THE HUMAN DEVELOPMENT COMPONENT IN NEW ZEALAND BILATERAL ASSISTANCE TO INDONESIA, 1981 - 1990

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"... development is not achieved from outside. If the underdeveloped mass does not become aware and transform itself into the agents of its own development, there will only be a semblance of development, an illusion of development, but not real development in the true sense of the word"

(Helder da Camara in ***Race Against Time***, 1971: 19)

ABSTRACT

This dissertation examines the extent of the human development component in New Zealand's bilateral assistance (ODA) to Indonesia over the period of 1981-1991. Its central purpose is to assess the level of implementation of New Zealand's 1981 Aid Principles in New Zealand's ODA to Indonesia over the same period. This entails an examination of aid allocation which was accomplished through an examination of official reports and other related publications.

Shifts in foreign aid theories have exerted a strong influence on New Zealand's aid philosophy and related policies throughout the whole period of the post-war aid, and the shifts since the early 1980s towards a more humane development focus have had similar influences on New Zealand's approach to development and development aid.

This study did not attempt to formulate any hypothesis which was to be tested with data collected from field research. It is primarily a literature research complemented with some analysis of secondary data available on the research topic. Nonetheless, some simple statistical instruments were used to test the findings whenever it was needed.

The results showed that there has been only a moderate implementation of the 1981 Aid Principles on human development in New Zealand's ODA to Indonesia over the period of 1981-1991 as a whole. However, it did find that, when the first three years (1981-83) were isolated, the results showed significantly higher indices of human development. The results also showed an overall downward trend in New Zealand's ODA to Indonesia over the decade of 1981-1991 which raises some concern.

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CHAPTER ONE

INTRODUCTION

The Purpose and the Scope of the Study

One of the major issues much debated and still very much controversial in the development literature is the issue of Foreign Aid. The concept has been used under several terms such as "foreign assistance", "development assistance" or "external assistance" over the years but the meaning which is nowadays widely used and accepted is the one that "encompasses all official grants and concessional loans, in currency or in kind, that are broadly aimed at transferring resources from developed to less developed nations (and more lately, also from OPEC to other Third World countries) on development and/or income distributional grounds" (Todaro, 1989: 482).

The concept of "development assistance" used in the present study follows the above definition. Bilateral assistance, obviously, describes the type of assistance given by New Zealand to Indonesia in a direct way and only involves the two countries, whereas "multilateral assistance" is provided through international assistance organizations.

The second concept which requires a proper explanation is the concept of **human development**. This is a relatively newly developed concept which was

introduced by the UNDP in 1990 (UNDP, 1990: 1) and has become increasingly popular since then. Although a precise definition of the concept did not appear in the same report, a brief description is "a process of enlarging people's choices" (ibid.). A further elaboration of the more critical of these choices comprise: to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. In addition, other choices such as political freedom, guaranteed human rights and personal self-respect, are also regarded as important (ibid.). The concept will be considered in more detail in Chapter II.

This study attempts to define and analyze the profile of the "human development" component in New Zealand bilateral assistance to Indonesia over the period of 1981-1990. Several considerations regarding the choice of topic, object, and period include:

1. the character of the topic which is regarded as still controversial in the development literature;
2. how "development strategies" have worked following the "development decade" of the 1970s as proclaimed by the United Nations, after the "lost decade" of the 1960s;
3. the relevance of New Zealand and Indonesia to this topic owing to the relatively long history in the aid connection between the two countries as donor and recipient respectively;
4. the particular relevance of Indonesia to this topic as one of the largest developing countries which spends a relatively large amount in the public sector (about 25%), but less than 1% of its GNP on human priority concerns (UNDP, 1991: 41).

The study analyses literature on foreign aid and project reports and official publications issued by the Ministry of External Relations and Trade (MERT) of the New Zealand Government. Additional information was obtained through interviews with officials of the same department directly involved in the projects' administration.

Foreign Aid Theory

The following discussion relies, to a large extent, on the excellent summary of arguments provided in Riddell, 1987.

Much has been written on this subject since the early 1950s from a wide range of perspectives, ranging from the whole spectrum of disciplines in Social Sciences to the philosophical arguments concerning its moral/ethical dimension. While most of the literature on this subject has been produced by writers from the developed countries - which include most of the donors - the impact of the views of some scholars from the developing countries has been equally significant. Their direct involvement with the daily realities of the "development process" has obviously provided them with much of the necessary material and the basis for the construct of their theories, regardless of the likely flaws that such an approach might incur. This section of the chapter will focus on four aspects of the subject: 1) the moral case; 2)theoretical debates; 3) assessing the evidence, and 4)retaking the middle ground.

The Moral Case

Since the inception of foreign aid in the United States foreign policy through the Marshall Plan in 1948 for the rehabilitation of Europe following its destruction during World War II (Hogan, 1988:27), most governments and supporters of aid have accepted, without further questioning, that aid should be given on some sort of **moral** grounds. Popular widespread support, as revealed in a national poll in Britain in 1983, just to mention one example, gave overwhelming support to this view (Riddell, 1987: 3).

Different sorts of moral arguments have been put forward by the donors. Some appeal to "human dignity" as the Jeanneney and the SIDA Report, others to the "duty of human solidarity", others on need, equality, and so on. A comprehensive classification of these different types of criteria include: human solidarity, alleviation of misery, needs, a sense of equality and the recognition of a newly created international community (ibid: 7). From the 1970s to the 1980s, however, the dominant theme was that "the rich have a duty to help the poor" influenced by the "basic-needs" approach in the development literature.

On the nature of moral obligation, which provides the basis and the starting-point for action to most donors, we can identify six different variables : 1)Christian faith and theology; 2)the human good; 3)needs; 4)utilitarianism; 5)Rawls' contractual theory of justice, and 6)rights, deserts and entitlements.

Theories of the Moral Case

The Christian faith and theology argument, with its foundation on the Bible and several important writings and documents from Church authorities, has served for centuries as the basis and the inspiration for action to Christians and nations in the West. Particularly within the Catholic Church, the teachings of Thomas Aquinas in his *Summa Theologica II-II* over 700 years ago, and more recently the *Populorum Progressio* of the Second Vatican Council in the late 1960s, explicitly outlines "the obligation of states to help to relieve the problems of underdevelopment" which stems from "a brotherhood that is once human and supernatural..." (1967: Nos.43, 44 and 48)[1]. An assessment of the two documents shows a movement from the theological dimension of Thomas Aquinas to a more philosophical basis for helping of the *Populorum Progressio.*

The second argument, the human good, is concerned with "accepting as fundamental the principle of promoting the human good", which, according to his advocate, Nigel Dower, ought to be done by all those who are in a position to do so (Dower, 1983: 3). In order to do that, one must have an understanding of what is being human and what is needed for human well-being. From this it follows that there is a "basic moral 'right to life' and the conditions necessary for it", and it is on this basis that he argues the rationale for official aid. For, once one has accepted the principle of human good, one should not discriminate between different people in different countries, and those living in affluence should be concerned and help the poor and deprived in the Third World (Riddell, 1987: 18).

The notion of need is frequently treated as a principle of justice, that is, "to each according to his/her needs" (Riddell, 1987: 19). Among several needs-based theories of justice expounded throughout history one is the well-known 'needs=harm' theory developed by David Miller in his book *Social Justice*. The core of this theory is that when one thinks of needs one should also think of the harm that the person will suffer if those needs were not met. Harm, according to Miller, is "actions that hinder the development of a person's 'plan for life'" (Miller, 1976: 130-131). To fulfil life plans, there are two types of activities: essential and non-essential. Essential activities include those like eating food, which are necessary to support the plan of life. Thus, one need to know the relationship between a person's needs and his/her plan for life (Miller, 1976: 133). Hence, the duty to help the poor in the Third World is based on an understanding of what the essential needs of the mass of people in that part of the world are and "the obligation to provide them incumbent on those who have resources in excess of their own basic requirements" (Riddell, 1987: 20).

Utilitarianism is another popular argument. It rests on the view that "the ultimate justification of any action over and against any other action is that it produces the greatest amount of happiness" (Riddell, 1987: 21). Thus, a dollar redistributed from a rich man to a poor detracts less utility than it adds, and therefore increases the sum total of utility. The most influential of the utilitarianism theorists is Lyons who, among several other concepts, developed the Act Utilitarianism, which states that an act is right if, and only if, it produces a greater amount of happiness than any other alternative. The implication for helping the Third World is that more happiness will be created overall by providing resources to those in need rather than to those whose basic needs have already been met (Lyons, 1965: 25-27)[2].

The next argument, also quite popular, is the "Rawls' contractual theory of justice", developed by John Rawls, an American philosopher. He criticized the utilitarians for falling short of answering certain important questions, and constructed his own theory of justice. The core of his theory of justice states that "it accepts and recognizes not only that people have rights to life but also that they have rights to the resources necessary to create the conditions for a basic life, even if acquiring these resources entails the extraction of these resources acquired otherwise legitimately by others" (Riddell, 1987: 23). In contrast with the utilitarian theory, it argues that the poor should receive the resources by right, regardless of the effect on the happiness of those affluents whose resources are taken away from them. By doing so, he brought back the moral issue into both economics and politics, following the interpretation given by Hirsch (1977: 134).

The last argument comprises 'rights, deserts and entitlements'. By rights, it is argued that if people have the right to life, they should also be provided with all those means indispensable to continue the right to life. The implication that follows is that, if Third World countries are incapable to provide the means of subsistence for all their inhabitants while other nations can do so, then the latter have the obligation to do so. This concept, in fact presents many similarities with the "needs" concept discussed earlier (Riddell, 1987: 23).

Deserts or justice-as-desert argues that, due to past injustices stemming from political domination and economic exploitation, the industrial countries are now in comparative affluence. As a matter of justice, the less developed countries have the right to lay claim to resources according to their respective contributions and efforts. This argument, obviously, links the obligation to help only to the degree of past

transgressions, and any compensation given should be proportional to the losses suffered by the less developed countries in the past (Ruttan, 1989: 415).

Finally, we come to the last component of the argument, that is, entitlement. The core of this argument states that, due to the uneven distribution of natural resources in this world, those areas which are more favourably endowed have an obligation to help those less favourably endowed. This argument, although might hold in certain cases, can be hardly sustained when challenged seriously (Ruttan, 1989: 415-416).

Critics of the Moral Case

There are broadly three groups of critics of the Moral Case. The first group includes those who question the very objectives or the essence of aid given by governments to foreigners, and they reject straightforward any moral obligations for governments to provide it. The theoreticians of this group are dominated by philosophers such as Nozick, Hayek, and Bauer, all influenced by John Locke, and also David Hume to some extent (Riddell, 1987: 25).

The second group, by contrast, is dominated by economists and writers concerned with Third World development. They include prominent figures ranging from the "leftists" on the one side of the spectrum to the "rightists" on the other side. Names like Friedman, Bauer, Krauss, Hayter, Seers, Myrdal and Lappe' *et.al.* figure in this group. The core of their criticisms states that, although there is some obligation to help the Third World, nevertheless government aid cannot and does not achieve the objectives of development (Riddell, 1987: 25).

The last group claims that narrow moral questions such as alleviation of poverty,

redistribution of incomes, efforts to narrow development gaps and alike, are irrelevant because, in their view, there are other more legitimate principles upon which governments should base their aid programs. Included in this group are those critics who reject the view that some nations can make moral judgements about other nations beyond their national boundaries. This group reflects the thought of a particular school of political science in the United States represented by Sumberg and Huntington, and some prominent members of the Reagan administration. Their arguments can be found within US official and semi-official documents, whereas the challenge to the moral obligation beyond national boundaries is made by the British economist Ian Little (Riddell: 25-26).

Assessing the arguments of the first group of critics, it was observed that the major weakness of their criticism was to attempt to explain about justice through narrow explanations, which is, obviously, a distortion. This is so because (social) justice can be understood as, following Miller, "to each his due", which comprises three elements: "to each according to his rights, to each according to his deserts, and to each according to his needs" (Miller, 1976: 151-152). Thus, the moral obligation to provide aid is based upon the obligation to help or the obligation to correct past injustices. These obligations sometimes can be based on the notion of rights, sometimes on the unjust distribution of previous or current deserts, but more often on the basis of need. In summary, the argument against the moral obligation to help, while might bear some strength, can never be accepted in its totality, because of its reductionist nature.

The second group of critics, which comprises writers from both the right and the left, and more recently from writers in the centre, have a common ground, that is, they all accept that there is an obligation to help the poor (similar goals) but, differ in

the means to achieve these goals. For those from the right, aid "is likely to retard improvement in the well-being of the masses" (Friedman quoted in Riddell:46), because it obstructs market forces from acting freely, an absolute condition of the capitalist economy. This is so because it expands the role of governments and limits the role of the private sector in the economy, and ultimately prevents the rapid growth of the economy. Such a view clearly assumes that rapid growth will definitely lead to poverty alleviation. Even food aid is criticized as profiting only the small minority of the ruling elite of the Third World by creating and/ or strengthening corruptors and dictators. The argument is put even more forcefully by Krauss that, not only government-to-government aid should be stopped by also government aid channelled through multilateral agencies because, in his view, "if economic growth succeeds, (then) poverty will take care of itself" (Krauss, 1983: 172). The implication of such an argument is that, there is not only no moral obligation to provide aid, but also, an extremely strong moral imperative not to provide aid (Riddell, 1987:48).

For some writers of the left, however, foreign aid is irrelevant because it does not reach the poor - and even if they did, they (the poor) do not really need it to lessen their hunger. What the poor really need, in their view, is to direct a development process in their own interests (Lappe' et.al.: 11-12). That market forces can play an essential role in achieving the objectives of development is a totally unacceptable argument for them because, in their view, market forces constitute the core of the problem. Intervention is a necessary condition, but intervention in the form of foreign aid is rejected because, in the words of Mende, it only "lubricates the market" (Riddell, 1987:52).

The position of those from the centre is similarly quite interesting. Two

prominent figures, Gunnar Myrdal and Dudley Seers, were convinced, in 1950s and 1960s, that aid ***per se*** was good for the South. From the early 1980s, however, both became increasingly sceptical about the usefulness of aid to the poor, and both strongly criticized the Brandt Report for exploiting the meaning of aid[3]. With regard to the moral obligation to help the poor, both maintained their original position but only on the condition that donors should be absolutely sure that aid would be used strictly for elementary needs in a really poor country. They did not advocate a total abandonment of aid like those in the extreme left but, at the same time, they did not agree with the line taken by the Brandt Commission to increase the aid volume which, in their view, would only produce more negative effects (Riddell, 1987:53).

A broad assessment of both groups of critics suggests that they are diametrically opposed to each other regarding the role of the market and, to some extent, mutually exclusive. This also applies to their views on the role of the state. However, both agree on one point: that the state, or more precisely, the ruling government, is not primarily concerned with the alleviation of poverty but, on the contrary, uses its influence to frustrate the very objectives of development. This view was also shared by the two prominent figures from the centre, Seers and Myrdal (Streeten, 1984: 111-117).

The views of those considering the ethical implications for aid can be placed into four groups. The first group include Seers and Myrdal who hold that there is a moral obligation to change existing institutional structures. Hayter and Mende come in the second group, contending that aid in its present form is harmful. While some differences do exist between them, both believe that government intervention and structural change in the world economy and in local Third World economies are essential to promote the objectives of aid. Hence, there is a moral obligation both to provide aid and to alter

existing structures. Lappe' ***et.al.*** comprise the third group. Their position is somewhat ambiguous, sometimes falling within the Seers-Myrdal perspective and sometimes along Hayter's line. In either case, the moral obligation is still there, albeit subject to strict conditions (Riddell, 1987: 57). This leaves us with the only group of critics who contend that there is an obligation to stop providing (most) aid, that is, those from the right.

The last group of critics, whose position is based on perceived national self-interest, can be divided into two: the first bases its belief on the principle that government action beyond national borders should be exclusively guided by considerations of national interest, and the second, more extreme, that moral obligation does not exist beyond national borders at all. Both arguments lead to the conclusion that there is no moral obligation to help the Third World in general or the poor of those countries in particular (Riddell, 1987: 61).

Advocates of national self-interest point to the foreign policy orientations of several major Western countries such as the United States and Britain. Yet a comprehensive analysis of the development of the same policies will show that "the national self-interest criterion has waxed and waned in importance during various phases" in the recent history of several western donors (Riddell, 1987: 61). The most typical example is the USA since President Truman's Point Four program in 1949 down to the present day (Hayter, 1981: 83, and Myrdal,1970: 355). As we shall see later in this study, this also applies to a large extent to New Zealand.

The second variant of the national self-interest argument is based on the ground that there is no international moral community in this world. There is, of course, a degree of interdependence among countries but this is a 'material fact', whereas

community is a 'moral fact'. Thus, official aid is to be seen more as charity rather than as a response to a moral duty (Hoffman, 1981: 151-2).

