

The Case for Point Seven:

Why the New Zealand government should devote 0.7% of Gross National Income to Overseas Development Assistance.

In 1970 the United Nations adopted General Resolution 2626, through which the nations of the developed world committed to devoting 0.7% of their Gross National Income (GNI¹) to Overseas Development Assistance (ODA). This commitment has been reaffirmed at several subsequent international summits including the Monterey Conference on Financing for Development in 2002. Despite being party to such commitments, New Zealand's ODA levels currently fall far short of the 0.7% being asked of us, and we do not have any concrete timeframe for meeting the target in the future. New Zealand has a well-deserved reputation as a nation that honours its international commitments; this briefing explains why we should add Point Seven to the list of commitments that we honour. It also addresses some common arguments against increasing aid.

Why Give More? The three key reasons why we should increase ODA to 0.7% of GNI

The Moral Argument

The moral case for New Zealand allocating 0.7% of GNI to ODA is straightforward. Meeting Point Seven is something we can afford with reprioritisation. All that is asked is that we give 70 cents from every 100 dollars we earn to help people whose needs are acute. Nearly half the world's population live on less than \$US2 a day, approximately one sixth on less than \$1. The consequences of this are tragic: 18 million people die of preventable, poverty-related causes every year – of these, 10 million are children (30,000 children every day). More than 1 billion people lack access to safe drinking water and over 820 million people are malnourished.

The sheer magnitude of this suffering, balanced against the modest proportion of GNI that is being requested, provides a compelling moral case for action. As with all moral positions, people might disagree; yet a significant majority of New Zealanders accept the moral case for increased ODA. A 2004 survey, undertaken by UMR Research, found that 76% of New Zealanders supported giving ODA and that over 60% supported meeting the Point Seven target².

International Standing

New Zealand has a proud reputation for supporting multilateral institutions and agreements. Such support reflects pragmatism as much as idealism: as a small, outward-looking country, New Zealand relies on multilateral agreements to advance its interests internationally. As a small nation, we also rely on our ability to work with other countries when international agreements are being negotiated. In arenas as diverse as the International Whaling Commission and the World Trade Organisation, New Zealand benefits from being seen as a credible international citizen. Such credibility is at risk whenever we fail to meet our own international commitments. Until recently, New Zealand's low ODA levels were afforded some cover by the fact that many other OECD nations were poor givers. This is no longer the case: New Zealand's ODA as a proportion of GNI is now the 5th lowest of the OECD donor nations, and we are well below the OECD donor country average of 0.47%. We are one of only 3 OECD donor nations who have not yet set Point Seven or interim targets. If it remains unchanged, our position on ODA is likely to harm our credibility and impede our negotiating leverage.

¹ The 1970 agreement made reference to Gross National Product (GNP). The terms Gross National Income (GNI) and Gross National Product are essentially the same measure, with GNI being the currently preferred term.

² UMR Research, *Overseas Aid: A Qualitative and Quantitative Study*, 2004. A summary of the survey's findings can be accessed online at: http://www.cid.org.nz/advocacy/Paper_4_-_Kiwis_do_care.pdf

Enlightened Self-Interest

We live in an increasingly interconnected world. This can bring with it tremendous benefits, but also risks. From environmental problems to disease to conflict, developed countries ignore the issues of the developing world at their peril. To give but one example: at present Papua New Guinea is in the early stages of a generalised HIV epidemic; if no action is taken it is highly likely that, within a decade, the economic and social damage wrought by the disease will be similar to that witnessed in Sub-Saharan Africa. It is also probable that if HIV goes unchecked in PNG it will spread outwards across the Pacific. If this occurs, it is extremely unlikely that New Zealand, with its strong ties to the Pacific, will escape the consequences. Countries such as Thailand have shown that well-planned health programmes can arrest the spread of HIV. Increased ODA could be spent on such programmes in the Pacific – preventing future problems before they arrive on our doorstep.

Often ODA is discussed in terms of “hip operations” or other supposedly forgone items of domestic expenditure. A much more meaningful comparison is between the cost of giving ODA now and the much greater cost of unaddressed global issues impacting on us at a latter date.

