

VOTE *Official Development Assistance*

Official Development Assistance

Overview

Vote Official Development Assistance inclusive of multi-year appropriations totals \$582.464 million. Total annual Vote expenditure during 2003/04 is expected to be approximately \$267.516 million.

The Vote includes non-departmental appropriations consisting of 3 multi-year appropriations totalling \$472.607 million for the three-year period 2003/04 to 2005/06, and two annual appropriations totalling \$87.903 million for 2003/04. These appropriations replace the annual appropriations for Bilateral Official Development Assistance and Multilateral Official Development Assistance.

Departmental annual appropriations for two Output Classes totalling \$21.954 million (GST inclusive) are also included.

Multi Year Appropriations

The multi-year appropriations are for non-departmental Other Expenses to be Incurred by the Crown, these are:

- Pacific Development Assistance
- Global Development Assistance
- Emergency Relief

Total annual expenditure against these appropriations is expected to be approximately \$157.500 million and will comprise approximately 59% of total annual Vote expenditure.

Annual Appropriations

Annual appropriations sought for Vote Official Development Assistance in 2003/04 total \$109.857 million and will comprise approximately 41% of total annual Vote expenditure. This is to be applied as follows:

- \$21.954 million (20.0% of annual appropriations) on purchasing services from the New Zealand Agency for International Development (NZAID), a semi-autonomous agency within the Ministry of Foreign Affairs and Trade for the development, management and delivery of Official Development Assistance programmes.
- \$70.491 million (64.0%) on International Agency Funding payments.
- \$17.412 million (16.0%) on New Zealand Voluntary Agency Grants.

Details of how the appropriations are to be applied appear in Parts B1, B2 and C of this Vote.

Terms and Definitions Used

NZAID	New Zealand Agency for International Development
ODA	Official Development Assistance

Footnote

Note 1	This is the value of the expenditure that the Government currently expects it will have incurred against the appropriations by the time the appropriations expire at the end of June 2006.
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Official Development Assistance

VOTE MINISTER: Minister of Foreign Affairs and Trade

ADMINISTERING DEPARTMENT: Ministry of Foreign Affairs and Trade

The Minister of Foreign Affairs and Trade is the Responsible Minister for the Ministry of Foreign Affairs and Trade

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote Official Development Assistance

The services to be purchased under Vote Official Development Assistance contribute to the achievement of key government goals through the design and management of an effective ODA programme centrally focused on the elimination of poverty, with a core focus on the Pacific.

The departmental appropriations will be applied to the development, management and delivery of ODA, through the provision of bilateral and multilateral assistance programmes.

This involves:

- development of strategies to meet the needs of partner countries and the design and management of assistance programmes
- evaluation of development assistance programmes and the monitoring and review of projects
- advising the Government on the framework for ODA and effective ways of delivering the assistance
- forging and maintaining relationships with country partners and development organisations.

The non-departmental appropriations directly fund the development assistance interventions and projects that are delivered directly to partner countries, and through multilateral arrangements.

Key Priorities and Related Government Outcomes

In contributing to the government's goal to eliminate poverty through development partnerships NZAID will direct effort in 2003/04 to the following Key Priorities. Success in achieving these priorities will be demonstrated by progress on and completion of associated Action Steps.

- Develop capability and competence of NZAID staff both individually and in line with business needs.
- Refine and bed in processes to manage risk around the quality, effectiveness and targeting of assistance interventions.

Links between Departmental Output Classes and Government Outcomes

NZAID's delivery of the following outputs will have a major focus on the intermediate outcome to **contribute to eliminating poverty through development partnerships**. In addition NZAID also contributes to and supports the following intermediate outcomes:

- Reduce risks to New Zealand from global and regional instability.
- Contribute to sustainable economic growth via access to foreign markets for goods and service and to sources of capital and technology for innovation.
- A rules-based international system that supports our security and prosperity goals and promotes our values.

Output Class D1: Strategic Advice and Evaluation

- Contributing to the elimination of poverty through the provision of Strategic Advice on ways to eliminate poverty in developing countries, especially in the Pacific, and
- Through the coordination of the evaluation of development assistance through the development of evaluation policies, strategies and processes, the provision of reviews and evaluations, and the dissemination of evaluation findings for programme improvement.

Output Class D2: Management of Official Development Assistance Programmes

- Contributing to the elimination of poverty through the design and management of effective development assistance strategies, programmes and projects, and
- Through forging and maintaining relationships that achieve poverty elimination with developing country partners, development organisations and agencies, civil society and the wider New Zealand community.

