

Phil Twyford Speech to MDGs conference 21.3.09

Good morning. I want to welcome our overseas guests. I want to thank the Institute of Policy Studies of Victoria University, British High Commission, the Council for International Development, Unicef and Oxfam for hosting this timely event.

I have been looking forward to this symposium. It is an all too rare opportunity to discuss international development efforts, and to assess how well we in the Pacific are delivering on our promises and commitments.

The Millennium Development Goals have done the world's governments a big favour by getting commitments to improve the lives of the world's poor by 2015. They include cutting child deaths by two-thirds, the rate at which mothers die in childbirth by three-quarters, extreme poverty and malnutrition by half - and making available universal primary education.

While we are obsessing about the global economic crisis, it's easy to lose sight of what's at stake: 10 million children die each year from preventable, poverty-related diseases; there are 1.4 billion people in the world surviving on less than \$2 a day; and more than 70 million primary school-age children are out of school.

The MDGs have their critics but they have put poverty back on the map. Many countries have achieved strong gains. They have provided a focal point for the international community, and a useful yardstick for measuring progress.

The urgent need now is to re-double the efforts of the international community, to zero in on countries that are off-track. In the face of the global economic crisis it is more important than ever that the rich world works with developing country governments to build safety nets so that decades of development gains are not lost.

There are many interesting critiques of the MDGs. Too ambitious. Not ambitious enough. A one size fits all approach. Targets that are too blunt and that conceal inequalities. I don't intend to discuss those critiques here, but I will say that the Millennium Development Goals are an enormously useful tool to frame our thinking and plans. And around which we the international community has been able to mobilize commitments.

They are of course not a panacea. There is a strong case now for joining up the Millennium Development Goals with the post-2012 Kyoto agreement. Extreme weather events and rising sea levels pose grave risks for the Pacific, and we know that the poor will bear the brunt. Deep mitigation of the effects of climate change is needed because climate change threatens to slow and then reverse the gains that have been achieved in reducing poverty.

Here in New Zealand the MDGs have provided a useful framework within which our development agency NZAID has put into practice its focus on poverty elimination, and the international commitments our Government has signed up to. And in turn the growth and maturing of NZAID as a world class development agency has enabled New Zealand to make an effective and focused contribution to the efforts of our

development partners in the Pacific towards the Millennium Development Goals.

That is why I am gravely concerned by the radical re-engineering of New Zealand's development assistance planned by the new National Government.

The changes proposed by the Minister of Foreign Affairs, the Hon Murray McCully, in the view of the Labour Party, threaten to turn the clock back on eight years spent building a modern development assistance agency in the form of NZAID. We believe these changes would debase the quality of our overseas aid, undermine our standing in the Pacific, and compromise the effectiveness of our efforts to help millions of people lift themselves out of poverty.

They would amount to a repudiation of our country's signed commitment to the Millennium Development Goals.

But wait there is more. Significant changes to the way we spend nearly half a billion dollars in taxpayers money, and to an important element in our foreign policy, are being pursued without public consultation, without advice from development experts, without input from partner governments, other donor agencies, or non-government organizations. The National Party even shut down an attempt to invite the Minister to brief the select committee on his plans.

The Minister has asked the Ministry of Foreign Affairs and Trade, and NZAID to report to him on the mandate of the overseas aid programme. He has publicly signaled he wants to replace NZAID's central focus on poverty elimination with economic development. He has said that he wants aid to be a "hand up not a hand out", and that the purpose of economic development is so that countries can "stand on their own two feet". He has pointed to the commitment of NZAID funds to subsidise Air New Zealand's flights from the US to Apia, Nuku'alofa and the Cooks as an example of this approach.

It has been difficult until last night to elicit much detail from the Government on their new approach but last night we got the most revealing picture yet from Government backbencher John Hayes who chairs the Foreign Affairs Committee. He blamed the focus on poverty elimination for the fact that Pacific economies have not grown fast enough to satisfy the aspirations of young people. He linked NZ development assistance, and its focus on governance, with what he thinks are public services that are too large. He talked about channeling less aid through governments and more through the private sector and NGOs. He indicated the Government wants to direct aid to supporting tourism, trade, and infrastructure.

There was in his final paragraph a link with the MDGs. "Only by increasing the wealth of nations will governments be able to sustain the services their citizens need." In other words, economic growth will enhance the achievability of the MDGs.

