

# Submission to the Finance and Expenditure Committee on the Budget Policy Statement 2005

## Council for International Development

3 February 2005

### Executive Summary

1. The Council for International Development (CID) believes that the government must use Budget 2005 to start significantly increasing New Zealand's Official Development Assistance (ODA) towards the United Nations target of 0.7% of Gross National Income (GNI). We call on the government to **increase ODA to 0.3% of GNI in the 2005-06 budget**, and to set a timetable for reaching **0.7% by 2015**. We believe the time is right to meet New Zealand's international aid commitments because:
  - The internationally-agreed Millennium Development Goals, which call for a halving of extreme poverty by 2015, will not be met without greatly increased aid.
  - New Zealanders support overseas aid, as they have shown in their generous response to the Indian Ocean tsunami.
  - The New Zealand economy and government finances are in a very healthy state, making increased aid relatively affordable.

We consider that increasing aid at this time is consistent with the Budget Policy Statement 2005 themes of fiscal and economic responsibility, a fair and equitable society, and international security. We acknowledge the generosity of the government and the New Zealand public in responding to the tsunami. However, the New Zealand government must do much more to help prevent the needless deaths of millions of people who die every year as a result of poverty. It must substantially increase ODA to help people in the Pacific region and throughout the world to lead healthier, happier and more secure lives.

### Introduction

2. The Council for International Development is the umbrella body that represents 71 New Zealand-based non-government organisations involved in overseas aid and development. CID's *point seven* campaign, launched last year on the steps of the Parliamentary Library, is calling on the New Zealand government to commit to a timetable for achieving the United Nations target of spending 0.7% of Gross National Income on Official Development Assistance by 2015.<sup>1</sup> This submission on the Budget Policy Statement 2005 is in support of that campaign. CID would like to appear before the committee to present our submission.

### The Millennium Development Goals

3. 2005 is an important year in the global struggle to substantially reduce, and ultimately eliminate, extreme poverty. This is probably the last year in which the world can get on track to meet the Millennium Development Goals (MDGs), a set of targets for reducing global poverty that were agreed to following the UN Millennium Summit in 2000. The MDGs, which are set out in full as an appendix to this submission, include:
  - Halving the proportion of the world's people whose income is less than US\$1 per day.

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<sup>1</sup> The member organisations of CID's *point seven* campaign as listed as an appendix to this submission. For more information see <http://www.cid.org.nz/advocacy/point-seven.html>

- Halving the proportion of people who suffer from hunger.
- Ensuring that all children complete primary school, and eliminating gender disparities in education at all levels.
- Reducing by two-thirds the mortality rate of children under five.
- Reducing by three-quarters the maternal mortality ratio.
- Halting and beginning to reverse the spread of HIV/AIDS, malaria and other major diseases.
- Halving the proportion of people without access to safe drinking water and adequate sanitation.

4. The target date for achieving the MDGs is 2015. In September 2005 there will be a major review of progress towards the Goals, but at present it looks like they will not be met in much of the world. The UN Secretary-General Kofi Annan has warned that:

The Millennium Development Goals are still technically feasible in even the poorest countries, but the window of opportunity is rapidly narrowing and the political will remains largely absent. The five-year review of the Millennium Declaration provides potentially the last realistic opportunity to take the necessary steps to accelerate the enormous momentum of the last few years to meet the Goals.<sup>2</sup>

5. In January this year, the UN Millennium Project, headed by Columbia University economist Professor Jeffrey Sachs, reported to the Secretary-General on strategies for achieving the MDGs. Their report states that:

compared with 2005, if the Goals are met by 2015 approximately 500 million people will be lifted out of extreme poverty and more than 300 million will no longer suffer from hunger. Three hundred and fifty million fewer people will lack access to safe drinking water, and 650 million people otherwise left unserved will enjoy the benefits of basic sanitation to lead healthier and more dignified lives. Over the decade, the lives of 30 million young children will be saved, and more than 2 million women's deaths from pregnancy-related causes will be averted.<sup>3</sup>

The report concludes that the global community has the capacity to achieve the MDGs, thereby saving millions of lives and significantly improving hundreds of millions more. However, meeting the MDGs will require a substantial increase in the resources available to combat poverty.