Part A2 - Trends in Vote Official Development Assistance

Introduction

The allocation of funding for Vote Official Development Assistance is detailed in the trends table. Vote Official Development Assistance was established on 1 July 2002. Previously funding for ODA was channelled through Vote Foreign Affairs and Trade. The following explanations compare funding for ODA with comparable figures contained in Vote Foreign Affairs and Trade's trend table.

From the start of 2003/04 the Vote has been restructured and consists of the following appropriations:

Classes of Output

Two departmental output classes:

- D1 Strategic Advice and Evaluation
- D2 Management of Official Development Assistance Programmes

Other Expenses to be Incurred by the Crown

Two annual appropriations:

- International Agency Funding
- New Zealand Voluntary Agency Grants

Three multi-year appropriations:

- Pacific Development Assistance
- Global Development Assistance
- Emergency Relief

Departmental Output Trends: 1998/99 to 2003/04

Output costs have increased from \$15.356 million in 1998/99 to \$21.954 million in 2003/04. This increase is driven by a combination of additional funding for increased ODA capability, exchange rate fluctuations against the New Zealand dollar. This is partially offset by GST adjustments, and lower capital charge and depreciation, resulting from lower property values, and reductions in the rate of capital charge.

Other Expenses Trends: 1998/99 to 2003/04

ODA has risen by \$41.129 million, from \$204.413 million in 1998/99 to approximately \$245.542 million in 2003/04 including estimated expenditure of \$157 million in 2003/04 from the three-year multi-year appropriations.

Analysis by Appropriation Type: 2003/04 and 2002/03 Compared

Departmental Output Classes

The annual appropriation for the two ODA departmental output classes increases by \$2.0 million (10.0%) in 2003/04 relative to 2002/03. The increase reflects the full year cost of the additional investment in NZAID's capability phased in during 2002/03, additional resource in 2003/04 to manage the increased ODA funding, offset by GST adjustments, and currency exchange rate gains.

Non-departmental Other Expenses to be Incurred by the Crown

The appropriation for non-departmental Other Expenses to be Incurred by the Crown that existed in 2002/03 for Bilateral Official Development Assistance is replaced by three multi-year and one annual Other Expenses non-departmental appropriations.

The multi-year appropriations in total are equal to the sum of what would have been three annual appropriations for each of three years plus a transfer of expenditure of \$185,000 from 2002/03 to 2003/04, offset by transfers to the departmental appropriations. There was also a transfer of expenditure from 2001/02 to 2002/03 and this is removed in the 2003/04 appropriations. In addition new funding of \$19.6 million per annum has been provided from the start of 2003/04. This additional funding provided from the start of 2003/04 combined with the one-off effect of the expense transfers and other adjustments account for the net increase of approximately \$15.3 million between 2002/03 and 2003/04.

In addition the Multilateral ODA annual appropriation has been renamed International Agency Funding with \$3.8 million reclassified within the other appropriations.

Reconciliation of New Initiatives to Appropriations

Initiative	Annual Appropriations as shown in Part B 1	\$000 increase/(decrease)				
		2003/04	2004/05	2005/06	2006/07	2007/08
Increase to New Zealand's Official Development Programme	Departmental Output Class – Strategic Advice and Evaluation	110	110	110	110	110
	Departmental Output Class – Management of Official Development Assistance Programme	330	330	330	330	330
	Non departmental Other Expenses to be Incurred by the Crown – Bilateral Official Development Assistance	-	-	-	7,550	7,550
	Non departmental Other Expenses to be Incurred by the Crown – New Zealand Voluntary Agency Grants	510	510	510	510	510
	Non departmental Other Expenses to be Incurred by the Crown – International Agency Funding	11,500	11,500	11,500	11,500	11,500
Total Initiatives for Annual Appropriations		12,450	12,450	12,450	20,000	20,000
	Multi-Year Appropriations as shown in part B 2	2003/04 to 2005/06				
Increase to New Zealand's Official Development Programme	Non departmental Other Expenses to be Incurred by the Crown – Pacific Development Assistance	15,600				
	Non departmental Other Expenses to be Incurred by the Crown –Global Development Assistance	5,550				
	Non departmental Other Expenses to be Incurred by the Crown –Emergency Relief	1,500				
Total Initiatives for Multi-Year Appropriations		22,650				

Trends in Vote Official Development Assistance - Summary of Appropriations and Crown Revenue

