

Submission to the review of New Zealand's policy on aid and sustainable development

7/9/18

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This is a submission to MFAT's review of New Zealand's policy on aid and sustainable development. The submission focuses, first and foremost, on aid policy. Clearly, if New Zealand is to meet its obligations under the Sustainable Development Goals (SDGs), it will have to act in a range of other areas from domestic poverty to greenhouse gas emissions. Similarly, New Zealand can promote development in through means other than aid; for example, by adopting a permissive migration regime. However, I focus on aid in this submission as it is my area of expertise.

The submission starts by making general points about effective aid giving. New Zealand will need to give aid well if it wishes to use aid to help with progress on the SDGs. The submission then focuses on the Pacific, detailing development challenges in the region and the ramifications of these challenges for New Zealand aid.

General principles for giving aid well

The history of aid has seen some spectacular successes (see, for example, aid's role helping eliminate Small Pox in, Levine 2007). Moreover, the best available empirical evidence suggests that, in aggregate, aid has played a modest but discernible role in improving economic development (Galiani et al. 2016; Mekasha and Tarp 2013), human development (Arndt et al. 2015), and governance (Jones and Tarp 2016). However, aid quality varies considerably across donors (Knack et al. 2011) and the success of individual aid projects is far from guaranteed (Denizer et al. 2013; Feeny and Vuong 2017).

Needless to say, aid that does not promote development in developing countries will do nothing to advance progress against the SDGs. The following recommendations focus on optimising New Zealand's contribution through its aid programme.

Although the most recent Quality of Official Development Assistance (QuODA) league tables suggests New Zealand gives the best quality aid of all OECD donor countries, this is an artefact of the methodology used, and does not actually point to outstanding aid giving on New Zealand's behalf. For an explanation, see the boxed text on the next page: 'Is New Zealand the world's best aid donor'.

Nevertheless, New Zealand's aid programme has does have real strengths, some which are touched upon below (also see discussion in, Wood and Burkot 2016). The following recommendations are not intended as criticisms. Rather, they are offered as suggestions focused on maximising New Zealand aid's contribution to SDG success.

Is New Zealand giving the world's best aid donor?

In September 2018 the Centre for Global Development (CGD) published its annual Commitment to Development Index (CDI).¹ This index measures OECD nations' contributions to fostering global development. Contributions range across many areas including trade and migration. One area covered is aid, which involves both an aid quantity and aid quality measure. The aid quantity measure is self-explanatory: aid over GNI is used. The aid quality measure, however, comes from another CGD product, the Quality of Official Development Assistance index (Quoda).

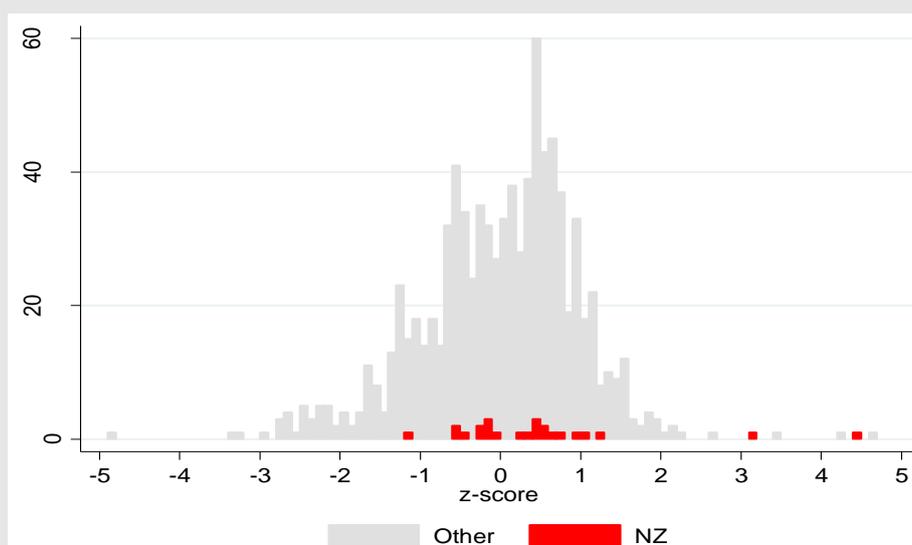
Although the Quoda aid quality measure has been included in all annual CDI releases of recent years, the Quoda measures were not updated between 2012 and 2018 (i.e. were based on 2012 data). The 2018 update involved modest changes in Quoda's methodology. These changes don't seem to have been applied retrospectively. **The 2018 Quoda scores are based on 2016 aid allocation data.**

In 2018, New Zealand ranked first of all aid donors.²

This ranking was a product of a process in which aid donors' scores across 24 indicators were averaged. (That is, the mean was calculated across these scores; the indicator scores themselves were z-scores).³

New Zealand's rank of first place was a function of the fact that it scored exceptionally well in two indicators. This can be seen in the histogram below, which shows all other donors' scores for all indicators in grey, and New Zealand's scores for all indicators in red. Like most donors most of New Zealand's scores are clustered close to 0 (the average for that indicator). However, two of New Zealand's scores are outliers, sitting to the far right of the histogram, purportedly indicative of exceptionally strong performance in these indicators. The influence of these outliers can be seen if New Zealand's rank is calculated using the median indicator score (the median is less sensitive to outliers than the mean): New Zealand's rank falls to 9th. New Zealand's rank falls to 10th if countries are ranked by the number of individual indicators that they perform better than average on.

Histogram of Quoda 2018 z-scores



¹ <https://www.cgdev.org/commitment-development-index-2018>

² <https://www.cgdev.org/cdi-2018/country/NZL>

³ A z-score measures the number of standard deviations any particular country is away from the mean for that indicator. Data from: <https://tinyurl.com/yb57zo55>

The two indicators that New Zealand scores exceptionally well on are: (1) to do with the share of country programmable aid that it gives to well-governed countries; and (2) an indicator ostensibly to do with the ‘significance of aid relationships.’