More positively, ODA can help us take advantage of the benefits of global integration. Properly given, ODA can lead to today’s aid recipients becoming tomorrow’s trading partners. South Korea’s development was promoted in part by ODA given in the 1960s. By 2004 South Korea was New Zealand’s 6th largest export destination, importing over NZ\$1 billion worth of goods annually.

Counter Arguments Addressed

Several arguments are commonly made by those opposed to increasing ODA. Each of these arguments is addressed below.

ODA doesn’t work

Critics of ODA frequently cite one or two well-publicised studies which purport to show that ODA has little impact on economic growth. Yet there is considerable recent empirical work that shows that ODA does have a positive impact on growth. The positive impact of ODA becomes even clearer in those studies that broaden their criteria beyond economic growth to include indicators like health and education. Critics of ODA also often point to development failures and then extend this argument to claim that ODA never works. Yet, in doing so, they ignore the huge achievements that are associated with ODA. ODA played a significant role in the ‘Green Revolution’ in Asia, the global eradication of Small Pox, the near eradication of Polio, and the control of African River Blindness. ODA also played a role in the economic transformations of South Korea, Botswana, Ghana and Vietnam.

It is true that there have been significant ODA failures in the past, but these have typically been associated with ODA that was given poorly or for geo-strategic reasons (like the ODA given to Joseph Mobutu in Zaire). When ODA is given well it works. And in New Zealand we can be proud of the fact that we have one of the world’s most effective Development Agencies (as verified by a recent, independent, OECD report). Because of this, we are in the enviable position of knowing that when we increase ODA we can expect positive results.

Trade not aid – low tariffs are all we need

Opponents of increasing ODA often make the claim that “trade not aid” is what is really required for economic progress. They then argue that because New Zealand has low trade tariffs it is already “doing its bit” to help the developing world. New Zealand can be proud that it doesn’t engage in the protectionism practised by the United States and the European Union. Yet it is mistaken to claim that trade is all that is required to foster development. Put simply, low trade tariffs are of no benefit to countries that don’t have the capacity to trade effectively. Typically, countries that have developed successfully have only opened themselves to the global economy once they have had the capacity to do so. ODA can play a key role in enhancing this capacity, assisting countries to trade effectively.

The real problem is corruption

The final argument commonly made against ODA is that corruption and poor governance are the real impediments to development, and that ODA is wasted upon corrupt or inept governments. It is certainly true that corruption and poor governance are major issues in developing countries, yet they are not the only issues. Research by Columbia University economist Jeffrey Sachs shows clearly that corruption is not the sole factor explaining underdevelopment. Sachs's research shows that factors such as disease burdens can significantly impede development.

In areas such as reducing disease burdens, ODA has a clear role to play. Moreover, ODA can be an important tool in tackling corruption and poor governance. Not only does ODA gives us leverage when dealing with corrupt governments, but ODA can also be used to empower civil society organisations, enabling them to act as 'watchdogs' scrutinizing their governments. Finally, it should be noted that poor governance is sometimes merely the result of inability rather than dishonesty on behalf of government officials. ODA can, by funding capacity building, be an important tool in overcoming this.