A comprehensive assessment of the real situation, however, leaves no doubts that the real world is more complex than the pseudo-dichotomy of either moral or national self-interest criteria. With the exclusion of those for whom the matter of national self-interest is irrelevant or of no interest, one can classify the relationship between morality and national self-interest, following Riddell, in five different views:

"i) National interest considerations are important in deciding whether aid should be given, to whom, in what quantities and in what form, but so too are moral considerations and both should be referred to in assessing the basis for providing aid.

ii) National interest considerations are important in aid decisions but the needs of the Third World create such an overriding moral imperative to assist that prior consideration should be given to helping to solve these problems even if this results in conflicts with the broad national interest of the donor.

iii) National interest considerations are fundamental in decisions on aid, but the needs of the Third World provide an important moral perspective and to the extent that the provision of aid on the basis of this moral perspective is in harmony with pursuing the national interest, then aid should be granted; to the extent that it is not, then aid should be withheld.

iv) National interest considerations are fundamental in decisions on aid and all other criteria are quite irrelevant.

v) National interest considerations are fundamental in foreign policy decisions issues, and the national interest is best served by providing no aid to the Third World" (Riddell, 1987: 65).

Assessing the above statements, one can easily identify statement (i) as the most widely held by aid donors in official pronouncements, but when faced with some conflict between the two values, they either opt for statement (ii) or statement (iii). Aid lobbyists either favour one or another (ii and iii), whereas most governments tend to implement statement (iii). Statement (v) can be traced back to Nozick's entitlement

theory which has been refuted as unconvincing and hence, ruled out[4]. The remaining statement (iv) can only be held valid if the concepts "morality" and "national interest" are totally distinct and mutually exclusive to the extent that appeals to the national interest exclude all moral considerations. A quick look at some examples of governments' stance concerning this matter will clearly show that, whether enshrined in their constitutions - as in the case of the USA - or in the form of state philosophy, most governments base their actions on shared beliefs of universal values. Hence, broadly speaking, for these countries (and perhaps covering most countries in the world), national interests are grounded in beliefs which are of highly moral value and shared universally. Further, it can also be argued the other way around that, with the increasing deterioration of conditions in much of the Third World, it is in the national interest of the developed (donor) countries to help them (moral obligation) to prevent further deterioration which, if left alone, will inevitably harm the industrialized countries in this increasingly interdependent world (Riddell, 1987: 68).

To sum up, whether on the basis of universal values or on mutual interest, the national self-interest argument carries within it the obligation to help the Third World, hence reinforcing the Moral Case.

The second type of the national self-interest argument is based on the assumption that sovereignty is an absolute concept and, as such, each state has the right to pursue its own interests within its own borders. Two questions can be raised regarding this: first, to what extent is the concept of absolute sovereignty true, and second, do states have any obligations beyond their borders? With regard to the first question, there is little doubt that certain restrictions imposed in the interests of the international community have been accepted by all states in one way or another, therefore limiting

their degree of sovereignty. Further, the proliferation of transnational corporations, international associations and cross-country groupings in today's world, is another strong indication of how relative the concept of absolute sovereignty has become nowadays[5]. And perhaps even more significant is the voluntary agreement on the part of many states to submit reports to international juridical bodies (e.g. the UN Human Rights Committee) on the progress achieved in complying with agreed norms (Hodson, 1984: 131).

The second question can also be argued from the viewpoint of 'dominant moral values' which prevail within a nation and which contain universal values that are not confined to national borders. By extension, it can also be applied to the 'international community'. Indeed, there has been an increasing international consensus since 1945 over several issues concerning human rights, which is clear evidence of the existence and acceptance of a common ground among nations[6]. The influence of international human rights organisations such as Amnesty International has also been substantial in some societies, and its role is increasingly respected all over the world. In addition, several norms and principles debated at the international level are having impacts on domestic moral perceptions.

This discussion leads to the conclusion that national borders are no longer the frontiers for governments action in meeting their accepted moral obligations towards individuals of other nations who suffer from starvation, human rights abuses, and other forms of deprivation. Summing up, the national self-interest argument, while containing some appeal, does little to undermine the moral case for aid.

Theoretical Debates

The origins of economic aid to less developed countries can be traced back to the old colonial links between Western imperial countries with their overseas territories, but the historical event that gave a major impact to the aid relationship among countries (and the origins of aid theory) in the modern era was definitely the Marshall Plan in the post-war period for the recovery of Europe (Hogan,1988: 27). Since then, foreign aid has become an increasingly important facet in international relations both for the Western and (formerly) Eastern blocks, partly based on old colonial links but more often on political/ideological and economic considerations. Curiously enough, despite their alternative theories of development, most contemporary economists and development analysts, almost in unison with their political counterparts, have subscribed to the view that foreign aid is an essential ingredient for accelerating development. The success of the Marshall Plan in Europe has been definitely a determinant factor for the widespread acceptance of this view.

Theoretically, one can trace back the origins of the conventional aid theory to the Keynesian economics of growth applied to industrial countries. Its merits lies specially on the challenge made to neo-classic economics (*laissez-faire*) on the need for state intervention in the economy. Of particular importance is his view that "savings and investments are not automatically equated through changes in the rate of interest while income levels remain unchanged, but that their levels can be altered by changing levels of aggregate demand", hence providing the basis for arguing that intervention in the economy can help. Keynes further argued that "economic stability and a full employment level of output occur... only in very particular circumstances... and without

state intervention, unemployment will be the rule rather than the exception" (cited by Riddell, 1987: 86-87).

It was Harrod and Domar, however, who extended Keyne's basic ideas to the longer term development through the introduction of the concept of the capital-output ratio and the assumption that it remained fixed over a specific time period. Their contribution to the aid and development debate is that they have a dynamic model of development susceptible to policy influences (Todaro,1989:488).

The first figure to make explicit reference to the Keynesian growth theory was Walt Rostow in the mid 1950s. He is regarded as the bridge between the politics and economics of aid, because his economic theory was closely associated with a specific political ideology[7]. In spite of the lack of acclaim his ideas received in economic circles, he, nevertheless, exerted a strong influence over a large number of decision-makers with his concept of stages of economic growth. Of particular importance is the stage of "take-off into self-sustaining growth" (Rostow, 1961: 39-40) and, in the present context, 'how can the less developed countries achieve the take-off to self-sustaining growth and join the community of developed and industrial countries?' In answering this question, he leaned strongly on the Harrod-Domar model of long-term economic growth (Riddell,1987:87-88).

In addition, he proceeded into defining the three conditions for the take-off, that is: first, there has to be a significant increase in the rate of net investment; second, there has to be a high rate of growth in one or more of the manufacturing sectors, and; third, an institutionally favourable environment to transmit the impulses created by the growth to the whole economy should exist (Rostow, 1961: 44). It is in increasing the investment rate to accelerate the process of economic growth to achieve the take-off that

he gives a critical role to economic aid. However, in his view, aid is needed only in the period prior to take-off, that is, between 10-15 years (Milikan and Rostow, 1957: 54).

In spite of his efforts, Rostow fell short of elaborating his 'economic' ideas about the role of aid in accelerating the pace of development in Third World countries. This was left to Holis Chenery, together with Alan Strout. Aid, in their view, contributes "by relieving certain specific bottlenecks inhibiting domestic growth and development, and in fulfilling this role it increases the efficiency of the domestic resource base" (Chenery, 1966: 680-1).

Two different kinds of gaps of domestic resources characterize their model: first, the investment-limited growth gap, in which skills and savings are in short supply; second, the trade-limited growth gap, characterized by short supply of foreign exchange because of lower export earnings *vis-a-vis* import needs. Within this model the role of foreign aid is perceived as to help to bridge each of these gaps at the different stages of development, until the self-sustaining stage is achieved (Todaro, 1989: 488)[8].

To achieve the self-sustaining stage, it was argued, the developing economy has to pass in turn through each of the following three stages. Phase I is characterized by a skill limit in the economy but without any balance-of-payments constraints. Foreign aid in this phase is essential in filling the gap between the increment in investment and that in domestic saving until the point when the rate of investment is high enough to sustain the target growth rate. In Phase II, which is essentially a transitionary phase, foreign aid is only of secondary importance but it will still be needed to help raise the rate of increase of investment, because the marginal saving rate is still bellow the target level due to skills constraint. Whereas in Phase III aid is only incidental to fill the trade gap because of structural rigidities. However, both writers have been careful enough to

avoid making any suggestions of a mechanistic or automatic changes derived from their model because they did lay great emphasis on the operation of domestic policies within which external flows are inserted (Riddell, 1987: 90-1).

The development debate in the 1970s and 1980s

By the end of the 1960s and early 1970s the growth-oriented theories of the past could no longer be theoretically sustained. Those holding the view that aid helped to reduce 'bottlenecks' in developing countries grew less optimistic. The situation for the poorest groups deteriorated because of the failure of the so-called "trickle-down" effect. Instead of speeding up the development process - the basic tenet of the role of foreign aid - some evidence seemed to show that aid led to a widespread slowdown of the same development process.

Two responses surfaced. The first, in the mid to the late 1970s, emerged from the disillusion with development strategies of the 1960s and its justification for providing aid. It pushed towards a greater concern with the growing problems of poverty. The second, while acknowledging past failures of the development engine, sought ways to start it again by rebuilding it (Riddell, 1987: 94).

An assessment of the shifts in emphasis which occurred during the 1970s and 1980s among policy-makers and official aid agencies indicates the following:

- redistribution with growth and basic-needs approach to development became the major concerns of the 1970s, hence shifting away from the growth models of the previous decade;
- another shift occurred at the end of the decade, in 1979, focusing attention back

on questions of aggregate growth and development; some donors reasserted their belief in growth as a means for poverty alleviation while others continued with their poverty-oriented policies;

- a major shift took place in the 1980s with what has become known as the adjustment process, which consequently affected the role of aid, now perceived as central for furthering the adjustment process (Riddell, 1987: 95).

Critics of Aid

Criticism of aid has come from both the left and the right. This section discusses in more detail their respective views. First, the critics from the left.

There are two distinct groups of leftist critics of foreign aid: the institutional pessimists and the structural theorists. The institutional pessimists place emphasis on recipient governments and conclude that "the interplay of power and economic interests prevents them from utilising the aid provided in a manner conducive to poverty alleviation in their countries". The structural theorists, on the other hand, while agreeing with the former, contend that "aid is part of a structural relationship between rich and poor countries which has evolved over time to underdevelop the Third World" (Riddell, 1987: 131).

Among the most influential of the institutional pessimists are Seers and Myrdal. Two important assertions raise from their assessment of recipient countries: first, that much aid has been hijacked by corruptors in the Third World and, secondly, that the aim of developing countries rulers is not to fight poverty but, on the contrary, to keep the masses in a state of continuing deprivation. Another assertion made is that where

economic growth has been rapid, the poor has rarely benefited (Seers and Myrdal, 1982).

The most radical criticisms, however, come from the structural theorists which include writers like Jalee' (1968), Hayter (1971 and 1981), Wood (1980), and the well-known writers from the Dependency School such as Baran and Frank. In their view, the Third World poverty is not an original state but rather the result of imperialist exploitation. Aid is part of such a process of imperialist exploitation (Jalee') whose sole purpose is to attempt to preserve the capitalist system in the Third World (Hayter). Aid, according to the 'dependentistas', is an element in the dominant relationship of the centre/metropolis (the donors) over the periphery/satellite (the recipients), which only functions as a catalyst in the process of underdevelopment that has already taken place. Aid is not a solution but rather a part of the problem which inevitably will lead to further impoverishment of the Third World or, as they put it, to the "development of underdevelopment" (Riddell, 1987: 135-6).

The answer, for some, is to place greater emphasis on redistribution to accompany growth strategies, while for others, a fundamental and radical restructuring of wealth is required. A more radical approach was advocated by Frank, that is, to severe all relations with the centre through social revolution and concentrate on a self-reliant development (Frank, 1969: 149-161).

Against the pessimistic perspective of both structuralists and 'dependentistas', and the more deterministic view of the latter, the counter-argument points to the following:

1. theoretically, both strands of critics failed to elaborate an alternative development theory and, ironically, radical theories of development do not

unanimously lead to the conclusion that aid is always harmful;

2. the examples upon which the radical leftists base their theories to draw their conclusions on aid are limited in scope (this also applies to Warren's optimistic perspective);

3. with particular reference to the dependency paradigm, determinism, lack of rigorous analysis, highly abstract nature of the theory, and the failure to provide a satisfactory explanation of the actual process of development in the Third World, constitute its main weaknesses.

The overall conclusion from the discussion on the leftist critics of aid is that most of their arguments cannot be accepted. That said, it does not follow that their arguments have no merit. Their contribution to the development debate has been invaluable. Indeed, apart from highlighting the crucial influence of external factors such as political, historical, and patterns of income and wealth distribution can and do play in a dynamic development, they also challenged the naive perspectives of the growth theorists and professionals. With particular regard to the aid debate, they demystified the then almost universal acceptance of an automatic linkage between aid and development outcomes, as well as pinpointing such issues as poverty, corruption and growth inequalities in countries where the influence and impact of aid was expected to do far better (Riddell, 1987: 153).

The criticisms from the right cover a spectrum which ranges from the most extreme to the less extreme *laissez-faire* theorists. Extremist rightist critics are against all forms of aid which is regarded as a form of intervention channelled to recipient countries. In their view, aid obstructs the free operation of the market, distorts the price system, and impedes private-sector development (Bauer, 1979: 239). Whereas the second

group favours a type of aid that is directed at the expansion of the private sector within the framework of a gradual lessening of government intervention in the economy, hence in the context of declining overall aid flows (Riddell, 1987: 157).

Economists Friedman, Bauer, Yamey and Krauss all four shared the view that "because economic development is best promoted by extending and expanding the penetration of market forces, then aid as presently distributed and channelled should be reduced or, better still, eliminated" (Bauer, 1979:239, and Friedman, 1958: 78)[9].

To what extent are those assertions justifiable can only be assessed through cross-country evidence. The most frequently cited evidence to support the views of the rightist critics is the case of the NICs of East Asia, including Japan. However, a careful analysis of the economic development of those countries clearly reveals that their successes can be, by no means, attributed to exclusive reliance on the market and to minimal state intervention. On the contrary, there have been "effective, highly interactive relationships between the public and private sectors characterized by shared goals and commitments embodied in the development strategies and economic policies of the government" (Bradford: 123). Additional evidence from Latin America also show that, contrary to the expectations of the advocates of *laissez-faire*, the private sector simply failed to take up investment opportunities offered to them by the state even under a protected and privileged position in the market. Similarly, one would hardly find any evidence suggesting that the private sector, domestic or foreign, has invested in large infrastructural projects, or been willing to invest in basic sectors such as basic education and health to the rural poor, or in increasing the participation of small farmers in the modern sector of production (Fishlow, 1985: 126).

The conclusion is that, there are insufficient grounds at a cross-country level to

support the claim that free-market policies, and a greater reliance on the private sector, provide in practice the best alternative for sustained and more rapid economic growth than do mixed economy approaches. Rather, a combination of several mixed policies have been the key for the success of several NICs. Hence, the argument of the rightist critics that all aid to the Third World should be totally or partially stopped to enable the market to operate freely carries very little weight. On the contrary, faced with the increasing needs of poor countries nowadays, there is an even stronger suggestion that aid money should be increased. Their major contribution to the aid debate is that they have questioned about naive interventionism and shown the need to carefully weigh the costs and benefits of market solutions against the perpetuation of price distortions in recipient countries.

Assessing the Evidence

Several studies have been undertaken on aid at cross-country level. In 1980, the Brandt Commission published a report which recognised the usefulness of aid in terms of the achievement of the projects intended and in diminishing hardships in low-income countries, as well as in providing a basis for progress in rural development, health and education. The same report, though criticizing several aspects of the uneven relationship between donor-recipient countries, concluded by recommending an increase in aid volume as a "high priority for alleviating the worst deprivation in the developing world" (Brandt Report, 1981: 7).

Another study, published in 1986, was conducted by Robert Cassen with very interesting results. Although the general conclusion of his findings was that "the bulk

of aid has been effective in attaining its developmental objectives, though a substantial proportion has not", he also found:

1. The record of almost all aid is least satisfactory where good performance was most urgently needed such as in the poorest countries, particularly in sub-Saharan Africa;
2. Countries with higher investment-aid receipts did achieve relatively high domestic savings rate;
3. Only a very small fraction of aid goes to directly poverty-oriented projects;
4. On a regional level, South Asia and Southeast Asia had done much better than Africa, particularly in the area of aid for rural development;
5. Policies in both donor and recipient countries must be supportive, as well as the political and social processes in recipient countries;
6. there is only a slight relationship between aid and growth when all developing countries are considered together; this is because aid, on average, is relatively small and "only one of the many factors responsible for growth" (Cassen, 1986: 297-8).

