significant number of ethical dilemmas. No guiding principles are available from the Department of Prime Minister and Cabinet or the State Services Commission. The Reviewer was security cleared and this inhibited an engagement of appropriate assistance for the reviewer. There was no independent contact available with whom the Reviewer might check in when matters of concern in terms of N
ew Zealand's relationships abroad arose. Nor was any guidance available on what use might be made by the Reviewer of confidential and restricted material which was very relevant in respect of the Ministerial Review's TOR. With the possibility that coalition Cabinets may resort more frequently to the use of a Ministerial Review, these issues need to be addressed by DPMC and SSC, to provide clear guidelines to reviewers on these and other matters, which can be anticipated.

Furthermore academic research at New Zealand universities, which uses interviews, focus groups, questionnaires (all were used in the Review) requires an ethics audit. Significant questions are those of anonymity and confidentiality. What assurances (and with what authority) might the Reviewer give participants to speak freely and honestly, where anonymity and confidentiality would be ensured? There was no guidance, for example, on whether or not handwritten notes could be subject to an Official Information Request. While there was no ethics approval process for this Review, it was conducted using the Ethical Guidelines of Massey University.

Finally, as in all sectors containing passionate actors and activists, the rumour mill is alive and well. I have ferreted around most of those I heard as much as my time allowed, and have chosen not to raise them where I feel my narrative and/or findings have addressed the issues they referred to.

Recommendation:

1. That Ministers determine that the focus, direction, policy and strategic frameworks outlined in Cabinet Minute (01) 28/8 apply to all New Zealand agencies delivering ODA.
2. That DPMC and SSC work on broad and practical guidelines for the conduct of Ministerial reviews, which address security clearances for casual assistance, the availability of a 'mentor' when the Review team is only one person, guidelines on the use of confidential and restricted materials which are central to the Review report, and best practise ethical guidelines to cover research methods.

SECTION 2

Elimination of Poverty as Central Focus

The Review highlighted a considerable difference of understanding about what 'poverty' might mean in an ODA context. NZAID staff, and the New Zealand NGO and academic sectors, that is, those who could be expected to be on the cutting edge of best practice, had quite a different appreciation of what 'poverty' might mean, and how to address it, from those outside the professional development sector.

This 'talking past each other' is not surprising, as a wide range of development activities can be justified if there is a lack of grounding in any 'focus' on poverty. For many, 'poverty' is portrayed in images of hunger and utter destitution. For another group, the only response to 'poverty' is via economic development. Any simplistic treatment can see misapplied assistance, which a NZAID Pacific national advised can "add to corruption, environmental despoilation, and undermine centuries of a stable source of social capital".

The 2005 OECD Peer Review of New Zealand commented as follows:

"Poverty is multidimensional and NZAID recognises that reducing poverty is complex and challenging. Distinction is made between: i) extreme poverty (where basic needs cannot be met); ii) poverty of opportunity (where individuals and communities have limited skills, opportunities or infrastructure to improve their own lives); and iii) vulnerability to poverty (where individuals, communities and countries are vulnerable to circumstances which can damage their livelihoods or ability to meet basic needs)".

It is generally accepted that there are **four primary approaches to defining poverty** in the development discourse;

- social exclusion,
- poverty of opportunity to participate,
- the capability (rights) approach and
- the monetary approach.

The use of these different approaches reflects the broad recognition that the measurement of poverty must transcend strictly monetary "poverty lines". This was well expressed by a New Zealand NGO development specialist: "You cannot build an economy if you are incapacitated and if you can't read. New Zealand's strengths are to fill those gaps".

In the Pacific, research by the Asian Development Bank (ADB) conducted participatory assessments of hardship among communities, villages and individuals in eight countries. The research sought the perceptions of poor people about their daily lives, their access to natural resources, their subsistence activities and the causes of hardship in rural and urban areas. (ADB 2004 pp. 8-12).

The definition of poverty or hardship that emerged from the ADB studies appears in Box 1.

Box 1

> **Defining Poverty in the Pacific**
> Poverty (or hardship) is an inadequate level of sustainable human development manifested by:
> - A lack of access to basic services.
> - A lack of opportunity to participate fully in the socio-economic life of community; and
> - A lack of adequate resources (including cash) to meet the basic needs of the household, and/or customary obligations to the extended family, village community and/or the church.

While data for the Pacific Island countries is incomplete, what is available suggests that the incidence of poverty is rising, along with a prevalence of underweight children and an increasing number of malnourished children.

This definition is mirrored by NZAID's Pacific staff, who were asked how New Zealand's partners defined 'poverty'. While making the point that the word 'hardship' was preferred, they wrote of a lack of access to basic needs, unequal access to basic services - especially to health and educational services, a lack of opportunity for training, poverty of opportunity, vulnerability to poverty and being 'in need'.

Every New Zealand NGO representative interviewed spoke of how welcome the change to a poverty focus had been. They spoke of "noticing a definite change of the separation of ODA from politics. In respect of the poverty focus NZAID has done really well and stuck to it".

The central focus on poverty in NZAID has also meant that the Pacific Security Fund is in the MFAT budget. While expenditure in this fund is considered to be ODA in terms of DAC guidelines, the expenditure – on airport perimeter fencing, border security, airport x-ray machines and a raft of post 9/11 international conditions – is not covered by any 'poverty' concept.

The focus on poverty has also been a fundamental principle of assessing New Zealand's multilateral priorities (see discussion on MARAAF; Section 10) and the increased amounts for multilateral engagement in the 2005-2006 Budget are focussed on poverty elimination.

According to the MFAT briefing paper prepared for the Review, the concentration on poverty elimination has seen some conflict between NZAID and MFAT on issues of trade and development, particularly as it relates to access to markets and WTO negotiations in respect of developing countries in the Pacific. The Review discusses this issue in Section 15.

Review Conclusion:

All the planning, documentation, strategic and policy frameworks adopted by NZAID suggest that poverty elimination is NZAID's primary focus. All site visits at posts provided opportunities to confirm this focus in programmes and projects in the field, at bilateral and multilateral levels. All observers, whether New Zealand or international NGOs, other New Zealand government agencies, and bilateral and multilateral partners confirmed that the elimination of poverty was the central focus of NZAID.

Recommendation:

3. That Ministers determine that the elimination of poverty as a central focus, as outlined in Cabinet Minute (01) 28/8, apply to all New Zealand agencies delivering ODA from the NZAID budget.

International Development Targets

The Cabinet Minute (01) 28/8 in 2001 agreed that the International Development Targets (IDTs) should be integrated within the new policy framework and in Pacific regional strategy papers. The IDTs are espoused in the Millennium Development Goals agreed by 189 countries in September 2000.

Millennium Development Goals	
Goal 1	Eradicate extreme poverty and hunger.
Goal 2	Achieve universal primary education.
Goal 3	Promote gender equality and empower women.
Goal 4	Reduce child mortality.
Goal 5	Improve maternal health.
Goal 6	Combat HIV/AIDS, malaria and other diseases.
Goal 7	Ensure environmental sustainability.
Goal 8	Develop a Global Partnership for Development.

NZAID is currently preparing its report to review progress on how it has been incorporating the MDGs into its development (and other appropriate) policies and programmes. The MDGs are now the central agenda for the international community until 2015. They have superceded all other major international platforms e.g. the Beijing Platform for Women.

In the initial drafts of the MDG papers, the Pacific scarcely rated a mention, and there was (and remains) a complete absence of a specific sexual and reproductive health MDG. NZAID worked with MFAT and the Permanent Mission to the UN in making these points during the drafting process, and in otherwise addressing largely supportive positions on the recommendations in the Millennium Project.

Steven H. Sinding, Director General of the International Planned Parenthood Federation (IPPF) has said, "If you're not an MDG, you're not on the agenda".[2] New Zealand has not lost the issue of sexual and reproductive health from its ODA agenda. It is a focus of the health programme in Papua New Guinea. New Zealand has increased its contributions to UNFPA and the IPPF, determined, with much of the rest of the word, to see that reproductive health remains a focus.

NZAID has integrated the MDGs with its new policy and strategy framework. This has not been without criticism. One private consultant reported that they were concerned that there was an immediate strategy tension between the MDGs and Cabinet's directive to "paddle back to the Pacific", and that this made a focus on poverty "inconsistent and idiosyncratic". NZAID has not worn the MDGs as a straitjacket and has remained very focused on the goals and the outcomes. The attitude and approach has been, as one staff member commented, "You can't shape the programme around the indicators".

From the outset there has not been a high level of ownership of the MDGs in the Pacific, because it is not a region Jeffery Sachs is familiar with, and his rhetoric was far more focused

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[2] Address to the Symposium on the Millennium Development Goals and Sexual and Reproductive Health, November 2004.

on Africa. There was some suspicion that the MDGs were being imposed on the region. NZAID responded that it wanted its partners to interpret them. Even the World Bank, at the OECD/DAC meeting on the MDGs[3] had spoken of the need to be much more precise at the country level about the interactions that create the poverty trap. In the Pacific there are some issues about contexualising the targets.

NZAID originally initiated its own study on Pacific Poverty, but in 2002 donors co-ordinated their work around this and the Secretariat of the Pacific Community (SPC) currently takes the lead.[4] The Asian Development Bank (ADB) has also carried out extensive research[5] and has taken the lead on pro-poor planning and poverty analysis. A key approach here is to try to shift donor thinking from,"How do we do poverty analysis?" to asking "How do our partners do their own thinking around poverty planning and pro-poor planning?"

In South East Asia New Zealand is a very small fish in the donor community, but the first priority for NZAID is that of alignment with partners and the donor community around the MDGs.

A core area for focus for NZAID in each bilateral country is selecting one sector of the MDGs in which we can assist and add real value. In different parts of the world the MDGs will have different dimensions. While the Poverty Reduction Strategy Plan (PRSP) process of the World Bank (WB) has not happened throughout the Pacific, NZAID has used appropriate mechanisms "to develop country-based poverty analyses and country programme strategies" as a basis for bilateral programme relationships in response to the MDGs, and as agreed in Cabinet Minute (01) 28/8. It may in fact be to NZAID and Pacific partners' advantage to have escaped the WB PRSP process, as researchers have reported that "Poverty reduction strategies have been gender blind, male dominated, and ineffective in terms of responding to local needs and perspectives".[6]

Other early NZAID concerns with the early drafts of the Sachs report were that there was an emphasis on aid levels and volumes without due attention to coherence, that there was an over confidence in multilaterals as partners in the new modalities to deliver on MDG programmes, and there was emphasis on PRSPs but not much focus at sector levels. There were some significant changes in the draft before the January 2005 release of the Sachs Report, which contained 10 key recommendations. These are as follows:

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[3] July 18, 2005, Paris.
[4] See Pacific Islands Regional Report on the Millennium Development Goals.
[5] See "Hardship and Poverty in the Pacific".
[6] See Ann Whitehead. Failing Women, Sustaining Poverty. Gender in Poverty Reduction Strategy Papers: Report for the UK Gender & Development Network, May 2003. See also Elaine Zuckermann and Ashley Garrett: "Do Poverty Reduction Strategy Papers (PRSPs) Address Gender?" A Gender Audit of 2002 PRSPs (Gender Action 2003).

Recommendation 1

Developing country governments should adopt development strategies bold enough to meet the Millennium Development Goal (MDG) targets for 2015. We term them MDG-based poverty reduction strategies. To meet the 2015 deadline, we recommend that all countries have these strategies in place by 2006. Where Poverty Reduction Strategy Papers (PRSPs) already exist, those should be aligned with the MDGs.

Recommendation 2

The MDG-based poverty reduction strategies should anchor the scaling up of public investments, capacity building, domestic resource mobilization, and official development assistance. They should also provide a framework for strengthening governance, promoting human rights, engaging civil society, and promoting the private sector. The MDG-based poverty reduction strategies should:

- Be based on an assessment of investments and policies needed to reach the Goals by 2015.
- Spell out the detailed national investments, policies, and budgets for the coming three to five years.
- Focus on rural productivity, urban productivity, health, education, gender equality, water and sanitation, environmental sustainability, and science, technology, and innovation.
- Focus on women's and girls' health (including reproductive health) and education outcomes, access to economic and political opportunities, right to control assets, and freedom from violence.
- Promote mechanisms for transparent and decentralized governance.
- Include operational strategies for scale-up, such as training and retaining skilled workers.
- Involve civil society organizations in decisionmaking and service delivery, and provide resources for monitoring and evaluation.
- Outline a private sector promotion strategy and an income generation strategy for poor people.
- Be tailored, as appropriate, to the special needs of landlocked, small island developing, least developed, and fragile states.
- Mobilize increased domestic resources by up to four percentage points of GNP by 2015.
- Calculate the need for official development assistance.
- Describe an "exit strategy" to end aid dependency, appropriate to the country's situation.

Note: Recommendations for sector-specific policies and investments are summarized in this report and described at length in the individual reports of the UN Millennium Project task forces.

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Recommendation 3

Developing country governments should craft and implement the MDG-based poverty reduction strategies in transparent and inclusive processes, working closely with civil society organizations, the domestic private sector, and international partners.

* Civil society organizations should contribute actively to designing policies, delivering services, and monitoring progress.
* Private sector firms and organizations should contribute actively to policy design, transparency initiatives and, where appropriate, public-private partnerships.

Recommendation 4

International donors should identify at least a dozen MDG "fast-track" countries for a rapid scale-up of official development assistance (ODA) in 2005, recognizing that many countries are already in a position for a massive scale-up on the basis of their good governance and absorptive capacity.

Recommendation 5

Developed and developing countries should jointly launch, in 2005, a group of Quick Win actions to save and improve millions of lives and to promote economic growth. They should also launch a massive effort to build expertise at the community level.

The Quick Wins include but are not limited to:
* Free mass distribution of malaria bed-nets and effective antimalaria medicines for all children in regions of malaria transmission by the end of 2007.
* Ending user fees for primary schools and essential health services, compensated by increased donor aid as necessary, no later than the end of 2006.
* Successful completion of the 3 by 5 campaign to bring 3 million AIDS patients in developing countries onto antiretroviral treatment by the end of 2005.
* Expansion of school meals programs to cover all children in hunger hotspots using locally produced foods by no later than the end of 2006.
* A massive replenishment of soil nutrients for smallholder farmers on lands with nutrient-depleted soils, through free or subsidized distribution of chemical fertilizers and agroforestry, by no later than the end of 2006.

The massive training program of community-based workers should aim to ensure, by 2015, that each local community has:
* Expertise in health, education, agriculture, nutrition, infrastructure, water supply and sanitation, and environmental management.
* Expertise in public sector management.
* Appropriate training to promote gender equality and participation.

Recommendation 6

Developing country governments should align national strategies with such regional initiatives as the New Partnership for Africa's Development and the Caribbean Community (and Common Market), and regional groups should receive increased direct donor support for regional projects. Regional development groups should:

* Be supported to identify, plan, and implement high-priority cross-border infrastructure projects (roads, railways, watershed management).
* Receive direct donor support to implement cross-border projects.
* Be encouraged to introduce and implement peer-review mechanisms to promote best practices and good governance.

Recommendation 7	High-income countries should increase official development assistance (ODA) from 0.25 percent of donor GNP in 2003 to around 0.44 percent in 2006 and 0.54 percent in 2015 to support the Millennium Development Goals, particularly in low-income countries, with improved ODA quality (including aid that is harmonized, predictable, and largely in the form of grants-based budget support). Each donor should reach 0.7 percent no later than 2015 to support the Goals and other development assistance priorities. Debt relief should be more extensive and generous.

- ODA should be based on actual needs to meet the Millennium Development Goals and on countries' readiness to use the ODA effectively.
- Criteria for evaluating the sustainability of a country's debt burden must be consistent with the achievement of the Goals.
- Aid should be oriented to support the MDG-based poverty reduction strategy, rather than to support donor-driven projects.
- Donors should measure and report the share of their ODA that supports the actual scale-up of MDG-related investments.
- Middle-income countries should also seek opportunities to become providers of ODA and give technical support to low-income countries.

Recommendation 8	High-income countries should open their markets to developing country exports through the Doha trade round and help Least Developed Countries raise export competitiveness through investments in critical trade-related infrastructure, including electricity, roads, and ports. The Doha Development Agenda should be fulfilled and the Doha Round completed no later than 2006.

Recommendation 9	International donors should mobilize support for global scientific research and development to address special needs of the poor in areas of health, agriculture, natural resource and environmental management, energy, and climate. We estimate the total needs to rise to approximately $7 billion a year by 2015.

Recommendation 10	The UN Secretary-General and the UN Development Group should strengthen the coordination of UN agencies, funds, and programs to support the MDGs, at headquarters and country level. The UN Country Teams should be strengthened and should work closely with the international financial institutions to support the Goals.

- The UN Country Teams should be properly trained, staffed, and funded to support program countries to achieve the Goals.
- The UN Country Team and the international financial institutions (World Bank, International Monetary Fund, regional development banks) should work closely at country level to improve the quality of technical advice.

NZAID's policies, strategies and programmes are well advanced in respect of the recommendations of most applicability to the donor situation, namely nos. 2, 5, 8 and 9, but not in respect of Recommendation 7, which looks for 'high-income' countries to reach a goal of 0.7% Gross National Income (GNI) in development assistance by 2015. In the late 1960s New Zealand joined other UN members to endorse committing 0.7% if GNI to ODA, and has reaffirmed its commitment to this target on many occasions. While the Foreign Affairs, Defence and Trade Committee reported to Parliament that "the Government originally set an intermediate target of 0.35 percent to be achieved by 2006/07, and 0.7 by 2015[7] I have been unable to find any evidence to confirm this statement. The Budget increases to commence from July 2005 will take New Zealand's contribution from 0.23% in 2003/04 to 0.27% of GNI in 2005/06 and 06/07 and then to 28% of GNI in 2007/08.

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[7] 2003/04 Financial Review of the Ministry of Foreign Affairs and Trade, p.6.

Budget & GNI information

Financial Year	Actual							Projected	
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Vote ODA Programme Budget	$219.1m	$226.5m	$222.9m	$230.4m	$246.6m	$312.3m	$320m	$341.7m	$378.7m
Vote ODA Non DACable Budget						-$0.6m	-$0.6m	-$0.6m	-$0.6m
Vote ODA Departmental Operating Budget	$15.2m	$15.3m	$16.5m	$18.7m	$19.5m	$21.1m	$23.9m	$25.3m	$26.9m
ODA Expenditure in Other Votes	$23.5m	$23.5m	$25.0m	$34.1m	$35.1m	$36.0m	$36.0m	$36.0m	$36.0m
Total Overseas Development Expenditure	$257.8m	$265.3m	$264.5m	$283.2m	$301.1m	$368.7m	$379.3m	$402.3m	$440.9m
GNI Percentage Increase	3.85%	7.62%	7.83%	3.72%	4.08%	7.06%	4.10%	3.78%	4.94%
ODA Expenditure as a Percentage of GNI	0.26%	0.25%	0.23%	0.23%	0.24%	0.27%	0.27%	0.27%	0.28%

New Zealand governments have continued to support the target, but have made it clear they were not willing to fund ODA increases just to meet an international target, and they would not commit to any specific plan. A leading NGO voice also expressed the frustration that "how we got ranked (in the OECD tables) doesn't reflect what we actually do". NZAID's overarching policy statement "Towards a Safe and Just World Free from Poverty" reiterates the 0.7% commitment

All New Zealand NGOs consulted expressed their concern at a lack of commitment to a graduated increase towards the 0.7% GNI formula. Donor partners referred to NZAID's lack of resourcing to meet the increased expectations on the donor of the new modalities.

> *"There is often the possibility of a disjunction between the level of NZAID's policy commitment and the programme in the field".* Donor Partner

The OECD DAC Review noted that New Zealand had delayed any progress in movement for so long that
> *"Raising New Zealand's aid over time to meet the current DAC average country effort (0.4%) as an intermediate target would imply that ODA (became) New Zealand's fastest growing budget line".*

Review Assessment:

NZAID has a coherent and contextualised approach to the MDGs in its policy framework and programmes. This is also reflected in decisions made in respect of determining the level of contributions and programme targets of partnerships with multilateral institutions. However NZAID also remains committed to assistance in sexual and reproductive health programmes, and to respond to emergency relief situations that may fall outside the MDG framework.

Recommendation

4. New Zealand should set a realistic medium term target to consolidate its decades old commitment to the goal of 0.7% GNI, and to clearly establish movement in that direction.

SECTION 4

Strategic, accountable, focused framework to be developed

As a first step as a new agency NZAID asked the question – "In what areas are policies needed". An overarching policy statement was developed for the launch of the new agency in order to articulate the vision, mission, values, strategic outcomes, core business and operating principles. This was 'Towards a safe and just world free from poverty.' As a result of this exercise NZAID has divided its polices into three categories – Mainstreaming (human rights and gender), cross-sectoral (environment, conflict prevention and peace-building, governance, growth and livelihoods) and sectoral (education, health, trade). (See Appendix 5 for status of policy and strategy development).

The 5 year Strategy 2004/5 to 2009/10 defined the strategy shape as follows:

i)   Development impact i.e. a three pronged approach – those in poverty are empowered to improve their lives through support programmes in education, health, sustainable livelihoods and economic development**;**

ii)   Governance addresses poverty through support programmes on human rights, leadership and government and economic development;

iii)   Vulnerability to poverty is reduced by providing support programmes in the areas of peace-building and conflict prevention, humanitarian support and community safety.

This overall shape is supported by:

- Engagement processes which emphasise harmonisation with other donors and recipient country leadership, effective engagement with New Zealand stakeholders, pro-active engagement with Ministers and international and regional; and

- Development of agency capability through organisational development, learning and accountability processes and the development of appropriate policies and strategies.

To implement this, **a policy development process**, drawing on international best practice has been put in place. Key features of this are:

1) Policy development is a whole of agency function rather than sitting in one group. While overall co-ordination and analytical support is provided by the Strategy, Advisory and Evaluation Group, all groups contribute to policy development. As a consequence there is a much higher level of staff ownership of policies. Staff have a percentage of their time allocated to policy development and this is recognised in their performance appraisals.
2) Policy is developed through horizontal teams called sectoral or thematic teams. These teams play a key role in identifying areas of excellence, sharing knowledge and providing an important interface between the development and application of policies.
3) Teams work across the NZAID organisation and are made up of staff drawn from the various functional groups. They are established according to a needs-based approach and can be added to and amended over time, as circumstances require. They are set up

to fulfil a function and not as permanent teams. Guidelines are in place for the functioning of teams and each team works to an agreed terms of reference.

4) All policies are developed in conformity with a framework, which represents a whole of government approach, which ensures that there are links to the central focus on poverty elimination; there are links to the Millennium Development Goals, and other international targets and indicators. Any cross cutting issues, which need to be mainstreamed, are taken into account and there is harmonisation with NZAID's partners in development aid.

5) A strategic framework has been developed within which policies on bilateral aid to various countries and contributions to multilateral aid organisations can be based. These strategies are sectoral, regional, programme and engagement focused.

The process and outcomes of the development of this framework have not pleased everyone. The following quotations form a representative sample of feedback to the Reviewer in the course of this research.

> *"NZAID has put a lot of effort into meeting Cabinet's direction for strategy and direction. This is sometimes blurred. But the strategic frameworks and underpinnings and big picture direction has lifted their game – it's genuine, real and effective"*. DPMC

> *"The Cabinet Minute had policy directions lurking, but health was a big gap in the Minute. We needed direction and picked the most important ones first. Then we realised we were overloading heroically in the policy development and strategy framework, and slowed down a little and began to prioritise"*. NZ staff.

> *"Yes there have been refinements and more focussed programmes"*. NZ Treasury.

> *"The Asia strategy process was good. There was impressive broad consultation. NZAID started with a clean slate and had a desire and commitment to listen to everyone. There was a sense of probity over how you go about consultation. It was very open, not defensive"*. Private Consultant.

> *"We're not unhappy with the Asia strategy. There is a logic to not spreading too widely and to limiting bilaterals"*. NGO.

> *"Consolidating as a small operator (in Asia) NZAID can focus its contribution to leverage impact"*. NZ Staff.

> *"Africa is not of high strategic interest for MFAT or NZAID and there has been no indication from Ministers as to their priorities, so NZAID is focussed on HIV/AIDS"*. NZ Staff.

> *"NZAID is approaching Africa through NGOs. It is important and valuable that this funding is not limited to the Pacific and Asia"*. NGO.

> *"A lot of political pressure had to be put on to get into the Sudan"*. NGO.

> *"There is real frustration in (NGO) when we look at the tiny amount of money going to South America. This is only for one reason. It's political. Why are we there? Why are*

we doing this? This tiny amount is a political nod but how does this fit in with what the Review and the strategic plan and framework wanted". NGO.

"The engagement in Latin America is politically driven. It will take a disproportionate amount of time for its budget, and is under-resourced in terms of development expertise. NZAID are not in the country and MFAT staff will have to front it". NZ Staff.

"A lot of people feel that areas they want to work in and people they want to work with are excluded". Private Consultant.

"(The draft) Health (policy) has 6 thematic areas with 16 sub-themes. You could do anything you liked with it". NGO.

"They still don't have a sharp degree of focus... "There were 10 strategic priorities and 11 targeted areas on the website (in January 2005) and the two don't overlap There's an awful lot of work basic to establishment still being worked on. For three years there's been a lot of water under the bridge if they are still doing this stuff.... There's still work to be done to get the right frameworks in place". DPMC.

"There has been a real improvement in frameworks. The new policy roll-outs have seen the NGO community very busy. The consultations have meant a very improved involvement with NGOs and Civil Society". NGO.

"It's genuine consultation too – not late and formal". NGO.

NZAID appreciate that in fulfilling the expectations of the Cabinet Minute they have had a lot of momentum around policy investment, which cannot be sustained. However, the nature of the NZAID approach, which mirrors development best practice, is that accountable frameworks always need reflexive and significant levels of input.

Review Conclusion

The considerable investment that NZAID has made in developing a strategic framework to meet overall Government policy, and the development of policy development processes to meet that strategic framework, has meant that there is now an organisational framework and policy documents on which a strategic approach can be made to NZODA. The agency has accomplished a great deal in this area, both in the process of its internal practice and external consultation, and in the clarity, rigour and expertise which inform the documents in the framework.

Recommendation

5. That Cabinet adopt the NZAID strategic framework as New Zealand's strategic approach to all NZODA funded through the NZAID budget.

SECTION 5

Retain Core Focus on the Pacific

47% of the $259,228 million to be spent directly on ODA by NZAID was allocated to Pacific Development Assistance during the 2004/2005 financial year. This figure has risen to 48.8 % ($156m) for the 2005-2006 budget (See Appendix 6) and does not include assistance to Pacific Regional bodies, or ODA from other New Zealand government agencies. When these are added, the Pacific receives approximately 60% of New Zealand's ODA. This figure dwarfs the allocations being made to other areas of activity. There is no indication in any of the planning documents sighted in the Review that there would be any lesser emphasis in future financial years.

The OECD/DAC Peer Review saw the Pacific as follows:

> *"Despite a high level of political, social and cultural diversity, Pacific Island countries share some common characteristics: small and ethnically diverse populations dispersed over large distances in the Pacific Ocean but occupying small land areas; high vulnerability to natural disasters and climate change; low growth exacerbated by small market size, isolation and transport costs; high levels of emigration and remittances in much of Polynesia contrasted with high rates of domestic population growth in Melanesia. Although Pacific Island countries rank in the medium range in terms of their human development index, most of them face major challenges in achieving the MDGs and will continue to need external assistance".*

The Pacific is now New Zealand's seventh most important export market after Korea at $877m and is a significant source of immigrants and workers for New Zealand. Different New Zealand agencies have a variety of engagements. For example:

> *"The New Zealand Defence Force (NZDF) does EEZ surveillance in the Pacific, which is of course in New Zealand's economic interests as well. They are engaged in disaster response work, as well as in the operations in Bougainville, East Timor and the Solomon Islands. But the Pacific climate is also of great use to the NZDF to provide for tropical training assistance, for example in Niue".* NZDF.

The New Zealand NGO community have endorsed the core focus, and there is significant academic work as a research pool to draw from for this region.

> *"NZAID is achieving a strong focus on the Pacific"* NGO.

> *"The focus on the Pacific is very effective and very good. New Zealand is seen as very different from Australia"* NGO.

> *"The Pacific focus has been very interesting, and we've noticed quite a change. The focus on the Pacific <u>and</u> poverty has signalled a shift from East to West in the Pacific. There is much more of an engagement with Melanesia"* NGO.

"In the Pacific there is an intimate link between political parties and corruption. There tend to be very many small electorates and many candidates. Electoral systems were just superimposed on customs when independence gave rise to 'democracy' " NGO.

NZAID also has a significant reputation in the region through other eyes.

"Our experience with NZAID is that the articulation of the problem and how it can be processed is easily understood and responded to. There is no more responsive or sympathetic partner. There are very smooth and very open informal links between staff. Without this help key programmes couldn't have been continued". Multilateral partner.

"With the new agency there is no New Zealand practice of positions of technical competence requiring contracting New Zealanders. Most programme staff are from the Pacific. This is noticed by everyone, NZAID walks the talk, unlike other donors". International partner.