Types of Appropriation	1998/99	1999/2000	2000/01	2001/02	2002/03		2003/04 Appropriations to be Used				2004/05	2005/06	2006/07	
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000	Estimated \$000	Estimated \$000	Estimated \$000
							Annual \$000	Other \$000	Annual \$000	Other \$000				
Operating Flows														
Classes of Outputs to be Supplied	-	-	-	-	19,966	19,966	21,954	-	-	-	21,954	22,075	22,075	22,075
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Other Expenses	-	-	-	-	230,209	230,209	-	-	87,903	-	87,903	87,782	87,782	245,256
Capital Flows														
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-	-	-	-
Total Appropriations	-	-	-	-	250,175	250,175	21,954	-	87,903	-	109,857	109,857	109,857	267,331
Total Crown Revenue and Receipts	-	-	-	-	-	-	N/A	N/A	N/A	N/A	-	-	-	-

Part B - Statement of Appropriations

Part B1 - Details of Appropriations

Appropriations	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Strategic Advice and Evaluation	-	-	-	-	5,112	-	The purchase of the development of regional, country, sectoral and thematic strategies and the evaluation of the effectiveness of development assistance. This is a new output class from the start of 2003/04.
D2 Management of Official Development Assistance Programme	19,966	-	19,966	-	16,842	-	The purchase of the design and management of development assistance programmes, including the monitoring of projects and the contracting for management of development projects.
Total Appropriations for Departmental Output Classes (Mode B Gross)	19,966	-	19,966	-	21,954	-	
Other Expenses to be Incurred by the Crown							
Bilateral Official Development Assistance	155,868	-	155,868	-	-	-	Grants and bilateral development programme assistance. From 2003/04 it has converted to three multi-year and one annual appropriation (see following appropriations).

Part B1 - Details of Appropriations (continued)

	2002/03				2003/04		Description of 2003/04 Appropriations
	Vote		Estimated Actual		Vote		
Appropriations	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Other Expenses to be Incurred by the Crown – cont'd							
Multilateral Official Development Assistance	74,341	-	74,341	-	-	-	- Contributions to international development agencies for multilateral programme activity. From 2003/04 the name has changed to International Agency Funding and \$3.8 million reclassified under the other appropriations.
New Zealand Voluntary Agency Grants	-	-	-	-	17,412	-	- Contributions to, and purchases from Bilateral non-government organizations providing development assistance. This is a new other expense from the start of 2003/04.
International Agency Funding	-	-	-	-	70,491	-	- Contributions to international development agencies for multilateral programme activity. This is a new other expense from the start of 2003/04.
Total Appropriations for Other Expenses to be Incurred by the Crown	230,209	-	230,209	-	87,903	-	
Total Appropriations	250,175	-	250,175	-	109,857	-	

Part B2 - Details of Multi Year Appropriations

Appropriations	Current Appropriation \$000	Description of Appropriations
Other Expenses to be Incurred by the Crown		
Emergency Relief		
Term	2003/04 to 2005/06	Assistance for emergency relief in response to natural disasters
Original Appropriation	13,500	
Adjustments	-	
Total Appropriation	13,500	
Actual to date (March)	-	
Expected Actual to year end	-	
Remaining	13,500	
Expected Outcome (see note 1)	13,500	
Global Development Assistance		
Term	2003/04 to 2005/06	Bilateral development programme assistance and contributions for Asian and African countries.
Original Appropriation	154,340	
Adjustments	-	
Total Appropriation	154,340	
Actual to date (March)	-	
Expected Actual to year end	-	
Remaining	154,340	
Expected Outcome (see note 1)	154,340	
Pacific Development Assistance		
Term	2003/04 to 2005/06	Bilateral development programme assistance and contributions for Pacific Island countries
Original Appropriation	304,767	
Adjustments	-	
Total Appropriation	304,767	
Actual to date (March)	-	
Expected Actual to year end	-	
Remaining	304,767	
Expected Outcome (see note 1)	304,767	

Part C – Explanation of Appropriations for Output Classes

Part C1 – Departmental Output Classes

These output classes involve activities directed to the management of New Zealand's Official Development Assistance, focused on the provision of bilateral and multilateral assistance programmes.

The type of development assistance delivered ranges from grants, funding education and training opportunities to the supply of materials and technical assistance. Further information on the assistance provided by ODA is available from the annual publication *New Zealand Official Development Assistance: Programme Profiles*.

