

# Line-by-line: is New Zealand aid set to decline?

by Terence Wood

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COP29 President-Designate Mukhtar Babayev with New Zealand Foreign Minister Winston Peters on the sidelines of the 2024 Pacific Islands Forum

*Photo Credit: [Twitter/COP29\\_AZ](#)*

There was no fanfare. Just a statement from the New Zealand foreign minister, slipped out quietly amongst the usual stream of government announcements. As best I can tell only [one news organisation](#) picked it up. But it was significant. The New Zealand aid program has been ordered to conduct a line-by-line review of its activities.

On the surface, that doesn't sound so unusual: the government's still fairly new, why wouldn't they want to learn what they're funding overseas, and see whether they like the look of it?

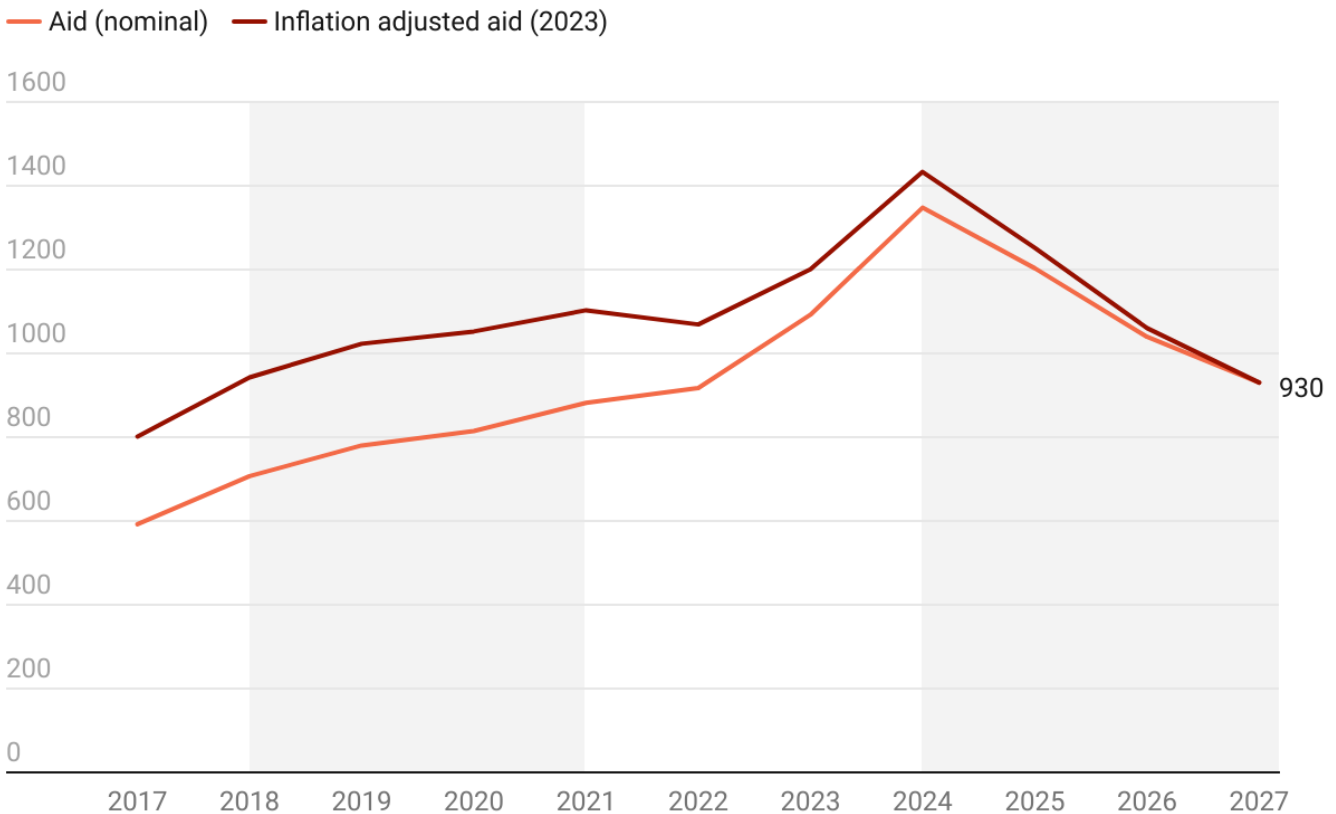
Maybe in a different time it would make sense, but the person who made the announcement was Foreign Minister [Winston Peters](#). He's been foreign minister twice before. He made the announcement only slightly more than three and half years after he was last in the role, and the aid program hasn't changed much since. What's more, in his previous stints as foreign minister Peters has been hands off. He's made high-level decisions about aid, but he's shown little interest in details.