The high score on the first indicator appears to be a function of the fact that many of the countries that receive significant amounts of country programmable aid from New Zealand are comparatively well-governed (by developing country standards) as measured by the World Bank. Presumably this is driven by recipients in the Eastern Pacific. (Samoa, for example is one of the world’s best-governed developing countries according to the World Bank.)⁴

The Quoda well-governed country indicator is intended to reward donors for consciously choosing to give aid to countries where it is more likely to work (aid being more likely to work in better governed countries). In New Zealand’s case, in reality the measure does not as much reflect a decision to focus on spending on well-governed countries, but rather our ongoing commitment to giving aid to Pacific partners. New Zealand’s focus on the Pacific, regardless of quality of governance, is a good choice, but not the self-same attribute the indicator is designed to capture.

The ‘significance of aid relationships’ score does not measure management of aid relationships in any obvious sense. Rather, it measures the extent a donor contributes to donor fragmentation in a country. Presumably, New Zealand does well once again because it gives aid to countries in the Pacific which do not receive aid from many other donors.⁵ There is a consensus amongst aid actors in the Pacific that one of New Zealand’s real strengths as an aid donor is its respect for ongoing aid relationships. New Zealand should be rewarded for this in any aid quality index. In this case, however, the association between New Zealand’s score and the its performance in managing relationships is only accidental.

Overall, because New Zealand’s score is a shaped so much by just two indicators, it isn’t safe to conclude from the 2018 rankings that New Zealand aid is of world beating quality.

It is probably fair, however, to conclude that the Quoda provides supportive evidence that New Zealand aid does have some real strengths, and that New Zealand also avoids some particularly flawed aid practices.

Improving New Zealand aid: Giving aid with the right intentions

Particularly outside of the Pacific, the previous New Zealand government emphasised the role that aid could play in bringing geostrategic benefits to New Zealand and economic benefits to New Zealand firms. Evidence of this can be found in statements from the then Foreign Minister (McCully 2009) as well as in specific aid projects (New Zealand Aid Programme no date-a; New Zealand Aid Programme no date-b; NZADDs 2012). A survey of NGO and private sector stakeholders of the aid programme found the majority of stakeholders (including the majority of private sector stakeholders) thought New Zealand aid was primarily given for the sake of bringing benefits to New Zealand (Wood and Burkot 2016).

Aid given with a view to bringing benefits to donors is less likely to promote development than aid given with the genuine intent of assisting developing countries (Bermeo 2018; Dreher et al. 2016).

⁴ Also of note, unlike the governance effectiveness and corruption measure I use below, the CGD takes an average of all World Bank governance indices including an indicator pertaining to civil liberties, which most Pacific Island countries score quite well on, even when they suffer other problems such as corruption and dysfunctional bureaucracies.

⁵ I say presumably because, although CGD have been responsive to my emails they have not provided me with their underlying country-indicator calculations, so I cannot test for sure.

Such aid may even cause harm in recipient countries (for a specific example see: Nunn and Qian 2014).

While it is perhaps inevitable that a small share of New Zealand aid be given with a view to geo-strategic objectives, these objectives should not crowd out genuine developmental work. And there is no case whatsoever for New Zealand giving aid as an economic subsidy to its own businesses. Not only was this practice avoided under the previous Labour-led government with no discernible harm to New Zealand businesses, but survey data show that a large majority of New Zealander tax-payers want aid given for the sake of promoting development, rather than for bringing benefits to New Zealand. This can be seen in the following chart from Burkot and Wood (2017).

