

Australia's COVID-19 Response Package for the Pacific and Timor-Leste

INDEPENDENT REVIEW 2020 - 2022

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Abbreviations and Acronyms

Term	Definition
ADB	Asian Development Bank
AHC	Australian High Commission
AML	Anti-Money Laundering
ANS	Audit of National Systems
AUD	Australian Dollar
AUSMAT	Australian Medical Assistance Teams
BDM-JF	<i>Bolsa da Mãe – Jersaun Foun</i> (Preparation for the New Generation)
BTI	Bertelsmann Stiftung’s Transformation Index
CCHS	Catholic Church Health Services
CCT	Conditional Cash Transfer
CEFA	Country Economic and Fiscal Assessment
CHS	Christian Health Services
COFOG	Classification of Functions of Government
COVID-19	Coronavirus Disease of 2019
CPI	Corruption Perceptions Index
CPIA	Country Policy and Institutional Assessment
CRPD	Convention on the Rights of Persons with Disabilities
CRS	Creditor Reporting System
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DFA	Direct Funding Agreement
DFAT	Department of Foreign Affairs and Trade [Australia]
EOPO	End-of-Program Outcome
EU	European Union
FCW	Fiscal Crisis Window
FIMR	Final Investment Monitoring Report
FMIS	Financial Management Information Systems
FY	Fiscal Year
GDP	Gross Domestic Product
GEDSI	Gender Equality, Disability and Social Inclusion
GFS	Government Finance Statistics
GoF	Government of Fiji
GoPNG	Government of Papua New Guinea
GoTL	Government of Timor-Leste
GRB	Gender Responsive Budgeting
GTFS	Government Tuition Fee Subsidy
ICRC	International Committee of the Red Cross
ID	Identity
IDP	Internally Displaced People
IFI	International Financial Institution
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
JPAM	Joint Policy Action Matrix
M&E	Monitoring and Evaluation
MEHA	Ministry of Education, Heritage and Arts
MERI	Markets, Economic Recovery, and Inclusion
MIS	Management Information Systems

Term	Definition
MNCH	Maternal, Newborn and Child Health
MoF	Ministry of Finance
NCD	Non-Communicable Disease
NDoE	National Department of Education
NGO	Non-Government Organisation
NZD	New Zealand Dollar
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OPD	Organisation for Persons with Disabilities
OTP	Office of the Pacific
P4SP	Partnerships for Social Protection
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PGK	Papua New Guinea Kina
PGS	Partner Government Systems
PIC	Pacific Island Country
PNDS	National Program for Village Development
PNG	Papua New Guinea
RPS	Response Package Support
SCI	Statistical Capacity Indicators
SPI	Statistical Performance Indicators
SDG	Sustainable Development Goal
SWF	Sovereign Wealth Fund
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TI	Transparency International
TB	Tuberculosis
TOP	Tonga Pa'anga
TTF	Tuition Fee Free
UN	United Nations
UN Women	United Nations entity for women's empowerment and gender equality
USD	United States Dollar [also US\$ in certain diagrams]
VERW	Vulnerability and Economic Recovery Window
VUV	Vanuatu Vatu
WASH	Water, Sanitation, and Hygiene
WCO	World Customs Organisation
WDI	World Development Indicators
WEO	World Economic Outlook
WFP	World Food Program
WPA	Waigani Public Bank Account
WST	Samoan Tala
YoY	Year-on-Year

Fiscal Year (FY)

Country	Time span
Australia	1 July–30 June
Fiji	Calendar Year
Kiribati	Calendar Year
Nauru	1 July–30 June

Country	Time span
Papua New Guinea	Calendar Year
Samoa	1 July–30 June
Solomon Islands	Calendar Year
Timor-Leste	Calendar Year
Tonga	1 July–30 June
Tuvalu	Calendar Year
Vanuatu	Calendar Year

Currencies Used

Country	Currency and international code
Australia	Australian Dollar (AUD)
Fiji	Fijian Dollar (FJD)
Kiribati	Australian Dollar (AUD)
Nauru	Australian Dollar (AUD)
New Zealand	New Zealand Dollar (NZD)
Papua New Guinea	PNG Kina (PGK)
Samoa	Samoan Tala (WST)
Solomon Islands	Solomon Islands Dollar (SBD)
Timor-Leste	United States Dollar (USD)
Tonga	Tongan Pa'anga (TOP)
Tuvalu	Australian Dollar (AUD)
Vanuatu	Vanuatu Vatu (VUV)

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Executive Summary

Introduction

1. **In late 2020, the Australian Government approved a COVID-19 Response Package (the package) of AUD304.7 million for Pacific countries and Timor-Leste.**¹ The package provided funding for Timor-Leste, Papua New Guinea (PNG), Solomon Islands, Fiji, Vanuatu, Samoa, Tonga, Kiribati, Nauru, and Tuvalu. The Australian Government Department of Foreign Affairs and Trade (DFAT) commissioned this Independent Review to assess progress on implementation of the package and to inform the design of future Australian support to the Pacific and Timor-Leste.² The review analysed economic, fiscal, social and aid data, program documentation, and interviewed several hundred stakeholders over a two-month period.³

Economic and Fiscal Context

2. **The economic impacts of the pandemic, while still very significant, have not been catastrophic at a national level.** Every country experienced a fall in gross domestic product (GDP) in 2020, but all except Timor-Leste are forecast to recover to pre-pandemic levels of per capita GDP by 2025.⁴ Fiscal positions have deteriorated and will be under significant pressure in the next few years and potentially for the next decade. Debt levels have increased significantly in Fiji and PNG, and moderately in the other countries. The impact on households has been significant. All countries have seen unemployment increase⁵, especially in tourism, retail, and hospitality. Since many women are employed in these sectors, the economic impact has fallen disproportionately on them. The economic recovery of most countries in the region is tied to when they can reopen their borders, their level of vaccination, and how well they handle the spread of COVID-19.

Health, Education, and Social Impacts

3. **The direct health impacts have been significant but arguably less than first projected,** as most countries shut their borders early and are still in various stages of reopening. Fiji was the worst affected in terms of total deaths and deaths per capita (923 deaths per million people) but was also the quickest to get the population vaccinated. Timor-Leste and PNG have the next highest deaths per capita. More recently Samoa, Solomon Islands, Kiribati, and Vanuatu have all seen a significant rise in cases. Routine health services, including sexual and reproductive health and child immunisations, have been disrupted with the long-term impacts likely to be felt in the coming years. The impact on children who have dropped out of school or who are doing home-based learning is still unknown.

4. **Many countries in the region are also dealing with natural disasters, fragility, and violence.** The undersea eruption in Tonga, tropical cyclones in Fiji and Vanuatu, and violence in parts of PNG, have destroyed important infrastructure, health, and education facilities, as well as crops and housing, creating additional challenges for governments and communities. Violence against women is prevalent across the region and has been exacerbated by increased tension within the home, resulting from economic and lockdown stress, and has led to reported increases in violence against women across the region.

¹ The package follows the Pacific and Timor-Leste COVID-19 Immediate Response Package that provided AUD100 million in 2019–20. The package includes AUD26 million for the South Pacific Air Connectivity Program, which is being reviewed separately.

² The Review Terms of Reference are in Annex A.

³ Information on the constraints and limitations of the review process is provided in Annex B.

⁴ IMF World Economic Outlook (WEO) October 2021.

⁵ International Labour Organization (ILO).

What Did the Package Deliver?

5. **By the end of March 2022, the package had delivered AUD269 million, with another AUD5 million expected to be expended before the end of the financial year.** Fiji (AUD105 million), PNG (AUD97 million), and Timor-Leste (AUD20 million) received the most assistance (see **Error! Reference source not found.** on page 2).

6. **By type of aid, AUD250 million (93%) was provided as budget support, of which AUD165 million (61%) was for Sector Budget Support; and AUD85 million (32%) was for General Budget Support.** Non-government organisations (NGOs) and private sector organisations received 1.5% of the package (AUD4 million). Programs aimed at protecting the vulnerable⁶ received the most funding at AUD140 million (52% of expenditure under the package). Virtually all funds were committed (87%) and expended (88%) in the 2021 calendar year.⁷

Findings

Strategic Intent

7. **The strategic intent of the package was to: ‘Contribute to a stable, prosperous and secure Pacific in the wake of COVID-19 in which Australia’s relationships and reputation with PICs as an economic partner of choice are enhanced.’**

8. **The review finds that there is adequate evidence that the package contributed to a stable, prosperous, and secure Pacific.** The package enabled the continuation of health and education services and income support to be provided to those deprived of their livelihoods. This contributed to defusing tensions that could have led to unrest and instability. Alongside this, other more targeted interventions under the package contributed to the protection of vulnerable people. The package was implemented in conjunction with other significant efforts by the Australian Government at delivering vaccines, supporting health systems directly (through bilateral support and Australian Medical Assistance Teams/AUSMAT), and pivoting bilateral programs to support countries to address the impacts of the pandemic.

9. **The review also finds there is adequate evidence that the package strengthened Australia’s relationships and reputation with Pacific Island Countries (PICs) as an economic partner of choice.** Australia’s response was timely and appreciated by its partners and led to significant improvements in the nature and strength of several bilateral engagements, particularly with Fiji and Timor-Leste. There is strong evidence that the decision to re-engage in direct financing has created important connections with central agencies and key line ministries in PNG and Timor-Leste.

Relevance

10. **There is strong evidence that the package was highly relevant.** The region faced a significant economic shock that countries would have struggled to respond to, including to mitigate the impacts on vulnerable groups, households, and people. The package enabled partner governments to maintain public spending (in the context of falling revenue and limited financing options), have the flexibility to respond to the changing impacts of the pandemic over time, and bolstered confidence that local authorities could respond to the crisis. Had partner governments been forced to cut expenditure it

⁶ This is equivalent to the GFS-Classification of Functions of Government (COFOG) definition of Social Protection, which includes OECD DAC donor sector classifications definitions related to ‘Other Social Infrastructure & Service’ (CRS code 160) and certain items under ‘Other Multisector Aid’ (CRS Code 430).

⁷ Some funds were disbursed to Fiji in 2020, while funds for Nauru and Samoa were delayed. The revised package for Samoa has been agreed, with AUD5 million already being disbursed and another AUD5 million should be disbursed before the end of the Australian fiscal year 2022.

may well have led to a deeper and more prolonged economic shock. The use of budget support as the main modality provided much needed external financing and helped to crowd in other options such as increased concessional loans. Fiji is a good example where the package represented 6.9% of all government revenues and 8.4% of all tax revenues received in 2020. From an expenditure perspective the package represents 5% of all government expenditures and 49% of all social benefits payments made in 2020. Australia's support also helped to secure over AUD700 million in additional grants and concessional loans from the multilateral development banks and enabled Fiji to increase government borrowing to fund its national budget.

11. **Grant funding under the package enabled a rapid disbursement of funds and provided flexibility for governments to respond to the local context.** The small percentage provided to multilateral organisations and NGOs enabled them to design and deliver programs to protect the most vulnerable, and pilot innovative approaches. These initiatives, although relatively small, were highly relevant to gender equality, disability, and social inclusion (GEDSI) outcomes, and have provided lessons for future programming.

12. **There was less focus under the package on the impacts on the private sector and businesses relative to the need to support households and vulnerable groups.** The review did not canvass business views widely due to the constraints in arranging interviews, but there was feedback that some peak bodies would have preferred more direct support to businesses (Fiji) and some evidence that the limited support, such as in Vanuatu, did have positive local impacts.

13. **As the pandemic eases and borders reopen there are signs that policymakers are turning their attention to measures to support a business-led recovery** and the package has contributed to better fiscal positions that will allow governments some space to provide future support. Aside from the package, Australia provided support for the private sector through several programs in the region (e.g. the Market Development Facility, PHAMA Plus, and Pacific Labour Mobility), and provided substantial resources dedicated to keeping regional flights in the air – an important aspect of connectivity.

Efficiency

14. **There is adequate evidence that the package was efficient to a substantial degree.** Resources were mobilised quickly (aided by the decision to use the modality of budget support). There is adequate evidence that additional support was leveraged from donors and multilaterals in some countries, particularly in Fiji. Coordination with the World Bank and Asian Development Bank (ADB) has been important in a number of places where budget support operations have been in place for many years (Kiribati, Tuvalu, Samoa, Tonga, and Solomon Islands), and there is some evidence that Australia's support helped the multilateral development banks to make the case with their headquarters for more support to countries in the region. The World Bank and the ADB have played a lead role in the region, providing significant additional financing.

15. **The package helped to create confidence in the region and among donors and has leveraged additional support,** including concessional lending, creating stronger foundations for more effective aid and to support the post-pandemic recovery. Financial allocations were found in general to be based on need and absorptive capacity. The largest allocations went where they were most needed (Fiji and PNG), where they could be used effectively by existing programs (Timor-Leste), and to sustain existing frontline services (Vanuatu).

16. **Gaps in capacity, skills, and resources in Canberra and at posts had an impact on the design and management of the package.** More engagement between DFAT Canberra, teams at post working

on budget support operations, and teams working on bilateral programs – including DFAT’s implementing partners – would help all stakeholders to understand the goals of the package and the strengths, weaknesses, and risks in using budget support as the primary modality. This observation needs to be seen in the context of posts that were extremely stretched and an overriding desire from Canberra not to burden them with additional inputs.

17. **The rapid design process was focused on responsiveness, which was very important, but more could have been done to strengthen accountability and oversight.** Coordination by the Office of the Pacific (OTP) Canberra was important but under-resourced. There is some evidence that rather than a resource constraint (there was an adequate budget that was not all used), this was due to a lack of available staff with the right skills. Recruitments for a number of specialists failed to find people to fill key roles. More incentives for people to work in these types of roles should be considered (including recognition, career development, and relevant posting opportunities).

18. **Monitoring of the response was intended to draw on existing monitoring and evaluation (M&E) systems in-country, to reduce the burden on partner governments and posts.** While this was a reasonable approach, DFAT’s knowledge of the progress and results to date has been constrained by a limited baseline of existing data, a lack of timely data and reporting, the need for additional resourcing (people and skills) at post and in the Support Unit, and for better information and knowledge management by OTP.

19. **There were missed opportunities to engage with non-state actors to monitor the package.** Increasing the core funding of local non-government organisations to monitor both the impacts of the crisis and the efficacy of local responses would have provided invaluable information – particularly in the context of travel restrictions and the absence of DFAT contractors on the ground. Future budget support investments should identify ways to ensure accountability to affected populations – e.g. that feedback from households, women’s organisations, organisations for people living with disabilities, communities, and businesses, informs budget support operations.

20. **The strong emphasis on GEDSI envisioned in the design was not realised.** It was especially challenging to integrate GEDSI-specific responses into budget support given the need for speed, the lack of up-to-date relevant data, and the difficulty in sourcing the skills required to support posts. Although budgets had been allocated, finding the right gender equality skill set was challenging and getting disability inclusion contracts in place took time. This is a challenge as GEDSI issues are not always first order priorities for partner governments outside of a crisis and raising their profile during a crisis can be difficult. Where there are existing multilateral arrangements in place, GEDSI is already embedded in policy triggers, but the crisis may have worked to lower them as priorities rather than raise them up. The Gender Strategy for the package was not approved until more than 70% of funds had been disbursed, and the workplan on disability inclusion was also prepared late.

Effectiveness

21. **There is strong evidence the package was at least partially effective at achieving its end-of-program outcomes (EOPOs).** The review finds that budget support in the context of the package was an effective tool and risks were manageable.

22. **The intention to help protect vulnerable people including children (EOPO 1) was at least partially achieved.** International Monetary Fund (IMF) data indicates that government expenditures on social benefits and social protection has increased in all countries, significantly in some countries. New social protection mechanisms, and stronger foundations for social protection policy development to support the post-COVID-19 recovery process, have been established in some countries. Social

protection coverage expanded in some countries (Timor-Leste and Tuvalu), albeit in some cases this will be temporary. Short-term funding of existing benefits or top-ups were provided through many programs (Fiji, Nauru, and Tonga), while transfer values were permanently increased in others (Kiribati and Samoa). In addition, new programs have been introduced in other countries to reach groups not previously considered vulnerable (unemployed adults in Vanuatu and Kiribati, and informal sector workers in Fiji).

23. **The goal to help cushion the fiscal and socio-economic impacts of COVID-19 and help support a recovery (EOPO 2) was achieved.** The size of support was significant in Fiji (6.9% of revenue and 18% of the projected deficit), PNG (1.9% of revenue and 3.2% of the projected deficit), and Timor-Leste (11% of domestic revenue⁸ and 17% of the projected deficit, providing timely and much needed fiscal space). The package was less significant in other countries but helped to ensure governments did not cut spending on frontline services. No countries who benefited from the package are facing an immediate fiscal crisis, and IMF projections show a steady recovery phase ahead assuming no additional shocks.

24. **The package made an important but temporary contribution to fiscal sustainability** (the long-term viability of partner government budgets), but in general fiscal and budget positions now and in the medium-term have deteriorated. Budget support has been material in some countries but has served to avoid spending cuts rather than keep deficits down in some countries (Timor-Leste), while others have stabilised their budget positions (PNG, Samoa, and Solomon Islands). Vanuatu and Nauru have improved their budget balances. In Fiji it has done both, as Fiji undertook a counter-cyclical fiscal policy stance during the pandemic. As such, budget support grants had prevented possible expenditure cuts. It also meant the Fiji government borrowed less as the fiscal deficit was narrower. Many countries are able to borrow but are constrained by debt sustainability assessments (Fiji and PNG), while some (Timor-Leste, Kiribati, and Tuvalu) have sovereign wealth funds they can draw down on, at the risk of eroding national savings that will be needed in the future. Kiribati and Tuvalu have taken a prudent approach with modest additional withdrawals, while Timor-Leste has projected very significant withdrawals from their national fund in line with the larger impact of the pandemic on their domestic economy.

25. **The package deliberately linked funding to policy operations led by the World Bank and the ADB wherever possible.** This approach made sense as it maximised coordination and limited policy fragmentation. The review finds the package has largely filled gaps rather than driven reforms. However, budget support has meant that existing budget allocations have been maintained in key areas of health, education, and social protection – notably for social protection in Fiji, for secondary school subsidies in Vanuatu, for national coverage for village grants in Timor-Leste, and for church-led health services in PNG – all of which were likely to have been cut without direct support from Australia. These are important outcomes.

26. **Health budgets have been maintained or increased during the pandemic, but COVID-19 has meant demand for health services have gone up,** and routine services like childhood vaccinations, maternal, newborn and child health (MNCH) services, and emergency department capacity, have all been to some extent crowded out. Schools have generally received their allocated budgets (although in some places payments were delayed), but services have been disrupted due to lockdowns and travel restrictions. Investments under the package have targeted support to frontline services with varying

⁸ We use domestic revenue for Timor-Leste, as the budget deficit is financed by withdrawals from the national Petroleum Fund.

degrees of success. In general, investments in health and education under the package targeted budget shortfalls rather than reforms to systems that already had structural weaknesses. In some cases, this meant direct benefits to households (education subsidies in Vanuatu), while in others it meant no cuts to already struggling systems (health and education in PNG) and the guaranteed payment of salaries to teachers, health staff, and social workers (Fiji).

27. **There is strong evidence that the package was successful at making sure there was improved access to social protection.** Without the social protection emphasis of the Package, many households would have faced increased hardship. People living with disabilities and vulnerable groups did receive support through the expansion of social protection programs. In some cases, this built on existing dialogues, such as the additional disability payments in Fiji, and the design of the Women’s and Children’s Nutrition Program in PNG. In other cases, future opportunities have been created, including reforms to payments to pregnant women and mothers with young children in Timor-Leste, and promising initiatives such as the UnBlocked Cash transfer program in Vanuatu implemented by Oxfam, have been piloted and scaled up.

28. **However, the underlying structural causes of inequality persist.** Unequal access to secondary education may have increased under the pandemic. Access to maternal, newborn and child health care, reproductive health, and routine child vaccinations, has been reduced. Workers in the private sector, particularly in tourism and trade-related (import or export) industries have been disproportionately impacted, while most government staff have had no loss of income at all. Gender equality outcomes or greater inclusion have not been prioritised in policy responses.

29. **Looking to the future, the review finds that more investment is required in policy skills** to better resource posts to analyse partner government budgets and systems, and for the design and implementation of future investments. Budget support operations are complex and require specialist knowledge and experience. This goes beyond public finance and economics and includes sectoral areas and requires coordination between those looking at fiscal policy and those looking at improvements in services, livelihoods, and standards of living. Ultimately, this is going to require resources and training. Managing the engagement between Australia and a partner government over direct funding support for a policy outcome is not a part-time job for someone already managing programs. Further, technical assistance to support policy engagement and budget support is very different to technical assistance to build local capacity. These resource implications need careful consideration in the context of future budget support operations.

Risk Management

30. **There is adequate evidence that DFAT’s risk management was adequate.** An increase in budget support did present considerable risks, especially in countries where there were no established policy operations where Australia could lean on the World Bank and the ADB – in PNG and in Timor-Leste. The review did not identify any fiduciary irregularities or instances where direct funding was not used for its intended purpose.

31. **There are some areas for improvement.** Fiscal risk checks were done as the package was designed and rolled out. Many countries already had an Assessment of National Systems (ANS) in place, but many were not being actively used and risks associated with using partner government systems were not generally well understood by posts. There is evidence of good analysis on development and fiduciary risks pre-investment, but lower levels of monitoring or follow-up on whether these risks were realised in implementation. There is strong evidence of a healthy policy debate within DFAT on risk. It appears a reasonable level of pragmatism about what risks were acceptable was applied given the context of the crisis. Risk management systems need significant

strengthening if budget support is to be used more regularly as a tool for bilateral aid in the Pacific and Timor-Leste.

Performance Management

32. **The intended outcomes for the package (documented in the results chain) are, in some parts, considered by the review to be overly ambitious.** There was a pragmatic approach to M&E that where investments were channelled through existing programs, the package would use the existing monitoring frameworks. This covers up to 70% of the investments and puts monitoring largely under the management of program managers at posts and their partners. Evidence shows that reporting is context driven and the timing at investment level is not uniform given the reliance on partner governments and their data. In some cases where investments were new, the approach taken varied. For secondary school subsidies in Vanuatu no additional or dedicated monitoring was done, even though there was a facility working on primary school education support. In PNG for tuition fees, plans to hire an embedded adviser took a long time so that monitoring only started after the grant had been executed, while for church-led health services dedicated third party monitoring by an existing contractor was done and produced some excellent data.

33. **Overall, there was not enough baseline data established at the outset from available sources** (including partner government financial management information systems (FMIS) and program level management information systems (MIS), and international databases of historical fiscal and sectoral data) to allow for monitoring across the package. There was some good work done by the OTP economic section on Country Economic and Fiscal Assessments (CEFAs), and by contracted advisers evaluating the first AUD100 million response package to pull together data, but this was not widely used by posts to establish investment-level monitoring. Consequently, there is no consolidated performance reporting against indicators for the package.

What Lessons are there from the Package?

34. **The large scale-up of budget support in the package offers important lessons for the future.** The first is that budget support is both a useful tool and a manageable risk. Despite the significant obstacles and constraints, the package delivered on its primary goals. However, the experience of the package must be viewed in the context of a response to an unprecedented crisis and the intention to use budget support to plug fiscal holes. DFAT has been successfully conducting budget support operations in the region for over 10 years and has a core stock of in-house knowledge and capacity. However, these have largely been small investments aligned with existing multilateral policy operations.

35. **The progression from budget support in the package to much larger investments through multi-year budget support operations for bilateral development assistance would require significantly more skills and resources** within DFAT in Canberra and at posts. Creating an institutional framework for budget support that includes training, mentoring, and dedicated positions in OTP and in targeted posts, building on the core capacity that is already there, needs significant investment. There are also opportunities for more innovation in the use of budget support to support longer-term reforms, debt clearance, and sovereign risk reduction, especially in places like Timor-Leste and Fiji where debt management is becoming increasingly important.

36. **The package highlighted that OTP has a relatively strong core capacity for economics, public finance, and policy engagement,** but institutionally DFAT is more set up for program management than specialised engagement on development policy. In addition, posts are busy, and staff already have full-time jobs. Juggling additional budget support responsibilities added significant extra

demands, especially at the Program Manager and First and Second Secretary level. The nature of the crisis and the speed at which this package was conceived and implemented meant people adapted and one-off solutions were found. However, ongoing use of budget support will require a rethink on skills, resources, roles, and responsibilities. The history of reform, and particularly institutional reform, is that it takes a long time and change is usually incremental, meaning this work should start now.

37. **To achieve GEDSI outcomes from budget support investments, there needs to be early and appropriate resources put in place** to develop the analytical basis and engagement that identifies and promotes the most effective reforms. Expectations need to be realistic and long-term. Budget support in response to a fiscal crisis that funds existing priorities in Pacific countries and Timor-Leste will have limited impact on closing gender gaps. If existing biases are not addressed, then in a crisis such as the COVID-19 pandemic, budget support may even serve to reinforce gender norms and inequalities, both social and economic.

38. **The package showed that countries that have functioning social protection systems are better able to respond in the short run.** Fiji, Timor-Leste, Nauru, Tonga, and Samoa, and, to a lesser extent Tuvalu, Kiribati, and Vanuatu, successfully scaled up existing social assistance, or used existing systems as a direct response to COVID-19. At the other end of the scale, neither PNG nor Solomon Islands had existing social protection systems and were unable to implement a conventional social assistance response. However, the COVID-19 crisis also showed that shocks can have big impacts on people that were not considered vulnerable before the shock. This highlights the need to strengthen systems that allow governments to identify those in need and tailor responses. In the Pacific where natural disasters are common there is a case for contingency funding, pre-agreed with partner governments and delivered through a variety of modalities, to provide certainty around future responses to shocks.

39. **The package was primarily focused on direct financing to partner governments and provided limited support for service providers outside those funded by governments.** This is consistent with the mandate provided through the 2020–21 budget and subsequent design but does mean there was limited consultation with civil society organisations (CSOs) and NGOs, which provide many frontline health services in the region; for example, sexual and reproductive health, family planning, and support services for women who are survivors of violence. In addition, many peak bodies – women’s and disability groups – have a better understanding of the context in communities than the government and so can contribute to the policy response if they are brought into the discussion early.

Conclusions

40. **The package has materially achieved its intended outcomes.** Australia’s response was timely and targeted, and there is strong evidence that the package helped to cushion the impacts of the pandemic-induced economic crisis in the region. The decision to use budget support as the primary modality provided flexibility and allowed assistance to be significantly and rapidly scaled up and absorbed by partner governments relatively efficiently. The primary vehicle for this was support for policy operations led by the multilateral development banks where they existed, with the goal of making sure support from international partners was coordinated. This was the right decision.

Recommendations

Budget Support as a Modality

I. Budget support is an efficient and effective modality for DFAT’s crisis response in the Pacific and Timor-Leste and should be considered as a central modality in future crisis response packages.

OTP Executive should include budget support as a core part of future crisis responses, including consideration of contingency funding and negotiation of agreements about access to direct financing in the context of a future economic shock or natural disaster. This requires OTP to identify regional fiscal risks (including economic and fiscal costs) and develop an assessment of existing development budgets by country, where there is potential for creating some fiscal space from existing allocations, and where there may be future calls on the budget (contingent liabilities associated with support to the region).

II. DFAT should consider the use of budget support more widely and conduct a needs assessment of its capacity to design, implement, manage, and monitor multi-year budget support operations.

The needs assessment would include but not be limited to: requirements to establish a budget support policy framework that guides decisions about when, where, and how budget support should be considered; steps to strengthen the risk management framework, including adequate resourcing for coordination, training and support of risk management at posts; investment in additional capacity in public finance and economics to support future budget support investments; adequate training for staff at posts (both Australia-based and locally engaged) in how to manage and monitor budget support operations; changes to institutional arrangements including dedicated deployments; and postings that encourage staff development.

III. Invest in skills and resourcing to promote gender equality outcomes through policy reforms linked to budget support.

Achieving GEDSI outcomes through budget support is challenging and requires significant effort and commitment from DFAT. Appropriate resources and people with the necessary experience who are included as core elements of any package implementation team is crucial. Reforms proposed need to be realistic and achievable, based on clear evidence of what will have the greatest impact. This needs to be an integral part of ongoing policy dialogue, so that DFAT and governments are better prepared when designing emergency responses.

Design

IV. Ensure designs for emergency responses adopt realistic outcomes that reflect the nature of the investment, particularly in the context of budget support as the main mode of support.

It is important that outcomes reflect the context when Australia is contemplating temporary or one-off-budget support investments as a response to a crisis or shock. Results need to be assessable, implying a baseline can be established with existing data and updated periodically using existing systems or with minimal additions or upgrades.

V. Future designs of a crisis response need to consider how NGOs, CSOs, and peak bodies can support the wider policy response to the crisis, including Australia’s budget support operations.

Small but strategically targeted investments in non-government partners and their programs can make big contributions to how well partner governments and Australia understands the impacts of a shock, as well as the efficacy of responses. This is particularly the case where normal systems

and processes are disrupted, as occurred during the pandemic. In addition, shocks create opportunities to pilot new approaches.

Implementation

VI. For future crisis response packages for the Pacific and Timor-Leste, take steps to adequately resource coordination and support functions.

In future responses of this kind, DFAT should ensure adequate resources are allocated to ensure strong engagement between Canberra and posts on concepts and designs, specialist inputs on issues such as sectoral policy and GEDSI, and sufficient resources to monitor and evaluate progress of investments. Incentives for staff to take up these roles, which could include recognition, professional development, and relevant posting opportunities, should be considered. While the budget for this package was not entirely spent, it is important for future responses that coordination and support is not underfunded as a result. An allocation of at least 2.5% to 5% of the total funds (in this case AUD7.5 million to AUD15 million) is appropriate.

VII. Future responses of this kind should consider the need for additional resources at posts and where appropriate in Canberra (supporting posts) to deliver budget support operations.

Budget support operations are complex and the analysis, design, and engagement with partner governments takes dedicated resources and specialist skills. It is very different to program management. For a crisis response, deploying additional resources to posts should be considered to either manage investments or to free up existing Australia-based staff from other duties. Assessments should also be made in each post of what locally-engaged staff and contracted resources with appropriate skills are in place (prior to a crisis), and how they could be deployed or redeployed to support scaled up budget support operations.

Performance Management and Monitoring

VIII. To enhance accountability, DFAT should complete and publish reports on what the aims of the country-level investments were (from country annexes) and the outcomes in each country.

In line with good practice, it is important that DFAT provide clear and easy-to-access public reports that allow easy comparison of what was planned as outlined in the country annexes and what actually happened. This will help to build confidence in the process and wider understanding about how Australia's direct funding support to the region was used by partner countries.

IX. Improve access to baseline economic and social data in the region, including through agreements with partner governments to share data from their FMIS and program level MIS.

This should initially focus on two key areas. First, *invest in DFAT consolidated data systems* to help DFAT analysts spend more time analysing and less time collecting data. Project M&E systems should then be built around existing databases. Second, *future program designs should generally require M&E systems draw on existing databases first* before establishing M&E performance measures that have no existing systems or baseline data.

X. Analysis of partner government policy, programs, and systems should be strengthened, with more specialist expertise in-house in economic and fiscal policy, and public financial management.

Budget support and more frequent use of partner systems means much more detailed knowledge of how policy is made, how it is funded, how it is implemented, and where data can be found to monitor outcomes. The Country Economic and Fiscal Analysis (CEFA) work was excellent. It needs to be expanded and made routine, so that it can better inform future decisions on crisis responses

but also on-budget support operations more generally. The process also needs to be widened to include more engagement between posts and Canberra to identify analytical gaps and plans to fill them. Starting with the current CEFAs, an assessment should be made of analytical priorities, who can do the analysis and when.

Gender Equality and Disability Inclusion

XI. Ensure that GEDSI is resourced adequately and early enough in future emergency responses.

Practical consideration needs to be given to how GEDSI outcomes can be achieved within the context of a crisis response. A balance is needed between providing funding through budget support for sectoral programs and using the crisis as an opportunity to fund pilots and innovations to identify and include people living with disabilities and challenge gender norms. Where fiscal imperatives allow it, DFAT should consider using budget support, alongside core funding for CSOs, to leverage investments that make sure lessons from pilots that promote gender equality and disability inclusion are fed back into government policy, programs, and operations. As a starting point, GEDSI should be explicitly included in the CEFAs.

Service Delivery

XII. Invest in sectoral expertise that supports future Sector Budget Support.

The use of sector or targeted budget support requires very detailed knowledge of both the behaviour of targeted beneficiaries and the functioning of existing systems. The effectiveness of future Sector Budget Support investments will depend on how well DFAT can define the target recipients – for example, users of health and education services – and understand what constrains them from accessing services, particularly during a crisis. Viewing budget support (whether general or sectoral) as part of the broader in-country program will enable DFAT to tap into expertise and build on experience.

XIII. Use budget support as an opportunity to open dialogue about the importance of good quality and accessible health and education services to building future fiscal resilience.

Any crisis provides opportunities to engage with partner governments on issues where it has previously been difficult to gain traction. Budget support also offers an incentive for partner governments to listen to alternative ideas and approaches, thereby avoiding the risk of reverting to business-as-usual post-crisis. Through this policy dialogue, DFAT programs can illustrate the importance of building human capital as the foundation for resilience to future shocks.

Social Protection

XIV. Use the impetus provided by COVID-19 to expand inclusive life-course social protection policies.

Building on the achievements of the package and on DFAT's previous and ongoing support to social protection in the region, DFAT should continue to advocate for, and where necessary provide financial support to, the progressive introduction and scale-up of inclusive social assistance programs to tackle vulnerabilities throughout the life-course.

XV. Strengthen the underlying systems to deliver life-course social protection.

With its substantial experience, and through its new regional facility, Partnerships for Social Protection (P4SP) in the Pacific, DFAT is well-placed to provide technical assistance to strengthen the underlying systems for social protection, thereby both improving the effectiveness of core programs, and providing a robust platform for flexible responses to future emergencies that may occur in Pacific countries.

Introduction

41. **In late 2020, the Australian Government approved a COVID-19 Response Package (the package) of AUD304.7 million for Pacific countries and Timor-Leste.**⁹ The package implemented over two fiscal years, FY 2020–21 and FY 2021–22, aimed to assist the region with the fiscal and socio-economic impacts of COVID-19 and to be better positioned for recovery. The package covered Timor-Leste, PNG, Solomon Islands, Fiji, Vanuatu, Samoa, Tonga, Kiribati, Nauru, and Tuvalu. The Australian Government Department of Foreign Affairs and Trade (DFAT) commissioned this Independent Review to assess progress on implementation of the package and to inform the design of future Australian support to the Pacific and Timor-Leste.¹⁰ The review analysed economic, fiscal, social and aid data, program documentation, and interviewed several hundred stakeholders over a two-month period.¹¹

Economic and Fiscal Context

42. **The economic impacts of the pandemic, while still very significant, have not been catastrophic at a national level.** Every country experienced a fall in gross domestic product (GDP) in 2020, but all except Timor-Leste are forecast to recover to pre-pandemic levels of per capita GDP by 2025.¹² Fiscal positions have deteriorated and will be under significant pressure in the next few years and potentially for the next decade. Debt levels have increased significantly in Fiji and PNG, and moderately in the other countries. The impact on households has been significant. All countries have seen unemployment increase¹³, especially in tourism, retail, and hospitality. Since many women are employed in these sectors, the economic impact has fallen disproportionately on them. The economic recovery of most countries in the region is tied to when they can reopen their borders, their level of vaccination, and how well they handle the spread of COVID-19.

Health, Education, and Social Impacts

43. **The direct health impacts have been significant but arguably less than first projected,** as most countries shut their borders early and are still in various stages of reopening. Fiji was the worst affected in terms of total deaths and deaths per capita (923 deaths per million people) but was also the quickest to get the population vaccinated. Timor-Leste and PNG have the next highest deaths per capita. More recently Samoa, Solomon Islands, Kiribati, and Vanuatu have all seen a significant rise in cases. Routine health services, including sexual and reproductive health and child immunisations, have been disrupted with the long-term impacts likely to be felt in the coming years. The impact on children who have dropped out of school or who are doing home-based learning is still unknown.

44. **Many countries in the region are also dealing with natural disasters, fragility, and violence.** The undersea eruption in Tonga, tropical cyclones in Fiji and Vanuatu, and violence in parts of PNG, have destroyed important infrastructure, health, and education facilities, as well as crops and housing, creating additional challenges for governments and communities. Violence against women is prevalent across the region and has been exacerbated by increased tension within the home, resulting from economic and lockdown stress, and has led to reported increases in violence against women across the region.

⁹ This includes AUD 26 million for the South Pacific Air Connectivity Program, which is being reviewed separately.

¹⁰ The Review Terms of Reference are in Annex A.

¹¹ Information on the constraints and limitations of the review process is provided in Annex B.

¹² IMF World Economic Outlook (WEO) October 2021.

¹³ International Labour Organization (ILO).

What Did the Package Deliver?

45. **By the end of March 2022, the package had delivered AUD269 million, with another AUD5 million expected to be expended before the end of the financial year. Fiji (AUD105 million), PNG (AUD97 million), and Timor-Leste (AUD20 million) received the most assistance (see Error! Reference source not found.).**

Table 1. COVID-19 Pacific Response Package Financials by Project FY 2020–21 to FY 2021–22

Country	Revised Allocations (AUD)	Committed (AUD)	Expended (AUD)
Fiji	105,000,000	105,000,000	105,000,000
Other	105,000,000	0	0
Recovery and Resilience (FCW)		85,000,000	85,000,000
Social Protection Payments (VERW)		20,000,000	20,000,000
Kiribati	3,000,000	3,000,000	3,000,000
General/Sector Budget Support (VERW)		3,000,000	3,000,000
Other	3,000,000	0	0
Nauru	2,000,000	2,000,000	2,000,000
Nauru Sector Budget Support (VERW)		2,000,000	2,000,000
Other	2,000,000	0	0
Oceania Unspecified	500,000	804,674	804,674
Consultancies	500,000	804,674	804,674
Other	0	0	0
Papua New Guinea	97,000,000	97,000,000	97,000,000
Grants for Health Services and Tuition Fees (FCW)		82,000,000	82,000,000
Other	97,000,000	0	0
Protection of Civilians and Respect for the Law (VERW)		4,000,000	4,000,000
UN Women Markets, Economic Recovery and Livelihood Phase 2 (VERW)		6,000,000	6,000,000
World Bank Child Nutrition and Social Protection Program (VERW)		5,000,000	5,000,000
Samoa	10,000,000	10,000,000	5,000,000
Other	10,000,000	0	0
Samoa Sector Budget Support (FCW)		5,000,000	5,000,000
Samoa Sector Budget Support (VERW)		5,000,000	
Solomon Islands	10,000,000	10,000,000	10,000,000
Ministry of Education and Human Resources for School Grants (VERW)		4,000,000	4,000,000
Other	10,000,000	0	0
Solomon Islands Water Authority (AUD5m) & Solomon Airlines AUD1m (VERW)		6,000,000	6,000,000
Timor-Leste	20,000,000	20,000,000	20,000,000
Cash Transfers for Vulnerable Families (AUD6.5m) & Budget Support/PNDS (AUD13.5m) (VERW)		20,000,000	20,000,000
Other	20,000,000	0	0
Tonga	14,500,000	14,500,000	14,500,000
General Budget Support (FCW) (AUD5m) & Government of Tonga's Economic and Social Stimulus Package (AUD5m) (VERW)		10,000,000	10,000,000
Other	14,500,000	0	0
Tonga Sector Budget Support (VERW)		4,500,000	4,500,000
Tuvalu	2,000,000	2,000,000	2,000,000
Other	2,000,000	0	0
Sector Budget Support (VERW)		2,000,000	2,000,000
Vanuatu	10,000,000	10,000,000	10,000,000
Other	10,000,000	0	0
Oxfam's e-Cash Transfer Program (VERW)		3,800,000	3,800,000
School Fee Relief (VERW)		5,000,000	5,000,000
Vanuatu Tourism Office (VERW)		1,200,000	1,200,000
Total	274,000,000	274,304,674	269,304,674

Source: AidWorks and DFAT data and AFI calculations. Data as at end March 2022. Excludes South Pacific Air Connectivity Program activities.

46. **The Office of the Pacific commissioned an Independent Review to assess the progress of the package to date** – specifically focusing on its relevance, efficiency, effectiveness, and inclusion. The review is also intended to inform the design of future Australian support to the Pacific and Timor-Leste for the ongoing impacts of the pandemic, and to contribute to DFAT's broader discussion on budget

support in the Pacific.¹⁴ An overview of all the initiatives financed under the package (excluding South Pacific Air Connectivity activities) is provided in Table 1 above.

Methodology

47. **The review used a mixed methods approach.** Quantitative data was collected from a wide variety of sources including the International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), World Bank, Asian Development Bank, United Nations (UN) Agencies, partner government budgets and websites, universities, think tanks, DFAT programs and non-government organisations.¹⁵ The team also conducted an extensive review of relevant documents, including analysis by international organisations (IMF, World Bank, ADB, and the UN), DFAT-commissioned analysis, program design and investment documentation, individual program and investment planning documents, implementing partner reports and proposals, and other relevant specialist papers (e.g. on disability, and gender). More than 100 semi-structured key informant interviews and meetings were conducted, involving several hundred stakeholders.¹⁶ Due to COVID-19 constraints, the team was only able to visit Fiji, with all other countries' consultations conducted remotely.

48. **The review analysed investments and results in countries** as individual packages, and then synthesised this to form a judgement on the results of the overall package. The review was constrained by significant gaps in the socio-economic data available for the region within the timeframe of the package, limited programmatic monitoring data on the response, and difficulties in reaching stakeholders both in-person and remotely due to the ongoing impacts of the pandemic (see Annex B for further information on the limitations of the review). The Review Team's overarching conclusions are presented together with an assessment of the strength of the evidence in line with DFAT's performance assessment guidelines.¹⁷

Economic and Fiscal Context

49. **The COVID-19 pandemic has had a significant impact on the Pacific and Timor-Leste**, which for several countries followed or coincided with natural disasters and other shocks (cyclones in Vanuatu and Fiji, volcanic eruption and tsunami in Tonga, and a measles outbreak in Samoa).

Economic Impacts

50. **Despite the initial dire forecasts of the economic impacts of the pandemic, the outcomes while still significant were not catastrophic at a national level.** Every Pacific country experienced a fall in GDP in 2020 and many countries are not forecast to recover to pre-pandemic levels of per capita GDP for some time (see Figure 1 below).

51. **Forecasts by country show the volatility and variation in impacts across the region.** Fiji was the worst-hit country, suffering a 17% contraction of gross domestic product in 2020. Timor-Leste and Vanuatu also suffered significant falls in GDP at 8% and 7% respectively. Samoa saw an initial contraction of 3% in 2020. Tourism was badly affected with a collapse in the international traveller markets (see Figure 2 below). Countries with further shocks like Tonga, and countries with lower rates of vaccination like PNG and the Solomon Islands, and countries who are slower to reopen their borders, will see protracted downturns. Tuvalu, Kiribati, and Nauru experienced low or no falls in GDP

¹⁴ See Annex A: Review Terms of Reference.

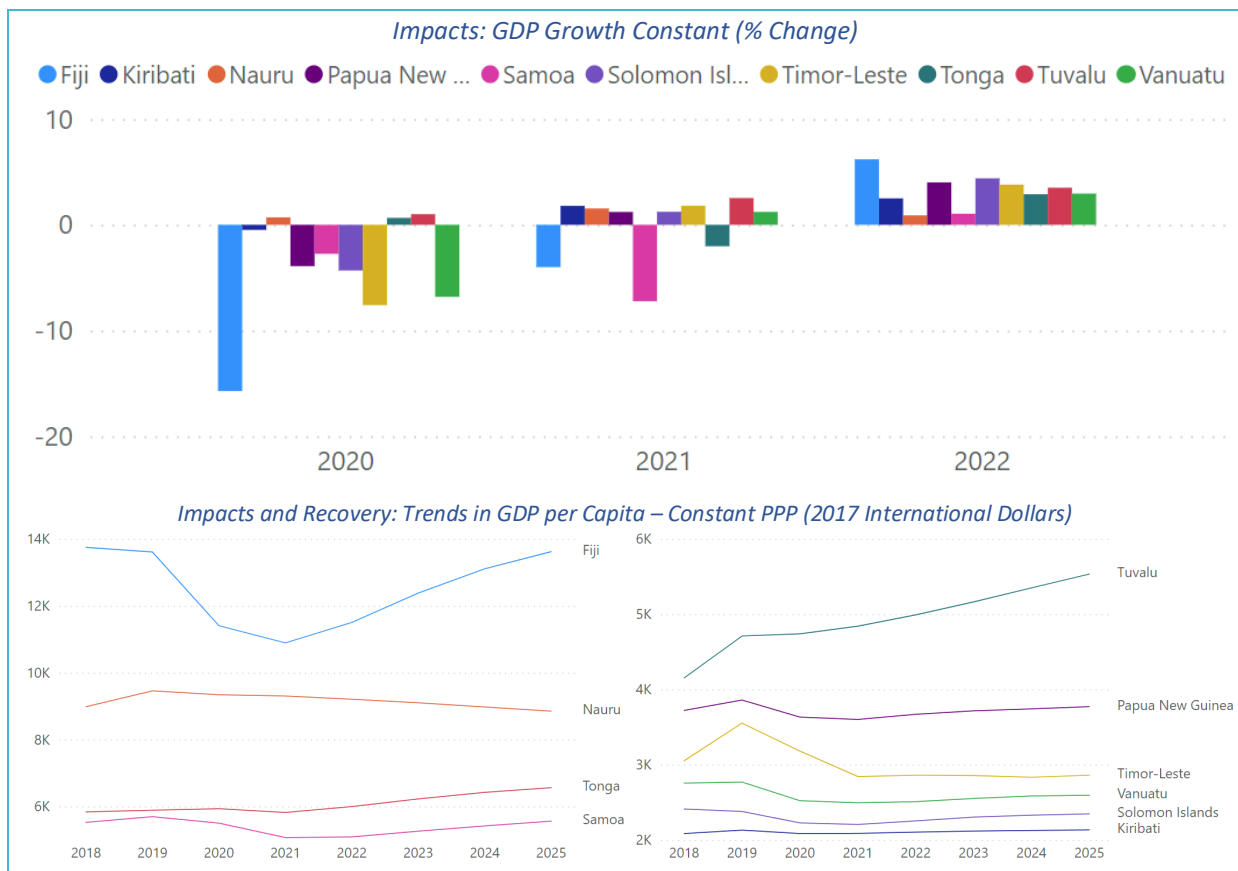
¹⁵ For completeness, this data and analysis is provided in a separate background paper.

¹⁶ A full list is included in Annex C: Record of Interviews.

¹⁷ See Annex B: Methodology and Limitations.

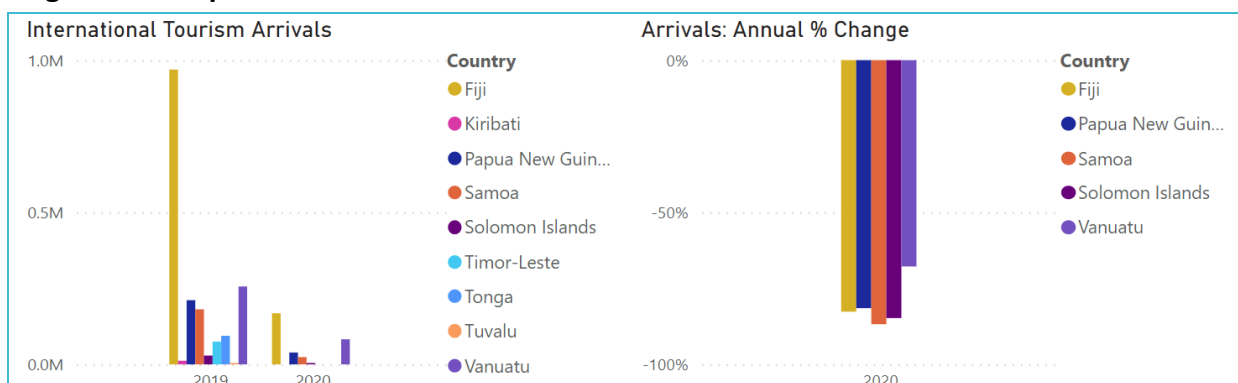
and are forecast to return to growth in 2021 and 2022. PNG's and Timor-Leste's growth paths are driven by factors unrelated to COVID-19, with current growth paths reflecting pre-COVID-19 levels.

Figure 1. Impacts on GDP and Projected Recovery Trajectories



Source: WEO October 2021.

Figure 2. Impacts on International Tourism



Source: World Development Indicators (WDI) 04/03/2022.

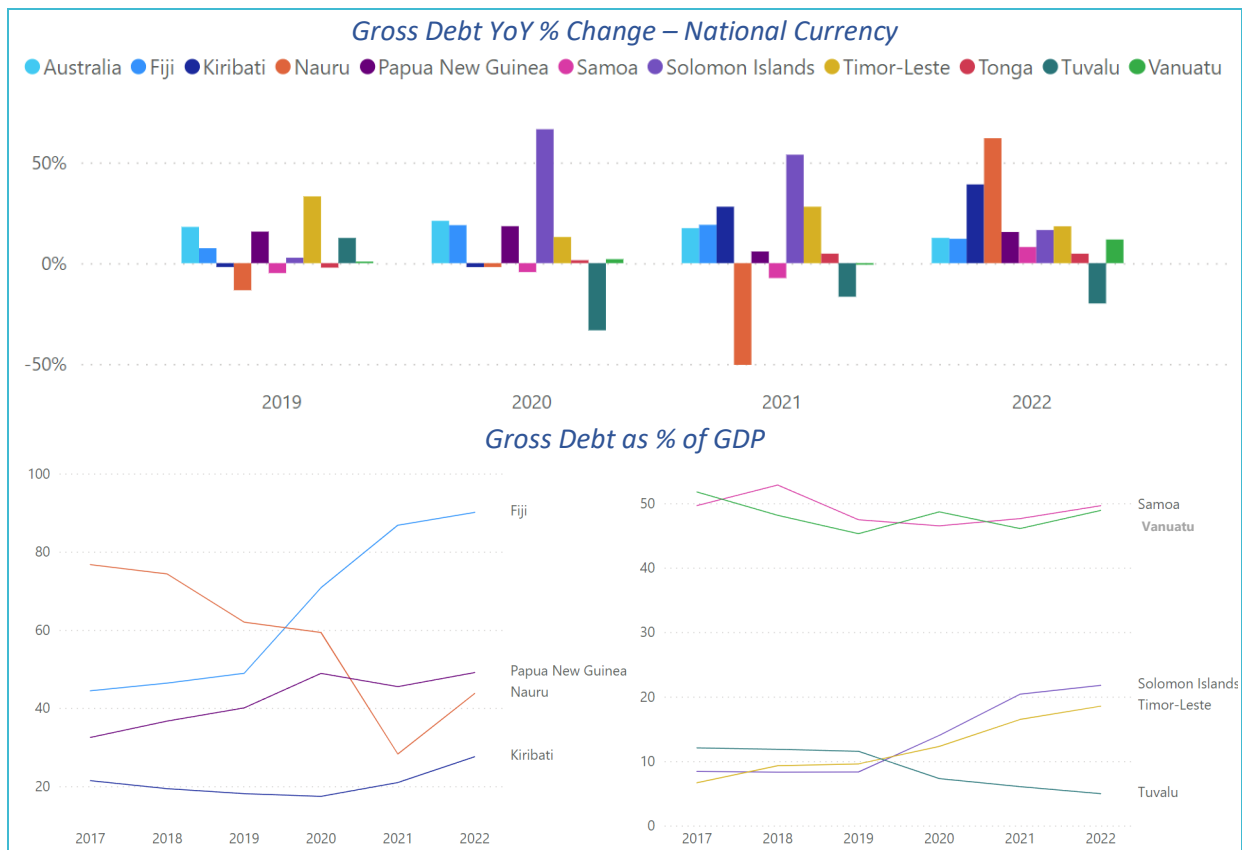
52. These forecasts presume that borders in the region (including Australia and New Zealand) reopen to international travel, there are no more unexpected shocks or natural disasters, and countries can manage community transmission of COVID-19 as they open. This means there are some significant downside risks to the outlook.

Fiscal Impacts

53. Fiscal positions have deteriorated, particularly in those countries most exposed to international tourism, with significant falls in revenue, increases in social spending and expenditure

on health and education largely maintained. The impact on fiscal balances (deficits/surpluses) was quite mixed. Kiribati and Nauru ran large fiscal surpluses. PNG has run large fiscal deficits for some time and the crisis saw Fiji and PNG doubling their deficits as a percentage of GDP. Solomon Islands had a tenfold increase in liabilities in 2020 compared to 2019, Fiji had a fourfold increase, while PNG almost doubled. Samoa, Nauru, and Kiribati all reduced liabilities in 2020.

Figure 3. Impacts on Gross Debt

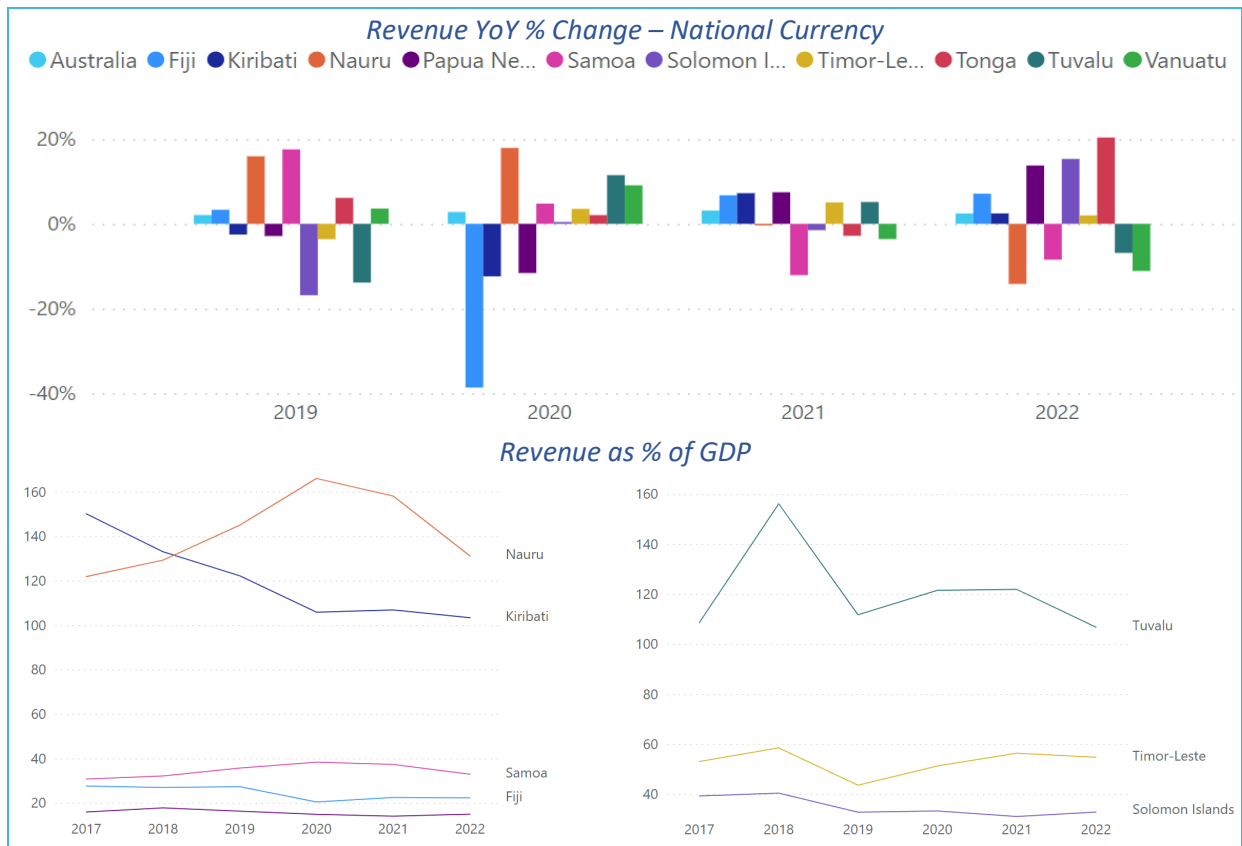


Source: WEO October 2021.

54. **IMF estimates of gross debt by country shows some countries increased their debt positions, some were stable, and others reduced their gross debt.** Fiji, PNG, and Solomon Islands increased their borrowing significantly, while for most other countries gross debt remained relatively stable. Tuvalu, Samoa, and Nauru reduced their gross debt over the period. (See Figure 3 above.)

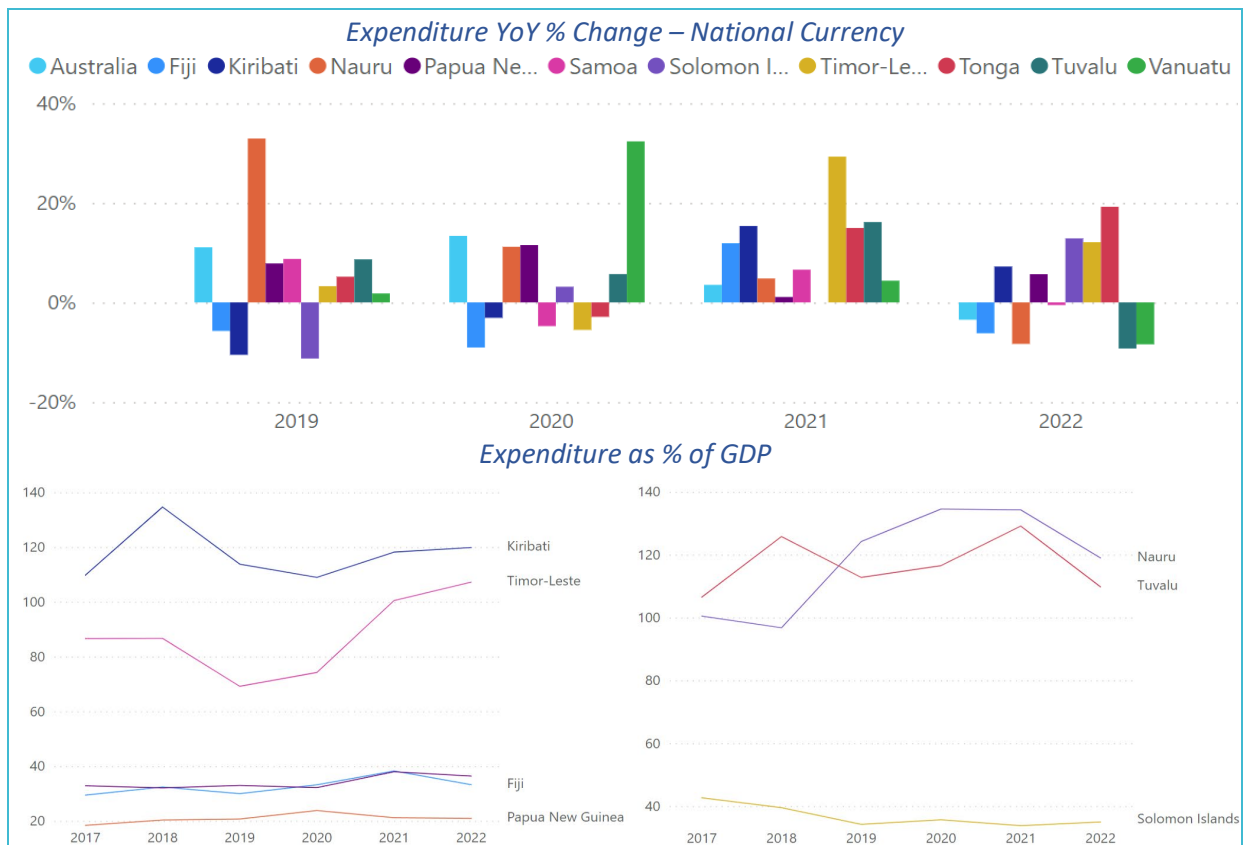
55. **Government revenues generally fell.** There was a big drop in tax revenues in 2020 for PNG, Fiji, Solomon Islands and Vanuatu. Samoa and Kiribati had stable tax revenues in 2020. The only country to record an increase in revenues was Nauru. The impact on grant revenues was mixed. There was a large drop in grant revenues in 2020 for PNG and Vanuatu, while there was a large increase in grant revenues for Solomon Islands, Fiji, Samoa, and Nauru. Data is not available yet for Timor-Leste and Tonga. Kiribati has relatively unstable grant revenues, making it hard to determine a trend. (See Figure 4 below.)

Figure 4. Impacts on Revenue



Source: WEO October 2021.

Figure 5. Impacts on Expenditure

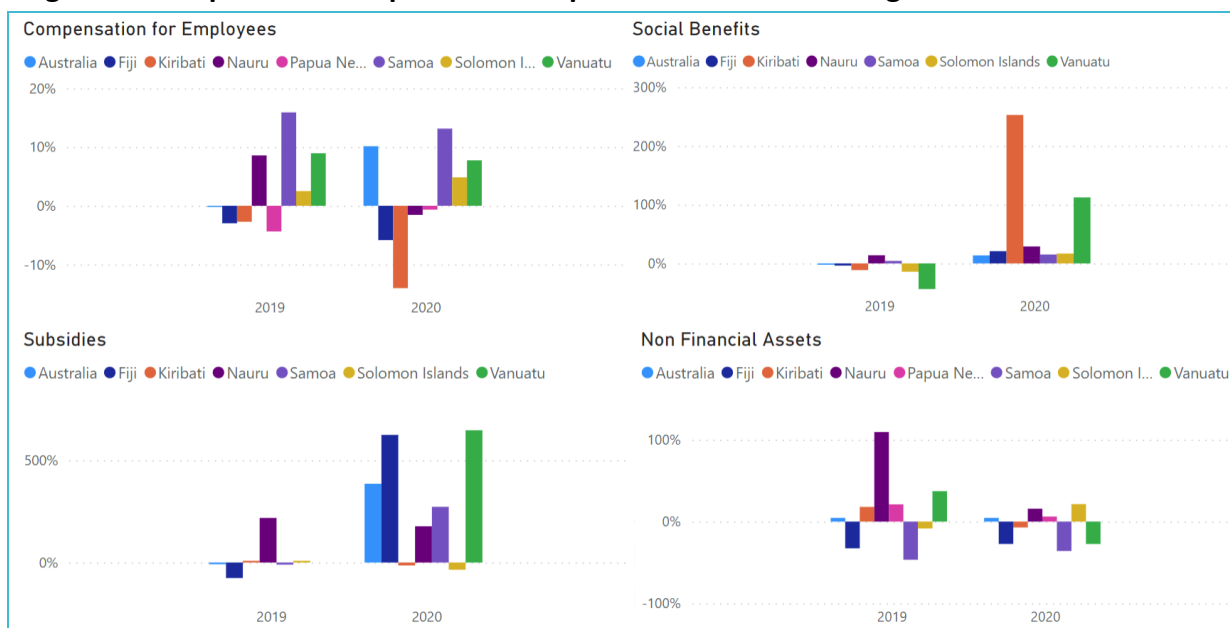


Source: WEO October 2021.