In terms of aid performance by rate-of-return or other criteria, the same study found that between two-thirds and three-quarters of aid projects were judged satisfactory, and only a small percentage (less than 10 percent) had failed (Cassen, 1986: 12). Another evaluation conducted by the World Bank on more than 500 projects they had funded produced similar results, with only 14 percent judged unsatisfactory or uncertain in outcome. Similar results were reported by two other important banks, the Inter-American Development Bank (IDB) and the Asian Development Bank (ADB) on projects they funded (World Bank, 1985: 105).

The above are the results of some of the most important studies on the performance and impact of aid in developing countries. In spite of some critics raised against the methodology and several other inadequacies, there seems to be no major problems affecting the results of such findings.

Retaking the Middle Ground

Two conclusions can be drawn from the discussion in this chapter. First, that in spite of efforts to prove the relationship between aid and development, the results have failed so far to show any automatic relationship. This may in part, be due to inadequacies in the methodology and partly due to the complex nature of development itself. Secondly, that while aid is by no means the necessary or even the crucial ingredient for development, it can and does assist in the alleviation of poverty, directly or indirectly. With regard to this point, however, one important remark has to be pointed out, that is, "where poverty is at its most acute and the need for help at its greatest, the effects of aid intervention are likely to be the least capable of being predicted, monitored and evaluated" (Riddell: 269).

The above conclusions lead us to another further conclusion which is that, despite its inadequacies and failures, the general case for aid remains strong. The moral case for aid is also upheld, not because aid has always been successful in alleviating poverty, but because alternative means of helping lack the general support and the need to help is often so urgent.

Finally, we come to the last issue, that is, the quantity and quality of aid. Does the volume of aid need to be increased to achieve the United Nations recommended

target of 0.7 % of individual donors' GNP or should donors focus their attention on increasing aid effectiveness? Or should both approaches be supported?

There are two different attitudes towards this question. The first, adopted by the *World Development Report 1985* (published by the World Bank), recommends that, due to economic difficulties in developing countries and the budgetary constraints of donors, the only way is to increase the effectiveness of official aid. The report suggests three ways of implementation: **a**) by putting greater emphasis on policy reform in recipient countries; **b**) by developing flexible instruments to meet the specific needs of recipients; and **c**) by coordinating their assistance programs more closely (*WDR*, 1985: 105). A similar view was advanced by the UNDP in its *Human Development Report 1991*, but with an emphasis on "restructuring aid budgets", that is, donor countries should restructure their aid budgets by allocating a greater percentage to human priority concerns (UNDP, 1991: 56-57).

The second view stresses both the effectiveness and the need to raise the volume. This view is held by the Development Committee's Task Force on Concessional Flows 1985 of the World Bank[10]. To achieve this, it proposed the following measures:
a) increasing the effectiveness of official aid; **b**) changing present country allocations of ODA; **c**) concentrating expected increments in ODA on low-income countries; **d**) combining ODA with less concessional flows, mainly other nonconcessional official flows in ways that would result in a higher overall volume of external resources; **e**) supplementing ODA flows by encouraging one or more of the following: increased flows of voluntary contributions; contributions of ODA from new donors; earnings from trade; and foreign private investment (Burki and Ayres, 1986: 9).

We conclude this chapter of the opinion that the case for foreign aid to

developing countries remains strong, both on moral and theoretical grounds. There is a need for aid donors to increase aid volume and restructure aid allocations and there is a need also for policies in donor and recipient countries policies to pay particular attention to the needs of the poorest groups in developing countries.

NOTES:

1. Even Streeten, an eminent professor, in a 1976 article entitled '**It is a Moral Issue**' appealed for such an obligation when he wrote: "Even if we had no share at all in the responsibility, the Christian and humanist belief in the brotherhood of man imposes certain obligations to alleviate misery and to aid in the full development of others where we can" (quoted in Riddell, 1987: 17).

2. Lyons second most important concept is the **Rule Utilitarianism** which states that "an act is right if, and only if, it conforms to a rule whose general acceptance would produce a greater amount of happiness than the general acceptance of any alternative" (quoted in Riddell, 1987: 21).

3. Aid was seen both as financial transfer and as help by the Brandt Commission, thus it was used with a double meaning.

4. The implications of Nozick's **entitlement** theory to the ethics of aid is that it leads to the view that governments have no obligation to act except within the boundaries to preserve and maintain the minimal state which excludes any intervention in the form of economic distribution. This is unacceptable by all accounts.

5. Starke, an international layer, described the challenge against the absolute nature of state sovereignty in today's world thus: "There is hardly a state which, in the interests of the international community, has not accepted restrictions on its liberty of action... Therefore it is probably more accurate today to say that sovereignty of a state means the residuum of power which it possesses within the confines laid down by international law... In a practical sense, sovereignty is largely a matter of degree" (quoted in Riddell, 1987: 70).

6. The most recent evidence is the Bangkok Declaration adopted on 3 April 1993 by representatives of Asian states within the framework of preparations for the World Conference on Human Rights. While several considerations on cultural, regional and national specificities were paid particular attention, the declaration also reaffirmed its commitment to the universality of human rights as contained in the Universal Declaration of Human Rights (Bangkok Declaration, 2 April 1933, Indonesia Publications/Task Force).

7. One of Rostow's well-known books, **The Stages of Economic Growth A Non-Communist Manifesto**, explicitly manifests the political tone of his ideas.

8. Algebraically, the two-gap model can be formulated as follows:
1. The savings constraint or gap: $\leq F+SY$ where F is the amount of capital inflows. If F plus SY exceeds I and the economy is at full capacity, a Savings gap is said to exist.
2. The foreign exchange constraint or gap: $m_1I+m_2Y-E \leq F$ where E is the exogenous level of exports (Todaro, 1989: 488).

9. In another article co-authored with Yamey entitled '**Foreign Aid: What is at Stake?**' both authors did not only emphasise market failures as the main repercussion of official aid but also included political and social repercussions to the list of failures (Meier, G., 1984, **Leading Issues in Economic Development**, New York, Oxford University Press).

10. Established in May 1982, the Task Force on Concessional Flows comprised governmental representatives from a diverse group of industrial and developing countries. It was chaired by Prof. John P. Lewis while Prof. Robert Cassen was appointed as the head of an "independent" team of consultants. Its objective was "to study and assess the flows of short and long-term ODA, their use, and their effectiveness" (Burki and Ayres, 1986, **Finance and Development**, IMF and World Bank, March, Vol 23, No. 1).

CHAPTER TWO

THE IMPORTANCE OF HUMAN DEVELOPMENT IN DEVELOPMENT ASSISTANCE

Human Development defined

Reference has been made already in the preceding chapter to the concept of Human Development, which was described as "a process of enlarging people's choices". Some of the most critical of those wide-ranging choices have also been defined as to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. Political freedom, guaranteed human rights and personal self-respect are also included as important additional choices (**UNDP**, 1990: 1).

The link between development and these choices is that development enables people to have these choices or, at least, create a "conducive environment" for people, individually and collectively, to develop their full potential and to have a reasonable chance of leading productive and creative lives according to their needs and interests[1]. Thus, human development is concerned both with the formation of human capabilities and the productive use of these capabilities for work, leisure, political, cultural and other activities. The former requires investment in people whereas the latter requires that people contribute to growth and employment (**UNDP**, 1992: 27).

The concept of human development denotes both the process of widening people's choices and the level of their achieved well-being. Compared to other

conventional approaches to human development, the Human Development approach represents a step ahead, as summarised below:

- **GNP growth**: cross-country experiences have shown that GNP growth is necessary but not sufficient for human development. Additional policy steps must be taken to ensure human development.
- **Theories of human capital formation and human resource development**: essentially view human beings as a means rather than as ends, therefore they are concerned only with the supply side. Human development approach, by contrast, is concerned with both the supply and demand sides.
- **Human welfare approaches**: the major difference with the Human Development approach is that human development looks at human beings both as beneficiaries and participants of the development process, whereas human welfare approaches concentrate mainly on the beneficiary aspect or the distributive policies.
- **Basic needs approach** usually concentrates on the provision of basic goods for the deprived population groups rather than on the issue of human choices (**UNDP** 1990: 11).

All the above characteristics of human development as opposed to other already established approaches are derived from the basic tenet that development is essentially the development **of** people, **for** people, and **by** people (**UNDP**, 1992: 27). All three aspects are regarded essential and must be always taken into account.

Within this broad perspective, a new and more comprehensive index for measuring human development called **human development index**, was introduced in the 1990 Report. The index is an approximation for capturing the various dimensions of human choices and comprises the rates of life expectancy (longevity), literacy and

command over resources needed for a decent living standard (**UNDP**, 1990: 1).

Life expectancy at birth is the indicator for the first component - longevity. Apart from the intrinsic value that it has in itself, a long life is a valuable indicator of other closely associated variables such as adequate nutrition and good health.

The second key component - knowledge - is measured by literacy figures, even though it is only a crude reflection of access to education. Knowledge is important in human development because it enables people to contribute more for a productive life in the modern society and opens a wider perspective for people's choices.

Command over resources needed for a decent life - the third key component of human development - is the most difficult to measure. This is because it requires data on land, credit, income and other resources. Due to such constraints, income per capita - which has a wide national coverage - is the most readily available indicator. However, the presence of non-tradable goods and services and several distortions from exchange rates, tariffs and taxes reduce the ability of income per capita for international comparisons. A better and more approximate indicator is the **purchasing-power-adjusted** real GDP per capita, which is an indicator of the relative power to buy commodities and command over resources for a decent living standard (**UNDP**, 1990: 12).

Refinements in the human development index have been defined in the 1991 Report. Although its three key components still remained the same, the second and third components have been refined in some of their indicators. The educational attainment is now measured by a combination of adult literacy and mean years of schooling. thus acknowledging the importance of high levels of skill formation. Whereas the income factor has also been improved by taking into account the idea of diminishing returns to

income and, consequently, by giving a progressively lower weight to income beyond the poverty cut-off point, rather than the zero weight previously given (**HDR**, 1991: 15)[2].

Another dimension of human development is **human freedom**. This was stressed in the 1990 Report, and again in the 1991 Report. Human freedom is vital for human development. People must be free to choose their economic systems, and they must have an active and decisive voice in shaping their political frameworks. As the 1991 Report puts it in one of its conclusions: that 'high levels of human development tend to be achieved within the framework of high levels of human freedom' (**ibid**: 3).

One of the important requirements for human development is economic growth. This is not to say that economic growth is a sufficient condition for human development for, 'high growth rates do not automatically translate into higher levels of human development' (**ibid**: 1). Rather, a comprehensive and carefully planned policy which is consistenly implemented is most required in order to translate the gains of high economic rates into improvements in human development. On the other hand, human development is also critical to economic growth. Investment in people has shown high rates of return as demonstrated by several developing countries' experiences, albeit in the long-run.

An assessment of cross-country experiences in human development shows that there are three broad categories of performance. The first group includes countries with **sustained human development**, where human development has succeeded, sometimes achieved very rapidly, but sometimes more gradually. The Republic of Korea, Costa Rica, Botswana, Malaysia and Sri Lanka are examples of this category.

The second group is characterised by **disrupted human development**, where initial success in human development has slowed down significantly or even reversed.

Examples of this group are Chile, China, Colombia, Kenya and Zimbabwe.

The last group includes those countries which have **missed opportunities for human development**. In spite of their good economic performance with relatively high growth rates, they failed to translate it into human development. Brazil, Nigeria and Pakistan have been cited as examples of this category (**UNDP**, 1990: 42).

Several important conclusions were drawn by the 1990 Report from the country cases analysis. First, that 'growth accompanied by an equitable distribution of income appears to be the most effective means of sustained human development'[3]. The best example for this was the Republic of Korea. Second, that it is possible for countries to make significant improvements in human development over long periods through 'well-structured social expenditures' by governments, in spite of the absence of good growth and adequate distribution. Malaysia, Botswana, and Sri Lanka provide good examples for this case. Third, that 'well-structured government social expenditures can also generate fairly dramatic improvements in a relatively short period', as shown by Chile and Costa Rica. Fourth, some form of targeted interventions may be necessary to maintain human development during crisis periods as recessions and natural disasters. Botswana, Chile, Zimbabwe, and the Republic of Korea in 1979-80 provide some examples for this conclusion. Fifth, 'growth is crucial for sustaining progress in human development in the long run', otherwise the process will slow down or be disrupted. Chile, Colombia, Jamaica, Kenya and Zimbabwe provide good examples of this case. Sixth, that rapid periods of GNP growth are not a guarantee for improvements in human development if the distribution of income is bad and if social expenditures are low (Nigeria and Pakistan) or benefited only by those who are better-off (Brazil). And finally, that the achievements of some countries in certain aspects of human

development (as in education, health and nutrition), 'should not be interpreted as broad human progress in all fields', especially when we come to the question of democratic freedoms (**UNDP** 1990: 42).

Financing Human Development

As stressed earlier in this chapter, the best strategy for human development is to increase the primary incomes in society 'by unleashing the creative energies of its people, its resources and its capacities, and by ensuring that these incomes benefit the majority of the population' (**UNDP** 1991: 38). Strong policy action is the necessary condition for achieving those goals of the generation and better distribution of primary incomes, as the experience of the newly industrializing East Asian economies shows. The state plays a crucial role within this framework by:

1) Allowing markets to work properly by ensuring competition but without stifling small enterprises (in other words, by protecting them as much as possible);

2) Correcting for failures of the market by discouraging environmentally unfriendly activities and certain types of stock exchange speculation and conversely, by encouraging and subsidizing activities such as public transport;

3) Supporting important public goods such as a legal framework, public parks and defence and national security;

4) Ensuring that people are at the centre of development by "investing in the formation of human capabilities, mobilizing and using people's productive and creative

potential and making social security arrangements available to those who may not be able to help themselves"- such as the unemployed, the elderly and disabled, and other incapacitated people (**UNDP**, 1991: 39). It is on this last aspect that we will concentrate in the following discussion.

The analysis of public spending on human development is a new approach introduced by the 1991 Report. It suggests four ratios to be used both for the design and monitoring of public spending on human development. They are:

1) The **public expenditure ratio**, which is the percentage of national income that goes into public expenditure;

2) The **social allocation ratio**, which reflects the percentage of public expenditure earmarked for social services;

3) The **social priority ratio**, which is the percentage of social expenditure devoted to human priority concerns;

4) The **human expenditure ratio**, which is the percentage of national income devoted to human priority concerns (**UNDP** 1991: 39).

The **human expenditure ratio** is the product of the first three ratios. Its use as a 'powerful operational tool' for policy-makers who want to restructure their budgets by correcting imbalances and considering the available options. Within this framework, if public expenditure is already high (as in the case of many developing countries) but the social allocation is low, then the budget will need to be reassessed to see which areas of expenditure could be reduced (e.g. military spending, loss-making enterprises, or huge public projects with little benefit to the lower income groups). However, if the first two ratios are high but the ultimate human development impact is low, then the social priority ratio must be increased. Options include seeking a better balance between

expensive curative hospitals and preventive primary health care, between universities and primary schools, and, in some instances, between cities where the income is already high and rural areas where most poor people live[4].

Some examples of the poorly allocated budgets for human development are Pakistan and Indonesia, where public expenditure is already high but their social allocation ratio (Indonesia) and social priority ratio (Pakistan) are low (**UNDP**, 1991: 6, 39). By contrast, the Republic of Korea directs a large share of its budget towards social priorities and has, as a result, a relatively high human expenditure ratio. Other examples show different features, such as Jordan where a high human expenditure ratio was possible due to a large public expenditure ratio, while others like Malaysia and Morocco have achieved the same level through high social priority ratios (**ibid**: 39-40).

What is more important, however, is to place human expenditure in its proper perspective, that is, what is the human development spending per person in absolute terms. Take, for instance, the Republic of Korea and Malaysia, where similar amounts on social priority concerns per person ($128) have been spent, but nevertheless Malaysia's human expenditure ratio is twice that of the Republic of Korea, because the latter's GNP per capita is twice that of Malaysia. Similarly, Kuwait's human expenditure ratio is only a third of Zimbabwe, yet its absolute expenditure per person is nearly six and a half times that of Zimbabwe (**ibid**: 40,42).

Some important conclusions can be drawn from the above discussion:

1. The human expenditure ratio may need to be around 5% if a country wishes to perform well in human development.

2. This can be achieved both efficiently and inefficiently. Efficiently,a good option is to keep the public expenditure ratio moderate (around 25%), allocate much of this to

the social sectors (more than 40%) and concentrate on the social priority areas (allocating more than 50%). Conversely, a country might wrongly withdraw a large proportion of its national income into the public sector, leading to setbacks of the private sector and, consequently, inhibiting the economic growth and resource expansion that can ultimately finance human development.

3. 'High government spending with low social priorities is the worst case'. If 25% or more of national income is channelled through the government budget, and yet less that 1% of GNP goes into human priority concerns (as in Pakistan and Indonesia), 'this is the worst of all possible worlds'. The public sector is huge, yet the majority of the population does not benefit from such huge public expenditures (**ibid**: 40-41).

4. For those developing countries that have moved already beyond basic priorities (Singapore, Mauritius, Chile), they may have only a moderate human expenditure ratio in basic priorities, and can therefore shift their focus to supporting social services at the higher levels.