Figure: New Zealanders' preferences regarding aid purpose

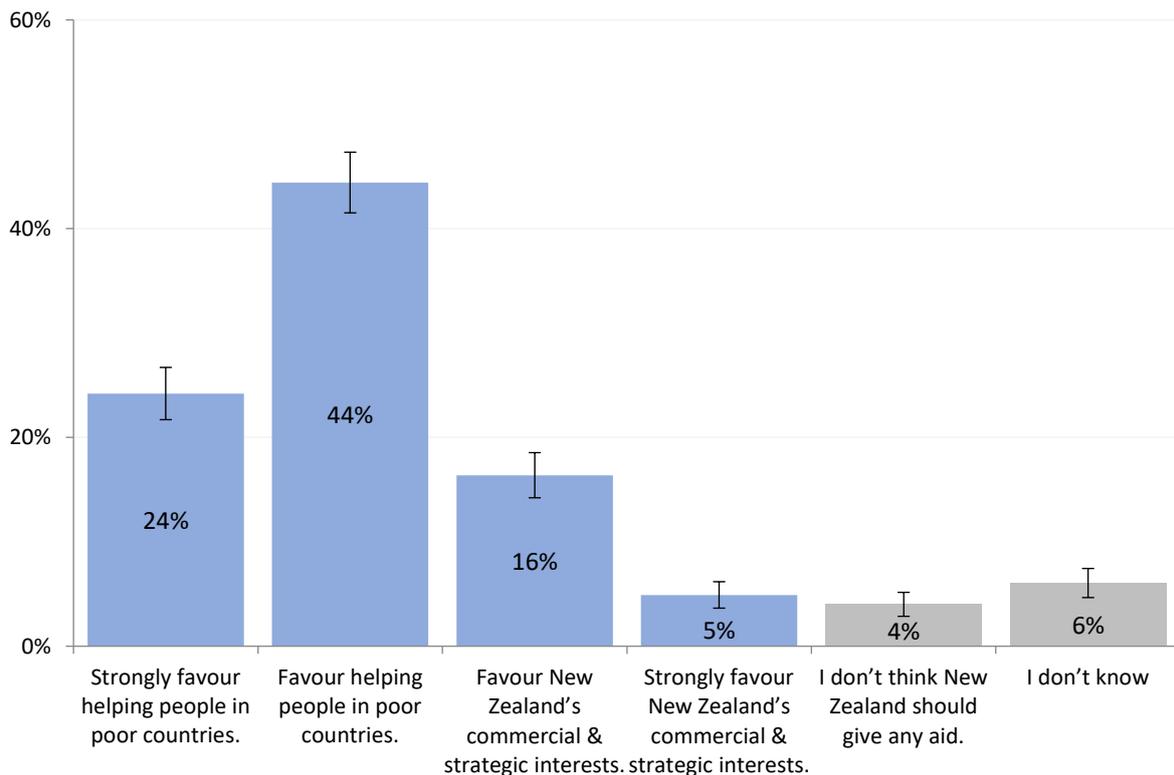


Chart notes: Question wording was, "Do you think New Zealand government aid to poor countries should be given primarily for the purpose of helping people in poor countries, or do you think New Zealand aid should be given primarily to help advance New Zealand's commercial and strategic interests?"

In line with standard economic thinking, the New Zealand government no longer uses domestic government spending as a means of subsidising private interests. There is no economic case for using aid to this end. Other donors, such as the United Kingdom, have laws in place to prevent the use of aid money for purposes other than promoting development. The efficacy of New Zealand aid in promoting the SDGs will be maximised if aid is only very rarely used for geostrategic purposes and if it is never used to subsidise New Zealand's own private sector.

Improving New Zealand aid: Avoid focusing aid too heavily on specific sectors or questionable modalities

The previous government expressed a desire to focus aid foremost on promoting economic development. Although, the actual sectoral change in New Zealand aid spending over the years of the previous government was not as dramatic as may have seemed to be the case from rhetoric of

the time, there was still a marked change (see Figure 5 and associated discussion in Spratt and Wood 2018).

Contrary to the view held in some parts of the development community, there is nothing wrong with focusing some aid on economic development. While there is limited intrinsic value in wealth *per se*, in the long run economic development usually brings other, more-substantive gains in health and subjective life assessment (Stevenson and Wolfers 2008; Wood 2011). Economic development will often bring greater opportunities too, and help address issues of particular relevance to the Pacific such as youth unemployment.

However, economic development on its own is not guaranteed to bring improvements in other areas such as health (for example, Vollmer et al. 2014). Moreover, other important, sustainable gains in areas such as health can at times be achieved absent economic development (Canning 2012; for a rich discussion of the relationship between economic development and human development see: Deaton 2006).

These facts mean that if it works aid designed to promote economic development will often, but not always, bring broader benefits. However, other important benefits can also be brought by working in other sectors. Economic development is not the only way that aid can bring sustainable improvements to people's lives. What is more, while the best available evidence suggests that in aggregate aid promotes economic development, other evidence also exists that aid may not be effective in promoting economic development in certain country contexts (Wright 2010). Because of this, New Zealand aid will likely be most effective in assisting progress against the SDGs if it is given without a strong preference for a particular sector, but rather if it is focused on what is likely to work in any particular country.

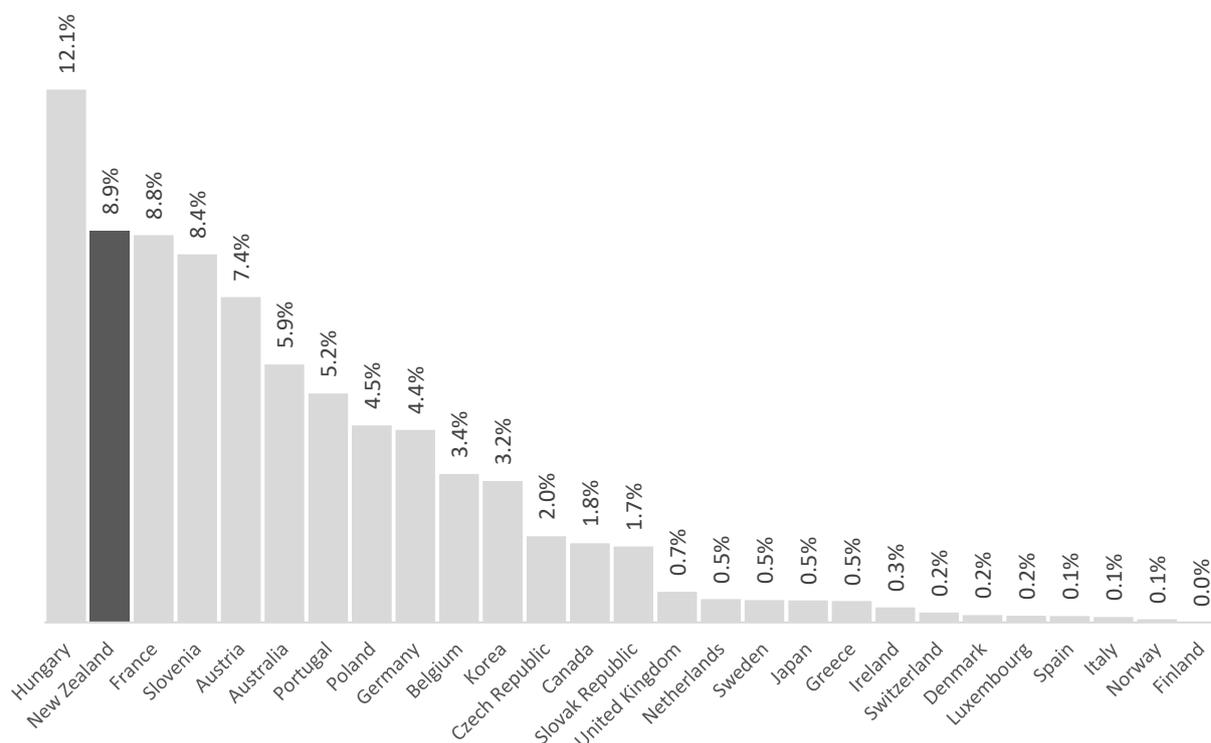
As a result, the current government's indicated shift back towards a broader sectoral portfolio represents an important correction. The proposed change is likely to lead to aid that is more effective in promoting the SDGs, which are a diverse set of goals, reflecting the fact that development is itself multifaceted.