NZAID staff at Pacific posts were asked what they thought should be the basis of New Zealand's focus in the Pacific. The following responses cover the issues they raised:

"Building on assets and strengths of Pacific peoples, people's cultures, and environment would be a generic 'Pacific strategy' – self-determination, self reliance, sovereignty being more/not necessarily having more".

"NZ has special responsibilities in parts of the Pacific, and historical ties. It is often one of the closest metropolitan states. A broad programme of assistance encompassing governance and economic development and assistance with provision of social services is important".

"Those who are in power or hold decision making positions reap all the opportunities such as training, whereas grassroots people grab the last pieces or not at all. It would be optimistic if grassroots people are given the opportunity for decision making and funding assistance that enable them to develop".

"I would say the single most important objective of a Pacific strategy has to be improving the lives of Pacific people in real terms, i.e. their health, educational access and access to jobs. – But so many other issues have to be factored in as well as 'poverty' – Vulnerability is a key issue – vulnerability and natural disasters, and economic exploitation and mismanagement and to security problems (vulnerability to transnational crime per example)".

New Zealand academics raised further concerns when the OECD DAC team met with them.

"Some of us have a concern about the way the debate in the Pacific is cast around governance, 'sorting this region out'. Hold on, there are more fundamental long term goals: community, civil society, sustainable livelihoods. For example, in the Solomon Islands some good things were going on. AusAID wrote that subsistence agriculture was holding back the Solomon Islands, but the Solomons would have been devastated without it".

"The donor approach to land tenure in the Pacific is always frightening. There is often pressure to individualise land into separate titles, as if that is necessary for growth. Samoan tourism shows the balanced approach".

"Frequently the operational definitions of concepts demonstrate a lack of understanding of the local culture. For example, 'well being', based on food and exchanges and subsistence, works very well. These are 'wealth' systems and often a much more effective bank. There is a narrow approach to this in the Pacific".

What these comments highlight is how challenging engagement is in the Pacific.

NZAID was mandated by the government to prepare **a Pacific regional strategy focu**ssed on poverty elimination and the sustainability of aid.

This invites questioning the linkages between New Zealand's bilateral and regional strategies. Many of the regional agencies have been born from the South Pacific Forum meetings, and so New Zealand is both a member and a donor in these. A quick brush over programmes sees engagement in poverty assessments, education, revenue collection and government financial systems improvement, customs, statistics, quarantine, services to private enterprises, insurance, micro-credit investment and regulatory environments, policing, tourism, health, trade, governance, environment, justice, human rights and security – and there will be more.

For the environment area, for example, the South Pacific Regional Environmental Programme (SPREP) Action Plan for the next 5 years set the overall priorities as normal resource conservation management, the Kyoto Protocol, waste management and waste prevention, climate change, and reporting and managing environmental indicators. These priorities mean a need for in-country training, and knowledge dissemination in understandable forms, not too scientific or too esoteric. But the agency struggles because donors seldom see these environmental concerns as being in the interests of economic development.

The OECD/DAC report commented:

"The complex range of development challenges in the Pacific justifies regional approaches because regional programmes can sometimes be more efficient and effective for the delivery of assistance to a large group of small countries. However, the risk of proliferation of activities and associated transaction costs is exemplified by the situation in Solomon Islands, where regional assistance in the health sector is delivered through five projects – one of them involving five different primary health care initiatives through the Secretariat of the Pacific Community. In order to ensure that regional activities are demand-driven and support partner country led policies and programmes, NZAID needs to ensure that regional institutions fully participate in on-going co-ordination efforts at partner country level and that their assistance and various regional initiatives are harmonised and aligned with partner country priorities, systems and procedures."

While NZAID work on their draft 10 year strategy, there's an hiatus in waiting for the Pacific Plan to get off the ground, and for a co-ordinated New Zealand WOG (Whole of Government) strategy for the region. This situation has some immediate outcomes:

"The current draft Pacific strategy is high-level and bland. The reader doesn't get any clear impression of how different the Pacific is. For Polynesia, for example, we are "going to harness linkages with New Zealand agencies in implementing our programme". Well, that would be a good start, because we fall over these linkages all the time in our daily work. Other agencies and people with good hearts and no development expertise are working on a project or a regional programme and no-one tells the Post they are coming. You feel a bit of an idiot when your host partner tells you about it, as if you should have known. How will this be harnessed in a positive way?" NZ staff.

"We speak about exit strategies, but what about entrance strategies? A whole of government approach to the Pacific needs another entrance strategy". NGO.

"What is the future relationship with Pacific Islands countries? Capacity building support involves an ad hoc range of government departments involved in training, for example Customs, Police, Immigration. But what should be the overall strategy? What does ongoing capacity look like? MFAT is holding the pen on these questions". Treasury.

But a distressing amount of comment was made about the current resourcing of the Pacific desk in MFAT. NGOs spoke of significant staff turnover in the Pacific Division, as did New Zealand agencies.

"We have problems in dealing with the Pacific division of MFAT. They are often absent. There's a lot of churn, things are falling through the cracks, especially in terms of policy development". MOD

"The turnover in MFAT's Pacific Division is huge". Treasury

NZ Post staff also voiced concern about an under-resourcing of MFAT's Pacific Division to handle the increased NZAID focus in the Pacific. "They haven't been able to keep across it. There are degrees of inconsistency around relations with PAC. There's huge churn. Some desk officers are proactive, some reactive. There's inconsistent advice at posts and a lack of understanding of what PAC can offer NZAID".

This comment was echoed by DPMC, the New Zealand Police, and NZ staff at Pacific Posts. It should be noted that every one of these comments was spontaneous in asking interviewees to respond to the Review's TOR. None of them were responses to leading questions or to an MFAT fishing expedition.

The "Pacific" strategy for NZAID and MFAT and their places as agencies in a New Zealand WOG approach to the Pacific needs urgent attention.

"Now that NZAID has an increasing programme in the Pacific there is a major increase in the importance of getting the Pacific strategy sorted out. NZAID has been trying to build relationships with other agencies. But co-operation at the Pacific level requires a Cabinet mandate and long-term engagement". Treasury.

As ODA is to the forefront of New Zealand's Pacific relationships, NZAID's 'best practice' is a model for other agencies.

In the Pacific the idea in terms of modalities has been to change the nature of the relationship to encourage agencies to move from projects to programmes, with a focus on outcomes compared to inputs. Where this can be accomplished through multi donor processes, NZAID is keen to see these initiatives positively.

New Zealand has understood that there needs to be a coherent approach in the Pacific Policies in Bougainville and the Solomon Islands were part of that understanding; but so are ongoing issues of police force corruption, land issues, poverty, youth unemployment, riots, mutiny, civil disorder, internal migration, external migration and loss of key personnel from critical sectors, an erosion of the ability to deliver services, and a lack of connectivity between local and central government.

A consistency of policies and a whole of government approach are needed, but so is development expertise. NZAID has the largest unit of Pacific specialists in the New Zealand public service. 10% of NZAID's staff identify as Pacific people. New Zealand Treasury officials reported being "very engaged with NZAID around policy issues in the Pacific", and Treasury has "had to earn this right of engagement". The New Zealand Police and the NZDF have also spoken of being "on a steep learning curve" assisted by NZAID in their Pacific engagement. Unfortunately, this perspective was always not in evidence in other agencies.

The Reviewer's experience throughout meetings in the Pacific, whether with Pacific peoples, NZ Post staff, multicultural and regional agency staff, with staff from other bilateral donor agencies, and with government representatives of partners, was to emphasize the clear distinction they saw in the differences in process, culture and character between Australian and New Zealand engagement in the Pacific.

Australia has a closer engagement in the Pacific with a WOG approach, including the Attorney General, Treasury, and Police – and there is a whole load of other players for example. Some are keen observers and some are independent players. The WOG approach is led in Canberra but the situation is evolving. Harmonisation is driven by AusAID, but they work very closely with Australian's Ministry of Foreign Affairs and Trade. Different initiatives have different leaders.

Cabinet is the co-ordinating body and has MOUs with different agencies. For example, the Pacific Governance Support programme is there to create relationships and networks throughout the region. AusAID brings the development perspective to the issues. AusAID's expertise is to know what's up and what will work, the 'how to do it' knowledge. If AusAID are funding an activity then delivery is in accordance with their practices. It's hard to have very proscriptive policies as programmes tend to be focussed on objectives and outcomes.

However, as a Pacific commentator said to the Reviewer, Australia works on the Pacific, and New Zealand works in the Pacific.

Review Conclusions:

- The Reviewer encountered lack of co-ordination and response of sensitive and serious issues on several occasions in respect of practices and monitoring that were the responsibility of the NZ Government Agency charged with leadership for a NZ Inc

Pacific strategy. This would be of considerable concern if it is not immediately addressed.

- NZAID's effectiveness in the Pacific region is inhibited by the lack of coherence strategy covering all New Zealand government agencies operating in the region.

Recommendation:

12. That a programmed and inclusive strategic process, directed at coherence, operational sustainability and effectiveness of delivery, which recognises the Pacific strengths of NZAID, be established as a matter of urgency for the Government as a whole, with reliable regular mechanisms of accountability and reporting to enable a cohesive multi-agency process for Pacific engagement.

SECTION 6

Strategic Approach to Bilateral Funding:

The key question of bilateral engagement is one of tension between the efficiency of development focus on a stronger, bigger, longer, deeper programme involvement in New Zealand's areas of strategic and regional interests, and a political desire to show the flag internationally.

The 2000 OECD DAC Peer Review had raised concerns about the relatively large number of bilateral partner countries and the resulting degree of dispersion of the programme, which were echoed by the 2001 Ministerial Review. The Cabinet required NZAID to assess the degree of dispersion of the programme. The internal review process was carried out in 2002. Twenty core bilateral partner countries were reduced to 19 countries. These are:

Kiribati	
Samoa	
Solomon Islands	
Tuvalu	least developed
Vanuatu	
Cambodia	
Laos	
Timor-Leste	
Papua New Guinea	
Indonesia	other low income
Vietnam	
Fiji	
Niue	
Tokelau	
Tonga	low middle income
China	
Philippines	
South Africa	
Cook Islands	upper middle income

NZAID is also engaged in South Asia (with focus on Nepal and Sri Lanka), Africa (with focus on Zimbabwe, Zambia, Mozambique, Tanzania and Kenya) and Latin America (including Central America countries, Bolivia, Ecuador, Peru, Ecuador, Brazil and the Southern Cone – predominantly Chile and Argentina but including Uruguay and Paraguay for specific activities). Programmes in these three regions rely on multilateral, regional and NGO delivery mechanisms.

The share of annual budget allocations to bilateral aid directed to the 19/20 largest recipients has declined from 96% in 1992/93 to 86% in 1997/98 and 79% in 2002/03. In parallel, the total number of recipients has increased from 66 countries in 1992-93 to 92 in 1997-98 and 100 in 2002-03. The bulk of funds directed outside core bilateral programmes come from NZAID's increased humanitarian programmes and co-funding to NGOs. The majority of the

other 80 recipients benefit from very small ODA amounts, often the recipient of one tertiary scholarship. There is an opportunity cost to New Zealand in this choice of approach, and it may be difficult to justify the overheads and staff time on an annual basis for such a small engagement.

The 2005 OECD DAC Review commented:

> *"Overall, New Zealand's ODA is dispersed over 100 countries given the existence of numerous funding windows, the main one being the Emergency Management and Disaster Relief, the Voluntary Agency Support Scheme (for co-funding of the NGOs projects) and six scholarship schemes. There is an opportunity cost in having such a large number of countries where funds are disbursed on discrete activities rather than being channeled through or complementing core bilateral country programmes. Typically these funding windows are centrally managed and run the risk of activities being donor-driven rather than supporting country-led poverty reduction strategies".*

This concern is echoed in the stakeholder community in New Zealand.

> *"New Zealand is still giving aid to 90 different countries. We need to curb this, although exit strategies are hard. Treasury wants to see more focus and more intensity with fewer countries and fewer bilaterals".* Treasury.

> *"The focus and scope is still too dispersed. We are supposed to be decreasing the number of partners but the bilateral assessment framework must be a problem. We've only dropped Thailand. The criteria must be far too wide, or else we are stuck with the political implications of breaking the relationship. There's a lack of boldness or leadership in this area. The agency is having to absorb political considerations".* NGO

> *"In the Asia strategy we have 6 bilaterals now. Vietnam, Indonesia, Laos and Cambodia make sense. China is now a donor in the Pacific. The Philippines shouldn't be there. The focus at district level in each bilateral strategy is very sensible".* NZ staff.

There has been particular concern about the nature of engagement in Latin America. The International Development Advisory Committee (IDAC) raised a number of issues about the nature of this engagement using ODA funds, and the compromises and less than desirable development practice in outcome, however valiantly NZAID tried to build best practice programmes. For example, the $28 million programme spread over 5 years would target 6-11 countries, many with no MFAT presence (none have NZAID presence) with one staff member who would visit twice yearly. IDAC further commented to the Minister in August 2004:

- The new approach to Latin America considerably expands the number of countries with which NZAID engages. IDAC finds this surprising because the 2001 review of NZODA and the subsequent Cabinet Minute recommended reducing the number of countries NZODA is provided to.
- The relatively small size of NZAID's programme results in critical mass issues. This strategy will strain capacity and expose the programme to unnecessary risks, eg, the involvement of non NZAID personnel. We acknowledge that NZAID has taken what steps it can to minimize risk.

- Because the programme is available in various parts of Latin America small amounts of funds are likely to be thinly scattered across numerous countries, making it unlikely that $5 million will have a noticeable impact.
- 24 scholarships will consume a considerable amount of the total funds.

The issue was also of considerable concern at the OECD DAC hearing on New Zealand's ODA in April 2005, with an OECD/DAC Committee Member asking:

"One hundred countries? Do you have a date by which you aim to get out? Of course it's a challenge to get out where it's the only relationships you have with some countries, and there is resistance to your going on the part of recipients. In a few countries you're the major player, but very small in others. What would be the pattern if there was an increase in ODA levels?"

The 2005 OECD/DAC Report highlighted this issue of best practice – stronger, deeper, longer engagements versus wide dispersal:

"The question remains whether the agency has the capacity to ensure an adequate strategic management of programmes in 19 core bilateral partner countries. An engagement in fewer countries would enable NZAID to have more significant country programmes and reach the critical mass necessary to intensify its participation in country-led policy dialogue and donor coordinated efforts. This is an issue of particular importance in Asian core bilateral partner countries where resources are spread thinly in many countries and in each country, in many sectors. The potential value added of New Zealand's modest contribution has also to be considered in the context of joint efforts by the donor community and partner countries to make progress on alignment and harmonization. This includes the need for donors to concentrate on fewer countries and fewer sectors in each country with the objective of reducing transaction costs associated with the management of aid".

There is no lack of awareness of this challenge inside NZAID. While many of the aid projects are just for one scholarship, or are the result of the use of Head of Mission Funds (HOMF) they can be questioned both from a value for money standpoint, and from current development best practice. The agency is very concerned about the dispersal of funds in this way and have investigated and mapped the resource implications of best practice. The agency has identified 6 core bilaterals in the Pacific, which are the largest and most fragile, as the focus for future long-term engagement.

NZAID has been very interested in the ODA approach of Ireland. This country had decided to focus on 7 to 8 bilateral players and partners. Ireland ODA then puts a multi-disciplinary team of 7-8 people in the field, including programme managers and sector advisors, who work with locally recruited nationals and administrators in a country. At times, where there is a specific regional engagement in a country they sometimes also have satellites with a smaller team. In terms of modalities they are engaged around SWAPS in accordance with poverty reduction strategies. The Irish have a local and national presence. They get a great knowledge and sense of what is happening at the local level to inform the policy dialogue at national levels, and this has a very influential impact. They have hardly changed the number of staff in Dublin, but they have had a four fold increase in their budget, with the large numbers of staff in country. However the Irish now have significant staff retention levels in Dublin, and the increase in the

ODA budget has severely challenged the absorptive capacity of bilateral partners, and Ireland is again having to increase its number of bilateral partners.

NZAID would need significant increases in aid volumes and field presence to begin to follow this current best practice; it is useful to see where challenges and problems have occurred. However in the next few years, NZAID will need to give greater consideration to a more rational model similar to that pursued by Ireland.

Reviewers Conclusion:

The number of core bilateral programmes and the dispersal of ODA to more than one hundred countries spreads the resources of both ODA and NZAID too thinly. NZAID needs to reassess this position.

<u>Recommendation:</u>

7. NZAID should, as a matter of priority, reassess the number, spread and focus of its bilateral programme to ensure they become focused on achieving the strategic framework determined by Cabinet Minute (01) 28/8.

SECTION 7

Mainstream Human Rights, Gender and Environment throughout Operations.

NZAID's human rights policy was released on the same day as the agency itself was born. NZAID has not developed new gender or environmental policies, although these currently exist in draft form. NZAID has been without a full-time dedicated human rights desk since its inception. For a year of its existence it has been without a gender specialist, and now has a seconded position from the Canadian International Development Agency (CIDA). While there has always been an environment specialist, this staff member has also been a team leader. Given the engagement of these specialists in many other cross agency policy and strategy developments it is not surprising that meeting this particular direction in the Cabinet Minute has been both delayed and slow. To some extent, the engagement of development specialists who in their NGO, multilateral, academic or other experiences have had to engage in "mainstreaming" or auditing human rights, gender and environment in the course of their work or study, has acted as a default mechanism in the hope that the questions were raised at some point in the ODA activity process.

But the delay in progressing this is also a response to a specialist understanding that there is nothing simple about this directive – it is not answered with a one-desk tick box approach. In a quick scope of DAC partner reviews, there is very little evidence of fully engaged best practice around mainstreaming. The OECD/DAC review had no comments at all on this strategy.

Here is the problem. Conceptually, theoretically and practically, mainstreaming is intended to be transformative. It is about making the invisible visible in such a way that it challenges the power dynamics of the accepted order. Mainstreaming <u>displaces</u> the status quo and "business as usual" to occupy a fundamental policy space from the very smallest inception of a programme or activity, and it is a technical and political process of engagement, at the centre, throughout the life of the engagement. Mainstreaming an issue means the issue plays a dominant part in analysis, strategies and resource allocation. It is not just an addition to the agenda, nor a numerical output description. Mainstreaming cannot be taken for granted as a central feature of a focus on poverty, because human rights, gender and the environment are structural issues about injustice, exploitation and inequalities at a very deep level in any poverty analysis. As such, mainstreaming requires new processes and new frameworks. This much is understood in NZAID, who have just embarked on their human rights implementation plan 2004-09 (See Appendix 7)

Aid Management approved as a draft, a "generic" implementation plan of action for integrated (and possibly for other cross-cutting) issues. This generic plan sets out objectives and a series of activities, which will be common across the implementation plans of each of the integrated issues (human rights, gender and environment). It is anticipated that these generic objectives and activities will be underpinned by a second layer of activities, which are issue specific. Certain activities which are human rights focused may be only indirectly related to the environment policy, for example, MDG 3's proposed outcome of women holding half of a nation's parliamentary seats.

NZAID led working groups are currently focusing on the Gender and the Environment policies before they are ready to develop their implementation plans of actions. These working groups have already discussed the relevance of the proposed generic plan. The HIV/AIDS policy working group and the working group for the Preventing Conflict and Building Peace policy have also begun discussions on whether the generic plan for integrated issues would also be relevant for their purposes.

There is a key NGO stakeholder appreciation, albeit with some impatience, of the challenge offered the agency to implement this direction effectively. They commented:

> *"The human rights policy stacks up well, and we are pleased to see the training start. NZAID are refreshingly open about the difficulties of implementation in our dialogue. It's a challenge for all of us. Perhaps we could look at an annual working forum around better ways to recognise human rights in our process domestically (VASS, ADAF etc) and internationally".* NGO.

> *"There is some problem in seeing any programmes as being explicit in human rights as mainstreamed in the poverty focus".* NGO.

This stakeholder went on to note that the programmes such as the Solomon Island SWAp in education might appear this way. But primary school fees are still charged for education in the Solomon Islands. Decades of evaluations demonstrated that in such situations where families cannot afford to educate all their children it is more likely that girls, rather than boys, will be withheld from school. The programme has yet to practice the fundamental right, as expressed in human rights instruments, that such education should be free. NZAID advises that the Solomon Islands government has advised they will be removing fees in 2006. A further 'mainstreaming' question then becomes 'Does each school have separate toilet facilities for boys and girls?

Specialists do understand the challenge here.

> *"There are some structural issues, for example there seems to be some differences between the Asia and Pacific divisions on the human rights divisions approach".* NGO

> "*This is an area where we can view our small scale as an advantage and add value through innovative thinking. We should be pioneering. We should be able to get strong collaboration with the Human Rights Commission, and with the MFAT Human Rights desk. We would have the structures to do integrative creative work as a major contribution to international best practice".* NGO

On the environment issue, stakeholders commented:

> *"There appears to be no sense or understanding of how to mainstream environment. There are no assessments as part of programme or project designs. There is not a very broad understanding of this. This is a gap, especially when so much of the alleviation from poverty in the Pacific is so resource based. The questions must be asked: Can things be sustainable? e.g. in economic development some choices have to be made. The implications are clear, particularly if seen in the context of inter-generational equity".* NGO

"Mainstreaming environment is still a problem. For example the VASS forms don't require an Environmental Import Assessment report. There is some requirement to give environment attention in an ADAF application, but mainstreaming needs to be addressed. It needs to be throughout programmes, and there needs to be in house training". Private Consultant.

"Environment is a weak strategic area. How does it interface with other policy areas?" NGO

Gender brought similar comments.

"Gender has been a mess – As far as working practically goes, gender is OK, largely because of the training of the men throughout NZAID, and it helps that two thirds of the staff are women". NGO

"Out there gender is a problem in Pacific especially. There has been no training, not for the consultants, and not for coherence across departments and agencies. There needs to be training". NGO

"In terms of policy coherence with other agencies/departments etc engaged in ODA there is real neglect. NZAID has in house training for human rights, but no one else does". NGO

"Gender and environment have always been strong in the NZAID policy and strategy, but the dollars didn't follow". NGO

Staff throughout the agency have concerns about these cross-cutting issues, reflected in the following response to the question of 'how' should mainstreaming apply:

"It should be the first step in a SWAp. It should be built in at the start as part of the needs analysis, and then as part of the monitoring and evaluation framework".

"Donors could develop joint procedures for impact assessments and could insist on these. Where they find the words 'gender' and 'human rights' a problem we can call them cultural assessment procedures".

"Mainstreaming in the Asian context at the moment in reality is half-baked and doesn't work. NZAID has no choice in achieving its policy outcomes than to adopt a human rights based approach. It brings all the other cross cutting issues – HIV Aids, trafficking, disability into play. We need to understand the breadth of this".

"What is the trigger to mainstreaming? It comes down to opportunities to get it on the agenda. Can we write human rights into contracts and bilateral programmes and try to specify conditions?"

"Do systems allow cross cutting issues to be factored in? Has this influenced the design approach? We've got a long way to go to institutionalize this. It's very hit and miss".

"There has been human rights training in Wellington, but at posts we are quite removed from training. What is happening about this? Folks on the front line, especially local staff, are not in the loop".

"What 'mainstreaming human rights' means, and then translating it into everyday practice has been problematic – more than we expected".

"Labour rights are explicit in our trade and development policy, and labour and women's rights are on the fair trade agenda. But they need to be more explicit around food security, and special and differential treatment".

"NZAID has been grossly under-resourced for human rights back up. We've had one person driving governance, conflict resolution, security and human rights. We need another specialist".

"The multilateral engagement strategy will set out core policies for engagement around human rights. It's not good enough at the moment".

The Reviewer asked staff at posts how they engaged with NZAID's partners in respect of the mainstreaming of human rights, gender and environment. Representative responses included:

"We try to incorporate them into strategy. On a programme level we have core funding for Human Rights in the bilateral programme, whereas gender and environment fall under the regional programme. In reality, bilateral staff are not always in the know about what is happening in the regional side and vice versa".

"There has been some negative attitudes of the population in regards to programmes on gender and human rights – it is how these issues/programmes are advocated by those who deliver or implement the programmes. It is best to always come from a cultural perspective and weave in the notions of the outside world on programmes".

"Generally though discussion at meetings and in appraisal situations but in reality there is a lack of knowledge/updates/focus on what we are doing and any 'position' we should be taking".

"Gender is an easy issue to keep in view, because there are daily reminders of inequitable gender relations – human rights and environment are less easy to focus on, especially the full breadth of the issues encompassed by human rights and the environment. Regarding gender, we take a constant reminders approach – reminding the government and NGO partners that we expect all activities supported to be equally accessible by women and men, and ensuring the approach is reflected in formal project documentation".

"This is difficult – we have tried to have specific line items in the programme such as gender and development projects. Politicians [local] want to delete it from the programme. We need to find a way of making sure all programme items include mainstreaming issues".

"These issues are becoming more prominently discussed in the community we work with. We try to take these opportunities to discuss, support and influence the debate

with respect to NZAID policies. Too strong an approach results in the community saying we are imposing outside values".

"These issues are discussed in the project design or planning stage. This involves sitting down with community stakeholders and government officials to talk about how these issues are taken into account. We'll often need to talk about mechanisms that specifically involve women e.g. in the community management of water supply projects".

"In general terms, I think NZAID gives all these issues really good visibility. They don't rely on them being implicitly part of policy and approaches. They ensure they're always spelt out clearly".

"There has been human rights support for the Fiji Human Rights Commission in various forms and support for the Regional Rights Resource Team. In the environment there's support for SPREP and SOPAC and engagement with Pacific Island member nations in multilateral processes – such as the climate change framework, the regional oceans policy and the tuna commission".

I can't comment on the regional side with any authority. Locally, I don't think NZAID has consciously engaged in these issues at a general or strategic level. It has been at the project level that such issues are taken into account. The reliance is on consultants, head office and field staff to ensure these issues are 'mainstreamed' into our programmes, although there hasn't really been a lot of comment as to the agency's expectations".

"Gender is well known, accepted, adopted".

NZAID certainly has some solid 'women and development' policies: in the Cook Islands for example, with the gender and development programme, the support for the Fiji Women's Crisis Centre, and in police training programmes around domestic violence in the Pacific. These are solid endeavours, but they are not what is meant by "mainstreaming" gender.

The Human Rights Policy Implementation Plan, section 3 Outcomes, does not convey a commitment to mainstreaming. Human rights appear to be treated as a soft, "as appropriate", add on approach. While every basic appraisal checklist has a human rights unit as a standard routine appraisal, this will only deliver very partially. Often fortuitous or accidental, as opposed to targeted and explicit, human rights outcomes are the result. Senior staff in NZAID report that a human rights mainstreaming approach is hard to keep to the forefront, even in management meetings.

How a commitment to human rights and gender and environmental mainstreaming are brought into a process in partner frameworks is another tension. Because of some shocking outcomes of conditionalities in economic restructuring associated with development assistance in the past 20 years, any form of "conditionality" appears politically incorrect.[8] Yet New Zealand taxpayers do not expect that New Zealand's own international human rights commitments, for example, which are also frequently commitments entered into by bilateral partners, can be abandoned because of a partner's disinterest or discomfort, or because

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[8] See, for example, "Partnerships for Poverty Reduction: Rethinking Conditionality", http://www.dfif.gov.uk/pubs/files/conditionality.pdf

multilateral policy benchmarks are considerably lower, or because partners in SWAps do not have a human rights policy.

There is a further immediate challenge in the establishment of the new contestable NZAID fund in the 2005-2006 budget, which invites other government agencies to apply for contestable ODA funding. Mainstreaming human rights, environment and gender is not listed as key questions to departments invited to bid for this funding in the proposed mechanisms for such ODA bids, although the human rights implementation plan of action does envisage meetings and discussions for a WOG engagement.

Reviewers Conclusion:

NZAID has not made the same level of progress in this area that is evident in others. This is because the mainstreaming of these issues is inherently difficult:
- Adequate resources have not been committed.
- Availability of suitable expertise on these issues is limited internationally.

Recommendation

8.   That resources and personnel be directed to completing new gender and environmental policies.

9.   That resources and personnel are directed to design implementation plans for the gender and environment policies and to begin this process.

10.   That the contracts process be examined to assess if an interim device can trigger mainstreaming of human rights, environment and gender until all mainstreaming issues are fully integrated in all processes.

11.   That mainstreaming human rights, gender and environment be among the key questions communicated to departments to bid for the contestable ODA funds, and that these policies are central in the evaluation by the inter-departmental working group of the proposal's suitability for funding.

Centres Of Excellence

Cabinet agreed in the September 2001(Minute (01) 28/8) that NZODA should develop 'centres of excellence' in aid delivery that would define its comparative advantage with respect to the elimination of poverty.

While this part of the Cabinet Minute was not specified in the TOR the Reviewer is of the opinion that NZAID has made such good progress towards achieving this objective, failure to make comment on this would give an unbalanced account of the performance of NZAID since its establishment. The following comments on the issue of "centres of excellence" are therefore included.