The National Party's apparent readiness to discard NZAID's focus on poverty elimination has rung alarm bells with the development community, to the extent that the NGOs have mounted a campaign called Don't Corrupt Aid. The Labour Opposition shares their concerns.

The focus on poverty has become over the past decade the gold standard for international development agencies. It is the overriding or single objective for the World Bank, British, the Australians, the Canadians, the Irish; in fact almost all the Europeans.

The Minister's desire to re-focus the aid programme on economic development raises a number of questions about the way we think about development, and the way we do it.

First, what is the real purpose of development aid?

It is, I would argue, to lift people out of poverty, to expand the possibilities of human freedom.

To suggest the high level goal of aid should be economic development surely begs the question, what is the purpose of economic development? And it seems blindingly obvious that in developing countries as well as here at home, the purpose of economic development is to meet the needs of people, to reduce suffering and increase happiness. All things that most people would agree are synonymous with eliminating poverty.

If poverty elimination really is the ultimate goal, just say it. If economic development is the ultimate goal, and not a means to an end, then we really have to wonder why.

Secondly, we might infer from the Minister's comments that if aid focuses first and foremost on economic development, then that will lead us more efficiently to the ultimate goal of lifting people out of poverty. This I suspect is where the Minister is coming from. And this is a debate worth having.

Sixty years of development experience have taught us many things. One of them is that economic growth alone is a necessary but not sufficient condition for serious poverty reduction.

Economic growth on its own can simply benefit elites, worsen the position of the poor and vulnerable, and lead to the depletion of natural resources. We know from experience that it is the quality of the economic growth and the notion of pro-poor growth that is important. The wholesale destruction of rainforest in the Solomon Islands is an example of economic development of a kind that has had disastrous consequences for the ecosystem, the traditional landowners, and the country's governance.

South Asia provides stark evidence that economic growth alone is a poor strategy for poverty elimination. In spite of sustained high levels of economic growth India has higher levels of malnutrition than sub-Saharan Africa, and similar levels of child mortality. High growth has not put India on track to achieve the MDG for cutting child death rates. In fact, child death rates have been falling far less impressively than in countries with lower average incomes and lower growth rates. For example, over the past decade, Bangladesh has recorded one half of India's per capita income growth rate, but double its rate of decline for child mortality. The lesson in India appears to be that pre-existing inequalities determine who benefits from growth.

Extreme income inequality can also hold back the reduction of extreme poverty. As income inequalities widen in many countries, the conversion of growth into poverty reduction is weakening. Countries such as Vietnam have been far more efficient than, say, Peru in converting growth into poverty reduction partly because in Vietnam the poorest 20% capture around four times as much of national income. In India, high growth has had only a modest effect on poverty incidence, with the number of extreme poor remaining roughly constant at around 300 million.

The idea that there is a trade-off between growth and equity is misplaced. However, some countries have combined strategies for accelerated growth with enhanced equity, with the gains for MDG progress there for all to see.

Brazil is one of the most striking examples. Since 1998, extreme poverty in Brazil has been falling at three times the rate required to achieve the MDG target. Over the same period, the Gini coefficient has fallen by around three points, with the income of the poorest 20% increasing at more than double the average and six times the rate for the richest 20%. Analysis suggests that redistribution accounts for around 80% of total poverty reduction since 2000. Impressive advances have also been recorded on a wide range of social indicators. Since 1990, the child mortality rate has declined from 57 deaths for every 10,000 live births to 20. Similarly rapid progress has been registered in cutting malnutrition, increasing school participation, and advancing literacy. Underpinning all of these achievements has been political leadership and a strategy for social progress that has put equity at the heart of the agenda.

What are we to conclude from this?

For a start, that the Minister's idea of supporting business, facilitating trade and building some physical infrastructure, is unlikely to advance a goal of pro-poor economic growth, let alone poverty reduction.

I would also argue that the approach NZAID has pursued since its formation, that of developing holistic country strategies owned and led by partner governments, coordinating with other donors, combining a mix of direct assistance to the poor with institutional reform and governance strengthening, is much more likely to contribute to pro-poor growth than the narrow approach to economic development we heard outlined by Mr Hayes last night.

Could NZAID do more and better to push an agenda of pro-poor economic development? I am sure it could. Patrick Kilby in a critique of AusAID's programme criticizes its focus on growth, compares it unfavourably with DfID's work. He calls for an approach based on the Millennium Development Goals, which includes a sharper country poverty assessment with analysis of the depth and spread of poverty and the nature of social exclusion; investing in building the capabilities of the poor; greater investment in rural infrastructure and agricultural livelihoods; and making aid programmes more accountable to the poor themselves. In my view, NZAID's efforts measure up reasonably well on those four points.