6. The Millennium Project has assessed the resources needed to achieve the MDGs, including the domestic resources available within developing countries. This assessment shows that developing countries, particularly the poorest, will require a substantial increase in ODA if they are to achieve the MDGs. Based on this assessment, the report states that developed countries must increase ODA from 0.25% of donors' GNI in 2003 to 0.44% in 2006 and 0.54% in 2015. The report also urges all developed countries to reach the UN target of giving 0.7% of GNI in ODA by 2015, since there are many additional aid needs in developing countries that are not covered by the MDGs.<sup>4</sup> The 0.7% target was first set by the UN General Assembly in 1970. Since then, developed countries, including New

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<sup>2</sup> 'Report of the Secretary General on Implementation of the United Nations Millennium Declaration', A/59/282, 27 August 2004, p. 19

<sup>3</sup> UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, New York, January 2005, p. 258

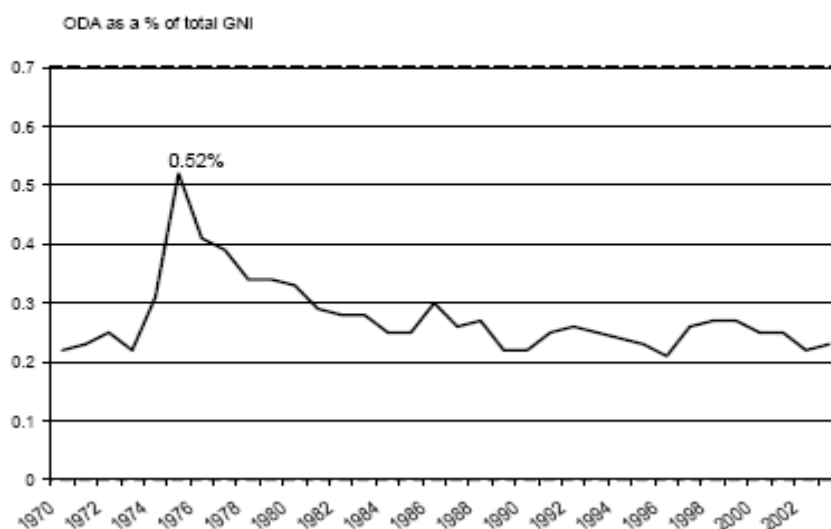
<sup>4</sup> UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, New York, January 2005, p. 252

Zealand, have repeatedly committed themselves to the target, but most have failed to meet it.

### New Zealand and the 0.7% target

7. The policy of successive New Zealand governments has been to affirm their intention to meet the 0.7% target as and when resources allow. No New Zealand government has set a timetable for reaching 0.7%, or committed to interim targets. Most recently, in August 2003 Cabinet reaffirmed the policy of supporting the 0.7% target in principle while declining to set any interim targets for moving towards 0.7%.<sup>5</sup>
8. New Zealand is among the least generous OECD donor countries, ranking 16<sup>th</sup> out of 22 countries in 2003 in terms of ODA as a percentage of GNI. New Zealand's ODA level of 0.23% of GNI was well below the average country effort of 0.41%, and even somewhat below the weighted average of 0.25%. Five countries are currently meeting or exceeding the 0.7% target, and several more have committed to reaching it by specific dates. New Zealand, Australia and Japan are the only donor countries that have set no timeframes for achieving either 0.7% or some increased level of ODA.
9. Following the announcement of the government's relief package for the Indian Ocean tsunami, New Zealand's ODA in the 2004-05 financial year is likely to be around \$370 million. This is estimated to be around 0.26% of GNI. If these estimates are borne out by the final figures, there will have been a welcome increase in the government's generosity as an aid donor, albeit due to a one-off response to the catastrophic tsunami. However, this still leaves us well short of the 0.7% target, and also short of our fair share towards the cost of meeting the MDGs. It is also far below the high point of New Zealand's ODA contribution in 1975, when we gave 0.52% of GNI. It is a curious paradox that as our country has become richer (with substantial long-term growth in our GDP per capita) we have become less generous as an aid donor. The long-term decline in our aid levels is illustrated by the following chart:

**New Zealand ODA as a percentage of GNI**



<sup>5</sup> NZAID, 'Memorandum of New Zealand', prepared for OECD Development Assistance Committee Peer Review of New Zealand, November 2004, p. 18