As a guide to public spending policy, the human expenditure ratio emphasises both the allocation priorities and efficiency in spending, as well as the mobilization of additional resources. And 'the best argument for mobilizing more resources is spending existing resources well' (**ibid**: 41).

Human Development and Official Development Assistance

As discussed in the preceding chapter, several advocates of foreign aid, unhappy with its past and current performance, are urging the restructuring and better allocation

of foreign aid available. In this regard, it has been estimated that 'if only one-third of existing aid were committed to human priority areas, the aid allocation to these sectors would increase fourfold' (**ibid**: 53). The human development approach places especial emphasis on the necessity of restructuring aid budgets, and, like government expenditures, analyzes it through four ratios:

1) The **aid expenditure ratio** - the percentage of a donor's GNP that it gives in aid. This varies between 1.04% (Norway) and 0.15% (USA) in 1989, as compared to the internationally agreed target of 0.7% of GNP for official development assistance (ODA). In spite of a dramatic rise in the share of ODA in net financial flows to some developing countries over the past decade, the general trend in the 1980s has been downwards (**ibid**: 53).

2) The **aid social-sector ratio** - the percentage of each donor's aid that goes to the social sector. This includes areas like nutrition, health, education, social security, water, sanitation, housing and amenities. Although it is difficult to obtain the exact data about how much aid has been directed to the social sector, the available data show a declining trend both for bilateral and multilateral aid in the areas of health and population and education. Indeed, the figures for 1979 show that 24.5% of bilateral aid has been directed to these two areas, while, in 1989, only 17.4% went to the same areas[5]. For multilateral aid, sadly, the proportions are even lower, amounting to only 12.1% in 1988 (**ibid**: 54).

3) The **aid priority ratio** - the percentage of social sector aid committed to human priority areas. These include activities such as primary health care, basic education, family planning and rural water supply. For the overall of the OECD countries, the average percentage of aid priority ratio was only 36.6% in 1989, ranging from the

lowest figures for countries like Italy and Canada (22.4% and 25.9% respectively) to the highest percentages of the Nordic countries and Switzerland (over 50%). With this regard, if social sector aid intends to have a significant impact on human development, it will have to direct resources more towards the poor. But it is also possible to have much the same affect in economic sectors by supporting poverty-oriented projects. Indeed, evidence has shown that poverty-oriented projects have a high rate of return and that "attempts to reach the poor do not undermine economic efficiency" (**ibid**: 55).

4. The **social priority aid** - the percentage of aid allocated to social priority areas of the total aid (**UNDP**, 1992: 163). This is an important instrument for our analysis in the next chapter.

5. The **aid human expenditure ratio** - the product of the first three foregoing ratios, hence the percentage of a donor's GNP going to human priority areas in recipient countries. For aid donors as a whole, this is only equivalent to 0.026% of their combined GNP (**ibid**:8).

The computation is quite simple. Official development assistance (ODA) for all countries represents about 0.3% of their combined GNP. Of this, 23% went to social sectors in 1989, and of this, only 37% went to human development priority areas. Only 7% went to primary schooling in education. In health, only 27% was allocated for primary health. And in water supply and sanitation, only 19% went to rural areas.

Conclusion

The concept of Human Development has moved to the centre of the global development dialogue since it was introduced for the first time by UNDP in the **Human**

Development Report 1990. Since then, it has already become a guide in national development plans and strategies for tens of countries worldwide (**UNDP**,1992: 26). It offers the conceptual framework through which one can analyze the development process of the past decades - its successes and failures - for the purpose of undertaking changes for a more positive, realistic and sustainable development in the years ahead. This does not apply only to developing countries, but also to developed ones because, they too do have their social problems like homelessness, drug addiction, urban violence, over-consumption, unemployment, and many others. It is also an important guide for donor countries to reassess and restructure their aid budgets in accord with the recipients' priority needs within the perspective of 'people's centered development' as the UN Committee for Development Planning puts it: 'In the 1990s people should be placed firmly in the centre of development. The most compelling reasons for doing so is that the process of economic development is coming increasingly to be understood as a process of expanding the capabilities of people' (**UNDP**, 1990: 61).

NOTES:

1. It encompasses, therefore, the ingredients of what constitute a democratic and participatory development.

2. In spite of efforts to capture all the dimensions of human choices, the human development index is, nonetheless, a national average that still conceals important differences such as in the regional, local, ethnic and personal distributions of human development indicators. This is acknowledged in the Human Development Report 1991, even though some improvements have been made with regard to gender disparity and income distribution within countries. Efforts are under way to disaggregate the human development index so that it can present a "living profile" of the socio-economic conditions of people (**UNDP**, 1991: 15-18).

3. For most developing countries whose levels of human development are in fact generally low, growth is a necessary condition to improve their performances in human development. For industrial countries which have already achieved high levels of human development, emphasising growth is, of course, arguable.

4. The argument favouring the allocation of more resources to rural areas does not rule out governments' policies in many Third World countries with a large percentage of urban poor to also allocate more resources for the improvement of the living conditions of these people, who in many cases, are even poorer than those in rural areas.

5. The average percentage of aid social allocation ratio in 1989 for the OECD countries was 22.6%.

CHAPTER THREE

NEW ZEALAND - INDONESIA AID CONNECTION

New Zealand as a Donor Country

New Zealand has a relatively long history as an aid donor, with its origins dating back to the post-war period of the late 1940s. Initially, it focused its attention exclusively on the South Pacific region - as a result of the Canberra Pact in 1944 and the South pacific Commission (SPC) in 1947[1] - but since 1950 New Zealand became increasingly involved in several international assistance programmes, both at bilateral and multilateral levels.

In relation to Asia, particularly South and Southeast Asia, New Zealand's first major contribution began in 1950, when it took part as a founding member of the Colombo Plan, in which Indonesia also became a member in 1953, but primarily as an aid recipient. The major step, however, was taken in the 1960s when New Zealand became actively involved in several major aid organizations within the Commonwealth, the OECD, and the United Nations specialized agencies concerned with development.

Despite such involvement, the bulk of New Zealand aid (70-80%) is still given on a bilateral basis (directly from New Zealand to the recipient country). Regarding the direction of its bilateral assistance, Asia and the Pacific Islands still represent the major recipients (over 75%). As for the amount, in spite of its efforts to achieve the international target of 0.7% of the GNP by 1975-76, it never passed the 0.4% to this

day[2] (**MFA**,1972:)[3].

Regarding the terms and conditions of New Zealand aid, it is given almost exclusively in the form of grant aid, thereby meeting the requirements of the 86% of grant component of total ODA established by the OECD (**MFA**, 1978: 3). Most of New Zealand's bilateral aid is disbursed in the form of project aid and study/training awards. Since the late 1980s, however, New Zealand has also provided financial support to regional institutions (tertiary education) as well as study awards for students at regional institutions (**MERT**, 1987-88: 5).

The areas of cooperation usually are those where New Zealand can provide its "home-grown expertise": agriculture, education, energy, fisheries, forestry, health, public works, administration, communication and transport. New Zealand's participation in development projects encompasses cash grants, material supplies and technical advice (**ibid**: 1).

Following the different emphasis of various development theories which proliferated over the last four and a half decades - which in turn gave birth to several foreign aid theories - New Zealand's foreign aid policy also, likewise, has gone through several stages with different emphases. The first stage covers the post-war period up to the early 1970s. It is characterized by the 'growth-oriented' approach of the Keynesian economics (including Harrod-Domar, Chenery, and Walt Rostow), or the well-known Modernization Theory (or paradigm) approach, as it is better known among social scientists. Aid was then conceived as an instrument 'to bring about a permanent increase in standards of living ..., by ensuring that economic development outpaces the growth of population'. On the other hand, the ideological framework of New Zealand's post-war aid was quite obvious, as can be deduced from the then Department of External Affairs'

statement, 'on such economic development the social and political stability of the area depends as does the part which the area plays in international trade', speaking about the role of the Colombo Plan (JHR, 1953: 8, as quoted by A.P.Needs, p. 5). This largely explains the overwhelming involvement of New Zealand in the two regions of South Pacific and Asia (particularly South and Southeast Asia).

The second stage starts with the formulation of an aid guideline in 1973 by the Government. This synchronizes with the 'poverty-alleviation and redistribution' approach of the 1970s in the development debate. In fact, the then Minister of Foreign Affairs, addressing the new role of foreign aid, stated : 'emphasis will be placed on development at the "grass roots" level, to help raise the living standards of the ordinary people and provide jobs for them' (JHR, 1974: 41, as quoted by A.P.Needs, p. 11).

The third stage is associated with the new Aid Principles issued in 1981. Apart from the redefinition of the principal purpose of New Zealand's aid, the new Aid Principles also defined the criteria by which Third World projects would be considered to receive New Zealand aid. They are:

"-increasing the productive capacity of the recipient country;

-expanding opportunities there;

-improving the living conditions and welfare especially of people on lower incomes and in rural areas;

-safeguarding the interests of vulnerable groups such as women and increasing their capacity to contribute to development;

-and also, the extent of popular participation in and support for the project (**MFA**, 1984: 1).

This new shift in policy, again, has its origins, or, at least, is closely associated

with the shift that occurred at the end of 1970s and early 1980s among policy-makers and official aid agencies, focusing back on growth and development, as discussed in Chapter 1. However, unlike others, the New Zealand new Aid Principles was much more ambitious because it sought to pursue both growth (increasing the productive capacity) and poverty-alleviation and redistribution. How effective could be such an approach in its implementation, has been, to some extent, thoroughly discussed by A.J.Needs in his analysis of the Banana Export Scheme in Tonga funded by New Zealand.

A new development took place in 1991, with a further revision of the previous Aid Principles. Although the points made in the 1981 Aid Principles have been maintained, some additional elements have been introduced, as well as some alterations in the order of the criteria. Additional points include: 1. to facilitate cultural development, and 2. to promote management of natural resources in an appropriate and environmentally sustainable manner. A higher priority is to be given to improvements in the living conditions of the poor and rural people, rather than to the productive capacity criterion emphasised in the 1981 Aid Principles.

Equally important is the redefinition of the principal purpose of New Zealand's Official Development Assistance (ODA), now defined as 'to help promote sustainable economic and social progress and justice in developing countries by expanding their capabilities to raise and sustain the living standards of their peoples' (**MERT**, 1991). A careful assessment of this document leaves no doubt about the influence of the Human Development approach.

New Zealand - Indonesia Aid Connection

As stated earlier, the first contact regarding the New-Zealand-Indonesia Aid connection occurred in 1953 when Indonesia became a member of the Colombo Plan of which New Zealand had become a founding member two years earlier, in 1951. This event initiated a long-term and ongoing bilateral relationship between the two countries, parallel to the multilateral aid relationship in which New Zealand also has been playing a significant role, albeit small in quantity.

By the late 1960s and early 1970s, New Zealand had become increasingly involved with Indonesia through the provision of credits, under the now defunct Inter-Governmental Group on Indonesia (IGGI) - a multilateral consortium engaged in providing soft loans to Indonesia - by allocating $500.000 for the financial year 1970/71, and an equal sum for the following financial year 1971/72 (**MFA**: 1971)[4]. At the same time, the Colombo Plan - which was in practice a bilateral aid organization - was incorporated in New Zealand's bilateral aid programme under the new name of Bilateral Aid-Asia and the Pacific (BAAP) in 1971/72 (**MFA 1972-1980**, (1972/73): 16).

Although the size of New Zealand aid has been quite insignificant for Indonesia's huge population needs, nevertheless the proportion allocated to Indonesia has always been one of the highest in the region, apart from the highly dependent small islands of the South Pacific with which New Zealand has special historical ties. Indeed, up to 1972/73, after 20 years of involvement in the Colombo Plan, Indonesia received about $5,871,803 from New Zealand, equivalent to 9.27% of the total aid given by New Zealand under the same scheme. This places Indonesia only after Malaysia (18.67%)

and India (16.10%), two countries which have closer ties with New Zealand as member states of the Commonwealth (**MFA**,1972/73:84).

Indonesia's Economy during 1970s and 1980s

Indonesia was one of the poorest countries in the world some twenty years ago. With a GNP per capita of US$50 in 1967, its economy was lagging far behind those of India, Bangladesh and Nigeria. Poverty was widespread: in 1970, 60% of the population (about 70 million) was living in absolute poverty (**World Bank**, 1990: xv). In the area of education, the situation was not much better: in the early 1970s only 60% of the population were literate, with higher rates in the urban areas (79%) and only 55% in the rural areas. With about 83% of the total population living in rural areas, the percentage of those who never attended school amounted to 90% in some areas (**Beeby**, 1979: 27).

In other areas of human development, the figures for some indicators also show a gloomy picture. Life expectancy in 1960 was only 41 years, with an extremely high under five mortality rate of 235 per 1,000. Similarly, the average daily calorie supply between 1964-1966 was equivalent to only 81% of the requirements (**UNDP**, 1990: 134).

The new government of President Suharto initiated a long-term national development plan through what has become to be known as REPELITA (Five-Year National-Development Plan), which started in 1969 and is now approaching the end of the Fifth Repelita. Three priority areas became the focus of the government's development efforts: agriculture (especially rice), education, and transport infrastructure.

Rather than relying on redistribution or other transfer programmes, the emphasis was on 'increasing incomes and employment through the productive use of Indonesia's labour and natural resources' (**World Bank**, 1990: xv). This strategy, along with a careful macroeconomic policy has proved quite successful in facing the harshness of the adjustment period of the early 1980s.

As a result of these efforts, dramatic gains in poverty reduction have been achieved since the late 1970s. Indeed, the percentage of the population below the official line dropped sharply from 40% in 1976 to 22% in 1984, equivalent to 20 million people[5]. Similarly, income inequality also declined, albeit only moderately, during the same period. Although the incidence of poverty is still high compared to other Asian countries, the government has reiterated its commitment to reduce it to the minimum level during Repelita V by undertaking a number of poverty-related programmes (**World Bank**, 1990: xix)[6].

In the sector of education, the achievements were also dramatic. Access to primary schooling was virtually provided to all Indonesian children of primary school age, while adult literacy rate also experienced a dramatic increase up to 75% in 1985. A major problem, however, despite all the above achievements, is the quality of schools between affluent and poor areas, and particularly in the eastern provinces.

In the area of health and other social and basic services, the improvements made have also been impressive. Life expectancy at birth increased to 57 in 1987 as a result of improvements in several social services. Indeed, the proportion of the population with access to health services up to 1987 increased dramatically to 80%, while the average daily calorie supply in 1986 even exceeded the total percentage required (116%), in spite of an increasing food import dependency ratio from 4.6% between 1969-1971 to

5.4% between 1986-1988 (**UNDP**, 1991: 143, 145).

Even with such improvements, the profile of human deprivation in Indonesia up to the mid 1980s still remained one of great concern. The statistics in the table below show the magnitude of deprivation.

Table 1. Profile of Human Deprivation in Indonesia

Type of Deprivation	Year	Population	
		Number (million)	%
Without access to health services	1985-87	35	20
Without access to safe water	1985-87	109	62
Without access to adequate sanitation	1985-87	110	63
Illiterate adults	1985	29	16.5
Out-of-school children	1986-87	17	19.7

Source: Human Development Report 1990: 132
Human Development Report 1991: 123

The table above only shows some of the many aspects of human deprivation which still affect a high percentage of the Indonesian population. This matter will be dealt with in more detail below, with particular emphasis on the performance of human development in Indonesia during the 1970s and 1980s.

Human Development Performance in Indonesia

As mentioned above, Indonesia's performance regarding human development is still very far from the desired level. As a whole, it ranks 98th among 160 countries,

with a human development index of 0.499, which ranges from the highest rate of 0.993 for Japan to the lowest rate of 0.048 for Sierra Leone. In spite of a positive figure of 16 for the GNP rank minus HDI rank in 1989[7], it still lags behind as a "low human development" country, following the classification of the 1991 Report (**UNDP**, 1991: 120). Some of the reasons will be considered below.

It has been pointed out already that Indonesia's public expenditure is relatively high, amounting to about 25% of the country's GNP in 1988. However, of this huge amount, only 13% went to the social allocation ratio (the recommended ratio is 40%), and of this, only 18% had been allocated to the social priority ratio (50% recommended). As a result, the human expenditure ratio was no more than a tiny fraction of the country's total GNP - a mere 0.6%. This appears ridiculous when compared to countries like Zimbabwe (12.7%), Malaysia (6.3%), or even Sri Lanka (2.5%), the latter with a GDP much lower than that of Indonesia (**UNDP**, 1991: 41, 120). Translated into dollar terms, Indonesia only spent US$3 in human expenditure per capita in 1988. This figure appears insignificant compared with two of its Asian neighbours, Malaysia (US$123) and Singapore (US$390) for the same year (**UNDP**, 1991: 42)[8].