New Zealand should now also take the opportunity to reduce the share of aid spent through problematic modalities. Generally, New Zealand has a good track record in this area. Most of the aid it gives is not tied to New Zealand goods and services. New Zealand does not give unneeded food aid. And New Zealand aid takes the forms of grants not loans. However, New Zealand does give a substantial, and increasing, share of its aid in the form of scholarships for study in New Zealand tertiary education institutions.

Such scholarships have some utility, but the development benefits they bring are open to question. It may well be the case that greater benefits will come from aid spent on primary and secondary education than from tertiary education. It may also be the case that, in the Pacific at least, New Zealand is better off investing in regional universities, rather than scholarships. Moreover, although this is not often recognised, scholarships are, in effect, a form of tied aid.

For these reasons, a development-oriented aid programme ought to limit scholarship spending. In New Zealand's case a useful target would be to give no larger share of its aid budget as scholarships than the median OECD donor does. As the figure below shows, New Zealand, is currently well above the median donor (the Slovak Republic). Only Hungary gives a higher share of its aid as scholarships. As New Zealand's total aid budget increases in coming years, scholarship spending should not keep pace with these increases. Rather, scholarships should be let to fall as a share of total aid spending. Consideration should also be given to reducing the absolute spend on scholarships.

Figure: share of foreign aid spent as scholarships 2016



Notes: Data are from 2016, the most recent year available. Data source: <http://stats.oecd.org/Index.aspx?datasetcode=TABLE1#>

Improving New Zealand aid: Tailor aid to country context

The effectiveness of New Zealand aid spending will be maximised if – rather than prioritising specific sectors and modalities – the aid programme gives aid that is tailored to country context. Broadly, tailoring to country context means focusing aid on country’s specific needs and on types of aid work that are likely to succeed in a particular country.

With respect to need, in theory (see further discussions below) the SDGs should bring with them a wealth of data on country needs and progress. Such data could be used to identify where progress is slowest and need greatest in specific countries. In instances, aid could also be focused on sectors in which other donors undertake little work.

With respect to success, challenges that emerge from particular country contexts need to be identified up front and then taken into account. Munda runway in Solomon Islands is a useful example in this area. Proper consideration of governance problems in Solomon Islands in advance would likely have seen the project avoided. Or if it were funded, a careful strategy designed around a recipient government that was never likely to invest in, or maintain, the runway would have been put in place from the start. There is nothing wrong with investing in infrastructure or trying to promote tourism, but some country contexts will render large infrastructure projects much more difficult than others.

Beyond information that can be gleaned from SDG data and from tools such as the World Bank governance indicators, tailoring aid giving for success in specific contexts will be enhanced through building relevant country knowledge within the aid programme. Indeed, in countries where other data is poor, the aid programme’s own contextual knowledge bank will typically provide the most valuable knowledge.

Maximise learning and institutional knowledge

The New Zealand Government Aid Programme is home to many knowledgeable aid professionals. Moreover, staff with aid experience serve in senior roles, such as High Commissioners, within MFAT more broadly. There have been encouraging signs that the current government, unlike its predecessor, values development knowledge and is actively strengthening aid experience in MFAT. If such strengthening is already occurring, the following points may be redundant. However, they are still worth noting in the wake of the previous government's propensity to downplay the value of aid expertise:

- Aid work is a complex and technical. Specialised knowledge is needed. Aid is most likely to be delivered effectively if the people involved in its delivery have pre-existing aid experience. The majority of people working on aid-related roles in the Ministry should be aid professionals.
- It is easy to lose crucial country knowledge as staff rotate through roles. Processes should be put in place to ensure that country desks acquire and retain institutional knowledge that endures beyond individuals. Staff churn should also be minimised.
- Monitoring and evaluation is crucial to allow for learning-by-doing and for acquiring an understanding of country contexts. Monitoring and evaluation will only be successful if sufficient resources and time are devoted to establishing monitoring and evaluation processes at the commencement of an activity. While resources devoted to evaluations may seem like unneeded overheads, the development dividends associated with strong evaluations will typically outweigh the costs. Learning from evaluations will be maximised if evaluations are made public (an area where MFAT has excelled in recent years).
- The Australian experience has shown that fostering constructive relationships with universities can be a helpful tool in growing expertise. As such, attempts at doing this started by the previous government deserve to be continued. In the Australian case, it has taken considerable time to calibrate academic interactions so that they deliver optimally for the aid programme, no doubt this will also be true in New Zealand too.
- At times, the government aid program in Australia has tried to use consultants and private sector firms as a substitute for aid programme knowledge. In general, this does not appear to have worked well and New Zealand should not seek to emulate this. Consultants are a useful tool for specific tasks, but are no substitute for in-house knowledge.

New Zealand aid and the SDGs in the Pacific

As noted in the introduction, there are other, important means – specifically, migration and tackling climate change – through which New Zealand can help developing countries in the Pacific. This submission focuses on aid, and on aspects of development most relevant to an aid programme. Reflecting this, the following discussion on the Pacific is aid-related.