Output Class D1 – Strategic Advice and Evaluation

This class of output involves coordination of policy formation and the provision of strategic analysis. This analysis contributes to the development of sectoral and thematic policies and strategies, and country and regional strategies. These will align with international best practice, NZAID's areas of excellence and partner countries' priorities and goals. They will achieve coherence with other key investors including investments in specific sectors against overall development targets. NZAID works in the Pacific primarily, but also has a significant Asian programme and smaller programmes in Latin America and Africa.

This output class includes NZ representation and policy contributions to international development debates and relevant global plans of action. It also includes strategic coordination with international development agencies.

Included in this output is the appraisal of new development assistance proposals or designs and the analysis around the impact of delivery mechanisms and contracting on development outcomes. This also involves the provision of specialist advice to the programming groups within NZAID that contribute to high quality project design and implementation.

This output class includes coordination of the evaluation of development assistance through the development of evaluation policies, strategies and processes, the provision of reviews and evaluations, and the dissemination of evaluation findings for programme improvement. Evaluations will assess the effectiveness and impact of past investments in development assistance and the sustainability of benefits, the assessment against development targets as well as thematic evaluations to inform future development assistance investment decisions.

In addition this output class includes:

- advice on the implementation of government policy with regard to ODA, including ODA levels and programme balance
- oral and written briefings and preparation of speech notes not provided in the course of delivering other services.

Output Class D2 – Management of Official Development Programmes

This class of outputs involves the design and management of development assistance programmes for different countries and regions focused on the elimination of poverty, and includes the monitoring of projects, and contracting for development projects management. The output class also involves forging and maintaining relationships that achieve poverty elimination with developing country partners, development organisations and agencies, civil society and the wider New Zealand community. This includes drawing on poverty analysis in the preparation of development programmes. Poverty analysis takes into account human rights, gender issues, equity and environmental principles.

This output class also includes managing the effective delivery of both direct and indirect assistance that addresses the underlying causes of poverty. Direct assistance aims to help communities and individuals to fulfil their basic needs, and indirect assistance aims to create and sustain social, cultural, environmental and economic conditions conducive to the elimination of poverty. Assistance will be provided through bilateral and multilateral programmes.

In addition this output class includes:

- the allocation of resources to, and composition of, each development cooperation programme after consultation with partner governments or agencies
- the management of disbursements and review of progress.

Part D – Explanation of Appropriations for Other Operating Flows

Part D3 – Other Expenses

The Government's direction and focus of New Zealand's Official Development Assistance (ODA) reflects the importance the Government places on New Zealand's obligation, as a good international citizen, to provide development assistance to nations less fortunate than ourselves, to focus that assistance on effective poverty elimination and to ensure that our Pacific neighbourhood remains a core focus for our efforts.

NZAID will foster strategic outcomes that contribute most effectively to poverty elimination by concentrating its development assistance on activities that help to create safe, just and inclusive societies; to meet basic needs, and to achieve environmental sustainability and sustainable livelihoods. In doing so NZAID will maintain a core focus on the Pacific, while continuing to provide assistance to Asian and African countries.

NZAID supports a range of activities chosen with partners as being the highest priority and likely to be most effective in the given circumstances. Examples include:

Safe, just and inclusive societies

- human rights and, including gender equality and gender equity
- good governance
- sound economic policy
- community development
- civil society development

Meeting basic needs

- education
- health
- food security
- shelter
- water and sanitation
- emergency and humanitarian assistance

Environmental sustainability

- sustainable resource management (natural, agricultural, fisheries)

Sustainable livelihoods

- economic growth
- private sector development

Details of the planned spending for ODA funding will be available in NZAID's "Programme Profiles" to be published in June.

Other Expense – New Zealand Voluntary Agency Grants

This annual appropriation provides funding assistance to enable New Zealand voluntary agencies to deliver bilateral development assistance projects in developing countries.

The main focus for these projects, although not exclusively, is to deliver the assistance to countries of the Pacific region through New Zealand agencies that operate in, and have an understanding of the development assistance needs of these countries and the region.

Other Expense – International Agency Funding

This annual appropriation provides contributions to international development agencies, such as the United Nations and the World Bank, to assist them in developing and delivering multilateral development assistance projects. The funding may take the form of core contributions, and grant funds to the agencies.

The aim of this assistance through multilateral funding arrangements is to create and sustain social, cultural, environmental and economic conditions conducive to the elimination of poverty.

Other Expense – Pacific Development Assistance

This multi year appropriation provides funding for the Pacific that contributes to development assistance projects, provides funding to partner countries for projects, funds contracts for the delivery of projects, and funds education assistance and scholarships.