Although the figures for the previous years are incomplete for an adequate comparison, there seems no strong evidence to suggest that they were higher than those of 1988. Take, for instances, health and education. In 1960, public health expenditure amounted to only 0.3% of the country's GNP. Twenty-six years later, in 1986, it was only 0.7%. In education, the figures are a little higher. In 1960, the government allocated about 2.5% of GNP to education. By 1986, it has dropped to 2.3%, even though its real value was higher due to increased GNP (**UNDP** 1991: 143, 149).

Within this framework, it is worth analysing the contribution of international aid in enhancing human development. This will be considered in the next chapter by an examination of New Zealand's bilateral assistance to Indonesia for the period of 1981-1991.

NOTES :

1. Members of the SPC include: Australia, New Zealand, Britain, France, The Netherlands, and USA. It was established more with the purpose of 'to act together in matters of common concern' in the South-West and South Pacific area (**NZ Foreign Policy**, Richard Kennaway, 1972, Hicksmith & Sons Ltd. Wellington: 108). It is quite clear that the major reason behind was defence and security.

2. Failing to achieve the target in 1975-76, it was later postponed to 1977, but the aim has never been achieved (Hoadley, J.S. 'New Zealand's Trade and Aid in Asia: A Search for Alternatives'. **Aid and development in South-east Asia**, ed.M.T.South, New Zealand Asian Studies Society, Auckland, 1975: 28.

3. Also: 'Annual Aid Review 1974', **New Zealand Development Assistance 1972-80**, Ministry of Foreign Affairs, Wellington, 1974: 12.

4. In the financial year 1972-73 and 1973-74 New Zealand provided $671.699 and $1 million respectively to Indonesia in loans through the IGGI. The terms of all the credits made available to Indonesia by NZ have been 25 years, at 3% interest with a 7-year grace period giving a grant element of 52.6 percent (**New Zealand Development Assistance 1972-1980** - Yr. 1972/73: 56 and 1974: 18).

5. According to the Human Development Report 1991, the percentage of the population below poverty line in Indonesia between 1980-88 is still around 39%. Different criteria about the 'poverty-line' obviously resulted in different figures (**HDR 1991**: 153).

6. Regarding those poverty-related programmes, the Government will:
'(i) promote the even distribution of social and basic services; (ii) provide water to lower-income groups in water-stressed urban slum areas and in rural areas; and (iii) stimulate development in poorer areas through a series of integrated area development projects' (**Indonesia: Strategy for a Sustained Reduction in Poverty**: xix).

7. A positive figure shows that the HDI rank is higher than the GNP rank, a negative the opposite (**HDR 1991**: 120).

8. Two of its other Asian neighbours, Thailand and the Philippines, spent about US$25 and US$15 respectively in Human Expenditure per capita in the same year (**HDR 1991**: 42).

CHAPTER FOUR

THE SOCIAL PRIORITY AID (SPA) IN NEW ZEALAND BILATERAL ASSISTANCE TO INDONESIA

Methodology

The data being analyzed in the present chapter were obtained primarily from the Project/Programme Profiles issued by the Ministry of External Relations and Trade of New Zealand[1]. These are issued yearly, and constitute the official report of the Government on its official development assistance (ODA). As such, they have several weaknesses, the most important being they do not provide detailed information on the projects' implementation and the feed-back from their evaluation. For this analysis, however, the major weakness has been they do not provide a full account of the actual costs. Hence, part of the analysis is based on estimated expenditure figures - as presented by the Government - rather than on the actual ones.

Two kinds of data can be identified in the aforementioned Project/Programme Profiles. The first comprises the period before 1981 to 1986 and is characterized by insufficient data on actual expenditures as well as less information on the projects as a whole. The second group is more complete and comprises the period from 1987 up to the current year (1992/1993).

In spite of the above limitations and possible shortcomings, it is still possible to make some calculations. The rationale is that, for this purpose, it is the way the aid

money has been allocated rather than the actual expenditure that is more important. It would be much better, undoubtedly, if we were in a position to have the complete data on the actual expenditure but, in its absence, it is still possible to justify.

The method of computation to find the Social Priority Aid (SPA) - the proportion of aid allocated to human priority concerns - is quite simple as shown in Table 3 below. The total cost or Aid Expenditure Ratio (AER) is equivalent to 100%, which is the total aid given by New Zealand every year (column 2) on the basis of the approved projects. This is multiplied by Column 3 or Aid Social Allocation Ratio (ASAR) to find out the percentage of total aid directed to social needs or concerns. The next step is to multiply the product of Column 3 with Column 4, that is, the percentage of aid taken from ASAR that went to social priority concerns or Aid Social Priority Ratio (ASPR). The final product (SPA) is the one which gives the ratio of aid directed to priority concerns from the overall (Column 5).

This method of calculation has been adopted from the Human Development Report 1991 (p. 54) with a slight variation. Instead of treating the percentage given in Column 2 (AER) as the percentage of official development assistance (ODA) given by a donor compared to its national GNP - as adopted by the above source - it was decided to take as 100% the total aid (AER) given by New Zealand to Indonesia every year in the present study. The reason is, apart from the trouble of having to go through all the statistical data on New Zealand official development assistance to all recipients for the period of 1981-1991, it does not really make much sense for this study, as our main purpose is primarily to find out what percentage of New Zealand aid ended up in the hands or for the development of the most needy[2].

Another remark concerns a number of small projects for rural areas including

funds provided by the New Zealand Embassy in Jakarta for ***ad hoc*** needs and for helping the most deprived populations of the Eastern Provinces. Although the classification has been sometimes difficult due to the unclear formulation of their objectives, it was decided to include them in the social allocation group for the reason that they also might have much the same effect in economic sectors by supporting poverty-oriented activities.

Yet another difficulty encountered in the classification concerns some of the projects in the agricultural sector. It is true that they do not qualify in essence as "social" projects but, on the other hand, they also can contribute direct or indirectly to the welfare of the people involved and those in their surroundings as a result of the "spin-off" effect. However valid is the argument, it was decided to exclude them from the group concerned to avoid the extension of the same reasoning to other sectors.

The last remark goes to one particular project, that is, Women in Development. This is regarded as a highly potential "social" project which was intended "to support projects that benefit women" (**MERT**, 1987/1988: 41). The initial proposal was to cover three consecutive financial years, from 1987/88 to 1989/90, with New Zealand providing no less than $1 million for the whole project. However, for any unknown reason, this project did not figure again in the profiles of the following years, which raises the question of its approval and subsequent implementation. For this reason, it was decided to include it in the first year only (1987/88) in this study, and provided that it comes under the label of "unclear"[3].

The table in the following pages contains the data of aid allocation for the three ratios over the period of 1981-1991.

Table 2. Profile of Social Priority Aid (SPA) in New Zealand Bilateral Assistance to Indonesia for the period 1981-1991

Project	Aid expenditure ratio (AER)	Aid social allocation ratio(ASAR)	Aid social priority ratio(ASPR)	Social priority aid(SPA)
1981/1982				
Medan abattoir Cattle breeding Pilot training Geothermal dev. Earthquake eng. Water supply Teaching of English (TESL)	250,000 520,000 600,000 3,000,000 530,000 750,000 400,000 Total: 6,050,000 AER: 100%	400,000 750,000 Total: 1,150,000 ASAR: 19% of AER	ASPR: 0%	SPA: 0%
1982/1983				
Bali cattle Dairy programme Medan abattoir General assist. Geothermal dev. Earthquake eng. Water supply	175,000 616,300 500,000 18,000 3,000,000 600,000 750,000 Total: 5,659,000 AER: 100%	750,000 Total: 750,000 ASAR: 13.2% of AER	ASPR: 0%	SPA: 0%
1983/1984				
Bali cattle Dairy programme Medan abattoir Livestock dev. General assist. Geothermal dev. Geothermal FOP Earthquake eng.	175,000 616,000 500,000 40,000 50,000 3,000,000 1,188,000 40,000 Total: 5,609,300 AER: 100%	ASAR: 0%	ASPR: 0%	SPA: 0%

Source: Project Profiles 1981-1983

Profile of Social Priority Aid (SPA) in New Zealand Bilateral Assistance to Indonesia for the period 1981-1991 (continued)

Project	Aid Expenditure Ratio(AER)	Aid Social Allocation Ratio(ASAR)	Aid Social Priority Ratio(ASPR)	Social priority aid(SPA)
1984/1985				
Bali cattle Dairy programme Marketing study Medan abattoir Livestock devel. General assist. Geothermal FOP Earthquake eng.	50,000 1,860,000 100,000 400,000 64,000 70,000 912,000 15,000 Total: 3,471,000 AER: 100%	ASAR: 0%	ASPR: 0%	SPA: 0%
1985/1986				
Bali cattle Dairy programme Medan abattoir Livestock devel. General assistance Geothermal TP Geothermal Eval. Earthquake engin. Village Nutr.Prog. Eastern Prov. TCF Lombok crafts Study Tour *	230,000 819,000 120,000 15,000 80,000 800,000 25,000 15,000 200,000 200,000 50,000 Total: 2,554,000 AER: 100%	200,000 200,000 50,000 Total: 450,000 ASAR: 17.6% of AER	200,000 200,000 Total: 400,000 APR: 88.8% of ASAR	SPA: 15.6%

* *No funds allocated*

Source: Project Profiles 1983-1986

Profile of Social Priority Aid in New Zealand Bilateral Assistance to Indonesia for the period 1981-1991 (continued)

Project	Aid expenditure ratio (AER)	Aid social allocation ratio(ASAR	Aid social priority ratio(ASPR)	Social priority aid(SPA)
1986/1987				
Bali cattle Dairy programme Medan abattoir Livestock devel. Dairy Appraisal General assistance Geothermal TP Geoth.Study &Eval. Study Tour Earthquake engin. CNG Project Engl. Lang. Centre Eastern Prov. TCF Lombok crafts Misc. Tech. Ass. Contrib.to Unicef	106,527 472,000 75,000 20,000 30,000 50,000 315,000 1,700,000 75,000 16,200 170,000 50,000 250,000 10,000 50,000 150,000 Total: 3,539,727 AER: 100%	50,000 250,000 10,000 50,000 150,000 Total: 510,000 ASAR:14.4% of AER	250,000 150,000 Total: 400,000 ASPR: 78.4% of ASAR	SPA: 11.3%
1987/1988				
Bali/Sumbawa cattle Dairy Proj.:Phase II Artificial Insemin. Bukittinggi abattoir Geoth.Study & Eval. Energy Coop. Adviser Electricity Planning Earthquake engin. National Parks Coop. Watershed & Soil Con Lombok crafts English Lang. Centre Eastern Prov. TF Women in Develop.* Contribut. to UNICEF Misc. Tech. Assist.	100,000 616,300 50,000 100,000 450,000 200,000 54,000 16,200 200,000 200,000 135,000 100,000 443,000 330,000 500,000 100,000 Total: 3,394,500 AER: 100%	100,000 443,000 500,000 100,000 135,000 330,000* Total: 1,605,000 ASAR: 47.3% of AER	500,000 443,000 Total: 943,000 ASPR: 58.7% of ASAR	SPA: 28%

* *Project and allocation unclear*

Source: Project Profiles 1986-1988

Profile of Social Priority Aid (SPA) in New Zealand Bilateral Assistance to Indonesia for the period 1981-1991 (continued)

Project	Aid expenditure ratio(AER)	Aid social allocation ratio(ASAR)	Aid social priority ratio(ASPR)	Social priority aid(SPA)
1988/1989				
Artificial Insemin. Medan abattoir Bali/Sumbawa cattle Dairy cooperatives Geothermal Programme Geoth. Study & Eval. Energy Coop. Adviser Electricity Planning Land Res. Mapping National Parks Coop. Earthquake engin. Rural geothermal Rural Mini-hydro Lombok crafts Technical Education Contrib. to UNICEF Eastern Prov. TCF Training & Education Road Maintenance Misc. Tech. Assist. Total: 4,135,000 AER: 100%	25,000 10,000 100,000 46,000 163,000 60,000 145,000 250,000 272,000 250,000 16,000 88,000 100,000 350,000 50,000 850,000 510,000 700,000 300,000 50,000	800,000 510,000 100,000 350,000 50,000 700,000 350,000 50,000 Total: 2,910,000 ASAR: 70.3% of AER	700,000 510,000 Total: 1,210,000 ASPR: 41.5% of ASAR	SPA: 29.2%

Source: Project Profiles 1988-1989

Profile of Social Priority Aid (SPA) in New Zealand Bilateral Assistance to Indonesia for the period 1981-1991 (continued)

Project	Aid expenditure ratio(AER)	Aid social allocation ratio(ASAR)	Aid social priority ratio(ASPR)	Social priority aid(SPA)
1989/1990				
Medan abattoir Bali cattle Dairy cooperatives Artificial insemin. Earthquake engin. Geothermal programme Energy Coop. Adviser Electricity planning Land Res. Mapping National Parks Coop. Rural geothermal Technical Evaluation Training and Educ. Contribut.to UNICEF Lombok crafts Eastern Prov. TCF Misc. Tech. Assist. Total: 4,145,000 AER: 100%	10,000 100,000 50,000 25,000 50,000 413,000 25,000 150,000 230,000 150,000 223,000 100,000 1,500,000 91,000 600,000 350,000 78,000	100,000 1,500,000 91,000 600,000 350,000 78,000 Total: 2,719,000 ASAR: 65.5% of AER	91,000 350,000 Total: 441,000 ASPR: 16.2% of ASAR	SPA: 10.6%
1990/1991				
Dairy cooperatives Bali cattle Forestry Proj.Ident. National Parks Coop. Land Res. Mapping Electricity Planning Geothermal Programme Rural geothermal Training Evaluation Contribut. to UNICEF Embassy Small P.F. Training and Educ. Misc. Tech. Assist. Total: 3,617,611 AER: 100%	50,000 200,000 33,747 504,000 613,000 300,000 110,000 266,864 40,000 100,000 350,000 1,000,000 50,000	266,864 40,000 100,000 350,000 1,000,000 50,000 Total: 1,806,864 ASAR: 49.9% of AER	100,000 350,000 Total: 450,000 ASPR: 24.9% of ASAR	SPA: 12%

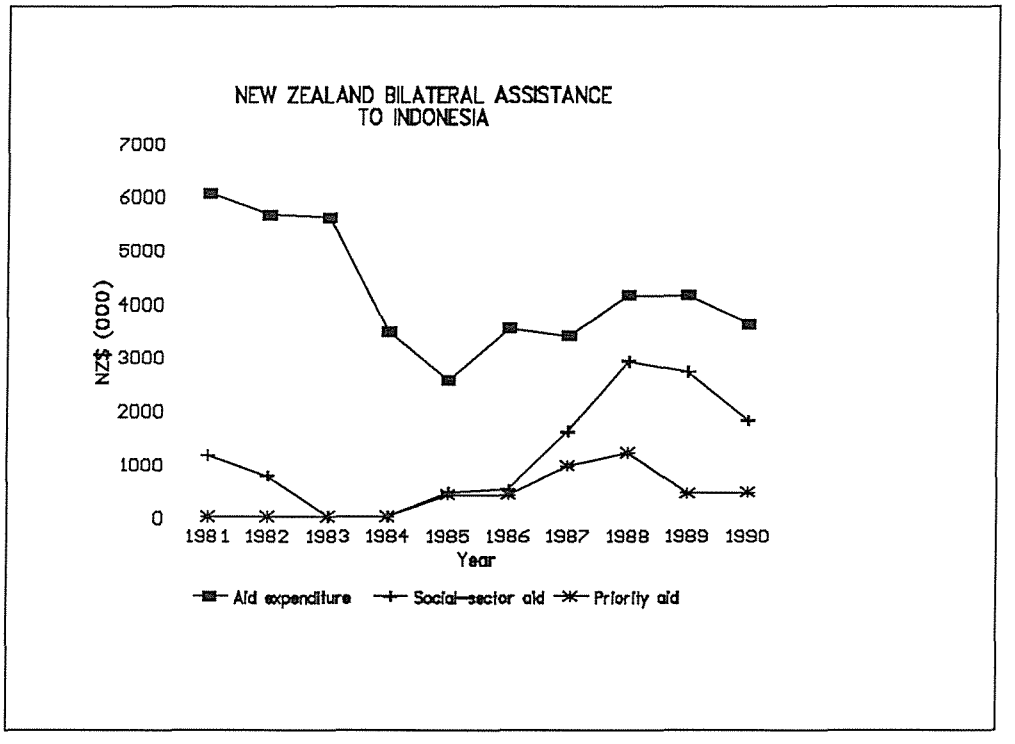
Source: Programme Profiles 1989-1991

Scanning through the above table and the accompanying graphs which follow, one can identify a number of interesting findings.

First, that in the overall, there has been a downward trend in New Zealand's aid volume to Indonesia over the period of 1981-1991, despite some increase between 1986-1989 (see Figure 1).

Second, that along the increases of 1986-1989 in aid volume (aid expenditure), similar gains were also achieved by both the social allocation aid and priority aid.