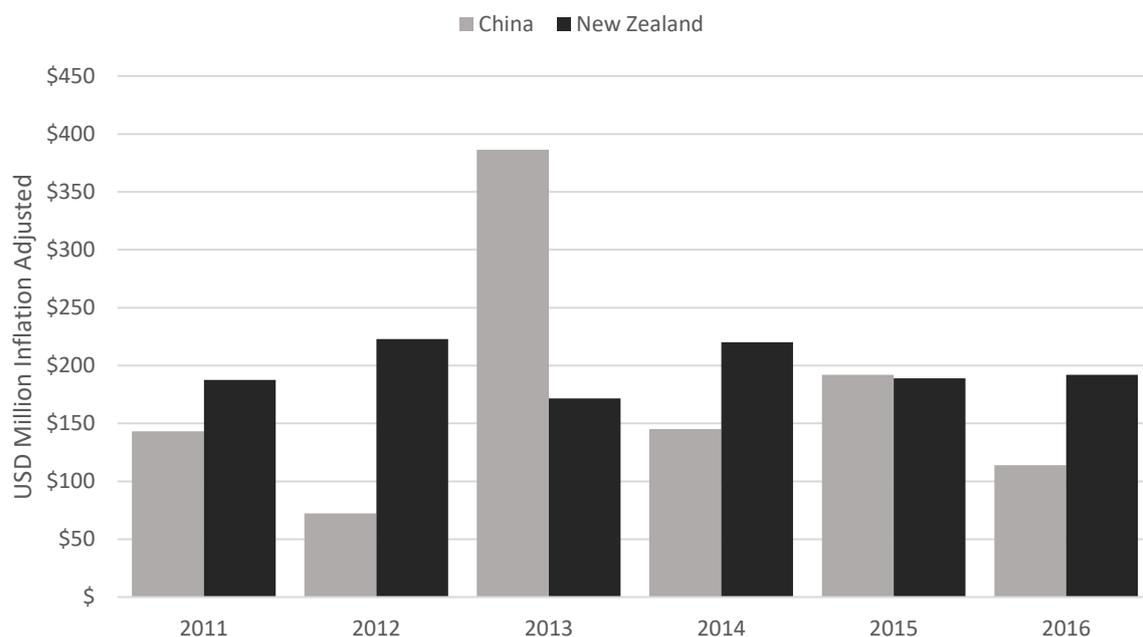
China

Much has been made of the arrival of China in the Pacific as an aid donor, and of rising Chinese aid to the Pacific. It is true that China is now indisputably a feature of the Pacific aid landscape. Moreover, Chinese aid to the Pacific grew in the decade prior to 2011 (Dornan and Brant 2014).

However, China is not a new aid donor to the Pacific. Moreover, as can be seen in the figure below, Chinese aid disbursements to the region do not appear to have grown in the years between 2011-2016.

Moreover, with the exception of one year during, Chinese aid volumes to the region have been of a similar order of magnitude to those given by New Zealand. (2011-2016 are chosen as these are the only years for which we possess Pacific aid data for both China and New Zealand). Indebtedness to China is often raised as an issue; however, preliminary results from work undertaken by Development Policy Centre colleagues who are creating a database on government indebtedness to China in the Pacific suggests that at present Chinese debt is only an obvious issue in Tonga, and to an extent Samoa, although in Samoa's case the majority of government indebtedness stems from lenders other than China. Data need to be improved and debt levels may change in the future, of course, but the simple narrative that China is drowning the Pacific in debt is not commensurate with available data.

Figure: Chinese and New Zealand aid disbursements in the Pacific



Data source: Lowy Institute Pacific Aid Map <https://pacificaidmap.lowyinstitute.org/>

China's aid giving to the Pacific does not warrant an overblown response. New Zealand should not view itself as vying for influence with China in the Pacific. Rather, it will serve its own needs, and the needs of the Pacific, if it adopts a considered approach, collaborating with China when this looks likely to promote development. Otherwise, it should continue to focus its aid on assisting the Pacific, rather than engaging in geo-political struggles.

Although Chinese aid is given for a range of reasons, there is good cause to believe that China gives at least some of its aid with a view to promoting development. When this is the case, collaboration is likely possible. In terms of influence, New Zealand will not be able to outbid China; as such, its best pathway to influence in the region is to be seen as a trustworthy partner to Pacific countries, and to demonstrate that it genuinely wants to help. To-date New Zealand aid has a track record of broadly sensible engagement with China in the Pacific. This should be continued.

