



Minute of Decision

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New Zealand Agency for International Development: Institutional Arrangements (Paper Two)

Portfolios: State Services / Foreign Affairs

On 20 April 2009, following reference from the Cabinet External Relations and Defence Committee (ERD), Cabinet:

- 1 **noted** that the paper under ERD (09) 11 is one of a suite of papers relating to New Zealand's Official Development Assistance (ODA) and the New Zealand Agency for International Development (NZAID), and that this minute should be read in conjunction with the related minutes ERD Min (09) 4/3 and ERD Min (09) 4/5;
- 2 **noted** that a semi-autonomous body (SAB) attached to a "host" department is sometimes established to ensure:
 - 2.1 that the SAB exercises a distinct set of functions separately from the host department;
 - 2.2 that the host department avoids involvement in the exercise of the SAB's functions;
- 3 **noted** that in May 1999, Cabinet noted that an assessment by the State Services Commission (SSC) of existing SABs within departments, and the Auditor-General's report on the Tourism Board, had identified accountability risks with SABs [CAB (99) M 14/9];
- 4 **noted** that in September 2001, the previous government agreed:
 - 4.1 that New Zealand's ODA be managed by a new SAB attached to the Ministry of Foreign Affairs and Trade (MFAT);
 - 4.2 to set up a separate Vote for New Zealand ODA;
 - 4.3 that the new body should include the following features:
 - 4.3.1 a top executive appointed by, and reporting to, the Secretary of Foreign Affairs and Trade (the Secretary);

- 4.3.2 a separate performance agreement between the top executive, the Minister of Foreign Affairs, and the Minister of Trade which is consistent with the performance agreement between the Secretary, the Minister of Foreign Affairs, and the Minister of Trade, and with the government's strategic directions for foreign policy and ODA;
- 4.3.3 all other staff appointed by the top executive, with human resource policies and pay scales internal to the SAB;
- 4.3.4 the SAB would continue to have shared service arrangements with MFAT domestically and offshore;
- 4.3.5 responsibility for providing ODA policy advice direct to Ministers;
- 4.4 that the protocols and delegation arrangements between the Secretary and the SAB head might be expected to cover (among other things):
 - 4.4.1 the right for the head of the SAB to report directly to the Minister of Foreign Affairs, the Minister of Trade, and the Minister with delegated responsibility for ODA, on policy and operational matters related to ODA;
 - 4.4.2 procedures for ensuring that the Secretary is fully informed of advice being given to the Ministers;
 - 4.4.3 corporate policies and responsibilities related to ownership matters;

[CAB Min (01) 28/8]

5 **noted** that feedback from Ministers and other stakeholders over the past four years:

- 5.1 has been positive about ODA operations, but uneven about aspects of programme design and balance;
- 5.2 indicates that there are certain transaction costs to achieving positive results, which are heavily reliant on the commitment and personalities of the people involved in MFAT and NZAID, both in New Zealand and in international posts;

6 **noted** that the Auditor-General's reports on NZAID's control environment and its management and contracting systems were critical, and required a major remedial programme, which is currently meeting its goals, the details of which have been the subject of Select Committee monitoring;

7 **agreed** that it is desirable to:

- 7.1 overcome the transaction costs and accountability risks in the current institutional arrangements between MFAT and NZAID;
- 7.2 normalise the way that MFAT is set up in terms of being a department that administers multiple programmes, in particular by operating under delegations from the Secretary, acting as chief executive, instead of arrangements imposed by Cabinet;

- 7.3 maintain the benefits achieved in recent years for aid delivery that aims to be in line with international best practice, as set out in the 2005 Paris Declaration on Aid Effectiveness;
- 8 **noted** that the Secretary and the State Services Commissioner recognise the importance of maintaining human resources in line with business needs, including appropriate numbers of personnel with relevant skills and experience;
- 9 **agreed** that:
- 9.1 the SAB status of NZAID be removed, and that NZAID be brought into line with the standard management and accountability arrangements for MFAT;
- 9.2 a separate Vote for New Zealand ODA be retained;
- 10 **agreed** that it is important to maintain transparency and accountability around the funding, objectives, and outcomes of New Zealand's ODA programme and the performance measures and standards for the delivery of the programme;
- 11 **noted** that the Information Supporting the Estimates for Vote Official Development Assistance, and MFAT's Statement of Intent, will specify the agreed objectives, outcomes, and performance measures and standards for New Zealand's ODA programme, and that MFAT will be required to report on them in its Annual Report;
- 12 **directed** the Secretary to:
- 12.1 report to the Minister of Foreign Affairs, following consultation with SSC and the Treasury, if organisational changes are proposed which the Secretary deems to be significant, and which will influence the delivery of ODA;
- 12.2 submit a paper to ERD in the second half of 2009 on new arrangements for the operation of "NZ Inc" onshore and offshore;
- 13 **noted** that further work is being undertaken on the arrangements for the announcement of the government's decisions on New Zealand's ODA and NZAID, and that the Minister of Foreign Affairs would consult the Prime Minister on the timing and nature of the announcement.

Secretary of the Cabinet

Reference: CAB (09) 167; ERD Min (09) 4/4

Secretary's note: This minute supersedes ERD Min (09) 4/4. Cabinet added paragraph 13.