## Reaching 0.7% by 2015

10. CID is calling on the government to commit to a timetable for achieving the **0.7% target by 2015**. We believe that this should be achieved through even steps of around 0.04% of GNI per year, and that New Zealand should aim to reach an **interim target of 0.5% by 2010**. Relatively small annual increases such as these would be much more manageable and affordable than larger increases closer to 2015. As a first step, **ODA should be increased to 0.3% of GNI in the 2005-06 budget**. Based on projections of GNI, this would mean increasing ODA to around \$425 million.
11. If overseas aid is increased in small and relatively even steps, as CID is proposing, there should be no difficulty in absorbing the extra funds effectively. Some of the areas in which the government aid agency NZAID could absorb extra funding are:
  - regional health programmes in the Pacific;
  - basic education programmes in the Pacific;
  - conflict resolution and peace building;
  - good governance programmes (such as human rights and participatory democracy);
  - trade capacity building;
  - multilateral efforts to address HIV/AIDS;
  - climate change; and
  - support for UN agencies that do their job well.

CID also believes that non-government organisations (NGOs) could make effective use of increased government funding. Through their relationships with community-based partner organisations in developing countries, New Zealand NGOs are able to support innovative projects that reach the poorest people directly.

12. CID welcomed the changes to the New Zealand government aid programme that led to the creation of NZAID in 2002. The establishment of NZAID as a semi-autonomous body, with a clear objective of poverty elimination and staff who possess expertise in development, represented a major step forward for the quality of the aid programme. CID believes that the next step must be to increase the quantity. A peer review team from the OECD Development Assistance Committee (DAC) will be reporting on New Zealand's ODA this year. They are likely to praise many aspects of the way in which our aid is delivered, but they are certain to be very critical of our low aid volume.
13. As a small country, New Zealand will never be a major player in international aid, but we have a responsibility as a good global citizen to pay our fair share toward international efforts to reduce, and ultimately eliminate, extreme poverty. We also have a particularly important role to play in our own Pacific region. According to the UN Millennium Project report, the Oceania region (the Pacific Island countries) is off track for nearly all of the Millennium Development Goals, and only Sub-Saharan Africa is off track on more indicators than Oceania.<sup>6</sup> There is, of course, enormous variation among Pacific Island countries, and some are doing much better than others when it comes to meeting the MDGs. It is clear, however, that there are significant needs in the Pacific that are not being met. New Zealand's aid programme is, appropriately, focused on our Pacific neighbours, and we should be doing more to help them to achieve the MDGs.

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<sup>6</sup> UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, New York, January 2005, p. 21

## Budget Policy Statement

14. The Budget Policy Statement 2005 does not specifically refer to overseas aid. However, we note that the accompanying December Economic and Fiscal Update 2004 includes the following item in the chapter on 'Specific Fiscal Risks':

The Government is considering increasing the aid budget in line with United Nations commitments. This will involve looking at a range of options for increasing and allocating any additional funding. Any additional funding would decrease the operating balance.<sup>7</sup>

CID welcomes this recognition by the government that it has made UN commitments to increase aid, and urges the government to follow through on these commitments. We set out below some reasons why increasing ODA is consistent with key themes of the Budget Policy Statement.

### *Fiscal and economic responsibility*

15. If the government is genuinely committed to achieving the 0.7% target and paying New Zealand's share towards achieving the Millennium Development Goals in a manner consistent with its stated policy goal of maintaining fiscal and economic responsibility, it must start making significant increases to the ODA budget now. It is fiscally prudent, in terms of both affordability and absorptive capacity of NZAID, to increase the budget steadily, in relatively even steps, rather than in larger amounts closer to 2015.
16. The government's policy of increasing ODA towards 0.7% as and when resources permit needs to be considered in light of the current healthy state of the New Zealand economy. The government has a substantial operating surplus, and while the bulk of this is already committed, the surplus clearly puts the government in a relatively favourable position to start increasing ODA. In his speech to the Labour Party conference last year, Dr Cullen stated that New Zealand has 'one of the most successful economies in the developed world', and that New Zealand is now in the top half of the developed world for economic growth, low unemployment, ease of doing business and key educational standards. Given this good economic news, it is hard to see why New Zealand's ODA levels continue to languish in the bottom half of the developed world.
17. It is difficult to reconcile the rosy picture of the New Zealand economy painted by Dr Cullen and others with the government's continued insistence that resources do not allow New Zealand to substantially increase aid. While New Zealand is not as rich in per capita terms as some other developed countries, it remains one of the wealthiest countries in the world. There is no good reason why it should not be able to spend the same *proportion* of GNI on overseas aid as other small countries such as Denmark and Luxembourg. Nor is it clear why Spain, whose GDP per capita and GNI per capita are comparable to New Zealand's, can set a target of reaching 0.7% by 2012 while New Zealand cannot. To put matters into perspective, if New Zealand had already reached the 0.7% target, it would be spending around \$945 million on overseas aid this year. This is less than the amount New Zealanders spend each year on sweets, biscuits, cakes and soft drinks.

