Aotearoa New Zealand
Public-Private Partnerships and Aid

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Overview

- A National-led government was elected in 2009, bringing the reintegration of NZAID into MFAT and changing the overall aid strategy from poverty eradication to sustainable economic development
- New Zealand's ODA budgets during 2009-2012 were approximately NZ$500 million/annum (US$405 million); the equivalent of about 0.28% of GNI; budgeted to increase to $650 million (US$530 million) by 2017/18
- Little consultation with civil society and non-governmental organisations, leading to loss of trust and a deteriorating relationship between development organisations and MFAT
- Shift from specialised NGO funding scheme to Partnerships Fund, which is focused on promoting all aspects of sustainable economic development
- Opening of a funding scheme and active encouragement of private enterprise and public-private partnerships (PPPs)
- Expansion of New Zealand's reach and influence through sustainable economic development partnerships
- CSOs uncertain of their place in the future of New Zealand's development strategy if PPPs are strengthened.

Context

An important trend for New Zealand's aid policies over the past few years has been a move towards public-private partnerships. Under the National-led government, New Zealand's aid policies underwent a dramatic shift in 2009 when the new government moved away from the goal of poverty eradication to focus on sustainable economic development. As part of this process, the National-led government reintegrated the New Zealand Agency for International Development (NZAID) back into the Ministry of Foreign Affairs and Trade (MFAT), and rebranded it as the New Zealand Aid Programme. As a consequence of these changes, civil society organisations (CSOs) and non-governmental organisations (NGOs) involved in the development sector had to re-evaluate some of their programmes and approaches for funding to meet the new directives of the New Zealand Aid Programme strategy. This chapter will look at how the changes from 2009 have affected the way that aid and development organisations work, how new funding arrangements leading to the present Partnerships Fund have incorporated the private sector into New Zealand's development strategy and, finally, the CSO responses to the structure of New Zealand Aid Programme and its strategy.

New Zealand's ODA budget has been about 0.28% of GNI for 2012 and 2011.[1] The last OECD Development Assistance Committee (DAC) peer review report noted that ODA would need to be increased dramatically if New Zealand intended to reach the international goal of 0.7% of GNI.[2] The current government aims to reach

NZ$650 million (US$530 million) spending on ODA by 2017/18.[3] However, this has been criticised by CSOs for not being ambitious enough, and will still fall well short of reaching the 0.7% goal. A pre-election survey conducted by the Council for International Development (CID) revealed that seven out of fourteen parties running for the general election in September are committed to adopting a plan to reach the 0.7% goal, although their timetables for doing so vary widely.[4]

Following the election of the National-led government and the changes to the aid delivery mechanisms, the development community was disturbed by the lack of consultation and the rationale behind such a seismic shift in policy direction. As a result, the relationship between the government and development NGOs and CSOs changed. It was clear that the opinions of the broader development community were no longer as valued as they had been under previous governments. Trust had been severely tested between the state and civil society and the nature of communications and dialogue had shifted. Although the relationship has been strengthening in recent years, the development community and MFAT have had to work hard to re-harmonise their relationship.[5] A lot of work still remains. CSOs have had to re-evaluate the focus for a proportion of their programs in order to fit into the criteria of the New Zealand Aid Programme and continue to receive government funding.[6]

The change in focus from poverty reduction to sustainable economic development has had implications for both MFAT and CSOs. MFAT has further prioritised its geographic focus for its aid programs towards the Pacific at the cost of other regions such as Africa. The Ministry re-evaluated the projects it supports and has focused on the fisheries, agriculture, tourism, renewable energy, health, transport, and communication sectors. The framework is to work with the new drivers the government has put in place to promote sustainable economic development.[7] MFAT's priorities lie in economic partnerships; it encourages partnerships between private businesses (economic focus) and CSOs (development skills and local contacts). MFAT's aim is to facilitate sustainable development in developing countries, which it believes in turn, will achieve poverty reduction and a more secure, equitable and prosperous world.[8]

The Partnerships Fund – the new model

The New Zealand Partnerships for International Development Fund (PfiD) ('Partnership Fund') was created in 2012. Its purpose is to encourage and facilitate partnerships between public, state, and private entities to participate in New Zealand's aid strategy. The PfiD succeeded the Sustainable Development Fund (SDF), which was not widely accepted by development CSOs during its short life, because of uncertainty in obtaining funding and the demanding requirements that CSOs were required to adopt.[9] The proportion of CSOs expecting funding to decrease from 2012 to 2013 rose from 14%, to 26% of CID members.[10] The SDF was to focus "on sustainable economic growth, improving incomes, and reducing poverty."[11] But interestingly, the SDF did not include the private sector, which could play a significant role in achieving MFAT's goal of sustainable economic development.