Data availability

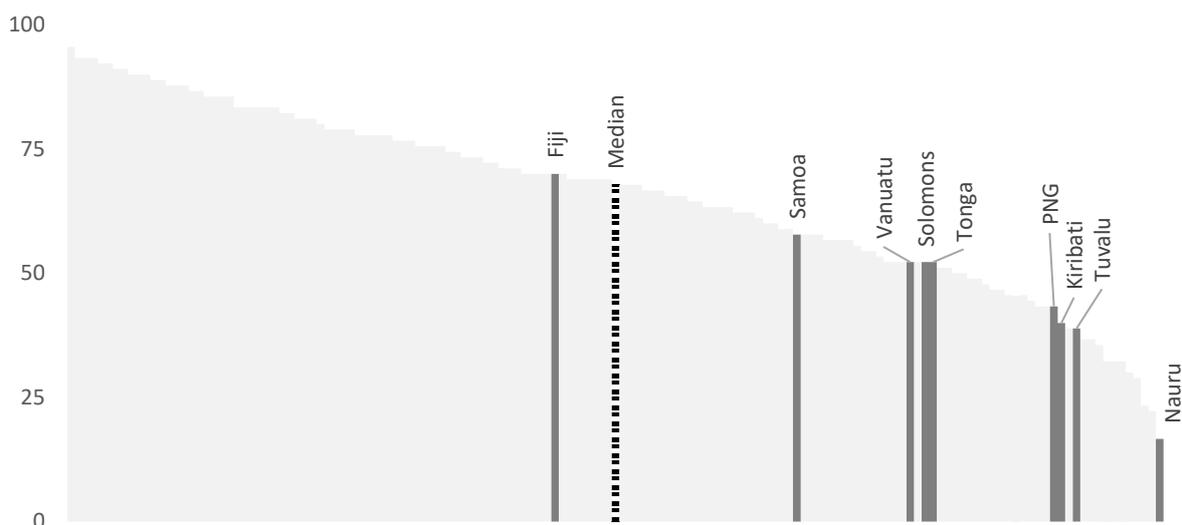
With 17 goals, 169 targets, and over 200 indicators, the SDGs promise to be exceptionally data intensive (for further discussion see, Dunning 2016). In theory, data needs can be reduced by countries choosing to focus on specific indicators. In some instances, sophisticated estimates may serve as a partial substitute for primary data. However, there are key basic indicators, such as

poverty and health-related measures, which will surely be important for all countries. Unfortunately, many Pacific countries currently lack quality time series data even in these basic areas.⁶ Even the sensibly modest suite of development trends outlined as indicators for the Pacific in the 2018 Vote ODA New Zealand budget documents cannot be adequately followed with existing data.⁷

As the figure below shows, the statistical capacity of most Pacific Island Countries is weak. The figure draws on the World Bank’s Statistical Capacity Indicators dataset. The y-axis plots a measure of the capacity of government bodies tasked with compiling official statistics. (In theory, the measure can run from 0 to 100). All developing countries covered by the dataset are shown in the chart. Countries are ordered from the highest capacity on the left to the lowest capacity on the right. Key Pacific Island countries paper are labelled. As can be seen, there is variation amongst the Pacific Island Countries, but only Fiji performs better than the median developing country. Samoa also performs quite well, but all of the other countries fall in the bottom quartile of all developing countries. In theory the SDGs provide a chance to bring a holistic global vision of development to the Pacific and to track progress over time. This will not be possible, however, if data are lacking. Low statistical capacity in Pacific Island Countries is understandable given their small size and levels of development. However, this does not change the fact that, at present most Pacific Island Countries do not have the capacity to gather the data needed to track progress against the SDGs in a comprehensive way.

Given this, it is encouraging that it appears, on the basis of documents released alongside the most-recent New Zealand aid budget, that the New Zealand government plans to assist in this area.⁸ Challenges will be significant, however. In instances problems with statistical capacity stem from geographical and institutional constraints that will not be easily shifted. In the past, regional mechanisms for improving data quality have not functioned particularly well. Regional aid donors will need to think carefully about the extent to which progress against the SDGs can be tracked in the Pacific. Donors will also need to work carefully together to come up with a viable plan for raising statistical capacity.

Figure: the statistical capacity of developing countries



⁶ The reader is encouraged to visit the World Development Indicators and observe the availability of poverty data for countries such as Papua New Guinea. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>

⁷ See measures on page 15 at: <https://www.budget.govt.nz/budget/pdfs/estimates/v4/est18-v4-offdev.pdf>

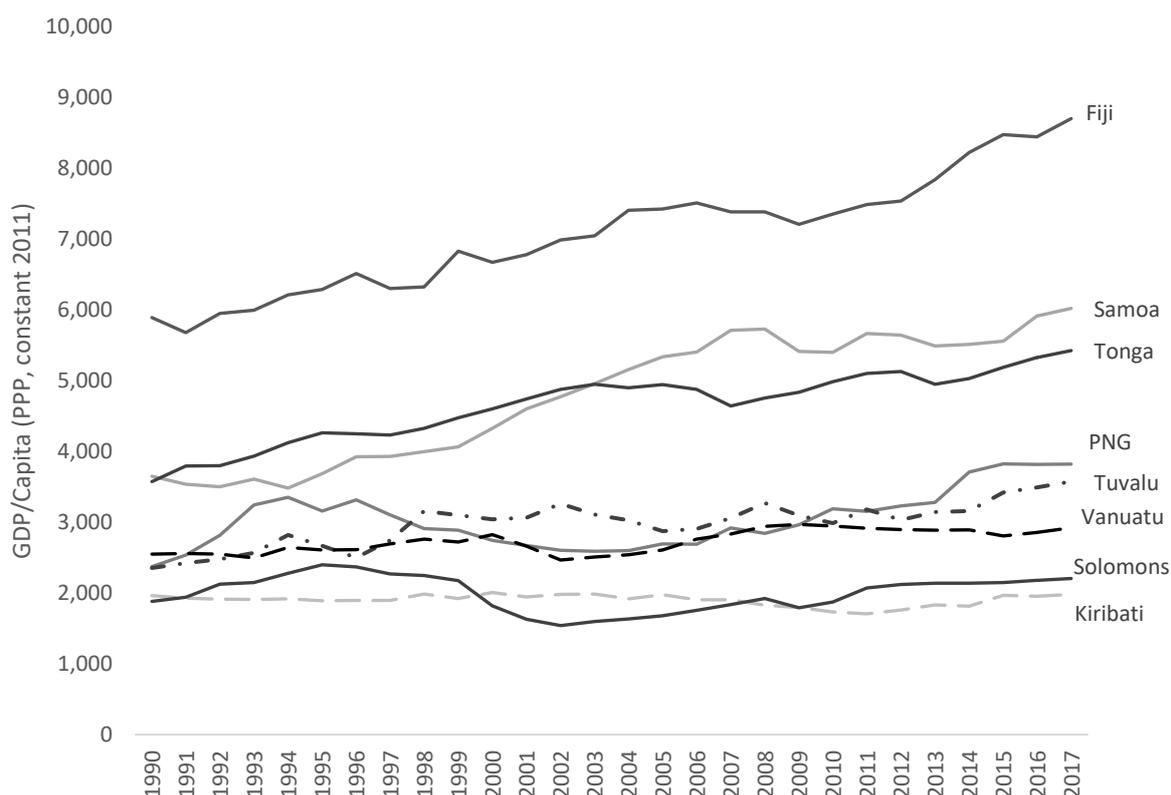
⁸ See page 11 at: <https://www.budget.govt.nz/budget/pdfs/estimates/v4/est18-v4-offdev.pdf>