### *A fair society*

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<sup>7</sup> December Economic and Fiscal Update 2004, p. 71

18. As the Budget Policy Statement recognises, New Zealanders value 'living in a fair and equitable society'.<sup>8</sup> CID believes that New Zealanders' sense of fairness and justice extends beyond our own shores to the people of our region and the wider world. The enormously generous response of ordinary New Zealanders to the tsunami is an illustration of this, and such generosity is not limited to times of crisis. CID's annual survey of international development NGOs showed that some 237,000 New Zealanders donated to these organisations in 2003.
19. A survey conducted for CID and NZAID in April 2004 showed strong support for the New Zealand government providing aid to developing countries (76% approval, up from 71% in 1999). There was also majority support for New Zealand meeting the 0.7% target. While the strongest argument against providing overseas aid was that the money should be spent in New Zealand, only 28% of respondents agreed with the statement that 'New Zealand is not wealthy enough to help poor people overseas as well as in New Zealand'.<sup>9</sup> CID argues that New Zealand is a wealthy country that has the resources to tackle poverty at home while also helping poorer countries overseas.
20. While many New Zealanders clearly believe that charity begins at home, they do not think it should end there. Millions of people in developing countries are held back by the fact that they lack the financial resources to improve their lives. It is consistent with the Kiwi ethic of the 'fair go' to help these people to help themselves by providing the necessary financing. Such assistance is also in harmony with tangata whenua values of manaakitanga, and with ties of whanaungatanga to the peoples of the Pacific. It is sometimes said that we should 'clean up our own back yard' before looking abroad. However, we have responsibilities to our neighbours, too. Caring about our neighbours and our neighbourhoods, not just our own back yards, makes our communities more pleasant places to live in. The same is true on a global scale: helping people in other countries to improve their quality of life will help to make this a safer, more secure and more just world for all.

#### *International security*

21. The Budget Policy Statement says that Budget 2005 will address issues of international security and defence.<sup>10</sup> CID urges the government not to take a narrowly military view of international security. The High-Level Panel on Threats, Challenges and Change that reported to the UN in December 2004 recognised the strong links between poverty and conflict, and noted that development is 'the indispensable foundation for a collective security system that takes prevention seriously'.<sup>11</sup> The Millennium Project report also observes that poverty increases the risk of conflict, and that the likelihood of civil conflict declines as national incomes increase.<sup>12</sup>
22. As in so many other fields, prevention is better than cure. Reduced poverty will mean reduced conflict, and that is in the interests of all the world's people, rich and poor. It is far better to help countries overcome the conditions that create conflict than to help them recover after they have been devastated by violence. It is also more sustainable in the long

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<sup>8</sup> Budget Policy Statement 2005, p. 4

<sup>9</sup> UMR Research, 'Overseas Aid: A Qualitative and Quantitative Study', 2004, especially pp. 22, 41-42, 70-71

<sup>10</sup> Budget Policy Statement 2005, p. 4

<sup>11</sup> High Level Panel on Threats, Challenges and Change, 'A More Secure World: Our Shared Responsibility', A/59/565, December 2004, p. 25

<sup>12</sup> UN Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, New York, January 2005, pp. 8-10

run to build peace on a foundation of genuine human security. This means taking a much broader view of security. There is no security for people:

- who have nowhere to live,
- who cannot be sure that they will have enough to eat,
- who are unable to send their children to school, or
- who are threatened by epidemics of preventable disease.

For most of the world's people, such threats are much more real and more pressing than the threat of terrorist attacks.