The Minister of Foreign Affairs and Trade requires NZAID to work with development partners to ensure aid expenditure is targeted as close as possible to need. This includes the joint development of country, regional, sectoral and thematic strategies.

Other Expense – Global Development Assistance

This multi year appropriation provides funding for Asia, Micronesia, parts of Africa and South America that contributes to development assistance projects, provides funding to partner countries for projects, funds contracts for the delivery of projects, and funds education assistance and scholarships.

The Minister of Foreign Affairs and Trade requires NZAID to work with development partners to ensure aid expenditure is targeted as close as possible to need. This includes the joint development of country, regional, sectoral and thematic strategies.

Other Expense – Emergency Relief

This multi year appropriation provides funding that will contribute to emergency and humanitarian assistance in the event of a country encountering natural hazards - especially cyclones, earthquakes and tsunamis. In addition it will respond to disasters caused by plant and animal diseases.

The Minister will fund emergency relief assistance based on damage, local assessment of priorities, other donor contributions and New Zealand's funding and operational capacity. Such assistance will be linked to longer-term processes of rehabilitation, reconstruction and development.

Part G – Statement of Reconciliations

Part G 1 – Changes in Appropriations

In 2003/04 the Vote has been restructured by disestablishing the one departmental output class, and the two non-departmental appropriations for Other Expenses to be Incurred by the Crown.

The restructured Vote establishes two departmental output classes and five non-departmental appropriations for Other Expenses to be Incurred by the Crown. The Vote for 2003/04 therefore consists of:

- two departmental Output Classes:
 - D1 Strategic Advice and Evaluation
 - D2 Management of Official Development Assistance Programmes
- two annual non-departmental appropriations for Other Expenses to be Incurred by the Crown:
 - New Zealand Voluntary Agency Grants
 - International Agency Funding
- three multi year non departmental appropriations for Other Expenses to be Incurred by the Crown:
 - Pacific Development Assistance
 - Global Development Assistance
 - Emergency Relief

Expenditure previously appropriated to the one departmental Output Class has been allocated across the two new departmental Output Classes.

Funding for the previous two non-departmental appropriations for Other Expenses to be Incurred by the Crown is now reclassified across the new non-departmental appropriations. The disestablished Bilateral Official Development Assistance appropriation is mostly reclassified to the Pacific Development Assistance and the Global Development Assistance programmes with the remainder allocated to the Emergency Relief and New Zealand Voluntary Agency Grant appropriations.

The disestablished Multilateral Official Development Assistance appropriation is mostly reclassified to the International Agency Funding appropriation with the remainder reclassified to the New Zealand Voluntary Agency Grant appropriation.

Part G 1- Changes in Appropriations

2002/03 Cumulative Vote in Old (2002/03) Structure	\$000	Structure Changes	\$000	Cumulative Vote in New (2003/04) Structure	2002/03 \$000	2003/04 \$000
<u>Departmental Output Classes</u>						
D1 Management of Official Development Assistance	19,966	D1 Management of Official Development Assistance	(19,966)	D1 Strategic Advice and Evaluation	4,648	5,111
		D1 Strategic Advice and Evaluation	4,648	D2 Management of Official Development Assistance Programmes	15,318	16,843
		D2 Management of Official Development Assistance Programmes	15,318			
Total Departmental Output Classes	19,966				19,966	21,954
<u>Non-Departmental Other Expenses to be Incurred by the Crown – Annual Appropriations</u>						
Multilateral Official Development Assistance	74,341	Multilateral Official Development Assistance	(74,341)	New Zealand Voluntary Agency Grants	16,510	17,412
		International Agency Funding	76,391	International Agency Funding	76,391	70,491
Bilateral Official Development Assistance	155,868	Bilateral Official Development Assistance	(155,868)			
		New Zealand Voluntary Agency Grants	16,510			
		Pacific Development Assistance	70,675	Pacific Development Assistance	70,675	-
		Global Development Assistance	59,375	Global Development Assistance	59,375	-
		Emergency Relief	7,258	Emergency Relief	7,258	-

Total Non-Departmental Other Expenses – Annual Appropriations	230,209		-		230,209	87,903
<u>Non-Departmental Other Expenses to be Incurred by the Crown –Multi Year Appropriations</u>					2002/03 \$000	2003/04 to 2005/06 \$'000
				Pacific Development Assistance	-	304,767
				Global Development Assistance	-	154,340
				Emergency Relief	-	13,500
Total Non-Departmental Other Expenses –Multi Year Appropriations	-				-	472,607