Figure 1. New Zealand Bilateral Assistance to Indonesia (1981-1991)



Aid expenditure : the total aid given by New Zealand to Indonesia yearly
Social-sector aid : the amount of aid expenditure allocated to the social sector
Priority aid : the proportion of social-sector aid directed to priority concerns
Source: based on Table 2.

Third, three distinct phases can be clearly identified for all the three aid components over the decade of 1981/1991: a sharp decline from 1981 to 1984/1985, followed by a significant increase which culminated in 1988/89, and a gradual drop by the end of the decade.

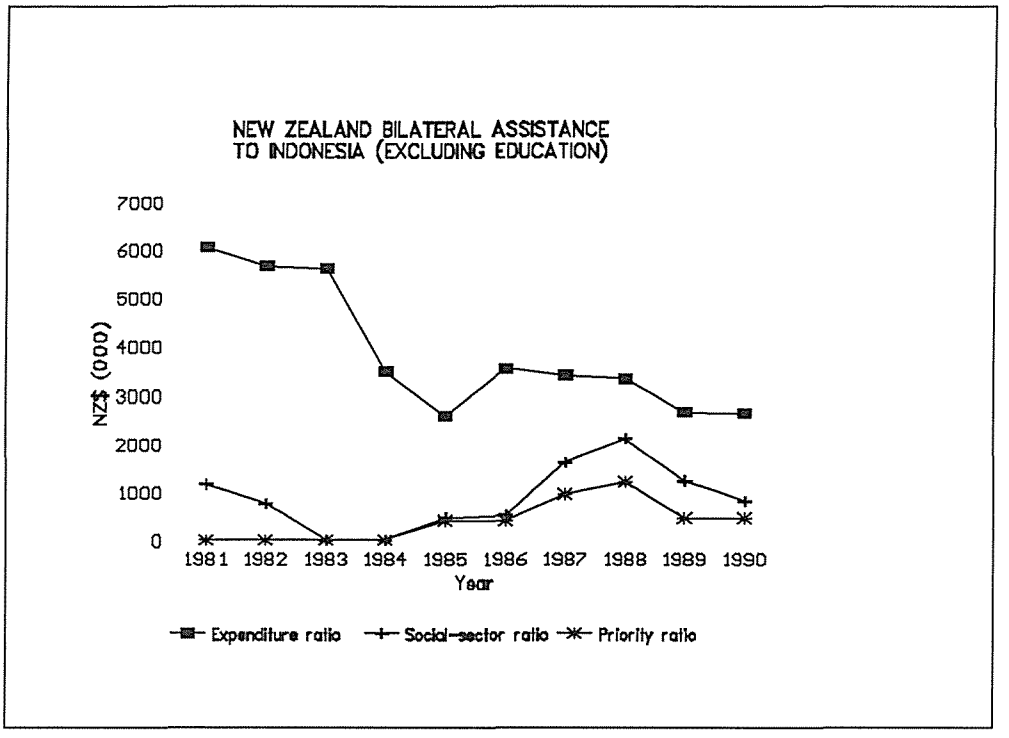
Fourth, that in spite of higher rates of aid expenditure in the first three years (1981-1983), aid allocation for priority concerns has been ignored over the same period, with two coincidental points with the aid social-sector ratio at zero level for two consecutive years (1983 and 1984).

Fifth, the sharp increase in social expenditure in 1988 - which remained steady in the following year - was mainly due to the inclusion of the item "Training and Education" in the overall programme, something always excluded from the list in the years before. This is obvious when we subtracted that item from the overall aid expenditure, as shown in Figure 2 below.

Computing the results, the following average percentages have been found for the three indicators for the same period:

1. about 30% (29.7%) of the total aid has been allocated to social programmes such as health, education, small development projects, and cash grants for *ad hoc* needs;
2. of this amount, nearly the same ratio (30.8%) was allocated to social priority needs such as primary health care, relief and emergency funds, and contributions to humanitarian organisations;
3. as a final product of the two above distribution ratios,the Social Priority Aid (SPA) received only 10,7% of the overall aid for the whole period of 1981-1991. This is regarded as a fairly moderate ratio as will be considered in the coming discussion.

Figure 2. New Zealand Bilateral Assistance to Indonesia 1981-1991 (excluding Training and Education)



Aid expenditure : the total aid given by New Zealand to Indonesia yearly
Social-sector aid : the amount of aid expenditure allocated to the social sector
Priority aid : the proportion of social-sector aid directed to priority concerns
Source: based on Table 2.

Analysis and Discussion

The findings in the preceding section provide some ground for delving more deeply into the issue. We start by looking at the overall aid expenditure.

As a whole, the total ODA received by Indonesia from all donors amounted to only 2.4% of its GNP in 1989 (HDR 1991:155) and 2% in 1990 (HDR 1992: 162). This is obviously an insignificant figure compared to some other countries like Tanzania (37.5%), Mozambique (77.4%), or even Jordan (16.7%), the latter with a GNP per capita higher than that of Indonesia (UNDP, 1992: 162). In dollar terms, the per capita

ODA received by Indonesia in 1989 was around US$ 9 from the total amount of US$ 1,717 million (UNDP, 1992: 162), of which New Zealand's share was around US$ 2.1 million, or equivalent to 0.11%. Although the average for the ten years (1981-1990) is much higher (0.21%), the trend since 1987 onwards has been progressively downwards (Table 3).

Table 3. New Zealand ODA to Indonesia as compared to the total ODA received by Indonesia between 1981-1990

Year	Total ODA	NZ ODA	NZ ODA as % of Total ODA
	US$ millions		
1981	975	3.02	0.30
1982	906	2.82	0.31
1983	744	2.80	0.37
1984	673	1.73	0.25
1985	603	1.27	0.21
1986	711	1.81	0.25
1987	1,246	1.75	0.14
1988	1,632	2.14	0.13
1989	1,830	2.12	0.11
1990	1,717	1.80	0.10
Total	**11,037**	**21.26**	**Average: 0.21**

Source: World Development Report 1990
Human Development Report 1991 and 1992

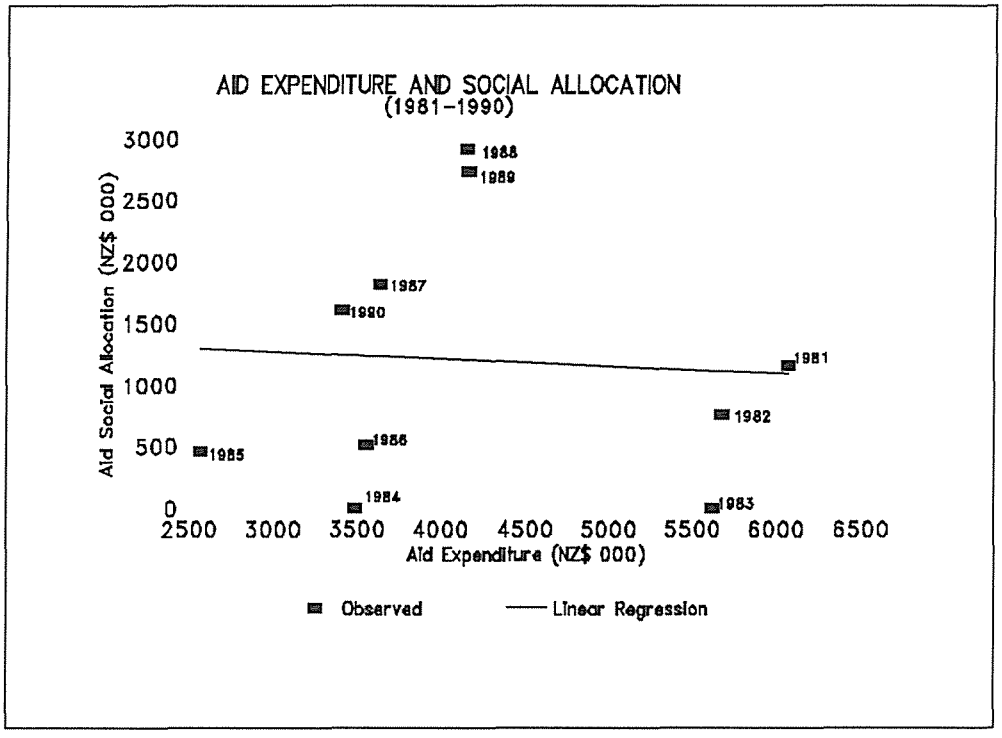
Perhaps realising this fact, New Zealand ODA officials had long focused on projects that would most likely produce a visible impact on the recipient in the physical sense such as geothermal projects, earthquake and agricultural engineering and projects associated with these areas. This perhaps partially explains why there has been an

omission of aid for priority concerns during the first four years, in spite of higher rates of aid expenditure. Two projects which entered the "social" category were essentially projects targetted to the urban population.

Allocations for social projects to rural areas and the long-forgotten backward Eastern provinces basically did not take place until 1985. Surprisingly, four projects have been allocated for the social sector in that year only, with an expenditure ratio of over 17% . The following years witnessed a steady rise in the social allocation expenditure climbing up to the peak in 1988, with an appropriation of as much as 70.3% of the total aid, followed by a bonanza in the year after, before dropping back to an average level by the end of the decade. True, the sharp rise in the social expenditure was mainly due to the inclusion of the item Training and Education in the list as discussed earlier, but even without it the slope upwards is still fairly sharp as shown in Figure 2. And, quite interestingly, this increase occurred without a concurrent dramatic increase in the total aid expenditure.

We now turn to some more advanced analysis of the relationship among some of those variables. Figure 3 below shows the degree of relationship (or the lack of it) between Aid Expenditure and Social Allocation Aid. It can be seen clearly from the figure how scattered are the points from the regression line without any clear pattern of the relationship between the two variables. This is reflected in the value of the correlation coefficient, $\mathbf{r^2}$, which is extremely low in our case (0.004626). We can, thus, infer that there is almost no relationship between Aid Expenditure Ratio and Aid Social Allocation Ratio over the period of 1981-1991 in New Zealand Bilateral Assistance to Indonesia, which implies that any increase in Aid Expenditure does not necessarily mean that more aid money will be allocated to social needs.

Figure 3. Relationship between Aid Expenditure and Social Allocation (1981-1990)



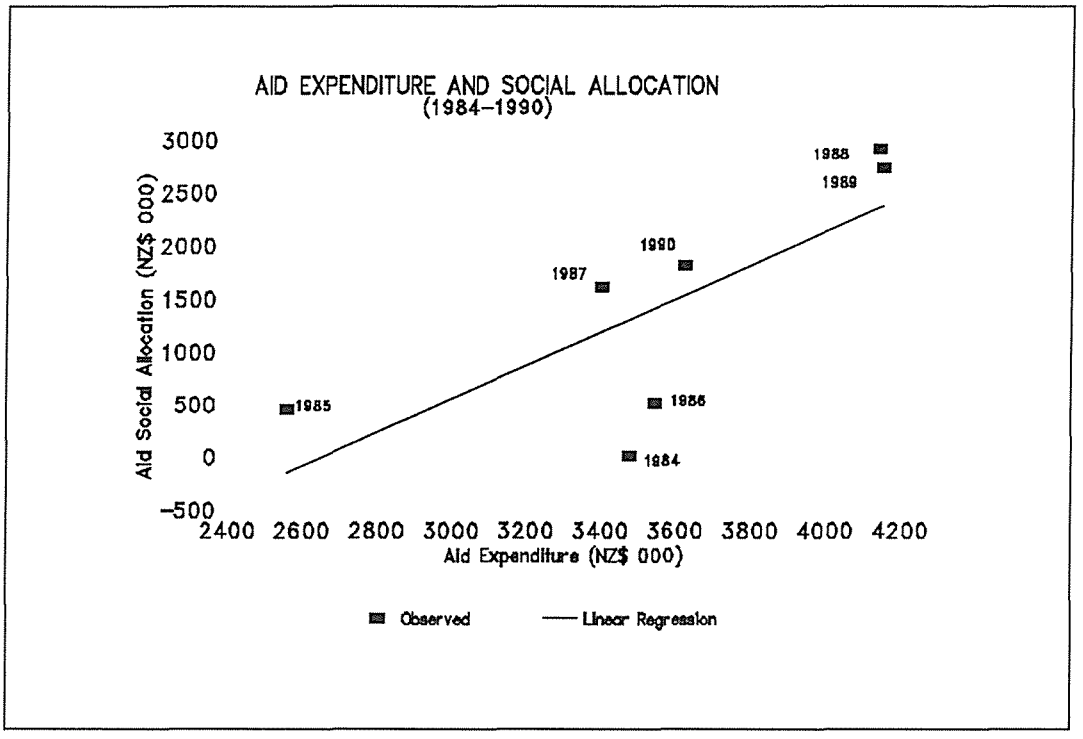
R squared : 0.004626
X coefficient : -0.0612

Another instrument is the regression coefficient which "provides estimates of how much impact one variable has on another" (De Vaus, 1991: 183). This is given by the X coefficient which has a value of -0.0612 in our case, as reflected by the negative slope of the regression line. Interpreting this, we can assert that knowledge of any value of the X variable (independent variable) does not have any impact on our knowledge of the Y variable. Applying this to our case, we can confidently state that knowledge of the Aid Expenditure does not provide any accurate information for predicting on how much aid will go to Social Allocation when we consider the whole period of 1981-1990.

However, once we have isolated the first three years (1981-1983), the

relationship between the two variables becomes significantly stronger. This is reflected in the relatively high value of r^2 which improved sharply to 0.548895 from the 0.004626

Figure 4. Relationship between Aid Expenditure and Social Allocation (1984-1990)



R squared : 0.548895
X coefficient : 1.583856

of the previous relationship. It seems obvious that the lack of relationship between the two variables recorded for the whole period of 1981-1990 was mainly due to the disparities of the first three years. Similarly, the regression line has changed sharply from a negative to a highly positive direction of almost 45°, as most of the cases also now lie closer to the regression line as shown in Figure 4. In fact, if we consider the figures for those seven years separately, the results show a great improvement. The average for the social-sector allocation increased to almost 40% (37.8%) of the total aid expenditure, while the proportion allocated to social priority areas also rose to an

incredible 44%. The final product, the social priority aid, was thus lifted up to over 15% of the total aid, a percentage regarded as significantly high[4].

Table 3. Profile of Social Priority Aid (SPA) in New Zealand Bilateral Assistance to Indonesia for the period of 1984-1990

Year	Aid Social Allocation Ratio ASAR (as % of Aid Expenditure)	Aid Social Priority Ratio/ASPR (as % of ASAR)	Social Priority Aid/SPA (as % of Aid Expenditure)
1984/85	0	0	0
1985/86	17.6	88.8	15.6
1986/87	14.4	78.4	11.3
1987/88	47.3	58.7	28
1988/89	70.3	41.5	29.2
1989/90	65.5	16.2	10.6
1990/91	49.9	24.9	12
Average	**37.8**	**44.07**	**15.24**

Source: Project/Programme Profiles 1984-1991

As a whole, however, only 30.8% of the total aid expenditure provided by New Zealand during the whole study period of 1981-1990 was allocated to the social sector. This figure is, nonetheless, almost twice the percentage of aid directed to the social sector from the overall aid received by Indonesia from all donors in the most recent years (1988/1989) which amounted to only 19.8% (UNDP, 1992: 162).

The last point of this discussion is about the Social Priority Aid. As mentioned earlier elsewhere in this chapter, the percentage of social aid that went to the priority areas accounted for only 30% of the total aid. Compared to the 39.7% - the proportion that has been directed to the same areas in 1988/1989 from the total aid received by Indonesia from all donors - that figure appears considerably low. Nonetheless, to

compensate for the loss, the final product of the three allocation ratios - the Social Priority Aid - is a little higher with 10.7% for the period of 1981/1991 compared to the overall aid with only 7.8% in 1988/1989 (UNDP, 1992: 162). Although we do not have enough data for the corresponding ten years for the overall aid, it seems a safe assumption to state that New Zealand ODA allocated to social priority concerns over the period of 1981/1991 in Indonesia - including the first four years -is still fairly moderate, in spite of recording a rate above the 7.9% average for all developing countries in 1988/1989 (UNDP, 1992: 163).

NOTES :

1. Before 1989, they were named **Project Profiles** issued by the then Ministry of Foreign Affairs.

2. This method of calculation also appeared in the **Human Development Report 1992** (UNDP, 1992: 162).

3. In subsequent reports, this project appeared implicitly integrated into another project (Lombok crafts) in which the participants were predominantly women.

4. A percentage between 15-20 for SPA is considered significantly high.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

We have seen from the beginning of this study how several aid theories have built themselves around the various development theories which proliferated over the last four and a half decades. We have also seen the extent of influence of those theories upon New Zealand's aid philosophy over time, with their respective views, emphases and approaches. Similarly, we have also discussed in some detail one of the most recent and comprehensive approaches to development - the Human Development approach - which has moved already to the centre of development planning and development strategies of a large majority of countries worldwide. Furthermore, we have, with the data available, attempted to analyze the implementation of this new approach in New Zealand bilateral assistance to Indonesia for the period of 1981-1991. We are now able to draw conclusions from the discussion and make some recommendations.