New Zealand's ODA as a Percentage of GNI Compared to other OECD Donor Countries

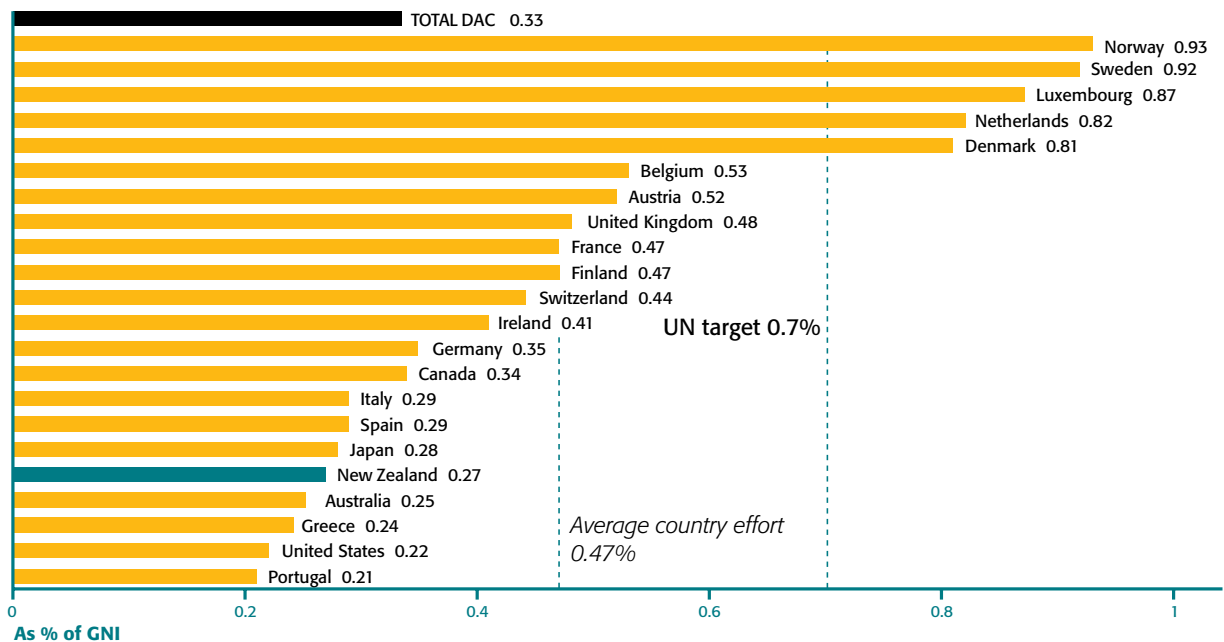


Chart source: OECD - from: <http://www.oecd.org/dataoecd/34/26/36418606.pdf>

New Zealand ODA as a percentage of GNI, 1970-2004

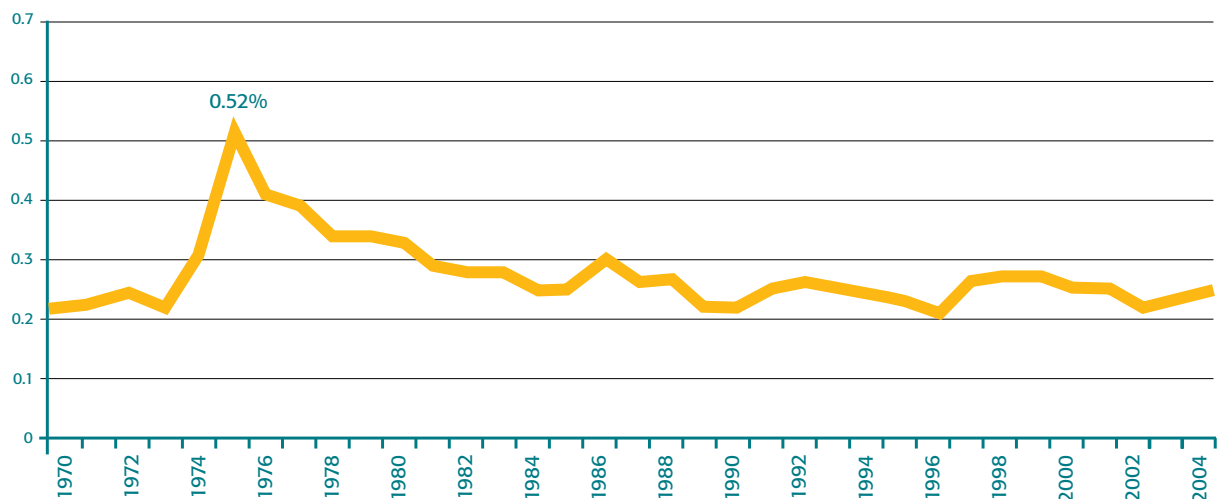


Table source: Council for International Development: Point Seven Briefing Kit. This kit can be accessed online at: http://www.cid.org.nz/news/point_seven_Resource_Kit_2004.pdf