

THE YEAR IN SUMMARY

NZAID is the agency within the Ministry of Foreign Affairs and Trade that manages New Zealand's official development assistance and provides policy advice on international development issues. This issue of *Currents* looks at the challenges and successes across NZAID's programmes in the 2008/09 financial year and looks at future directions for NZAID.

2008/09 was a year of significant development challenges around the world. The global economic crisis and fluctuating food and energy prices have negatively affected New Zealand's partner countries. Economic activity and employment continue to fall, bringing down living standards, increasing vulnerability, and threatening to reverse the reductions in poverty in the past decades.

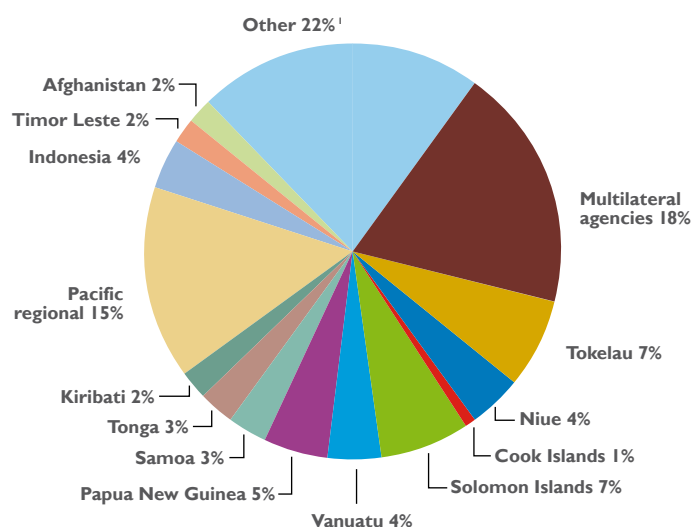
Of New Zealand's partner countries, Papua New Guinea (PNG) and Timor-Leste are particularly struggling to meet development objectives. However, other countries, such as Samoa and Vanuatu, are making good progress in many areas including poverty reduction, reducing child mortality, and moving towards universal primary education.

Overall, New Zealand's aid programme is making progress towards many of its strategic objectives, as seen in the case studies in this issue of *Currents*.

Geographic focus

In 2008/09, 52 percent of all New Zealand official development assistance (ODA) was directed to the Pacific, including 81 percent of bilateral (country-to-country) ODA.

NZAID expenditure by country 2008/09

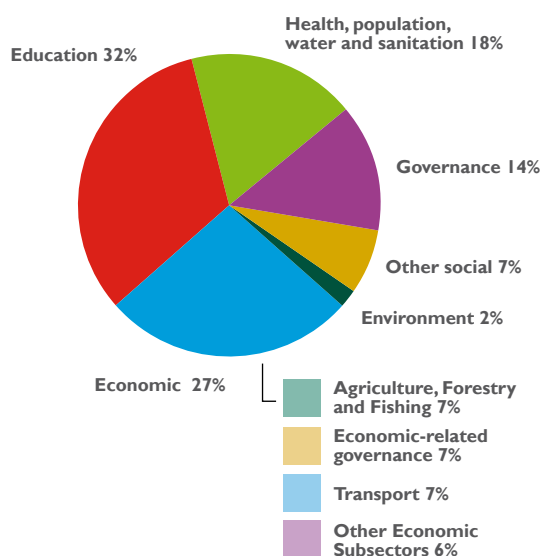


¹ Includes countries receiving less than 1% of NZAID's 2008/09 budget and other agencies working in multiple regions/worldwide.

Sectoral focus

In 2008/09, nearly one-third of New Zealand's aid that can be allocated to a particular sector was spent on education. The second biggest sector was economic development, which includes assistance in areas such as agriculture, fishing, and transport infrastructure.

Sectoral focus of New Zealand's ODA 2008/09



How does NZAID decide what to support?

New Zealand's development programme focuses on where its aid can be most effective. For country programmes, NZAID negotiates with partner governments so that their national development priorities are supported, while also taking into account NZAID's own mandate. Funding to other agencies is decided by their alignment with NZAID's effectiveness priorities and where there is the greatest need.

New Zealand is committed to the internationally agreed Millennium Development Goals, which set eight development targets to be achieved by 2015.

How is aid delivered?

Within its broader programmes, in 2008/09 NZAID administered more than 800 individual aid activities. Each of these has its own design, objectives, evaluation arrangements, and contract with the implementing partner.

NZAID has a policy to give more responsibility and ownership to partner organisations and reduce the costs of trying to micro-manage aid from Wellington. NZAID's contract with the partner still holds them clearly accountable and requires specific reporting on outputs and outcomes but the partner is responsible for managing the activity.

Giving partners more ownership and responsibility means that aid can achieve long term sustainable results and better value for money. However, it does rely on there being clear accountability and good processes in the partner government/organisation. This can vary between countries and programmes.

International views on aid effectiveness

The Paris Declaration on Aid Effectiveness (2005) is an international consensus on the most effective way to coordinate and deliver aid in order to achieve positive, sustainable development outcomes. It identifies five principles that need to be followed:

- Ownership by partner populations and governments of plans for development
- Alignment of donors with partner priorities and systems
- Harmonisation between donors to reduce duplication and increase efficiency
- Managing for development results (evidence-based decision-making to maximise outcomes)
- Mutual accountability between donors and partners, and governments and their publics.

NZAID is now beginning to track how well it is meeting the Paris Declaration targets. NZAID's aid is well-coordinated with other donors, for example with Australia in Melanesia, which reduces the burden on partners. However, for several reasons NZAID has made less progress in using partner government systems and moving from project-based to programme-based approaches, which are known to lead to greater efficiencies and more sustainable benefits. Many factors are involved in this, including the capacity and accountability of partner governments.




In September 2008, developing and donor countries, including New Zealand, and development institutions endorsed the Accra Agenda for Action to accelerate action towards meeting the internationally agreed aid effectiveness principles.

Contracting and financial control

In 2008/09, NZAID made comprehensive improvements to its contracting, finance and monitoring systems, in response to a 2007 annual audit of NZAID by the Office of the Auditor General and Audit New Zealand.

Following the audit, NZAID implemented a two-year programme of changes to address the areas recommended for improvement. Changes included a new electronic contract management system, policy and procedures manual for procurement, contract management training for staff, and the permanent employment of an internal auditor to provide advice and ensure good practice. The changes mean that NZAID is in a better position to contribute to

development outcomes and deliver value for money for New Zealand tax payers and for people in partner countries. 

More information about NZAID is in the Ministry of Foreign Affairs and Trade (MFAT) *Annual Report 2008/09*, available from the MFAT website, www.mfat.govt.nz from November 2009.

1 Some of the tens of thousands of the internally displaced persons arrive by truck with their few possessions at the Zamzam camp, North Dafur. UN Photo – Olivier Chassot