There are three areas where NZAID has clearly demonstrated strong performance. These can be displayed as examples for aid organisations in particular, but also for central government agencies in general. These are:-
- Change management
- New modalities
- Consultation process with Stakeholders

Change Management –

When examining "Change Management" we need to bear in mind what was happening in the area of ODA delivery.

Firstly the adoption of the SAB concept was not only relatively new, but its adoption in other areas of Government had not necessarily been an unqualified success. Leaving aside the legislative, political, accountability and administrative complications of the new entity there was the fact that the new organisation was contrary to the established model of New Zealand governance i.e. delivery of a programme by either a Crown entity or the business unit of a Department. Thus the SAB experiment entered New Zealand public administration without the carefully thought through organisational design which had accompanied the establishment of the "purchaser/ provider split" in the State Sector reforms of the 1980s. The fact that the SAB Model was adopted as a means of satisfying Ministers' concerns about the plethora of autonomous agencies which the New Zealand reform model tended to establish did not necessarily make it easy for officials to implement.

Secondly, the breaking out from a relatively conservative Ministry of a significant part of its operational activity and its transfer to a new agency with staff appointed with a radically different attitude and culture would have taxed the most effective change managers.

No one would assert that the change has not been without its difficulties. However the model adopted is an example to any public sector manager contemplating organisation reform. The essentials of the model were:
Involvement of the new agency, the parent Ministry, the central agencies and the Minister's Office in a group chaired by the Chief Executive of the Ministry who had been specifically

charged by Ministers with successful implementation of the new structure. This group were responsible for developing the processes of change. The fact that there was political involvement and the fact that the Chief Executive of the lead Ministry was specifically tasked with the successful implementation of the new arrangement did much to facilitate successful planning of the change.

The adoption of three principles of change management – openness, consultation, participation by staff and representative horizontal groups - was excellence practise.

Concerted attention was paid to staff morale both in the new agency and in the parent Ministry

There was a deliberate staged recruitment of new agency personnel – senior management was first, then middle management (team leaders) and then required specialist skills (once identified).

Agreement was made between the parent Ministry and the new Agency on how staff outside Wellington at overseas posts would be jointly shared and paid for.

There was gradual development of performance measurement once required tasks and their required standards had been appropriately determined.

A human resources regime was developed which complimented all of the above.

New Modalities –

For some time concern has been expressed by the donor community at the growing evidence that the process of delivering ODA risks generating unproductive transaction costs for partner countries and over-extending their limited capacity

A feature of the development approach adopted by NZAID has been the recognition of the following critical elements in achieving improved effectiveness of development assistance:-

- Enhanced country ownership and leadership around how the development programme is managed and delivered.
- Consideration of the need for strengthening the capacity of the partner government for programme and project planning and management depending on the most appropriate aid delivery mechanism.
- Ensuring that development assistance is delivered in accordance with the partner country's key priorities
- A focus on outcomes and impact, rather than inputs
- Linking development assistance to comprehensive and partner-led government-led sector policy frameworks that are effectively implemented and monitored.
- Reducing the 'projectisation' of development programmes so that there are fewer but more effective activities that are integrated with the partner's key priorities
- The use of a more diverse range of aid modalities, including programme and sector-wide approaches and budget support.

- Multi-year programming (5,10 or 15 years) for maximum impact and sustainability.
- Harmonising the processes of donors, as much as is possible, to reduce partner transaction costs
- Aligning donor practices and procedures to co-ordinated or joint donor funding
- Move away from activity management allowing a stronger focus on policy dialogue between the development assistance partners.

NZAID is seen as an advocate for harmonisation in the Pacific region, with a major immediate advantage, the lowering of transaction costs for Pacific partners.

An example of this approach is in Tonga where the move towards broader funding mechanisms has been seen as better suiting the particular circumstances of aid to that government. The particular example is education sector support where NZAID and the World Bank have combined to provide ear-marked financial support to the Tonga education sector which is centred on Tonga's own education priorities and strategies (articulated through the Tonga Education Support Programme)and involves a multi-donor approach which will result in a long-term co-ordinated package of funding and technical assistance managed, delivered and monitored by the Government of Tonga.

In the Cook Islands, from July 1 2004, NZAID began to manage AusAID's programme, with delegated authority. In Kiribati, AusAID will take the lead in another 'harmonised' approach, a SWAP in education.

In the search for a wider range of aid modalities NZAID has moved from a funder to a partner in its relationship with the University of the South Pacific (USP).

There is scope for delegated co-operation in Asia, but NZAID needs to be present on the ground to be meaningfully engaged in assessing these possibilities. It would also need to see posts strengthened to work with regional and multilateral agencies.

Consultation with Stakeholders –

NZAID has adopted a process of consultation with its major stakeholders which are an example to other public sector organisations. Of particular relevance is the relationship with NGOs, which are an essential element in New Zealand and in the delivery of ODA. This was internationally noted by the OECD DAC Peer Review:

> *"In recognition of NGO's expertise in working at grassroots level with the poor in developing countries and their experience at fostering self-reliance by supporting communities to help themselves, NZAID has established close relations with NGO's. The strategic framework adopted, which is jointly reviewed by NZAID and NGOs on an annual basis, has influenced the overall government's statement on its relations with community and voluntary organisations and has provided a model in various aspects for other government departments in their relations with NGOs".*

The Reviewer also believes that developments proceeding to establish the monitoring and evaluation processes, which are dealt with in further detail in section 10, may also emerge as an area of international best practice.

Reviewers Conclusion:

Central agencies should examine NZAID's practice in these three areas to assess their potential for adoption as Best Practice Guidelines where relevant in other government agencies.

No recommendation necessary.

SECTION 9

Monitoring and Evaluation Systems

Some of the major criticisms of NZODA expressed in the earlier Ministerial Review were of the evaluation systems and processes. One of the particular concerns voiced to the Reviewer from central agencies was about the time taken to establish new monitoring and evaluation systems. There may even have been a hint of impatience for results. The Select Committee has taken an interest in the processes for measuring the outcomes of the programmes NZAID undertakes. One of the members of the OECD DAC team was concerned that the agency "needed an evaluation culture as part of its everyday work". The OECD DAC Report, while clearly complimentary of the progress made, suggested that alongside the emerging process, "NZAID should provide for a programme of independent evaluation so as to guarantee objectiveness and critical judgement".

While there were delays in appointments, specialist evaluators have now been employed and have initiated the process to improve systems. The initiative is aimed at whole process – initiation, planning, implementation, monitoring and evaluation, and reporting. The group has a two year work plan. (See Appendix 8.) They have produced an evaluation policy statement setting out the principles that underpin NZAID, and setting out the systems and guidelines to improve quality.

Developing the Monitoring and Evaluation System

The whole improvement system is iterative. Piloting of systems is continuous. Draft papers are all working documents. The team is also undertaking a programme of training needs assessment. Participatory principles guide all the work. There is a member of each of NZAID's sectoral and thematic team on the evaluation team, with linkages back to their home group.

The purpose of the Evaluation Committee is to keep an overview of all evaluative activities across the agency to bring completed evaluations to the discussion and to make decisions around this. This process is open to anyone in the agency. Learning from this process is consolidated and fed back to other areas of the organisation.

Learning from evaluation is a formal and informal process. Each team member of the Evaluation Committee feeds back to each group. The Reviewer attended a presentation of findings to the agency's Friday Forum session. Ad hoc advice on evaluation is sought daily from throughout the agency.

The process will also engage external evaluation expertise through the process, and also looks to develop mechanisms for "sharing lessons" both inside and outside the agency. Private sector consultants and universities advised the Reviewer that access to the evaluation learning would be of great value. Consultants also wanted "an opportunity to feed back what we learned and share a report. There's still no mechanism to learn from what we do". The OECD DAC report suggested the agency "review how evaluation can be better used to provide feedback to ministers, Parliament and the public".

NZAID was also developing physical and key word search libraries of evaluation. The iterative process also drew on information from other evaluations. Summaries of all evaluations in NZAID since July 2002 will be in the data base. There will be an overview summary report of these. Reports will then be done annually. A data base will schedule evaluations to ensure consistency across the agency. Any gaps in sectors will be easily identified.

All NZAID SWAps thus far have built in evaluations, which involve all partners. These are very results based outputs augmented with outcomes and agreed points at which they are measured. For example this has been thought about in the Solomon Islands Education Swap.

> *"One of the first questions was about statistical systems. Capability building and institutional strengthening for this skillbase began straight away. Having monitoring and evaluation capacity has to be an intrinsic part of it"*. NZ Staff

The New Zealand Treasury also worked very closely with NZAID in assessing capability for the Solomon Islands Education Swap.

In the Meantime…

In the interim period, in the development of new systems, most programmes have an agreed monitoring and evaluation schedule with partners written in the Foreign Aid Programme. Any agreed review processes get followed through in accordance with agreements with partners. The agency is proactive around scheduling operational reviews.

Programme reviews assess outcomes to inform new directions. Ex post evaluations are coming through the programmes. The Evaluation Team is developing a set of guidelines which will outline NZAID's approach and orientation to evaluation policy and practice. In this development the draft remains as draft throughout the process and piloting. The current phase addresses what needs are in the agency for capability for fulfilling the draft policy. Needs are emerging and these will inform the training programme.

Without the new monitoring and evaluation system, monitoring and hard core policy development guidelines are in place. The results feed back into future work. Each of the programme strategies has identified indicators to build on.

Evaluation is not yet embedded yet it is increasingly core to the Asia programme, and participatory development impact design processes need to be upfront. There are particular challenges in respect of evaluation processes in seeking alignment and harmonisation. The NZAID approach is to agree with all parties what processes will be at the start.

The Reviewer noticed other changes. There were now budgetary provisions for monitoring and evaluation of small projects and HOMF. Some of this work is undertaken by national staff. The rollout of the evaluation process will need to ensure training for all staff at posts. NZAID might investigate a series of regional evaluation training workshops at key points, and consider inviting programme/project national partners.

NZAID has funded and facilitated NGO training on participatory impact assessment.

The question of objectivity raised by the OECD DAC team is an interesting one. "NZAID staff understand that the participatory process engages a culture of commitment, not compliance". The nature of the evaluation cannot be pre-determined by the donor in a participatory engagement. The donor is not passive, but the donor is not the 'expert' in determining what a community prioritise as their desired development outcomes. However the OECD Review spoke of a programme of independent evaluation to guarantee objectiveness and critical judgement. While the NZAID staff are not the 'local' experts, they will generally be more 'expert' in the programme than an external consultant. A key value and skill in NZAID culture is that of reflexivity. Modern social science practice would suggest that NZAID's approach is a best practice model. It may well prove a valuable model for other sectors of the New Zealand public service – when it has been given time to deliver sophisticated and rigorous results.

The Multilateral Evaluation Framework

In line with the Cabinet Minute NZAID has also developed an evaluative framework for determining the level of contributions to regional and multilateral development agencies.

The MARAAF is primarily a desk-top assessment using secondary data producing a draft report for comment in NZAID and the wider MFAT, and for later formal consultation with NZ and other stakeholders, and with the agency itself.

The MARAAF applies to:

- Agencies or allocations funded primarily through core grants, under the NZAID International Agencies appropriation, as an ex post assessment.
- Agencies or allocations potentially eligible for funding primarily through core grants, under the NZAID International Agencies appropriation, as an ex ante assessment.
- Regional agencies funded through core grants, in the Pacific and Asia, under the NZAID Pacific Bilateral or Global Bilateral appropriations, and either ex post or ex ante exercises. (Eight Pacific regional agencies where New Zealand is both a member and a major funder have not been assessed). (See Appendix 9 for list of key multilateral engagement)

The MARAAF is not designed to assess project, programme, or co-funding operations, although these may form a data set for overall agency assessment. It is also not itself an evaluation, but builds on external and other evaluations of agencies.

> *"The MARAAF can only serve a narrow purpose. It can give impressions rather than a substantive review of multilateral performance at field level. NZAID also need to look at independent agency reviews and examine impact and field assessments." NZ staff.*

The Reviewer was very impressed with the MARAAF as a 'first cut' evaluative tool, for the information NZAID gathered, and for the number of visitors from multilaterals the agency received in the process.

One multilateral partner where NZAID had withdrawn from participation in one fund after the MARAAF, described the process as "a useful exercise. We could have been more active". Of criticism they received they said they would "rather have NZAID breathing down our neck than not breathing our way at all". The exercise says to partners – "we wish to engage to

make sure you remain relevant to clients and to NZAID's mission. It is entirely valuable because we can reflect on how others see us and strengthen/modify/explain".

The MARAAF evaluative framework assisted funding decisions made in the 2005 – 2006 budget. Used alongside NZAID's Multilateral Engagement Strategy, it helped to identify a core of agencies as priorities for increased engagement (including core funding and special programme support as well as involvement in governance, policy and evaluation processes.) These agencies are: the United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), UN Fund for Population Activities (UNFPA), UN High Commissioner for Refugees (UNHCR), World Food Programme, UN Office of the High Commissioner for Human Rights (OHCHR), UN Office for the Coordination of Humanitarian Affairs (OCHA), UNAIDS and the International Committee of the Red Cross (ICRC). With the exception of UNDP, it is intended that funding be doubled to all these agencies in 2005/06. Funding for UNDP will rise by $1.3m in 2005/06 to a total of $8m a year.

The Multilateral Engagement Strategy focuses on four key issues:
- Where is there potential for increased harmonisation with multilateral agencies?
- How can information flows on engagement with multilaterals be improved?
- What multilateral engagement lessons, both positive and negative can be shared within NZAID.
- What should be the level of engagement with multilaterals.

NZAID focuses on harmonisation with multi-laterals through Executive Boards where NZ is a champion for 'do no harm'. NZAID looks for simplification at the recipient country level, and tries to encourage UN agencies and IFI's to co-ordinate better too. NZAID is also trying to bring the multi laterals in the Pacific on board for harmonisation, looking at alignment or co-financing possibilities with multilaterals where they are effective, and the MARAAF process helps guide that.

> *"Multilateral resourcing means the numbers and levels of conversation New Zealand has on these is much better. We are making good use of Directors we have in the Asian Development Bank and the World Bank. We are lobbying very hard to get rid of old processes".* NZ staff

> *"At the Pacific Donors' Meeting once a year NZAID get multi laterals, UN agencies and bilaterals around the table. NZ has very frank conversations with donors without P.I. partners present".* NZ staff

Reviewers Conclusion:

NZAID has fulfilled the Cabinet Minute requirement in respect of a multilateral assessment framework, and is engaged in the establishment of monitoring and evaluation systems which have the possibility of creating best practice of ODA delivery, and for learning for monitoring and evaluation for outcomes in other sectors of the New Zealand public service.

No recommendation necessary.

Semi-Autonomous Body (SAB) to be established within Ministry of Foreign Affairs & Trade (MFAT)

The establishment of NZAID as a SAB within the Ministry of Foreign Affairs and Trade was the preferred option for delivery of NZODA as a result of the Government's decisions in response to the report of the Ministerial Review team of March 2001 *"Towards Excellence in Aid Delivery"*. This option was preferred to the other two submitted by officials to Government: viz a division or business unit within the Ministry, or a new Department. The option of having ODA administered by a Crown Entity, as the Trade Commissioner Service is, was not proposed by officials. Presumably, however, even if it had been proposed to Ministers, the arguments against a separate department (i.e. considerable additional annual cost and "creating another department") ran counter to the Government's broader concerns to avoid further fracturing of the Public Service and would have persuaded Ministers against that option had it been proposed.

Theoretically SABs do not exist. There is no legislation that covers SABs. A SAB is not specified by any Act or other form of agency. No new institution has been created – just an aspect of an existing one, with a different form to make it work.

In practice however, SABs perform important functions. They are useful if they have clear reporting lines, goal setting and performance management lines. Therefore they are entirely sensible vehicles for NZAID. They have been set up with a clarity of goal and purpose.

While useful, SABs start to be a problem if the CE of the SAB thinks that he/she has the full responsibility for resources, but parliamentary accountability in this instance is from the Secretary MFAT who is legally accountable.

While the MFAT/NZAID/SAB potentially had all these debates and tensions they nevertheless have very professional relations and good systems in place which ensure these issues are addressed and resolved.

> *"It took a year to get the systems in place but that's pretty good for the bureaucracy! It tends to work if the right people make it work"*. SSC

> *"It was our view that the steering group to establish NZAID through the new agency should have as few objectives as possible. It is not really clear (from our experience) how a SAB structure works or how stable it is. This depends on key individuals"*. Treasury.

> *"In principle one should not design governance models that require good will. On balance having NZAID as a SAB is a compromise which has worked very well to shift the focus and develop a new culture"* . Treasury.

There is no question that co-location really helps daily communication and policy cohesion. Unfortunately these features could be under threat as staff numbers expand.

The new purpose built building which houses both MFAT and NZAID was supposed to last 10 years, but now it looks as if it may not last 5 years with sufficient room for both. This proximity is a crucial part of the process of relationships that has evolved.

MFAT and NZAID both have their own professional cultures, and there is constant daily dialogue between the two.

There have been adjustment, transaction and opportunity costs in the transition, but these have been insignificant when weighed against the recruited expertise in NZAID, and the outcome efficiencies in the new agency and its strategies and delivery.

There is a strong drive for synergies at posts with a strong collaborative approach (with one or two exceptions, where there are petty territorial disputes over laptops, use of vehicles and cell phones). In the Pacific, in particular, ODA is a feature of New Zealand's presence, and the High Commissioner is often a front line player in this relationship. The first wave of NZAID staff appointed to posts had usually been part of the old organisation, but this is now changing. Abroad, NZAID staff are expected to step up for diplomatic functions, and play the "ear to the ground" role to report to the post and New Zealand. There appears to be a gap arising in this type of reporting, and it should be a compulsory focus (e.g. on Merlins) of training before assuming an NZAID post abroad.

The adoption of the SAB model, however, does seem to have created some difficulties with overseas post staffing which either do not seem to arise with the Trade Commissioner Service or have been dealt with in a better manner. More comment on this is made in later sections.

While NZAID is not the first SAB to be set up in New Zealand, from information given to the Reviewer, it seems to be the most successful. The SAB model is basically a New Zealand model of the UK Next Steps Executive Agency model and similar models used to varying degrees in Canada and Australia. The model assumes that discrete businesses of a particular portfolio will be siphoned off to an agency operating relatively autonomously but still within the overall framework of the Department to which it is attached. The SAB is different from either a Crown Entity (where the governing board is directly responsible to the Minister and the department merely acts as an adviser to the Minister in the roles of funder, owner and purchaser of outputs) and the normal operating division of a Department where staff are employed under the same terms and conditions of employment and, subject to any technical requirements of particular positions, may move freely within the divisions of the Department. The SAB is envisaged as an autonomous agency that, while still under the umbrella of its parent Department develops a separate organisation, staffing, funding, policy development and operational structure. While the NGO stakeholders had sought a complete separation in their submissions to the last Ministerial Review, they are very relaxed and supportive about the current situation.

"My view at the time of the original review was for a fully autonomous agency, but now that I have seen NZAID in action, full autonomy may have caused problems" . NGO.

Reviewers Conclusion:

This SAB has been satisfactorily established and is working well. There are some Machinery of Government and other issues which have arisen from adoption of the model and these may have to be further addressed.

No recommendation required.

Executive Director of NZAID to appoint staff.

The Executive Director of NZAID is effectively the chief executive of NZAID and reports in that capacity to two Ministers, the Minister of Foreign Affairs and the Associate Foreign Minister with responsibility for NZAID. NZAID not only has a separate VOTE but also runs its budget system largely independent of the Ministry. All staff of NZAID are appointed by the Executive Director, and human resource policies of the Agency have been developed to suit the Agency's business needs. NZAID and the Ministry have a Shared Services Agreement designed to ensure the cost-effectiveness of shared common services, including services to staff.

NZAID began life with 58% of its staff being MFAT rotational staff. This number is now under 10%. Seventy per cent of NZAID's current staff has been recruited over the past two years. The agency has recruited a high calibre of specialist staff with significant experience in ODA from NGOs, other development agencies, the private sector and academics. Staff have been seconded from the U.K's Department for International Development (DFID), the Australian Agency for International Development (AusAID) and the Canadian International Development Agency (CIDA) and these have brought considerable additional expertise.

In an earlier section of this report NZAID's consultative culture was signalled as a 'centre of excellence'. One of the only criticisms encountered by the Reviewer was a perception in one or two central government agencies that NZAID staff did not see the bureaucracy as a key stakeholder with whom to consult or communicate. These were not agencies engaged in ODA delivery, but it is relevant in this context to reflect that most of the expert new staff came from outside the New Zealand public service, and use time targeting the development community in their outreach.

While NZAID is a small agency with postings abroad, there is not a significant career path available. The agency is aiming to have 4 MFAT staff at any one time, with the possibility of secondments of staff to other agencies, domestically and internationally.

The NZAID staff have their own internal process around best practice. "Walking the Talk" is a participatory process (see Appendix 10) which evaluates NZAID's organisational culture and performance against the agency's own principles and values. The performance indicators were developed in a participatory process with staff, and staff are engaged in reviewing these during evaluative activities. A workplace gap analysis is also regularly carried out with staff, with top-level responses to emerging trends.

Total staff turnover for NZAID for 2003-04 was 3.9%, Pacific and Global Groups had no staff turnover, and the Management Services, Professional and Organisational Development, and the Strategy, Advisory and Evaluation Group each lost one staff member.

The recruitment of expertise has been noticed. One NGO spoke of their main concern with the NZODA unit in MFAT as being the lack of specialist staff.

"The whole feeling and environment has changed. These are committed people with experience who understand development". (NGO).

A Pacific partner commented that:

"There are more and more New Zealand born Pacific Islanders coming on into the programmes. It's very pleasant to see a mixed team sitting there. It unlocks barriers".

It is important to record the Reviewer's observations that staff performed in a very committed manner, and have needed more access to administrative and other staff secretarial/logistical support than has been available. NGOs commented on this specific lack of support in Wellington, and the reviewer noted some emerging strains in this respect at posts.

Other New Zealand agencies spoke of receiving e-mails from staff dated through weekends or late in the evenings. Another spoke of expert staff who were thoroughly professional but "strung out like shanghais". When the reviewer asked staff what question they would ask if they were reviewing the agency, one wrote: "Does NZAID really have the resources the agency needs to deliver its programmes without running staff ragged?"

While the 2005-2006 Budget provides for additional administrative staff, the increase in budget its unlikely to cover the need. The need existed before the increase in the ODA budget, and the budget provision is insufficient to cover the existing need and the large increases in bilateral and other budget flows, and the servicing of the IDWG on contestable ODA. An example is in the Contracts area, where one person has seen a 2 1/2 fold increase in numbers in the last two years. Frustrations with delays on contracts were voiced by many overseas NZ post staff.

Furthermore, in any one day a programme manager works on a number of activity lines, the modalities used to deliver the budget, the complexity of the partner country's capability to absorb aid flows, as well as in the cross agency strategy and policy teams, relationship building, communication with NGO's and government departments, and official visits and ministerial and parliamentary needs. The State Services Commission drew the Reviewers attention to the need for NZAID to focus more on administrative support staff instead of specialists.

The increase in the ODA budget will also have effects on the recruitment of full-time nationals at posts. In the past local staff have been seen as "helping" New Zealand do its job. There is now a move to recruit local national staff who need to be professionals. Salary differentials with New Zealand staff will remain, but there will be an increase in salary differential with other local staff. This may need some good management at Posts. There is also a question about the nature of the staff performance reviews of these staff. NZAID might examine the possibility of these staff being assessed six monthly and inside the NZAID system. Attention might also be given to the training needs of these staff, and how many staff at posts might be brought into the loop of the significant training opportunities available to NZAID staff in Wellington (see Appendix 11). Finally, it is not clear whether or not there will be security clearance of these staff. The answer to that question will assist the Posts in the space and building configuration questions that are arising as a result of the increase in staff at posts.

The increases in the Budget will also place pressure on Wellington staff capability. There will be new money at a time when staffing is very fluid with NZAID staff leaving for posts and subsequent vacancies on their desks. Some positions will be restructured, leading to further churn. There will be new staff and existing staff managing new roles. In all of this there is also a need to clarify the respective roles of Wellington and Posts in terms of contracting, funding arrangements, grant payments, and levels of financial delegation, and at what levels of authority. This will assist staff at Posts significantly, and the reviewer was told of a number of problems with response times for payments to be made to NGO's and partner governments.

One staffing expertise noted by one other government agency as being of possible benefit to NZAID was the recruitment of additional expertise in development economies or political economy in the region(s) of New Zealand's bilateral partners. The Reviewer supports this view.

Reviewers Conclusion:

NZAID has effectively developed its own staff recruitment process so that staff are engaged to meet ODA delivery requirements not MFAT requirements.

Employment of local staff at posts on ODA delivery will entail the implementation of new training needs and performance review procedures.

Recommendation:

12. That NZAID develop staff training and performance review procedures for national staff at posts specifically orientated to the requirements of ODA delivery.

Protocols and delegations to be established between Secretary of Foreign Affairs and Trades (SFAT) & NZAID Executive Director (NZAIDED)

The following documentation has been established to achieve the intent of the Cabinet decision:

Relationship Document. This document spells out NZAID's mission and policy framework and their roles and responsibilities of NZAID, Ministers, the Secretary of Foreign Affairs and Trade and NZAID's Executive Director. The accountabilities of the Executive Director for Planning, Budgeting and Performance reporting and Managing People (specifically the employment responsibilities of the Secretary, the Executive Director and the Heads of Overseas Posts) are covered. Culture, values and ethics, and maintenance and enhancement of organisational capability matters are covered to serve as a guide for staff in the institutions for daily operations..

Memorandum of Understanding on the Provision of Services by MFAT to NZAID. This document, signed by both the Secretary and the Executive Director, covers the basis on which common services, services provided by overseas posts and capital funding will be shared.

Letter of Expectations from Secretary to Executive Director. This document is updated annually. This letter covers what the Secretary expects of the Executive Director, both as the head of NZAID, and as a member of the Senior Management Group of the Ministry.

Formal delegations to approve expenditure within budget and appoint staff have also been completed. The two institutions have a Shared Services Agreement to ensure the cost-effectiveness of certain common services.

While these documents meet the requirements of Cabinet, the central agencies have noted that the SAB model is far from clean. The SAB model created inevitable tensions- the model "pretends" that a chief executive (in this case the Secretary of Foreign Affairs and Trade) can delegate their accountability when this is not allowed in law. It is interesting that a similar comment was made in respect of UK Executive Agencies by a retired UK Civil Service Commissioner "It seems unfortunate to me that it (Introduction of Executive Agencies) has been done without Parliamentary legislation".

The SAB model has some difficulties in that it is inconsistent with the accountabilities placed on Chief Executives by the State Sector Act. It would seem preferable if SABs were acknowledged as a viable organisational option and amendments made to the State Sector Act to recognise them and enable a Chief Executive to lawfully delegate his accountabilities where the model exists. Given that, though, both the Secretary and the Executive Director appear to have gone to quite extraordinary lengths to make the model work.

For the purposes of the OECD DAC and Ministerial Review, MFAT furnished its own report to the Reviews. The Executive Summary concluded that:

"Organisational alignment is working well. Processes are in place to ensure that this continues. Work in progress includes the search for a better alignment of MFAT and NZAID resources allocated to handle the Government's multilateral policy agenda, and reinforcing the need for mutual and timely consultation by all relevant units during the planning and accountability processes".

Shared services are operated on a shared costs basis. The new dynamics to cope with additional staff at posts are negotiated on a case by case basis. Nearly all divisions between MFAT and NZAID interact regularly, from regular weekly to monthly meetings.

The best will in the world has not led to a trouble-free transformation, and it appears from responses received by the Reviewer that both MFAT and NZAID staff at posts have borne some pressures in the changes. For example, the Reviewer encountered some MFAT grumbling at a Post where the need for NZAID to set up new systems for contracting and payments systems was questioned.

NZODA has always had contracting and payment systems, but they were not well defined and were not consistently adhered to. As part of setting up the new agency, central agencies made it clear that NZAID's performance against areas like the Public Sector Procurement Guidelines and the Public Finance Act would come under increased scrutiny. Contracting and payment systems were reviewed late in 2002 and have been implemented and monitored across all ODA activities since then. NZAID continues to review and streamline these processes to ensure they support the delivery of timely and effective ODA outcomes, while still meeting the Public Sector requirements for transparency and accountability.

But this has taken time, and the rollout of NZAID activity management to Posts had just begun in May 2005. This will be most welcome by NZAID staff as a tool to delegate responsibility management to Posts. In addition, Post staff will have access to 'near' real time Wellington data. This will be a significant improvement where Posts have felt that they were not integrated into Wellington thinking and systems, and felt inconsistently consulted.

Leadership of NZAID and MFAT have wanted to manage interfaces in a joined up sort of way. They wanted a well co-ordinated overall approach to countries, but a change in the character of the way in which the development assistance component was thought of and delivered.

In smaller posts there has been a strong drive for synergies and a whole of Government strong collaborative approach. The first wave of NZAID assignments were generally people who had been in the old organisation. For the latest rotations and new appointments, all but one are NZAID staff. The direct accountability line still goes to the Heads of Post. As an NZAID staff member described:

"The moment we leave Wellington we are in the High Commission team".

A few issues remain. There will be an impact on both MFAT and NZAID staff at posts with the increased multilateral engagement. Sometimes this impact will fall on MFAT staff who are also NZAID staff, for example in a 60/40 or 50/50 position. Care will need to be taken to ensure these staff don't fall through the cracks in terms of their increased workloads, and pressure on them from the HOM to prioritise one agency's work.

One activity which could assist the NZAID team at posts is a more consistent use by them of MERLINS, the cable traffic which is a key form of communication for NZInc. Less use of informal emails in tasking situations by NZAID staff would be helpful. It is noticed that MERLIN training is voluntary for NZAID staff. This issue might be usefully addressed so that it is compulsory for all NZAID staff before leaving for an overseas posting.

While the Reviewer has noticed some blips on the radar, the general finding is in agreement with that of the SSC.

> *"Our impression is that the whole process is much better than the mandarins thought it would be. It's a good example of where government was clear what it wanted. MFAT NZAID have very professional relations and good systems in place".*

However any government format which relies entirely on goodwill between individuals is inherently unsound.

Recommendations:

13. That SSC investigates whether legislative amendment would improve the use of SAB's as a delivery option for government programmes.

14. That all NZAID staff receive training in the use of MERLIN.

SECTION 13

Capability and Resources

The Reviewer's third TOR was to assess whether NZAID has the capability and resources to carry out the objectives set for it, including the appropriateness of the current funding formula under which 5.3% of bilateral ODA funding increases in directed into the departmental budget.

It should be noted over the last three budgets, an agreement has been reached with Treasury where 5.6% of increases in Vote ODA are directed to Departmental appropriations. NZAID can target this 5.6% according to business need.

Capabilities and Resources in Wellington – When setting up NZAID as an SAB, allowing it to establish its own staffing profiles and to recruit from other agencies in the public and private sector was a significant policy switch in the management of NZODA. In the opinion of the review this has been singularly successful in establishing a professional approach in NZAID to the management of both bilateral and multilateral programmes. The Executive Director has used his delegated powers in an innovative and constructive fashion to ensure the development of a sound professional organisation staffed with expertise relating to the management and policy issues which uniquely arise in the administration of development aid programmes. Particular features which have been noteworthy are:

- The establishing of an organisation structure, reporting directly to the Executive Director of two line groups and three complimentary support groups. The line groups (Global and Pacific) have split the world between them to establish central programme control over all policy and management issues arising from NZODA. The three support groups (Strategy, Advisory and Evaluation Group, Professional and Operational Development Group, and Management Services Group) provide across-the-board support to all parts of NZAID. Of particular significance in this organisational structure has been the separation of the Professional and Operational Group from the Management Support Group. This seems to have been particularly insightful as it means that the recruitment and development of human resources (so vital in the first few years of the Agency's development) have been separated out from a group with specialist skills in financial management, contracts administration and information systems. This major undertaking has inevitably been slower than anticipated.

  > *"The need to recruit a large number of staff – and get security clearances – it's been hard to also develop policies and implementation plans, and maintain and enhance programmes, while being as consultative and participatory as the agency (and its stakeholders) would have desired."* NZ STAFF

  > *"The 5.3% is reviewed annually on marginal costs of additional projects. Strategic advice and evaluation and management are excluded from this guideline. NZAID took a year to get the top people in, so it was not appropriate to look at increases".* Treasury.

- The establishment of a Strategy, Advisory and Evaluation Group with the responsibilities of building agency capability, co-ordinating the policy development process in the sectoral and thematic areas, providing leadership across programmes in the relationships with key stakeholders and developing evaluation strategies is important. An interesting feature of this group is that, although its emphasis is strategic, its brief clearly is to be in a support role to the two line groups and not to take over their role. While much work has yet to be done, the Group has established an evaluation framework which, over time, should enable NZAID to demonstrate to Ministers and other key stakeholders that the taxpayer is getting value for money for its investment in NZODA. Without this organisational and cultural change, this would not have been possible.

- The setting up of a "team approach" to the delivery of bilateral programmes has been an effective transitional approach. A Programme Manager is established for each significant bilateral programme in one of the two line groups, leading the team in Wellington and those in overseas posts delivering the particular programme in the field.

- The establishment within the Wellington HQ of a lateral rather than a hierarchal organisation structure, whereby task forces are established with staff from each group to develop particular policy proposals and to design the delivery of agreed strategies is excellent. These task groups are not permanent in nature and are formed, dissolved and reformed as circumstances dictate. This approach, not easy to establish in a public service bureaucracy, has been well thought out and seems to be working well. Neither does this approach seem to have inhibited the development of those hierarchal structures which must still be in place to enable cost-effective day to day administration.

- The development of an evaluation tool to ascertain whether the programmes of particular multilateral or regional agencies are consistent with the strategies developed by NZAID, in accordance with Cabinet directions, for the distribution of NZODA is innovative. This tool called MARAAF (Multilateral and Regional Agency Assessment Framework) has been used to evaluate a number of agencies. With the aim of focusing on fewer, deeper, stronger and more strategic agency relationships, MARAAF is helping to determine those agencies which best align with NZAID policy objectives and NZ national priorities and therefore are a "best-fit" for NZAID funding and engagement. A total of 35 multilateral agencies have been evaluated using this mechanism over the three-year period – 2003/2003 to 2004/2005. As a result of using MARAAF, NZAID has ceased funding to some agencies not seen as well aligned to NZAID goals and policy, and increased funding to others.

- The development of detailed operational plans in a co-ordinated fashion which directly relate to the implementation of Intermediate Level Outcomes as per the Strategic Plan and the Statement of Intent is very transparent practice. Thus the high level documents are not just there to satisfy external accountabilities, but are directly related to programme delivery at the operational end.

Capabilities and Resources at Overseas Posts – This appears from the perspective of the wider Ministry to be one of concern. The Review, however, does not see it as such but more in the line of a cultural and structural change to overseas posting that needs to be recognised by the

wider Ministry. Observations in the review would indicate that this is the one area where the adoption of an SAB within the Ministry, rather than as a separate agency (either Crown entity or department) has mitigated against acceptance of the need to change by the wider Ministry. Points to note are:

- An NZAID Offshore Capability Review was conducted in 2003 and a report issued in March 2003. This report identified 26 local staff positions and 10.75FTE seconded (or NZ based) staff positions involved in the delivery of NZODA. In regard to seconded positions, 6 were identified as full-time NZAID positions and the remainder positions which carried out both NZAID work and wider Ministry work. The dual positions varied from 12% to 78% time spent on ODA content. Not all positions were filled to this level at the time of the review but these were the levels deemed necessary if the goals and objectives of NZAID policy were to be achieved overseas. The response to the review was mixed at best. However, DAC peer review indicates that in April 2005 there were 40.6 local staff positions and 18.2 seconded (or NZ-based) staff positions making a total of 58.8 FTE positions involved in the delivery of NZODA at overseas posts.

- While the Executive Director NZAID has received full delegation to appoint staff to NZAID positions in Wellington subject only to the requirements of the State Sector Act, once staff from either the wider Ministry or NZAID are posted overseas they are appointed in terms of the Foreign Affairs Act and the Secretary of Foreign Affairs is responsible under that Act for the employment of all overseas staff. In practice the Secretary delegates these responsibilities to Heads of Missions (HOM's) in respect of locally engaged staff but in respect of seconded staff these responsibilities remain with the Secretary. The principal reason for this is to maintain a uniform foreign service and to foster the proper development of career diplomats. This position does not necessarily sit well with the introduction of the SAB model of NZAID and the desire of its Executive Director to build up specialised development staff.

- The current policy which the review has been advised operates with regard to staffing of seconded positions in overseas posts is that, for those positions where the NZODA content is more than 50%, the position will be filled by a NZAID officer where one is available. All other positions will be filled by a member of the diplomatic staff. Currently this would mean, based on the recommendations of the Offshore Capability Review, that 12 overseas seconded positions would be held by NZAID staff. It is understood that currently, when a post becomes vacant, and it is decided to retain it, expressions of interest are called for from officers in both NZAID and the wider Ministry. After reviewing these, an appointment to the overseas position of the applicant who most suits the position profile, is made by the Secretary. In practice however such a policy is unlikely to change the current mix of overseas postings.

- The wider Ministry is concerned that, particularly in the Pacific (due to the concentration of the Pacific focus of NZODA in conformity with Cabinet direction), the filling of positions by NZAID officers has diminished the opportunities for junior diplomatic staff to obtain Pacific experience and has

resulted in a loss of flexibility as specialist staff have replaced more generalist staff. It should be noted that of the 10.75 FTEs identified by the Offshore Capability review as being positions with an NZAID element, 10.05 would be filled by NZAID officers under the current policy and of those positions, 8.05 (or 75%) are in the Pacific. Because of the size of the Pacific countries the NZ missions to these countries tend to be relatively small in comparison with larger posts such as Washington, Tokyo, Paris and Brussels.

- The reviewer is of the view, however, that the Ministry is attempting a form of "over-kill" in expressing its concerns re the overseas staffing policy. It needs to be remembered that in many posts overseas, positions (holding diplomatic or consular rank and expected to perform or supervise the performance of local staff performing consular and diplomatic functions) are held by Trade Commissioners – officers employed by NZ Trade and Enterprise, but seconded to Foreign Affairs for the duration of an overseas posting. This relationship appears to work well. Indeed in Dubai the head of post (Consul-General) is an NZTE officer as well as fulfilling consular and diplomatic functions. The fact that different models are used in Wellington for the delivery of specific programmes (i.e SAB for NZAID and Crown entity for Trade Commissioner Service) should not affect the model used in staffing overseas posts.

- The full recognition of the contribution NZAID staff overseas are making will only finally occur when a suitable NZAID officer is appointed to a HOM position. It is essential if the confirmation of NZAID as an SAB within MFAT is to be seen as successful by NZAID staff that this career opportunity becomes available to them. MFAT and NZAID need to take appropriate steps to ensure that suitable NZAID staff receive appropriate training to enable them to compete for HOM positions. As was demonstrated at New Zealand's Bangkok post on December 26, 2004, NZAID staff may find themselves as Acting Head of Mission (HOM) in a major crisis. In this instance the Acting HOM during the tsunami relief period earned praise from every quarter for his performance.

- Considerable frustration exists in overseas posts where administrative and logistical systems in place are effective for diplomacy but quite unsuitable for ODA delivery. The Ministry needs to be more flexible in how it provides support to NZAID staff in posts.

- In some cases NZAID staff at posts seemed considerably overstretched. Instances were – Pacific Islands Region in general, Bangkok where the one NZAID Officer is expected to manage bilateral programmes in a number of neighbouring countries as well as act as New Zealand liaison to 6 international agencies in important multilateral programmes in which New Zealand is taking a lead part.

A Treasury comment is particularly pertinent to this:

> *"New Zealand's shareholder and policy positions are sometimes blurred. It is very important to engage with the IFIs in advance of meetings because by the time of Board meetings the agenda and likely outcomes are already cooked.*

The FTE policy equivalent is spread across 4 people. New Zealand has no luxury of resources to work on these relationships. At present New Zealand is an ADB Alternate Director, a WB Executive Director, and an IMF Alternate Director. NZAID is closely engaged on IFIs, debt issues and also trying to have a greater influence on regional issues. They have doubled staff from 1 to 2 in Suva because the ADB has gone there. It is, however, very easy for New Zealand to have a watching brief on everything and achieve nothing." Treasury

Operational Autonomy of NZAID staff at posts – Several comments were made to the Reviewer that NZAID has not devolved decision-making to posts as comprehensively as AusAID, CIDA or DFID. The general view expressed was that greater devolution of decision-making along the lines of other countries may well enhance the New Zealand response to individual country requirements. While there has been considerable attention given to resourcing and capability issues at both Wellington and at posts, a number of instances were noted where co-ordination of programme resource needs between Wellington and posts could be improved. To some effect this is related to the issue of devolution of programme management.

Capabilities and Resources of ODA providers from the private and NGO sector. An increasing concern for NZAID has been to develop local structures for the delivery of NZODA. Having determined that one of the prime causes of poverty is poor governance leading to low education and public health results, NZAID has focussed on funding development in the areas of self sufficiency in governance improvement. In the past much of this has been done by NZ based contractors and staff seconded from other Government agencies or NGO's. Increasingly NZAID is looking to replacing this by local officials and contractors with the capacity to lead and manage programmes. This does not always find favour with New Zealand contractors who see market potential particularly in the Pacific. NZAID is to be commended for putting a priority on the development of local resources in poverty elimination. Great care will also need to be taken in this particular in respect of the new 11% contestable funding announced in the 2005-2006 Budget. The Reviewer found insufficient appreciation of such a focus in interviews with New Zealand government agencies who thought they could be more engaged in ODA "projects" using their own personnel as "experts".

The Funding Formula – NZAID is unusual in that Cabinet has agreed that 5.3% (now 5.6%) of any increase in ODA bilateral funding should go towards an increase in the NZAID operating budget. The apparent reason for this is to ensure that NZAID continues to have the capacity to administer increases in aid in an environment when New Zealand is committed, over time, to reach the target of allocating 0.7% of GNI to ODA. While NZAID is building its agency capability, the funding formula seems appropriate. Indeed, Treasury's rationale was well expressed in the following comment:

"Human Resources in NZAID are linked to programme delivery and organisational effectiveness and efficiency. There is a need to see investment in evaluation. Is the thinking capability of the agency in good order? What does this mean in terms of proportions to determine human resources against development delivery? Treasury also have an interest in the ratio of money spent on management ODA. If there is an increase in aid 5.6% is applied to aid management. This figure is not fixed in stone in respect of bilateral programmes, and the ongoing relevance of this figure needs to be checked. It excludes strategy and evaluation costs and needs to be revisited dependent

on the size of programme etc. As a small agency it is hard for NZAID to get economies of scale; the 5.6% is based on management of bilaterals and consultants, not based on multilaterals. It was built from historic information based on costs at the inception of the agency." Treasury.

However, there is a danger that if it was continued indefinitely, a lack of fiscal discipline could arise. Most other agencies of Government have to absorb new programmes without annual increases in their operating budgets unless these can be justified by a sound business case. While the current automatic increase in operating budget as a percentage of ODA increases should continue in the meantime, the policy should be subject to review by Treasury in three years' time.

Review Conclusion

(i)   NZAID has established a sound organisational structure and is using its delegated powers to develop a professional staffing profile suitable for the needs of a modern innovative ODA policy and delivery agency.

(ii)   NZAID is rapidly developing its capability to fulfil the objectives set for it by Cabinet.

(iii)   The current policy on filling positions at overseas posts with an NZAID component should continue and the wider MFAT should constructively adapt to the changes this entails.

(iv)   MFAT and NZAID to review their structures in Posts where ODA delivery is a significant component with particular reference to:

- Greater devolution of programme decision making to posts.
- Improving the relevance of Post support structures to ODA delivery.

(v)   The current funding formula is suitable for the period in which NZAID is developing its agency capability and managing the transition from an agency staffed on rotation by generalist diplomats to one staffed by specialist development officers. The formula should however be reviewed in 2007/8 to ensure that it is not encouraging a lack of budget discipline.

SECTION 14

Consistency in and Effectiveness of Relationship.

Progress made in ensuring consistency between the Government's strategic directions for ODA and foreign policy, including the effectiveness of the NZAID/MFAT relationship and advice to Ministers, was the fourth of the Review's TOR.

The issue of overseas staffing has been considered under Section 11. Although germane to this section, the comments and conclusions are not repeated here.

The boundaries of day-to-day relationships between NZAID and MFAT are laid down in the Relationship Document between the Executive Director of NZAID and the Secretary of MFAT. This is the framework document and is underpinned, and its operation monitored, by weekly meetings between the two signatories to it. The NZAID ED is a full member of the Senior Management Group of MFAT. In this capacity he not only attends the weekly meetings of that Group but is required, in terms of the Letter of Expectations, an annual document given to him by the Secretary, to contribute to the broad leadership and overall management of the Ministry as a whole. In this role he assumes a "general management" position rather than acting solely as the head of the SAB.

There is a requirement in the Relationship Document and the Letter of Expectations for consultation between NZAID and the wider Ministry before policy proposals are put before Ministers. This is exercised at a high level between the NZAID ED and the MFAT Deputy Secretary responsible for the wider Ministry input into aid policy. In practice, however, this consultation takes place at a much lower level in the Ministry with NZAID staff from the relevant Groups attending regular meetings with officers from the wider Ministry concerned with their particular areas.

The Report on the views of MFAT to the NZAID Review (hereafter called the Tipping Report) described the consultation processes as follows[9]:

> *"NZAID staff attend MFAT's regular Programme 4 and Programme 1/3/5 co-ordination meetings. Nearly all MFAT Divisions that interact frequently with NZAID have regular monthly meetings with NZAID at Director level, as well as consulting informally whenever they need to. NZAID representatives attend MFAT's Programme 2 co-ordination meetings, and meetings of MFAT's Communications Consultative Group, when other priorities permit. Moreover, the templates used for NZAID's submissions to Ministers also require an indication of the views of the relevant MFAT*

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[9]. **MFAT's Programme Structures: Programme 1** - covering Americas, North Asia, Security Policy, South/SE Asia with responsibility for posts in North and South America and Asia; **Programme 2 -** covering Australia, Trade Policy, Trade Negotiations with responsibility for Australian posts and the NZ Representative to WTO in Geneva; **Programme 3 –** covering Consular, Disarmament, Economic, Environment, Human Rights, Legal, Antarctic, UN & Commonwealth with responsibility for posts in New York, Vienna and the UN part of Geneva; **Programme 4** covering Corporate Services and Europe with responsibility for posts in Europe; **Programme 5 -** covering Information and Public Affairs, Kaupapa Maori, Middle East and Africa, Pacific, Tokelau Islands, NZAID policy oversight with responsibility for posts in Pacific, Middle East, South Africa.

Division(s). Overall MFAT considers that the formal consultative framework for the relationship is sound and enduring."

Further, there is consultation between NZAID ED and the MFAT Deputy Secretary responsible for Corporate Services on organisational, human resource, IT and financial management issues where NZAID activities impinge on the wider work or responsibilities of MFAT. Again, however, the most effective liaison has been at the working level. A good example of this was the working out of the cost sharing agreement between NZAID and MFAT with regard to the costs of overseas posts where NZAID operations exist.

Programme 2 is the division of MFAT that is responsible for Trade policy and Trade Negotiations. The Tipping report suggests that attendance by NZ AID staff at Programme 2 co-ordination meetings occurs only where other priorities permit. As the issue of trade seems to be one of the principal areas of unresolved policy tension between MFAT and NZAID staff, there would seem to be a need for NZAID to accord a higher priority to NZAID attendance at Programme 2 meetings.

However, as in all relationships, small matters which can have major effects fall through the cracks. The Tipping Report commented:
> *"Judging by the number of NZAID-related enquiries handled by MFAT, it seems that the media have not yet fully understood NZAID's semi-autonomous status and its capacity to handle its own media relations."*

This conclusion may well be the result of there being no listing of NZAID in the government pages of New Zealand's telephone directories, neither independently as NZAID, or even listed under MFAT!

In setting up NZAID, the Cabinet had as one of its objectives the provision of contestable advice on aid policy. Effectively though, NZAID and MFAT have developed processes for policy coherence which ensure that, in most cases, an agreed position is reached before proposals are put to Ministers. In only a rare number of cases have Ministers had to choose between differing recommendations between NZAID and MFAT. As institutional learning processes are further developed this policy coherence is likely to become more effective.

Whether this process, of resolving differences at a level of the two organisations below SMG level, results in good Government decision-making is debatable. It means that Ministers are not exposed to the differing views held by officials at the working level and that the compromises reached by officials at the working level may not necessarily be the compromise that Ministers would have reached.

The Tipping Report was concerned that :
> *"Consistency between ODA and foreign policy at the strategic level is both a requirement of Government and an institutional necessity for MFAT. MFAT's view (is) that NZODA should be directed so as to **actively** serve **both** poverty elimination **and other** foreign policy goals".*

NZAID sees coherence as one of its biggest challenges. The last Ministerial Review saw the difference between foreign and development policy, and Cabinet agreed that these needed to be distinguished from each other. New Zealand's ODA is an expression of New Zealand's international persona, as is foreign policy, security, international human rights, global

warming, trade etc. NZAID's first question is **what is effective in development terms?** If this job is done properly, relationship benefits will follow. Asking 'what serves the relationship best?' as the initial question risks second-class quality development outcomes. So poverty alleviation as a central focus has received less immediate buy-in from MFAT.

The Tipping Report outlined an illustrative selection of particular policy issues to discuss how MFAT and NZAID had approached them, and what the outcome was. These were:
- policy coherence in the Pacific
- education assistance
- the Government Latin American strategy
- trade and development issues
- multilateral policy

This review has made major comments on the challenges to policy coherence in the Pacific in Section 5.Increasing convergence in policy terms, especially in respect of good governance issues, which are issues of high foreign policy importance, has been observed in this region. Education assistance issues are covered in Section 16.

Both the Latin American strategy and trade and development were the subject of some critical commentary from NGOs when they were asked to comment on 'coherence', and the Review has some commentary on these two sectors, and on coherence in multilateral policy. Policies which engage other New Zealand agencies, for example, NZDF, New Zealand Police, HRC, MOF, etc, will be dealt with in Section 15.

The Government's Latin American Strategy dates from 2000, and New Zealand's diplomatic efforts concentrate on 6 countries. When NZAID came to formulate a Latin America Development programme in 2004, these relationships were taken into account, but Cabinet's central focus of poverty elimination was applied, and the engagement on sustainable rural livelihoods and governance as the two themes was agreed. NZAID will have one full-time Development Programme Manager based in Wellington to oversee expenditure of up to $NZD28 million in the Latin American Strategy over the next 5 years.

New Zealand's diplomatic posts and MFAT staff in Latin America will be the front line for NZAID in country and regionally. They will assist in the preparation of annual reports on key lessons learned from the CADP. They will need to[10.]:
- identify potential candidates for study awards, and manage Head of Mission Funds to support discrete development activities of a finite duration in certain countries with accreditation in New Zealand.
- Assist NZAID in the facilitation and assessment of short-term training awards, identification of possible initiatives under the strategy and management of relationships with partners in Latin America
- Comment on applications for criteria-based funds, including on the question of how a proposal would complement New Zealand's whole of Government Latin America Strategy
- Contribute to the maintenance of up-to-date information necessary for the successful monitoring and implementation of the programme
- Participate in review and evaluation processes

[10.] Argentina, Brazil, Colombia, Chile, El Salvador, Guatemala, Mexico, Paraguay, Peru, Uruguay, Venezuela

The need for diplomatic staff to be so engaged does raise the issue of the extent of time MFAT staff spend being briefed on NZAID policy (for example, mainstreaming) and systems (for example, evolving monitoring and evaluation processes) before posting and while at post. The Programme will need to sustain the Cabinet requirement of 'excellence in aid delivery' but it appears that MFAT staff will have to pick this up by osmosis. If local staff are recruited at posts to assist, then significant training implications arise. But the Latin America strategy is a good example of the mutual interdependence of MFAT and NZAID in pursuit of both foreign policy and development assistance goals.

As other stakeholders have observed, there has been tension between MFAT and NZAID in the area of trade and development. The Review has observed, in this context, that there is an advocacy expectation of NZAID from NGOS, that in the trade area they should be operative well beyond their ODA mandate, rushing about as a last ditch wall of defence in the ideological battle around the WTO Rounds and accession talks with countries with whom NZAID has a bilateral relationship. The NGO community have had robust arguments with MFAT over trade agreements, especially as New Zealand is on the working group for accession for Vanuatu, Samoa and Tonga. It certainly seems reasonable to the Reviewer that in these cases NZAID expertise should be represented in this working group. NZAID does, in mandate and collective expertise, have a right to a say here, and a greater say in respect of those Pacific countries and others where there is a bilateral ODA agreement, for example, than in respect of China. A mandate to focus on the Pacific does mean different rules in different circumstances, and a reason to be resourced to follow this through. The Review is of the opinion that such an NZAID role would be <u>consistent</u> in the Pacific, where the same argument does not carry the same weight in other regions, although other issues, such as those crosscutting policies concerning human rights, gender and environment and their application to WTO rounds, most certainly do.

To best highlight the division in policy approaches between MFAT and NZAID, it is useful to quote in full this section from the Tipping Report:

> *"The trade and development interface between MFAT and NZAID, like other areas, has seen policy compromises reached, albeit slowly. A good example is NZAID's publication "Trade can reduce Poverty" which was agreed after considerable debate and which sets out a common trade and development philosophy in line with the Government's views. This agreement is also reflected in the relevant parts of the MFAT website.*
>
> *Different policy perspectives still exist over WTO accessions and FTA (Free Trade Agreement) negotiations with developing countries. There was an issue over process for WTO accession negotiations to be resolved first. NZAID proposed that for each accession negotiation distinct New Zealand policy positions should be developed and approved by Ministers in advance. MFAT advised that this was not feasible and that accessions should be handled through the normal procedures for consultation and clearance of instructions to Posts.*
>
> *The most significant difference in policy is around how firmly to pursue New Zealand's immediate commercial and trade interests in the WTO accession negotiations with developing countries. NZAID has at times (e.g. over Vietnam's accession) tried to restrain MFAT divisions from advancing and defending New Zealand's commercial interests in these negotiations.*

*Turning to **FTA negotiations**, NZ policies which would provide balanced outcomes, but which require contributions from NZODA, are difficult to achieve. A classic option would be the provision of technical assistance to a developing country's dairy industry, in the context of seeking an FTA with improved access for New Zealand dairy products to the developing country concerned. As MFAT has no development funds under its own control, such assistance is only available if NZAID gives it priority, which so far it has not. With MFAT embarked on a long series of FTA negotiations, these tensions are likely to become more visible.*

*(There is a broader point here). The creation of NZAID and the terms of its mandate have left a gap. MFAT's ability to use NZODA **as one of its diplomatic tools** has been made conditional on NZAID concurrence. NZAID concurrence is not always forthcoming, and nor should it be, given the terms of NZAID's mandate. It may be that there is a case for establishing a new category of development funds in Vote: MFAT devoted to "DAC-able" activities which support FTA negotiations and/or bilateral, or regional, foreign policy goals other than poverty elimination. The Pacific Security Fund apparently operates such a fund around governance support.*

*NZAID involves the New Zealand **private sector** in NZODA activities, e.g. through consultancies. MFAT considers, nevertheless, that the extent and quality of such engagement needs further development and resolution Specifically, MFAT has suggested that NZAID should engage in regular and ongoing consultations with the NZ private sector, and the recipient country, to see where NZODA funds could be spent in such a way as to encourage enhanced NZ investment/business interest, with ultimate benefit both to the recipient country and to NZ business. NZAID, however, sees this as inappropriate and often unhelpful. It can distort private sector decisions, leading to unprofitable and hence unsustainable businesses, and the benefits can be captured by a small number of private interests. The issue is unresolved."*

Those familiar with the earlier Ministerial Review will recognise clearly the sensibility in respect of ODA that is present in these comments, and its ties to old modalities, including donor initiated projects, conditionalities, and elements of tied aid.

The attention of the Review was drawn to a key incident in the tension between the approaches. In a formal meeting with a multilateral, the Reviewer was advised of an incident where a New Zealand diplomatic staff member of MFAT was 'running interference' in a programme to which NZAID was a donor. The issue was focussed on the WTO work programme for small economies, adjustment support for those losing preferences, and the development of principles for compensatory support. The New Zealand representative didn't agree with the tactical positions being advised to developing countries to take in the round, and that the expert consultant was 'inept' in the advice being given. The multilateral made a complaint to a New Zealand post, and a meeting was held. The Review understands there were telephone calls made from the agency head to the Secretary of MFAT, The surprises for the Reviewer in this instance were twofold: that communication by the diplomat was not with MFAT/NZAID on the issue, and that the Associate Minister had never been advised of this issue, which was a clear ground where "contestable advice" was in action, with no satisfactory mechanism for resolution, and a most undiplomatic response in respect of the MFAT representative who was 'running the interference'. New Zealand does advocate for special and differential treatment in the WTO, especially on food security and rural

development issues, and the multilateral funded programme was entirely consistent with the NZAID Trade and Development policy.

A further matter brought to the attention of the Review by OXFAM concerned a lack of consistency in respect of governance and trade negotiations, particularly in Tonga. It has not been the mandate of this Review to investigate this matter further, but reference is made to this issue because of the keen interest the Parliamentary Select Committee on Foreign Affairs has in respect of Tonga.

> *"Three countries in the Pacific are currently engaged in negotiating accession to the World Trade Organisation – Vanuatu, Tonga and Samoa. All three are focal countries for NZAID. MFAT has been a member of each Working Party for the accession negotiations. However, the Tongan government has limited capacity to engage effectively in complex negotiations and acceding countries are relatively powerless to set the terms of their accession. This is compounded by excessive secrecy. There has been virtually no public information about the process, no substantive research on the potential costs or benefits that may result from the negotiations, no assessment of the likely impacts on the poor and vulnerable people in society, and virtually no opportunities for meaningful engagement with civil society.*
>
> *The negotiations are likely to result in major changes to the structure of Pacific Island economies. In Tonga's case, Oxfam's analysis reveals that reductions in tariffs and port taxes may reduce government income by one third, and that Tonga is being asked to open 9 service sectors (at the one digit classification level) compared to existing WTO commitments of one sector by Fiji and eight by NZ.*
>
> *The relatively closed negotiations processes around international and regional trade deals are at odds with NZAID's support for good governance. They lead to criticisms that NZ and other rich countries support open governance processes except when they are seeking to negotiate commercial advantages for their own companies behind closed doors. Similar criticisms are levelled at IMF and World Bank negotiations with Pacific governments, often including detailed conditionalities on loans. A more coherent approach to good governance would commit NZ to work to apply good governance principles to all regional and international negotiations."*

NZAID's role in trade and development activities is wide ranging, from assistance in poverty elimination to WTO market accession. Approximately $19.5 million has been provided in bilateral, regional and multilateral programmes, which includes issues of quarantine, customs, standards and performance issues, sanitary and phytosanitary standards, and biosecurity issues including plant protection and food safety. Further programme approaches are influenced by 'livelihoods' thinking, and involve post harvest handling, processing, promoting local private sector development for both local and export markets, and entrepreneurial business training.

Labour rights are explicit in the Trade and Development policy and the Asia strategy invites new initiatives around trade capacity building. There is a 3-year commitment in place with the New Zealand Fair Trade Association. New Zealand has zero rated tariffs for all LDCs. All of these matters are part of the NZInc trade and development approach.

In the multilateral area there is a good level of policy coherence around the MDGs and Financing for Development issues. NZAID depends on MFAT staff in key multilateral fora

in New York, Geneva, Paris and London for engagement. The last budgetary announcements of significant increases in multilateral funding will also mean increased engagement in Wellington and at posts, particularly in Bangkok, and the presence of the ADB in Suva has already meant an increase in staff numbers to cope. While the Tipping Report comments that *"in South East Asia there is as yet no scope to involve NZODA in support of the Government's commitment to regional counter terrorism efforts,"* the Review noted NZAID's engagement with multilaterals in the region with major human security concerns: trafficking, anti-mining, the World Food Programme, HIV/AIDs, and the security concerns of the growing number of New Zealand agencies – customs, police, immigration, NZDF – represented at posts in the region. The NZAID <u>contributions</u> to such multilaterals gives New Zealand (frequently MFAT) the chance to be a global policy guider because of these commitments.

There seems to be good issue-by-issue work on conflict prevention and peace building between MFAT and NZAID, and in the issues over Small Island Developing States. There is a recognised need from stakeholders and MFAT and NZAID that multilateral environment policy requires a lot more work. In March 2005 the initiative for MFAT to develop their own series of strategy papers – the first on 'A Role for New Zealand Diplomacy in Conflict Resolution' invited any NZAID staff member with ideas, views or experience to join in the process, and to register an interest to be part of the team. As MFAT spends more time on such strategic thinking, and engages NZAID staff, who have been engaged in such a process over several years, the possibilities for greater understanding and coherence are enhanced.

The Review TOR referred to "the effectiveness of the NZAID/MFAT relationship". The SAB (Semi-Autonomous Body) model is a hybrid between a departmental business unit and a separate agency (either a Department or a Crown entity). As mentioned earlier, it does not sit well in the general framework of machinery of government in the New Zealand scene. It is an adaptation of the "Executive Agency" model adopted in the UK and elsewhere. According to recent writings these overseas models are not as straightforward as envisaged and raise questions as to the accountability of both Ministers and officials for Government service delivery operations conducted by these agencies. As far as the New Zealand context is concerned, the review understands that the SAB model which has been applied in other Departments has not worked harmoniously. It is to the credit of both the Secretary of Foreign Affairs and Trade and the Executive Director of NZAID that the model has worked relatively harmoniously and efficiently in the delivery of NZODA. The concern of the review, however, is that this relationship is very dependent on the personal relationship between these two senior officials. Whether such a relationship would continue if there was a change in the holder of either position is a risk that the model presents. The review has no easy solutions to this but considers that the Ministry, NZAID, SSC and Ministers should consider what steps can be taken to strengthen the model and reduce the risks arising from a change in Secretary and/or Executive Director.

Reviewers Conclusion:

Both the wider Ministry and NZAID have made considerable progress in ensuring consistency between the Government's strategic directions for ODA and foreign policy. The review is of the view that this progress is satisfactory given the culture change required of both organisations. Continuation of the processes put in place can only enhance the progress towards Government's objectives.

On the question of consistency in respect of policy there are areas of excellent collaboration and mutual interdependence, and other areas where there are undoubtedly difficulties in developing consistency to a level for everyone's requirements. In such policy areas, rather more use of the provision of contestable advice to Cabinet should be made, so that stakeholders can see that the decisions are those of the government, and this would help to allay any suggestion that either agency was unduly compromised into a position by the other.

Recommendations:

The SFAT and EDNZAID need to review current administrative processes in operation to ensure that:-

16. The conflict between trade and development policies, particularly in regard to the Pacific, is resolved before either diplomatic or NZ AID staff become involved in Pacific Island FTA/WTO negotiations in either a role of representing NZ or of supporting Pacific Island governments. One area where immediate action could be taken is to place a higher priority on attendance by NZAID staff at Programme 2 co-ordination meetings. If necessary if conflicts cannot be satisfactorily resolved at official level, the matter needs to be referred to Ministers for resolution before substantive negotiations commence.

17. MFAT and NZAID must ensure that processes are in place for a transparent resolution of policy conflict and, in particular, outline a process to be followed for advice to Ministers where this conflict involves a third party.

18. Staff are aware that one of the objectives in establishing NZAID was to ensure contestable advice to Ministers and that there is some doubt as to whether this objective is being achieved. Staff need to be aware that compromises made at official level may not be the compromises that Ministers would have made and such practice is inconsistent with both standard NZ Government policy- development practice and the principles of democratic governance whereby officials(and other advisers) propose and Ministers decide

SECTION 15

NZAID Coordinates ODA

Terms of Reference #5: The extent to which NZAID coordinates ODA effectively through relevant public sector agencies in New Zealand.

While the Review's TOR questioned 'the extent to which NZAID coordinated ODA effectively' the Cabinet Minute (01) 2818 agreed that the protocols and delegation arrangements between the Secretary and the SAB head might be expected to cover:

> *"procedures for a consistent approach across Government and ODA matters and core government standards".*

The MFAT response to the Review's query in respect of this was as follows:

> *"Broadly speaking, in my estimation, NZAID is already satisfactorily integrated into well-wired and familiar interagency processes and structures (the DESC system; the ERD system) for policy coordination, especially in reference to the Pacific. As far as non- NZAID – delivered ODA is concerned, we would expect those structures to continue to serve us well, perhaps with some supplementary tweaking. As for operational coordination, and coherence especially out in the field, we have – for much wider reasons – been rethinking how to enhance interagency coordination, and have recently consulted Ministers and CEOs about it – some system/mechanism developments are probable. All of these lie in a field of "relationship management" that is a key part of performance expectations of the Director under the employment arrangements; as well as in the Secretary of MFAT's own performance agreement with SSC and Ministers".*

The key mechanism for policy coherence in New Zealand is departmental sign off on Cabinet Documents. However, this is essentially trigged by tick box questions, not all of which will trigger reference to NZAID. For example, while MFAT is an automatic reference in DOL Cabinet papers, it is not always clear if NZAID has been consulted in relevant issues.

Multilateral coordination initiated by MFAT takes place every 6 months in an information exchange forum. New Zealand engages with over 100 multilateral agencies and more than 20 New Zealand government agencies are involved. NZAID, MOH and the Ministry of Pacific Island Affairs have meetings every 2 months to keep each other updated on what is happening in their sectors in the Pacific, what meetings are being held, who will attend and similar matters. Chief Executive level quarterly meetings are held between Defence and other agencies engaged in External Relations for updates and briefings.

Budget documents show the intention to establish an inter-agency task force on development issues in 2005. This will highlight the question of whether DAC dollars should be consistently implemented across the board, engaging policy and strategy priorities adopted by NZAID in accordance with the Cabinet Minute, or not. It raises questions of whether or not, in the additional contestable agency funding, the schedule of approved development consultants should be used by other agencies to support their bids. NZAID as an agency has not been mandated or resourced to be the font of all knowledge in development matters, but poorly

designed and implemented engagement by other agencies does reflect on NZAID and MFAT. NZAID acknowledges that potential expertise available in other ministries could be usefully tapped into but at the same time needs to ensure an endorsement of good development practices.

Without a clear direction from Cabinet, NZAID should not be assumed to drive policy coherence for the government, and without an inter-agency process, mechanisms for coherence are missing and proceed on a case-by-case basis. However, as the following examples demonstrate, some excellent work has resulted from this approach.

Among the roles and tasks of the NZDF in the South Pacific is to "strengthen relationships in the Pacific through (the) Mutual Assistance Programme (MAP), including provision of defence assistance and ODA delivery to assist with surveillance of Pacific Islands countries EEZs, and to 'provide assistance after natural and humanitarian disasters'. NZDF has undergone a transition in its relationships with NZAID and MFAT, as there has been an increased emphasis on the provision of ODA in the MOD. In particular, the Pacific Security Fund in the MFAT budget has brought together Defence, Police, Customs and others to work on regional security, law and order, and regional peacekeeping. Defence have been engaged in regional peacekeeping in Bourgainville and the Solomon Islands, in de-mining in Laos, Cambodia and Mozambique, and in training in the Pacific on the Law of Armed Conflict.

Not surprisingly, the use of military forces in provincial reconstruction in Afghanistan (Bamian) and Iraq was the subject of questioning and some disquiet in the NGO community. While those who had worked on the ground with NZDF noted that they could 'be very different' from other military forces, aid agencies were concerned that they became targets when military were confused with humanitarian agencies. The need for MSF to withdraw from Afghanistan was cited by Red Cross in underlining their concern. In contrast, no such comments were received in respect of the NZDF engagement in Ramsi. It should be noted that NZDF personnel are engaged in workshops on development led by experienced NGO's pre deployment from New Zealand.

The NGO concern is in part provoked by the move from a number of OECD members to extend the DAC eligibility criteria in a number of security areas, including peacekeeping and the non-military training of military forces. In the context of the MDGs and the target of 0.7% GNI in ODA, it is obvious that this would open the door to very large amounts of military spending becoming eligible as ODA. While New Zealand's position is that these are inappropriate proposals, the NGO community is extra vigilant on such issues at present.

The multi- New Zealand agency engagement in the RAMSI exercise in the Solomon Islands is well traversed by the OECD Report on New Zealand, and this Review endorses all the findings, in particular those of coherence and the 'whole package' approach. The inter agency collaboration also demonstrates a much greater appreciation of skills in other agencies. References in respect of the work NZAID has been made earlier, but the review found significant support in NZDF for the work of the NZ Police Force in the Pacific. NZ Police and NZAID are in phase II of a joint project on community policing in Bourgainville, and jointly fund the Secretariat to the South Pacific Chiefs of Police, aimed at increasing the capacity of Police Commissioners in the Pacific. The new community safety (domestic violence) initiative in the Pacific will be wholly funded by NZAID with the training delivered by NZ Police. The Pacific Regional Policing Initiative is supported by NZAID and targets ethics, protocols and manuals of best practice. NZAID has seen significant increase in discussion and

debate between NZAID, NZ Police, Defence and Treasury on issues and processes of engagement, as well as on specific programmes.

New Zealand's relationships with International Financial Institutions are of keen concern to NZAID, particularly with their greater focus on poverty reduction. This process has been reinforced by the addition of a NZAID multilateral team member to specifically manage the relationship with the World Bank (WB) and ADB.

The concessionary lending facilities of the WB and ADB, respectively the International Development Association (IDA) and the Asian Development Facility (ADF) were put through NZAID's MARAAF process in 2003. Both were found to be well aligned with NZAID policy and New Zealand's interests and priorities. New Zealand's contribution to IDA 13 was NZ$36.5 million over 6 years. The New Zealand Cabinet has recently approved a contribution to ADF 9 at the level of 0.7% burden share, or NZ$36,4 million to be paid over 7 years.

New Zealand's engagement with the IFIs is managed in partnership between The Treasury, the Reserve Bank and NZAID. NZAID takes the lead on developmental issues, and Treasury (for the WB and ADB) and the Reserve Bank (for the IMF) take the lead on shareholding issues. NZAID and The Treasury have an MOU, which outlines the division of responsibilities for managing our engagement with the ADB. NZAID and the Reserve Bank might consider formalising an arrangement where a MOG based briefing might be provided to the Reserve Bank before IMF meetings.

The Minister of Finance is New Zealand's Governor on the Board of the World Bank, the International Monetary Fund and the Asian Development Bank (ADB). In the WB and IMF, New Zealand's constituency includes Australia, Korea and a number of Pacific Island countries. The position of Executive Director in our World Bank constituency rotated to New Zealand in August 2003, and is assisted by an advisor seconded from The Treasury. An official from the Reserve Bank is currently in the position of Alternate Executive Director in our IMF constituency. In the ADB, New Zealand's constituency includes a number of Pacific Island countries and a New Zealander currently has the position of Alternate Executive Director.

Aside from leading New Zealand's representation at ADF and IDA replenishment negotiations, NZAID's engagement has included input via Board representatives on development policy issues. NZAID has also participated in major international conferences sponsored by the World Bank, for example, the Marrakech meeting on Managing for Development results in February 2004 and the Shanghai "Scaling Up' conference, in June 2004.

NZAID is also a member of the Debt Working Group, formed at Ministerial Direction after an approach from Jubilee 2000 representatives. Other members are Treasury (International Economics), MFAT, and representatives of the Jubilee network. The Group meets at members request, at least every 6 months and around the IMF/World Bank spring and annual meetings. These meetings have assisted better preparation for Treasury officials to provide advice at Bank Board meetings. Consideration might be given to extending membership to the Reserve Bank to assist their preparation for IMF meetings.

While agriculture per se is slipping out of fashion for ODA, there has been on-going engagement between NZAID and the Ministry of Agriculture (MAF) in particular around

SPC meetings on agriculture and forestry. In a trial to assist Pacific Island countries with quarantine issues, NZAID funded a MAF pilot for a dedicated bio-security person for the Pacific. It was a success, and this funding is now met from MAF's budget. The two agencies work together with the Commonwealth Secretarial and the FAO on the annual Roundtable on capacity building activity around trade policy. MAF have tried to carefully target requests, as they perceive they need more from NZAID than vice versa. They are interested in contributing where appropriate as the policies on sustainable rural livelihoods are developed.

The Ministry of Fisheries acknowledges that relationships with NZAID in the past have not been as strong as they could have been. However, the Ministry is very interested in helping to secure sustainability in Pacific Fisheries, which is a matter of significant economic and security interests to New Zealand. New Zealand has a world-class science capability and good vessel management systems, which are key areas for assistance. New Zealand Fisheries can help with legal advice and frameworks and observer programmes, and link with the NZDF EEZ surveillance in respect of vehicle monitoring. New Zealand is also unique in the Pacific Fisheries issues because it has dealt with indigenous fishing issues, and the deed of settlement has recognised customary rights in recreational fishing. What does this process and experience mean for Pacific engagement, and New Zealand's engagement with the South Pacific Commission and the Forum Fisheries Agency? It is expected that the relationships will grow significantly following priorities to be agreed by regional leaders in the Pacific Plan.

While these agency engagements show the outcomes of engagement for coherence, there are other challenging areas. The Human Rights Commission, for example, has significant international engagement with MFAT's Human Rights Desk, both in respect of international conferences (for example on Disability) and in terms of their relationships with other Human Rights government bodies in Asia and the Pacific. But there is a disjuncture between that work and the nature of the processes inside NZAID in respect of one-off funding of opportune projects. The Human Rights Commission might be specifically targeted by NZAID in respect of the discretionary ODA in the 2005 budget, as a way of ironing out some niggling process problems in this area.

The significant coherence problems that have occurred in respect of education are the subject of Section 16. The Review believes that coherence problems particularly in the Pacific, demand an early response. New Zealand consultants spoke of "running into" a wide range of New Zealand agencies – NZTE, Civic Aviation, Statistics, for example – off-shore whose visits were not known by Posts. At least one New Zealand agency didn't understand why NZAID hadn't been knocking at their door to find out what they were doing offshore, with and for whom, and why. The draft Pacific Plan also explores trade, transport, tourism, environment, sports and human rights. The Prime Minister has seen arts and culture presentation as a key in relationships, for example, with Niue. The Pacific Co-operation Foundation and agencies in the New Zealand government (for example, Corrections) have the pressure on to free up the labour market and open up recruitment for positions in the New Zealand workforce, when a major factor of 'hardship' in the Pacific is the loss of skilled workers, particularly in key MDG areas.

Its not quite a mess, but it's verging on one. There is no multi-agency process to maintain an overview for coherence. There is no record of who is doing what internationally, and why they are doing it. With increasing pressure for more agencies to become involved and more and different agency appointments to overseas Posts, there are major questions about

operational sustainability and effectiveness in operations. What authority lies where? Who is coordinating what? What mechanism will do this efficiently and accurately – and ensure that any 'dacable' New Zealand engagement is in accordance with the excellence in aid delivery required in the Cabinet Minute?

The Secretary of New Zealand's Ministry of Foreign Affairs speaks frequently of 'maintaining the consent' for international engagement when speaking of NZAID. The Review is far more concerned with the nature of engagement of other agencies, and the questions that arise with sloppy systems endangering the good will that underlines the 'consent'.

Reviewers Conclusion:

While examples abound of excellent inter-agency activity in the delivery of ODA there is no one agency charged by Government with policy coherence. This is a fundamental flaw in the process for managing ODA delivery. Continuation with this flawed approach will see more instances of other agencies pursuing an institutional agenda in aid projects, which is inconsistent with overall ODA policy as agreed by Ministers.

There are two options for rectifying this issue.

The first and preferable option in an ideal world is for all DAC expenditure to be on Vote ODA, administered by NZAID with other agency projects being delivered by those agencies on an "agency" basis in terms of a purchase agreement with NZAID.

The second option is to give a role of policy coherence in the form of monitoring of other agency DAC expenditure to NZAID with the ability of NZAID to raise issues at Ministerial level where another agency continues to pursue an aid project which in the opinion of NZAID is inconsistent with overall Government policy regarding the allocation and delivery of NZODA.

While the first option is the most desirable there are two major reasons why it is not considered the most practicable in the current circumstances. The first reason is connected with NZDF. NZDF personnel are engaged overseas in a variety of tasks connected with NZ defence, security and foreign policy. In a number of cases they may well be combining roles such as peacekeeping and aid in the one project. This argues for retention of such expenditure in Vote Defence Force.

However even if the organization issues with NZDF could be overcome, and there may well be a possibility that they could be overcome in the future, the current stage in development of NZAID mitigates against Option 1. NZAID is still developing its organizational capacity and it would be unwise to impose the sort of administrative burden that Option 1 would at this stage of NZAID's organizational development.

The recommendation is therefore of a process to implement Option 2 i.e the institution of a coordinating and monitoring role for NZAID over all DAC expenditure.

Recommendations:

That Cabinet:

19. **direct** all agencies incurring expenditure on DAC qualifying projects to submit their plans to NZAID for review, advice and comment.

20. **direct** NZAID to report to MFAT Ministers any instances where an aid 'project'/programme being conducted by another agency appears inconsistent with overall Government policy for the allocation and delivery of NZODA.

21. **invite** the MFAT Ministers to raise these issues with their respective colleagues with a view to aligning the 'project'/programme with Government policy.

22. **invite** the MFAT Ministers to report to the relevant Cabinet committee any instance where these bilateral discussion do not result in the 'project'/programme conforming with Government policy.

SECTION 16

Give greater prominence to Basic Education Needs

At the time of the last Ministerial Review two thirds of New Zealand's bilateral ODA was supporting social infrastructure and services. This was mostly directed to secondary and tertiary education for students from developing countries studying in New Zealand.

Education has historically accounted for one third of New Zealand's bilateral ODA and has been the single biggest sector of New Zealand's ODA.

New Zealand's previous education policy stated that

> *"The broad rationale for assistance for education and training is grounded in foreign policy and in New Zealand's wish to establish co-operative bilateral and regional relationships"* (MFAT, 1993)

Following Cabinet's request in 2001 to give greater prominence to basic education needs, NZAID has adopted a new education policy.

The education sector priorities, outlined in NZAID's Education Policy, are:

- Improving access to and the quality of basic education, with the aim of assisting core bilateral partner countries to achieve the Education for All (EFA) goals that were agreed internationally in 2000 for completion by 2015; and the two education MDGs;
- Post-basic and tertiary education in core bilateral partner countries and through selected regional programmes, with a particular emphasis on achieving gender equality at these levels of education by 2015.

NZAID's rationale for giving priority to education is now based on the following principles: i) education is a human right; ii) education is an end in itself; iii) the international community has a collective commitment to ensuring human rights and achieving the *Education for All* goal; and iv) education contributes to poverty elimination, effective governance and leadership and the achievement of other development goals.

New Zealand's support to basic education has increased from 1.8% in 1999 to 23.7% in 2003/04 of total bilateral ODA (see Appendix 11). Despite this clear trend, aid to post-secondary education, mostly in the form of scholarships, remains the single most important category of total education sector disbursements. This has to be seen in line with NZAID's education policy which states that "NZAID works towards ensuring that the share of its education expenditures devoted to basic education is not less than 50%". Although new commitments reinforce the trend towards increased emphasis on basic education, there is still some way to go to achieve the desired target. No timeframe has been specified.

In the TRACER study of the completion rates of former scholarship holders, and their whereabouts subsequently, it was found that:

- Attempts to enforce student return to home country through a variety of bonding arrangements appear to have been unsuccessful in many cases.

- It has not been possible to effectively identify human resource development needs in partner countries and to match scholarships and awards to these needs in most cases.

There will always be some spillage in the scholarship area. For example,

> *"One of our medics went to the Auckland District Health Board for training in renal dialysis and returned, then applied for a work visa to New Zealand and it was granted. He's now working in New Zealand. This shows up the inconsistencies in immigration policies."* Pacific Post.

Scholarships accounted for approximately 80% of total ODA expenditure on education and about 30% of total bilateral ODA over the past two decades. An overall success rating for scholarship schemes is difficult to establish because the objectives of the various schemes have been too general to enable a sound judgement. The in-country or regional training programmes and scholarships have proven to be a more cost-effective and efficient approach than study in New Zealand in terms of programme completion and student return rates.

Responding to partner country requests has often been cited as the rationale for scholarship schemes. There continues to be political pressure to stay in the Scholarship Business. NZAID has responded to this pressure with a framework paper which identifies opportunities for increased New Zealand-based training/development for Pacific youth, while ensuring that approaches are consistent with NZAID's programme approaches where choices ultimately rest with New Zealand's partners. They should not undercut Cabinet's direction to "give greater prominence to basic education needs", nor undercut the Education Policy's emphasis on education needs being met in the first and second instances, by in-country or in-region education.

These needs are currently met in a variety of ways. For example, about 40 Tongan students currently hold NZ Regional Development Scholarships for study at the University of the South Pacific and at the Fiji School of Medicine.

The Pacific Graduate Diploma in Not-for-Profit Management was developed as an initiative to respond to the need to strengthen management and leadership skills within the NGO sector across the Pacific. The programme is a collaborative effort between the Pacific Islands Association of NGO's (PIANGO) and UNITEC NZ Institute of Technology, Auckland. UNITEC was chosen by PIANGO as the preferred deliverer for the programme, based on its successful modular-based programme for the voluntary sector in NZ and its philosophy and practice of 'student-centred' learning and experience with Maori and Pacific Island organisations. PIANGO provides the overall coordination for the programme while UNITEC is responsible for programme design, development, delivery and ongoing student support. The programme is taught through a set of core and elective one week modules offered in Pacific countries based on student demand and available funding. The programme aims to bring together NGO leaders as "learning communities" to share personal experiences and exchange ideas, while exploring a variety of management theories, models and techniques.

For Samoa, Short Term Training Awards (STTA) provide training and work experience not available in Samoa to the public and private sectors and NGOs. This has included a Finger Print Unit NZ Police training attachment, Maternity care study tour/attachment, Judges Orientation Course and attachment to Court, and study for the NZ Sign Language and Deaf Studies Certificates.

In Country Training has provided short courses in Economic policy development and formulation, Auditing of the Government Public Accounts, Referral and conduct of criminal prosecutions, strategic planning skills development, middle management training and technical taxation.

The most important change in NZAID's education delivery has been the shift towards providing broad financial aid to the education sector as a whole within the framework of sector wide approaches (SWAp) The new education policy states that "where a core bilateral partner country has a strong and credible education strategy aimed at increasing access and improving quality, but lacks the resources to implement this, NZAID moves towards direct support for the plan through providing financial support, technical assistance, scholarships and training, preferably within the framework of a SWAp. The move towards SWAps reflects the recognition that sectoral programmes can address problems in education caused by a shortage of financial resources and provides effective support to policy reform. NZAID is currently implementing the first education SWAp in Solomon Islands. In Tonga, Kiribati and the Cook Islands, which do not yet have a fully developed education plan in place, NZAID is helping prepare the ground for potential Swaps. NZAID is also exploring engagement in education SWAps in Vietnam and Timor Leste.

In the Reviewer's meeting with staff from the Ministry of Education, it was made clear that NZAID had done its best to develop a relationship for policy coherence. MoE had been consulted on broad strategic issues and the draft Education policy had been sent to the Ministry for comment. NZAID had also consulted with the Ministry during the MARAAF exercise and MoE described NZAID as very responsive. However, NZAID had stopped paying contributions to SEANOE and MoE thought they should have been asked about this and weren't informed or consulted. They also complained that Canberra counterparts had advised them about NZAID funding provided to another regional programme that they didn't know about.

Yet this occurred in a period where NZAID had written to the MoE about coherence, seeking to work on what a coherent policy might be, and asking for a meeting in terms of working on some agreement. MoE had replied that work on a TOR 'should start at a lower level to work this out' (which is a different culture from the horizontal process in place in NZAID). MoE then advised it was not a priority and they were too busy to deal with it. Meetings had finally occurred provoked by the OECD DAC Review. MoE said that "any policy coherence would be by accident, not design", and that as the new scholarships were rolled out to the Pacific they "expected to be bumping up against each other as there were some issues there".

MOE had issues about any contribution that they might make to capability areas and needed to have the grey areas around what was and wasn't dacable explained to them. They were engaged with MFAT around a series of GATs questions, and were trying to formulate a framework in the Ministry for all their international relationships and how to co-exist with other agencies internationally to develop a perspective for dialogue with MFAT. MoE had not sat down and had a comprehensive strategic communication about a WOG approach.

MoE complained that they did not know what NZAID was doing in the Pacific. (This was the agency that was too busy to meet). They described "seeing an explosive increase in education in the Pacific with NZAID". Questions from the Reviewer established very quickly that there was no familiarity in this considerable group of advisers about new modalities including

harmonisation and SWAps. Comments implied that education delivery was driven "from the donor's point of view" on the one hand, and on the other, another bureaucrat advised that:

> *"Major ideological changes have impacted on the way we can work with them. It was easy in the old days when ODA was about economic and political strategies. This development ideology is an overlay that has impacted negatively"*, which seemed a strange assessment based on little or no engagement with NZAID.

Some MoE staff were surprised they weren't offered opportunities to work 'in country'. They described a number of the groups recruited for work on guiding policy and strategic papers as "inappropriate". But then the very small Pacific Unit in the Ministry had been expected to respond to specific requests from NZAID in respect of education in Niue and Tokelau, and cooperation in the sector in the context of the Treaty of Friendship with Samoa.

There was certainly an acknowledgement that information flows needed to be more open and available. NZAID work in the Pacific had domestic implications. For example, requests had been made in New Zealand for access to the new curricula materials that had been developed in the Cook Islands and in Samoa. The meeting did conclude with an acknowledgment of the value of setting up an interagency meeting on education in the Pacific. "Who should be around the table, what issues we have experienced, what are the opportunities for co-ordination, what strategies do we use. There is no process for managing all of this. Information would be a good start".

In conducting the review, information was received which was indicative of some problems of coherence between NZAID and MoE and its Crown agencies. While they might seem insignificant in Wellington, they were of major importance for our partners. For example, the Prime Minister has expressed the view that New Zealand's relationship with Niue is to be a 'whole of government approach' and that Niueans are New Zealand citizens and Niue is part of the realm of New Zealand. For while schools in Niue use the New Zealand curriculum, Learning Media cannot release material to Niue directly because the SOE will not pay for the overseas postage. This creates challenges around the timing for staff training for new curricula. It's hard to understand why MoE is not picking up this cost for these New Zealanders.

