

Refocusing New Zealand's Development Aid

Fakaalofa lahi atu, Talofa lava, Malo e lelei, Ni sa bula vinaka, Namaste, Kia orana, Ia Orana, Evening olgeta, Taloha ni, Talofa, Kia ora tatou and warm Pacific greetings to you all.

In difficult times hard choices need to be made.

We recognise that effective – and I stress effective – aid has an important part to play, and all the more so in the present global economic environment.

New Zealand's approach to delivering development aid needs fresh thinking.

As we have always done, New Zealand will continue to work in partnership with our neighbours to build prosperous, safe and just societies.

But, to do this, significant policy changes need to be made to tightly refocus our aid.

We want to deliver a hand up, not a hand out.

We need to understand that for the Pacific to grow and prosper we need to be hard-headed and focus on initiatives which will deliver jobs and prosperity in neighbouring countries.

Continuing a focus on 'poverty elimination' may distract us from the real issue, which is that the economies of the Pacific Islands – and indeed the rest of the developing world – have not grown fast enough to satisfy the aspirations of their people.

The challenge is to lift our game to secure better outcomes.

The case for this refocusing our aid effort is clear. Much of our aid has been used to grow public services across the region – but the hundreds of millions of dollars spent by donors like New Zealand has not lifted the prosperity of the region in a sustained way. Higher costs of living are seriously hurting vulnerable groups such as those without fertile land or living in remote areas. Greater efforts are required to reduce oil dependence of these economies and to turn back the clock and produce more food domestically.

Aggregate growth across the region is growing but mainly because of the impact of PNG. More than half of the Pacific economies are expected to reduce their growth rate or even contract in the next year according to the ADB.

The ADB estimates that 2008 Gross National Income per capita ranges from US\$10,000 in the Cook Islands to just US\$680 in Solomon Islands. It's good that Cook Islands will meet most of the MDG goals by 2015; but too many Pacific communities will not.

Despite recent strong growth in Melanesia - driven by commodity prices - and in Samoa, long-run growth trends have barely kept pace with population growth.

The numbers of un- and under-employed youth are growing, and the prognosis for the future is unhealthy.

A large amount of aid to the Pacific has been committed to improving governance, but it is crucial that aid-funded programmes do not support the growth of large Pacific bureaucracies.

Governance reforms are key to removing constraints to economic growth in most Pacific Island countries. Cook Islands has led the charge following its financial crisis in the mid 1990's and Samoa has made excellent progress. The benefits of reform are clear in the economic and human development statistics for these countries.

All New Zealanders have an interest in being part of a prosperous, safe region.

So New Zealand's assistance will be increasingly focussed on getting more people into jobs which can make them a decent living.

Doing this will require a greater proportion of our aid to be channelled through NGO's, the private sector and civil society.

We want to see the Pacific producing and trading more successfully with New Zealand, Australia and other trading partners. We want to see the Pacific earning more from tourism and through the remittances sent home by an increasingly skilled labour force.

These are challenging outcomes but the prosperity of our region depends on our being able to help our neighbours rise to meet them.

What is also clear is that despite the hundreds of millions of dollars that have been poured into the Pacific in recent decades, there has been a relatively modest proportion spent on essential infrastructure.

Without infrastructure improvements and mechanisms to unlock communally owned resources there is little hope of attracting private sector capital to build the new businesses or provide the employment opportunities that Pacific youth have a right to expect.

Roads and wharves are needed to help farmers move their produce to markets; improved telecommunications are needed to ensure producers get up to date market information.

And rapidly increasing populations and urban migration mean that in many Pacific capitals there is a severe lack of basic infrastructure. Addressing these needs will be a priority for our programme.

While New Zealand will help build what's needed, we will also be making sure there are people and budgets to maintain and manage these assets once they are in place.

New Zealand will target more funding to sectors where the region has a comparative advantage – tourism for example.

We've already begun work to secure reliable air services, so Pacific countries have certainty of planning and security of income around their tourism activities.

We'll also do more to assist governments help small business owners grow and expand their operations and provide encouragement for Pacific entrepreneurs to build on their ideas.

To create jobs and grow incomes this sort of support is vital - the potential of the private sector in the Pacific is immense, and its strength over the coming years will determine the sustainability of any other development gains.

I know from speaking with many business people that they are ready and willing to share skills and experiences with our Pacific neighbours.

And importantly, we'll also be working with Pacific countries to build the right environment for growth to occur.

It means preventing corruption, poor governance and conflict, all of which if left unchecked will erode gains and impact on economic development.

We will focus on steps to simplify the regulatory environment businesses have to deal with, and on encouraging competition in key sectors.

New Zealand can, and will, assist in this and many other areas – but our assistance will come with a clear expectation of mutual accountability.

This means that all partners keep their sides of any development bargain.

There are, of course, many other challenges.

These include all the usual ones stemming from small size and remoteness, as well as those relating to the need to improve how local resources are allocated and spent, weak financial services and issues around land tenure and other property rights.

While many of these can only be solved through communities taking ownership of their problems, I am sure there is more that we can do to encourage a sense of urgency, including providing increased support to those willing to address them.

In difficult economic times – when many people in our own country are struggling, it's more important than ever to make sure that every single aid dollar we spend is used effectively.

We'll be looking closely at how well the increasing aid budget is being spent, and where we can do more to ensure that as much as possible gets through to those on the ground.

Australia and New Zealand share a keen interest in seeing the Pacific prosper. We will work closely with Australia to foster sustainable economic and social development in the region.

Deepening mutual accountability for development is something we see as a priority for New Zealand's relationships in the Pacific.

We'll also continue to engage constructively with the new and emerging donors in the Pacific in pursuit of transparent, accountable and effective development.

So I've briefly outlined the new Government's commitment to a much stronger focus on broad-based economic growth, on increasing aid effectiveness and the Pacific.

Where does this leave the Millennium Development Goals in the region?

Our commitment is to increase focus on economic growth in the Pacific which will enhance the achievability of the MDGs across the region.

Only by increasing the wealth of nations will their governments be able to afford and maintain the education, health and other services their people have a right to expect.

It's a virtuous circle.

I wish you well in your deliberations over the next two days.

Please remember that it is not the talking or the presentations that will make the difference.

Rather it's the quality of our collective work at the sharp - and often uncomfortable - end of these challenges that really counts.