Chart notes: data are for 2017; source data can be found at <http://databank.worldbank.org/data/source/statistical-capacity-indicators>

Development variation across the Pacific

Although the aforementioned data limitations make it hard to provide a comprehensive picture of development levels and trends across the Pacific, those data that are available are sufficient to highlight a key point: development progress varies considerably across Pacific Island countries. This can be seen in the figure below, which charts individual countries' GDP per capita over time (in constant 2011 dollars, adjusted for purchasing power parity).

Figure: economic development over time in the Pacific



Notes: Data are from the World Bank World Development Indicators. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>. Only countries that the World Development Indicators have data for are charted. Northern Pacific states, where New Zealand has minimal aid involvement are excluded. Nauru, which has an artificially high GDP per capita, is also excluded so as not to unduly compress the y axis of the chart.

The chart clearly shows the difference between countries such as Fiji which are comparatively prosperous and, which have grown fairly steadily since 1990, and countries such as Papua New Guinea, Solomon Islands and Kiribati, which have suffered from ongoing economic stagnation. (Owing to natural resources, which benefit only a small slice of the population, Papua New Guinea's GDP/capita actually overstates the economic welfare of the average resident of Papua New Guinea.) It is often underappreciated just how poor the region's poorest countries are. In 2016, PNG's purchasing power parity adjusted GDP/capita was only slightly higher than the regional average for Sub-Saharan Africa. Vanuatu, Solomon Islands and Kiribati all had a GDP/capita in 2016 that was lower than the Sub-Saharan African average.⁹

Although Samoa and Tonga are not as wealthy as Fiji, they have experienced meaningful economic progress. The World Development Indicators do not contain data for the realm states and territories.

⁹ Data from: <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>

However, data from the SPC suggest that the poorest of these countries, Tokelau, had a GDP/capita that is 1.7 times that of Fiji in 2016. Niue’s GDP/capital is 3.6 times that of Fiji. The GDP/capita of Cook Islands is 4.5 times that of Fiji.¹⁰

The differing development trajectories of the countries in the chart point to different challenges. They also point to different pathways to success, and to differing roles for New Zealand aid.

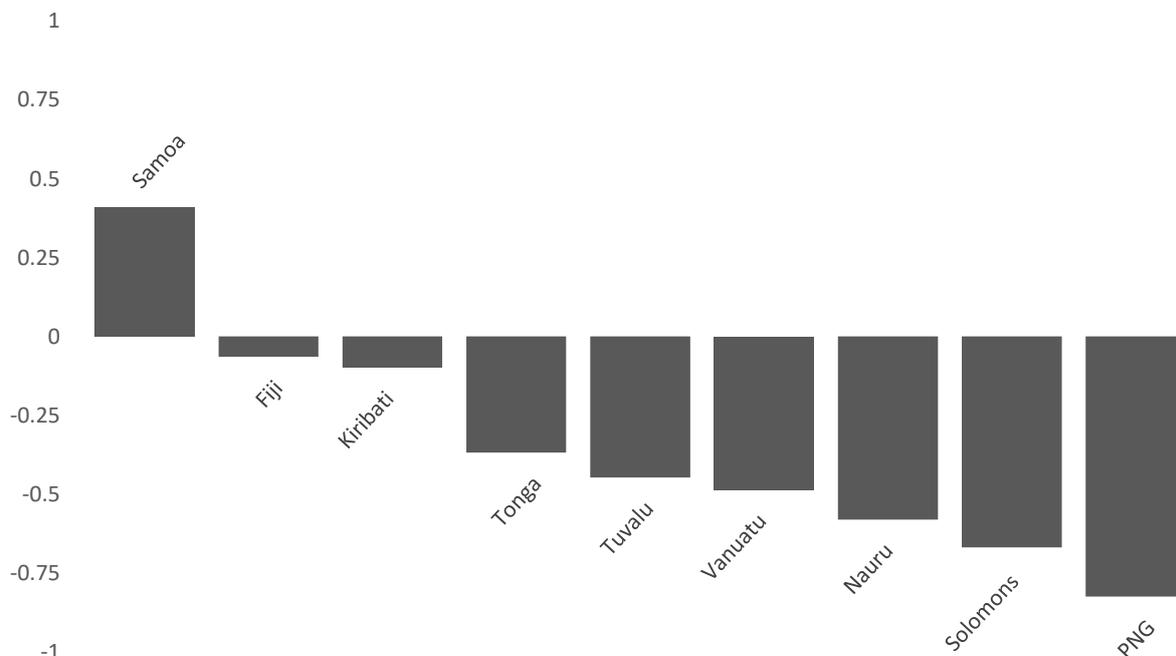
The realm states and territories

Clearly, an integral component of the development success for the realm states and territories has been – and will be their ongoing relationship with New Zealand – and the labour mobility it brings. Such integration can usefully be augmented by aid, which in the smaller realm entities will be needed in perpetuity to ensure the provision of services. Aid may also have a role in promoting economic development – at least in those realm entities which are not so geographically constrained as to render economic development very difficult.