Niueans who complete 'teacher training in New Zealand' cannot count teaching on Niue as part of their service experience, despite a New Zealand consultant assuring the Reviewer that "the standards and expectations exceed what is expected of a New Zealand teacher". Then there's the question of pay parity. When Niuean based teachers are working, their salaries are in the vicinity of NZD $12,000.When there are teacher shortages and NZAID has to recruit a teacher on contract, these teachers are paid their equivalent New Zealand salaries.

The Review was advised that the MoE had sent an e-mail to all NCEA Cook Island students offering them access to teacher training in New Zealand. Almost any way the Reviewer turned there were such stories.

But scholarships were a major problem. On the one hand, the tertiary education harmonisation of scholarships with AusAID is a major efficiency and logistics change and is to be applauded. Some challenges remain, however, in administration. While scholarships with AusAID are now harmonised, there remain policy differences for the award of these. Australia does not, for example, offer scholarships to students who are married to or engaged to Australian citizens, or to those with dual citizenship. Behind the scenes New Zealand and

Australia will have to move to some accommodation to handle these differences, as NZAID's human rights policy is in conflict with AusAID practice here.

While NZAID was trying to build coherence, in particular in ongoing work with NZIS to see Scholarship students returning home: while NZAID was moving to harmonise all tertiary scholarships with Australia and to ensure just one annual round for all applications, the Ministry of Education announced it was 'Going Global' with a package that included international scholarships as a carrot to encourage qualified immigrants in to New Zealand. The objectives of this policy were to expand the post-graduate research capacity and to improve the research environment in New Zealand; to offer a 2 year work permit to any scholarships student who completed a degree programme; and to improve the profile of the New Zealand education overseas. The outcome would be one group of students on NZAID Scholarships being refused permits to stay by NZIS and another set on Education Scholarships, being offered options to stay. The policy gave use to the Reviewer's Fable.

The Reviewer's Fable

In November 2000 the Reviewer was present at a meeting of the OECD/DAC team with other New Zealand government agencies engaged in 'dacable' ODA. She listened as the Ministry of Education (MoE) representative outlined a new scholarship programme which was part of the International Education Package. The detail was that the MoE would:

> Provide scholarships for top international postgraduate and undergraduate students to study and carry out research in New Zealand. Introduced progressively to 2007, up to 100 scholarships at postgraduate and 100 at undergraduate level would be offered annually when this programme was fully implemented.

Both review teams were very surprised to hear this announcement, as it seemed to be in direct conflict with the Cabinet Minute Directive on education. The roll-out was to be geographically progressive, and to reach the Pacific in 2007. No account had been taken of the fact that AusAID and NZAID had been working very hard to harmonise their scholarship schemes into one application round. And the MoE policy, far from upskilling nationals to return home to contribute to their economies, was targetted to offer these students the opportunity to remain in New Zealand to contribute to the New Zealand economy after graduation

Although one or two staff in NZAID's scholarship desks were advised of this policy after its announcement, no consultation whatsoever was undertaken with NZAID. While the Reviewer presumes that MFAT would have been in the consultation loop for the Cabinet papers, it appears that the proposal did not trigger a reference to NZAID, or even a question about the policy coherence of this proposal.

Several months later the Review found herself sitting with the Secretary of the MoE in Samoa. The Reviewer asked what consultation in respect of the new scholarship scheme had been undertaken with this Ministry by their New Zealand partners, and how the Samoan government had responded, given that the loss of "human resources' is an ongoing capability risk to the country? The Reviewer's question was the first that the Secretary of Education had heard of this part of the International Education Package. By the time the Reviewer had

walked back to the NZHC, both the H.C. and NZAID staff had received a telephone call from the Secretary asking about those Scholarships. Neither of these staff had ever heard of them, or been briefed on them. The Reviewer directed them to the MoE website, where they were able to read that students wishing for further details in respect of these scholarships, should approach the nearest New Zealand Post for details.

A MERLIN resulted, and it is the Reviewer's understanding that some changes have been made in respect of the policy.

The last update provided to the Review was that MoE's scholarships would be postgraduate degrees, and would roll out to the Pacific in 2007. MoE would consult NZAID prior to the 2007 intake. Since these scholarships are part of the Growth amd Innovation Framework and the MoE's Going Global Strategy, there is very good reason to rule them out of consideration as DAC assistance. However even this move doesn't limit an impact on Posts. Scholarships at Posts creates a huge workload, which only increases when partner Governments have a higher degree of choice around packages. The glaring incoherence in this particularly was not just an incoherence in policy, but also failed to recognise additional pressures at Posts in day to day work. MoE and MFAT have never explained why reference was not made to NZAID in terms of this Cabinet paper.

Review Conclusion:

There are serious coherence issues across a broad field in the education sector, which need to be urgently addressed.

Review Recommendation

That Cabinet request that NZAID convene a meeting with MoE and its Crown Agencies and the appropriate government representatives of Niue, Cook Islands and Tokelau, and NZIS to list major problems in the education sector coherence and set specific timetables to rectify them.

Niue, Cook Islands and Tokelau

The Cabinet Minute (01) 28/8 recommended that 'development assistance' to the Cook Islands, Niue and Tokelau should remain within the NZODA programme. While the Reviewer did visit Niue, she did not visit the Cook Islands or Tokelau. New Zealand is also waiting for the people of Tokelau to advise the nature of the constitutional relationship that it wishes to have with New Zealand. The Review is not in any position to constructively comment on the outcome to date of this recommendation. Comments on Niue carry the caveat that in 2003 New Zealand approached Niue to talk about the relationship in a different way, and that the relationship is in the process of considerable change, but as yet not too advanced in terms of institutional structures. In the past, as one very experienced in these systems advised me, decisions for 'the people of Niue' had been made in Wellington, and *Niue perfected the skill of morphing into whatever scheme was flavour of the month.*

The key questions here must be: Has aid been effective? Has Niue been effective in use? Has it stemmed the tide of population loss? Has it stemmed the tide of dependence on aid? How forward looking are NZAID? Is the policy only about Niue and Niueans, or does it have a mix of persuading those overseas to come back to Niue. Have the factors that determine retention and/or return been identified? What would an analysis of repatriation look like?

Constitutional Relationship.

The constitutional relationship between Niue and New Zealand is established by statute. There are two Acts, but the nature of the partnership is clearly defined for both partners. The statute says nothing about the alleviation of poverty. It speaks of administrative and economic assistance as a constitutionally enshrined right. The relationship fits uncomfortably in NZAID with its 'focus on poverty'. The constitutional arrangement didn't envisage poverty, and for Niueans there is not a poverty of opportunity in New Zealand – demographics are the problem.

The Act has no mention of a High Commissioner. It uses the word 'agent' as a nuance to show that this was not a normal diplomatic post, but a person who would carry messages in both directions.

The legislation governing the relationship between Niue and New Zealand uses the language 'substantially the same' a number of times. In this context it is interesting to at what level comparable donors, Australia, France and the UK, keep 'development assistance' in their relationships with micro states and dependent territories. Australia and France regard their territories as integral parts of the metropolitan country or community with citizen's rights to the same level of provision of government services as mainland metropolitan levels. New Zealand has not made a similar commitment to Niue or Tokelau. New Zealand promises special relationships and necessary assistance, not service equality. Assistance to Tokelau in 2002 was USD $2700 and $2100 per capita for Niue. These figures have increased considerably in the past two years. This is a similar level of assistance given by the UK to St Helena.

On the Prime Minister's visit to Niue in October 2005, it was agreed that New Zealand would provide $20 million towards infrastructure and capital costs over five years in addition to the

budget support funding it currently provides. New Zealand wanted to contribute to the retention of Niue's language and culture, as well as strengthened governance and economic activity. The Prime Minister said that Niue would be supported by a WOG approach because Niueans were New Zealand citizens and Niue was part of the realm of New Zealand. The relationship was not just another foreign policy relationship.

Subsequently the Strengthened Cooperation Programme (SCP) was signed. A Full time Coordinator will be appointed - one each in Niue and New Zealand - and in New Zealand MFAT and NZAID have written to Public Service Chief Executives asking them to 'designate an SCP Liaison Officer at the working level in (their) agency to work on the WOG approach. There would be monthly reports to Ministers and six monthly reports to Cabinet's ERD Committee. The New Zealand Coordinator's Unit is initially located in MFAT and reporting and liaison arrangements with MFAT, NZAID and DPMC are still being developed.

The new programme, including the costs of the coordinators, will be funded at $2 million for the next 5 years. Most of the streams of activity for capacity support will be under agreements with NZAID and the agencies concerned. Agencies are to 'respond to capacity gaps' and 'advance proposals to meet these needs or requests'. Provision of significant equipment, infrastructure or financial assistance is outside the SCP. These 'would need to be considered separately under the $20 million allocation established for capital projects and administered by NZAID' - but subject to the priorities determined by Niue! As noted, ach agency has to 'designate a Liaison Officer, preferably in Wellington, to deal with the Wellington Coordination Unit, NZAID ....,to attend inter agency meetings and provide input into Ministerial requirements'.

There is no problem with the WOG relationships with MFAT, NZAID, Police, Customs, Immigration, and similar agencies engaging from Wellington with Niue. The provision in Health has seen NZAID negotiate with the Ministry of Health who contracted Counties Manukau Health to have the relationship. And there are plenty of coherence questions to be resolved. New Zealand citizens living on Niue are paid New Zealand superannuation. New Zealand citizens who might be eligible for other benefits cannot claim them in Niue. New Zealand Niueans can be medically evacuated in an emergency from Niue; New Zealanders are not entitled to this. Niueans use the New Zealand syllabus and train for teaching in New Zealand, but none of the time spent teaching at a school in Niue counts as 'experience' for seniority or other career moves as New Zealand experience. To be treated as a New Zealander in New Zealand, say, for example for the provision of health care, patients have to be 'ordinarily resident' in New Zealand. As a result there are frequently cases of Niueans who are referred to New Zealand for health care who then have to throw themselves on the mercy of their relatives and often don't remain in New Zealand for the follow up checks and return to the island too early after surgery. It can all become increasingly difficult to determine who is a New Zealander and when is a New Zealander a New Zealander?

Nature of Relationship

The need for harmonisation is at the Wellington end of this relationship. Niue shouldn't have to wait for the New Zealand bureaucracy. While the New Zealand Treasury has made it possible for NZAID to 'roll over' funding in a financial year, in large because of the understanding about delays because of capacity, or delays because of cyclones for example, the nature of the relationship with Niue is that they are strait jacketed to a financial year. While there may be good accountability reasons for this, to encourage some more work from

the Niuean Government on their budget deficits, the practice is in contrast to the accepted difficulties of Pacific operations understood to prevail in other bilaterals.

In terms of administration the system has the potential to be a real bottleneck, yet another bureaucrat in the process. Inter agency relationships are important and person to person contacts are the best. These relationships have never been a formalised, and Niue never knew whether or not they would get assistance. The relationship has certainly been effective in respect of good infrastructure, good roading, communications, health, education and public services.

Problems in terms of how New Zealand agencies relate to Niue when New Zealand has a Post there also arise. NZTE were asked to write a report on economic development opportunities. They didn't visit Niue, didn't contact the Post and didn't advise them they were writing the report. They then handed the report on to a New Zealand company, who tabled it in a meeting with the Niuean government in a situation where the High Commission staff who were present, had never seen it and had no idea what status it had. What process does the new arrangement envisage? The Government of Niue believe that the HC is supposed to be recommending the best things to happen on the ground but this doesn't appear to be the case. Is the HC to be the avenue of all advice in the structure? The HOM has to be empowered and understood to be the point of entry for information to governments.

There are other processes which need attention. There have been situations when NZAID has been in touch with the GON on behalf of AusAID. The High Commission has not been copied in until the very end of the round, either because something has gone off the rails, or to sign off on something that is already done. It would seem that the HC should be part of this process. Ticking off at the end is not consultation.

The NZAID capability review is such an environment is an administrative burden. There is a need to move the hands off micro management in Wellington. There is an acknowledgement that a feedback loop in terms of monitoring and evaluation is not really there at present. Particular difficulties arise for communication between NZAID and this post. There is no access to the NZAID Intranet. The Post is not on the Merlin system except by diplomatic bag, and so Merlins often arrive two weeks late. But often people in Wellington forget to copy Niue in via bag on the Merlins, or copy material from the Intranet to email attachments. The phone lines are full of echoes.

To get to where this relationship needs to be there has to be some agreement about capacity, and an attempt at the New Zealand end to cut down on red tape and bureaucracy. There must be ways of avoiding all those extra steps to make it better. Niue thinks that *For everything the NZAID response is 'we need a consultant'. The needs in this partner relationship are for what you can't anticipate, not for what you can! TOR just tie you down.*

Education

The relationship with Niue in respect of education has been a real success story. The arrangement was through a MSC with Dunedin Teachers College. A strategic plan is in place to roll out over the next ten years with a focus on coherence, cohesion and efficiency which will see students leave school with credentials.

The relationship has seen resources in place for teachers. But key needs remain as the new

curriculum is introduced. Teachers need upskilling and training in management, building of their knowledge base and effective linkages with the New Zealand curriculum, which Niue has chosen to adopt. But some subjects of keen interest have been falling off the side. New Zealand's Prime Minister has spoken of the need to focus on retention of the Niuean language and arts crafts and dance, but drama, dance and music are curricula subjects where teachers have had insufficient time to work at translating these curricula into a Niuean environment. There are NZQA standards for the Niuean language, and a draft framework for arts and crafts, history, traditions and culture which is being worked on with Niueans in New Zealand.

The leaders of education in Niue have had great difficulties making a link with NZQA and NCEA. The key interests are in linkages on a school to school level – a relationship that has been fostered through the current MSC. It has also had the advantage of having student teachers available for linkages and communication. The need is to be able to continue a partnership and not have to go through so many channels to get things done. For example, while these are 'New Zealanders' Learning Media will not release material to Niue directly because they won't pay the postage overseas! (The Review did not manage to find out if the Stewart or Chatham Islands had the same problem).

Niue has trouble attracting and retaining teachers. When NZAID recruits teachers it is possible to have Niuean teachers from Niue and from New Zealand with the same qualifications on two different salaries – one Niuean and the other New Zealand pay scales.

The Education example is a good illustration of potential problems. The relationship with Dunedin Teachers College should not be changed. But will NZAID or MoE renew this contract. What a waste of time and good will if the procedures can't accommodate continuation when something is working so well!

Health

The Ministry of Health in Niue and New Zealand have now negotiated an agreement with Counties Manukau Health for a direct operational partnership. Whether this will cover the recruitment and provision of a Doctor on the island is uncertain. In this as in all sectoral relationships, what Niue wants is some certainty that the person they want/need to talk to is just one phone call away, that they have a name as opposed to a position i.e. 'talk to Pat' as opposed to 'talk to the person currently holding down the desk of …'.

Wharf

Niue cannot take advantage of cruise ships because they cannot berth. Because of the danger posed by lifting high value fishing industry product out of a surging boat, the port cannot serve this economic purpose. In the past 5 years the Reviewer was advised, three workers have been killed on the wharf. Apparently the Pacific Transport Study says that on economic grounds there is no justification for a wharf in Niue. The Review understood that the needs now for thinking in the Pacific were to project needs for 10 – 20 years. The Niue wharf will become the Auckland light rail system of the future.

Review Conclusion.

Niue has a population of about 1400. It isn't even a small New Zealand town. Appropriate systems are not in place in New Zealand for this relationship. The Review is not convinced

that the proposals being pursued by NZAID for linkages with and through New Zealand central government agencies will do anything to be more responsive to the needs in respect of communication. Central Government does not respond to the needs of every community of 1400 people by contracting a consultant. There is generally some acknowledgement that local people may just be the local experts and that such a small population can actually come to a consensus about the most appropriate and resource efficient response to their own needs and problems. Anything that would provide and enhance quicker decisions would be a great help.

Niue need advice on diplomatic relations, briefings on major issues, technical assistance for drafting processes, checking the credentials of people who want to enter Niue – these matters are all built in to the nature of the constitutional relationship. That's fine at that level.

The issue in respect of the relationship between Niue and New Zealand is about New Zealand finding a response mechanism that is appropriate. Systems capture people when common sense might offer a much better response. The relationship need is for immediate contact and day to day liaison with people at a desk who can respond, not pass it on. It should not be a relationship with an institution. It may well be that NZAID should have major talks with LGNZ to seek a much better nature of response.

Review Recommendation

That MFAT/NZAID pursue talks with LGNZ as a matter of urgency to find an appropriate response mechanism to dealing with the unforeseen needs of Niue, and remove bureaucratic lines from as much of the relationship as possible.

Glossary

ADAF	Asian Development Assistance Framework
ADB	Asian Development Bank
AIDMGT	Aid Management
AusAID	Australian Agency for International Development
AWID	Association for Womens' Rights in Development
CIDA	Canadian International Development Agency
DAC	Development Assistance Committee
DPMC	Department of the Prime Minister and Cabinet
EIA	Environmental Impact Assessment
GNI	Gross National Income
HOM	Head of Mission
HOMF	Head of Mission Funds
IDAC	International Development Assistance Committee
IDTs	International Development Targets
IPPF	International Planned Parenthood Federation
MARAAF	Multilateral and Regional Agency Assessment Framework
MDGs	Millennium Development Goals
MFAT	Ministry of Foreign Affairs and Trade
MOU	Memorandum of Understanding
NGO	Non-Government Organisation
NZAID	New Zealand Agency for International Development
NZDF	New Zealand Defence Force
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Papers
SAB	Semi-autonomous Body
SPC	Secretariat of the Pacific Community
SPREP	South Pacific Regional Environmental Programme
SSC	State Services Commission
SWAPS	Sector Wide Approaches
TOR	Terms of Reference
UNFPA	United Nations Population Fund
VASS	Voluntary Agency Support Scheme
WB	World Bank
WOG	Whole of Government
WTO	World Trade Organisation

Appendices to Ministerial Review

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Ministerial Review of Progress in Implementing 2001 Cabinet Recommendations Establishing NZAID

Terms of Reference

1. Review Aim

1.1 To assess progress made in implementing the organisational and programme changes sought by Cabinet in establishing the New Zealand Agency for International Development (NZAID).

2. Background

2.1 NZAID came into existence as a semi-autonomous agency (SAB) within the Ministry of Foreign Affairs and Trade on 1 July 2002.

2.2 The decision to create NZAID was taken by Cabinet on 10 September 2001 [CAB Min (01) 28/8]. This decision followed a Ministerial Review conducted by Joseph Grossman and Annette Lees that was completed in March 2001 under the title "Towards Excellence in Aid Delivery – A Review of New Zealand's Official Development Assistance Programme".

2.3 On 10 September 2001, Cabinet noted this report and made a number of decisions leading to the creation of NZAID. The key decisions were:

- That New Zealand's ODA be managed by a new semi-autonomous body (SAB) attached to the Ministry of Foreign Affairs and Trade, operating in accordance with a number of specified features, protocols and delegations.

- That the new SAB should refocus policies, strategies and programmes in line with the recommendations of the Ministerial Review findings.

- That a review be commissioned by the joint MFAT Ministers to assess progress made in implementing the organisational and programme changes agreed to by Cabinet and that the outcome of the review be reported to the joint MFAT Ministers by 31 December 2002.

2.4 It was subsequently agreed that a review of NZAID was unlikely to be of significant value to Ministers if conducted only six months after the establishment of the new SAB. Ministers agreed to defer the review to the end of the 2004 calendar year.

2.5 These Terms of Reference have been approved by the joint MFAT Ministers as guidance for the person appointed by them – hereafter referred to as 'the Ministerial reviewer' - to undertake the review of NZAID required by Cabinet.

3. OECD Development Assistance Committee Peer Review

3.1 The OECD Development Assistance Committee (DAC) periodically conducts peer reviews of donor member's ODA programmes. The last review of New Zealand's programme was completed in May 2000. The DAC will conduct another peer review of New Zealand's ODA programme over the period November 2004 to May 2005. The purpose of this review will be to determine the effectiveness of New Zealand's ODA programme and to advise on the extent to which it conforms to current international best development practice.

3.2 The OECD DAC peer review will involve examiners from the European Commission (EC) and Denmark, supported by OECD Secretariat staff, visiting two of New Zealand's in-country programmes. This will be followed by a visit to Wellington to meet with NZAID, other government departments and stakeholders. A report will be prepared and New Zealand will be examined on the report at the DAC High Level Meeting, in April 2005.

3.3 The OECD Development Cooperation Division (DCD) has agreed that the Ministerial reviewer to be appointed by the joint MFAT Ministers may join the DAC peer review team as a participant observer.

4. Conduct of the Review

4.1 The Ministerial reviewer may accompany the DAC peer review team on the country visits and on all appropriate calls in New Zealand. This will avoid duplicative coverage of both the on-shore and overseas operations of NZAID, reducing the demands that having two separate review processes within the same period would place on development partners and New Zealand-based stakeholders.

4.2 The Ministerial reviewer, as a participant observer in the DAC peer review team, will not be restricted to the DAC peer review team's programme and coverage and should pursue enquiries beyond the coverage of that team in line with these terms of reference.

4.3 The Ministerial reviewer, as a participant observer, will not be expected to endorse formally the DAC peer review team's report.

4.4 The Ministerial reviewer will take direction from and report directly to the joint MFAT Ministers. The Ministerial reviewer may comment on the contents of the DAC peer review team's report, and/or may have additional or variant findings.

4.5 The Ministerial reviewer will be supported functionally by NZAID.

4.6 The joint MFAT Ministers agree to an extension of the due date for the Ministerial review from 31 December 2004 to 31 May 2005 to allow the two review processes to proceed as described in these Terms of Reference.

5. Scope

5.1 The DAC peer review team is to "monitor [New Zealand's] development cooperation policies and programmes, and assess their effectiveness, inputs, outputs and results against the goals and policies agreed in the DAC as well as nationally established objectives."

- The Ministerial reviewer will participate in the DAC peer review process and draw on observations and lessons arising from this as appropriate.

5.2 The Ministerial review is to "assess progress made in implementing the organisation and programme changes" referred to in CAB Min (01) 28/8 (copy at Annex 3). The Ministerial reviewer's report should cover the following matters:

- to what extent and how effectively the tasks set by Cabinet to re-orient the focus and direction of New Zealand's ODA have been achieved since the establishment of NZAID

- to what extent and how effectively the decisions taken by Cabinet in respect of the institutional arrangements for the management of ODA have been fulfilled

- the extent to which NZAID has the capability and resources to carry out the objectives set for it, including the appropriateness of the current funding formula under which 5.3% of bilateral ODA funding increases is directed into the departmental budget.

- progress made in ensuring consistency between the Government's strategic directions for ODA and foreign policy, including the effectiveness of the NZAID/MFAT relationship and advice to ministers, in achieving this.

- the extent to which NZAID coordinates ODA effectively through relationships with relevant public sector agencies in New Zealand.

6. Process for the Review

6.1 The Ministerial reviewer will undertake, either through participation in the programme of the DAC Peer review team, or separately, wide ranging consultation, including with those individuals, agencies and organisations listed in the annex to these Terms of Reference.

7. <u>Deliverables</u>

7.1 The key output is a written report with recommendations for consideration by Ministers by 31 May 2005.

8. <u>Reporting</u>

8.1 The Ministerial reviewer will provide to the joint MFAT Ministers a comprehensive report covering the areas identified in section 5 above, based on consultation as provided for in section 6 above, by 31 May, with interim oral or written reports, as appropriate, to the joint MFAT Ministers in December 2004 and March 2005.

8.2 Interim reports and drafts will be provided to the following agencies for comment prior to them being submitted to Ministers:

- Ministry of Foreign Affairs and Trade

- NZAID

- State Services Commission

- Treasury

9. <u>Protocols for Access to Information</u>

9.1 The Executive Director of NZAID will ensure that the Ministerial reviewer will have full and unfettered access to such policy and programming documents and information as is necessary for the completion of the review and will facilitate the collection and aggregation of information where this is considered necessary. A list of core source material is at annex 2.

9.2 The Executive Director will ensure the Ministerial reviewer will have reasonable access to the staff of NZAID throughout the period of the review.

10. Communications

10.1 The Office of the Associate Minister of Foreign Affairs and Trade will coordinate any and all media issues associated with this review.

11. Consultation in the preparation of this Terms of Reference

11.1 The Ministry of Foreign Affairs and Trade, the State Services Commission, and the Treasury have been consulted in the preparation of this Terms of Reference.

Hon Phil Goff   Hon Marian Hobbs
Minister of Foreign Affairs & Trade   **Associate Minister of Foreign Affairs**
                                                       and Trade (ODA)

ANNEX 1

i.   The Ministers of Foreign Affairs and Trade.

ii.   The Associate Minister of Foreign Affairs and Trade

iii.   The Ministry of Foreign Affairs and Trade.

iv.   The Department of Prime Minister and Cabinet, State Services Commission, Treasury and the Office of the Controller and Auditor General.

v.   Staff in NZAID, including at Posts.

vi.   The International Development Assistance Committee (IDAC)

vii.   The Council for International Development (CID), Volunteer Service Abroad (VSA) and other NGO and voluntary sector organisations.

ANNEX 2

The following documents are core source material for the review:

viii The Cabinet Minute of 10 September 2001 [CAB Min (01) 28/8]

ix The report of the Ministerial Review Team – "Towards Excellence in Aid Delivery – A Review of New Zealand's Official Development Assistance Programme." March 2001.

x   NZAID's Strategic Plan (2004-2009).

xi NZAID's current Statement of Intent.

xii NZAID's current Departmental Forecast Report and Output Plan.

xiii Operations Plans for groups within NZAID.

xiiii A sample of current programme strategies.

xv All sectoral and thematic policies (completed and in draft).

xvi The MFAT Statement of Intent

DAC and Ministerial Review Programme - Solomon Islands

16th –19th November 2004

DAC Team:

- Mr Ole Christoffersen, DAC Delegate, Denmark
- Mr Franco Conzato, DAC Delegate, EC
- Mr Richard Carey, Deputy Director, OECD
- Ms Marjolaine Nicod, Policy Analyst, OECD

Ministerial Review:

Dr Marilyn Waring

Date/Time	Detail
Tuesday **16 November** 1530	Meet NZ High Commissioner to Solomon Islands
1600	Introduction to NZ's work in the Solomon Islands
1830	Buffet dinner at residence
Wednesday **17** **November** 0800	DAC team meeting with key donors**:** EU - Henry Prankerd AUSAID – Alison Chartres (RAMSI/AusAID) UNDP - Nick Hartmann Japan – Mr Katsuhiko Kubo Taiwan – HE Antonio Chen (tbc) UNICEF – Sonny Ongkiko
0800	Dr Waring meeting with NZHC NZAID staff
0900	Meeting with National Council of Women, Ella Kauhue & National Advisory Committee members
1030	Briefing by Permanent Secretary for Education, Dr Derek Sikua, Director, Planning Coordination and Research Unit, Ms Mylyn Kuve plus Ministry of

Date/Time	Detail
	Education and Human Resource Development (MEHRD) staff and NZAID consultants Rebecca McHugh, Brian Lewis.
1145	Visit Curriculum Development Centre (CDC) Director, Franco Rodi and the Solomon Islands College of Higher Education (SICHE) School of Education, Head of School, Patricia Roddie
1230	Lunch with RAMSI representative(s)
1500	ng with George Malefoasi -Undersecretary for Health Improvement Mr Abraham Namokari – Director for Health Policy and Planning
1600	Meeting with Nicholas Gagahe - Acting Chief Statistician
1750	Depart King Solomon hotel for reception
1800	Cocktail reception for donors meeting hosted by Hon Peter Boyers, Minister for National Reform and Planning
Thursday **18 November** 0830	**TEAM I** Morning will be spent at the Solomon Islands Government /Development Partners Meeting
1200	Buffet lunch with meeting participants
1400	Meeting with Feleti Teo - Director, Forum Fisheries Agency
1500	Call on Solomon Islands Small Business Enterprise Centre Manager, Andrew Sale
1600	Meeting with Transparency International, Kenneth Bulehite, Vice Chairman, Florence Naesol, Board member
0830	**TEAM II** Meeting with John Maharahe, Chief Education Officer for Guadalcanal Province

Date/Time	Detail
0900	Travel to Western Guadalcanal by 4WD to visit: - White River Community High School - Tambuko Primary School - Visale Rural Training Centre/Community High School - Ndoma –NZ volunteer, Allan McGibbon and small grant activity Accompanied by John Maharahe, CEO Guadalcanal, Mr Rolland Sikua, Director - Primary Division, Mr Joseph Nielson – Director, Teaching Service Division and Ms Julie Affleck, NZAID Manager, Honiara
Friday **19 November** 0900	Call on Hon Peter Boyers, Minister for National Reform & Planning, Peter Forau, Permanent Secretary National Reform & Planning
1030	Meeting with Shadrach Fanega, Permanent Secretary for Finance and Ned Rokvic (tbc)
1130	Meeting with small group of Civil Society representatives
1230	Buffet Lunch with larger group of Civil Society representatives
1400	Wrap up session

* indicates meetings which the DAC Review Team requested they have without the presence of Marilyn Waring

DAC Peer Review Programme - Wellington

22nd – 26th November 2004

NZAID staff helped with initial introductions with civil society, academics and consultants and then left the review team to carry on their discussions alone. 'Theme discussions' involved a range of NZAID programme, advisory and other staff, and staff from relevant other government departments/OGDs.