23. Aid from New Zealand contributes directly to peace and security through conflict prevention and peace-building programmes, particularly in the Pacific region. New Zealand NGOs are also supporting initiatives to build peace in our region and elsewhere in the world. In recent decades the Pacific has seen coups in Fiji and armed conflict in Bougainville and the Solomon Islands. Resolving such conflicts, and helping to prevent the outbreak of conflict elsewhere in the Pacific, is a complex process. Underlying issues of poverty and injustice must be addressed in ways that empower poor and marginalised people. Reconciliation and conflict transformation processes, in which past and present injustices are acknowledged and efforts made to redress them, can also play an important role in peace-building. Aid can provide the financial and other resources needed to support such processes.

## Conclusion

24. CID calls on the New Zealand government to capitalise on the global commitment to reducing poverty represented by the MDGs, the strong level of support for aid in the New Zealand community, and the healthy state of the New Zealand economy by:
- increasing ODA to 0.3% of GNI in the 2005-06 budget and
  - committing to interim ODA targets, with the aim of reaching 0.7% of GNI by 2015.

We request that the Finance and Expenditure Committee raise the issue of the ODA budget in their questioning of the Minister of Finance about the Budget Policy Statement 2005, and discuss it in their report on the Statement.

25. The Prime Minister highlighted the generosity of the New Zealand response to the Indian Ocean tsunami in her statement to Parliament on 1 February, stating that 'we have been proud to play our part, and we have the means to do so'. New Zealanders should take pride in our collective effort to help those whose lives were devastated by the tsunami, but we must not lose sight of the pressing need for long-term development assistance to reduce global poverty. The tsunami has shown the world the tremendous destructive power of water, but water can also kill in other ways. Every 15 seconds, a child dies from preventable, water-related diseases, and some 5 million people (mostly children) die from water-borne diseases every year.<sup>13</sup> These deaths are directly attributable to poverty, and should not be happening in a world as rich as ours. New Zealand must play its part in the global struggle against poverty, and we have the means to do so.

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<sup>13</sup> [http://www.wateraid.org.uk/what\\_we\\_do/the\\_need/244.asp](http://www.wateraid.org.uk/what_we_do/the_need/244.asp) <http://www.unmillenniumproject.org/facts/index.htm>

## **Appendix 1: CID member organisations involved in the *point seven* campaign**

Alay Buhay Foundation  
Caritas Aotearoa  
Christian World Service  
Family Planning Association International Development (FPAID)  
IHC  
The Leprosy Mission New Zealand  
New Zealand Viet Nam Health Trust  
Oxfam New Zealand  
Rotary New Zealand World Community Service  
Salvation Army New Zealand, Fiji and Tonga Territory  
Save the Children New Zealand  
Trade Aid  
UNICEF New Zealand  
UNIFEM New Zealand  
United Nations Association of New Zealand (UNANZ)  
Volunteer Service Abroad (VSA)  
World Vision New Zealand  
WWF New Zealand

## **Appendix 2: Millennium Development Goals**

All goals to be reached by 2015, unless otherwise specified, with a base year of 1990

### **GOAL ONE**

#### ***Eradicate Extreme Poverty and Hunger***

Halve the proportion of people living on less than a dollar a day and those who suffer from hunger.

### **GOAL TWO**

#### ***Achieve Universal Primary Education***

Ensure that all girls and boys complete primary school.

### **GOAL THREE**

#### ***Promote Gender Equality and Empower Women***

Eliminate gender disparities in primary and secondary education preferably by 2005 and at all levels by 2015.

### **GOAL FOUR**

#### ***Reduce Child Mortality***

Reduce by two thirds the mortality rate among children under five.

### **GOAL FIVE**

#### ***Improve Maternal Health***

Reduce by three quarters the ratio of women dying in childbirth.

### **GOAL SIX**

#### ***Combat HIV/AIDS, Malaria and Other Diseases***

Halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases.

### **GOAL SEVEN**

#### ***Ensure Environmental Sustainability***

- Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
- Reduce by half the proportion of people without access to safe drinking water and adequate sanitation.
- By 2020, achieve significant improvement in the lives of at least 100 million slum dwellers.

### **GOAL EIGHT**

#### ***Develop a Global Partnership for Development***

- Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system that includes a commitment to good governance, development and poverty reduction – nationally and internationally.
- Address the special needs of least developed countries, as well as those of landlocked and small island developing states.
- Deal comprehensively with developing countries' debt problems.
- Develop strategies for decent and productive work for youth.
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
- In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies.