

9 May 2018

**Ministry of Foreign Affairs and Trade
| Manatū Aorere**

Latin America and the Caribbean Regional Programme Evaluation

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Abbreviations and Acronyms

AGCID	Chilean Agency for International Development Cooperation
ASI	Adam Smith International
CARDI	Caribbean Agricultural Research and Development Institute
CARICOM	Caribbean Community
CEPAL	Economic Commission for Latin America and the Caribbean
CGDEV	Centre for Global Development
CONAIE	Confederation of Indigenous Nationalities of Ecuador
CRI	Crown Research Institute
CSS	Caribbean Small State
DAC	Development Assistance Committee
DGDC	Dominica Geothermal Development Company
ECLAC	Economic Commission for Latin America and the Caribbean
ELN	National Liberation Army
EU	European Union
FARC	Revolutionary Armed Forces of Colombia
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
ITO	Industry Training Organisation
JICA	Japan International Cooperation Agency
LAC	Latin America and the Caribbean
MFAT	Ministry of Foreign Affairs and Trade
MPI	Ministry of Primary Industries
MW	Megawatt
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organisation
NZ	New Zealand
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PDG	Pacific and Development Group
PPI	Paraguay Family Farming Project
RFI	Request for Information
SED	Sustainable Economic Development
SIDS	Small Island Developing State
SRC	Seismic Research Centre
TDC	Trilateral Development Cooperation

Executive Summary

This report presents findings and recommendations from an evaluation of New Zealand's development cooperation programme in Latin America and the Caribbean between 2012 and 2017. The main purpose of the evaluation is to provide guidance to Ministry of Foreign Affairs and Trade (MFAT) staff on the future strategic direction of New Zealand's development cooperation programme in the region and inform improvements to its management.

Evaluation Summary and Recommendations

The evaluation found that the Latin America and Caribbean (LAC) development cooperation programme is proving a success both in terms of delivering development results and in building strong and sustainable bilateral linkages to support New Zealand's economic and political priorities. This positive assessment aside, significant further gains can be made through management reform and an innovative approach to thematic focus and project financing.

Key Evaluation Recommendations

1. The strength of New Zealand's regional programme is its **responsiveness to partner government** assistance requests. Care should be taken to maintain this approach.
2. The **geothermal sector has proved to be a niche** in the Caribbean and significantly raised New Zealand's profile. This should be pursued in a similar flexible manner.
3. Attention should be given to supporting **initiatives where New Zealand assistance can unlock complementary funding** from other sources, as was the case with the geothermal power project in Dominica.
4. MFAT **management arrangements should be revised** to give staff at Post greater involvement in project oversight in order to advance program effectiveness and enhance political engagement grounded in the ODA provision.
5. MFAT should **increase the regional engagement of technical staff** to support Post and to identify smart and innovative investment that advance development and New Zealand's profile in the region.
6. Use of **flexible funding mechanisms should be explored** to enable a more responsive and agile program able to seize new opportunities and take measured risks with new ideas. This will require an acceptance that some projects will fail as part of the process of seeking large catalytic successes.
7. **Trilateral development cooperation** with countries such as Chile represents a modality with the potential to greatly magnify the development impact of the programme's limited budget and strengthen relations with regional countries that are no longer ODA-eligible.
8. The scale of the Latin America and the Caribbean makes it ideal for developing cross-cutting **whole-of-government** approaches to development cooperation that could later be scaled up in regions like the Pacific.

These recommendations are based on a comprehensive review of the regional context, the strategic planning and management of the programme, and a rapid evaluation of each activity. These are summated below and presented in full in the report.

The Regional Context

› *The regional context in Latin America and the Caribbean is conducive to positive development outcomes, particularly from a genuine partnership-based approach.*

The commodity boom provided Latin American and Caribbean nations with an opportunity to pay down their external debts, engage in domestic fiscal and governance reforms, and invest in much needed social programming. The result has been a rapid decline in levels of poverty and indigence as well as significant boosts in educational attainment and health outcomes, although inequality remains a serious social challenge. Regulatory structures have been reformed in many countries to encourage investment, and the expansion of employment opportunities, particularly in the service sector, has been underpinned by rising mineral and agricultural export income.

› *Regional economies remain vulnerable to variations in international commodity prices.*

Continued reliance on the export of raw materials as a prime driver for national economic models has left regional countries vulnerable to shifts in global commodity prices, resulting in a slight contraction of development gains over the last two years. This has also created a focus on mining and agro-industrial development in rural areas that has

at times caused family farms and small holders to be overlooked, significantly contributing to the elevated rates of poverty and inequality in the countryside compared to urban areas.

➤ ***Latin America and Caribbean partners generally are seeking assistance with capacity building, not direct-budgetary support or comprehensive country development policy planning.***

Almost all countries in the region have a fully formed and articulated state with varying degrees of ability to exercise policy planning, implementation, and oversight. Even in countries where significant governance challenges remain, there are generally pockets of public administration excellence that highlight the need for assistance with capacity building and training elsewhere. The theme that emerges from this is that the region is not generally in need of direct budgetary support, but instead requires assistance with the deepening, transfer, and embedding of knowledge, capacity, and experience across a wide array of development-oriented policy areas. This is an area where New Zealand's regional programming has excelled.

➤ ***The region is subject to frequent and severe natural disasters and the capacity to plan for and manage these events is mixed.***

Whether it be hurricanes in the Caribbean, El Niño-caused flooding in the Andes or earthquakes along the Andean cordillera, the region has consistently seen natural disasters negatively impact development plans. The ability to manage this risk varies widely. Chile is an international leader in earthquake preparedness and able to respond with great agility to even the severest of tremors. Conversely, island nations such as Haiti have virtually no capacity to plan and respond to natural disasters and consequently suffer devastating damage on a regular basis. In terms of future engagement opportunities these sorts of disjunctures in national capacity across the region may provide spaces for carefully targeted trilateral programming by New Zealand with, initially, a country like Chile.

Coherence, Strategic Planning, and Management

➤ ***The Latin America and Caribbean official development assistance program is ultimately driven by political and economic considerations. This has not had a negative impact on development outcomes.***

The consistent understanding conveyed by all of the individuals interviewed by the evaluation team in New Zealand, at Post, at projects, and with partner governments and international agencies, is that the LAC Regional Programme is driven both by development needs and the Government of New Zealand political and economic partnerships in the region. Significantly, nobody suggested that this was proving a barrier to effective assistance provision. The explanation the Evaluation Team found is that the MFAT officials are deeply aware that the only way ODA can work as a central pillar of a broader regional engagement strategy is if it is effective, responsive, and sustainable. Consequently, considerable effort was invested in consulting with partner countries to design and implement the projects that were being demanded domestically, not those that external actors were suggesting as necessary. This has combined with a focus on direct knowledge transfer and relationship building to position New Zealand as a trusted, good faith actor in the perception of regional governments. There is a corresponding risk, namely that foreign policy considerations might come to overshadow a primary focus on development results with ODA expenditures, which could negate the substantial gains that ODA-provision has given New Zealand in the region.

➤ ***A focus on transferring New Zealand expertise has proven particularly effective for building a strong reputation in the region and achieving development results far in excess of what would be expected from the available budget.***

Focusing on cooperation involving the transfer of acknowledged New Zealand expertise has gained the country a reputation for getting things done and delivering real and lasting value. Two examples from the region stand out. First is the geothermal energy project in Dominica, which has cemented New Zealand as a pivotal player in this aspect of the renewable energy field. Second is the agricultural capacity building project in Chile and Uruguay,¹ which has positioned New Zealand as a regional leader in the development of rural skills and generated some excitement about the possibilities that similar programs might bring to the dairy sectors in Colombia and Peru.

➤ ***Management of regional projects from Wellington is resulting in suboptimal outcomes for political and economic engagement as well as a failure to recognize and pursue new opportunities.***

Although Posts mobilize the positive outcomes of the development assistance program to advance their political and economic engagement in the region, they have little direct managerial input into their operation. This leaves desk officials in Wellington managing without a deep understanding of regional dynamics and based on third-party reporting, which has painted an at times excessively negative picture of what is in fact a notably successful portfolio of activities. This means, in terms of the overarching political and economic objectives of the regional program, that

¹ MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*.

New Zealand is not optimally mobilizing the good news of the program to drive bilateral relations. There is also a consequent failure to identify and pursue new opportunities stemming from successes in the field.





➤ ***The persistence of intra-MFAT and inter-departmental Government of New Zealand siloes is preventing optimization of the regional development assistance program.***

The splintering of management responsibilities for different projects across MFAT results in a failure to capture synergies to further enhance engagement and development results. This handicap is amplified by the small role Posts play in managing projects, which means they are unable to mobilise their knowledge on the scene. Siloes between government departments are also working to prevent an amplification of development results by building relationships that extend beyond the ODA envelope to encompass the self-sustaining economic, academic, and civil society partnerships that might anchor a measure of New Zealand ‘soft power’ in the region. Given its relatively small size and the nature of activities, the LAC program could prove an ideal platform for innovation to trial whole-of-government approaches to assisting development that extend beyond traditional ODA provision



Effectiveness and Sustainability

➤ ***The activities generally score well against the OECD DAC evaluation criteria² when assessed independently, though greater attention could be paid to inclusiveness and other cross cutting issues***

When assessed individually, each activity is of high quality but there are consistent missed opportunities to leverage synergies between activities. Though all activities also report acceptable gender disaggregated results, these are mostly as a result of fortunate coincidence rather than systematic targeting, which reflects a slow accretion of awareness in the region that gender and inclusiveness are useful foci for driving development effectiveness. In general, cross-cutting themes should be better integrated into design and implementation and be expanded beyond gender to include disability, youth, social inclusion, and environment and climate change. The table below presents a snapshot of the four activities visited by the evaluation team against the DAC criteria. Full assessments are presented in the report together with brief observations for the other activities.

Activity Criteria	Caribbean Agriculture Programme: Small Ruminants Activity	Caribbean Disaster Risk Management: Seismic Research Centre Support	Caribbean Renewable Energy Programme	Proyecto Paraguay Inclusivo
 relevance	Small ruminants development offer opportunity for agricultural development	Volcanic monitoring essential for disaster risk management	Reliable and affordable energy is critical to economic development	Rural development central to economic growth
 effectiveness	Model farm model useful for participant group	Good research outcomes from NZ seismic capabilities	NZ Geothermal capacities provide high return to region	High return for project participants
 efficiency	Implementer adapted to changing circumstances to ensure efficiency	Delays due to other priorities in NZ following Kaikoura earthquake and evolving NZ methodologies	Flexible modality provides opportunities for identifying high return activities	IFAD project management modalities offer useful path to delivery
 impact	Direct impact not considerable but possible for longer term return	SRC capabilities significantly improved and new global approach being tested	Dominica Geothermal Activity high impact	Direct impact with beneficiaries strong but limited systemic change

² The DAC evaluation criteria were originally developed in 1991. In 2018, the DAC Network on Development Evaluation is conducting a consultation process to consider how these can be adapted to the new context, including the 2030 Agenda. Based on the priorities identified together with MFAT’s evaluation team, therefore, the evaluation team has elected to supplement the DAC criteria with an inclusiveness assessment.

Activity Criteria	Caribbean Agriculture Programme: Small Ruminants Activity	Caribbean Disaster Risk Management: Seismic Research Centre Support	Caribbean Renewable Energy Programme	Proyecto Paraguay Inclusivo
 sustainability	Online training tools likely to provide opportunities for long term learning	Monitoring systems in place	Surface Assessments and regional knowledge in place	Concerns over limited funding packages and completion of family projects
 inclusiveness	No explicit targeting of gender or youth	No explicit targeting of gender or youth	Beyond remit of project	Over 70% of beneficiaries are women

Opportunities for Future Support

- ***Flexible funding arrangements provide a mechanism for strategic responsive programming that could be useful to maintain New Zealand’s current positioning in the donor community in the region and scope opportunities for catalytic support.***

Ongoing continuous identification and scoping of activities for support through flexible funding arrangements offers MFAT the opportunity to respond to emerging opportunities to provide catalytic support and leverage funding from other donors, as has been seen in the Dominica Geothermal project.³ The proposed approach would place part of the LAC funding envelope in a streamlined, agile mechanism that could finance smaller pilot and scoping activities specifically geared to testing projects that can be scaled up into large-scale, transformative initiatives that may receive greater funding from MFAT, or which could attract major financing from IFA’s with mobilization assistance from New Zealand. This would enable New Zealand to maintain its status as the smart, responsive donor with partner governments in the region. From a development effectiveness perspective, flexible funding presents increased risks and requires an increased tolerance for risk of failure where exploratory investments do not realise expected results and are curtailed. In order to maintain New Zealand’s overall position as a development partner in the region, this flexible funding arrangement should be anchored around a flagship activity in each of Latin America and the Caribbean.

- ***Trilateral Development Cooperation with the Government of Chile provides an opportunity for delivering technical assistance in the region while maintaining collaboration with the Chilean Ministry of Foreign Affairs.***

The Chilean Agency for International Development Cooperation (AGCID) has established partnership agreements for trilateral development cooperation with a number of traditional donors. Chile has a sustainable source of funding for investment in technical assistance throughout the region and in other parts of the world and seek partners with mutual areas of comparative expertise for joint delivery of training. Through government relationships throughout LAC, AGCID is able to scope and package activities for joint investment providing an opportunity for broad regional coverage with minimal additional management burden. While there are other regional countries with whom New Zealand could partner for trilateral initiatives – most notably Brazil and Mexico – the suggestion is that MFAT focus on Chile due to a combination of shared priorities, a track-record of successful development cooperation, the existing management and financing arrangements established by Chile, and the desire to continue building on ODA-driven linkages in Chile’s new post-aid eligible era.

- ***Third Party Implementation is attractive in a remote region with limited staff presence but presents challenges for visibility of New Zealand support.***

Arrangements with multilateral institutions can provide an avenue for New Zealand investment in a remote country without substantial management responsibilities or risks. Ensuring the visibility of New Zealand in these arrangements, however, requires a commitment to active participation in review missions and regular visits to the activities to develop direct relationships with beneficiary institutions outside of the third-party arrangement.

³ MFAT (2017)h, *Latin America and the Caribbean Programme Summary*

Conclusions and Recommendations

Overall the evaluation team views the Latin American and Caribbean Programme as successful. Indeed, the main critiques held by the team relate more to opportunities for even greater development effectiveness missed due to process and geography-induced inefficiencies in the management framework. Recent and ongoing organisational changes in MFAT may address these but could benefit from recommendations of this evaluation report.

Ardent development advocates generally blanch at suggestions that ODA should be pursued for national interest reasons and not simply because it is the right thing to do. Historically they have reason for concern as many donor countries have imposed deeply problematic programmes upon reluctant recipients in order to advance decidedly one-sided political or economic agendas. In the judgement of the evaluation team this critique does not apply to the Government of New Zealand's Latin America and Caribbean Programme. Although it is clearly understood by all stakeholders that New Zealand's ODA programme is driven both by development and political and economic objectives, there was clear and overt awareness that this strategy only works if the delivered projects are both wanted and needed by the partner governments and are delivered to a high standard. Evidence of the effectiveness of this approach was clear throughout the evaluation mission to the region. In the Caribbean New Zealand is now firmly entrenched as a crucial partner for the development of geothermal energy resources. Likewise, discussions with New Zealand partners in seismic monitoring and animal husbandry quickly transitioned from an expression of desires for continued support into what can only be described as interest in advanced commercial investment and collaborative research possibilities. Government officials in Chile offered similar positive assessments, speaking of how the ODA projects not only delivered capacity improvements in the specific technical areas, but also resulted in wider-ranging changes in how things like technical and vocational training would be conceptualised and delivered in a different policy space. That some of this would bring commercial opportunities for New Zealand firms was not viewed with concern. Rather, the ODA project was sometimes presented almost as a proof of concept and contractor reliability evaluation period used to make longer-term policy with greater confidence.

Where the evaluation team does have concern is with the management arrangements of the programme, which are causing potentially important opportunities to slip by. Documentation from MFAT on many of the projects conveyed a sense of uncertainty and potentially disappointing outcomes.⁴ Site visits made it clear that these impressions were based heavily on interpretations of reports, which the implementing partners may not have prepared in a manner completely in line with desk officer desires in Wellington. Moreover, it was repeatedly made clear to us by Posts that they do not visit the projects as much as might be assumed in Wellington due to their limited travel budgets, multiple accreditations, and their technical capacities to engage in development cooperation. Given the high level of managerial rotation in Wellington and the low number of field visits the questioning tone in the MFAT reports is understandable. But, this ambiguity is something that could be avoided by realigning the management structure so that the relationship aspect of project oversight is located in Post, which would require additional travel funding and a review of resourcing and priority setting, and the administrative reporting functions left in Wellington. As noted in the report, this would offer two immediate benefits. First, it would allow diplomats in Post to better leverage ongoing development projects to advance bilateral relations.⁵ Second, it would open an opportunity for Post to engage across implementing partners and find potential-cross connections stemming from the projects that might open further engagement opportunities both within and outside the development portfolio. Third, it would facilitate a more agile response to changing conditions on the ground.⁶

One serendipitous outcome of the relative small size of the Latin America and Caribbean Programme is that it has quietly mirrored the best principles encapsulated in South-South Cooperation for development. Lacking a deep pool of expertise on the region MFAT has consequently had to rely on direct negotiating with partner governments to select and formulate projects or, in some cases, call for proposals from implementing partners with established relationships in the region. The result is a series of projects that directly fit with the development needs and priorities of the partner governments. Another hallmark of New Zealand programming in the region is a tight focus on the transfer of expertise and capacity through the funding of visiting experts that spend an extended period of time working with the implementing partner organization. Both of these characteristics were repeatedly cited in site visits as not only being crucial to the success of the projects, but also as traits that significantly and positively differentiated New Zealand from other actors in the regional development space. This approach to project design and evaluation also had a significant multiplier effect on the effectiveness, efficiency, and sustainability of the projects, and has delivered a greater return in terms of visibility for the Government of New Zealand relative to the monetary investment.

The evaluation makes the following recommendations:

⁴ This is further elaborated in the notes to the individual project summaries.

⁵ MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*: p. 5.

⁶ For example, see *Ibid.*

1. New Zealand should maintain its position as a smart and flexible partner to governments in the region by funding responsive programming that addresses their primary concerns. While this may include activities in the sectors supported in the current Programme, future support should not be restricted to pre-determined sectoral priorities should a strategic opportunity arise.
2. The geothermal sector support in the Caribbean has opened up a niche for the New Zealand Government, providing a high profile and building strong relationships throughout the region both bilaterally and multilaterally. This support should be maintained in a similar flexible arrangement as currently
3. New Zealand should identify opportunities to leverage other donor funding through critical complementary support that enables large scale investments. The flexibility and pragmatism to supporting initiatives that unblock multilateral funding has increased the profile of New Zealand in the Caribbean and should be replicated where possible.
4. MFAT should review the management arrangements for providing support in Latin America and the Caribbean to ensure programmes deliver to their full potential. Staff at Post should assume a greater level of involvement in ensuring the Programme is delivering to expectations and that synergies between activities are pro-actively identified. This includes also participating in regular donor coordination fora in the region.
5. MFAT should commit to providing increased technical support to Posts in the region, including through regular and extended visits by staff from technical teams in Wellington. This is critical to support the identification of smart investments that deliver both good development outcomes and a high profile for the Government of New Zealand in the region.
6. New Zealand should consider implementing flexible funding arrangements to facilitate continuous identification of strategic responsive programming. The increased risk with flexible funding should be accepted as activities either demonstrate potential for success or are curtailed. This requires a changing attitude towards accepting failure, including embracing adaptive management approaches and continuous adaptation of goals.
7. New Zealand should establish trilateral development cooperation agreements with regional development partners that are not eligible for ODA funding, focusing initially on Chile. This reinforces New Zealand's position as a smart development partner, provides opportunities for technical collaboration between New Zealand implementing partners and local government partners, and provides MFAT with continued relationships into Government when development activities are no longer possible.
8. MFAT should explore using the Latin America and Caribbean as an innovation platform for implementing a whole-of-government approach to development assistance that will seek to build non-ODA cross-connections with other policy areas such as trade, investment, research, and environmental management.

1. Background

1.1. The activity

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) commissioned Adam Smith International (ASI) to conduct an evaluation of its regional programme in Latin America and the Caribbean. This evaluation follows from a series of country programme evaluations commissioned by MFAT between 2015 and 2018. Like the earlier evaluations, this evaluation follows a utilisation-focused approach and has benefited from a high level of engagement from within MFAT as well as from other stakeholders in New Zealand and in the region.

Section 1 of this report sets out the purpose and objectives of the evaluation, presents the evaluation questions, and provides a brief overview of the evaluation process. Section 2 outlines the socio-economic development context in Latin America and the Caribbean with a fuller presentation provided in Annex I. Sections 3 and 4 present the findings of the evaluation with opportunities for future cooperation presented in Section 5. Finally, section 6 concludes and presents the recommendations of the evaluation team.

1.2. Evaluation Purpose and Design

1.2.1. Purpose

As set out in the evaluation brief, the purpose of the evaluation is to deliver an evidence base to assess the relevance, delivery and impact of the Latin America and Caribbean Regional Programme and to provide MFAT with the necessary information to:

- guide decisions to be made about Programme improvements;
- identify lessons for ongoing and future work – both for the Latin America and Caribbean programme specifically and MFAT more broadly;
- inform the future strategic direction of MFAT's overall investment in Latin America and the Caribbean; and
- demonstrate achievements to our partners, stakeholders and taxpayers.

Based on a summative assessment of the relevance, coherence and alignment, and effectiveness and efficiency of the programme over the period 2012-2017, the objective of the evaluation is therefore to provide a formative analysis of the opportunities for future support from MFAT in the region. It was further agreed with MFAT that the evaluation would take a holistic approach to MFAT's engagements in the region to assess the effectiveness of the individual activities as well as investigate the coherence and strategic positioning of the programme within the context of New Zealand's overall foreign policy objectives in the region.

1.2.2. Evaluation Questions

The evaluation was guided by five questions that were agreed with MFAT prior to commencing stakeholder engagement:

1. To what extent has New Zealand's aid delivery in Latin America since 2012 been of a high quality?

The evaluation engaged with MFAT staff in Wellington and at Post, recipients of development activities, and service providers to identify the key factors in project selection, design, and implementation that are most likely to deliver the expected results.

2. To what extent has New Zealand's development cooperation in Latin America and Caribbean been effective, and how sustainable are the results of this cooperation?

This evaluation question focused on the activities as a coherent programme and its effectiveness as such in supporting whole of government objectives in the region.

3. How can New Zealand's overall objective of maximising the impact of engagement to improve the prosperity, stability and resilience of Latin America and the Caribbean best be met?

In the context of administering a programme that is geographically remote from New Zealand, this question considered the sectoral and geographical focus of the development programme against New Zealand's overall development assistance, foreign policy, and trade objectives.

4. How can New Zealand’s aid programme foster sustainable economic development in Latin America and the Caribbean?

This question recognised that New Zealand’s total aid flow is relatively limited compared to other development partners in the region and therefore investigated the complementarity of the programme and its ability to leverage results and partner funds.

5. What should the Latin America and Caribbean Programme look like in the next triennium? In which areas and through which modalities is New Zealand likely to have the greatest impact with maximum sustainability?

Summating the evidence collected in the foregoing questions, the evaluation explores modalities and opportunities for future support that best suit New Zealand’s approach to providing development assistance to maximise the impact as a small partner in the region.

1.2.3. Approach

The evaluation is based on a review of Programme documents, interviews with key stakeholders, and a thematic analysis of the views expressed. More than 40 documents were reviewed, including annual plans, strategic and results frameworks, Activity Design Documents (ADD), Activity Monitoring Assessments (AMAs), Activity Completion Assessments (ACAs), and other relevant documents as identified by MFAT and the evaluation team. Interviews were undertaken with MFAT staff in Wellington, at Post in Barbados, Chile, Argentina, and (incoming) Colombia, beneficiary partner representatives, bilateral and multilateral partners, and activity implementing partners. In total, the evaluation team conducted more than 50 interviews with more than 90 participants. Finally, a thematic analysis of the data collected informed initial findings and recommendations that were discussed with MFAT management and further refined into this evaluation report.

1.2.4. Limitations

Previous country programme evaluations have benefitted from the opportunity for repeated in-country interviews to identify stakeholders, refine the evaluation framework, and engage deeply with partners and service providers. Due to the distance of Latin America and the Caribbean from New Zealand, and therefore prohibitive cost from multiple visits, this evaluation was undertaken as a single step evaluation with a visit to the region in November and December 2017. In addition, due to the dispersion of New Zealand’s engagement in the region, it was not possible to visit each country where the programme has provided support nor was it possible to spend extended periods of time in any country to undertake deep dive assessments of the broader development cooperation relationships. The evaluation team, together with MFAT, therefore prioritised an itinerary that maximised geographical engagement within logistical limitations of time and reasonable expenditure.

While this is a limitation to the depth of analysis on any particular country engagement, this approach has provided for a broad engagement across MFAT Posts in the region, modalities of assistance, and countries of cooperation. It has provided the evaluation team with a thorough understanding of the experience of MFAT in Wellington and at Post in administering the programme and identified opportunities for improving the ability of MFAT to leverage its regional programme in Latin America and the Caribbean for development, foreign policy, and trade objectives. Recognising the potential for positive bias from limited activity engagement, the primary focus of the evaluation is to draw recommendations on the approach to development cooperation in the region and its management rather than any specific activity or sector-based assessments.

2. Regional Development Context

Latin America and the Caribbean is a highly heterogeneous region. Countries range from the geographic and economic giants such as Brazil, to tiny counterparts in the Caribbean islands. The developmental challenges faced across the region vary in scope and severity to reflect the specific policy strengths in each country. Contextual analyses of the region must therefore remain at a very high, abstracted level. This overview will present five main commonalities that are further elaborated in the contextual annex, which also includes a series of country case portraits. A brief survey of New Zealand's profile in the region will conclude this survey. Overall, the scenario is one of hope and progress, although much remains to be done through a patient, capacity building engagement approach.

Latin America and the Caribbean, selected statistical indicators									
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Per Cap. GDP Growth	2.7	-3.0	4.9	3.2	1.6	1.7	0.1	-1.2	-1.9
Latin America, Ext Debt % GDP	20.1	24.1	23.8	22.7	24.9	26.3	28.8	29.3	
Caribbean, Ext Debt % GDP	19.6	24.7	26.6	26.2	25.4	26.9	28.0	31.6	
Poverty Rate (Lat Am)	33.5	32.9	31.1	29.7	28.2	28.1	28.2		
Infant Mortality (per 1,000 live births)	19.5	18.8	18.8	17.5	16.9	16.4	15.9	15.3	14.9
Literacy Rate	97.3	97.6	97.6	98.0	98.2	98.1	98.4	98.5	98.6

Source: CEPALSTAT

2.1. The necessary public policy institutional frameworks are in place

The last year has seen a series of massive corruption scandals linked to Brazilian construction companies rock many countries in the region. Counterintuitively, this is a good sign because it indicates that public institutions are subject to increasingly careful and transparent oversight leading to prosecutions for abuse of power. This points to the significant improvements in public governance that have swept through the region over the last two decades. The massive declines in poverty and significant improvements in health outcomes and educational programming have largely been planned and implemented by government agencies. For policy makers in development assistance agencies abroad the implication is that most of the countries in the region need help deepening their capacity in specific policy areas to support further domestic skills and technical training. The implied model is one of development as partnership per the pattern of South-South Cooperation increasingly prevalent within the region. This means projects built around embedding experts within the partner country to focus on the sustained transfer of knowledge and skills that can be further disseminated within the country, not direct drops of financing or equipment. For this to work effectively there must consequently be a genuine partnership in the formulation and delivery of projects with an explicit view to making the locally self-sustaining, not simply an episodic parachuting in of external consultants.

2.2. Poverty rates are falling rapidly

Many of the countries in Latin America have long held the dubious distinction of heading the list of most economically unequal nations on earth. Countries across the region took advantage of the fiscal space provided by the commodities boom to reorganise their finances, freeing capital to invest heavily in social programming. The overall results are impressive in terms of poverty alleviation. In just nine years the surge in commodity prices helped drop regional poverty rates from just under 40% in 2005 to 28.2% in 2014.⁷ Significant funds were sunk into education and health, resulting in steady improvements in key indicators for those fields. As is discussed in more detail in the annex, investment in education has proven particularly transformative and is leading to near universal literacy. Major innovations in this area come from the linking of direct financial supports to poor families with child attendance rates at school and medical clinics. Pioneered in Mexico with the program *Progreso* and in Brazil with *Bolsa Familia*, these conditional cash transfer programs have been spreading in various forms throughout the region to bring meaningful change to the poor.⁸ Similarly, poverty has fallen in the Caribbean, but there the picture is more complex because comparatively few people classify as living in poverty. While there were improvements in social mobility in

⁷ Economic collapse in Venezuela and prolonged recession in Brazil over the three years prior to publication of this report will have caused some retraction in this number, although official data was not available as of writing.

⁸ For background, see Ariel Fiszbein and Norbert Schady (2009), *Conditional Cash Transfers: Reducing Present and Future Poverty* (Washington: World Bank).

the Caribbean over the last fifteen years, this has not resulted in the sort of surging middle-class growth seen in Latin America.⁹

2.3. Inequality remains a serious socio-economic challenge

The danger in Latin America and the Caribbean is that the socio-economic gains made during the commodity boom may not be permanent. Although region-wide data is not yet available, there is a clear preliminary indication that as the price of commodities has slackened, indicators of coming economic tensions have increased. For example, the per capita GDP growth rate shows real shocks at the height of the financial crisis in 2009 and in 2014-2015 as the commodity boom reached its conclusion. To be clear, these latter numbers are significantly skewed by the serious recession experienced by Brazil over the last three years, but the pattern still holds in the country case portraits and is repeated in the analyses found in IMF Article IV consultations. The stickiness of inequality is in part attributable to structural questions. Surveys of wage rates show that the income of the poorest 40% grew at a greater rate than the rest of the population. What this data masks is that the top 20%-30% is likely in a position to invest increased income and thus add further to its accumulation of capital. This is not an option open to those climbing out of poverty and using their rising income to increase consumption of basic goods such as food, education, healthcare, and simple consumer durables. This creates a contradiction that sees an improvement in the quality of life of the poorest half of the country, but rising disenchantment that upward social mobility appears impossibly slow. For the top deciles the frustration is inverted as customary luxuries such as domestic help is priced out of reach of all but the wealthiest. The result is a series of inequality-driven conflicting demands that place serious pressure on governmental institutions and drives a class-based divisive wedge into political debate. Matters are exacerbated further if we look at the urban/rural divide, where poverty and indigence rates remain significantly higher in rural areas, which in many countries are where the majority of indigenous populations live. Some relief came from the commodity boom, but the underlying reality is that neither mining nor large-scale agribusiness provides a particularly large number of job opportunities. With infrastructure networks and value chains developed to serve these two large exporters, many small holders and family farms continue to face challenges not only in accessing markets, but also in getting the training needed to boost productivity. As rural education levels increase, the children of these families are finding few opportunities near home and relocating to urban areas.

2.4. Economies remain dependent on the export of commodities

The relatively slower pace of investment in the capacity of small farms is partly a function of the export-oriented agricultural model that was pushed throughout the region and delivered the government revenues for the big anti-poverty gains, particularly in urban areas. As outlined above, the pursuit of this export-oriented productive structure has left the region vulnerable to commodity price movements. This is not a new story in the region and the increase in domestic wealth has helped internal markets emerge as a more important component of economic growth. Still, the focus remains on earning foreign exchange to secure the balance of payment situation and reduce the net external debt. As the data in the table at the start of this section indicates, the link between external debt as a percentage of GDP and the price of global commodities remains one of the leading concerns for regional governments. For the poor in rural areas this can serve as a serious constraint because it means that while they are getting more support from the State in terms of healthcare, education, and training, major government attention is turned to those sectors that can earn export income. The result is an investment shortfall in capacity of small producers and the value chains to support them. It also perpetuates an economic structure where the bulk of value added to commodities takes place offshore, further impacting the development of value chains in the region. This is reflected in the stuttering forward movement of regional trade agreements that have yet to meet expectations in terms of their capacity to drive higher wage paying industrial and service sector employment in the region.

2.5. There is significant risk of natural disaster

One of the biggest challenges facing many regional governments is the cost of unexpected natural disasters, most notably earthquakes, volcanic eruptions, flooding, and hurricanes. Chile is perhaps best equipped and prepared to manage the threat of earthquakes. Other countries along the Western coast of the Americas are periodically afflicted with severe flooding created by increased rainfall during El Niño years of the Humboldt Current. As 2017 demonstrated, hurricanes are a perennial risk in the Caribbean and place a constant strain on government finances and demands on donors for rebuilding assistance. Seismic activity poses a further risk, with particularly severe events including the 2010 earthquake that devastated Haiti and the 1995 volcanic eruption on Montserrat. In countries such

⁹ United Nations Development Program (2017), *Caribbean Human Development Report, 2016 -- Multidimensional Progress: Human Resilience Beyond Income* (New York: United Nations).

as Paraguay too much or too little rain has serious economic ramifications for crop yields, which in turn impacts the quality and production of critical export commodities such as soya that dictate GDP growth rates.

2.6. New Zealand in Latin America and the Caribbean.

In 2016 Latin America and the Caribbean accounted for just 2.5% of New Zealand's goods exports and only 2.0% of imports. This low trade volume is mirrored throughout the region, although there are some notable high spots such as cheese imports in the Caribbean. Investment in dairy farms and training programs in South America is notable. The development assistance program also plays an important role in New Zealand's positive regional profile, with work on the geothermal program in Dominica earning particularly strong credit in the Caribbean. In South America training programs for the dairy sector have garnered particular attention in the industry press. Up to date detailed data on trade in services is not publicly available, but drawing on the Australian example one proxy that can be used is education exports, measurable in the form of foreign student enrolments.¹⁰ Although there has been a 38% increase in absolute numbers of Latin American and Caribbean fee paying students in New Zealand from 2010 to 2016, going from 4,670 in 2010 to 6,340 in 2016, this is likely simply a reflection of wider international trends because in proportional terms regional enrolments have remained constant at about five per cent across the sector.¹¹ Although economic and political relations thus remain relatively sparse, there is an overarching sense of goodwill towards and confidence in New Zealand supported by a belief that geography will inevitably push relations towards a pattern of partnership, not deleterious competition.

¹⁰ Barry Carr and John Minns (2014) *Australia and Latin America: challenges and opportunities in the new millennium* (Canberra:ANU Press). Within this book see in particular the introductory survey by Carr and Minns and Chapter Two, Sean Burges, "Australia-Latin America Education Relations".

¹¹ World Region table of https://www.educationcounts.govt.nz/_data/assets/excel_doc/0019/147133/Export-Education-Levy-Full-Year-Statistics-2016b.xlsx

3. Findings: Coherence, Strategic Planning, and Management

3.1. Strategic Alignment and Coherence of New Zealand ODA

3.1.1. Latin America

As presented in the previous section, Latin America is a region where growth over recent decades has led to positive changes in economic indicators and a growing middle class. However, this overall appearance of economic development masks high levels of inequality and continued poverty, particularly in rural areas. The challenge then for the countries in Latin America is to address the structural drivers of government and the economy to lift their populations out of poverty. From this perspective, the focus of the 2004-2010 Latin America Development Programme on sustainable rural livelihoods and good governance was both objectively sensible and closely aligned with regional priorities. However, with a relatively small budget in a large and diverse region and in light of the small presence of MFAT staff in the region, caution must be applied in sectoral and project selection to ensure the maximisation of results.

The reframing of the programme in 2012 to focus on sustainable economic development¹² with a focus on agriculture therefore provided for a more targeted approach in a sector of comparative advantage for New Zealand. In addition, it builds on a history of agricultural cooperation between New Zealand and Latin America dating to the 1970s and provided an opportunity to leverage existing relationships between New Zealand NGOs and Crown Research Institutes (CRIs) and their Latin American partners. In particular, the 2011 Agriculture RFI process provided an opportunity to elicit proposals from implementing partners that were aligned with the priorities of partner country agencies and were therefore able to begin implementation within reduced timescales. The success of the projects that were selected in the process, in Chile and Uruguay, are testament to the viability of the approach, in particular in regions where there is a limited on the ground presence of MFAT staff.

While the *Strategic and Results Framework (2014-2018)* has resulted in a suite of high-quality agriculture sector activities, supplemented by a highly over-subscribed scholarships programme, it does not appear to be used for mutual monitoring of shared targets with partner governments in the region. Rather, individual activities define objectives and results frameworks that are used for work programming and activity level results monitoring. Though, from a traditional development perspective, an overarching results framework is considered necessary for mutual accountability it is useful to consider New Zealand's overarching objectives in providing development assistance in Latin America. While not perhaps intentional, New Zealand's emphasis on a consultative project planning approach followed an engagement pattern that regional partners would have found highly redolent of emerging South-South Cooperation traditions for mutual capacity building within the Americas. Specifically, New Zealand's approach closely aligns with central elements of the UN's 2016 proposed definition of South-South cooperation (SSC), in particular that "two or more developing countries pursue their individual and/or shared national capacity development objectives through exchanges of knowledge, skills, resources and technical know-how."¹³ The central point here revolves around the 2005 Paris Declaration principle of ownership and alignment, that the recipient country should have major input into deciding what projects are needed and how they should be pursued. While most OECD-DAC members agree with these ideas in principle, implementation has proven more difficult. To a significant extent this is due to an interpretation that equates ownership with direct budgetary support, which in turns creates a new set of managerial and monitoring challenges.¹⁴ In contrast, SSC is predicated on the recipient country articulating its need on a more micro level and explicitly seeking out assistance in a specific area to build the desired expertise, which implies and exchange of personnel, not financial inputs into the operating budgets of line ministries and agencies.¹⁵ While not a perfect match, the approach New Zealand has taken to its projects in Latin America and the Caribbean does tightly

¹² MFAT (2014)b, *Latin America and the Caribbean Programme Strategic and Results Framework*.

¹³ United Nations, "Framework of operational guidelines on United Nations support to South-South and triangular cooperation: Note by the Secretary-General," High-level Committee on South-South Cooperation, Nineteenth session New York, 16-19 May 2016: p. 5

¹⁴ Martin Sjöstedt (2013), "Aid Effectiveness and the Paris Declaration: A Mismatch Between Ownership and Results-Based Management?" *Public Administration and Development* 33 (2): 143-155; Goran Hyden (2008), "After the Paris Declaration: Taking on the issue of power." *Development policy review* 26 (3): 259-274; Glenn Banks, Warwick Murray, John Overton and Regina Scheyvens, (2012), "Paddling on One Side of the Canoe? The Changing Nature of New Zealand's Development Assistance Programme," *Development Policy Review* 30 (2): 176-177 169-186; Yiagadeesen Samy and Marje Aksli (2015) "An examination of bilateral donor performance and progress under the Paris Declaration on Aid Effectiveness." *Canadian Journal of Development Studies/Revue canadienne d'études du développement* 36 (4): 516-535.

¹⁵ Bruno Ayllón and Tahina Ojeda, eds. (2013), *La cooperación Sur-Sur y triangular en América Latina: Políticas afirmativas y prácticas transformadas* (Madrid: Los Libros de la Catarata).

reflect the SSC principles of partnership in deciding on what to do and an emphasis on projects that actively transfer self-sustaining expertise that can be replicated and further developed by the partner.

The SSC-like character of New Zealand's approach to ODA programming in Latin America and the Caribbean is all but explicitly spelled out in a 2014 Activity Design Document for Ecuador, which notes: "We have learned from previous projects in Latin America ... and elsewhere that establishment of a true partnership, based on mutual respect, is essential for success of a project."¹⁶ This kind of approach has provided an important contribution to the larger priority of forging strong and lasting links in the region, which is a key aspect of the long-standing Latin America Strategy.¹⁷ While development outcomes are fundamental to the activities implemented in Latin America and Caribbean Regional Programme, the Evaluation Team believes there is an underlying foreign policy and trade objective that must be considered in evaluating it. Building linkages between small island developing states (SIDS) facing similar challenges in global governance forums is a standing priority in New Zealand foreign policy, although attention has historically been focused on the Pacific. Campaigning for a 2015-2016 United Nations Security Council (UNSC) seat was cleverly leveraged internally at MFAT to drive a rapid expansion of SIDS-style engagement with Caribbean island states and Latin America. The UNSC bid emerges in this context as a catalytic factor that moved up engagement processes already in train and created immediate pressure to find concrete deliverables that not only would quickly build genuine relationships of collaboration and cooperation, but also create a foundation for an ongoing positive pattern of relationships throughout the region that could underpin collaboration and cooperation in the multilateral arena as well as a deepening of bilateral economic and societal connections. In Latin America, from the perspective of the evaluation team, the political priorities seen in the Caribbean are complemented by the dual trade objectives of establishing Free Trade Agreements with regional blocs, most notably Mercosur and the Pacific Alliance, and providing opportunities for market entry for New Zealand firms. In this respect, the suite of targeted development assistance activities in the region form a coherent foreign policy tool, but one that policy makers are aware will only work if it consistently delivers high-quality development results based on real partnership.

3.1.2. Caribbean

As Small Island Developing States (SIDS), the development challenges faced by Caribbean countries are defined by the vulnerability to disasters and climate change. Small in size with high costs of inputs to production – in particular electricity – and limited opportunities for employment, their economies are in need of structural change to achieve the Sustainable Development Goals and eradicate poverty. In many respects, there are correlations between the challenges faced by the Caribbean and those of the Pacific, providing an opportunity to leverage the experience of New Zealand in supporting Pacific partners.¹⁸

In line with the opening of a diplomatic representation in Barbados in 2014, an allocation was made within the Latin America and Caribbean Programme to support development programming with the same overarching objective of sustainable economic development as outlined in the International Development Policy Statement.¹⁹ The programme is guided by the *Arrangement of Development Cooperation* between the Government of New Zealand and the Caribbean Community (CARICOM) secretariat, which aims to encourage a partnership in renewable energy, disaster risk management, and skills development between New Zealand and CARICOM Member States.²⁰ This high-level framework for development cooperation provides for regular development policy dialogue and commits the parties to mutual accountability in the identification and implementation of activities, which ultimately provides for increased opportunities for development effectiveness. From a technical perspective, the sectors identified in the *Arrangement* align both with regional priorities for development and with areas of New Zealand expertise.

The geothermal programme is of particular note for its strategic positioning in supporting the development of a sustainable renewable power source, an area of critical importance to sustainable economic development. As a flexible technical assistance facility, the programme has engaged across the region with key partner countries, regional development partners, and bilateral donors. It has positioned itself as the key technical resource for geothermal development in the Caribbean and leveraged significant complementary funding from other donors to deliver significant results. As such, the programme has created a high profile for the Government of New Zealand with key technical, development, and government partners for a relatively modest investment.

From a sectoral alignment perspective, disaster risk reduction and skills development are of high importance to the Caribbean and align with New Zealand expertise. However, though of high technical quality in themselves, the

¹⁶ MFAT (2014)a, *Activity Design Document – Biocontrol for Sustainable Farming Systems, Ecuador*, p. 11.

¹⁷ MFAT (2017)j, *Latin America Programme Annual Plan 2017-18*.

¹⁸ *Ibid.*, p. 4.

¹⁹ MFAT (2014)b, *Latin America and the Caribbean Programme Strategic and Results Framework*

²⁰ *Arrangement of Development Cooperation between the Government of New Zealand and the Caribbean Community (CARICOM) Secretariat*, MFAT, 2014







Seismic Research Support and Small Ruminants Development activities are primarily research activities that have developed only few tangible development outcomes in countries in the region. Nevertheless, as in the Latin America context, it is useful to consider the programme in light of the overall objectives of the Government of New Zealand in the Caribbean.

In the context of establishing a new diplomatic representation, and at a time when New Zealand was campaigning for a seat on the United Nations Security Council, the evaluation team is of the view that foreign policy and diplomatic relations were significant drivers in the selection of this first suite of activities as a ready platform for creating a strong foundation for lasting, positive engagement in the sub-region. As noted above, the geothermal project has rapidly provided a high level of visibility and a reputation for technical excellence in the region and is an area which merits serious consideration for on-going New Zealand ODA engagement and allied efforts to encourage private investment. In addition, the *Arrangement* with CARICOM specifies the “sharing of expertise through strengthened links between New Zealand and CARICOM institutions”²¹, and both the agriculture and disaster risk reduction activities directly align with this. Therefore, the Caribbean Programme is both aligned with regional priorities as defined in the *Arrangement* and coherent from an overall Government of New Zealand perspective.

²¹ Ibid

3.2. Assessment of Development Support

Section 4 provides an assessment in greater detail of the activities the evaluation visited through the lens of the OECD Development Assistance Committee (DAC) evaluation criteria and general observations on the other activities in the Programme. A snapshot of the four projects visited is provided below for ease of access and in the context of the presentation above.

Activity Criteria	Caribbean Agriculture Programme: Small Ruminants Activity	Caribbean Disaster Risk Management: Seismic Research Centre Support	Caribbean Renewable Energy Programme	Proyecto Paraguay Inclusivo
 relevance	Small ruminants development offer opportunity for agricultural development	Volcanic monitoring essential for disaster risk management	Reliable and affordable energy is critical to economic development	Rural development central to economic growth
 effectiveness	Model farm model useful for participant group	Good research outcomes from NZ seismic capabilities	NZ Geothermal capacities provide high return to region	High return for project participants
 efficiency	Implementer adapted to changing circumstances to ensure efficiency	Delays due to other priorities in NZ following Kaikoura earthquake and evolving NZ methodologies	Flexible modality provides opportunities for identifying high return activities	IFAD project management modalities offer useful path to delivery
 impact	Direct impact not considerable but possible for longer term return	SRC capabilities significantly improved and new global approach being tested	Dominica Geothermal Activity high impact	Direct impact with beneficiaries strong but limited systemic change
 sustainability	Online training tools likely to provide opportunities for long term learning	Monitoring systems in place	Surface Assessments and regional knowledge in place	Concerns over limited funding packages and completion of family projects
 inclusiveness	No explicit targeting of gender or youth	No explicit targeting of gender or youth	Beyond remit of project	Over 70% of beneficiaries are women

As can be seen from the above, the portfolio of activities in Latin America and the Caribbean is delivering high quality development results. Though activities report decent achievements in terms of inclusiveness, it appears that this is not a result of a systematic approach to targeting but rather as a fortunate coincidence. In a region of exceptionally high inequality, it is important that gender, social inclusion, and youth be more explicitly targeted in the future. Regional policy makers are becoming increasingly open to using inclusiveness as a key project and program design consideration as they see the results that have been delivered with this approach elsewhere. Similarly, environment and climate change deserve greater attention, in particular given the climate vulnerability of the Caribbean and the considerable environmental impact of agriculture activities in Latin America.

3.3. Defining Characteristics of New Zealand ODA Activities

The approach to activity identification and development of New Zealand's programme in the region stands out from other development partners and is well received by recipient countries and agencies. Indeed, the evaluation team was struck by how closely the New Zealand approach in the region could be interpreted as adhering to the strongest principles underpinning South-South Cooperation, namely a concentration on responsiveness to specific recipient demand and an emphasis on the direct transfer of knowledge and experience through the embedding of experts in

the partner country, not financial transfers or other direct budgetary support. Where countries in the Americas are accustomed to donor partners writing their own visions for country development strategies and using these to identify projects largely independently from recipients, there is a general view that the activities in New Zealand's Regional Programme are more closely in line with the immediate priorities of countries in the region. In the case of the projects in Uruguay and Chile, this is likely as a result of the project development process stemming from the 2011 Agriculture RFI for Latin America and Africa. However, whether intentionally or not, there is a broad view expressed by partners throughout the region that the activities are filling a gap left by traditional development partners. As a result, despite relatively small budgetary resources, the activities appear to receive greater prominence with recipient governments and other development partners and support the overall New Zealand foreign policy goals in the region.

In addition, recipients of New Zealand activities broadly note a subtly but significantly different implementation approach to many of the traditional donors. A key characteristic of the activities in MFAT's Latin America and Caribbean Regional Programme is the prominence of continuous technical assistance and support from the implementing partner. In particular, the activities differentiate themselves by the presence of technical advisers on the ground throughout the project supporting the implementation of recommended changes rather than simply providing technical reports. With the exception of the Paraguay Family Farming Activity and the Colombia De-mining Activity, all activities in the Latin America and Caribbean Regional Programme are implemented by New Zealand Crown Research Institutes (CRIs), Industry Training Organisations, or private sector development partners that place expert personnel on site for extended periods of time. In addition to ensuring a greater likelihood of successful development outcomes, this presence on the ground not only builds industry relationships between the partners in the activity, but also creates a platform for an ongoing and deeper relationship between New Zealand and the government of the recipient country, and therefore supports overall foreign policy and trade goals.

Finally, as a result of the previous key features, the activities funded by New Zealand are able to play a catalytic role in leveraging other donor funding. The Caribbean Renewable Energy programme is particularly noteworthy here in positioning New Zealand as an honest broker for coordinating donor programming in support of geothermal development in the region. The targeted technical assistance to the Government of Dominica was instrumental in addressing the constraints of the World Bank and other development partners in supporting a geothermal development programme. Similarly, as a key technical assistance partner, New Zealand was able to support the engagement of the Caribbean Development Bank through its GeoSmart funding facility at critical moments. This targeted, flexible, and smart approach to technical support has substantially increased the outcomes of a relatively small activity and ensured greater sustainability of the funding.

3.4. Management of the New Zealand ODA Programme

At present, the ODA programme is managed by staff in Wellington with varied levels engagement of MFAT staff at Post. While, in general, the management of the programme has been of a good standard, in line with MFAT policies and procedures, as confirmed by an internal review in 2016²², this evaluation finds that the management model has led to a number of missed opportunities and additional administrative burden on recipients and implementing partners. These are outlined below.

3.4.1. Separation between Foreign Policy and Development responsibilities

Internally, there appears to be a continued disconnect in ownership of the development programme and responsibilities for its management between MFAT staff mapped to foreign affairs and development portfolios. This is detrimental to the maximisation of the impact from a small investment. While it is naturally important that staff at post with diplomatic representation responsibilities have a primary focus on the delivery of New Zealand's foreign policy and trade objectives, a greater level of ownership and engagement with the development programme should be encouraged, particularly when they are one of the most visible manifestations of New Zealand engagement with the host country. There is a perception that foreign policy and development require a different skill set, but in actuality there is a great deal of overlap in managing a development portfolio once the technical design is completed. Fundamental to both roles is understanding the local political economy and building the relationships necessary to the technical delivery of activities. Moreover, the nature of New Zealand projects in the region presents opportunities for extension of the activities into other portfolios or pursuit of entirely new linkages. Identifying and advancing these sorts of opportunities is beyond the remit of a development officer but is precisely the kind of task central to the connection-making profession of modern diplomacy.

The evaluation team acknowledges that efforts are already underway within MFAT towards increased integration and that the organisational design of MFAT in Wellington is being revised to facilitate this. In larger Posts, such as those in the Pacific, where staffing includes responsibility for management of the development programme, there is already

²² IDG Quality Review and Activity and Programme Management – Latin America and Caribbean Programme, MFAT, 2016

an increased ownership and engagement with the development programme. It is important that this is now also considered in the staffing and responsibilities of smaller Posts, as in Latin America and the Caribbean, to ensure the development programme can deliver to its full potential. The missed opportunities discussed below stem from this separation and can therefore be largely addressed by a review of Post responsibilities.

3.4.2. Continuity and splintering of management responsibility

Development partners and Posts noted the high staff rotation frequency of activity and programme managers in Wellington. In several cases it was specifically noted that over their 3-4-year implementation period some activities had been managed by up to 4 individuals from MFAT in Wellington.²³ The challenges associated with this directly referenced in the 2016/17 LAC Regional Programme Annual Plan and Report, which observed:

Staff turnover and a new way of working (portfolio management) within MFAT has taken some time for adjustments and familiarisation with activities, implementing partners, and country and regional context. This issue has been noted by partners in reports and in person with MFAT staff. Overall, MFAT relationships internally and with contractors have remained effective and constructive.²⁴

This is also a theme that appeared in AMA documents.²⁵ A direct implication of this is an increased administrative burden on all parties involved as new activity managers are brought up to speed with activity progress, work plans, and individual relationships. Some of the challenges created by this turnover are reflected in disjuncture the evaluation team noted between concerns raised in MFAT documentation produced by rotating Wellington-based managers and a more positive reality observed in the field. The issue is an overreliance on reporting rather than accumulated experience with an understanding of what is actually taking place at the project based on ongoing relationships and communication.²⁶ While ultimately more of an annoyance for the daily operation of individual projects,²⁷ this factor create a significant strategic risk in the form of missed opportunities for identifying spaces for collaboration between projects as activity management is splintered between groups and rotating management at headquarters. In a whole-of-government approach to development cooperation this also limits the opportunities for intra-New Zealand Government networks that could open new bilateral engagement supporting opportunities building on the work being conducted in the development assistance policy space.

A clear example here are the disaster risk reduction and agriculture projects in the Caribbean, where neither of the implementers were aware of the other project despite both projects working with research centres at the University of the West Indies in Trinidad.²⁸ While the technical cross-over is minimal, there may be opportunities for lesson learning in implementation modalities at the least – particularly in the shared areas of concern of gender inclusion and strategic communications – and possibly even operational economies of scale. In this case, activity management is split between the Pacific and Development Group (PDG) that manages the disaster risk reduction activity and Sustainable Economic Development (SED) who manage the agriculture activity.

A further example can be found in Colombia where the dairy activity is managed by SED while the water resource management activity is funded through the Partnerships Fund and therefore managed by them. The CRI that is implementing the water resource management activity expressed a desire for knowledge exchange and, if possible, coordination with the dairy activity and expressed a frustration this had not been facilitated by MFAT.

3.4.3. Remote management and minimal Post involvement

Where staffing at Post includes individuals with specific responsibility for management of the development programme, the issues identified above are less likely to occur. For starters, staff turnover at Post is much lower with secondments typically lasting 3-4 years. Further, when activity management is concentrated in an individual at Post they are more likely to identify the opportunities for complementarity as they both have sight of the entire portfolio and are immersed in the local political economy.

In addition, with remote activity management and rare regional visits from staff in Wellington, MFAT is in some instances heavily reliant on reporting from implementers to monitor progress and has little recourse to verify the

²³ For example, see MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*, p. 10.

²⁴ MFAT (2016)d, *Latin America Programme Annual Plan 2016-17*, section 1.3.

²⁵ For example, see MFAT (2017)d, *Activity Monitoring Assessment – Caribbean Geothermal Activity Year 1*, p. 5; and MFAT (2017)k, *Activity Monitoring Assessment – Paraguay Family Farming*, p. 5.

²⁶ MFAT (2017)b, *Activity Monitoring Assessment – Seismic Research Centre Support*, p. 5; and MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*, p. 10

²⁷ For example, see MFAT (2015)a, *Activity Monitoring Assessment – Chile Industry Training Years 1 and 2*.

²⁸ Evaluation team meetings with SRC and CARDI, 30 November – 1 December 2017.

accuracy of reports,²⁹ or adopt a more assertive guiding role to coordinate the different parties involved in a project.³⁰ Similarly, relationships are held by the implementers with Post typically, though not always, reliant on their development partners to facilitate project visits.

This points to the need to revisit the approach to activity management of development programmes in distant regions, in particular where the development programme aims to facilitate the foreign policy and trade aims of the Government of New Zealand. While the optimal management arrangements would be for activity management to be entirely the responsibility of Post, the evaluation team understands there are limitations to the additional responsibility small posts are able to shoulder. Should it not be possible to increase staffing levels with either locally employed or seconded staff to manage the development programme, an alternative model could be for Post to formally assume a relationship management role in the activities with contract management retained by staff in Wellington. Regardless, decisions on resourcing will need to consider both staff time and travel requirement necessary to deliver an engaged NZ government presence in the development programme.

Through adept project selection and design, led by MFAT technical teams but guided by Posts in the region, productive relationships can be built that facilitate effective partner-led delivery with light-touch but regular relationship management by Post. This would increase the profile of New Zealand associated with the activities and facilitate closer access to partner Governments with minimal additional responsibility. To some extent, this is already happening on an ad-hoc basis but would greatly benefit from formalisation and appropriate resourcing.

3.4.4. Donor Coordination

Although the 2016 programme management quality review stated that the activities were well coordinated with other development partners, it is the view of this evaluation that this applies only to the Caribbean Renewable Energy Programme where opportunities for coordination have been identified. While this is an excellent outcome in terms of leveraging the investment in this activity, there is a need for more consistent and regular engagement with the donor community more broadly. While recognising the geographical difficulties of presence throughout the region, wherever possible MFAT staff at Post should more actively participate in donor coordination forums or at the very least request inclusion in the participant list in order to receive minutes of discussions. Should the flexible funding delivery modalities recommended further on in this evaluation be pursued, this will become increasingly important. Addressing the responsibilities and resourcing for development management as discussed above would greatly facilitate this.

3.4.5. Limited MFAT Technical Capacity in Region

To compound the low MFAT staffing levels in the region, visits from the technical teams from Wellington have been rare and sporadic.³¹ With their primary diplomacy and foreign policy roles, it is impossible to expect the staff at Post to have the necessary knowledge or time to identify the opportunities for future development cooperation that will have the greatest impact from both a development perspective and foreign policy perspective. At present, therefore, MFAT is reliant on the implementing partners for this with limited ability to corroborate recommendations.³² While this does enhance the Government of New Zealand's reputation as being a responsive, non-impositional partner, it also limits MFAT's ability to work with recipient governments to formulate the most effective possible projects. One theme that emerged through Evaluation Team site visits, and which is reiterated in MFAT ACA and AMA documents, was the extent to which an extended evolutionary process has taken place in individual projects, something which possibly could have been accelerated with expanded technical consultation from development officer in Wellington.

Staff at Post identified the need for more frequent, regular, and longer visits from staff from technical team in Wellington. Should some of the recommendations for future funding approaches be implemented, as outlined in Section 5, this will be all the more important. Furthermore, it will facilitate increased interaction between development and foreign policy teams supporting the overall goal of increased integration within MFAT.

3.4.6. Whole of Government approach

One item which struck the evaluation team was that there were significant opportunities to expand development results in Latin America and the Caribbean through a concerted whole-of-government approach. For example, neither the SRC nor CARDI in the Caribbean were aware of New Zealand's government research funding mechanisms despite pursuing projects that closely aligned with work being undertaken by universities and research institutes in New Zealand. Similarly, there was little explicit linkage being made between support to agriculture programs in South

²⁹ For example, MFAT (2015)a, *Activity Monitoring Assessment – Chile Industry Training Years 1 and 2*, pp. 10-11; MFAT (2017)a, *Activity Monitoring Assessment – Uruguay Family Farm Improvement Project*, p. 6.

³⁰ For example, see MFAT (2015)a, *Activity Monitoring Assessment – Chile Industry Training Years 1 and 2*, p. 10-11.

³¹ Challenges associated with this were specifically flagged in the context of the Paraguay Family Project. MFAT (2016)d, *Latin America Programme Annual Plan 2016-17*.

³² See, for example, MFAT (2014)a, *Activity Design Document – Biocontrol for Sustainable Farming Systems, Ecuador*, p. 6-9

America and the possibility for expanded New Zealand investment or market positioning for training firms, although this very possibility was explicitly raised in the final Activity Monitoring Assessment for the Uruguay Family Farm Improvement Project.³³ When queried about why these cross-connections were not being pursued Posts replied first that they were not managing the projects, which left them limited latitude to intervene and make the connections. They also pointed out that to make these cross-connections would be going outside the remit of their position within MFAT. In effect, the evaluation team was asking the post why they were not pursuing an integrated approach to programming that would draw from a multiplicity of policy areas reflective of the complexity of development itself – this is the cross-cutting, whole-of-government³⁴ approach to development evaluated by the Centre for Global Development’s Commitment to Development Index, which New Zealand funds as a consortium member and which is embedded in the logic of success sought by OECD-DAC agreements on aid effectiveness and efficiency.³⁵ While no government has yet fully sorted out how to implement a whole-of-government policy coherent approach to development assistance provision, the limited scale of New Zealand programming in Latin America and the Caribbean does appear to provide an interesting opportunity for policy innovation and experimentation towards this goal, perhaps by drawing on New Zealand’s own domestic experiences addressing indigenous issues.³⁶ On a more pragmatic, interest-based level the reflexive double-siloed reality impinging on intra-MFAT and cross-government coordination is limiting the ability to exploit new trade and investment opportunities being generated by the Programme in areas of New Zealand comparative advantage such as agriculture and vocational skills training. From a developmental point of view this is also negative because it serves curtail possible enhanced flows of investment and expertise into key national development priority areas.

³³ MFAT (2017)a, *Activity Monitoring Assessment – Uruguay Family Farm Improvement Project*, p. 3.

³⁴ For example, see Mikaela Gavas, Raphaëlle Faure, Maya Schmaljohann and Edward Hedger (2014), “Beyond Aid: The Future UK Approach to Development,” ODI Submission to the International Development Committee, UK (September).

³⁵ The Commitment to Development Index looks at government policy in seven areas judged to be central for a coherent, integrated support of international development. These policy areas cross-connect the responsibilities of multiple government departments and are summarized as: Aid, Finance, Technology, Environment, Trade, Security, and Migration. Further details can be found at <https://www.cgdev.org/commitment-development-index-2017>

³⁶ Louise Humpage (2005), “Experimenting With a Whole of Government Approach,” *Policy Studies* 26 (1): 47-66.

4. Findings: Effectiveness and Sustainability




This section provides a rapid review of each of the projects implemented in the period 2012 – 2017, based on the review of project documents (ADDs, AMA's, & ACAs) and interviews with MFAT staff, implementing partners, and beneficiaries. It is aimed at MFAT programme managers and implementers to support future investment decisions and inform project designs. As such, the project reviews also contextualise the recommendations for future sectoral focus and modalities of project selection and implementation.

4.1. Projects visited by the Evaluation Team

The evaluation team had the opportunity to visit and meet with the implementation teams and recipient partners for four of the projects, which provided the opportunity for an assessment of these projects against the OECD Development Assistance Committees (DAC) evaluation criteria. The DAC evaluation criteria were originally developed in 1991. In 2018, the DAC Network on Development Evaluation is conducting a consultation process to consider how these can be adapted to the new context, including the 2030 Agenda. Based on the priorities identified together with MFAT's evaluation team, therefore, the evaluation team has elected to supplement the DAC criteria with an inclusiveness assessment

4.1.1. Caribbean Agriculture Programme: Small Ruminants Activity


Working in partnership with the Caribbean Agricultural Research and Development Institute (CARDI), MFAT contracted a New Zealand-based consultancy to deliver training programs to improve animal husbandry practices in the CARICOM-member nations served by CARDI. The emphasis has been on imparting skills to individual farmers with hands on training at a farm in Jamaica. These sessions have also been used by CARDI to develop blended training materials for online course provision.

OECD DAC Criteria	Evaluation Assessment
 <p>relevance</p>	<p>The project is highly relevant to the development of agricultural capacity and advancing the goal of food security. One of the main foreign exchange expenditure areas in the Caribbean is the importation of food.³⁷ Considerable effort within the region has been devoted to breeding the Barbados Blackbelly sheep. This breed frequently produces litters of more than two lambs, which is a positive for increasing the size of flocks but creates challenges in terms of ensuring survival of the lambs. The training in this project was designed to increase capacity in animal husbandry, including skills to help ensure that more lambs survive infancy.</p>
 <p>effectiveness</p>	<p>There are two elements to the question of effectiveness. For those farmers who are able to attend training sessions the project is a highly effective method of increasing capacity with hands on learning to improve animal husbandry skills. There is some spill over from this when attendees return home and share knowledge with neighbours.³⁸ The limiting factor in the model farm-based training centre approach is that it requires attendance in order to learn. CARDI is now looking at online modules and training attendees to train others when they return home.</p>
 <p>efficiency</p>	<p>Hands on learning is a highly efficient way to quickly impart new skills to those able to attend the sessions. On a macro level the pedagogical approach is less efficient because there are limits to the number of individuals who can be present at a given session or, within the budgetary envelope of the project, make the trip to a course. Online training modules and a process of 'training trainers' so that the knowledge disseminated in training sessions can be more efficiently disseminated throughout the islands is being developed.³⁹</p>

³⁷ United Nations Development Program (2017), *Caribbean Human Development Report, 2016 -- Multidimensional Progress: Human Resilience Beyond Income* (New York: United Nations). For example, see the relatively wealthier case of Barbados in IADB (2015) *Barbados: IADB Country Strategy, 2015-2018* (Washington: Inter-American Development Bank): section 1.4.

³⁸ Ninety-seven extension workers were trained under the program. See, Norman Gibson, Heidi Jack and Kern Richards (2017), *Activity Progress Report: New Zealand/Caribbean Regional Small Ruminants Capacity Building Activity* (31 Jan): p. 3-4.

³⁹ MFAT (2016), *Handover note: Caribbean Sub-Programme November 2016* (November): p. 25.

 <p>impact</p>	<p>The impact on those who receive training is high because it imparts the skills to keep more animals in better shape and alive, particularly during breeding season. This in turn can result in rapid increases in flock size given that the Barbados Blackbelly sheep can have litters as large as six lambs. In terms of building the overall animal husbandry capacity in the region the impact is very good because the project involves a direct transfer of knowledge to people in the Caribbean who can then transfer it to others. CARDI is working at building pedagogical material, particularly with video, from the training sessions that have been delivered. This will allow further dissemination of the capacity building material throughout the region via online training programs and linkages with pan-regional vocational training institutes and platforms.</p>
 <p>sustainability</p>	<p>There are two elements to this criterion. In terms of entrenching knowledge in course participants and thus raising animal husbandry capacity in the Caribbean, the sustainability is high because the knowledge is taken back to individual farms and regularly applied. A second area of sustainability relates to funding continuation of the training program delivery. It is not immediately clear that CARDI has the autonomous financial capacity to do this. One ambition presented to the team during the site visit was to create a regional small ruminant value chain that would involve a commercially viable pan-Caribbean flock pasturing in different member-states depending on the point in an animal's life cycle. Investment towards this goal and income earned from it could potentially underwrite major extension of the training program. Whether or not this is possible, a strong appreciation of the training program was expressed as well as a desire to build on it.</p>
 <p>inclusiveness</p>	<p>The social inclusiveness element of the project is very strong, but not necessarily intentional. The individuals receiving training are small farmers and it was pointed out that a majority of these people were women. When asked how gender inclusiveness was managed in the project CARDI was frank and admitted that while deep consideration had not been given to this element, the project had been designed with the knowledge a majority of participants would likely be female. To place this in context, ancillary discussions with other players in the Caribbean development space have made it clear that the utility and importance of inclusiveness planning has only recently begun to be recognized as a value adding and not box checking activity. CARDI was clear that it was developing a comprehensive gender policy scheduled for board review and approval in 2018.⁴⁰</p>

The project has been a success in delivering concrete and meaningful improvements of capacity. It has also served as a model that CARDI can use to autonomously develop further training programs in other areas. Finally, it has provided a test bed to CARDI for developing different modalities of distance education. Politically the project was described as highly significant by Post, who noted that national leaders in the region consistently ask for assistance with agriculture and rural development. The project with CARDI allowed Post to immediately point to a positive contribution to what is a very important policy area for local political leaders.






4.1.2. Caribbean Disaster Risk Management: Seismic Research Centre Support

Support was provided to the Seismic Research Centre (SRC) at the University of the West Indies to help monitor volcanoes in the Caribbean through an enhancement of technical capacity. Additional support is directed towards improving SRC stakeholder outreach, a Volcanic Alert system, and volcano-related components for the school curriculum across the Caribbean.

OECD DAC Criteria	Evaluation Assessment
 <p>relevance</p>	<p>One of the most pressing issues facing development planners in the Caribbean is disaster management, including the threat of volcanoes and earthquakes. This project has provided substantial upgrades in SRC capacity to monitor volcanoes in the region. Enhanced technical skills are also opening commercial opportunities to SRC to provide services to geothermal energy producers and insurance companies in the Caribbean.⁴¹</p>

⁴⁰ Evaluation Team site visit discussions, 1 December 2017.

⁴¹ Evaluation Team meeting with CRS, 30 November 2017.

 effectiveness	Despite delays due to post-earthquake commitments of the New Zealand partner agency, ⁴² the project has proven very highly successful with particularly notable results in the enhancement of volcano monitoring capabilities. Funding for collaboration with New Zealand institutes has allowed for the development of advanced techniques for remotely monitoring volcanic activity. Additional collaboration is contributing to the joint development of remote sensing equipment.
 efficiency	Seismic monitoring and research is a necessary disaster management public good that is highly technical in nature. The major efficiency of the project is that it is taking a Centre of already notable technical strength and helping transform it into a leading institute not just for monitoring regional seismic activity, but also for successfully training and deploying the next generation of geologists and volcanologists needed by the region.
 impact	Collaboration funded through the project has significantly upgraded the SRC's capacity not only to engage in the seismic monitoring needed in the region, but also to engage in the public outreach and communication strategies necessary to provide advance warning and keep the public informed about volcanic risks.
 sustainability	There are two sides to the sustainability question. At one level the SRC is likely at a stage where it can maintain current operations and its existing level of expertise with intra-Caribbean funding. But, the SRC is fundamentally a science-based organization and must keep abreast of technical innovations and scientific discoveries if it is to continue making a major contribution to regional disaster risk management. This requires continued advanced training for Centre researchers as well as collaboration with international centres of excellence in the field such as those in New Zealand. Whether this should be funded through ODA flows or collaborative research grant applications to New Zealand or international funding agencies is another question that should be examined in consultation with SRC.
 inclusiveness	Staff at the SRC were clear they appreciated the importance of gender and social inclusion planning in their projects and gave evidence that this was an active consideration when developing and implementing their activities. But, they also highlighted that they felt they could be more effective in this area and were interested in training assistance to improve capacity. ⁴³ As ancillary discussions with other development actors in the Caribbean have highlighted, the importance of gender and social inclusion has only recently gone from being seen as a box ticking exercise to something that can offer real contributions supporting outcomes and impacts. The awareness of this issue at SRC is a positive sign.







The SRC is successfully providing a critical disaster management function to the Caribbean. By its own admission the SRC could use additional support with communications strategies and platforms, which perhaps points to a useful future avenue for engagement. One thing that struck the evaluation team was that much of what the SRC does with MFAT-provided ODA financing might equally well be funded through government research grants in partnership with New Zealand research institutions. There also appeared to be interesting avenues to explore for staff interchange both for research and to develop the communications capacity of the Centre.

4.1.3. Caribbean Renewable Energy Programme

The Caribbean Renewable Energy Programme is a flexible technical assistance facility supporting the development of geothermal energy across the Caribbean. Through the programme, an adviser based in the region identified and scoped opportunities to support various countries in the Caribbean, as well as the Caribbean Development Bank, on policy, regulation, commercialisation, surface exploration and capacity development. As a result of the programme's technical support to the Government of Dominica, MFAT has extended additional funding to provide a project manager to the Dominica Geothermal Development Company (DGDC) to manage the development of a geothermal plant.

⁴² MFAT (2017)b, *Activity Monitoring Assessment – Seismic Research Centre Support*, p. 1, 4.

⁴³ *Ibid.*, p. 4-5.

OECD DAC Criteria	Evaluation Assessment
 relevance	<p>Support for the development of reliable and affordable access to electricity is highly relevant throughout the Caribbean. Most countries rely on imported Diesel for electricity generation, which is both highly expensive and polluting. The development of an essentially free resource that delivers clean and relatively affordable power is therefore critical to supporting local economic development.⁴⁴ New Zealand is seen as a world leader in geothermal development and is therefore in an excellent position to provide this tailored support.⁴⁵</p>
 effectiveness	<p>The initial years of the project, during which time the geothermal adviser was present full time in the region, were highly effective.⁴⁶ Recently, the adviser has returned to New Zealand and continues to provide support remotely. While it was reported that this model is still working relatively well, it was also noted that in person interaction was far more effective. Regional presence is also critical for the identification and scoping elements of a flexible funding mechanism.</p>
 efficiency	<p>The single managing contractor model is an efficient way to manage and deliver a flexible technical advisory facility. Through existing capacities and relationships, the adviser was able to mobilise resources from the managing contractor to quickly deliver specialised support in scoped activities.⁴⁷ The alternative model of tendering each package would have resulted in significant lost time without necessarily achieving any cost savings.</p>
 impact	<p>In a flexible technical advisory facility, the impact is necessarily variable. Given the objective is to identify and scope technical support activities, it has to be accepted upfront that not all efforts will be successful. However, in Dominica the programme has had a high impact where the Government is now in the position to manage the development of a geothermal plant with financing from a number of other donors with the assurance that the project will be well managed through the MFAT funded project manager at DGDC.⁴⁸</p>
 sustainability	<p>As for impact, sustainability will necessarily be variable in a flexible technical assistance facility. As above, assuming the project in Dominica is completed as expected, the programme will have been highly sustainable. The surface exploration support in St Lucia and Grenada is likewise sustainable as a product in itself. It will remain to be seen whether some of the policy, regulatory and commercialisation advice provide to other countries in the region results in further successful geothermal projects.</p>
 inclusiveness	<p>While the project did not target social inclusion specifically, access to more affordable electricity is inclusive on the assumption that households are connected to the electricity grid. As the scope of the project was the development of power generation through geothermal rather than power distribution, it is difficult to measure inclusion beyond this.</p>

The project has been very successful both technically and politically in the region. It has provided high quality technical advice in a sector of key importance to partners in the region and has also positioned New Zealand as the go-to development partner on geothermal energy. The project has also successfully leveraged significant complementary funding from other development partners leading to an increased impact relative to the expenditure. This type of flexible funding arrangement is a model for future programmes in the region as is discussed in Section 5.

⁴⁴ Ramon Espinasa, Malte Humpert, Christiaan Gischler, and Nils Janson (2015), "Challenges and Opportunities for the Energy Sector in the Eastern Caribbean: Dominica Energy Dossier," IDB Technical Note No. IDB-TN-850 (October); Arnold McIntyre, Ahmed El-Ashram, Marcio Ronci, Julien Reynaud, Natasha Che, Ke Wang, Sebastian Acevedo, Mark Lutz, Francis Strodel, Anayo Osueke, and Hanlei Yun (2016), "Caribbean Energy: Macro-Related Challenges," IMF Working Paper WP/16/53 (March).

⁴⁵ Meeting with Caribbean Development Bank energy team, 29 November 2017.

⁴⁶ MFAT (2017)c, *Caribbean Geothermal – Proposed Strategy 2018-2020*, p. 2.

⁴⁷ Evaluation Team telephone meeting with Dominica Government Official (December 2017); MFAT (2017)d, *Activity Monitoring Assessment – Caribbean Geothermal Activity Year 1*.

⁴⁸ MFAT (2016)d, *Latin America Programme Annual Plan 2016-17*, p. 10.

4.1.4. Proyecto Paraguay Inclusivo – Paraguay Family Farming Project

New Zealand provided NZD 1 million through the International Fund for Agricultural Development (IFAD) to support family farm micro-capitalization in Paraguay. The project provided small loans to members of family farm committees for seed investment in local market infrastructure, pig production, or poultry production. New Zealand Financing provided support to fifty committees of family farms encompassing 2,353 families.

OECD DAC Criteria	Evaluation Assessment
 <p>relevance</p>	<p>The project is highly relevant for advancing rural livelihoods. It provides a direct and substantial contribution to rural development in communities receiving support. One committee coordinator remarked this was the first time that they had been provided with assistance to actually implement technical advice they had received.⁴⁹</p>
 <p>effectiveness</p>	<p>As a whole, the project is effective at injecting working capital into family farms, although there were implementation delays due to Paraguayan approval processes.⁵⁰ The effectiveness of family capital utilization was mixed in terms of the quality of the structures built on the farm and livestock rearing success.⁵¹ The ability to scale up production also depended on access to markets and value chains, factors beyond the remit of the project.</p>
 <p>efficiency</p>	<p>The project was efficient in either improving the infrastructure for committee market days or the capital to develop a flock of chickens or sounder of swine. Knock on effects came through improvements in organizational capacity, financial management, and coordination committee members had to demonstrate to receive a grant. Significant citizenship capacitation was also demonstrated amongst committee members through their willingness to press Ministry of Agriculture officials on points of contention as well as their ability to undertake strategic planning as they explained expansions plans to the evaluation team.⁵²</p>
 <p>impact</p>	<p>The impact question is complicated. For recipients of the grant the impact is large and, subject to good recipient management, lasting.⁵³ However, impacts are also very individualized and largely isolated to individual family farms. Although some of the committees focused on farmer's market infrastructure were coordinating production to offer a variety of produce to consumers, production and sales remained very much an individual responsibility. Poultry and swine operations exhibited similar characteristics with individual families forming single economic units. Given the low level of development from which many of the grant recipients are starting none of this is a serious concern at this point, but it does highlight the scope of the challenge being addressed by the project. In reality bringing about wide-ranging transformation at the family farm level will require sustained implementation of this and similar programs for years to come.</p>
 <p>sustainability</p>	<p>As flagged under the 'Impact' criteria, results from the project are highly sustainable on an individual family farm basis subject to careful animal husbandry. The project as a whole, however, is dependent on sustained financing either from donors such as New Zealand or the Paraguayan government, which will change after May 2018 elections. Management of the project governing Proyecto Paraguay Inclusivo (PPI) and IFAD consultants were clear that without New Zealand funding virtually no families would have received the micro-capitalization grants. New Zealand funding served as a kind of proof of concept, helping the PPI secure funding from the Paraguayan state to support an additional 22 families and setting the stage for potential future Paraguayan government support.</p>

⁴⁹ Evaluation Team site visit, 6 December 2017.

⁵⁰ MFAT (2017)k, *Activity Monitoring Assessment – Paraguay Family Farming*, p. 3.

⁵¹ Observations from Evaluation Team site visits, 6-7 December 2017.

⁵² Evaluation Team site visits, 6-7 December 2017.

⁵³ MFAT (2017)k, *Activity Monitoring Assessment – Paraguay Family Farming*.



Inclusiveness

Although reporting and explicit planning on gender questions has been noted as falling short of desired levels,⁵⁴ gender inclusiveness nevertheless appeared as a central embedded reality of the project during site visits. Estimates given to the Evaluation Team are that over 70% of the grant recipients were women, an assessment supported by observations at site visits. Both the management structure of PPI and the individual committees are dominated by women who exercise real authority and make the commercial and strategic decisions.

The project is manifestly a good thing. It is making meaningful and lasting changes to the livelihoods of family farmers throughout rural Paraguay. This extremely positive factor aside, there are two considerations to keep in mind. First, this is a long-term endeavour and will require at least a decade of sustained investment to drive deep transformations of the rural political economy in Paraguay. That said, the only way these changes will take place is with a long-term, consistent commitment. The second consideration is specific to the motivators behind New Zealand's development assistance engagement with the region. When given, credit for the project generally goes to IFAD. Outside the 2,353 families who have been supported by the project, New Zealand has very little profile in the country and there is minimal knowledge about New Zealand involvement in this project within the Paraguayan donor community much less the national government.⁵⁵ This, to be clear, is a communications and branding challenge, not a fault of the project, and in part reflects some of the bureaucratic peculiarities in Paraguay.

4.2. Other Projects

The remaining project reviews are based on interviews with MFAT staff and implementing teams, and necessarily lack the insight afforded by a project visit. The evaluation therefore only contains general observations about these projects

4.2.1. Chile Agriculture Industry Training Project

In Chile, the New Zealand Agriculture Primary Industry Training Organisation (ITO) partnered with the Chilean Ministry of Agriculture and its industry training organisation to support the improvement of the agriculture training and extension system to better meet industry needs. Despite delays due to a change in government, the project successfully introduced a new approach to agriculture training with an increased focus on practical on-farm training.⁵⁶ The activity was highly successful and has led to an ongoing partnership between the Chilean and New Zealand agriculture industry training organisations for continued knowledge exchange and capacity building beyond the end of the project.⁵⁷

In parallel, with support from the Ministry of Primary Industries (MPI), the New Zealand ITO has partnered with a New Zealand investor owned farm in southern Chile to develop an agricultural training institute. This, together with the ongoing ITO partnership, is a model for transitioning away from ODA support.⁵⁸

4.2.2. Colombia Dairy Value Chain⁵⁹

In Colombia, MFAT is funding a project to adapt New Zealand dairy systems to increase production efficiencies and develop better extension services.⁶⁰ Despite some difficulties in early project definition and implementation, the project is now very successful and well received by the Government of Colombia who have committed to replicating the system should it prove successful.⁶¹ In the context of decades of insurrection coming to an end, there is a significant potential for agriculture to provide employment opportunities to support economic growth and stabilisation. This is a potentially significant result both for Colombia and for the Government of New Zealand that should be given the necessary attention to ensure success. The opening of a new Post in Colombia in February 2018 provides an opportunity to leverage this project and work with other development partners to build a sustainable agriculture and agribusiness sector in Colombia. The MPI Adviser based in Mexico Post is experienced in the region and should be closely involved in the project.

⁵⁴ *Ibid.*, p. 4.

⁵⁵ Evaluation Team meetings with other donors active in Paraguay and IFAD officials, 6-8 December 2017.

⁵⁶ MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*, p. 4.

⁵⁷ MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*, p. 7-8

⁵⁸ As of 2018, Chile and Uruguay are no longer eligible for ODA funding according to the OECD DAC criteria

⁵⁹ Note: The evaluation team has not been able to interview the managing contractor that implements the Colombia and Peru Dairy projects and these observations are therefore based entirely on interviews with MFAT staff, the MPI Agriculture Adviser, and documents provided to the team.

⁶⁰ MFAT (2015)c, *Activity Design Document – Colombia Dairy*.

⁶¹ MFAT (2017), *Activity Monitoring Assessment for Colombia Dairy Value Chain Project* (26 January).

4.2.3. Uruguay Family Farm Project

One of New Zealand's CRIs supported Uruguay's Ministry of Agriculture, Livestock, and Fisheries to deliver capacity building extension services to family farmers to increase beef production through environmentally sound practices to improve farm profitability.⁶² The activity originated from a pre-existing relationship between the CRI and its Uruguayan counterpart and therefore benefited from reduced inception delays and was able to rapidly deliver support.⁶³ While good progress was achieved, the activity would have benefitted from additional time to increase long-term capacity development and sustainability of the project.⁶⁴

Initial steps were taken by implementation partner AgResearch near completion of the Uruguay project to explore replication of the model in Paraguay on the assumption that MFAT was looking to fund a major new venture in Paraguay or Latin America. Internal resources that AgResearch was going to devote to this were reallocated to other scoping work when it was clarified that such an initiative did not fit with MFAT's envisioned plan of work. The level of interest from AgResearch demonstrated by this example, coupled with rising intra-Latin American attention to SSC, does suggest that this sort of project might present an opportunity for collaboration with the Government of Uruguay. This would have been a good opportunity to explore trilateral support with the Government of Uruguay in Paraguay and remains an option to consider for future work in Paraguay.⁶⁵ This is also an area that may fit well with the Paraguayan Government's vision for small and medium farm involvement in a growing agro-industrial sector.

4.2.4. Peru Dairy Project

The project is collaborating with the Peruvian Ministry of Agriculture and Irrigation to provide extension services to small and medium dairy farms to improve milk and cheese production and handling.⁶⁶ Peru remains a highly agricultural and rural society and poverty reduction is most likely to be led through improved farming practices. While the project is delivering successfully there are opportunities to leverage the project through increased engagement from MFAT.

4.2.5. Colombia Demining

Following decades of conflict, Colombia is one of the most heavily mined countries in the world. Support for demining is therefore highly relevant both to reduce the human toll but also to support normalisation in Colombia. The support is provided both through a UN Trust Fund and through the international demining NGO HALO to provide and train technicians on the use of a New Zealand technology for demining developed by Burn Safe in the department of Meta.⁶⁷ The project is delivering good results and provides some visibility with the Colombian Government and within the local donor community. As with other project implemented through multilateral arrangements, this will continue to need to be monitored so that the New Zealand contribution maintains its visibility.

4.2.6. Partnerships Fund Projects

Two projects are currently being implemented through the Partnerships fund by two of New Zealand's CRIs in Ecuador and Colombia. By virtue of their funding mechanism, the activities are managed by the Partnerships Fund team in MFAT, which reinforces the splintering of activity management and increases the likelihood of missed opportunities. The project in Colombia, in particular, emphasised the missed opportunity for collaboration with the Colombia Dairy Value Chain project. Similarly, Post expressed a view to the Evaluation Team that they struggled to engage at all with the Partnerships Fund projects until recently. The opening of the Post in Colombia may provide an opportunity to leverage complementarities between projects to maximise the return on investment. It is understood that Latin America will no longer be eligible for the Partnerships Fund, so it is important to maximise the potential of the current investments and build relationships between MFAT and the local partners.

4.2.7. Latin America and Caribbean Scholarships

Skills development is critical to economic development in Latin America and the Caribbean. The provision of scholarships therefore is highly relevant. One of the explicit goals of the scholarship programme is to develop an ongoing relationship between scholars in the region and New Zealand. From this perspective, the current management of the scholarships programme in MFAT fails to leverage this potentially highly useful asset to New Zealand's foreign policy and trade objectives. It is critical that MFAT improve the tracking of returned scholars, particularly as many may end up in government counterpart positions. Further, Post are currently largely uninvolved

⁶² AgResearch (2013), Activity Design Document: Uruguay Family Farm Improvement Project (22 October).

⁶³ MFAT (2017)a, *Activity Monitoring Assessment – Uruguay Family Farm Improvement Project*, p. 6.

⁶⁴ As of 2018 Uruguay is no longer ODA-eligible per DAC guidelines.

⁶⁵ This is further explored in section 5.

⁶⁶ The AgriBusiness Development Group (2017), *Proyecto de Apoyo de Nueva Zelandia al Sector Lechero Peruano – Annual Progress Report for the period 1 October 2016 to 28 February 2017 (March)*.

⁶⁷ Halo Trust (2017), *Humanitarian Mine Action in Meta, Colombia: Project Proposal to New Zealand Ministry of Foreign Affairs*.

in the selection or pre-deployment preparation of scholars. It would be worthwhile considering a role for Posts around the world as facilitators of informal alumni networks to leverage the ongoing connection created with New Zealand and as a support network for future scholars.

In Latin America and the Caribbean, there is also a disconnect between the demand for scholarships and the available positions annually. The Caribbean struggles to fill its allocation of 20 scholarships, while Latin America with only 14 scholarships is highly oversubscribed. In addition, some of the countries in the region such as Chile and Paraguay provide their own scholarships for individuals to study in New Zealand. Coordination with these programmes should be explored.

4.2.8. Head of Embassy Funds

The Head of Embassy funds provide a useful resource pool for small interventions that have significant impact at the micro level but little systemic change impact. The investments are useful in identifying opportunities to build the knowledge and connection to New Zealand. Each of the Posts visited appears to have adopted a different mechanism in managing its Head of Embassy Fund. In Argentina, Post has outsourced the identification, management, and reporting of its Fund. This ensures project are well designed and given a high level of management oversight, but also limits the scope for responsive investments or outside proposals. In Chile, a call for proposals is issued and projects selected at the beginning of the year. This allows for a broad range of proposals but results in a high management burden for MFAT staff. In the Caribbean, Post retains its Fund for responsive investment to emerging opportunities throughout the year. This enables greater flexibility for strategic investment but may omit interesting proposals from external parties. Each model has its benefits and will suit each Post differently. In Section 5, the evaluation recommends the use of flexible funding arrangements, but this should not be at the expense of the Head of Embassy Fund that provides a different type of development support.

5. Opportunities for Future Support

As noted in Section 3, the Latin America and Caribbean Programme has a high level of strategic alignment and coherence when viewed from the overall Government of New Zealand foreign policy, trade, and development objectives. The sectoral focus on agriculture, renewable energy, disaster risk reduction, and skills development has been successful during the period under review, in particular in positioning New Zealand as a smart development partner that can respond flexibly and leverage other development partner funding. The key to success then has not necessarily been in the technical delivery in itself, though this has consistently been of a very high standard, but in identifying a niche where New Zealand, as a small donor, can add the most value to the development discourse in the region. This evaluation will therefore not recommend staying in those sectors alone, nor will it recommend they necessarily be changed. Rather, the recommendation is to identify the areas where the most value can be added toward sustainable economic and human development while supporting New Zealand Government objectives. Key to this will be selection of delivery modalities that best enable the New Zealand ODA programme to support this. A number of considerations are presented below:

5.1. Flexible funding arrangements

As noted throughout this evaluation, one of the fundamental drivers of the Latin America and Caribbean Regional Programme is providing New Zealand with a platform to advance foreign policy and trade objectives through the implementation of good development projects. With the limited regional presence of MFAT staff in the region and the highly diverse nature of the countries it would be near impossible to maintain the local understanding at the political economy and technical level to identify suitable projects for longer term interventions. In this context, there may be an opportunity to consider more flexible funding arrangements.

One of the strengths of the Caribbean Renewable Energy Programme was its ability to engage flexibly throughout the region and vary its degree of intervention in response to emerging opportunities. This strategic responsive approach to programming allows for small initial investments to be used to confirm the viability of investing in an activity and minimise expenditure on those that are less likely to succeed. In this way, the small initial investment in Dominica identified an opportunity for committing substantially higher levels of funding to provide a necessary component in enabling a large investment in critical infrastructure with a significant impact on the economy and population.

In this context, and to enable smart investments that leverage partner funding, there may be an opportunity to consider allocating pools of flexible funding to be managed by each Post in line with their individual development, foreign policy, and trade objectives. This would require a commitment for increased engagement from technical teams in the region that was noted above as being a beneficial change to consider. It would also require Post to engage in the design of activities by facilitating an understanding of the local political economy for technical teams and coordinating linkages with the host government to identify suitable investments that can be scaled should traction be confirmed or halted where engagement proves less successful. From a development effectiveness perspective, this will require a greater acceptance of risk and increased rates of failure in terms of reaching pre-determined outcomes. It also requires embracing an adaptive management approach that in itself requires activity managers to be more deeply engaged in work planning and monitoring of results in order to regularly review the appropriateness of targets and amend if necessary. On a policy level it will require care by Posts that focus be maintained on the pursuit of lasting and transformative development outcomes, not short-term political foreign policy considerations.

The underlying premise is that while positive development outcomes are an essential goal, provision of development assistance to the region is ultimately motivated by a desire to build strong, positive, lasting relationships. This approach could also support an enhanced whole-of-government approach to development where Post would pull in non-traditional departments and agencies to take over engagement where it appears likely that transfer to a non-ODA modality would offer greater chances of project success. Drawing on examples of existing projects this would mean alternative engagement avenues such as encouraging export-financing for expanded training programs, facilitation of joint research grant applications to New Zealand and international funding agencies, or match-making between potential New Zealand investors and new opportunities in the region. The point that sometimes gets overlooked in development discourse about Latin American and the Caribbean is that regional countries are most interested in partners wanting to make a lasting investment in their future. Historically most donors in the region have pursued a more extractively-oriented logic supported by ODA. New Zealand is in a position to significantly differentiate itself and build a reputation of genuine partnership for regional progress.

The strength of a flexible approach to development programming is that it would enable Posts to more strategically engage throughout their areas of accreditation to support the overall goals of the New Zealand government. It would allow for investment in support of larger development programmes with significant development impact, such as is

currently the case with the Dominica Geothermal Project. Finally, it would secure New Zealand's position in the region as a small but smart development actor with a relationship with partner countries more akin to South-South Cooperation than traditional development partner.

5.2. Flagship programmes

Should flexible funding arrangements be pursued, it is the view of the evaluation team that these could usefully be "anchored" around a regional flagship programme. While the flexibility to respond to emerging opportunities is useful, to avoid the appearance of an interventionist and ad-hoc development programme, and to provide an ongoing brand for New Zealand's development cooperation in the region, a longer-term investment should be considered as the key strategic target in each triennium funding cycle.

In the Caribbean, this could for example be in the geothermal renewable energy programme, providing continuity and building on the already established position of New Zealand as a sectoral broker. The flexible funding could then be used to undertake smaller strategic investments in other sectors that in some cases may act a scoping activity for a future flagship programme in the following triennium or even market introductions for development-supporting New Zealand trade and investment. Equally, should it prove necessary, the flexible fund could be utilised to top up the flagship programme as was done to "spin-off" the Dominica Geothermal Project Manager activity.

5.3. Trilateral Development Cooperation

In recent years, Trilateral Development Cooperation (TDC) has increasingly become a prominent form of development support, especially in collaboration with Latin American countries. Most often, a "traditional" donor will provide significant financial resources, the "emerging" donor provides project management and expertise, and the beneficiary country owns and participates in the project.⁶⁸ With limited financial resources for investment in Latin America and the Caribbean, this model of TDC may at first blush appear of minimal interest to New Zealand, but an emerging approach heavily focused on capacity training currently being implemented by the Chilean Agency for International Cooperation for Development (AGCID),⁶⁹ a department of the Government of Chile's Ministry of Foreign Affairs, might provide interesting opportunities for future consideration.

AGCID has signed Memoranda of Understanding with 15 bilateral and multilateral partners to collaborate on the exchange of knowledge and provision of technical assistance with third country recipients.⁷⁰ In the model implemented by AGCID, the Government of Chile makes staff of relevant Ministries available to provide technical assistance together with a team mobilised by their partner agency.⁷¹ For example, they are currently implementing a joint programme with JICA to deliver disaster risk reduction training. Each initiative is time-bound and usually requires an investment of approximately NZD 350,000 from each donor partner. To date, projects have been delivered across Central and South America as well as the Caribbean, though AGCID is also engaged in South-South Cooperation in Africa and the Middle East and expressed an interest in expanding their presence there through TDC.⁷²

From a technical perspective, there are a number of areas where Chile and New Zealand overlap in terms of sectoral expertise and international recognition for excellence. These include agriculture, disaster risk reduction, and public administration. In Latin America, where MFAT's presence is minimal, TDC with AGCID may well present an opportunity for engagement both in countries where New Zealand already has a presence either through a project or Post as well as other countries that may be of relevance to New Zealand's overall regional strategy. Indeed, TDC might provide a useful support to New Zealand's wider SIDS strategy by facilitating linkages and coordination between Pacific and Caribbean Island nations as well as some of the smaller Latin American countries. Furthermore, AGCID has a track record of TDC and South-South Cooperation in Paraguay and may be able to provide easier access given the difficulties highlighted in Section 4. In addition, in Latin America AGCID is typically able to provide

⁶⁸ Claudia Aguilar Graza (2016), "La Cooperación Triangular en América Latina: Aunando criterios del Norte y del Sur," in Laura Ruíz Jiménez and Beatriz Hernández (ed.), *América Latina y Chile en el sistema de cooperación del siglo XXI: El impulso a alianzas transformadoras* (Santiago: RIL Editores); Deborah B.L. Farias (2014): Triangular cooperation and the global governance of development assistance: Canada and Brazil as "co-donors", *Canadian Foreign Policy Journal*, DOI: 10.1080/11926422.2013.845583; Adriana Erthal Abdenur & João Moura Estevão Marques Da Fonseca (2013) The North's Growing Role in South-South Cooperation: keeping the foothold, *Third World Quarterly*, 34:8, 1475-1491.

⁶⁹ UNDP / AGCI (2012)a, "Buenas Prácticas en Cooperación Sur-Sur Triangular de Chile: Criterios y Metodologías de Selección de Casos," Documento de trabajo AGCI-PNUD No 3 (Mayo).

⁷⁰ <https://www.agci.cl/index.php/acciones-para-el-desarrollo/acuerdos-de-cooperacion>

⁷¹ <https://www.agci.cl/index.php/acciones-para-el-desarrollo/cooperacion-triangular>

⁷² UNDP / AGCI (2012)b, "La Cooperación Triangular de Chile: 1998-2010. Características, Fondos e Instrumentos," Documento de trabajo AGCI-PNUD No 2 (May).

much of the logistical and administrative management of TDC engagement, simplifying the overall management of the development programme for MFAT.

TDC with AGCID provides further benefits to New Zealand in terms of visibility across the region both in beneficiary countries and with the Government of Chile. Given Chile's graduation from the OECD DAC list of countries eligible for ODA, it provides an opportunity for allocating ODA resources for delivery of programming in ODA-eligible countries while maintaining a collaboration with AGCID and, hence, the Chilean Ministry of Foreign Affairs. This may prove particularly important in the context of negotiations around a Free-Trade Agreement (FTA) with the Pacific Alliance. Should New Zealand opt to pursue TDC with Chile and it prove successful, there are a number of other countries with whom this model may be worth exploring as they graduate from ODA-eligibility. These include Uruguay, Argentina, Brazil, Colombia, and Mexico in a first instance, all key players in either MEROCSUR or the Pacific Alliance.⁷³

5.4. Delivery through Third Parties

Delivering through third parties can be an attractive proposition to minimise the management burden in delivering development programming. Given that Posts in Latin America and the Caribbean have large areas of accreditation with only limited staffing, working with third parties can help provide regional coverage without requiring close activity management. However, this also comes with significantly reduced visibility in terms of New Zealand's overall presence in the region and relies on the third party's reporting to monitor results.

The arrangement with IFAD in Paraguay is testament to this. With a complex project approval process with the Government of Paraguay, the arrangement enabled New Zealand to gain a foothold without requiring large management investments. The project is delivering results, but the Programme manager in Wellington must rely on IFAD's reporting in Spanish to prepare internal reports, which contributes to a 'managing from a distance' approach that contributed to delays in implementation.⁷⁴ Though the evaluation team met with beneficiaries of the activity in Paraguay who were presented as knowing the project was funded by the Government of New Zealand, this was likely staged for the purpose of the evaluation and discussions with other Asunción-based actors in the development space made it clear that outside of a narrow pool of specialists New Zealand's activities had a very low national profile.

That being said, when third party implementation is necessary there are measures that can be adopted to ensure visibility is maintained. Most importantly, this involves a commitment to regular joint supervision missions to ensure relationships exist not only with the third party's representatives but also directly with the implementation team in the recipient agency. This enables contact outside the project missions to access counterpart Government partners for broader New Zealand regional goals.

Regardless of the sectoral focus or the implementation mechanism, as a small donor in the region it is important that New Zealand continues to differentiate itself in its approach and delivery of development cooperation. The current relationship established through the Programme is more akin to the intra-Latin American practice of South-South Cooperation than a traditional donor-beneficiary relationship, and this has enabled the establishment of a trusted relationship. At the core of the SSC approach is the sort of direct negotiations about project formulation seen in, for example, the Colombian Dairy project,⁷⁵ where the receiving government guided the formulation of activities that focus on direct transfer of knowledge through extended inter-personal interaction in a style that offers opportunities for learning and policy improvement to both parties. A more nuanced approach to development assistance provision in line with SSC principles is also demonstrated in the Peruvian dairy project, which explicitly notes that it is taking a "complex/systems approach – rather than suggesting and supplying some simple interventions (silver bullets) – the project aims at developing an understanding of whole farm systems... This systems approach contrasts with the often-perceived linear association between the introduction of interventions and achieving objectives."⁷⁶ This sort of flexible focus on capacity creation versus technical development is different than the sort of projects driven by direct budgetary support and financial transfers often equated with the Paris Declaration principles of 'ownership' and 'alignment'. The 'boots on the ground' ethos at the heart of SSC forms a solid basis for deep and lasting linkages of confidence and understanding between both parties, which is also the underlying ambition of New Zealand's political

⁷³ Note, however, that Chile has a distinct advantage relative to other countries in Latin America as they have established a sustainable source of funding providing up to US\$ 5 million per annum for investment in South-South Cooperation, Trilateral Development Cooperation, and Humanitarian Assistance.

⁷⁴ MFAT (2017)i, *Latin America and Caribbean Programme Forward Aid Plan*, section 1.4.

⁷⁵ MFAT (2015)c, *Activity Design Document – Colombia Dairy*, p. 2-4.

⁷⁶ The AgriBusiness Development Group (2017), *Proyecto de Apoyo de Nueva Zelandia al Sector Lechero Peruano – Annual Progress Report for the period 1 October 2016 to 28 February 2017 (March)*: p. 22.

engagement in the region. The evaluation team thus feels it is paramount that an approach consistent with the Latin American SSC vision of development assistance be maintained by New Zealand in the region going forward because it provides far greater visibility and respect with development partners and beneficiary governments than would otherwise be expected from the small activities implemented.

6. Conclusions and Recommendations

Overall the evaluation team views the Latin American and Caribbean Programme as successful. Indeed, the main critiques held by the team relate more to opportunities for even greater development effectiveness missed due to process and geography-induced inefficiencies in the management framework. Recent and ongoing organisational changes in MFAT may address these but could benefit from recommendations of this evaluation report.

Overall the evaluation team views the Latin American and Caribbean Programme as successful. Indeed, the main critiques held by the team relate more to opportunities for even greater development effectiveness missed due to process and geography-induced inefficiencies in the management framework, which is itself embedded in the ongoing organisational transformation process currently being managed by MFAT.

Ardent development advocates generally blanch at suggestions that ODA should be pursued for national interest reasons and not simply because it is the right thing to do. Historically they have reason for concern as many donor countries have imposed deeply problematic programmes upon reluctant recipients in order to advance decidedly one-sided political or economic agendas. In the judgement of the evaluation team this critique does not apply to the Government of New Zealand's Latin America and Caribbean Programme. Although MFAT officials left little doubt that the programme was created and continues in order to further economic and political engagement priorities, there was clear and overt and explicit awareness that this strategy only works if the delivered projects are both wanted and needed by the partner governments and are delivered to a high standard predicated on real partnership. Evidence of the effectiveness of this approach was clear throughout the evaluation mission to the region. In the Caribbean New Zealand is now firmly entrenched as a crucial partner for the development of geothermal energy resources. Likewise, discussions with New Zealand partners in seismic monitoring and animal husbandry quickly transitioned from an expression of desires for continued support into what can only be described as interest in advanced commercial investment and collaborative research possibilities. Government officials in Chile offered similar positive assessments, speaking of how the ODA projects not only delivered capacity improvements in the specific technical areas, but also resulted in wider-ranging changes in how crucial national development activities like technical and vocational training would be conceptualised and delivered in a different policy space. That some of this would bring commercial opportunities for New Zealand firms was not viewed with concern. Rather, the ODA project was sometimes presented almost as a proof of concept and contractor reliability evaluation period used by private actors to make longer-term policy with greater confidence.⁷⁷

Where the evaluation team does have concern is with the management arrangements of the programme, which are causing potentially important opportunities to slip by. Documentation from MFAT on many of the projects conveyed a sense of uncertainty and potentially disappointing outcomes as well as clear concerns about a lack of field missions as well as the language skills to read reports from some partner agencies.⁷⁸ Site visits made it clear that these impressions were based heavily on interpretations of reports, which the implementing partners may not have prepared in a manner completely in line with desk officer desires in Wellington.⁷⁹ Given the high level of managerial rotation in Wellington and the low number of field visits the questioning tone in the MFAT reports is understandable. But, this ambiguity is something that could be avoided by realigning the management structure so that the relationship aspect of project oversight is located in post and the administrative reporting functions left in Wellington. As noted in the report above, this would offer two immediate benefits. First, it would allow diplomats in Post to better leverage ongoing development projects to advance bilateral relations. Second, it would open an opportunity for Post to find potential-cross connections stemming from the projects that might open further engagement opportunities both within and outside the development portfolio.

One serendipitous outcome of the relative small size of the Latin America and Caribbean Programme is that it has quietly mirrored the best principles encapsulated in South-South Cooperation for development. Lacking a deep pool of expertise on the region MFAT has consequently had to rely on direct negotiating with partner governments to select and formulate projects or, in some cases, call for proposals from implementing partners with established relationships in the region. The result is a series of projects that directly fit with the development needs and priorities of the partner governments. Another hallmark of New Zealand programming in the region is a tight focus on the transfer of expertise and capacity through the funding of visiting experts that spend an extended period of time working with the implementing partner organization. Both of these characteristics were repeatedly cited in site visits as not only being crucial to the success of projects, but also as traits that significantly and positively differentiated New Zealand from other actors in the regional development space. This approach to project design and evaluation

⁷⁷ Evaluation Team meeting with Ministerio de Agricultura officials, Santiago, Chile (4 December 2017).

⁷⁸ MFAT (2017)k, *Activity Monitoring Assessment – Paraguay Family Farming*, p. 2.

⁷⁹ MFAT (2017)f, *Activity Completion Assessment – Chile Industry Training*, p. 5.

also had a significant multiplier effect on the effectiveness, efficiency, and sustainability of the projects, and has delivered a greater return in terms of visibility for the Government of New Zealand relative to the monetary investment.

The evaluation makes the following recommendations:

1. New Zealand should maintain its position as a smart and flexible partner to governments in the region by funding responsive programming that addresses their primary concerns. While this may include activities in the sectors supported in the current Programme, future support should not be restricted to pre-determined sectoral priorities should a strategic opportunity arise.
2. The geothermal sector support in the Caribbean has opened up a niche for the New Zealand Government, providing a high profile and building strong relationships throughout the region both bilaterally and multilaterally. This support should be maintained in a similar flexible arrangement as currently is in place. There may also be space to explore further synergies between geothermal work in the Caribbean and the growing New Zealand engagement with this sector in Africa.⁸⁰
3. New Zealand should identify opportunities to leverage other donor funding through critical complementary support that enables large scale investments. The flexibility and pragmatism to supporting initiatives that unblock multilateral funding such as in the Dominica geothermal case has increased the profile of New Zealand in the Caribbean and should be replicated where possible.
4. MFAT should review the management arrangements for providing support in Latin America and the Caribbean to ensure programmes deliver to their full potential. Staff at Post should assume a greater level of involvement in ensuring the Programme is delivering to expectations and that synergies between activities are pro-actively identified. This includes also participating in regular donor coordination fora in the region.
5. MFAT should commit to providing increased technical support to Posts in the region, including through regular and extended visits by staff from technical teams in Wellington. This is critical to support the identification of smart investments that deliver both good development outcomes and a high profile for the Government of New Zealand in the region.
6. New Zealand should consider implementing flexible funding arrangements to enable to continuous identification of strategic responsive programming. The increased risk with flexible funding should be accepted as activities either demonstrate potential for success or are curtailed. This requires a changing attitude towards accepting failure, including embracing adaptive management approaches and continuous adaptation of goals.
7. New Zealand should establish trilateral development cooperation agreements with regional development partners that are not eligible for ODA funding, with the suggestion for initial partnership being Chile. This reinforces New Zealand's position as a smart development partner, provides opportunities for technical collaboration between New Zealand implementing partners and local government partners, and provides MFAT with continued relationships into Government when development activities are no longer possible.
8. MFAT should explore using the Latin America and Caribbean as a platform for innovation to trial a whole-of-government approach to development assistance that will seek to build non-ODA cross-connections with other policy areas such as trade, investment, research, and environmental management. New Zealand is perhaps uniquely prepared to undertake this sort of cutting-edge policy innovation thanks the lessons that can be drawn from its domestic indigenous peoples' integration policy approach in the 2000s.

⁸⁰ <http://www.thinkgeoenergy.com/nz-africa-geothermal-facility-appoints-manager-of-program/>

Annex: Socio-Economic Context in the Region

By Sean W. Burges⁸¹

Any attempt to write an overarching summary of economic and social development trends and realities in Latin America and the Caribbean is problematic. Countries in the combined sub-regions range from the geographically vast Brazil with over two hundred and five million people to the small island nation of Dominica with a population of seventy-one thousand. Political and economic prospects are similarly diverse, as demonstrated by neighbouring countries Colombia and Venezuela. Despite numerous commonalities, not least of which being a sense of ‘ownership’ of the great nineteenth century Latin American liberator Simón Bolívar, the countries are heading in markedly different directions. Colombia is negotiating an end to a protracted civil war that is in turn creating a transformative level of political security to underpin newfound economic confidence. Conversely, Venezuela is undergoing a near total economic and political collapse of the socialist experiment started by Hugo Chavez in 1999, rapidly descending into what is best described as chaos despite having the largest oil reserves on the planet.

With the proviso that Latin America and the Caribbean is a heterogeneous region, there are nevertheless some broad trends and tendencies that apply with varying degrees across the hemisphere. Important questions such as indigenous rights, environmental management, gender equality, and youth empowerment are not the focus of this survey because each involves its own set of challenges and dependencies that should be included in a coherent development program or well-structured project. These considerations form the backdrop to the thinking behind this high-level survey paper, which is focused on larger macro phenomena impacting the capacity of the State to pursue the sorts of policies that will address these critical development issues. Framed differently, the underlying questions motivating the analysis draw from the capacity building and catalytic investment principles underlying New Zealand’s Latin American and Caribbean development assistance programme to ask whether or not the State has the capacity to implement policy, whether there are social and economic conditions in place to allow such policies to be pursued, what impact the external context might have on the room for said policies, and what sort of overarching risks and challenges persist? The theoretical model underpinning the survey is grounded in a political economy of societal change that sees policy frameworks and regime types as reflective of ongoing negotiations between contending social-economic groups. In this framework development and social inclusion is greatly facilitated by a context where elite economic interests are not perceived as being under threat and that the societal and economic transformations implicit in development are viewed as beneficial for all.⁸² In applied terms this means sustained economic growth, falling poverty, and rising human capital capacity, which is what the statistical indicators selected to illustrate this report seek to trace.

The report will make the following high-level points about the Latin America and Caribbean development context:

- Poverty and extreme poverty across the region is slowly, but steadily falling.
- Inequality remains a significant challenge across the region.
- Economies remain heavily dependent on the export of commodities.
- Significant attention is being given to untapped agricultural potential.
- There is significant vulnerability to natural disasters across the region.
- The necessary bureaucratic structures to conceptualize and manage comprehensive development programs is broadly present, but capacity is unevenly distributed within and between countries.

The first section of this paper will concentrate on the commonalities across the region, highlighting the extent to which positive development gains are slowly being made. This positive narrative must be tempered by two specific characteristics. First, high level numbers are inevitably skewed heavily by outcomes in Brazil, Mexico, and Argentina, the three largest regional countries in terms of economy, population, and area. Much of the statistical data used in this section also does not extract the non-ODA eligible countries of the Caribbean, Chile, and Uruguay, although given the limited size of these economies and populations it is unlikely that they significantly distort the regional picture. The second element to keep in mind is that the region is underperforming on its autonomous development potential. While state organs capable of managing the public policy foundation for effective development

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⁸² See, for example, Barrington Moore (1993). *Social origins of dictatorship and democracy* (Boston: Beacon Press); Dietrich, Rueschmeyer, Evelyn Huber Stephens, and John D Stephens (1992). *Capitalist Development and Democracy* (Chicago: University of Chicago Press).

programming are widespread, the ability to fully leverage these institutions are limited by an uneven distribution of capacity – an area where New Zealand can provide significant and meaningful assistance – distortions caused by dramatic levels of economic inequality within countries, and serious challenges to public security. This in turn has an impact on political systems and representational processes, which continue to struggle with brokering demands for redistribution from the majority against desires to continue accumulation by the socio-economic elite. Success in managing this tension varies across the region and bears little linkage to the underlying ideology of governing forces achieving positive overall macroeconomic outcomes, as can be seen in the sustained gains from centre-right Chile and Peru as well as centre-left Bolivia.

After the high-level regional survey, including a brief discussion of potentially destabilizing political developments, attention will be turned to brief examinations of the individual countries where New Zealand has been providing development assistance and which remain ODA-eligible. For the sake of brevity, the Caribbean will be treated as a contiguous unit through the World Bank proxy category of Caribbean Small States (CSS).⁸³ The paper will then turn to an examination of Colombia, Ecuador, Paraguay, and Peru. Despite having been recipients of New Zealand development assistance over the last triennium, Chile and Uruguay will not be covered because they are no longer ODA-eligible under OECD DAC rules.

A story of slow positive change

Where we can find some element of commonality across the region is in the existence of functioning governments that offer, at worst, a nascent framework for delivering effective public services even if success varies significantly across the region and policy area. Evidence of this comes from an examination of the United Nations Development Program’s Human Development Index (HDI) as set out in Table 1, which shows the region broadly improving from 2010 to 2015, particularly in the case of the countries receiving development assistance from New Zealand. Haiti stands as the lone regional country classified as “low human development”. Bolivia, El Salvador, Guyana, Guatemala, Honduras, Nicaragua, and Paraguay are classified as “medium human development”, and the rest of the region as being “high human development”, except for Argentina and Chile, which are classified as being of “very high human development”.⁸⁴ In development programming terms this implies that what is most sought is the sort of capacity building and catalytic financing currently being provided in New Zealand’s regional program, not direct budgetary support or sweeping public administration assistance to build governance structures from scratch.

	2010	2011	2012	2013	2014	2015
New Zealand	0.901	0.904	0.908	0.91	0.913	0.915
<i>Latin America (selected)</i>						
Chile	0.82	0.826	0.831	0.841	0.845	0.847
Colombia	0.7	0.707	0.712	0.72	0.724	0.727
Ecuador	0.71	0.717	0.725	0.737	0.739	0.739
Paraguay	0.675	0.679	0.679	0.688	0.692	0.693
Peru	0.721	0.725	0.731	0.735	0.737	0.74
Uruguay	0.78	0.784	0.788	0.791	0.794	0.795
<i>Caribbean (selected)</i>						
Barbados	0.78	0.785	0.792	0.793	0.794	0.795
Dominica	0.722	0.722	0.721	0.724	0.724	0.726
Haiti	0.47	0.477	0.483	0.487	0.49	0.493
Jamaica	0.722	0.725	0.727	0.727	0.729	0.73
Trinidad & Tobago	0.774	0.772	0.773	0.778	0.779	0.78

Source: <http://hdr.undp.org/en/indicators/137506>

The consistent improvement in regional HDI scores is reflected in a series of standard indicators used as proxies to measure socio-economic development. Major reductions were seen in the poverty and extreme poverty rates for the Latin American region during the decade of 2005-2014. Regional governments invested windfall profits from the commodities boom in social programming and capacity development to create the positive transformations mapped out in Table 2. Extreme poverty rates steadily fell from 15.4% in 2005 to 11.8% in 2014. Likewise, poverty rates fell on a steady basis, dropping from 39.7% to 28.2% over the same time period. Nevertheless, the improvements are not evenly distributed. As the data in Table 2 highlights, even with the gains made over this decade the extreme poverty and poverty rates in rural areas were significantly higher at 27.6% and 46.2%, respectively, by 2014 than in urban areas. This in turn relates back to the capacity of governments to deliver social programming in rural settings

⁸³ Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

⁸⁴ http://hdr.undp.org/sites/default/files/tables_1-15_6a_dashboard1_dashboard2_online_version.xlsx

as well as the ability of producers in these areas to join national, regional, and global value chains. It also highlights a central development challenge in the region: that of advancing rural areas that lag in many social indicators and which can be difficult to reach due to poor transportation links.

		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Extreme Poverty Rate											
	National	15.4	13.3	12.5	12.9	13	12.1	11.7	11.3	11.9	11.8
	Urban Areas	10.3	8.5	8	8.1	8.3	7.7	7.4	7.1	7.9	8
	Rural Areas	33.3	30.4	28.8	30.9	31	29.5	28.7	28.2	28.4	27.6
Poverty											
	National	39.7	36.2	34	33.5	32.9	31.1	29.7	28.2	28.1	28.2
	Urban Areas	34	30.9	28.8	27.7	27.2	25.6	24.5	23.1	23.3	23.8
	Rural Areas	59.8	55.2	52.9	55	54.3	52.4	50	48.7	47.8	46.2
<i>Source: ECLAC: CEPALSTAT</i>											

The improvements that were seen in poverty and extreme poverty rates over the decade from 2005 to 2015 are reflected in three key health indicators. Both infant mortality and maternal mortality rates have seen a significant improvement, dropping from, respectively, 22 to 15.3 per 1,000 live births and 88 to 67 per 100,000 live births over the ten-year period. These indicators have been paralleled by a steady increase in life expectancy. While this reflects improved access to health care overall, provision of medical services is not evenly distributed and face particular challenges in rural areas. Some countries such as Brazil, Ecuador, Venezuela, and Bolivia have consequently contracted primary care physicians from Cuba to serve in areas where they are having trouble placing nationally trained doctors. The trend, however, remains one of slow, but not irreversible progress towards expanded provision of primary health services throughout countries in the region.

	2005	2010	2015
Infant Mortality (per 1,000 live births)	22	18.8	15.3
Maternal Mortality (per 100,000 live births)	88	81	67
Life Expectancy (years)	73.4	74.6	75.7
Men	70.1	71.4	72.5
Women	76.8	78	78.9
<i>Source: CEPAL</i>			

Data on educational achievement across the region in Table 4 also shows marked improvements pointing to a potential increase in human capital capacity going forward. While enrolment levels in primary school is still short of universal, it has held steady in the 93% range since 2005 and, significantly, demonstrates minimal variation between males and females. Where matters have improved most is with secondary school enrolment, which has climbed from a combined rate of 68.2 % for both sexes in 2005 – 65.6% and 70.9% for males and females, respectively – to 75.6% in 2015 – 73.9% for males and 77.4% for females. These incremental improvements in educational enrolment are bearing fruit in literacy rates. When measured for the population as whole over fifteen years of age, the literacy rate in Latin America and the Caribbean averages at 90.5% in 2005, rising to 93.2% in 2015. Although strong and slowly improving, the driver of this improvement becomes apparent if we look at the 15-24-year-old demographic, which has seen its literacy rate move from 96.7% in 2005 to 98.3% in 2015. In both the overall and 15-24-year-old categories there is little difference between male and female literacy rates, although it is worth noting that the rate is slightly higher for female youth, but lower for females overall.

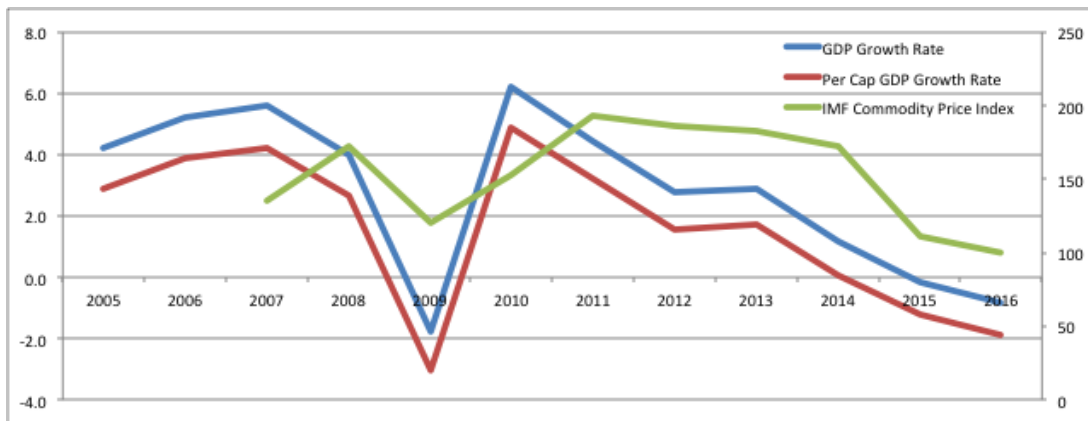
Table 4 -- Educational Enrolment Levels and Comparative Literacy Rates											
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary School											
Both sexes	93.6	93.1	92.9	94.3	94.4	94.6	94.7	94.3	92.9	92.8	93.0
Male	93.3	92.8	92.6	94.4	94.2	94.5	94.7	93.9	92.8	92.6	92.8
Female	93.9	93.5	93.2	94.2	94.5	94.7	94.7	94.6	92.9	93.0	93.2
Secondary School											
Both sexes	68.2	68.8	69.1	71.4	72.3	72.8	73.0	73.4	75.3	76.2	75.6
Male	65.6	65.9	66.2	68.4	69.6	70.2	70.5	71.2	73.3	74.2	73.9
Female	70.9	71.7	72.2	74.5	75.2	75.4	75.6	75.7	77.5	78.3	77.4
Literacy rate ages 15-24											
Both Sexes	96.7	96.8	97.0	97.1	97.4	97.3	97.8	97.9	97.9	98.2	98.3
Male	96.3	96.5	96.7	96.9	97.2	97.0	97.5	97.7	97.7	98.0	98.1
Female	97.1	97.0	97.2	97.3	97.6	97.6	98.0	98.2	98.1	98.4	98.5
Literacy rate over 15 years											
Both Sexes	90.5	90.4	90.9	91.2	91.4	91.6	92.2	92.4	92.5	92.9	93.2
Male	91.3	91.4	91.7	92.0	92.2	92.2	92.8	93.0	93.0	93.4	93.7
Female	89.8	89.6	90.1	90.5	90.7	91.0	91.6	91.9	92.0	92.4	92.8
<i>Source: CEPAL -- CEPALSTAT</i>											

How these social indicators translate into economic growth presents a more challenging story. As a whole the region has made strides diversifying its economic structure and reducing the levels of externally held debt that plagued it in the 1980s and 1990s. Sustained GDP growth rates have also had a significant impact on the positive poverty reduction story outlined above. Nevertheless, the central economic challenge that Raul Prebisch identified in 1949 remains: as commodity producers the region suffers from perpetual declining terms of trade in the global economy, leaving economic prospects in Latin America and the Caribbean substantially linked to the vicissitudes of global commodity price cycles.⁸⁵

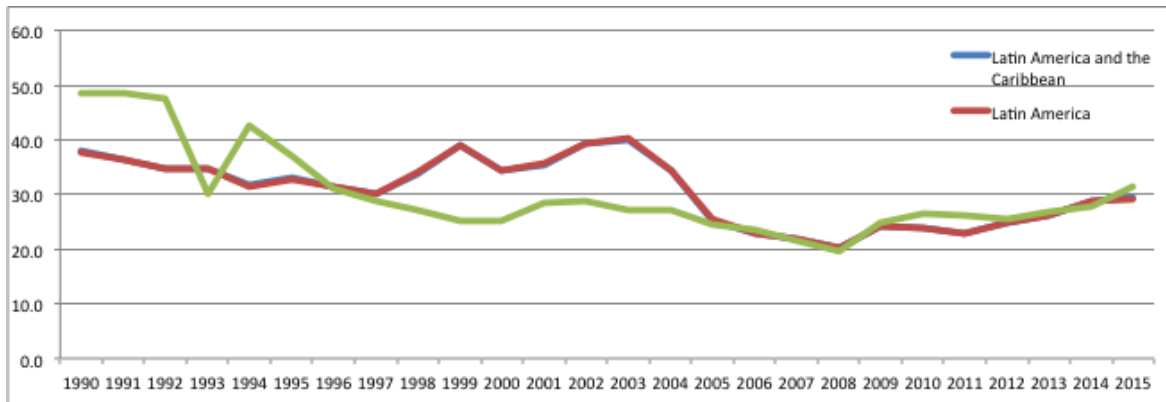
Although not a perfect correlation, Graph 1 highlights the linkage between regional GDP growth and movements in global commodity prices. The boom years of growth all aligned with soaring demand for key regional mineral and agricultural products. This growth pattern is in turn significantly tied to Chinese demand for the minerals and, to a lesser extent, agricultural products. On the agricultural front significant work by major producers such as Brazil and Argentina to open up new global markets across the South has created a bit of a cushion to demand shocks from China, but not enough to offset disruptions caused by the fall in prices for oil, iron ore, copper and other mineral products. On a wider Latin American basis, the last decade has revived the idea that agriculture can be a major driver of national development, particularly if some element of scale can be introduced to farming and, perhaps more significantly, processing for export. The end result, as demonstrated in New Zealand ODA programming throughout the region, is a major interest in programs that will build the embedded technical and labour capacity throughout the entirety of the agriculture value chain for operations ranging from small family farms through to larger scale industrialized properties. For governments the emphasis has been not just on meeting domestic and regional demand, but also exploring access to the new, pan-Southern markets opened by countries such as Argentina, Brazil, and Chile. The implications for government finances are outlined in Graph 2, which shows the inverse correlation between external debt and change in the IMF commodity price index. As commodity prices rose, regional countries were able to reduce external borrowing and pay down external debt to bring it to a more manageable level as a percentage of GDP. The added fiscal space created by this changed financial picture proved essential for the widespread roll out of many social program, although prolonged recessions in countries like Brazil in the years after the data coverage available here have resulted in significant retractions in funding for anti-poverty and other social policy areas.

⁸⁵ Comisión Económica para América Latina y el Caribe (1951). *Economic Survey of Latin America, 1949* (Santiago: United Nations).

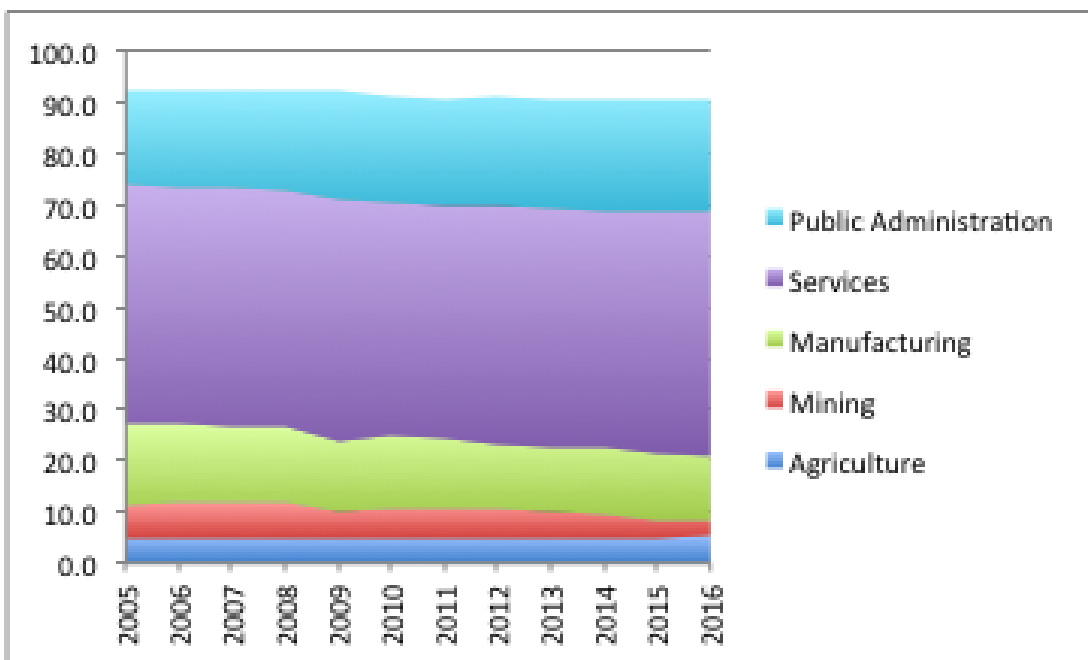
Graph 1 -- Real GDP and Per Capita GDP Growth (Left Axis) v. Commodity Price (Right Axis)



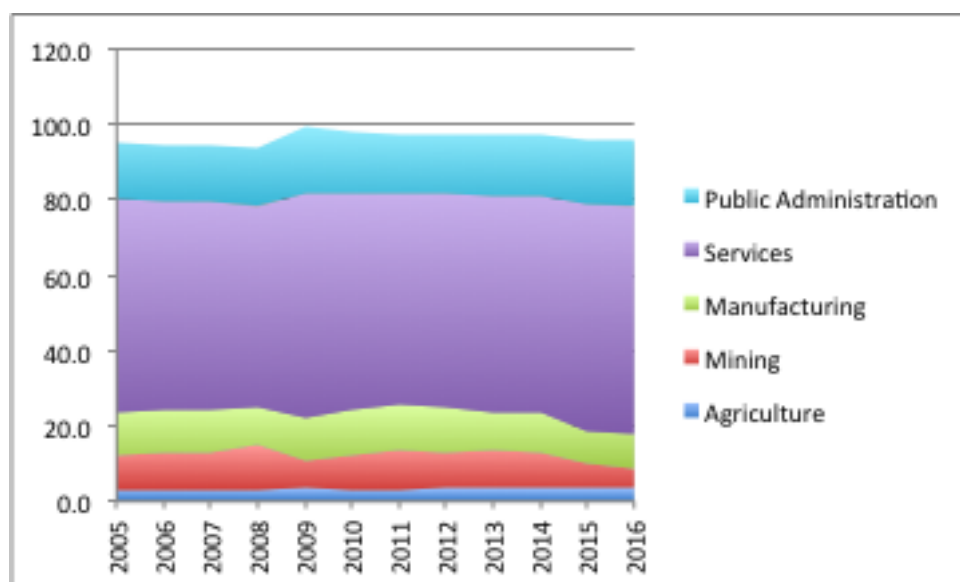
Graph 2 -- Latin America and Caribbean Total external Debt as Percentage of GDP v Commodity Price Index



Graph 3 – Latin America % GDP by Broad Economic Sector



Graph 4 – Caribbean % GDP by Broad Economic Sector



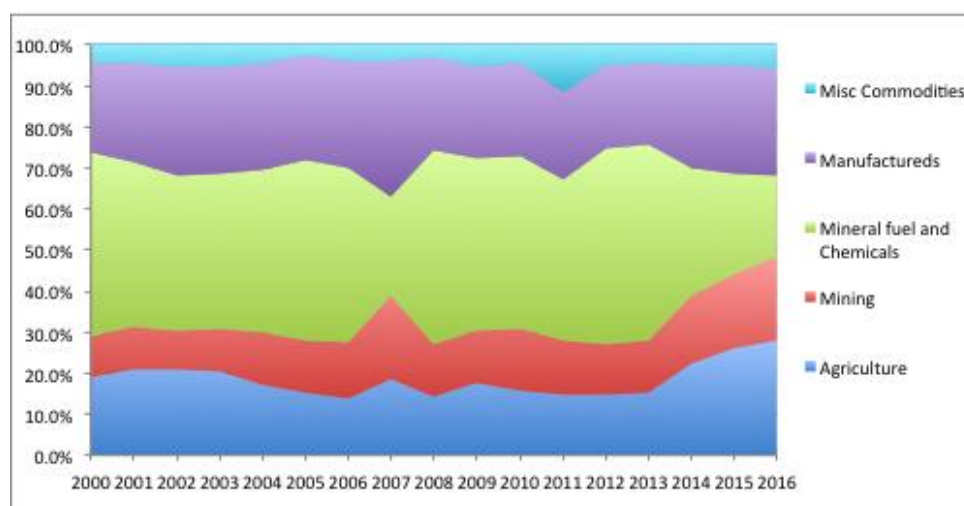
Further impact of the commodity boom can be seen if we look at graphs 3 and 4, which respectively break down the GDP of Latin America and the Caribbean by broad economic sector. In both cases the relative proportion of GDP generated by agriculture, manufacturing and services remains roughly constant. The two sectors where significant variation can be observed are in the mining and public policy sectors. As global mineral prices soared in the mid-2000s, the proportion of GDP generated by mining increased, reducing the relative weight of the public sector. However, with a retraction in global mineral prices the contribution to the GDP in both sub-regions has reduced and been accompanied by a concomitant increased contribution from the public sector.

The relatively steady sectoral composition of Latin America's GDPs is reflected in the distribution of labour by broad economic area outlined in Table 5. Over the twelve years surveyed in the table the overall proportion of the population working in agriculture has declined from 19.4% in 2002 to 15.6% in 2014. This change is even starker in rural areas where the percentage of the employed population engaged in agriculture has dropped from 60.7% to 52.8%, with the displacement accounted for by an increase in the proportion of the working population moving into service sector jobs and trade. More telling is the impact that these employment categories are having on the national economy in Latin America. Where 15.6% of the population was employed in agriculture in 2014 (Table 5) and accounted for 22.2% of sub-regional exports, it accounted for just 4.8% of GDP (Graph 6). The disjuncture between exports and employment is even starker in the key export sector of mining and petrochemical extraction and products, which respectively comprised 16.6% and 31.3% of exports in 2014 but accounted for only 0.5% of overall employment and 0.7% of rural employment.

		2002	2005	2008	2010	2012	2013	2014
Agriculture	National	19.4	18.9	17.3	17.1	16.0	15.8	15.6
	Urban	6.3	6.2	5.4	5.3	4.8	4.7	4.9
	Rural	60.7	57.7	57.0	56.0	54.9	54.1	52.8
Mining	National	0.3	0.3	0.3	0.4	0.5	0.5	0.5
	Urban	0.2	0.3	0.3	0.4	0.4	0.5	0.4
	Rural	0.3	0.4	0.4	0.6	0.7	0.7	0.7
Manufacturing	National	14.1	14.5	14.1	13.5	13.0	12.8	12.7
	Urban	15.8	16.0	15.6	14.9	14.2	13.8	13.7
	Rural	8.8	10.1	8.9	8.8	9.0	9.1	9.1
Construction	National	6.8	6.7	7.4	7.4	7.8	8.0	8.0
	Urban	7.5	7.4	8.1	8.0	8.5	8.7	8.6
	Rural	4.4	4.5	5.2	5.4	5.2	5.5	5.8
Trade	National	22.1	22.1	21.9	22.1	23.1	23.0	23.2
	Urban	25.8	25.7	25.1	25.4	26.3	26.2	26.3
	Rural	10.5	11.3	11.2	11.2	12.1	12.1	12.4
Services	National	37.4	37.5	39.0	39.4	39.6	39.9	40.0
	Urban	44.4	44.5	45.5	45.8	45.9	46.2	45.9
	Rural	15.3	16.1	17.3	17.9	18.1	18.5	19.2

Source: CEPAL -- CEPALSTAT

Graph 6 – Latin America less Argentina, Brazil, Mexico, Exports to the World



(Source: Author elaboration from UN Comtrade.)

		2000	2005	2010	2015
Latin America	Urban	75.6%	77.2%	78.8%	80.2%
	Rural	24.4%	22.8%	21.2%	19.8%
Caribbean	Urban	61.3%	64.3%	67.5%	70.4%
	Rural	38.7%	35.7%	32.5%	29.6%

Source: ECLAC -- CEPALSTAT

The significant point to these incremental changes is that they mark a continuation away from small family farms and an increase in urbanization as larger scale agro-industrial operations continue to consolidate, particularly in the major regional food commodity exporting countries like Argentina, Brazil, and Paraguay. This is in turn reflected in the demographic changes set out in Table 6, which shows a steady population shift from rural to urban areas across both Latin America and the Caribbean. This presents a significant challenge for regional policy makers who are looking for ways to increase the profitability of smaller farming operations in a bid to create new economic options for the population living outside of major urban centres.

The rising importance of the agro-industrial sector to the regional economy is set out in Graph 6, which breaks the proportion of national exports down into broad categories such as agriculture, mining, and manufactureds. Figures from Argentina, Brazil, and Mexico have been removed from the underlying data set because all three of these countries have major export-oriented industrial sectors out of scale with the rest of the region and, if included, would result in an overstating of the importance of manufactureds for other regional countries. Three items emerge as significant from this graph. First, the proportion of minerals in overall exports parallels movements in the IMF commodities price index, highlighting the importance of international commodity price fluctuations for national accounts. Second, agricultural exports are becoming increasingly important as a source of export income. Finally, in a good year manufactureds comprise only about a quarter of exports. There are two ways to read this persistent composition of exports. Critical analysts return to Raul Prebisch's work on declining terms of trade and call for industrial policy to ensure that there is industrialization in the region. Indeed, recent work on the Chinese impact on industrial production in the Americas finds that much of the region's light industry has been undercut by cheaper foreign imports.⁸⁶ The alternative that has been chosen by most governments in the region is to embrace the agro-exporting model and seek to build capacity in the region to scale up small and medium farms, build integrated value chains, and stake out a position as something of a global 'bread basket'. Again, the capacity to successfully undertake these tasks varies with particular shortfalls being seen in the provision of logistical networks, applied training programs, and catalytic micro-financing for family farms, all areas of New Zealand regional programming.

Table 7 -- Inequality Indicators, Latin America							
	2002	2005	2008	2010	2012	2013	2014
GINI Coefficient, simple average							
National	0.547	0.533	0.522	0.507	0.493	0.497	0.491
Urban	0.522	0.512	0.493	0.48	0.466	0.473	0.466
Rural	0.51	0.487	0.498	0.48	0.475	0.475	0.474
Ratio of average per capita income of the household: decile 1/deciles (1-4)							
National	19.3	17.6	16.7	15.2	14.2	14.5	13.9
Urban	16.6	15.5	14	13.1	12.2	12.6	12.1
Rural	16.6	13.9	15.4	13.4	13.2	13.2	13.1

Source: ECLAC -- CEPALSTAT

Improved educational attainment and continued reliance on the export of commodities has major implications for inequality throughout the region.⁸⁷ Table 7 tracks the significant improvements in two inequality indicators across Latin America since 2002. Both the GINI coefficient and the ratio of the richest decile's income to the poorest 40% show significant improvements, which reflects the extent to which wage growth rates for the poorest have exceeded those for the established middle and upper classes. These laudable improvements aside, two factors need to be kept in mind. First, where there was relative parity between urban and rural areas in 2002, there have been significantly greater reductions of inequality in towns and cities than in the countryside. This in turn contributes to the pull of the cities, drawing youth away from rural environments. A second implication is that reductions in wage inequality are bringing unwelcome changes to the lifestyle of the established middle and upper classes that can no longer afford to purchase the same degree of domestic help that has historically been viewed almost as a birth right. This in turn creates an elite-level backlash against the socio-economic and socio-political changes that accompany the development process. Second, this period of rapid reduction in inequality coincided with the commodities boom. While updated data is not yet available, there are already indications that inequality widened slightly over the last four years as regional countries sought to manage declines in their export revenues, which in cases such as Brazil has resulted in a retraction of social programming expenditure. Overarching this is the more complicated reality that while wage differentials between classes have decreased, wealth accumulation has continued to see rising inequality with the richest quintile accumulating capital while the bottom three increase their expenditure to meet daily needs.

Being the most unequal region on Earth has direct implications for the development context. Widespread, persistent, and grating inequality combines with very limited social mobility to create an air of desperation, particularly in the economically poorer countries. The selected international homicide statistics in Table 8 show that the highest murder rates are in Central America and the Caribbean, followed by a number of South American countries. Organized crime, particularly narcotics trafficking, is a key driver in these high murder rates, with the exceptional violence in Central America being almost wholly attributable to turf wars amongst rival gangs as well as attempts to challenge the authority of the State. Those with the resources react to the threat of violence by arranging private security and

⁸⁶ Kevin Gallagher and Roberto Porzecanski (2010). *The dragon in the room: China and the future of Latin American industrialization* (Stanford: Stanford University Press); Rhys Jenkins (2014), "China Competition and Brazilian Exports of Manufactureds," *Oxford Development Studies*, DOI: 10.1800/13600818.2014.881989.

⁸⁷ Evridiki Tsounta and Anayochukwu I. Osueke, "What is Behind Latin America's Declining Income Inequality?," Western Hemisphere Department IMF Working Paper, WP/14/124 (July 2014).

forming what effectively amounts to enclaves that further entrench class divisions. In policy terms this can be reflected in a turn towards failed ‘mano duro’, or ‘get tough’ approaches to crime and gangs rather than addressing the underlying economic drivers.⁸⁸ As highlighted in the discussion above, the region as a whole continues to experience a population shift from rural to urban areas, which is driven by a real and a perceived lack of opportunities outside of major cities. Even in rural areas, particularly in isolated portions of the Andes, a significant proportion of the population turns to illicit activities such as narcotics production and illegal mining partly because there is no viable economic alternative in the form of logistical networks to collect and market licit produce, and partly because they are coerced into these activities, sometimes with active encouragement from corrupted police or military units.

	2003	2006	2009	2012	2015
Honduras	61.47	44.5	71.51	92.71	63.75
El Salvador	37.23	65.82	72.77	42.72	108.64
Jamaica	36.79	49.79	61.66	39.78	43.21
Venezuela (Bolivarian Republic of)	43.86	45.03	48.97	53.83	57.15
Guatemala	33.7	43.62	45.07	33.54	
Trinidad and Tobago	17.83	28.47	38.36	28.32	30.88
Colombia	53.44	36.77	34.03	31.29	26.5
Panama	10.55	10.98	22.98	17.47	11.38
Guyana	27.74	20.57	15.58	18.33	19.42
Ecuador	14.58	17.08	17.87	12.48	
Nicaragua	12.12	13.25	14.15	11.49	
Paraguay	22.91	15.88	13.4	10.17	9.29

<https://data.unodc.org/#state:5>

Complicating matters for a would-be entrepreneur in the newest sections of the middle class is the difficulty of forming a business. With the notable exceptions of Chile and Jamaica, simply registering and incorporating a business can be a Herculean task requiring multiple procedures and overlapping certifications.⁸⁹ Matters are further complicated by the persistence of corruption. While in many areas it is no longer necessary for the individual citizen to pay a bribe to access public services, this does not mean that the problem has disappeared. Indeed, as the Odebrecht corruption scandal in 2017 highlights,⁹⁰ there is often an expectation that the awarding of government contracts brings some return for the decision-making officials. As a region Latin America consistently scores a low grade of 3.4-3.6, where 1 is completely corrupt and 10 completely transparent, on the Transparency International corruption perceptions index. Variation within the region is wide, going from Paraguay’s position on the low end with scores of 2.2-2.5 through to Chile’s relatively high ranking of 7-7.4.⁹¹

The obvious issue with the prevalence of corruption is the leakage of scarce resource needed to provide public services. A more pernicious challenge is what it reveals about the underlying perception of the role of the state in the national economy. In conceptual terms this comes down to two broad visions of democracy that neatly summarize the two poles of political debate throughout the region. In a democracy of the elites the state must be captured because it is the device used to generate wealth. Conversely, in a democracy of civil society control of the state is less important because it is more efficient to generate wealth in the markets.⁹² The tension that has emerged in the region stems from rising education levels and reductions in poverty, which in turn have resulted in the empowerment of previously marginalized groups who are demanding greater transparency and accountability. This is juxtaposed by a prevailing attitude amongst significant segments of the economic elite that the state must be controlled to advance their interests and support their businesses. As the Chilean case demonstrates, change does happen and corruption by political and bureaucratic officials is certainly not a given, nor a predetermined future outcome. Pockets of probity in the public and judicial sectors as well as investigative reporting from the media are doing much to undermine institutions and attitudes that have allowed corrupt tradition to persist. The issue for the development context is that this transformation causes significant disruptions as politicians and officials are prosecuted, or as much needed public works are delayed while contractual irregularities are investigated. While the medium- and long-

⁸⁸ For example, see Robert Muggah, Ilona Szabó de Carvalho, Nathalie Alvarado, Lina Marmolejo, and Ruddy Wang (2016). *Tornando as cidades mais seguras: Inovações em segurança cidadã na América Latina* (Rio de Janeiro: Instituto Igarapé).

⁸⁹ <http://www.doingbusiness.org/reports/-/media/WBG/DoingBusiness/Documents/Profiles/Regional/DB2017/LAC.pdf>

⁹⁰ United States Department of Justice (2016), “Odebrecht Plea Agreement,” <https://www.justice.gov/opa/press-release/file/919916/download>.

⁹¹ <https://www.transparency.org/research/cpi/overview>

⁹² Bresser Pereira, Luiz Carlos (2000), “Da Política de Elites à Democracia de Sociedade Civil,” in João Paulo dos Reis Velloso, ed (2000), *Brasil 500 Anos: Futuro, Presente, Pasado* (Rio de Janeiro: José Olympio Editora): 518-538

term outlook should be positive if the current anti-corruption drive in the region continues,⁹³ it will create uncertainties over processes and questions about authorities over the short-term. Phrased differently, the social and economic developmental gains experienced throughout the region over the last fifteen years are driving a political change, which is creating tensions in nearly every country as the formal and informal institutional frameworks governing countries are renegotiated.

Transnational Inter-American context

There are three elements to the pan-regional political economy context that merit immediate consideration. First is the role of the United States, which has a long history of direct intentional and accidental intervention in the internal affairs of regional countries. Over the next several years US impacts are likely to fit more in the realm of 'accidental' than deliberate, with two notable exceptions. The first is Mexico, which is locked in complex and fraught negotiations with the US and Canada over the future of the North American Free Trade Agreement, NAFTA, not to mention the question of who will pay for a border wall if one is indeed built. The second is how will Trump manage the growing crisis in Venezuela. While greater attention will be given to Venezuela below, Trump is reported to be consistently asking his counterparts throughout the region what should be done about the Maduro regime in Caracas. These instances of direct intervention aside, a series of negative impacts on Central America and the Caribbean are likely to come as knock-on effects from Trump's immigration policy. Decisions to cancel rights of residency to hundreds of thousands of Central Americans and Haitians as well as aggressive pursuit and deportation of non-regularized migrants by the US Immigration and Citizenship Enforcement agency will create a flood of returnees to regional countries where they lack employment opportunities, personal networks, and in some cases even the capacity to speak the language. A second ancillary negative effect from the aggressive enforcement of US immigration law will be decline in remittances to Central America and the Caribbean. Although when averaged across the region annual remittances comprised just 1.3% of GDP in 2015, they were critically important for El Salvador (16.6%), Honduras (18%), Nicaragua (9.8%), Haiti (25.5%), Jamaica (16%), and the Caribbean Small States (5.7%). An additional unexpected dimension of the Trump presidency's immigration crackdown is diversion of migration flows that would otherwise go to the US, with the surge in Haitians going to Chile being one particularly notable case in the media as this report was being written.⁹⁴

The second factor to consider is the impact of regional integration processes across the Americas. Expectations for integration across Latin America and the Caribbean are often measured in comparison to the European Union, which is an unrealistic baseline that ignores geographic realities and the sparseness of infrastructure linkages across the hemisphere. Further complicating matters is the paucity of things to trade. Trans-nationalised value chains are the rare exception, not the rule, and most countries in integration associations export the same products. This is not to say that there are not trade gains to be had from integration processes, Mercosur is a prime example of these gains, but that they will be limited. Where integration processes become more interesting in terms of the development context is the impact they have on harmonizing reporting processes and the sharing of positive public policy experiences across broadly similar socio-economic environments. This is precisely the back-story to the Pacific Alliance, which brings Chile, Peru, Colombia, and Mexico together in a process seeking regulatory harmonization to encourage both trade and investment. Less vibrant economic groupings such as the Union of South American Nations, Unasur, have made significant strides in the sharing of policy practice in fields such as healthcare. In the case of the Caribbean Common Market, Caricom, a great deal has been achieved by coordinating deployment of the limited resources held individually by the small island member states to address complex policy challenges. Underlying these diverse integration experiences is a rising move towards the provision of South-South Cooperation to build capacity across the region by drawing on success stories from countries irrespective of their ranking on the UN Human Development Index.

A final intervening factor in the regional development context is Venezuela. The issue is not the legitimacy of the Maduro presidency or why the country is rapidly imploding economically, but rather the collateral effects its seemingly intractable crisis will have on the region. The first impact is migration flows. Estimates suggest that approximately four million Venezuelans have left the country recently, many moving to other countries in the region to create a new migratory tension in South America.⁹⁵ Related to this is the apparent rise in criminality, most notably narco-trafficking on a regional basis and outright murder nationally, which is creating additional security challenges for neighbouring countries such as Colombia, Guyana, Brazil, and Trinidad and Tobago. The impact of economic collapse on the Caribbean also promises to be significant. Under the Petrocaribe program launched in June 2005, Venezuela has

⁹³ Kevin Casas-Zamora and Miguel Carter (2017) *Beyond the Scandals: The Changing Context of Corruption in Latin America* (Washington, DC: Inter-American Dialogue).

⁹⁴ Cedric Audebert (2017). "The recent geodynamics of Haitian migration in the Americas: refugees or economic migrants?" *Revista Brasileira de Estudos de População* 34 (1): pp.55-71.

⁹⁵ <http://www.noticierodigital.com/2018/01/consultores-21-4-millones-venezolanos-emigrado-los-ultimos-anos/>

been providing Caricom members and some Central American countries with subsidized oil shipments and financing. As the capacity to produce oil in Venezuela collapses the ability to continue this program is coming in doubt, which will put serious pressure on Caribbean basin economies who are dependent on imported hydrocarbons for their energy matrix. Moreover, even if production levels are restored, it is far from certain that Venezuela will be able to afford continuation of the program. This financial distress also has implications for sub-regional disaster management because Venezuela is inevitably one of the first countries to respond to devastating events such as Hurricane Irma in September 2017. As the Venezuelan economy continues to implode and the political scene destabilize future assistance sent from Caracas is increasingly in doubt.

Country Case Portrait – Caribbean Small States⁹⁶

	2002	2007	2011	2013	2014	2015	2016
Agriculture as % of GDP	4.9	3.9	4.7	4.7	4.7	4.8	5.3
Employment % in Agriculture	14.9	12.6	12.3	12.4	12.4	12.4	12.4
Employment % in Industry	21.0	22.9	21.4	20.6	20.7	20.5	20.5
Employment % in Services	64.0	64.5	66.3	67.0	66.9	67.1	67.1
Energy use % imported	51.1	78.3	79.8	78.5	78.4	..	..
Fossil fuel as % energy use	96.4	88.9	97.2	96.9	96.9	..	..
Fuel as % of merchandise imports	18.4	25.3	31.5	35.9	32.8	22.4	..
Food as % of merchandise imports	13.9	14.4	13.0	14.5	14.2	14.8	16.3
GDP growth (annual %)	3.8	3.2	1.1	1.6	0.3	-0.1	-0.4
GDP per capita growth (annual %)	3.1	2.6	0.5	0.9	-0.3	-0.7	-0.9
Personal remittances as % of GDP	5.9	5.8	5.3	5.0	5.2	5.5	5.7
Homicides/100,000 people	..	..	..	..	27.4	31.5	..

Source: World Bank, World Development Indicators

The Caribbean region is one of contrasts, ranging from Haiti, the poorest country in the hemisphere through to highly developed, non-ODA eligible countries such as the Bahamas and Cayman Islands. There is also a great deal of historical, linguistic, and cultural variation across the Caribbean basin. These factors apart, there remain some strong overarching themes that mark shared development challenges as well as the context within which governments can plan for the future. In broad strokes, all governments struggle with preparation for inevitable natural disasters and the stress that high import bills for food and energy put on national accounts. These factors in turn impact what can be done in terms of social programming – particularly in education – and other cross-cutting areas such as environmental sustainability and social inclusion policy.

An immediate challenge for regional governments is climatic and geological unpredictability, which points to the importance of the capacity building work New Zealand is conducting with the Seismic Research Centre. Much of the Caribbean is still seismically active and at risk to volcanic eruptions, most recently the massive eruption on Montserrat's Soufrière Hills volcano, and earthquakes, with the 24 January 2010 earthquake in Haiti being one of the most serious recent events. On a positive side the region is working collectively to monitor seismic activity and engage in effective disaster management planning. The downside is that there is limited capacity within the region to absorb the costs of rebuilding, particularly in countries such as Haiti that seem unluckily prone to such massive catastrophes. Another serious natural challenge to the region is the annual hurricane season, which brings regular risk of widespread devastation to the small island countries and puts further strain on their ability to engage in forward policy planning and financial management with any degree of certainty. Added to this is the psychological damage that giant storms such as Hurricane Irma of 2017 inflict on the population.

In part the challenge facing the Caribbean Small States (CSS) is one of scale. None of the countries are particularly large in terms of population, and those with substantial landmasses such as Belize and Guyana have very poorly developed physical infrastructure. These characteristics create a drag on GDP growth rates, as indicated in Table 9, often resulting in periods of mild economic contraction. While poverty is relatively uncommon in the CSS, neither is there a growing and strengthening middle class; many remain poor with limited opportunity for upward social mobility. The underlying challenges begin with the region's energy matrix. Over three quarters of the energy consumed in the CSS is generated with imported fuel sources. This creates an enormous economic vulnerability to global price shocks because over 95% of the energy used in the CSS is generated with fossil fuels. The shifts in the percentage of CSS imports devoted to outlined in Table 9 tracks movements in global oil prices. Some relief has come from Venezuela in the form of the Petrocaribe oil subsidy program. Reliance on this subsidy program creates another dependency

⁹⁶ The World Bank category of Caribbean Small States is used in this section, which includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

vulnerability that is preoccupying regional policy makers today: what happens if the Maduro regime in Caracas falls or if the Venezuelan government decides to cancel Petrocaribe and call in the debts accrued under the program? It is only recently that major alternative renewable sources have seen major advances such as the geothermal project supported by New Zealand in Dominica, offering real possibilities of a measure of domestic energy self-sufficiency that can relieve serious balance of payments pressures.

A second structural constraint on regional development is agriculture and downstream food security. Although a bit over 12% of the workforce is employed in agriculture, the sector generates only about 5% of regional GDP. Equally challenging is the import picture where food has risen from being approximately one seventh to now one sixth of merchandise imports. In theory this number could be skewed by intra-regional trade except that the necessary value-chains are not yet in place. This points to an underutilization of rural productive capacity, which is itself grounded in a combination of a lack of adequate training and education and represents another potentially fruitful avenue for external technical assistance with capacity building. While the primary education across the CSS is generally good, widespread access to quality secondary and post-secondary education is proving more challenging, particularly outside of major urban areas. Across the Caribbean secondary school performance and graduation leaves room for improvement, with Caribbean Examination Council lower secondary examination pass rates in mathematics and English sitting at 37% and 59%, respectively, for the 2005-2013 period.⁹⁷

Compounding the rural livelihoods and food security challenges outlined above is the security situation. The focus in this report on intentional homicide rates are far from outstanding in the CSS as an aggregate and particularly poor in Jamaica (Table 8 & 9). Paralleling the homicide rate is a general concern with criminality, which dissuades small producers from significantly investing time and resources in small-scale agricultural and industrial ventures due to fears thieves will simply steal it in the night.

The point to keep in mind is that none of these factors are pre-determined outcomes or insurmountable barriers to socio-economic development across the CSS. There is a substantial nascent public policy capacity and the necessary institutional frameworks for effective governance; where the individual countries cannot meet these needs due to economies of scale organizations such as Caricom and the Community of Eastern Caribbean States have emerged as venues for collaboration and cooperation. The issue is freeing up sufficient financial capital so that governments can invest in the human capital formation necessary to address key drivers of poverty and inequality such as education, health care, and social inclusion programs. As the UNDP pointed out in its 2016 regional development report, this all creates a particular challenge for the Caribbean because of widespread assumptions that poverty is not much of an issue in the area and that foundational institutions such as school systems are believed to be strong. Indeed, there a number of non-ODA eligible countries struggling with these very challenges in the CSS, including most notably Barbados and Trinidad and Tobago.

Amplifying the difficulty of addressing the wider challenges of energy and domestic food security is the small size of many CSS states, which makes independent national programs unviable or the necessary investment for endogenously produced energy economically unattractive to private investors. Addressing the development challenges in the CSS is thus more a question of helping with capacity building in the form of expanded training programs, assistance with the formation of pan-Caribbean value chains in areas such as food staples, and the provision of catalytic financing to get sustainable energy projects such as geothermal plants to the point where public-private partnership models become attractive to outside investors.

⁹⁷ United Nations Development Program (2017), *Caribbean Human Development Report, 2016 -- Multidimensional Progress: Human Resilience Beyond Income* (New York: United Nations).

Country Case Portrait – Colombia

	2008	2009	2010	2011	2012	2013	2014
Human Development Index	0.691	0.695	0.7	0.707	0.712	0.72	0.724
Per Capita GDP Growth Rate	2.3	0.5	2.8	5.5	3.0	3.8	3.4
External Debt to GDP (%)	19.0	23.1	22.6	22.5	21.3	24.2	26.8
Extreme Poverty (%)	national	16.5	14.5	12.3	10.6	10.4	9.1
	urban	11.2	9.8	8.2	7.1	6.6	6
	rural	33	29.1	25.5	22.2	22.8	19.2
Poverty (%)	national	42.2	40.4	37.3	34.2	32.9	30.7
	urban	37.3	35.9	33.2	30.5	28.5	27
	rural	57.2	54.4	50.5	46.2	46.9	42.8
Income Dist. (top 10% to bottom 40%)	National	20.9	19.5	20.1	18.7	17.5	17.8
	Urban	17.9	17	17.5	16.4	15.1	15.6
	Rural	14	12.5	12.9	12.2	12.6	11.1
Employment by Sector (National)	Agriculture	18	18.3	18.1	17.7	17.1	16.5
	Industry	20	19.9	19.9	20.6	20.6	19.5
	Services	61.9	61.7	61.9	61.7	62.2	64
% GDP by Activity	Agriculture	6.9	6.9	6.5	6.2	5.8	5.6
	Mining	7.9	7.2	8.4	11.1	11.0	10.2
	Industry	13.9	13.2	12.8	12.3	12.2	11.8
	Services	47.7	49.0	48.1	46.4	47.0	48.4
	Public Admin	15.0	15.7	15.8	15.1	15.5	16.1
Homicide Rate/100,000 pop	33.21	34.03	32.7	34.05	31.29	32.57	27.92

Source: CEPALSTAT, UN

Efforts to advance socio-economic development in Colombia since the 1960s have struggled against the backdrop of an ongoing civil war, which melded with the surge in narcotrafficking in the 1980s to create an environment of severe insecurity and persistent conflict in rural and urban areas. By the time the Alvaro Uribe presidency came to a close in 2010 significant progress had been made in increasing urban security and initiating the process of returning the State to contested rural areas. Building on a decade of steady growth and popular fatigue with conflict, in 2016 the Colombian government reached a peace deal with the largest group of armed insurgents, the Revolutionary Armed Forces of Colombia, better known by its Spanish acronym FARC. Talks are currently underway with the other rebel group, the National Liberation Army, ELN. Settlement of these long-standing insurrections has created a window of opportunity for Colombia to surge forward in developmental terms, but one that also brings potential new risks.

Colombia classifies as a middle-income country with an HDI score that is slowly, but steadily rising. In keeping with Latin America's dubious distinction of being a massively unequal region, Colombia's income distribution is distinctly skewed towards the wealthy, lagging slightly behind the region as an aggregate. Interestingly, the income inequality in rural areas of Colombia is not as severe as the region as a whole. This masks the sharp divide between urban areas, which have enjoyed relatively higher levels of peace and security, and rural areas. Poverty in the country's rural zones has long been over 50%, and extreme poverty over 30%. Notable reductions in poverty have been achieved since mid-2000s in part thanks to the commodity boom and a period of high oil prices – Colombia is a significant mineral and oil exporter

For decades large parts of the Colombian national territory were effectively closed to agents of the state. This meant the government was unable to extend social programming, particularly education and healthcare, to large portions of the rural population. Compounding this was the rise of right-wing paramilitary groups that actively worked to suppress poor families and keep them as a cheap labour force. Responding to highly uncertain local security situations small farmers either did not invest in expanding their productive capacity or took (sometimes under compulsion) a more certain economic route by producing for the narcotics cartels. For those who did try to stay with licit crops getting the harvest to market was a major challenge as value chains had not been extended into the countryside and infrastructure connections were tenuous both physically and in terms of personal security. The implications of this were noted by the IMF in its 2017 Article IV consultation with the observation that even though per capita GDP growth has shown strong and consistent growth over the last fifteen years, distribution has been very uneven with the five poorest regions seeing their per capita GDP *decline* by about 13 per cent. One avenue being pursued by the government to address this is a national infrastructure investment program.