56. **Figure 5 reveals that the impact of the COVID-19 crisis on partner government expenses was mixed.** Nauru, Kiribati, Timor-Leste, and Tuvalu have the largest budgets as a percentage of GDP, reflecting low levels of diversification in their economies. There were increases in expenditures in Fiji and Kiribati, PNG, Solomon Islands, Samoa, Vanuatu, and Nauru.

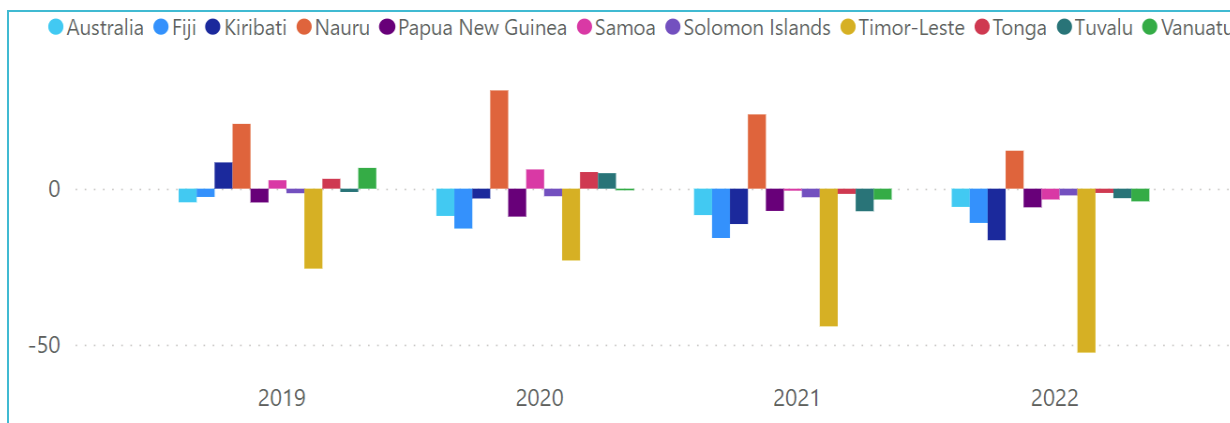
57. **The impact on components of spending was also mixed.** Kiribati and Timor-Leste spent the most on salaries as a percentage of GDP. There was a fall in salary expenditures in 2020 for Fiji, Kiribati, and Nauru, but increases in salary expenditures in PNG, Solomon Islands, Samoa, and Vanuatu. Social benefit spending went up across the region. On capital spending, Timor-Leste spent the most on non-financial assets as a percentage of GDP. There was a fall in investments in non-financial assets in 2020 for Fiji, Samoa, Vanuatu, and Kiribati, while there were increases in PNG, Solomon Islands, and Nauru. (See Figure 6.)

Figure 6. Impacts on Components of Expenditure – YoY % Change



Source: IMF GFS Database. Budgetary Central Government Sector – USD Equivalent.. PNG spending on Social Benefits went from USD0 to USD50 million in 2020. Note: Social Benefits is an economic transfer type of expenditure under GFS. It is different to Social Protection, which is a function of government (purpose). All social benefits are social protection, but not all social protection is the transfer type Social Benefits.

Figure 7. Impacts on Deficits: Net Lending/Borrowing – % of GDP



Source: WEO October 2021. Note: Timor-Leste's Net Lending/Borrowing is based on non-oil deficit methodology, where withdrawals from the sovereign wealth fund finance the deficit. The headline deficit is a lot lower when the withdrawals are recorded as grant revenues rather than a financing source.

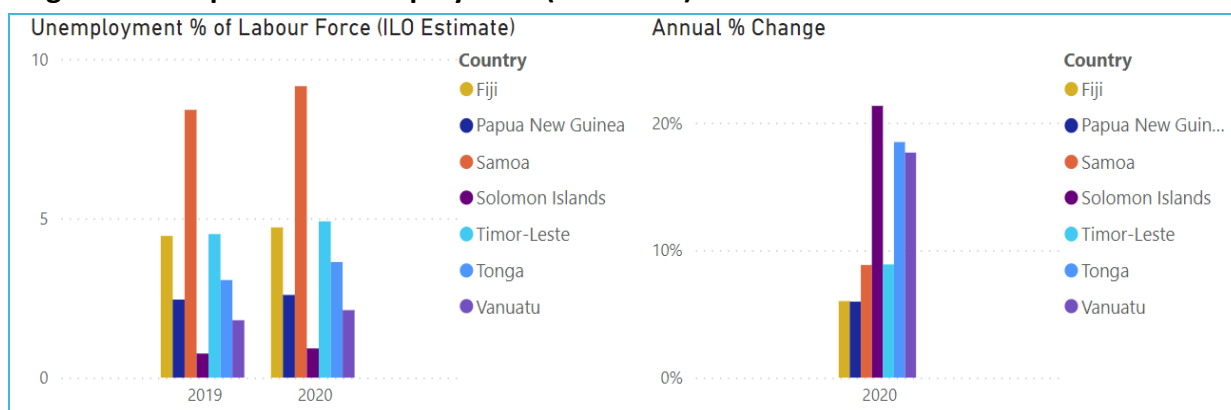
58. **On three headline indicators – growth, deficits, and gross debt – the context as the region begins to think about a recovery phase varies significantly.** The bigger economies of Fiji and PNG had falls in revenue and increases in spending that led to widening deficits and higher debt. This potentially constrains the ability of these governments to support a recovery or respond to any new shock as they face the prospect of the need for a fiscal consolidation in coming years.¹⁸

59. **Countries with sovereign wealth funds (SWFs) like Kiribati, Tuvalu, and Timor-Leste can draw down on national savings,** which raises the question of fiscal sustainability – how much will these countries have to compromise the needs of the future to offset the needs of today? Similarly, countries with other non-tax, non-SWF sources of income – Nauru (regional processing) and Vanuatu (passports) – found their fiscal positions continued the pre-COVID-19 trend of higher revenue and higher spending. These countries also face the issue of uncertain future fiscal sustainability related to the specific nature of the revenue they are using to fund their recovery and to some extent ongoing expansive fiscal policy.¹⁹

Impacts on Employment and Poverty

60. **Unemployment has increased and the impact on vulnerable workers has been significant.** Up-to-date data on unemployment is not available for the region. According to the International Labour Organization (ILO), all countries for which there is data recorded increases in unemployment from 2019 to 2020 (see Figure 8 below). The IMF shows Fiji recording a jump in unemployment from 4.5% to 13.4% from 2019 to 2021, much higher than ILO estimates. ILO data also shows that the number of workers in vulnerable work in the region are high, ranging from 30% of the labour force in Samoa and up to 78% in PNG. By this indicator the impacts on vulnerable workers from border closures and local restrictions will have been significant.²⁰ Sectors such as tourism, retail and hospitality have been badly impacted, resulting in a disproportionate impact on women who comprise a large percentage of the workforce in these sectors.

Figure 8. Impacts on Unemployment (Estimates)



Source: WDI 04/03/2022.

61. **Households are resorting to negative coping strategies.** A World Vision Rapid Assessment²¹ of 750 households in PNG, Solomon Islands, Timor-Leste, and Vanuatu between July and December

¹⁸ It is worth noting that the IMF has raised concerns about debt sustainability in Fiji. While there is agreement that a fiscal consolidation is necessary in the medium-term, there is some disagreement about the size and timing of the adjustment required. PNG has also faced significant fiscal gaps in recent years, with the PNG Government borrowing around AUD650 million to meet short-term financing needs.

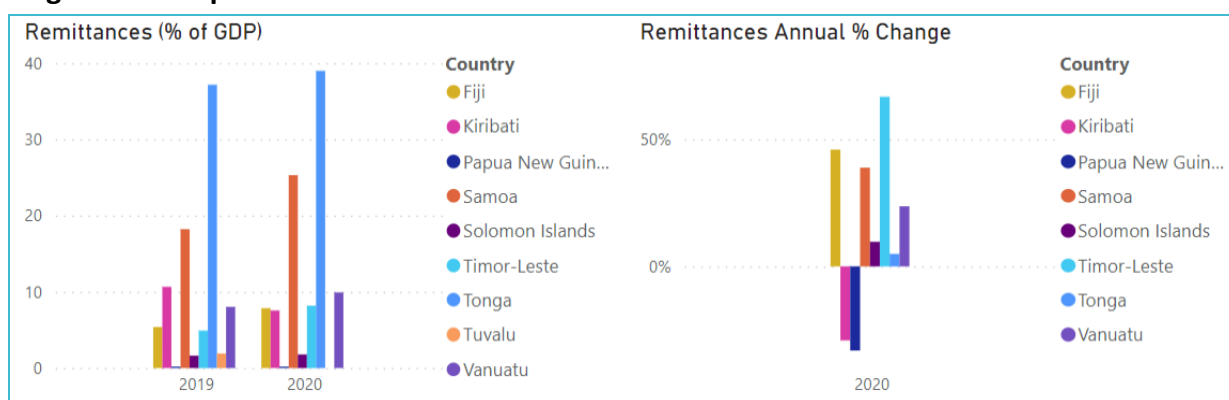
¹⁹ The EU has announced that it is reviewing the visa free status of Vanuatu passport holders, which could have significant flow-on effects for government revenue.

²⁰ [Human Development Indicators](#).

²¹ [Unmaking COVID-19 lives and livelihoods, Pacific](#).

2020 found that 60% of households had either lost jobs, lost income, or resorted to alternative sources of income. The same study found that one in five households were skipping meals or eating cheaper meals, and 14% had sent children to work to make up for lost income.

Figure 9. Impacts on Remittances



Source: WDI 04/03/2022.

62. **Poverty data for the countries targeted by the package is poor.** Information is incomplete and out of date. World Bank figures show poverty rates measured against national poverty lines range from 12.7% in Vanuatu up to 42% in Timor-Leste, with most countries with rates above 20%.²² The poorest, especially the urban poor have been hardest hit. One mitigating factor is that remittances increased in Timor-Leste, Fiji, Samoa, Vanuatu, Solomon Islands, and Tonga between 2019 and 2020 (see Figure 9 above). Tonga and Samoa have very high remittance rates at 39% and 25% of GDP respectively. Samoa started early with the Pacific Labour Mobility Program, giving it a kick start, and allowing it to achieve the biggest nominal increase in remittances in 2020.

63. **What is clear is that the pandemic has caused a permanent economic shock to countries with already modest growth trajectories,** and which have uncertain prospects for recovery. The package has assisted with immediate fiscal pressures but fiscal sustainability over the next decade or more is now much more challenging for many countries. Evidence shows that the households that were worst hit were already among the most vulnerable. The package has helped governments to protect these households through the worst of the crisis, but the extent to which they will be able to contribute to, and benefit from, recovery is less clear.

Impacts of COVID-19 on Health and Education

64. **The direct impact of the pandemic on the health of citizens has been significant but arguably less than predicted at the start of the pandemic.** However, the indirect consequences of the pandemic have significantly disrupted and stretched health service systems. Fiji, PNG, and Solomon Islands have experienced significant health impacts from COVID-19. Fiji managed to achieve high vaccination rates while PNG and Solomon Islands are still dealing with high transmission rates, low levels of vaccination, and weak health systems. Most other countries have protected their populations with strict border closures and are increasing vaccination rates for when they eventually reopen their borders and face community transmission.

65. **In response to the pandemic most countries were compelled to increase health spending, some of them quite substantially.** However, the increased budget was largely soaked up by the

²² See World Bank, 2021, World Development Indicators database. Defined as percentage of the population living below the national poverty line, which is the poverty line deemed appropriate for a country by its authorities. National estimates are based on population-weighted subgroup estimates from household surveys.

additional burden of containing the pandemic, with pressure on other health services staying the same or increasing. For instance, the 6% increase in PNG’s health budget for 2020 (compared with 2019) is less than the budgeted cost of pandemic response.²³ Also, it remains to be seen whether these increases will be sustained.²⁴ Fiji has the strongest indicators in the region, but historically spends less than 9% of the budget on health. This spending is roughly on a par with PNG, which has significantly worse health outcomes. This illustrates how, to be effective, public spending needs to occur in the context of strong health systems, minimum standards of infrastructure (especially water and sanitation), and social factors such as nutrition. Budget support alone will not overcome these structural constraints.