The developing Pacific

Fiji, Tonga and Samoa have all performed relatively well. All three countries have benefitted from a degree of labour mobility, but all three are also easily accessible, which has improved their ability to tap into tourism markets. In addition to having favourable geographies, Fiji, Samoa and Tonga are among the better governed of the Pacific Island countries, as can be seen in the figure below, which plots a governance measure based on World Bank data. Each country’s score is an average of its score for ‘Government Effectiveness’ and ‘Control of Corruption’. Tolerable governance has aided development in Samoa, Fiji and Tonga. This is not to say these countries are wholly free from governance issues: a degree of autocracy mars political governance in all three countries, and Fiji’s ethnic divide may again become a salient feature of its politics. However, governance is good enough to afford space for some development.

Figure: government effectiveness and control of corruption (World Bank)



¹⁰ SPC data from: <https://tinyurl.com/ycevgbbc>.

In these countries, external assistance (including assistance from New Zealand) will have a meaningful role to play in aiding progress on the SDGs, particularly in Tonga and Samoa. (In Fiji aid is much smaller as a share of overall economic activity). Because of the countries' pre-existing development trends and their existing quality of governance, in these countries aid can be oriented towards opportunities, or focused on specific problems such as non-communicable diseases. Aid can also be given in a partnership-oriented manner, in which the New Zealand aid programme works alongside recipient governments in a manner that is comparatively unproblematic in most instances.

The remote Pacific

In small, remote states such as Kiribati, Tuvalu and Nauru, development prospects are much more heavily constrained (at times matters are further complicated by governance issues). In such states aid can best assist by enhancing instances the countries' ability to sustainably benefit from natural resources such as fisheries, and by providing key services with the understanding that assistance in service provision is very likely to be ongoing. (If past development trajectories are anything to go by it is unlikely that these countries will have the resources to provide such services without assistance at any point in the foreseeable future.)

Enhancing the ability of citizens of Kiribati, Tuvalu and Nauru to take advantage of migration will be crucial to maximising the future development prospects of these countries. Reduced migration restrictions will be central to this development pathway; however, aid may also have a role to play by funding training that affords residents of these countries skills, which they can use in the global labour market.

The governance-constrained Pacific

Vanuatu, Solomon Islands and Papua New Guinea are all large enough that they all have the potential to meaningfully increase levels of development for their people. At present, however, the countries are encumbered by poor governance. (Governance is also an issue for Nauru; although in Nauru's case even with improved governance, the country would still suffer as a result of its geography.)

Aid has an important role to play in promoting development in the poorly governed Pacific states. However, aid's own potential to assist is limited by the fact that aid tends to be less effective in poorly governed states (Cruz and Keefer 2015; Denizer et al. 2013). Available aid project assessment data from Australia, the ADB and the World Bank show aid project success is particularly unlikely in Papua New Guinea.¹¹

All New Zealand aid that is given to these countries should be given cognisant of the governance environment in these countries. Moreover, aid needs to be given with the understanding that governance issues themselves are not a function of easily resolved problems such as poorly trained civil servants. Rather, the issues undermining governance stem from the dynamics of the countries' political economies (Wood 2018). In instances, well-designed aid activities may be able to help with governance issues. However, this should not be assumed. In most instances, aid activities will need to be designed to work in spite of poor governance environments. Infrastructure projects, for example, should be designed to work, in the absence of buy-in or maintenance from partner

¹¹ For Australian data see slide 58 here: http://devpolicy.org/Events/2018/Aidbudgetbreakfast0518/2018-19aidbudgetpresentation_StephenHowes.pptx; For World Bank data see here: <https://datacatalog.worldbank.org/dataset/ieg-world-bank-project-performance-ratings>; ADB data were provided to the Development Policy Centre.

governments (for further discussion see, Dornan 2013). Aid targeted at improving health and education outcomes needs to be designed to work even when health and education ministries have very limited capacity.

When delivered in challenging environments such as those found in the worst governed Pacific countries, aid needs to be adaptive and designed to incorporate existing contextual knowledge and those learnings that arise from the aid work itself. Additional funding to monitoring and evaluation work in these countries would certainly be justified. There is also considerable scope for ongoing research focused on how aid can be made to work in such challenging environments.

New Zealand should continue to give aid in states such as PNG and Solomon Islands; these are the parts of the Pacific where the most acute need can be found. However, aid needs to be given very carefully in such contexts. Much remains to be learnt about sustained aid success in countries such as Solomon Islands, Vanuatu and Papua New Guinea.

Conclusion

The Sustainable Development Goals reflect a sensible recognition of the holistic nature of development, and the many varied inputs that will be needed to promote sustainable development in developed and developing countries alike.

Although aid is far from the only input needed to assist with development in developing countries, it can deliver real benefits if it is given well. New Zealand's approach to development has changed significantly in the past decade, it appears set to change again. If aid is given altruistically, and if aid is viewed as a learning endeavour focused on country context, New Zealand can take the current opportunity to build on existing strengths and become one of the world's most effective aid donors.

It is important that we take this opportunity: our aid is needed. This is particularly the case in the Pacific where New Zealand is one of the largest donors and where we have strong ties with many Pacific Island countries. In particular, the Pacific's poorest countries need the assistance that aid can afford if they are to find a pathway to development amongst challenges of governance and geography that they face. In the poorly governed Pacific states aid is needed, but it is also far from guaranteed to succeed. When New Zealand gives aid to these countries, the quality of the aid it gives will be crucial if aid is to promote development and contribute to these countries making progress against the SDGs.

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