Time	Detail
Monday 8.50-9.00	Formal welcome (Powhiri). Morning tea with staff (9:15)
9:45	Initial meeting with Peter Adams (Executive Director) and other four NZAID Directors + communications manager*
11:30	Theme discussion on How NZAID Works – The Strategic Framework (Peter Adams/Jackie Frizelle)
12:30	Working session with IDAC*
14:00–15:00	Lunch with Minister's International Development Advisory Committee
15:10-15.50	Theme discussion on Scope for Increasing ODA Volume (to also include rationale for expenditure decisions, MARAAF and the scope for increasing multilateral aid) (Peter Adams/Chris Whelan + others)
16:00-16.30	Call on Minister responsible for ODA, Hon Marian Hobbs*
16.45-17.30	Theme discussion to continue

Time	Detail
Tuesday 9:00	Theme discussion on <u>Lessons Learned from Conflict Resolution</u> (Beverley Turnbull)
9:45	Theme discussion on <u>Involvement of Police, Defence and Corrections in Development</u> (specific session to involve OGDs at DAC request)
10:45	Theme discussion on <u>MDGs and Poverty Elimination</u> (Tony Banks)
11:45	Theme discussion on <u>Policy Coherence for Development (Trade)</u> (to involve reps from other govt departments) (Guy Redding)
12:45	Lunch (NZAID management + theme and topic co-ordinators)
14:00	Theme discussion on <u>Policy Coherence for Development (Other Aspects)</u> (health, immigration, education, environment, fisheries, etc. not security or trade) (to involve reps from other govt departments) (Matt Dalzell)
15:15	Tea/informal discussions continue on policy coherence.
15:45	The MFAT/NZAID partnership (Meeting with senior NZAID and MFAT staff) (Alan Williams, John Larkindale, Simon Murdoch)

Time	Detail
Wednesday 8:30	Meeting at Dev Zone (with development education NGOs) (Suzanne Loughlin)
10:00	Theme discussions on <u>Alignment and Harmonisation</u> (Jackie Frizelle)
11:15	Theme discussion on <u>Evaluation and Results Management</u> (Penny Hawkins)
12:30	Working Lunchtime Meeting with CID (NZ NGO umbrella organisation, to include member organisations)
15:00	Join NZAID workshop on Harmonisation; Visiting team members to present (20 mins total) on harmonisation efforts in their programmes; followed by additional theme discussion on <u>Alignment and Harmonisation</u>. (Jackie Frizelle)
15:45	Meeting with VSA (NZ volunteers organisation) (Suzanne Loughlin)
16:30	Meeting with NZ Office of Auditor General* (OAG have requested this) (Chris Whelan) Attendees: Gareth Ellis (Sector Manager), Craig Neil (Assistant Auditor-General, Special Audits & Studies), Helen Chandelle, (Senior Performance Auditor), Rowan Betts (Performance Auditor)
TBA	Dinner (Hosted by Exec Director, with a number of key non-NZAID contacts)

Time	Detail
Thursday 9:30	Meeting with academics, followed by coffee.
11:00	Meeting with Treasury officials (scope for increasing ODA; and the IFIs) (Peter + Phillip + others)
12:30	Working lunchtime meeting with consultants/contractors.
14.30	Meeting with Parliamentarians Population and Development Group* (key cross-party group of MPs interested in ODA issues)
16:00	Meeting with CEO MFAT and Executive Director NZAID*

Time	Detail
Friday 9:00	Meeting with CID (Suzanne Loughlin)
10:00	Open discussion on preliminary thoughts with NZAID staff
11:00	Specific Follow-up discussions (as requested by reviewers)
13:00	Working Lunch/ follow up discussions (as requested by reviewers)
15:00- 16:20	Feedback session with Executive Director NZAID and Directors*
16.30- 17.15	Feedback session with Minister responsible for ODA*

NZAID Ministerial Review - Niue

21st – 25th February 2005

Date/Time	Details
Monday 21 February 1300-1400	NZHC
1400-1430	Call on Premier
1430-1600	Cabinet (and Secretary to Government)
Tuesday 22 February 0900	Niue Public Service Commission Venue: NPSC
1300	Loseligi, DDOE (and Primary/Secondary School Principals) Venue: Education centre
1400	Dr Asu Pulu (and team) Venue: Niue Hospital
Wednesday 23 February 0900	Venue for all meetings today: Fale Fono Gallery Minister of Finance (accompanied by reps from Treasury, Customs, Education, Telecoms
1300	Minister of Agriculture (DAFF, PWD)
Thursday 24 February 1030	Environmental Briefing and tour of island. Meetings with NZHC staff, Reps of NZ and Niue private sector.

NZAID Ministerial Review - Samoa

17th – 25th February 2005

Date/Time	Organisation	Meeting with:	Issues for discussion
Thursday 17 February 9:30am	NZ High Commission	HC, DHC and NZAID staff	NZAID programme, Post issues, resourcing, planning, regional/bilateral
11:00am	AusAID	Australian HC and AusAID Manager (Tony Gill and AusAID staff)	Harmonisation, strategy, aid modalities
12:00noon	MESC	HC/NZAID staff	PRIDE, Forum Basic Education Plan, Education support in Samoa, Scholarships
2.30pm	SPREP	SPREP Acting Director, DHC, Phil	Regional environment issues
3.30pm	MFAT	MFAT CEO, Scholarships ACEO, NZAID DPA	NZAID HRD support: scholarships, regional training and STTA
4.30pm	Ministry of Finance- Aid Division	CEO, ACEO Aid Coordination, ACEO Planning	partnership, coordination, strategy, harmonisation, PSIF
Friday 18 February 8:00am	MESC site visit School Curriculum Unit	MESC ACEO CU	
10:00am	NGO's/SUNGO	SUNGO/NGO (roundtable talk)	NGO Support fund, aid mechanisms
12:00 noon	LUNCH	Other agencies: EU, UNDP. JICA, AusAID,FAO,WHO	Donor coordination

Date/Time	Organisation	Meeting with:	Issues for discussion
2.00pm	SPEC	CEO Maria Melei	Economic development, small business, private sector, long term funding
6:30pm - 8:30pm	BBQ	HC/NZAID staff, AusAID staff, MOF staff, Fiame Mataafa	
Friday 25 February 8:00am	NZ High Commission	NZAID staff	
8:30am	SPEC site visit	CEO Maria Melei	
10:30am	site visit		

NZAID Ministerial Review - Bangkok

26-28 April 2005

Date/Time	Item
Tues 26 April 09.00-09.30	Meet and Greet Ambassador, Peter Rider, Steve Dowall, Mandy White, Parichart Rattanakij
09.30-11.10	Meet NZAID staff: Bangkok team - Steve Dowall and Parichart Rattanakij, Jakarta - Mandy Whyte
12.00-13.30	Working Lunch with World Food Programme staff: Anthony Banbury, Director Regional Bureau for Asia and Country Directors, e.g., Thailand, Cambodia, Laos, Myanmar, East Timor, Indonesia)
14.15-14.45	UNDP, Mr. Hakan Bjorkman, Deputy Resident Representative (Programme)
15.00-16.00	UNAIDS, Mr JVR Prasada Rao Regional Director
16.15-17.15	UNIAP (UN Inter-Agency Project on Human Trafficking in the GMS), Mr Philip Robertson, Programme Manager, Dr Susu Thatun, Deputy Programme Manager
18.30	Dinner with key contacts
Wed 27 April 09.00-10.30	Meet with NZAID (Bkk and Jakarta)
10.30-12.00	Meet with Ambassador Peter Rider
4.00-15.00	UNESCO, - Mr Richard Engelhardt, Regional Advisor for Culture in Asia and the Pacific - Dr Heather Peters, Consultant, Culture Unit - Ms Vanessa Achilles - Ms Montira Horayangura Unakul, Project Coordinator - Mr Rik Ponne, Consultant for Culture

December – April – Ministerial Reviewer held Meetings with:

New Zealand Government Agencies

- State Services Commission*
- Department of the Prime Minister and Cabinet*
- Ministry of Foreign Affairs and Trade*
- Ministry of Fisheries
- Ministry of Defence
- New Zealand Police
- Human Rights Commission
- Treasury*
- Office of the Controller and Auditor General*
- NZAID*
- Ministry of Health
- Ministry of Agriculture
- Ministry of Education

NGOs

- VSA*
- IDAC*
- NZ Family Planning
- Caritas
- Local Govt NZ
- Red Cross
- Save the Children
- CID*
- Oxfam
- DevNet
- CTU
- Trade Aid
- Amnesty International

* specified in TOR of Ministerial Review

Other
- Select Committee on Foreign Affairs, Defence and Trade
- Parliamentarians Population and Development Committee
- MPs (at their request)
- Private Consultants (at their request)

Attended and Participated in:
- NZAID Human Rights Training

- Pacific Programme Managers Meeting

- NZAID Orientation

- Friday Forum on Trade and Development, Monitoring and Evaluation Lessons

Documents Examined for Analysis

Non-NZAID material

- Aid has failed the Pacific *(Hughes, Helen - Issue Analysis No.33, 7 May 2003)*

- Charting the Course using Intervention Logic **(UNKNOWN)**

- Conflict Transformation: Council for International Development (CID) Position Paper *(Council for International Development, undated)*

- Council for International Development Annual Report *(Council for International Development, 2004)*

- Meeting the Challenges of Global Integration: Joint Report *(Ministry of Foreign Affairs and Trade and the Department of Labour, October 2003)*

- Memorandum of Understanding on the Provision of Services by MFAT to NZAID *(Ministry of Foreign Affairs and Trade, 2002)*

- Ministry of Foreign Affairs and Trade Annual Reports *(Ministry of Foreign Affairs and Trade, 2003, 2004)*

- Ministry of Foreign Affairs and Trade Output Plan 1 July 2004-30 June 2005 *(Ministry of Foreign Affairs and Trade, 2004)*

- Ministry of Foreign Affairs and Trade Strategic Plan *(Ministry of Foreign Affairs and Trade, 2004)*

- Letter of Expectations from Secretary of MFAT to NZAID Executive Director *(Ministry of Foreign Affairs and Trade, 2002)*

- OECD report *(OECD, 2005)*

- OECD Peer Review of the Development Cooperation Policies and Programmes of New Zealand *(OECD, April 2005)*

- Pacific Agreement on Closer Economic Relations (PACER) *(Pacific Forum Secretariat, 2004)*

- Pacific Islands Countries Trade Agreement (PICTA) *(Pacific Forum Secretariat, 2004)*

- Pacific Islands Regional Report on the Millennium Development Goals *(September 2004, draft)*

- Papua New Guinea - Health Sector Framework: Medium Term Expenditure Framework **(UNKNOWN)**

- Papua New Guinea Health Sector Review - Review Team visit to PNG - November 2003 *(February 2004)*

- Participatory Impact Assessment: Final Report on a Two-year Pilot Programme in South Asia and the Pacific *(Clark & Quinn, June 2003)*

- Participatory Impact Assessment: A Pilot Programme in the Pacific *(Clark & Quinn, December 2002)*

- PICTA and PACER: Key Features *(Pacific Forum Secretariat, 2004)*

- PICTA and PACER: Frequently asked Questions *(Pacific Forum Secretariat, 2004)*

- UMR Public Opinion Survey: Overseas Aid - A Qualitative and Quantitative Study *(UMR Research Ltd, 2004)*

- Voluntary Agency Support Scheme (VASS) and Emergency Management and Disaster Relief - Evaluation 2004 *(Rivers & Nowland-Foreman, January 2005)*

NZAID Material

- Asia Development Assistance Facility (ADAF) Guidelines *(May 2003)*

- Asia Strategy *(September 2004)*

- Developing Terms of Reference for an Evaluation *(2004)*

- Existing Environment Policy *(April 1990)*

- Latin America Development Programme Strategy 2004 - 2009 *(November 2004)*

- NZAID Fact Sheets: Indonesia, Tokelau, HIV/Aids, Samoa, Vietnam, Solomon Islands and The Pacific *(October-November 2004)*

- NZAID Sectoral and Thematic Policy Papers:
    - Human Rights: Towards a Safe and Just World Free from Poverty
    - Trade and Development
    - Health
    - Education
    - Conflict
    - Prevention and Peace Building *(2005)*
    - Gender *(draft, 2005)*
    - Complex Emergency and Transition Facility *(draft, 2005)*
    - Growth and Livelihoods Policy *(draft, 2005)*

- ▪ Latin America Development Programme Strategy 2004-2009
- ▪ Asia Regional Strategy *(2004)*
- ▪ Pacific Strategy *(draft, 2005)*

- Pacific Cooperation - Voices of the Region: Pacific Islands Forum Special Leaders' Retreat *(2004)*

- Pacific Livelihoods Workshop: Issues Paper *(October 2004)*

- Pacific Livelihoods Workshop: Summary Document *(October 2004)*

- The Auckland Declaration and Leaders' Declaration: Pacific Islands Forum Special Leaders' Retreat, Auckland *(April 2004)*

NZAID Internal Reference Documents

- Conflict Prevention and Peace Building: Supplementary Documents

- End of Project Participatory Evaluation Gunung Rinjani Ecotourism Trek Programme: Terms of Reference (*2005*)

- Evaluation and Programme Cycle

- Growth and Livelihoods Policy: Aid Management Paper

- Integration of Cross-Cutting Issues: Supplementary Documents

- Interim Framework for the New Zealand Development Cooperation Programme with South Asia 2003/04-2005/06 *(2003)*

- Interim Health Policy *(draft, 2005)*

- Interim Strategy for the New Zealand Development Cooperation Programme with South Africa and the Africa Regional Programme 2003/04 & 2004/05

- International Development Advisory Committee (IDAC) - Meeting Minutes *(28 July 2004)*

- International Development Advisory Committee (IDAC) - Meeting Minutes *(2 March 2004)*

- MARAAF: Consultation Methodology and Steps *(draft, June 2004)*

- MARAAF Review 2003/04 Office for the Coordination of Humanitarian Assistance (OCHA) *(December 2004)*

- NZAID Annual Reviews (*2002/03, 2003/04*)

- NZAID Background Paper for OECD/DAC Review *(2004)*

- NZAID Business Plan *(2003-04, 2004-05)*

- NZAID Communications Strategy and Action Programme *(2004)*

- NZAID: Complex Emergency and Transition Facility (*draft August 2004)*
- NZAID Evaluation Policy Statement
- NZAID Five Year Strategy 2004/05 to 2009/10 *(May 2004)*
- NZAID Integrating Human Rights and Development Workshop: Workbook *(February/March 2005)*
- NZAID Multilateral & Regional Agency Assessment Framework: Flowchart *(May 2002)*
- NZAID Multilateral And Regional Agency Assessment Framework [MARAAF] *(May 2002)*
- NZAID Multilateral Engagement Strategy: Draft report on consultations with bilateral and regional programme managers *(October 2002)*
- NZAID Multilateral Engagement Strategy: Issues Paper *(September 2002)*
- NZAID Multilateral Engagement Strategy: Terms of Reference for the Strategy team *(October 2002)*
- NZAID Offshore Capability Review *(March 2003)*
- NZAID Operational Plans (each Group) 1 July 2004 - 30 June 2005 *(2004)*
- NZAID Review - Report On The Views Of The Ministry Of Foreign Affairs And Trade *(2005)*
- NZAID Strategic Policy Framework for relations between NZAID and New Zealand NGO's *(2004)*
- NZAID Walking the Talk *(2002)*
- Pacific Islands Regional report on the Millennium Development Goals *(draft)*
- Policy Implementation Plans and Cross-Cutting Issues and Principles

Policy Development Status

Policy Categories

NZAID divides its policies into three categories, while acknowledging that the boundaries between them are porous. Mainstreaming policies are those for which we aim to fully integrate issues across all our work. Cross-sectoral polices are those which have implications across a range of sectors. Sectoral policies are those that focus predominantly on a single sector, while acknowledging cross-sectoral and mainstreaming issues.

Mainstreaming policies	Cross- sectoral policies	Sectoral policies
Human Rights	Environment	Education
Gender	Conflict Prevention and Peace Building	Health
	Governance	Trade
	Growth and Livelihoods	

Progress with Policy Development

As a result of both immediate and strategic needs the following areas were identified for policy development:

Policy	Title	Next steps
NZAID policy statement	Towards a safe and just world free of poverty	Development of an NZAID five year strategy – completed.
Human Rights	Human rights policy statement	Integration action plan developed – completed. Implementation underway.
Trade and Development	Harnessing international trade for development	Programmes reshaped in line with the policy – completed.
Education	Achieving education for all	Education Strategy completed and implementation underway.

Policy	Title	Next steps
Health	Better Health Reduces Poverty	To be published – July 2005. Strategy under development.
Conflict Prevention and Peace Building	Preventing Conflict and Building Peace	Mainstreaming strategy under development.
Gender	Gender and Development Policy	Gender Policy under revision (draft developed). Development of mainstreaming strategy – underway.
Environment	NZODA Policy Statement on Development and the Environment	Draft revised policy undergoing internal consultation. Development of mainstreaming strategy and Pacific environment strategy underway.
Governance.	Tbc	Work scheduled to commence in 2006.
Growth and Livelihoods	Tbc	Research presently underway.
Regional Strategies	Asia Regional Strategy	Completed.
	Latin America Regional Strategy	Completed.
	Pacific Regional Strategy	Under development pending the Pacific Plan outcome.
	Africa Regional Strategy	Interim strategy in place subject to review in 2006/07
Bilateral Strategies	19 Bilateral programmes now have either final or draft bilateral programme strategies in place.	

Programme Allocations By Appropriation

Programme	02/03 Allocations	03/04 Allocations	04/05 Allocations	2005/06 (Incl GST)	% Increase	2005/06 (Excl GST)
Pacific Bilateral	$91.9m	$107.9m	$121.8m	$156m	28.4%	$153m
Global Bilateral	$65.6m	$51.1m	$51.1m	$60m	17.8%	$58m
Emergency Management/Disaster Relief	$4.0m	$14.5m	$14.5m	$20m	34.5%	$20m
International Agencies	$51.9m	$52.7m	$51.7m	$61m	18.6%	$61m
New Zealand Agencies	$17.0m	$18.2m	$20.1m	$23m	13.4%	$22m
TOTAL	$230.4m	$244.4m	$259.2m	$320m	23.5%	$314m

Programme	02/03 Allocations	03/04 Allocations	04/05 Allocations	2005/06 (inc GST)	% Increase	2005/06 (ex GST)
Pacific Bilateral	39.9%	44.2%	47%	48.8%	28.4%	48.7%
Global Bilateral	28.5%	20.9%	19.7%	18.8%	17.8%	18.5%
Emergency Management/Disaster Relief	1.7%	5.9%	5.6%	6.3%	34.5%	6.4%
International Agencies	22.5%	21.6%	19.9%	19%	18.6%	19.4%
New Zealand Agencies	7.4%	7.4%	7.8%	7.1%	13.4%	7%
TOTAL	$230.4m	$244.4m	$259.2m	$320m	23.5%	$314m

Programme Allocation by Appropriation

Legend:
- Int Agencies
- NZ Agencies
- EMDR
- Glo Bilat
- Pac Bilat

X-axis: Year (2002/03, 2003/04, 2004/05, 2005/06)

Y-axis: Percentage of Appropriation (0% to 100%)
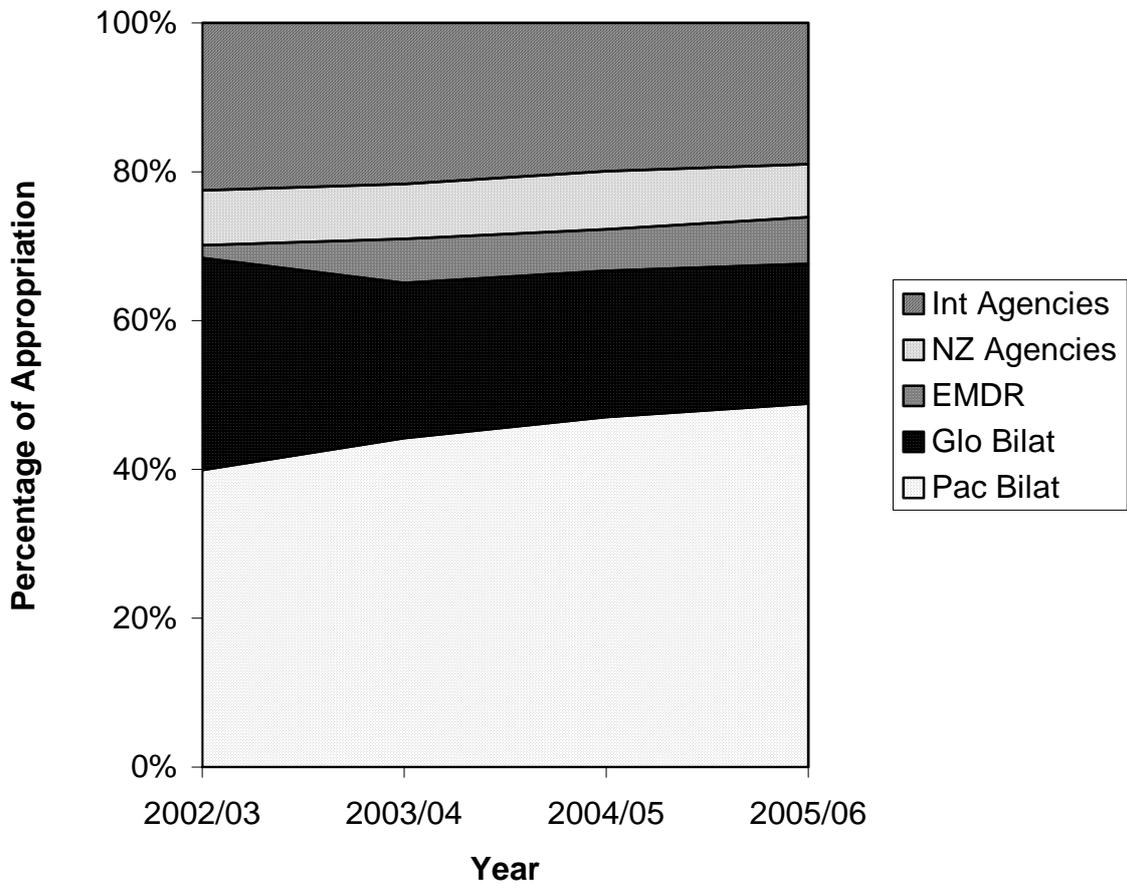
NZAID Human Rights Policy Implementation Plan 2004/09

Rationale:

NZAID's Human Rights policy notes that integrating human rights and development requires bringing together the standards and principles of human rights with the plans, policies and processes of development.

The central focus of NZAID's programme is poverty elimination through sustainable and equitable development, and NZAID addresses this as a human rights as well as development issue. "Anti-poverty policies are more likely to be effective, sustainable, inclusive, equitable and meaningful to those living in poverty if they are based upon international human rights." [UN Committee on Economic, Social and Cultural Rights, 2001]   Development assistance, which focuses on the poor and other disadvantaged groups needs to address economic, social, and cultural rights and civil and political rights. The emphasis will vary according to the particular situation.

Much of NZAID's programming seeks to assist partner countries achieve the Millennium Development Goals.   There is considerable degree of "fit" between the MDGs and international human rights. "The Millennium Development Goals are benchmarks for progress towards a vision of development, peace and human rights ….. The Goals provide building blocks for human development, with each relating to key dimensions of this process. The Goals also reflect a human rights agenda – rights to food, education, health care and decent living standards, as enumerated in the Universal Declaration of Human Rights." [Human Development Report 2003, pp28-29] "

The Implementation Plan sets out a process and timeframe to assist NZAID to integrate human rights into all aspects of its operations - its practices and organisational culture as well as policies, strategies and programming. It is focused on steps to be taken within the agency, which will then enable our policy to be reflected in our external activities.   Integration is time and resource intensive, and takes several years to achieve. It is proposed to review the human

rights plan of action in its fifth year, to assess how well NZAID has effectively integrated human rights across the agency and identify areas that may require further attention.

Aim:

NZAID has integrated human rights into policies, strategies, programming, and organisational practices.

Outcomes:

NZAID's policy positions and strategies reflect clear understanding of the connections between development and human rights.

NZAID has reported to Ministers on the implications and longer-term options for New Zealand of a rights-based approach to development.

NZAID's programmes demonstrate that they are assisting in the protection, promotion and realisation of human rights

NZAID's organisational systems, procedures and practices reflect and support the integration of human rights issues and principles.

Implementation Plan of Action			
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Outcomes: 1. NZAID's policy positions and strategies reflect clear understanding of the connections between development and human rights 2. NZAID has reported to Ministers on the implications and longer-term options for New Zealand of a rights-based approach to development			
Policy	**Performance Measure**: NZAID's policies and policy engagements express the linkages between human rights and development. [Assessed through review of documents; feedback from sample of key stakeholders; five year review]		
Development of Agency policy	· Identify human rights issues, instruments and obligations which are relevant to each policy Ensure NZAID incorporate its human rights related legal obligations and cabinet requirements, and is consistent with human rights principles, in new policies Annual Review of NZAID's implementation of human rights policy Five-year review of implementation plan Report to Ministers on longer-term implications for NZAID of taking a rights-based approach	Already underway	Each STT Human Rights Advisor SAEG Advisors AIDMGT

Implementation Plan of Action			
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
International (Global and Regional) Policy Engagement	· Identify priorities and level of engagement on human rights issues Strategic and proactive engagement on basis of human rights principles, in relevant development global and regional forums and processes Increase NZAID's advocacy on human rights issues within the Pacific Increase NZAID's support of opportunities for Pacific voices to express their human rights concerns/issues Follow and participate in international debate on human rights and development, and on "rights-based approaches to development"	priorities for engagement agreed and initiated 04/05 (e.g. in MES) Initial progress report to Ministers 06/07 Report to Ministers 07/08	HR Advisor TLs and DPMs of regional, sectoral & multilateral programmes, and Posts. SAEG AIDMGT
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**

Implementation Plan of Action			
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Whole of Govt engagement	· regular meetings with MFAT's HRt unit (at staff and AIDMGT level) Bring NZAID's human rights and development perspective to discussions with MFAT and other govt departments (particularly for example, in regard to security, terrorism, trade) Discuss with other government agencies (e.g. Defence, NZ Police, Justice) inclusion of human rights issues including gender in pre-mission briefings Include explicit links to human rights principles, relevant to NZAID's development and poverty elimination focus, in all policy briefings and submissions	Annual informal review of relationship with HRD, beginning 04/05 Scheduled meetings between AIDMGT & HRU by 2005/06 Increased engagement on human rights with other govt departments by 2005/06 Inclusion of relevant human rights references in briefings already underway	Human Rights Advisor Human Rights Group AIDMGT

Implementation Plan of Action			
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Engagement with NZ NGOs and human rights organisations and networks	· Opportunities for sharing perspectives (e.g. in workshops/seminars) on human rights issues, including human rights and development Engagement with NZ-based human rights groups on regional and international human rights issues	Consultation on-going Inclusion in quarterly meeting agenda during 2004 calendar year Joint activities (e.g. seminar/workshop0 in 05/06 Regular meetings with NZHRC established in 04/05	Civil Society DPM Human Rights Advisor AIDMGT
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Strategy	**Performance Measure:** Agency and programme strategies explicitly identify relevant human rights issues and principles. [Assessed through review of strategy documents and annual Group Reports; and against performance indictors to be developed in 05/06 year.]		
NZAID Strategic Plan	· Assess 5-year and annual operational plans against poverty-related human rights, human rights instruments, and NZ's international human rights obligations Develop appropriate objectives and performance indicators for measuring NZAID's achievement in these areas Include a summary of progress in integrating human rights, in all Annual Group Reports Decide whether NZAID wishes to establish specific human rights funding window/s	Annual Planning rounds from 04/05 Objectives and Measures 05/06 Decision on whether to establish specific human rights funding window/s in 05/06	AIDMGT Team Leaders Evaluation Advisor Human Rights Advisor Contractor (e.g. objectives and performance indicators)

	Implementation Plan of Action		
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Programme Strategies (Bilateral, Regional, Sectoral, and Multilateral)	· Undertake a case study (using, e.g., CEDAW or UNCROC as an entry point) on practical implications of applying the human rights policy and ways to develop of mutually reinforcing approaches between multilateral, regional, bilateral and civil society programmes identify relevant, context specific, human rights principles/issues which are being addressed in each strategy identify whether, and how, the strategy will assist partner to realise international h/r obligations, and note any objectives or anticipated changes related to human rights policy and practice human rights issues and principles explicitly examined, and discussed with civil society, in strategy studies include appropriate understanding/expertise of human rights issues and principles on all strategy study teams, and provide specific briefing on content and implications of relevant policy include attention to specific evidence of integration of human rights issues and principles in work and performance of regional, inter-governmental and multilateral agencies, in all MARAAF (or similar) processes	On-going from 2004/05 Case study 2006/07	Human Rights Advisor Team Leaders DPMs AIDMGT Contractor (case study)