Table 2. COVID-19 Deaths and Vaccination Statistics

Country	Deaths	Deaths per 100,000 of population	% of population fully vaccinated
Fiji	834	93.0	70.0%
Australia	5,993	23.3	82.5%
Solomon Islands	133	19.4	17.8%
Kiribati	13	10.9	46.3%
Timor-Leste	130	9.9	42.7%*
Papua New Guinea	640	7.2	2.9%
Tonga	6	5.7	65.8%*
Vanuatu	2	0.7	27.7%
Samoa	-	-	66.0%
Upper middle income	2,550,630	105.3	49.5%
High income	1,309,859	84.7	72.0%
Lower middle income	990,961	52.3	37.4%
Low income	39,092	5.9	14.8%
Total	4,890,542	78.4	48.6%

Source: Github as at end March 2022. * Vaccination rates source for Tonga and Timor-Leste from [Mathieu, E., Ritchie, H., Ortiz-Ospina, E. et al. \(2021\). A global database of COVID-19 vaccinations. Nat Hum Behav.](#)

66. **Fiji was by far the worst affected by COVID-19 in terms of total deaths and deaths per capita** (923 deaths per million people), but it was also the quickest to get the population vaccinated, aided by its ‘no jab-no job’ policy. Timor-Leste and PNG were the next highest after Fiji for deaths per capita in 2021, but COVID-19 related deaths are rising in Solomon Islands, Samoa, and Kiribati, while Vanuatu remained relatively unscathed. (See Table 2 above.)

67. **Previous performance in administering vaccines was a good predictor of a country’s response to vaccinating against COVID-19.** Fiji, Samoa, and Tonga have relatively high COVID-19 vaccination rates of around 70%, reflecting their performance in child immunisation.²⁵ PNG has very low vaccination rates, exacerbated by vaccine hesitancy and pervasive misinformation. Solomon Islands and Vanuatu have moderately low vaccination rates. Timor-Leste’s coverage is inconsistent with past performance (50.6%).

68. **There is also evidence that pressures on health service resources have led to worsening general health outcomes.** According to UNFPA, countries are no longer reporting health data routinely even though they are still collecting it. Kiribati and Solomon Islands report there are reductions in service delivery alongside persistent incidence of tuberculosis (TB) and measles, and increased incidence of malaria.

²³ GoPNG Final Budget Outcome 2020.

²⁴ WHO. (2021). [The Global Health Observatory](#). WHO database.

²⁵ Samoa had been trending down on child immunisation rates for some years before a measles outbreak in 2018–19.

Table 3. COVID-19 Vaccination Performance for Share of People Vaccinated against COVID-19 as at 14 March 2022, Relative to Regular Immunisation Programs²⁶

Country	Average immunisation % rate 2010–2019 for DPT & measles	Performance relative to region for DPT & measles	% With complete initial protocol for COVID-19	% Partially vaccinated for COVID-19	Total %	Performance relative to region for COVID-19
Fiji	97.5	117%	69.2	6.0	75.2	149%
Tonga	98.2	118%	65.8	6.2	72.0	143%
Timor-Leste	75.6	91%	42.7	7.9	50.6	100%
Papua New Guinea	51.8	62%	2.8	0.7	3.4	7%
Solomon Islands	83.7	100%	14.3	16.3	30.5	60%
Vanuatu	81.1	97%	27.1	9.3	36.4	72%
Samoa	70.7	85%	65.1	7.8	72.9	144%
Kiribati	88.4	106%	41.5	21.5	63.0	125%
Nauru	94.7	113%	-	-	-	-
Tuvalu	93.4	112%	-	-	-	-
Region	83.5	100%	41.0	9.5	50.5	100%

Sources: WDI, 15 February 2022; and [Mathieu, E., Ritchie, H., Ortiz-Ospina, E. et al. \(2021\). A global database of COVID-19 vaccinations. *Nat Hum Behav.*](#)

69. **The prevalence of non-communicable diseases (NCDs) across the Pacific is already among the highest in the world**, so these issues all pile more pressure on health services and store up long-term risks and costs. Constraints to reproductive health services led to a sixfold increase in unintended pregnancies in Kiribati, contributing to a doubling of neonatal deaths. This trend is likely to be repeated in other countries. People living with disabilities have seen a reduction in access to services because of reduced mobility due to lockdowns, and in some countries the impact of sickness among services providers.

70. **A whole cohort of children have had their education interrupted.** The pandemic had an impact on education in places where learning outcomes were already quite poor. Many schools across the region were closed for several months. In PNG, the school closures, combined with increased tuition fees, led to children from almost half of households being pulled out of school. See also Figure 10, which reveals significant increases in adolescents not going to schools in 2020 for two of the three countries where data was available – in Tonga and Vanuatu. Global studies suggest the potentially long-lasting impacts of extended time out of class, particularly for students from low-income households.

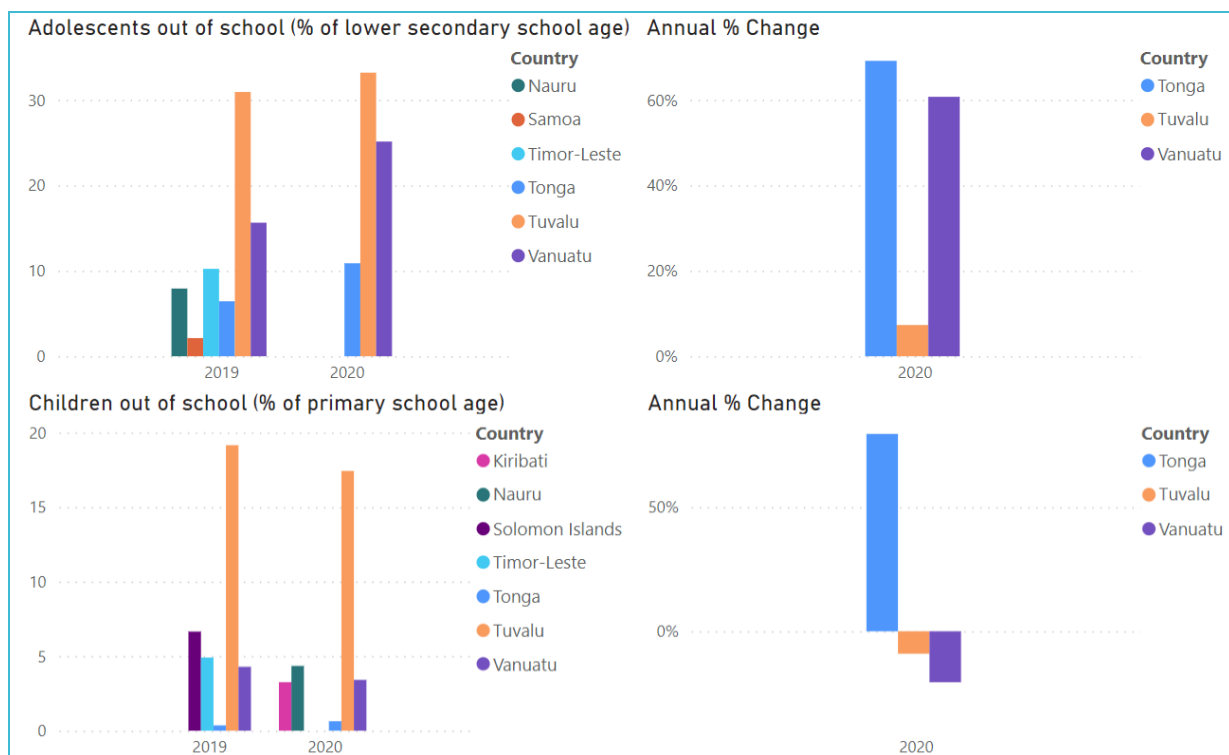
71. **Some countries attempted to move to online teaching, but the uneven access to the internet increased inequality** in education outcomes, with rural and remotely located students the most vulnerable. School closures, in addition to the impact on children’s education, have increased the childcare responsibility borne mostly by women, and further reduced their ability to engage in economic activity.

72. **The impacts on government spending in key service delivery areas were different for different countries.** Health spending was stable for the five countries with sectoral expenditure data in 2020, although Solomon Islands increased expenditure by over 10% and Kiribati decreased by

²⁶ WDI, 15 February 2022; and Mathieu, E., Ritchie, H., & Ortiz-Ospina, E. et al. (2021). A global database of COVID-19 vaccinations. *Nat Hum Behav.*

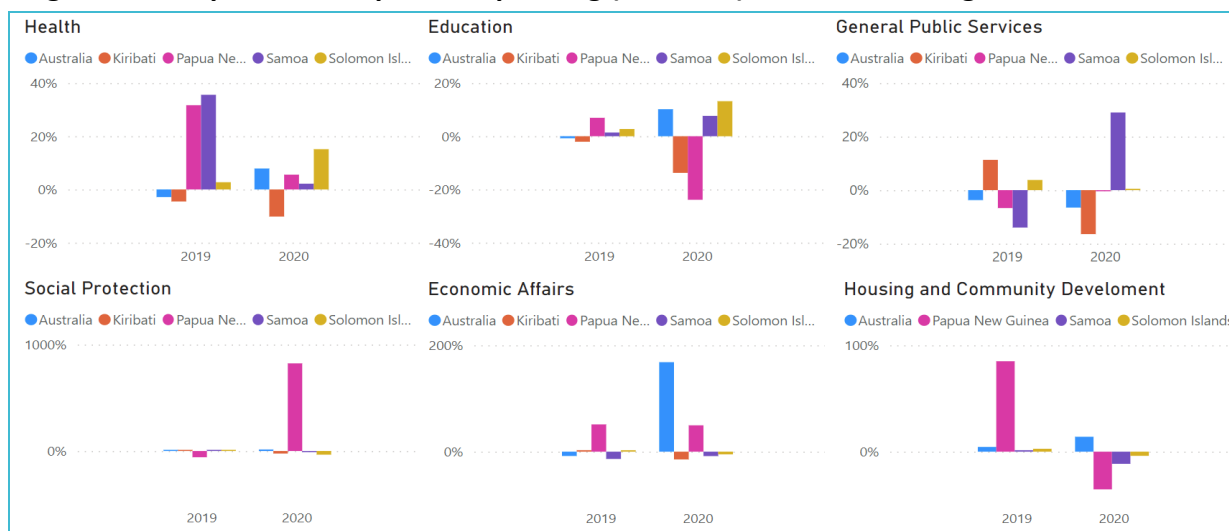
around 10%. In education, there were bigger impacts. Education expenditure fell by over 20% in PNG and over 15% in Kiribati (see Figure 11 below). Comparable fiscal data for 2020 is not yet available.

Figure 10. Impacts on Learning – Going to School



Source: WDI 04/03/2022.

Figure 11. Impacts on Purpose of Spending (Function): Annual % Change



Source: IMF GFS Database. Budgetary Central Government Sector – USD Equivalent.

Intersect of COVID-19 with Natural Disasters, Fragility, and Violence

73. **COVID-19 is not the only factor affecting households in the region.** The region is vulnerable to a range of natural disasters, such as cyclones, earthquakes, tsunamis, volcanoes, and climate change. Vanuatu and Fiji have faced a surge in internally displaced people (IDP) associated with cyclones in 2020. In Vanuatu 80,000 people were displaced, while the figure for Fiji is 37,000.²⁷ Tonga

²⁷ IDMC. (2021). *Global Report on Internal Displacement 2021*. Internal Displacement Monitoring Centre.

has been severely impacted by an undersea volcanic eruption and tsunami in early 2022. Rising sea levels cast a constant level of uncertainty and concern across many island countries in the region.

74. **The social unrest in some places has aggravated the impact of the crisis.** PNG and Solomon Islands are classified as fragile states by the OECD, based on the level of poverty, prevalence of violence, and low levels of government spending in health and education.²⁸ Fragile and conflict-affected countries are generally more vulnerable to shocks from crises and governments are poorly equipped to mitigate the impact on poorer households. Tribal violence is common in PNG, and while there is no clear evidence that COVID-19 has contributed to this, levels of community violence have not decreased, and this has complicated COVID-19 mitigation and response measures. According to the International Committee of the Red Cross (ICRC), 20 health centres and 50 schools have burned down in the highlands of PNG in recent years because of tribal conflict. Without investment in rebuilding, communities are even more vulnerable and exposed as they must access services in neighbouring, sometimes hostile villages. Furthermore, these countries suffer from low levels of trust in authority, which can be manifested in vaccine hesitancy, reluctance to report infections, and resistance to conforming with lockdown procedures.²⁹ In PNG and Solomon Islands this can be seen in the low levels of COVID-19 vaccination.

75. **Increased tension within the home has resulted in an increase in violence against women.** For example, in Fiji, calls to the national domestic violence helpline between February and April 2020 were over 500% higher than in the same period in 2019. Lockdown measures in PNG impeded women's ability to access family and sexual violence services, but while fewer women were able to attend centres, the number of phone calls to family and sexual violence-related hotlines increased. Similar anecdotal evidence of increases in violence against women can be found in countries throughout the region.

76. **Globally, COVID-19 has revealed weaknesses in every country's social protection system.** The PICs and Timor-Leste are no exception. The pandemic has clearly highlighted how each country needs a robust and scalable social protection system with coverage that can be expanded and reduced as circumstances dictate, and which can thereby provide counter-cyclical support through crises, on top of ongoing regular protection against life-course vulnerabilities. This need for a degree of shock-responsiveness was already recognised in the PICs and Timor-Leste, which are exceptionally exposed to the likelihood of shocks.

