

**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.