Giving Priority to Social Priority Needs

Like any other donor country which has been involved with the less developed countries from the beginning of the post-war aid period, New Zealand's aid philosophy (and the policies emanated from it) has been strongly influenced by the various

theoretical streams on foreign aid which have waxed and waned over the last four and a half decades of the development debate. Those influences have been virtually global, affecting not only the nature of New Zealand's aid but also the direction and the degree of national self-interest as well. This is the first conclusion of this discussion.

With the advent of new theoretical streams in the 1970s and 1980s challenging the very essence and strategies of old well-established development theories - and the respective aid theories they originated - a new approach was then introduced in New Zealand's aid philosophy, now emphasising the "poverty-alleviation and redistribution" aspects accompanied by some growth (productive capacity), as reflected in the 1981 Aid Principles. This new approach to development and development aid virtually already contained some of the essential ingredients of the Human Development approach which was to be introduced in 1990, and which encompasses a more comprehensive and multidimensional criteria of development. This constitutes our second conclusion.

In spite of an obviously low level human expenditure ratio in Indonesia's resource allocation in the past, New Zealand ODA allocations to Indonesia only began to pay attention to the social sector from the mid 1980s, perhaps inspired by the principles enunciated in the 1981 Aid Principles, which resulted in significant rates of social expenditure up to the end of the decade. As a whole, however, social expenditure rated fairly moderate over the whole period of 1981-1991. This leads us to the further conclusion that, at least from the mid 1980s a significant proportion of New Zealand's aid went to the most needy ones in Indonesia.

Finally, considering the insignificant contribution of New Zealand ODA *vis-a-vis* the huge sum of the total ODA received by Indonesia in dollar terms, New Zealand aid officials have, for a long period, given priority to projects that would likely leave a

visible impact on the recipient in a physical sense and or projects which New Zealand could provide "home-grown expertise" whose outcomes may lead to further demand of New Zealand's involvement, either officially or by private commercial groups. Hence, the social priority concerns of the recipient, in practice, have been, for a long time, relegated to a secondary level of consideration which is perceptible throughout the period before 1985, as shown in our previous findings.

Recommendations

At the outset it is recalled that the overall trend recorded in the last few years in New Zealand's ODA to Indonesia is downwards. Whether this is part of a general phenomenon or the effect of a gradual withdrawal strategy, is far from clear.

Experiences from countries like Malaysia, which used to receive large sums of New Zealand's aid up to the mid 1980s, demonstrate that New Zealand's aid flows are negatively proportional to the economic level and performance of a recipient. Following this explanation, it would not be difficult to accept the logical consequence of a gradual withdrawal of New Zealand's ODA to Indonesia since Indonesia's overall performance from the early 1980s has been satisfactory in gross economic terms[1].

However, as we have noted before, besides this achievement there is a paradox with the country's performance in human development. This is categorized as one of the lowest among the developing countries. It is on this ground that we will attempt to make some points for recommendation.

The first point concerns the aid volume. Although our analysis has shown that there is almost no relationship in the overall between aid expenditure and social

allocation aid, we do need to be concerned with the apparently irreversible downward trend to make it stop or, even better, to reverse it. New Zealand ODA contribution already ranks low among other industrial countries and, paraphrasing the words of a high government official, it can not afford to go further down.

The second recommendation concerns social priority aid. As previously mentioned, this needs to be increased up to at least the rate of overall aid, that is, about 40%. If this were accomplished, then the final result would be about 12%, which is the ratio for the Social Priority Aid. Ideally is to reach the same standard of allocation ratio as the public spending: (25%), 40%, and 50%, with a final product of 20% as the ratio of aid directed to priority areas (SPA) from the total aid.

With regard to the second point made above, one should not have the illusion that an increase from 10% to 20% in social priority aid will have much impact on the overall situation because of Indonesia's huge population. On the other hand, this must not be used as an excuse for continuing to ignore or underestimate the plight of the most deprived and most needy. True, New Zealand's aid is no more than a drop in the ocean if we consider Indonesia's huge needs, but if that drop falls in a rural village inhabited by poor people it could definitely make a significant difference. Furthermore, the degree of utility generated among such people with the same amount of aid is proportionally much higher compared to those who are already better-off.

While New Zealand and other donors are encouraged to increase its aid for social purposes, this must not replace Indonesia's expenditure in the social sector. In fact, as the most affected and most important player, Indonesia should increase its social expenditure to a minimum accepted level from its current low priority, thus giving some social contents to the development that it has been prided itself on since the late 1980s[2].

Finally, one should not be so naive as to expect donors to give aid purely on humanitarian grounds or, more precisely, merely for social purposes. Primary factors such as the national self-interest, historical links, ideology, all play a critical role in the process of aid determination, and these factors make it highly unpredictable. However valid and important those considerations might be, aid should still place people's needs as a high priority. Such a stance would be consistent with the conception of development as the development **of** people, **for** people and **by** people, as defined by the Human Development approach.

NOTES:

1. Political considerations affecting aid preference is a factor that has been always present in the past and should be taken into account when assessing this matter.

2. The word "**pembangunan**" (development) has been the order of the day in Indonesia since the mid 1980s culminating with the official award of the epithet of "**Bapak Pembangunan**" (Father of Development) to President Suharto by the People's National Assembly. However, development in the Indonesian context is primarily and almost exclusively perceived as limited to physical development only (connotative with economic development) to the extent that other rights quite often have to be sacrificed on its behalf.

APPENDICES

Appendix 1 : New Zealand's 1981 Aid Principles

Appendix 2 : Computation of Linear Regression (spreadsheet)

Appendix 3 : Profile of New Zealand Bilateral Assistance to Indonesia 1981-1990

Appendix 1

THE PRINCIPLES GUIDING NEW ZEALAND'S BILATERAL DEVELOPMENT ASSISTANCE PROGRAMME

1. New Zealand's development assistance is directed primarily to the Island states of the South Pacific and is designed to help meet their specific requirements: the second area of concentration is Southeast Asia and in particular the countries belonging to ASEAN.

2. Bilateral assistance is provided by the Government in accordance with New Zealand's capacity and in response to specific requests made by recipient governments on the basis of their own plans and priorities either directly or through regional institutions.

3. The principal purpose of New Zealand's development assistance is to help promote the economic and social development of the recipient countries, by expanding their capabilities to raise the living standard of their peoples.

4. New Zealand development assistance is normally provided from New Zealand itself; New Zealand goods and services are used wherever this is compatible with the principal purpose.

5. A project to be assisted under the New Zealand programme should have specific development objectives that are to be achieved within a specified time and with specified resources: after that time it should be possible for the project to be carried on by the recipient country from its own resources.

6. Considerations taken into account by the Government in deciding what requests to respond to include the contributions to be made by a project to:

- increasing the productive capacity of the recipient country;
- expanding employment opportunities there;
- improving the living conditions and welfare especially of people in lower incomes and in rural areas;
- safeguarding the interests of vulnerable groups as women and increasing their capacity to contribute to development;

and also the extent of popular participation in and support for the project.

POLICY ORIENTATION

Aid Principles

Within the financial constraints on aid volume, New Zealand has in recent years sought to make its development assistance more responsive to the stated needs of developing countries. In 1981, the most significant advance in this respect was the adoption of a new set of principles to guide the administration of New Zealand's bilateral assistance. These principles replaced the original "Aid Criteria" adopted in 1974.

The revised set of principles aim to give clearer direction to those responsible for project selection, a sharper definition of the objectives of each project and to reflect changes in development policy, both nationally and internationally, since the original criteria were drawn up. The first principle sets out the regional priorities for New Zealand aid in terms of development assistance being directed primarily to the Island states of the South Pacific with South-East Asia and in particular the countries belonging to ASEAN forming a second region of concentration.

Other principles are intended to give new emphasis to or to introduce the following concerns:

- That as a basic premise, aid can be provided only at the request of a recipient government.

- That aid should be given for economic and social development, since there is often pressure to extend aid to other fields.

- That aid projects should be finite in nature, i.e. that projects are intended to meet a particular set of objectives within limited resources, and to become self-supporting within a defined period.

- That project selection should take into account the effect it is likely to have on vulnerable groups such as women.

- That projects should be favourably considered where there is evidence of popular participation and support.

Appendix 2

COMPUTATION OF LINEAR REGRESSION FOR FIG.3				
AER	**ASAR**	**Regression Formula**	**Regression Output**	
2554	450	1291.798	Constant	1448.108
3394	1605	1240.388	Std Err of Y Est	1109.031
3471	0	1235.675	R Squared	0.004626
3539	510	1231.514	No. of Observations	10
3617	1806	1226.74	Degrees of Freedom	8
4135	2910	1195.037		
4145	2719	1194.425	X Coefficient(s)	-0.0612
5609	0	1104.825	Std Err of Coef.	0.317412
5659	750	1101.765		
6050	1150	1077.835		

COMPUTATION OF LINEAR REGRESSION FOR FIG. 4				
AER	**ASAR**	**Regression Formula**	**Regression Output**	
2554	450	-150.374	Constant	-4195.54
3394.5	1605	1180.857	Std Err of Y Est	842.9708
3471	0	1302.022	R Squared	0.548895
3539.7	510	1410.833	No. of Observations	7
3617.6	1806.8	1534.216	Degrees of Freedom	5
4135	2910	2353.703		
4145	2719	2369.542	X Coefficient(s)	1.583856
			Std Err of Coef.	0.642133

Appendix 3

Profile of New Zealand Bilateral Assistance to Indonesia
1981 - 1991

Financial Year: 1981/82

Project	Description	Cost	Remark
AGRICULTURE			
Cattle breeding	Establishment of an artificial insemination service to upgrade cattle breeding	$520.000	NZ also provides expertise, equipment, frozen semen and training
Medan abattoir	Construction of a new abattoir to supply meat to Medan market	$1 milion*	Projected completion: mid-1982
EDUCATION			
Teaching of English as a Second Language (TESL)	Assignment of TESL experts to teachers' training colleges in Indonesia and also financial assistance	$400.000*	Location: Yogyakarta, Ujungpandang and Padang
Pilot training	Training of a group of Indonesian trainee pilots from Merpati	$600.000*	Important for Indonesia's geographical situation
PUBLIC UTILITIES			
Geothermal power development	To harness steam for power generation and to reduce dependence on oil	$24* million (1974-1983)	Jointly funded by the NZ Gov. and Indon. government
Water supply	Design work for the implementation of an 'emergency programme' to upgrade water treatment and pumping station in Bengkulu	$750.000*	NZ also provides equipment/ materials
Earthquake engineering	Assistance for developing an Indonesian seismic design loadings code for buildings & teaching earthquake engineering techniques to local engineers	$530.000	1 long-term adviser based in Bandung (Java)

* Estimated expenditure

Financial Year: 1982-1983

Project	Description	Cost	Remark
AGRICULTURE			
Bali cattle	Assistance with the improvement of the Bali cattle breed by helping a performance-testing unit in Bali	$175.000*	NZ also provides advisory personnel vehicles,a computer and training in NZ
Dairy programme	Assistance to the Indonesian cooperative dairy industry to improve marketing and processing techniques and to reduce wastage of milk	$4 million* (long-term project)	NZ also provides specialists, milk cooling & transportation equipment
Medan abattoir	Construction of a new abattoir to supply meat to Medan market	$1 million*	Project completion: mid-1983
FORESTRY			
General assistance	Assessment of the scope for future NZ assistance in the forestry sector	$18.000	NZ also funds Indonesian personnel for study visits in NZ
PUBLIC UTILITIES			
Geothermal power development	Idem to 1981/1982	$28.5 million (1974-completion)	
Water supply	Idem to 1981-1982	$550,000*	Project completion: late 1982
Earthquake engineering	Idem to 1981/1982	$600,000*	One long-term earthquake engineering adviser based at Bandung

* Estimated expenditure

Financial Year: 1983 - 1984

Project	Description	Cost	Remark
Agriculture			
Bali cattle	Assistance with the improvement of the Bali cattle breed by helping a performance-testing unit in Bali	$175,000*	NZ also provides advisory personnel, vehicles, a computer and training in NZ
Dairy programme	Assistance to the Indonesian cooperative dairy industry to improve marketing and processing techniques and to reduce wastage of milk	$4 million (long-term project)	NZ also provides: -experts -milk cooling + transportation equipment
Medan abattoir	Completion of a new abattoir	$1 million*	NZ also provides: -1 abattoir manager -funds for training of staff
Livestock development	Assistance to the Livestock Development Programme	$40,000*	NZ assistance: construction of an artificial breeding centre
FORESTRY			
General assistance	Short-term advisory visit to 4 areas: tree breeding, seed technology, timber treatment and forest tree protection	$50,000	NZ also provides funds for study visits to NZ by Indonesian forestry personnel
PUBLIC UTILITIES			
Geothermal power development	Idem to 1981/1982	$30 million (1974-1984)	The cost in the previous column is the estimated total cost for the project
Geothermal follow-on programme	Provision of 2 advisers for 1 year and training of 6 Indonesian students in NZ	$2.1 million*	Project completion: early 1985
Earthquake engineering	Idem to 1981/1982	$40,000*	Study trips to NZ by Indonesian engineers & training awards for post-graduate students

* Estimated expenditure

Financial Year: 1984-1985

Project	Description	Cost	Remark
Agriculture			
Bali cattle	Assistance with the improvement of the Bali cattle breed by helping a performance-testing unit in Bali	$50,000*	NZ provides: -advisory personnel -vehicles, a computer & training in NZ
Dairy programme	Idem to 1983-1984	$1.86 million* (projected completion: early 1985)	Training in NZ for Indonesian dairy technicians & marketing staff
Marketing study	Consultancy services in milk marketing	$100,000*	Related to the Dairy project
Training abattoir	Provision of an abattoir manager for the first year of the abattoir's operation	$1.4 million*	Completion of the abattoir's construction
Livestock development	Idem to 1983/1984	$64,000*	4 artificial insemination trainees will undertake a 5-month study programme in NZ
FORESTRY			
General assistance	Idem to 1983/1984	$70,000*	Idem to 1983/1984
PUBLIC UTILITIES			
Geothermal follow-on programme	Idem to 1983/1984	$912,000* (1984-1985)	3-year programme of training and technical assistance advisory visits and study awards to 6 Indonesian students in NZ
Earthquake engineering	Idem to 1981/1982	$15,000*	

* Estimated expenditure

Financial Year: 1985 - 1986

Project	Description	Cost	Remark
AGRICULTURE			
Bali cattle	Assistance with the improvement of the Bali cattle breed and its extension to other parts of Indonesia	$230,000*	NZ assistance: -provision of technical expertise, equipment & vehicles
Dairy programme	Idem to 1983/1984	$819,000*	Also includes training in NZ for Indonesian dairy technicians
Training abattoir	Idem to 1984/1985	$120,000*	NZ provides technical, advisory and equipment assistance
Livestock development	Idem to 1983/1984	$15,000*	Advisory visit by an expert in artificial insemination
FORESTRY			
General assistance	Provision of a short-term advisory visit by an expert in tree breeding and seed technology, and technical assistance in national parks cooperation and land use planning	$80,000*	
PUBLIC UTILITIES			
Geothermal technology programme	- 3-year programme of training and technical assistance - 1 senior geothermal engineer from NZ posted as adviser to Indonesia on geothermal development	$800,000	Also short-term advisory visits by NZ consultants on the project
Geothermal evaluation	Study to determine the sequence in which steamfields in Indonesia should be developed	$25,000*	Allocation of costs cover consultancy services
Earthquake engineering	Idem to 1981/1982	$15,000*	Assistance this year consists of 1 advisory visit by an earthquake engineer
HEALTH			
Village nutrition Programme	Provision of a cash grant to UNICEF to support its village nutrition programme in East Timor	$200,000*	
EDUCATION			

Study tour	Funding of a study tour by Indonesian education officials to observe facilities for technical education and distance learning in NZ		Proposed project
Eastern Provinces TCF	A fund to finance small development projects in the eastern provinces	$200,000*	Proposed project
Miscellaneous			
Lombok handicraft	Feasibility study to Lombok to assess the requirements of a project for traditional pottery	$50,000	To improve the production methods and marketing of traditional pottery

* Estimated expenditure

Financial Year: 1986 - 1987

Project	Description	Cost	Remark
AGRICULTURE			
Bali cattle	Assistance with a long-term breeding strategy to improve the Bali cattle	$240,000*	NZ also provides technical expertise, equipment and vehicles for the extension of the project
Dairy programme	Idem to previous years	$472,000*	NZ assistance also includes provision of equipment to improve milk hygiene, quality control and packaging
Training abattoir	Idem to previous years	$75,000*	Additional technical assistance, equipment and spare parts are being provided during the current year
Livestock development	Idem to previous years	$20,000*	Advisory visit by an expert in artificial insemination
Dairy project appraisal	Appraisal by NZ consultants of the Indonesian dairy industry	$30,000*	To determine areas for assistance when the above project is completed
FORESTRY			
General Assistance	Idem to 1985-1986	$50,000*	Proposed project
PUBLIC UTILITIES			
Geothermal technology programme	Idem to 1985-1986	$315,000*	
Geothermal Study and Evaluation	Assessment of Indonesia's geothermal resources by NZ consultants with a view to their future development	$1.780 m*	Production of a computer model and methodology to enable the Indonesians to review the development schedule