As a result of these perceived limitations in the SDF, the PfiD was developed to "prioritise activities that have a sustainable economic development benefit."[12] PfiD's strategy emphasises the expansion of New Zealand businesses into the Pacific. MFAT notes the Pacific is not generally in the purview of NZ businesses because of the isolation and limited capacity of the region.[13]

This new funding model encourages competitive applications from the state, the private sector, and CSOs, with preference for businesses with a comparative advantage in a sector that will continue to grow within the host country. The geographical focus is on the Pacific first, then on Asia, as forecast in the changes during 2009. One example of a successful bid is the Wanni Dairy Regeneration Initiative, run as a partnership between TEAR Fund, Patton Ltd, QPOD, MILCO and the New Zealand Aid Programme. This initiative "supports post-conflict communities in northern Sri Lanka to re-establish and improve the small-scale dairy livelihoods they have had for generations."[14] This partnership, along with others sponsored by PfiD, has encouraged both public and private organisations in the host country and New Zealand to work towards developing sustainable economic initiatives.

The New Zealand Aid Programme uses partnerships and the promotion of New Zealand's comparative advantages in specific sectors as part of MFAT's larger business strategy, which aims to promote a New Zealand brand referred to as 'NZ Inc.' and expand New Zealand's economic reach. The emphasis of New Zealand's economic position in the international community and the growth of New Zealand's international influence are seen as the priority for New Zealand government. The development of communities is meant to be a positive consequence of these actions. However, CSOs have criticised this approach, as it does not prioritise development and often ignores the impact the projects have on the communities. Additionally, opposition political parties have been vocal in their condemnation of the present government's preoccupation with economic development, saying it undervalues the role of social development and access to health and education services. They argue that making the aid programme subservient to other foreign policy objectives has compromised the quality of development spending.

Oxfam NZ produced a report in 2013 on the role of the private sector in sustainable development in the Pacific that included four case studies. Of these, one failed, one was looking prosperous, and two were relatively successful businesses. The successful projects both relied on financial support from other parts of the company in New Zealand.[15] Therefore, the ability for these projects to be fully sustainable is limited, because of the reliance on their New Zealand offices.

CSOs are concerned that private companies in PPPs may expect to fall back on a government bail-out if they do not receive the expected return on investment promised to them at the start of the project.[16] Additionally, there is concern about the priorities of the companies involved in PPPs, and the "tug-of-war of interests between people and profit and ethical considerations in doing business, among others,"[17] as they are unlikely to be profitable in the early years of the project. While some New Zealand companies have long been involved with infrastructure projects under ODA funding, there is a limited understanding within the private sector of wider social development processes and the complexities of working within different cultural and social systems.

Uncertainty for development NGOs

CSOs have been concerned about the lack of engagement on policy matters following the policy changes to the aid programme. CSOs are less certain of their position in the future of New Zealand's development agenda, because of their new grouping with state and private sector players as funding competitors. Some describe it as a shift from the previous relationship as strategic partners with MFAT to a role as contractors for services.

CSOs in New Zealand range from small, volunteer-run organisations, to large international NGOs with considerable development expertise and extensive experience in planning and implementing development projects with in-country partners. The new competitive funding model has affected them all, but in different ways. Smaller organisations are now effectively excluded from funding via the PfID given its focus on big, multi-year projects that comes with the requirement of contributing large matching funds. Many NGOs have expressed concerns about the expense of investing time and resources to identify potential private sector partners for projects, to make bids that may not get approved. The introduction of PfiD, like the SDF before it, forced development NGOs to reassess the nature of those programmes where they traditionally looked for funding support from government. The changes in the priorities of government funding modalities have affected CSOs across the whole sector.[18]

One objective of the Partnerships Fund was to encourage development actors to work in tandem with private businesses who may lack knowledge of local communities and the appropriate ways of working in developing countries. However, interest in PfID has been low in the private sector, and there are indications that some businesses do not yet appreciate the fundamentals of development projects. If MFAT wants to improve this capacity and understanding, which could benefit private sector players, more needs to be done to support the two-way transfer of skills and experience between sectors.

MFAT is currently working on a feasibility study, due in early 2015, to explore "whether and how the New Zealand aid programme should be engaging in Public-Private Partnerships to reach development goals."[19] There is a willingness by CSOs to increase the dialogue between MFAT and the broader development sector to ensure that the New Zealand Aid Programme's impact on poverty is "inclusive of those most in need."[20] CSOs are hopeful that the emergence of the Post-2015 framework with Sustainable Development Goals will lead to a re-assessment of the focus of the New Zealand Aid Programme. This would provide an ideal opportunity for the government to work with all sectors with an interest in good development outcomes to collectively develop an innovative approach to New Zealand's aid policies, in line with the Post-2015 agenda. As a past leader in social policy, New Zealand has much to contribute. CSOs will be working towards that objective.

Endnotes

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17 Santos, L.A., 2014, PPPs future of Asia-Pacific infrastructure development – ADB, accessed at <https://www.devex.com/news/ppps-future-of-asia-pacific-infrastructure-development-adb-83426>

18 Openko, V., 2013, p.50.

19 MFAT, 2014, Public Private Partnerships (PPP) Research Project, accessed at <https://www.gets.govt.nz/NZAID/ExternalTenderDetails.htm?id=2580757>

20 Gilbert, M., Rickards-Rees, C., Spicer, N., Coates, B., 2013 Sustainable development in the Pacific and the role of the New Zealand private sector, p.40.