So why did he suddenly decide that all aid activities need to be reviewed?

The answer, most likely, lies in this chart, which I produced [after New Zealand's May budget](#).

## Figure 1: New Zealand actual aid spending

Aid spending in NZD millions. Shaded area denotes triennia. 2025-26 & 2026-27 are estimates.



Source: NZ budget documents • Created with Datawrapper

As you can see, according to the last budget, New Zealand aid spending is set to plunge in coming years. If budget night figures are correct, taking inflation into account, by 2027 New Zealand aid spending will have fallen about 35%, a large enough decline to leave even former Australian Prime Minister Tony Abbott envious.

Much of the reason for the fall is climate aid. Under the previous government it rose substantially. But as of the May budget this year little funding had been allocated for future climate aid, hence the fall.

When I blogged about this in June I was assured by a number of people, including a journalist who had been told by someone in government, that the fall in climate aid wouldn't happen and that the government would announce new funding closer to COP30 (currently about a year away) when New Zealand is set to let the world know about its next tranche of climate finance. (New Zealand makes its climate finance commitments on a four-yearly cycle.)

There was a logic to this: if the government were to make an announcement about climate aid it wouldn't want to scoop itself inadvertently via some dreary budget document. And, conscious of its image overseas, the government wouldn't want to

go to the COP meeting, stare guiltily at its feet and mumble that was slashing its climate finance because it had, um, **tax cuts** to pay for.

Yet, I had my doubts. There are **other ways** of making your climate aid contributions look larger than they actually are – ways that would have been tempting to a cost-cutting government. Up to a point you can claim that projects which have next to nothing to do with climate change are actually climate finance. Beyond that point you can rob Peter to pay Paul by cutting existing, non-climate-related, projects and replacing them with climate projects. That way overall aid spending can fall, while climate aid remains – nominally – untouched.

This, I suspect, is where the line-by-line review comes in: searching for non-climate projects that could be cut to nominally preserve climate aid.

Other scenarios seem unlikely. Even though the current government has been **slashing domestic spending**, I think it's unlikely they plan for aid to fall by more than 35%. So, I doubt the review signals even larger cuts. Another possibility would be that Peters has become so details-oriented that he wants a line-by-line review to allow him to start micromanaging aid, but this would be very out of character. So, if you ask me, the review most likely stems from a need to find non-climate aid projects that can be cut in the name of giving the government something to announce at COP30. It's depressing. It's cynical. But it's the most likely explanation.

Yet it brings its own puzzles. The first is that the review is global, including the Pacific, a region central to New Zealand's identity, and where it strives very hard to maintain positive government relations. Also, as you may have noticed, the Pacific is on the front lines of the New Cold War with China, and Australia doubtlessly expects New Zealand to pull its weight there. Cutting aid projects in the Pacific, even if it was just to pay for climate promises, would leave New Zealand unpopular with everyone, including itself.

The second puzzle is Peters: he **has praised** his own achievements in increasing aid in the past and apparently **is still fighting** to preserve the broader foreign affairs budget. Cutting other types of aid to fund climate finance still means that aid will fall overall, which would be a loss for him.

So maybe something else is going on? Perhaps Peters is playing political chess. Perhaps he's one move ahead of everyone, including his frenemies in the current governing coalition. Maybe the review is designed to demonstrate that aid simply can't be cut, in so doing protecting Peters' pride and his international legacy.

It would make for a great tale if true: another example of Peters winning the political game. But I'm not optimistic. My guess is that the review is just more evidence that

New Zealand's aid spend is going to fall substantially in coming years.

## Disclosures:

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