Study Tour	Study tour by a group of senior Indonesian energy officials to NZ	$75,000*	To observe alternative energy facilities
Earthquake engineering	Advisory visit by an earthquake engineer form NZ	$25,000*	Advisory work

Financial Year: 1986-87 (continued)

CNG Project	Assistance for Preliminary Evaluation of the potential for use of CNG in Indonesia	$170,000*	
EDUCATION			
English Language Centre	Feasibility study	$50,000*	To consider the establishment of an English Language teaching facility
PLANNING/PUBLIC ADMINISTRATION			
Eastern Provinces Technical Corporation Fund	A fun to finance small development projects in the Eastern provinces	$250,000*	
MISCELLANEOUS			
Lombok crafts	Efforts to establish a project to improve the production and marketing of traditional pottery	$10,000*	Proposed project
Miscellaneous technical assistance	A fund to provide ad hoc assistance to small projects	$50,000*	

* Estimated expenditure

Financial Year: 1987 - 1988

Project	Description	Cost	Remark
AGRICULTURE			
Artificial insemination	Purchase of two breeding bulls, materials and equipment for the Artificial Insemination Centre; training of Indonesian technicians and provision of a consultant	1987-1990: $125,000 1987-1988: $75,000*	To develop the artificial insemination industry in Indonesia
Bali/Sumbawa Cattle	Technical assistance and financial contributions to the cattle project on the island of Sumbawa	1987-88 to 1989-90: $300,000	To develop a breeding strategy for Bali cattle and to extend it to other parts of Indonesia

Dairy Project: Phase II	Continued assistance to the Indonesian Union of Dairy Cooperatives to process and market fresh milk	1987-1990: $1.7 m 1987-88: $615,000	To improve public awareness of the nutritional value of milk; and to train Indonesian staff in plant maintenance, milk quality, milk process ing and marketing, and management
Bukittinggi Abattoir	The establishment of an abattoir in Bukittinggi	1987-88 to 1989-90: $1.1 m 1987-88: $100,000*	To develop an abattoir design to ensure an efficient and hygienic method of slaughtering and to train Indonesian butchers and abattoir managers in this method
PUBLIC UTILITIES			
Geothermal Study and Evaluation	Review of priorities in the light of changed data and training of Indonesian staff	1986-87 to 1987-88: $2 m	To evaluate Indonesia's geothermal fields to establish development projects
Energy cooperation adviser	Assignment of an energy adviser to energy agencies in Indonesia	1987-88 to 1989-90: $600,000	Appraisal and advise work in energy matters

Financial Year: 1987 -1988 (continued)

Electricity planning	Feasibility study to assess NZ possible assistance in Indonesia's electricity power planning system	1987-88 to 1989-90: $275,000 1987-88: $75,000	To review existing Indonesian electricity planning systems
Earthquake engineering	Assignment of an engineer to review earthquake technology and to conduct seminars in several universities in Indonesia	1987-88 to 1989-90: $90,000 1987-88: $30,000*	To improve Indonesia's expertise in earthquake engineering and monitoring
National Parks Cooperation	Training in national parks operations, maintenance, first aid, search and rescue techniques	1987-88 to 1989-90: $700,000 1987-88: $200,000*	To develop Indonesia's park management
Watershed and Soil Conservation Project	A project to demonstrate and evaluate a resource inventory and mapping method for soil conservation and land use planning	1987-88 to 1989-90: $600,000	To introduce the mapping system and evaluate its usefulness in Central Java and to train staffs

EDUCATION			
English Language	The teaching of English to business, government and technical occupations, and students going overseas	1987-88 to 1989-90: $1 m 1987-88: $100,000*	
Miscellaneous			
Eastern Provinces TCF	A variety of small development projects in the eastern provinces	1987-88 to 1989-90: $1.05 m 1987-88: $350,000*	NZ participation: cash grants administered by the NZ embassy in Jakarta
Women in Development	To be determined	1987-88 to 1989-90: $1 m	To support projects that will benefit woman
Contribution to UNICEF Projects	A grant to UNICEF to finance health projects in the rural areas of Indonesia	1987-88 to 1989-90: $ 1 m 1987-88: $500,000*	
Miscellaneous Technical Assistance	Funding a selection of activities and projects with a NZ connection	1987-88 to 1989-90: $375,000 1987-88: $100,000*	To establish and maintain NZ connections with Indonesian organisations and sectors

Financial Year: 1988 - 1989

Project	**Description**	**Cost**	**Remark**
AGRICULTURE			
Artificial Insemination Project	Provision of advisory and training assistance to the Artificial Breeding Centre in Lembang	1986-87 to 1987-88: $50,000 1988-89: $25,000*	To train Indonesian technicians and supervisors in NZ and provision of a consultant
Training abattoir	Provision of technical assistance and equipment and to train Indonesian staff to use the new equipment	1986-87 to 1987-88: $79,000 1988-89: $10,000*	To provide spare parts for the abattoir and back-up technical assistance as and when required
Bali/Sumbawa Cattle	Idem to previous years	1986-87 to 1987-88: $307,500 1988-89: $100,000*	To complete the establishment of the project in Sumbawa and to train staff and farmers

Dairy Cooperatives Development	Assistance to the GKSI to develop its capability to process and market fresh milk and to improve its technical and managerial efficiency	1982/83 to 1987/88: $26,000 1988/89: $30,000*	The same objectives than the previous years
PUBLIC UTILITIES			
Geothermal Programme	Technical and training assistance to develop Indonesian capability in geothermal technology	1986/87 to 1987/88: $350,000 1988/89: $300,000	Seminars, workshops, and short-term technical assistance to the completed geothermal project
Geothermal Study and Evaluation Project	Follow-on assistance to train Indonesian staff to use the methodology and computer software developed for the project	1986/87 to 1987/88: $1.9 m 1988/89: $50,000*	Seminar on the use of the methodology and computer hardware and software
Energy Cooperation Adviser	Assignment of NZ adviser on energy to energy agencies in Indonesia	1986/87 to 1987/88: $325,000 1988/89: $80,000*	To provide the Indonesians with advice on geo-thermal and other energy matters

Financial Year: 1988/1989 (continued)

Electricity planning	Assistance to the Indonesian Government in developing its national electric power planning	1987/88: $54,000 1988/89: $250,000*	To produce a national electricity plan compatible with the overall energy plan and to train staff to develop and use the plan
Land Resources Mapping	A pilot project in Central Java to demonstrate a resource inventory and multifactor mapping methodology in NZ for the management of land resources in Indonesia	1988/89: $400,000* 1989/90: $350,000*	
National Parks Cooperation	Idem to 1987/88	1988/89: $250,000* 1989/90: $250,000*	To train Indonesians in Indonesia and NZ in park management
Earthquake Engineering	Short-term assignment of an engineer to review progress in the application of the seismic technology	1986/87 to 1987/88: $26,000 1988/89: $30,000*	To improve Indonesian expertise in earthquake engineering

RURAL DEVELOPMENT			
Rural Geothermal	Installation of a small-scale geothermal plant at Methodology, Flores to generate electricity for domestic and rural development	1988/89: $500,000* 1989/90: $1 m*	Appraisal of the proposal to test the technical feasibility, economic viability and developmental and environmental impact of the proposed plant
Rural Mini-Hydro	Establishment of a mini- hydro system to generate electricity for a village in Nias, West Sumatera	1988/89: $100,000*	Feasibility study
Lombok Crafts Project	Assistance to improve the quality and marketability of traditional Lombok pottery	1987/88: $135,000 1988/89: $350,000*	To introduce new production techniques to increase the productivity and marketability

Financial Year: 1988/1989 (continued)

EDUCATION			
Technical education	Assistance to develop technical education in Indonesia through tutor training, curriculum development and polytechnic administration	1988/89: $50,000*	Feasibility study for NZ assistance
Miscellaneous			
Contribution to UNICEF Projects	Idem to 1987/1988	1985/86 to 1987/88: $850,000	
Eastern Provinces TCF	Idem to previous years	1986/87 to 1987/88: $693,000 1988/89: $350,000*	
Road Maintenance Training Project	Training programme to demonstrate the chip dressing technology developed in NZ	1988/89: $300,000* 1989/90: $50,000	To train 34 Indonesian highway engineers on chip seal dressing technology
Miscellaneous Technical Assistance	Financial assistance to small-scale development projects and completed ODA projects	1986/87 to 1987/88: $175,000 1988/89: $50,000*	To establish and maintain connections with Indonesian government agencies and completed projects

* Estimated expenditure

Financial Year: 1989 - 1990

Project	Description	Cost	Remark
AGRICULTURE			
Training abattoir	Provision of technical assistance and equipment to introduce a new slaughtering system for the abattoir in Training and to train Indonesian staff to use the new equipment	1986-88: $79,000 1989-90: $10,000 (forecast)	Objectives: To provide spare parts for the abattoir and back-up technical assistance as and when required
Bali/Sumbawa cattle	A long-term breeding strategy to improve the Bali cattle and to extend its superior genetic qualities to other parts of Indonesia	1986-88: $307,500 1988/89: $150,000 1989-90: $400,000	Objectives: to complete the establishment of the project in Sumbawa island; to train project staff and farmers in cattle husbandry and management, land development and pasture establishment
Dairy Co-operatives development	Assistance to the Indonesian Union of Dairy Co-operatives (GSKI) to develop its capability to process and market fresh milk and to improve its technical and managerial efficiency	1982-88: $5 m 1988-89: $300,000 (forecast) 1989-90: $50,000 (forecast)	Objectives: to assist GKSI develop new products and marketing strategies for fresh milk and its products;to provide equipment; to train Indonesian staff
Artificial insemination	Provision of advisory and training assistance to the Artificial Breeding Centre in Lembang	1986-88: $50,000 1988-89: $5,000 (forecast) 1989-90: $25,000 (forecast)	Objectives: to train Indonesian technicians and supervisors in NZ in artificial breeding and provision of a consultant
EDUCATION			
Technical education	Assistance to develop technical education in Indonesia	1989-90: $100,000 (forecast)	Objectives: feasibility study and project identification
Training and Education	Provision of long-term study awards and short-term training	1988-89: $800,000 1989-90: $1,5 m 1990-91: $1 m	To develop Indonesian capability and improve expertise in those areas specifically targeted by NZ development assistance

PUBLIC UTILITIES			
Earthquake engineering	Short-term assignment of an engineer	1986-89: $48,400 1989-90: $50,000 (forecast)	To improve Indonesian expertise in earthquake engineering
Geothermal programme	Technical and training assistance to develop Indonesian capability in geothermal technology	1986-89: $513,000 1989-90: $413,000 (forecast) 1990-91 $413,000 (forecast)	To conduct seminars and workshops on geothermal topics, to provide short-term technical assistance, to advise on training programmes and courses in geothermal technology
Energy Co-operation Adviser	Assignment ofNew Zealand adviser to give advice to energy agencies in Indonesia	1986-89: $420,000 1989-90: $25,000 (forecast)	Objectives: to provide the Indonesians with advice on geothermal and energy matters
Electricity planning	Assistance to the Indonesian Government in developing its national electricity power planning	1987-88: $54,000 1988-89: $250,000 (forecast) 1989-90: $300,000 (forecast)	To produce a national electricity plan compatible with the over-all energy plan and to train staff to develop and use the plan
Geothermal Study and Evaluation Project	Follow-on assistance to train Indonesian staff to use the methodology and computer software developed under the project to establish priorities for the development of geothermal resources	1986-89: $1,96 m	Objectives: to conduct seminars on the use of the methodology and computer hardware and software, and to resolve related problems
Rural Geothermal	Installation of a small-scale geothermal plant at Methodology,Flores to generate electricity for domestic and rural development	1988-89: $88,000 1990-91: $1,000,000	Objectives: appraisal of the technical feasibility, economic viability and developmental and environmental impact of the proposed plant

Land Resources Mapping	A pilot project in Central Java to demonstrate a resource inventory and multifactor mapping methodology developed in NZ for the management of land based resources in Indonesia	1988-89: $272,000 (forecast) 1989-90: $300,000 (forecast)	
National Parks Cooperation	To develop Indonesian capabilities in park interpretation and facilitation, first aid, and park development and maintenance.	1988-89: $12,000 1989-90: $300,000 (forecast)	To train Indonesians in Indonesia and in New Zealand
Miscellaneous Technical Assistance			
Contribution to UNICEF Projects	Cash grants to UNICEF to finance health projects in the rural areas of Indonesia	1985-89: $1,550,000	Objectives: to improve health facilities and conditions in the rural areas of Indonesia
Lombok Crafts	Assistance to improve the quality and marketability of traditional Lombok pottery, to enable the villagers to increase their income	1987-88: $135,000 1988-89: $350,000 (forecast) 1989-90: $400,000 (forecast)	Objectives: to introduce new production techniques, to train selected potters and to explore and develop markets for the pottery
Eastern Provinces Technical Cooperation Fund	Funding for small development projects in the eastern provinces of Indonesia	1986-89: $1,203,000 1989-90: $350,000 (forecast) 1990-91: $350,000 (forecast)	Objectives: to support development projects and activities in the region
Miscellaneous Technical Assistance	Financial assistance to small-scale development projects and completed ODA projects	1986-89: $249,000 1989-90: $50,000 (forecast)	Objectives: to establish and maintain connections with Indonesian government agencies and completed projects

* Estimated expenditure

Financial Year: 1990 - 1991

Project	Description	Cost	Remark
AGRICULTURE			
Dairy Cooperatives Development Project	Assisting GKSI develop new products and marketing strategies for fresh milk and its products	1982-88: $5 m 1989-90: $50,000 1990-91: $50,000* 1991-92: $50,000*	The project also provides equipment and trains Indonesian staff
Bali/Sumbawa Cattle	Completion of the establishment of the project in Sumbawa and training of project staff and farmers in cattle husbandry and management	1986-90: $406,527 1990-91: $200,000*	To improve the Bali cattle breed and extend it to other parts of Indonesia
FORESTRY			
Project Identification	Pre feasibility/ Feasibility Study and project design work	1990-91: $150,000-$200,000*	To identify and prioritise options for NZ ODA in Forest Sector Development
PUBLIC UTILITIES			
National Parks Cooperation	A 2-year programme to train Indonesians in Indonesia and NZ in the areas mentioned above	1989-90: $150,000 1990-91: $250,000*	To develop Indonesian capabilities in park facilitation, management and conservation protection
Land Resources Mapping	To demonstrate and evaluate a land resources mapping system developed in NZ in Central Jawa and to train Indonesian staff in the methodology and its application	1989-90: $230,000 1990-91: $180,000*	To assist in the development of resource management capabilities in Indonesia
Electricity Planning	Assistance to ensure Indonesia's staff expertise in power planning system	1987-88: $54,000 1989-90: $150,000 1990-91: $287,000*	

Financial Year: 1990/1991 (continued)

Geothermal Programme	Provision of technical and training assistance via short-term consultancies, long-term and short-term training. Current assistance is focused around training	1986/87 to 1988/89: $610,000 1990/91: $110,000*	To develop Indonesia's human resource capability to enable the intensified and more effective utilisation of its geothermal resource
Rural Geothermal	Installation of a small geothermal plant at Methodology, Flores to generate electricity for domestic and commercial use	1988/89 to 1989/90: $311,000 1990/91: $525,000*	To determine the technical, economic and environmental/ sociological feasibility of the project
Miscellaneous			
Training Evaluation	Evaluate the effectiveness of the NZ training programme in meeting Indonesia's requirements for overseas study and training	1989/90: $18,000 1990/91: $22,000	To improve the effectiveness of the NZ's contribution to Human Resource Development in Indonesia
Contribution to UNICEF/Red Cross	Provision of cash grants to UNICEF and the Red Cross to support programmes in family planning, immunisation, nutrition, drinking water and sanitation, and to improve literacy in the rural areas of Indonesia	1985/86 to 1989/90: $1,641,000 1990/91: $100,000*	To improve levels of health and to develop increased productivity and quality of life for disadvantaged communities
Embassy Small Projects Fund (ESPF)	Funding for small scale development projects in areas such as health, water supplies, and income generating agricultural projects in some eastern provinces	1986/87 to 1989/90: $1,553,000 1990/91: $350,000	To support rural development projects which improve the living standards and quality of life of disadvantaged groups and communities, with emphasis on women
Miscellaneous Technical Assistance	Financial assistance to small-scale development projects and completed ODA projects	1986/87 to 1989/90: $278,000 1990/91: $50,000	To establish and develop NZ connection with Indonesian organisations

* Estimated expenditure

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