Outcomes:
3. NZAID's programmes demonstrate that they are assisting in the protection, promotion and realisation of human rights

Focus Area	**Activities/inputs**	**Timeframe**	**Responsibility**
Programmes	**Performance Measure:** Programmes identify relevant human rights principles or issues and how these are being addressed, and monitoring shows that progress is being made. [Assessed through appraisal, monitoring and evaluation process, and through AMS once indicators & markers are developed]		

	Implementation Plan of Action		
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Country, Regional, Sectoral, Multilateral Programmes	· Human rights issues and principles relevant to development programmes, included on agenda as a regular discussion point for high level and programme talks (drawing on NZAID policy and strategy document, and the policies/strategies of NZ and partner governments) Support TLs and DPMs to identify human rights-integrated or human rights-specific activities within programmes for database capture Programme-related travel includes meetings/visits with human rights focused government and non-government agencies Annual programme reports include a summary of progress on integrating human rights issues and principles, in line with relevant strategy and annual plan Strengthen core commitments and engagement with multilateral and regional agencies with specific focus on integration of human rights and development Identify current level of expenditure on human rights-specific activity and encourage increase above this level	On-going, subject to priorities set by strategy studies	Team Leaders AIDMGT DPMs Posts SAEG Advisors
Programme Cycle	· Review and make recommendations on programme related procedures, systems and schemes to ensure human rights considerations are adequately addressed	Progressively from 04/05	SAEG Advisors DPMs & Team Leaders AIDMGT

Implementation Plan of Action			
Focus Area	**Activity/input**	**Timeframe**	**Responsibility**
Programme resources and tools	· review all existing and new programme tools and resources for consistency with human rights policy Develop or adapt "tip sheets" or similar to assist with applying a "human rights lens" to project cycle develop "tipsheets" or guidelines on raising human rights issues and principles in discussions with partners Research existing issue-specific indicators and develop appropriate guiding questions or outline guidelines for inclusion in DPM resource manual Develop "briefing sheets" or similar on human rights principles, and NZAID's policy, for use with consultants, project implementers etc Develop programme resources which make explicit the linkages with relevant human rights instruments and international obligations	reviewing 04/05 Tip sheets 05/06 Research 05/06 Specific guidelines and tools 06/07	Programme Resources Coordinator, and Team Leader SAEG TLs & DPMs AIDMGT)

Focus Area	Activity/input	Timeframe	Responsibility
Outcome:			
4. NZAID's organisational systems, procedures and practices reflect and support the integration of human rights.			
Organisational Capacity	**Performance Measure:** NZAID has the capacity to identify whether, when, and how human rights are being integrated across the agency. [Assessed by questions to sample of staff and key stakeholders on e.g.: ease, timeliness and quality of data capture and reporting; access to relevant information and resources; evaluation of training]		
Adequate resourcing to support integration of human rights	· Widen membership and role of Human Rights Group, including 'human rights promotion' within organisation Establish informal stakeholders group (including core of NZAID staff plus, for example, representatives from NZ HR Commission, CID, AINZ, HRD) Consider possibility of use of interns with specific human rights skills e.g. to assist in research Provide access to country specific information for TLs/DPMs on country-status related to human rights instruments to assist in programme discussions Provision of background and reference materials accessible to Wgtn and Posts (e.g. library, intranet, email) Provide adequate resources to develop staff competencies Mentoring/peer support for staff	Ongoing First mtg of stakeholder group June/July 05 Country specific info asap Intranet section asap	Human Rights Advisor AIDMGT Human Rights Group Website Administrator Programme Administrator - SAEG
Data capture and accessibility	· Investigate and develop procedures to capture information on human rights support against specific instruments and/or issues (e.g. CEDAW, CRC, disabilities) Identify existing definitions for human rights-specific and human rights-integrated activities, and develop agreed set of definitions for NZAID Identify and incorporate appropriate markers for new agency database to allow/enhance monitoring and reporting of (a) issue-specific activity (b) issue-integrated activity supported by NZAID Monitor database when established, to see if markers and agreed procedures being used effectively	Dependent on database devt Interim processes agreed in 06/07 if database not completed	Human Rights Advisor Information Services (FMIS, Project Reporting) Team Leaders

Focus Area	Activity/input	Timeframe	Responsibility
Cross agency learning	· Develop effective mechanisms/processes to ensure regular exchange of learnings on implementation of human rights policy (e.g. programme information, experience and lessons) across NZAID (e.g. Friday Forums) Share learnings from case study	05/06 onwards	Prof Devt Coordinator Human Rights Advisor Human Rights Group AIDMGT

Focus Area	Activities/inputs	Timeframe	Responsibility
Training	· identify, develop and implement comprehensive initial, and on-going, training programmes for NZAID staff in Wellington and at Post (covering human rights issues and principles; planning for implementation at agency, group and individual levels; and identifying expectations on all staff to implement policy) Provision of training for Wgtn-based staff on NZAID's domestic human rights provisions; international human rights treaties and NZ's obligations; human rights and development Develop effective process for providing human rights training to off-shore staff Inclusion of information on human rights policy and implementation plan in induction programme and other relevant NZAID meetings e.g. regional programme managers prepare and provide training or briefing component on human rights issues and principles, to staff moving to off-shore NZAID-related positions arrange for training or briefings on NZAID's approach to human rights issues and principles for ACS and consultants as required training on use of issue related programme tools training of TLs, then DPMs, on use of markers and indicators	Initial training completed and expectations on staff established, by end of 04/05 year Briefings and on-going training for staff in year two Training/briefings for ACS 06/07 (or earlier if possible) Evaluation of training and implementation plan in year five	Human Rights Advisor Professional Development Coordinator AIDMGT
Organisational Culture	**Performance Measure:** Language, attitudes, and behaviours used within, and by, NZAID are consistent with human rights principles. [Assessed through wananga and/or Walking the Talk survey; feedback from sample of external stakeholders]		

Focus Area	Activity/input	Timeframe	Responsibility
	· Internal application of HR obligations and principles monitored and assessed as part of NZAID's Walking the Talk/Wananga process develop a process for responding to staff concerns about human rights abuses, within agency or in partner countries	Monitoring: 05/06 Processes developed by 06/07	Wananga AIDMGT

Focus Area	Activity/input	Timeframe	Responsibility
recruitment of staff	· Develop appropriate human rights specific questions for inclusion in all recruitment processes	Initial trials in 04/05 General implementation in Wgtn, 05/06 Develop process for off-shore appointments in 06/07	Human Resource Manager Human Resource Advisor Human Rights Advisor AIDMGT
selection of consultants	· Include a requirement for appropriate level of understanding and awareness human rights issues and principles in all consultancy selection processes Revise ACS application to include information around understanding of human rights and gender	Incorporate in ACS and consulting selection practices in 05/06	Manager CU Human Resource Manager/Advisor Human Rights Advisor AIDMGT
financial and management procedures	· Review procedures and documents for coherence with human rights policy and revise as required Include human rights markers and other relevant information gathering requirements on Financial Approval 'forms'	2005/06 review and revise Fin Appr revised when markers etc finalised	Director MSG Manager FSU Manager CU Manager Scholarships Unit Human Resource Manager/Advisor AIDMGT
contracting procedures	· Review and revise contracting procedures and documents for coherence with human rights policy	2005	Manager CU Manager FSU Human Rights Advisor AIDMGT

Focus Area	Activity/input	Timeframe	Responsibility
communications	· Implementation plan for communications strategy specifically refers, where relevant, to human rights issues and principles Human rights policy is discussed at relevant opportunities (with staff and consultants, at bilateral and multilateral meetings, media, and public fora) and referred to in publications where relevant identify where it may be appropriate in future to use language which more explicitly reflects NZAID's human rights policy media/comms training for NZAID staff will include how to reflect human rights issues and obligations in presentations	04/05	Comms Manager Human Rights Advisor Website Administrator Prof Devt Coordinator AIDMGT

NZAID Evaluation Team Terms of Reference

Purpose

The evaluation team has been formed to develop an NZAID Evaluation Framework.

Specific objectives

1. To develop an overarching policy statement articulating NZAID's commitment and approach to evaluation

2. To clarify NZAID's evaluation needs and the improvement and development of NZAID's evaluation capability and systems

3. To help promote a learning culture within the agency based on knowledge generated from evaluation findings

4. To document and present learning from the above process, for sharing within NZAID and with other interested parties

Background

The 2001 review of New Zealand's ODA programme identified evaluation as a key area for improvement. In particular, the reviewers found that insufficient attention was paid to seeking to identify the long-term development impacts of New Zealand's ODA expenditure.

With the establishment of NZAID has come a greater commitment to evaluation. This has been reflected by the creation of a focal point for leadership in evaluation within the agency, and the commitment to building evaluation capability through the development of an evaluation framework encompassing an evaluation policy, principles, priorities, plan and good practice guidelines and also through the provision of training in evaluation.

AID Management has approved the establishment of a cross-agency evaluation team, which will act as a steering committee for the development of the Evaluation Framework.

Scope of the work

The OECD DAC definition of evaluation is the "*assessment of an on-going or completed project, programme or policy, its design, implementation and results with the aim of determining the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability*". The DAC definition also acknowledges that evaluation refers to "*the process of determining the worth or significance of an activity*". One of the Evaluation Team's early tasks will be to

consider the various terms and definitions in use within the field of evaluation and identify, for discussion with wider NZAID staff, the most appropriate use of these terms for NZAID's purposes.

In terms of establishing the scope of NZAID's Evaluation Framework, the Evaluation Team is proposing to include in its work all activities that involve the collection, analysis, interpretation and dissemination of information that will assist with the design of NZAID's programmes or projects, the improvement of existing policies, programmes or projects, the learning of lessons to feed into future work, and the demonstration of accountability.

In this sense, it is assumed that the scope of the Evaluation Framework *does* include project and programme feasibility studies, appraisal of project or programme designs, project/programme monitoring, evaluation during and after a project/programme's implementation phase, as well as sectoral, thematic or cluster evaluations. It does *not* include information gathering and analysis that is at a higher strategic level and strictly forward looking (such as country or regional strategy studies or policy development work), or internal/organisational evaluative activity aimed specifically at organisational development (for example the "Walking the Talk" exercise).

Having said this, the team does recognise the intrinsic linkages between all forms of analytical work carried out by the agency, and between evaluative work, planning and organisational development. Looking at ways to improve these linkages *is* considered by the team to fall within the remit of their work.

The generic heading of "Developing NZAID's Evaluation Framework" comprises a number of key elements. These can be briefly summarised under three main headings:

❖ The development of an overarching policy statement articulating NZAID's commitment and approach to evaluation

❖ The improvement of existing NZAID evaluation systems and capability and the development of new systems

❖ A work plan and related budget for strategic evaluations at the thematic and sectoral level

It is intended that the evaluation policy statement will include the following headings:

- Overview – what's covered in the policy statement
- Key evaluation terms and definitions used by NZAID
- Rationale for evaluation
- Purposes of evaluation
- NZAID's commitment to evaluation
- Evaluation principles and standards
- Roles and responsibilities
- Evaluation forms and approaches

- Approach to prioritising evaluations
- Evaluation guidelines
- Maximising the utilisation of evaluation findings
- Sharing lessons
- Capacity building

The improvement of NZAID's evaluation capability and systems would include:

- the development of practice standards and guidelines for evaluation budgeting, commissioning and contracting;
- enhancing evaluation capability within the agency through provision of evaluation training;
- enhancing the systems for prioritising, scheduling, and planning evaluations;
- enhancing systems for the dissemination of evaluation findings and their utilisation in policy, programme and systems design.

A specific focus of the work would be to develop thinking as to how NZAID can better evaluate of the effectiveness of ODA expenditure against NZAID's core strategic objectives, i.e. to address the particular concern in the 2001 review of NZODA.

Team composition and working approach

Team composition

The team will comprise representatives from each group within NZAID. The initial membership has been identified as being:

- Deb Collins (Global Group)
- Penny Hawkins (SAEG – Chair)
- Jamila Homayun (SAEG – Evaluation Team's administrator)
- Suzanne Loughlin (Global Group)
- Sarah-Jane Marriott (SAEG)
- June Ralston (Management Services Group)
- Rebecca Spratt (Pacific Group)
- Sophie Van der Meeren (SAEG)

In addition to this core team, five other NZAID staff members (including two from Post) have been identified as non-core members. These members will be copied in on key correspondence pertaining to the team's work and invited to input at key stages.

It is also proposed that external evaluation expertise be contracted to join the team at the key stages, to complement internal capacity.

Team member responsibilities

Each of these core team members will have responsibility for ensuring that staff in their group are kept informed of the work of the team and have a chance to input into it.

Penny Hawkins will act as the team's chair person, and also the team's key driver and spokesperson, who will take overall responsibility for keeping the team alive and for representing the team, as necessary, at other meetings and fora. Jamila Homayun will be primary note-taker and research/administrative assistant for the team.

The team will meet fortnightly for the first six to eight weeks, and then monthly. Team members will be expected to make time to read key documents in between meetings.

Working approach

The team is committed to conducting all of its work in accordance with good evaluation practice. It therefore proposes that the evaluation policy statement be developed on the basis of lessons learned from the whole Evaluation Framework development and piloting process rather than as a pre-cursor to the development of the implementation guidelines. While an interim working draft of the policy statement will be developed early on in the team's work, in order to set the scene for subsequent work, it is envisaged that this will be reviewed and finalised on the basis of lessons learned during the remainder of the process (see "Timeframe" section below).

Similarly, the team intends to document the actual process it adopts for developing the Evaluation Framework in such a way that the process can be evaluated at the end, and lessons from the process shared both within and outside NZAID.

Consultation with wider-NZAID and with external stakeholders

The team believes that it will be crucial to invite stakeholder input into its work at a number of key stages, and will seek to find the most efficient ways of allowing for this consultation.

Strategies for consulting within NZAID will include consulting with staff during regular group meetings; presentation and discussion of key ideas during Friday Forum slots; and small group discussions with key groups or those who express particular interest in being involved. Posts will be kept informed of the team's work, and invited to input, at key stages via merlin messages and email. The team's terms of reference, work plan, meeting minutes, and key outputs will accessible to Wellington-based NZAID staff via a dedicated site on NZAID's intranet.

The team will report to AID Management on a regular basis on its progress and issues arising.

It is proposed that consultation with external stakeholders be conducted informally throughout the two-year period to feed into the Evaluation Framework development process where required. However, it is not proposed that there be formal and broad reaching consultation on the interim working draft of the policy statement – i.e. at the end of the first three months - as this is seen as largely an internal document to guide the remainder of the Framework development process.

Although official consultation on the interim policy will not be carried out, it should still be possible to share the interim policy with external stakeholders during the development process, as long as it is presented on the basis that it is a work in progress. One way to do this might be to present it together with a summary of the proposed process for developing the whole Framework.

Tasks

The tasks that the team will oversee in order to achieve the objectives listed at the top of these terms of reference will be identified by the team and outlined in detail in the team's work plan, which will be regularly reviewed and updated. A preliminary identification of tasks includes the following:

- Develop and regularly update a work plan for developing the evaluation framework, and act as a steering committee for the implementation of this work plan.

- Agree on key content and structure for the Evaluation policy statement.

- Consider current NZAID policy and strategic directions that will inform the development of the NZAID evaluation framework and with which the framework should be consistent.

- Review key literature to identify current national and international evaluation standards and thinking regarding good evaluation practice.

- Agree on standard definitions and key principles for the NZAID evaluation framework.

- Consult regularly with NZAID staff to gain understanding of NZAID requirements and capacity in evaluation, and to invite input into the policy development process at key stages.

- Develop an appropriate system for documenting lessons from the process itself, and develop appropriate mechanisms (e.g. a presentation and a brief report) for sharing these lessons both within and outside the agency

Timeframe

The overall process for developing NZAID's Evaluation Framework is seen as a two-year process. Rather than discrete components of the framework being developed sequentially, it is suggested that they will happen concurrently. Lessons and issues arising out of the developing and trialling of an interim policy statement and the implementation guidelines, as well as those arising out of the actual conducting of

evaluations and evaluation capacity building activities, will all feed into the development and finalisation of the overarching Framework.

The first three months of the team's work will be set aside specifically for the writing of a succinct interim policy statement. This thinking will guide the development of the implementation guidelines and evaluation capacity, but will be revisited periodically and revised at the end of the two-year development period.

Key milestones are the following:

What	By when
Development of interim evaluation policy statement, ready for internal discussion	August 2004
Revision of interim evaluation policy statement, ready for sharing with interested stakeholders as a "work in progress".	Sep 2004
Development of evaluation practice guidelines	August 2005 (Start date)
Piloting of interim evaluation policy statement and practice guidelines	End 2005
Finalisation of the Evaluation Policy statement, ready for formal external consultation	Feb 2006

Key Multilateral Engagement

NZAID MULTILATERAL		$51.9m	
Name of Agency	**2003/04**	**2004/05**	**Payment Date**
Commonwealth			**All in September**
Commonwealth Fund for Technical Cooperation (CFTC)	3,300,000	3,300,000	
Commonwealth of Learning (CoL)	370,000	370,000	
Commonwealth Science Council (CSC)	340,000	0	
CW Small States Office (New York Joint Office)	155,000	155,000	**(early this FY: July)**
CW Trade and Investment Access Facility (TIAF)	64,000	64,000	
International Voluntary Agencies			
International Committee of the Red Cross (ICRC)	500,000	500,000	
International Federation of the Red Cross (IFRC)	200,000	200,000	
International Planned Parenthood Federation (IPPF)	1,300,000	1,300,000	**September**
United Nations Agencies			**All in January**
United Nations Development Programme (UNDP)	6,400,000	6,700,000	
UNICEF	2,200,000	2,200,000	
United Nations Population Fund (UNFPA)	1,800,000	2,000,000	
United Nations High Commission for Refugees (UNHCR)	1,800,000	1,800,000	

NZAID MULTILATERAL		$51.9m	
Name of Agency	**2003/04**	**2004/05**	**Payment Date**
World Food Programme (WFP)	1,000,000	1,000,000	
United Nations Industrial Development Organisation	475,000	475,000	
UNIFEM	400,000	400,000	
UN Fund for Mine Clearance	350,000	350,000	
United Nations Relief and Works Administration (UNRWA)	300,000	300,000	
Office of the High Commissioner for Human Rights (OHCHR)	500,000	500,000	
Office for the Coordination of Humanitarian Assistance (OCHA)	500,000	500,000	
International Financial Institutions			
World Bank (IDA)	14,548,500	10,000,000	**Quarterly**
Asian Development Bank (ADF)	12,134,000	13,000,000	**July and February**
International Fund for Agriculture Development (IFAD)	720,000	0	
Other Multilateral			
CGIAR	800,000	800,000	**January**
Montreal Protocol	800,000	700,000	**January**
Balancing Lines			
Enhanced contributions	3000000	4,286,000	
Possible UNAIDS contribution		$1,000,000	
TOTAL	**53,956,500**	51,900,000	

Walking the Talk

Indicators and processes to monitor and assess NZAID's organisational development and culture

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1. INDICATORS

1.1 Vision and strategy

- NZAID **vision, mission, values, principles, focus, policies and strategies** developed with active staff participation, owned by all staff and visible in all aspects of the organisation's work and internal life.

- Visible **organisational strategy** (including strategic plan) developed with full staff participation, owned by all staff and forming the basis of the organisation's work.

1.2 Organisational development and impact

- Clear and flexible **road-map, timeframes and milestones** for organisational development (encompassing policy, strategy, programmes, organisational culture and organisational capability).

- Improved **impact of programmes** in line with NZAID's vision, mission, focus and priorities (including the Millennium Development Goals).

- Transparent discussion about and clarity of **structures, roles and responsibilities** within the organisation.

- Flexibility and capability to shift **organisational resources** towards areas of agreed priority.

- Effective management of NZAID **establishment and change process**

1.3 Organisational culture

- Evidence of **partnership** and application of **organisational principles and values.**

- Staff feel a **sense of ownership** about the organisation and their own work.

- Healthy, collective **decision-making processes** characterised by:

  - open, inclusive and transparent discussion
  - active participation by staff

- constructive critique
- a focus on results
- clear processes for setting priorities at all levels
- an ability to make and communicate hard decisions where necessary – based on meeting the organisations' core business priorities and needs.

- Open **learning approaches** involving all staff, including:
  - clear linkages between policy, strategy, programmes, monitoring, evaluation and impact assessment
  - opportunities for staff to reflect on their work individually and collectively
  - staff trusted and supported to take initiative, make decisions and try new approaches
  - acceptance that mistakes will be made as part of the learning process, with due consideration of need to identify and manage risks that may arise
  - a focus throughout the organisation on learning and applying lessons.

- NZAID looks and feels like a development organisation - eg, photos and ethically purchased coffee.

- A **management style** which:
  - reflects the values and principles of the organisation
  - is open, facilitative, participatory, equitable, inclusive and supportive
  - is focused on achieving results in line with the organisation's objectives and priorities
  - sets clear expectations for staff
  - delegates work and responsibility effectively and fairly
  - provides clear and constructive feedback to staff
  - reflects clarity of management roles at all levels.

1.4 People development

- Systems of **remuneration and performance appraisal** which are transparent and fair, easily understood, responsive to staff career aspirations, reflect team approaches and clearly reflect NZAID values and principles.

- Balanced and equitable **workloads and expectations** across the organisation, and healthy balance between work and personal life (including reasonable working hours and no staff working weekends unless there exceptional circumstances).

- Continuity in **relationships** with stakeholders

- A healthy balance between improved levels of **staff retention** on the one hand and **dynamic movement of staff** into and out of the organisation on the other, ensuring a regular inflow of fresh energy and skills. Good rate of applications for NZAID positions.

- Transparent **staff selection processes** which encourage diversity, commitment, passion and energy

- Staff feel **trusted, valued and supported** within the organisation.

- Opportunities and support for staff to demonstrate and use their **talents and experience**.

- Encouragement and support for staff to develop their **professional skills** and take on new challenges and responsibilities – reflected in a clear professional development plan (and related systems and approaches) which meet organisational and individual needs.

1.5 Systems and processes

- Clear and effective overview, management and coordination of all aspects of NZAID's development and operation by **NZAID management**.

- Effective, participatory and inclusive **team approaches**.

- **Organisational systems**, resources, tools and processes (including data-bases, guidelines and templates) which are clear, effective, flexible, up-to-date, user friendly and meet the business needs of the organisation.

- Flexible and creative approaches to ensuring effective **communication** between staff without creating overload of information or blockages in information flow.

- Clear and effective **systems for transition** from one staff member to another.

- Clear and transparent internal **quality assurance and audit** processes.

1.6 Stakeholder relations

- Positive and constructive feedback from **partners** (both governmental and non-governmental) about their engagement with NZAID at all levels and in all aspects.

- **Other stakeholders** (donors, NZ posts overseas, other MFAT Divisions, Ministers, other NZ Government agencies, the media and general public) positive about their engagement with NZAID and perceptions of NZAID performance.

- Diverse and wider pool of competent, experienced **consultants** available to work with NZAID, with more Maori and Pacific Island consultants engaged in NZAID activity.

Processes for monitoring and assessing
Walk-the-Talk indicators

- Opportunities to be created for all **NZAID staff (Wellington and off-shore)** to meet periodically in appropriate groupings to review the organisation's performance and development against the Walk-the-Talk Indicators as well as the NZAID Strategic and Annual Business Plans; contribute to the development of the next year's business plan; and identify key issues and ways of addressing these.

    Such opportunities might include meetings of all Wellington-based staff; sub-groups of staff in Wellington and off-shore; meetings of off-shore staff on a regional or sub-regional basis; focus groups; and interaction between staff in the context of High Level talks with partner governments. Use of video and tele-conferencing to improve interaction between Wellington and off-shore staff to be explored. The Virtual Team approach recommended by the Offshore Capability Review will provide on important mechanism for such interaction.

    Staff satisfaction and feedback surveys to be conducted on regular (at least annual) basis. An initial pilot survey to be conducted at the end of 2003, with professional support to be obtained as necessary to design forms and approach.

    The wananga (staff forum) to play a key role in gathering and processing staff feedback on application (or otherwise) of the Walk-the-Talk Indicators – and reporting on issues and proposals for change to NZAID management.

- **External stakeholders** to be actively involved in providing feedback through means such as:

- the External Reference Group and/or ACEAD, subject to any reconfiguration of these two bodies by the Minister
    - surveys specifically targeted at particular stakeholder groups – including selected overseas partners.

- The above processes and the Walk-the-Talk indicators to be incorporated into a **three-year strategic plan** to guide the development and performance of NZAID in all aspects - policy, strategy, programmes, and organisational capability and culture.

The development of an overarching framework along these lines will aim to:

- **keep the overall purpose, strategies and directions of the agency visible**
    - **ensure that the connections between all of its various parts and the place of each individual are clear**
    - **provide a basis against which all aspects of the organisation's development and performance can be internally and externally monitored and assessed.**

Training Opportunities – NZAID Staff – Wellington

Training	Target Group	Status
Work Wise Personal Efficiency Training	Open to all staff – especially if identified in Perf. & Dev. Review or have missed a previous module	Strongly encouraged (nearly compulsory)
Negotiating Training	Open to all staff – especially with an interest in developing negotiating & influencing skills e.g. Programming areas.	Strongly encouraged
Human Rights Training – Module 1	All staff to attend – this is a repeat for new staff or for those who have not yet attended.	Strongly encouraged (All staff should attend)
Human Rights Training - Module 2	All staff encouraged to attend. Can attend Module 2 before completing Module 1.	Strongly encouraged (All staff should attend)
Human Rights Training - Module 3	All staff encouraged to attend.	Strongly encouraged (more appropriate for those involved with programmes)
Harmonisation Training	All staff to attend	Strongly encouraged
Performance & Development Competencies	Team Leaders & Directors All Staff	Compulsory for managers All staff strongly encouraged
Communications / Media Training	Team Leaders & Directors	Optional
DevNet Conference	NZAID staff – as approved by AID Mgmt	Optional
MERLIN Training	NZAID staff	Optional
EMDR Training	• Compulsory to all AIDPAC staff • Open to NZAID staff	Compulsory for all AIDPAC staff Open to all NZAID staff
NZAID Orientation	All staff that have not previously attended. Orientation is specifically focused on	Compulsory for new staff

	the work of NZAID	
MFAT Orientation	All staff – who have not previously attended	Optional - recommended
Code of Conduct	Compulsory for all new staff - an employment requirement. Please ensure that you attend this course within 6 months of starting at NZIAD	Compulsory
Poverty Presentation	Open to all NZAID Staff	Optional
Te Reo Maori Language Training (Intro to Level 1)	Open to all NZAID Staff	Optional
Te Reo Maori Language Training (Levels 1, 2 3)	Open to all NZAID Staff	Optional
IT Training MFAT	All staff – always helpful to have a refresher	Optional

Education Expenditure

Education Expenditure Analysis 1994 Onwards - All Programmes

Education Expenditure $m	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 est.	2005/06 proj
NZ Based Degree Awards	*$27.28*	*$30.08*	*$36.60*	*$38.20*	*$39.49*	*$39.28*	*$36.32*	*$35.83*	*$27.67*	*$20.52*	*$16.67*	*$15.00*
NZ Based Other Awards	*$9.47*	*$7.31*	*$6.22*	*$4.28*	*$4.09*	*$3.45*	*$4.44*	*$3.36*	*$3.71*	*$3.70*	*$1.80*	*$2.50*
Non NZ Based Scholarships	*$3.44*	*$6.05*	*$5.96*	*$7.26*	*$6.51*	*$10.39*	*$9.80*	*$10.14*	*$9.38*	*$8.09*	*$6.85*	*$7.00*
Scholarships (Total)	$40.19	$43.44	$48.77	$49.74	$50.08	$53.13	$50.56	$49.33	$40.76	$32.30	$25.32	$24.50
Basic Education	$1.48	$1.41	$1.64	$1.50	$1.64	$1.14	$2.15	$1.86	$4.60	$15.30	$12.85	$15.50
Other (Secondary/Vocational)	$8.41	$10.52	$10.79	$14.53	$13.34	$9.56	$14.48	$10.41	$9.37	$16.87	$12.40	$13.50
Total	$50.07	$55.38	$61.20	$65.77	$65.06	$63.82	$67.18	$61.60	$54.73	$64.47	$50.57	$53.50

Expenditure as a %	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05 est.	2005/06 proj
Basic Education	2.9%	2.6%	2.7%	2.3%	2.5%	1.8%	3.2%	3.0%	8.4%	23.7%	25.4%	29.0%
Scholarships	80.3%	78.5%	79.7%	75.6%	77.0%	83.2%	75.3%	80.1%	74.5%	50.1%	50.1%	45.8%
Other	16.8%	19.0%	17.6%	22.1%	20.5%	15.0%	21.5%	16.9%	17.1%	26.2%	24.5%	25.2%

The figures above relate to all NZAID programmes - those in the Pacific and those outside the Pacific.

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