The result of Colombia's sixty years of conflict-interrupted rural development is a tremendous degree of untapped agricultural capacity, which the government is keen to mobilize; the dairy sector has received particular attention and is a specific area of concentration for New Zealand assistance to the country.⁹⁸ Moreover, bringing these under-producing regions online is a pressing priority for the government if the peace deal is to prove sustainable. Much has been made about the need to find employment for decommissioned largely rural-based rebels in the aftermath of the

⁹⁸ BMI Research, "Colombia Agribusiness Report Q4 2017," *BMI Industry Report & Forecast Series* (September 2017): 31.

peace deal with the FARC. Less attention has been given to what soldiers exiting the armed forces will do. One option for both groups is to move into the agricultural sector either as producers or in allied service sectors. The challenge to this is a lack of training capacity and integrated value chains that can bring agricultural products to Colombian urban areas, much less export markets. While the technocratic capability to manage the necessary training and coordination is present in the Colombian state, again the challenge is one of capacity to meet demand as well as experience in formulating and implementing specialized training and market development programs.

While quick fixes for still-rampant inequality and social exclusion are not immediately obvious, the economic situation does suggest that a patient, skills-based approach to increasing human capital capacity will yield positive results. Recent years have seen significant work at reforming the structure of the Colombia economy and the operating basis of the state. Significant efforts have been devoted to reducing reliance on traditional exports such as oil, minerals, and coffee. The government has also undertaken a comprehensive tax reform program and continued efforts to keep inflation under control. When combined with the peace deal these factors are working to increase flows of FDI. Attention is also being given to negotiating a wider spread of trade deals. Taken as a whole, the IMF was optimistic in its latest Article IV consultation and forecast a period of modest, but sustained growth of about 3.5%.

There are risks on the horizon for Colombia. One stems from the potential strength of increased trade arrangements. The deal coming online with the EU will expose uncompetitive parts of the Colombian agricultural sector to imports from more efficient producers in European nations. Dreams of complementarity and expanded trade through the Pacific Alliance bloc with Chile, Mexico, and Peru may not yield the trade gains desired, although the grouping will provide useful external pressure to pursue and maintain sensible policy and regulatory reforms. On the natural disaster front Colombia remains vulnerable to the vicissitudes caused by El Niño and its attendant major increases in rainfall along the Pacific coast. A volcanic nation, earthquakes also remain a persistent risk, although one that so far has been managed. Perhaps the greatest short-term threat comes from Venezuela. Should that country experience a major economic and social collapse it is highly likely that there would be an even bigger flood of refugees West and into Colombia. Tensions are already high in the border areas as authorities seek to manage the flow of people and contraband goods, licit and illicit in nature. Parliamentary and Presidential elections are scheduled for 2018, which could bring alterations in policies and almost certainly changes in some of the political figures driving policy. It is not likely, however, that there will be a wholesale change of direction in terms of development ambitions even if how the policies are rhetorically expressed shifts. Like most Latin American countries, the Odebrecht corruption scandal from Brazil has implicated public figures in Colombia, although the electoral implications of this are not yet certain. A final risk comes from a continued need for external financing roll over government debt and cope with budgetary variations linked to changes in commodity prices.

Country Case Portrait – Ecuador

	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Human Development Index	0.702	0.703	0.71	0.717	0.725	0.737	0.739	0.739		
(%)	4.6	-1.1	1.8	6.2	4.0	3.3	2.4	-1.3	-2.9	
External Debt to GDP (%)	27.4	21.6	20.0	19.2	18.1	19.8	23.6	27.7	34.9	
Extreme Poverty (%)	national	18	18.1	16.4	13.8	...	12	10.3		
	urban	14.2	15.5	14.2	10.1	...	10.9	9.9		
	rural	25.6	23.3	20.8	21.3	...	14.3	11.3		
Poverty (%)	national	42.7	42.2	39.1	35.3	...	33.6	29.8		
	urban	39	40.2	37.1	32.4	...	33.5	31		
	rural	50.2	46.3	43.1	41.2	...	33.7	27.3		
Income Dist. (top 10% to bottom 40%)	National	14	14.6	13.4	11.3	...	11.7	10.4		
	Urban	12.2	13.6	12.6	9.7	...	11.2	10.1		
	Rural	11.1	10.1	9.3	9.9	...	9.1	9		
Employment by Sector (National)	Agriculture	28	28.5	27.6	27.9	...	24.8	24.4		
	Industry	19	18.8	18.8	17.7	...	20.6	20.6		
	Services	53	52.6	53.6	54.4	...	54.6	55		
% GDP by Activity	Agriculture	9.0	9.9	9.7	9.6	8.6	8.8	9.0	9.4	9.6
	Mining	14.5	8.2	10.9	13.2	12.9	12.5	11.0	4.8	4.3
	Industry	13.7	13.9	13.4	13.0	13.0	13.0	13.8	14.5	15.1
	Services	43.6	46.9	46.3	46.4	46.3	46.2	46.8	48.0	47.2
	Public Adminis	15.7	15.5	15.3	14.3	14.5	14.7	14.5	16.0	16.0
Homicide Rate / 100,000	18.0	17.9	17.7	15.5	12.5	11.0	8.2			

Source: CEPALSTAT, UN

A survey of Ecuadorian political history since the 1980s points to a high degree of policy instability as presidents were frequently changed through non-electoral means such as being fired by Congress (Abdalá Bucaram in 1997), a withdrawal of security services support in the face of massive public protests (Jamil Mahuad in 2000), or sustained pressure from civil society and indigenous groups (Lucio Gutiérrez in 2005). Complicating matters is an ongoing negotiation between a minority elite of predominantly European lineage and the rest of the country. Official statistics state that 7% of the population is indigenous, but the Confederation of the Indigenous Nations of Ecuador (CONAIE) puts the figure in the 25%-30% range, with up to 70% of the population being of mixed ethnic heritage. The indigenous political voice is powerful and CONAIE president Antonio Vargas formed part of the short-lived ruling junta after Mahuad was deposed in 2000. The election of Rafael Correa as president in 2007 brought a change to this pattern of political instability and an expectation for serious national inclusion of all Ecuadorians through a constitutional revision and an almost populist rhetorical focus on addressing the needs of the poor and indigenous. Surges in export income from the sale of oil and natural resources during the commodity boom furnished Correa with the funding necessary to spend heavily on social programming. The result has been a major improvement in poverty and extreme poverty rates, particularly in rural areas.

The catch to the good news of the Correa presidency is that it was anchored on historically high oil prices and the financial stability enforced on the country by its dollarized economy. As oil prices dropped and other commodity prices followed Correa lost the fiscal space to maintain expenditure and began a process of political tightening that restricted the room for political debate. The inability to 'print' money to address short-term emergencies such as serious flooding caused by El Niño-based weather phenomenon or seismic and volcanic events along the Andean cordillera places a serious restraint on the sustainability of the social programs and rural public infrastructure programs initiated in the mid-2000s.

A further downside to the positive social developments during the Correa presidency is that they were to a significant extent anchored on his persona and control of appointments to key government positions. This underpinned a slow accretion of corruption that has recently been dramatically brought to light through the Odebrecht corruption scandal revelations. Lenin Moreno, who served as Correa's vice president and is now president, has surprised most observers by taking a hard line on these questions and putting forward a series of tough economic reforms as well as a successful referendum to dismantle the structures underpinning Correa's personalistic rule. This has created a great deal of internal political tension, including a fracturing of Moreno's party Alianza Patria between the sitting president and a Correa desperate to keep the path open for a return to power.

Tellingly, Moreno is seeking to maintain working relations with the US and gain renewal of preferential trade access to that market. He has also expressed serious concern with events in Venezuela. Both of these measures point to an interest in furthering external trade linkages to support national development. This is something he has to do because, with a dollarized economy, he has very limited space to raise the funding necessary to support Ecuador's substantial fiscal deficit and rapidly rising external debt: The Economist Intelligence Unit forecasts the debt to GDP ratio rising from 43% of GDP in 2017 to 58.4% by 2022. Finding the fiscal space to pursue pro-development public policy will thus be essential, but difficult over the next five years.

The larger theme overarching these developments is a change in the rhetoric coming from the presidential palace in Quito, following more of a technocratic line than the ideologically charged tropes used by Correa. This is a positive sign that Moreno intends to implement a more sustainable, technical approach to anti-poverty programming to lock in and advance the major improvements Correa achieved with the force of his personality and the financial windfall of the commodity boom. As with most of the Latin America and Caribbean region, the basic frameworks and institutions for solid public policy formulation and implementation are in place. What needs developing are the stabilizing of decision-making processes and further development of capacity to design and implement projects. To this end Moreno is launching a privatization process and tax reform drive, all directed to generating the funds to maintain social programming. Further reforms to shift the public policy apparatus into something more similar to that seen in the Pacific Alliance countries seems likely and may well prove successful given Moreno's apparent inclination to not run for re-election in 2022 and thus take on the implicit political fights to realize his agenda. The desire to change the policy context to entrench anti-poverty programming in a sustainable manner is apparent. What is uncertain is if the same political forces that have toppled many of his predecessors will trip up Moreno.

Country Case Portrait – Paraguay

	2009	2010	2011	2012	2013	2014	2015	2016	
Human Development Index	0.664	0.675	0.679	0.679	0.688	0.692	0.693		
(%)	-5.2	11.6	2.9	-2.6	12.5	3.3	1.6	2.7	
External Debt to GDP (%)	19.9	18.5	15.8	18.6	16.5	19.8	23.9	26.0	
Extreme Poverty (%)	national	30.4	30.7	28	23.6	19.2	20.5		
	urban	19	19.4	18.2	12.4	12	13.3		
	rural	46.6	46.8	42.1	40.1	29.7	31.3		
Poverty (%)	national	56	54.8	49.6	47.3	40.7	42.3		
	urban	48.2	46.5	42.9	37.1	35.2	36.5		
	rural	67.1	66.6	59.3	62.2	48.8	50.9		
Income Dist. (top 10% to bottom 40%)	National	14.7	17.1	17.4	15	17.2	16.5		
	Urban	10.3	12.1	13.1	10.4	14.4	12.9		
	Rural	20.7	22.9	23.1	21	17.1	21.2		
Employment by Sector (National)	Agriculture	27.9	25.6	25.5	26.1	22.8	22.1		
	Industry	17.7	19.2	17.8	16.9	17.5	19.1		
	Services	54.3	55.1	56.6	57	59.6	58.7		
% GDP by Activity	Agriculture	17.3	20.4	20.1	16.3	19.5	18.5	17.4	18.1
	Mining	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	Industry	11.6	11.2	11.0	11.0	10.5	10.9	10.8	10.8
	Services	47.6	45.0	44.2	45.3	43.5	44.0	44.7	45.2
	Public Admin	14.7	13.7	14.8	17.5	17.1	16.7	17.4	16.5
Homicide Rate/100,000 pop	13.4	11.93	10.44	10.17	9.34	8.82	9.29		

Source: CEPALSTAT, UN

Paraguay, a land-locked country, is one of the poorest nations in South America. It also has one of the more colourful political histories in the region, an understanding of which is necessary to grapple with its contemporary development challenges. In the middle of the nineteenth century Paraguay was an economic success story. Disaster struck in 1864 when Paraguay's dictator, Francisco Solano Lopez, made the spectacular geopolitical miscalculation of simultaneously declaring war on Argentina, Brazil, and Uruguay. The result was a literal decimation of the Paraguayan population, the near-total destruction of the country's nascent industrial productive capacity, and the establishment of a pattern of economic and political dependency on Argentina and Brazil that continues until today. It also entrenched a pattern of strongman political rule personified in General Alfredo Stroessner's dictatorship (1954-1989) that has only really begun to fracture in the last fifteen years. In a very real sense the development challenge facing the Paraguayan government is not one of finding economic options to pursue, but rather that of unravelling a legacy of massive corruption, personalistic political attitudes, explicit social exclusion, and wealth concentration that are all directly anchored in the country's tumultuous political history.

The agricultural potential of Paraguay is enormous. A central explanatory variable for the massive variations in annual per capita GDP growth rates set out in Table 12 is the annual soya harvest and the international price for the crop. In years when production is high and prices strong, GDP growth surges. The issue is that the benefits of this growth are very poorly distributed, as reflected in the income distribution figures for rural areas. This traces back to decisions made during the Stroessner dictatorship when the General would give large grants of fertile land to favoured courtiers in order to maintain his rule. He also sold vast tracts of land to Brazilian farmers as part of an effort to maintain relations with the neighbouring country. Consequently, soya production today is dominated by the so-called *Brasiguayos*, or Brazilians owning and operating farms in Paraguay. A similar scenario can be found in the dairy sector, which is dominated by Mennonite interests based in communities that emigrated to rural areas of Paraguay in order to pursue their religious model of life free from government interference.

The evolution of Paraguay's agro-industrial sector consequently has major implications for the majority of people who live in the country. Value chains and logistics structures are designed to serve the needs of these big, export-oriented enterprises, leaving small-holders and family farms facing serious challenges in terms of financing, distribution networks, and access to training to increase and diversify production. Until recently small producers have had little hope of accessing and driving their political representatives and the state to respond to their needs. In large part this is anchored in the authoritarian political legacy of the Stroessner dictatorship, which set up a co-opting party system designed to silence dissent. This was reinforced by language politics. Paraguay is officially a bilingual country and the majority speak and use Guarani, not Spanish. Yet, until recently official decisions and government business were conducted in Spanish, and Guarani implicitly denigrated and marginalized in the schooling and public policy system. Major changes have taken place in recent years, most tellingly captured in the failure of Santiago Peña to capture the Colorado Party's nomination for the 2018 presidential election. Peña, a former finance minister hand-picked by

sitting president Horacio Cartes for the candidacy, stumbled in significant part due to his lack of fluency and comfort in Guarani.

Although the formerly marginalized majority of the population is now having some success lobbying for improved programming, the legacy of the authoritarian era creates another stumbling block. Paraguay has a highly legalized, tightly defined policy process that has a chilling effect on policy entrepreneurship. Explicit authorization is required before action can be taken, and the contemplation of policy directions outside of a narrowly understood remit is often met with refusal. During the dictatorship this rigidity proved ideal for extracting bribes. Arguably, it can also serve as a block to corruption in a democratic context. The reality, however, is that it now presents a barrier to effective development programming. For example, because there is no legal framework facilitating inward flows of development assistance formal Congressional approval is required before an external actor can remit funds into Paraguay and begin implementation of a project. This factor resulted in significant delays in the implementation of New Zealand's contribution to the Paraguay Family Farming project.⁹⁹

An additional legacy of the Stroessner dictatorship is the size and strength of the illicit economy. During the Stroessner years elites in Paraguay grew rich by securing land grants, syphoning funds from public works projects, and engaging in the triangular trade of smuggling goods into Brazil and Argentina, including narcotics trafficking. Today this has transformed large stretches of the border with Brazil into spaces contested by rival violent drug gangs. The relatively easy money from triangular trade also meant that little attention was given to domestic industrial capacity. This is truly remarkable given that Paraguay is one of the world's largest exporters of hydroelectricity. Compounding the repeated domestic failure to exploit this energy potential with industrialization are the terms of the Itaipu treaty, which sells Paraguay's unused shared of electricity from the giant 14,000 MW binational dam to Brazil at fire sale prices. In the last several years Paraguay has slowly started to push back on these terms by supporting electricity-dependent industrial investment flows aiming to access the Mercosur market.¹⁰⁰ The Itaipu treaty expires in 2023 and renewal negotiations with Brazil promise to be contentious.

Two central risks face Paraguayan policy-makers going forward. The first is political uncertainty. Elections are scheduled for May 2018 and it looks likely that the Colorado Party, which has ruled for much of the last 100 years, will win. Peña's loss to the Colorado old-guard's choice Mario Abdo Benitez raises some questions about whether or not the reforms and pro-poor engagement of the Cartes presidency will continue. The external context also remains critical. Surging commodity prices have underpinned much of the poverty alleviation story and falls in prices could present a challenge. Similarly, crises in major trading partner Brazil could impact the nascent Paraguayan industrial sector, which is targeted at its large neighbour. In sum, the conditions are ripe for continued positive developments provided there are no unmanageable external shocks and positive changes in public administration continue.

⁹⁹ MFAT (2017)k, *Activity Monitoring Assessment – Paraguay Family Farming*.

¹⁰⁰ Mercosur is a trade bloc encompassing Argentina, Brazil, Paraguay, Uruguay, with Bolivia in the process of joining and Venezuela currently a suspended member.

Country Case Portrait – Peru

	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Human Development Index	0.706	0.708	0.721	0.725	0.731	0.735	0.737	0.74		
(%)	7.8	-0.1	7.0	4.9	4.7	4.4	1.0	1.9	2.7	
External Debt to GDP (%)	29.0	29.1	29.6	27.9	30.8	30.2	34.4	38.6	39.0	
Extreme Poverty (%)	national	13.1	11.7	9.5	6.3	6	4.7	4.3		
	urban	2.7	2	1.9	1.4	1.4	1	1		
	rural	32.4	29.8	23.8	20.5	19.7	16	14.6		
Poverty (%)	national	40.5	37.1	34.3	27.8	25.8	23.9	22.7		
	urban	25.4	21.3	20	18	16.6	16.1	15.3		
	rural	68.8	66.7	61	56.1	53	48	46		
Income Dist. (top 10% to bottom 40%)	National	12.8	12.4	11.4	11.2	10.9	10.8	10.3		
	Urban	9.7	9.7	8.9	8.8	8.6	8.6	8.3		
	Rural	9.7	8.5	8.2	10.2	9.6	9	8.6		
Employment by Sector (National)	Agriculture	32	32.2	31.1	26.5	25.5	25.5	26		
	Industry	16.1	16.1	16.6	17	17.6	17.6	17		
	Services	51.9	51.7	52.3	56.5	56.9	56.9	57.1		
% GDP by Activity	Agriculture	7.2	7.4	6.8	7.1	6.7	6.7	6.8	7.0	6.9
	Mining	12.6	10.4	12.3	14.6	12.2	10.4	8.7	7.5	8.2
	Industry	16.3	15.3	15.6	15.1	15.2	14.8	13.9	13.8	13.2
	Services	37.1	38.7	38.4	37.8	39.4	40.7	41.8	43.2	43.1
	Public Admin	18.7	19.8	18.5	17.4	17.9	18.5	19.6	20.0	20.4
Homicide Rate/100,000 pop	11.63	10.24	9.22	5.43	6.49	6.59	6.70	7.16		
<i>Source: CEPALSTAT, UN</i>										

Peru is the unheralded economic success story in the region. Since 2000 the country has averaged an annual GDP growth rate of 5.25%, which has underpinned major transformations in the country's poverty rates. As the data in Table 13 indicates, poverty rates nationally have plunged from 40.5% in 2008 to 22.7% in 2014. Significantly, extreme poverty in urban areas has almost been eliminated and has fallen to unheralded lows in rural areas. These achievements have been accompanied by notable improvements in income distribution, which reflects a period of sustained, pro-development policy from Lima.

An essential part of the positive story behind these economic indicators is the sort of policy that was pursued during the commodities boom. Mining and agriculture are key economic sectors for Peru and generate a tremendous proportion of the country's export income. The government took advantage of the surge in earnings from this sector in the 2000s and invested in social programming to alleviate poverty and improve the quality of human capital in the country. Considerable effort was also invested in reforming regulatory and tax structures in order to make Peru a more attractive site for foreign direct investment, particularly in the extractive sectors. Sweeping reforms to the judiciary were also put in place to combat historical patterns of corruption and perceptions that this might remain a problem. Like its Pacific Alliance partners Chile, Colombia, and Mexico, the pattern was to modernize regulatory and policy-making structures in order to create an environment more conducive to foreign direct investment and domestic entrepreneurship.

Corruption, however, has not faded away. Like most of the rest of Latin America, Peru's political leadership is embroiled in the Odebrecht corruption scandal. Current President Pedro Pablo Kuczynski resigned in March 2017 rather than be impeached for corruption allegations linked to work his firms completed for Odebrecht's operations in Peru, which have been very significant in both the civil engineering and petrochemical sectors. While this storm seems to be passing, it has cast a cloud over Kuczynski's credibility as an anti-corruption reformer. It will also cast a pall over ongoing and future infrastructure projects that are much needed to reduce the urban-rural divide and link the countries with a varied geography.

A central forward-looking concern in Peru is the country's vulnerability to the external sector. Income from rising prices and production in the mineral sector is a key anchor for the social programming being used to reduce poverty. This vulnerability is reflected in rising external debt levels, which have picked up as commodity prices have fallen. It also has an impact on the population as the cost of food imports rise. A major issue here is that significant proportions of Peru's high growth rates are not being driven by domestic demand. The human capital and regulatory environment necessary to push domestic production and demand growth is coming into place, but this does not mean that the necessary capacity has been developed throughout the country. In the agricultural sector most attention has been devoted towards the export sector, resulting in rising efficiencies and production of crops being sent overseas. Less

attention has been given to boosting production for the national market, particularly by increasing the productive and knowledge capacity of small holders and family farms as well as articulating the necessary value chains and logistical networks.

The Government of Peru has made a serious commitment to developing the national cash crop capacity, particularly that of small farmers looking to enter global markets in goods such as coffee and cocoa. Significant attention is also being given to the dairy industry, an area where New Zealand technical assistance is receiving particular note. Indeed, the type of programming provided by New Zealand points to where Peru is seeking assistance, namely with the construction and delivery of new training modules to skill up its workforce. The public policy capacity to manage this is in place, but the knowledge base and experience with creating and implementing training programs still has room to grow.

An additional factor that must be kept in mind with Peru is that of climatic and seismic vulnerability. The Humboldt Current runs the length of the Peruvian coast, leaving the country highly vulnerable to flooding and landslide in el Niño years, with the December 2016 inundations being some of the worst in fifty years. This has a major deleterious effect not only on infrastructure and agricultural production, but also on government finances which must adjust to engage in rebuilding and social policy supports above the programs already in train.

The challenge for Peru is not so much with coming up with the frameworks to greatly improve the country's socio-economic development, but rather with acquiring the knowledge and capacity to extend them as well as ensuring that they continue to be pursued. If the current trajectory is continued Peru will soon be making the move away from being an ODA-eligible country. Yet, this does not mean that the country will have solved the development puzzle. Rural inclusion remains a key challenge, particularly given the wide range of geographic conditions in play – they range from desert to high alpine to rain forest – as well as the multiplicity of ethnicities in the country. About 46 percent of Peruvians identify as indigenous, with some 4.5 million people speaking Quechua. While the social, political, and economic standing of indigenous peoples is undergoing a renaissance, there are still centuries of marginalization and oppression to overcome. Tackling this will comprise an important part of the institutional reform process going forward and is an area that might prove fruitful ground for bilateral cooperation programmes transferring lessons from New Zealand's integration experiences. It is certainly a consideration that needs to be included in development project design. As many mining companies can attest, failure to adequately consult and include Peru's indigenous populations greatly complicates operations and can even block projects from going forward. These manageable concerns aside, the overarching story in Peru is one of tremendous possibility and a willingness to proactively work with partners to advance the national development agenda.

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