The sharper country analysis rings true especially in the Pacific where orthodox notions of income poverty seldom paint a picture that does justice to the reality on the

ground. Melanesia and Papua New Guinea in particular defy any attempt to make economic development or growth a panacea. In PNG where an abundance of natural resources provides at least some of the raw ingredients of economic development, we know that a child growing up there is 12 times less likely to reach the age of five than a child in New Zealand. PNG's problems are so clearly rooted in failures of governance. Attempts to stimulate economic development are unlikely to have much positive effect without much more comprehensive change.

I'd like to turn now to Mr McCully's desire to re-integrate NZAID back into the Ministry of Foreign Affairs and Trade. He has asked the State Services Commission to advise on NZAID's structural arrangements, and has talked about the need for structural and cultural changes to support his desired change in focus.

It is useful at this stage to remember why the review of NZODA in 2001 recommended both a central focus on poverty elimination, and an autonomous agency to pursue that goal.

The review found that NZODA lacked a clear mission. Management and staff were "...pursuing poorly defined development assistance, foreign policy and trade objectives..." with a "...serious confusion of purpose..."

The reviewers described "...a failure of systems to support excellence in ODA..." and an agency that did "...not systematically use best practice in aid design and delivery". It lacked the professionalism and capability to run a modern development programme and had at the time only a few development specialists running a quarter of a billion dollar aid programme. The review quoted staff referring to the aid programme as "...both a training ground for diplomats and a dumping ground for non-performers."

For these reasons the reviewers recommended a new organization be created, freed from competing policy objectives, and equipped to build the skills and organizational culture that would allow it to develop a best-practice modern development assistance programme.

Since then, NZAID has carved out a place for itself among the front ranks of progressive international development agencies. It is not perfect by any means. And its reprimand from the Auditor General's office for deficiencies in its contracting procedures should be seen as a symptom of a new organization grappling with rapid growth and systems development. It should also be noted that the Auditor General's Office has declared itself entirely satisfied with NZAID's progress in rectifying the procedural weaknesses.

Over the last eight years NZAID has made some impressive advances based around a central focus on poverty elimination and a commitment to work towards the Millennium Development Goals. In the Solomons and Papua New Guinea where it is leading sector wide approaches in education and health, the work being done by NZAID is in my opinion light years ahead of the scattered projects that typified life under the old regime. And I congratulate them for that.

The Minister's characterization of NZAID's poverty elimination work, reported on the front page of our largest daily newspaper, as being akin to dropping one hundred

dollar bills out of a helicopter is grossly unfair to the talented and highly trained staff of the agency.

Their many achievements are now at risk.

Alongside the plans to scuttle the poverty focus and disestablish NZAID, National Party policy is to pursue a closer alignment of aid and development objectives and overall foreign policy goals.

As the New Zealand Herald noted recently “the minister steered clear of mentioning any ambition to link aid to foreign policy. But he made this view widely known during the National Party's years on the Opposition benches. One trigger was the 2006 decision by the Solomons, Tuvalu, Kiribati and Nauru to side with Japan and vote for the overturning of the moratorium on commercial whale hunting. Mr McCully said that was the result of a half-hearted, insufficiently focused New Zealand aid strategy in the Pacific. Then-Prime Minister Helen Clark was "naive" in refusing to link New Zealand's aid to the conduct of Pacific nations at the International Whaling Commission, he said.”

Ironically the United States, long regarded as one of the worst offenders when it comes to using aid to pursue political agendas, seems to be finally ready to mend its ways. The Obama Administration has renewed its commitment to poverty reduction, just when we seem to be heading in the opposite direction.

I have left you in no doubt about Labour's views on the Minister's plans for the overseas aid programme.

I fear for the effect they may have on the quality of our development assistance, and the accountability for half a billion dollars of taxpayers money every year. Most of all I fear for what it will do to our relationships with the peoples and countries of the Pacific.

My hope is that we can have a serious debate about the nature of development assistance. About what works and what doesn't. About growth and equity. About the nature of poverty in the Pacific. And the future of NZAID. To this end Labour, the Greens, the Progressives and United Future are hosting at Parliament on Friday a Summit on the Future of NZAID. We will start to have some of the debates we wish the Government was having. I invite you all to come along and take part.

Thank you.