What was Provided in the Package?

77. **The package was a multi-country rather than a regional response, meaning each investment was subject to a country-level design process.** The Office of the Pacific took the lead role in designing the broad parameters of the package, then worked closely with the country teams at posts to come up with country-level investments that were consistent with the overall goals of the response. These country-level investments were described in specific country annexes to existing DFAT COVID-19 Response Plans. A Strategic Review Group with the assistance of an internal Support Unit staffed with DFAT staff and a small number of contracted specialists was established to coordinate across DFAT and monitor progress of implementation.

²⁸ [OECD. \(2020\). *States of Fragility 2020*. Paris: OECD Publishing.](#)

²⁹ UNDP. (2021). *Overcoming the Setbacks: Understanding the Impact and Implications of COVID-19 in Fragile and Conflict-affected Contexts*. Development Futures Series.

78. **Within the AUD304.7 million package, AUD274 million was allocated to the Direct Financing Component.**³⁰ Within the Direct Financing Component, there were three major activity groups including:

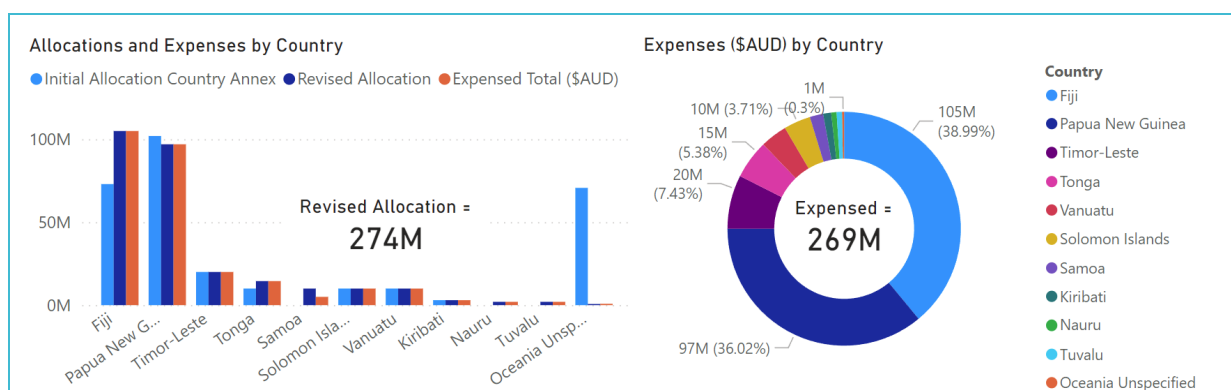
- i) Fiscal Crisis Window (FCW) AUD177 million.
- ii) Vulnerability and Economic Recovery Window (VERW) AUD96.5 million.
- iii) Response Package Support (RPS) AUD0.5 million.

79. **The Fiscal Crisis Window was designed to provide support to countries at risk of significant fiscal gaps,** where reduced revenue, increased expenditure, and pressures on debt sustainability meant the risk of a fiscal crisis were higher. The Fiscal Crisis Window was delivered as budget support, based on both broad policy settings (Fiji) and agreements to fund existing budget lines (PNG). The two main recipients under the Fiscal Crisis Window were Fiji and PNG.

80. **The Vulnerability and Economic Recovery Window was designed to meet specific, targeted needs in each country, based on the vulnerability of certain groups** and the availability of existing programs or opportunities to fund policy priorities with government support. This was provided as Sector Budget Support under individual Direct Funding Agreements (grants) and was also used to fund other partners including multilaterals, NGOs, and a small number of private sector organisations.

81. **By the end of March 2022, the package had delivered AUD269 million in support from an initial allocation of AUD304.7 million** announced at the start of the program, with AUD5 million more expected to be spent by the end of the financial year. A revised and more detailed allocation of AUD300 million was based on more detailed discussions with partners, of which AUD26 million was for the Pacific Air Connectivity activities, leaving AUD274 million for other activities. Fiji (AUD105 million), PNG (AUD97 million), and Timor-Leste (AUD20 million) received the most assistance. (See Figure 12 below.)

Figure 12. Allocations, Commitments and Expenses under the Package as at end March 2022



Source: AidWorks and AFI Calculations for Expenses and DFAT Reports for Allocations. Excludes South Pacific Air Connectivity Program.

82. **The system of planning for the level and timing of fund allocations was a flexible and iterative process.** AUD304.7 million for the Pacific COVID-19 Response Package was first announced in the 2020–21 Federal Budget on 6 October 2020 and elaborated in a set of papers known as the COVID-19 Development Response Plan and Country Annexes.³¹ The initial allocations in Figure 12 above represent the initial allocations that were published in the response plans. It is understood,

³⁰ The remaining funds were allocated to the Pacific Air Program – which is not a focus of this review.

³¹ See COVID-19 Development Response Plans, Australian Government Department of Foreign Affairs and Trade .

however, that AUD250 million was initially apportioned for the Direct Financing Component (AUD190 million in FY 2020–21, AUD60 million FY 2021–22), with up to AUD50 million for the aviation component (AUD10 million in FY 2020–21, and AUD40 million in FY 2021–22), and the remaining AUD4.7 million set aside for administration of the fund.³² Planning for use and timing of response package funds was changed a few times over 2021 as a result of active discussions with Australia’s regional partners, with the aim of being flexible and responsive to country needs and priorities. For example, in December 2020, following Cyclone Yasa, plans changed to provide an additional AUD20 million to Fiji to cover social protection payments for six months from January to July 2021, targeting 118,000 vulnerable people with income support. Allocations for the following fiscal year (FY 2021–22) were informed by various assessments of economic and financial impact and discussions with Australia’s partners in the region. This was highly appropriate given the situation.

83. **By type of aid, AUD250 million (93%) was provided (expended) as budget support**, of which AUD164.7 million (61%) was for Sector Budget Support; and AUD85 million (32%) was for General Budget Support. AUD4 million (1.5%) went to NGOs and private sector organisations. Support to protect the vulnerable received the most funding at AUD129 million (47% of expenditure under the package). Virtually all funds were committed (87%) and expended (88%) in the 2021 calendar year.³³

84. **Some funds were also channelled through multilaterals and an NGO.** AUD13 million (4%) of commitments were made to multilaterals of which there were two: UNDP (AUD6 million – 2%) and the World Bank (AUD5 million – 2%). The International Committee of the Red Cross is the only NGO that received funds directly (AUD4 million – 1.5%). Oxfam Vanuatu also received AUD3.8 million through a managing contractor to deliver e-cash payments to households through local vendors. Two development partners accounted for 69% of total expenses: Fiji – the Ministry of Economy (39% of expended funds) and the PNG Government (30%).³⁴ For most countries all funds went directly to partner governments. (See Table 4 below.)

Table 4. COVID-19 Package Channels of Delivery

Aid Channel of Delivery	Committed (AUD)	%CT Committed (AUD)	Expended (AUD)	%CT Expended (AUD)
1: PUBLIC SECTOR INSTITUTIONS	254,700,000	92.9%	249,700,000	92.7%
12: Recipient government	254,700,000	92.9%	249,700,000	92.7%
2: NON-GOVERNMENTAL ORGANISATIONS (NGOs) AND CIVIL SOCIETY	4,000,000	1.5%	4,000,000	1.5%
21: Developing country-based NGO	4,000,000	1.5%	4,000,000	1.5%
4: MULTILATERAL ORGANISATIONS	11,000,000	4.0%	11,000,000	4.1%
41: Other multilateral institution	6,000,000	2.2%	6,000,000	2.2%
44: World Bank Group (WB)	5,000,000	1.8%	5,000,000	1.9%
6: Private sector institution	4,604,674	1.7%	4,604,674	1.7%
61: Private sector in provider country	4,604,674	1.7%	4,604,674	1.7%
Total	274,304,674	100.0%	269,304,674	100.0%

Source: AidWorks. Excludes South Pacific Air Connectivity Program activities.

Findings

85. **The following section summarises findings** across the entire package, with examples provided for PNG, Fiji, and Timor-Leste in Annex D: Selected Country-Level Summaries.

³² Not Official Development Assistance (ODA).

³³ Some funds were disbursed to Fiji in 2020, while funds for Samoa were delayed due to the election of a new government in 2021. The revised package for Samoa has been agreed and funds should be disbursed in the first half of 2022.

³⁴ Of the latter, AUD21.5 million was channelled to the Christian Health Services. See p.45 of [PNG MYEFO 2021](#).

Strategic Intent

86. The strategic intent of the package was to: *'Contribute to a stable, prosperous, and secure Pacific in the wake of COVID-19 in which Australia's relationships and reputation with PICs as an economic partner of choice are enhanced.'*

87. **The review finds that there is adequate evidence that the package contributed to a stable, prosperous, and secure Pacific.** This was primarily using budget support to ensure the continuation of health and education services and to provide income support to those deprived of their livelihoods. This in part helped to defuse tensions that could have led to unrest and instability, making the environment for a post-COVID-19 recovery more uncertain. Alongside this, other more targeted interventions under the package contributed to ensuring protection and inclusion of vulnerable groups. See the outcomes section below for further information. The package made an important contribution, in combination with other significant efforts by the Australian Government at delivering vaccines, supporting health systems directly (through bilateral assistance and AUSMAT), and pivoting existing bilateral programs to address the impacts of the pandemic.

88. **The review also finds there is adequate evidence that the package strengthened Australia's relationships and reputation with PICs as an economic partner of choice.** Australia's response was timely, targeted, and appreciated by its partners, and resulted in significant improvements in the nature and strength of several bilateral engagements.

89. **The context in Samoa highlights the political risk sometimes attached to budget support,** with an election returning a new government in 2021, only for the election to be disputed and then finally the new government adopting quite different policy priorities to its predecessor. The decision to delay finalising the budget support until early 2022 was sensible and, given Samoa is just experiencing its first cases of COVID-19, is likely to be timely.

Key Review Questions

How Relevant was the COVID-19 Response Package for the Pacific and Timor-Leste?

90. **There is strong evidence that the package was highly relevant** as a response to the impact of the pandemic in the region.

91. **By allocating almost half the package to protect vulnerable people, groups, and businesses, social assistance transfers** offset lost income from the economic impact of the pandemic, direct funds to vulnerable households, thus underpinning aggregate demand and stimulating the economy. As Figure 13 below shows, the package was material for all countries, except Nauru and Kiribati, as a proportion of Social Benefits.

92. **At the time the package was approved the key risks identified were falling government revenue leading to falling spending on frontline services,** including health and education, and an inability for the authorities to provide additional social spending to support those people, households, and businesses most effected by the pandemic. The package provided timely support in 2021 at the height of the crisis to address this risk by backstopping the fiscal position of the partner countries creating fiscal confidence.

93. **The importance of the package was the greatest in Fiji in terms of the biggest increase in Australian aid,** followed by Tonga with the highest proportion of revenue and highest proportion of

expenditure.³⁵ In terms of increased budget support to recipient governments, the importance of the package was greatest in Kiribati (281%), followed by PNG (129%), and Tonga (160%). In terms of Social Benefits payments, the support was worth around 130% of 2019 government spending for Vanuatu, 120% in Solomon Islands, 63% in Tonga, and 60% in Fiji. The package was less relevant in countries with no fiscal gap (those with existing sovereign wealth funds or alternative sources of revenue that are not impacted by the pandemic) but should also be viewed as bolstering sustainability by lowering the amount of national savings these countries will need to draw on because of the pandemic. Given the relatively low growth profile of the entire region, this is important as it provides a better starting point for the recovery phase for most countries.

94. **The aid modality of budget support also enabled a rapid disbursement of funds from DFAT to partner governments and provided important flexibility in their budgets** to respond to the local context as the impacts of the pandemic changed over time. This modality, and the need for quick disbursement, was, however, less conducive to realising the strong commitment to gender equality and social inclusion envisioned in the design. Some of the resources were also channelled through multilaterals or NGOs. These resources were used to design, pilot, or scale up initiatives³⁶ that otherwise may not have happened, but which have provided important lessons for future programming.

³⁵ Fiji's allocations represented 169% of all bilateral Australian aid provided in 2019. The second highest was Tonga at 36%, then Samoa at 28%, and Timor-Leste at 26%. From a revenue perspective, the package funds are most important to Fiji, as they represent 5% of all government revenues and 6% of all tax revenues received in 2019. Tonga and Samoa were the next highest in terms of total revenue at 3%. The lowest was 1% for Kiribati. From an expenditure perspective, COVID-19 funds are most important to Fiji, as they represent 5% of all government expenditures and 60% of all social benefits payments made in 2019. Tonga (4%) and Samoa (3%) were the next highest. The lowest was 1% for Timor-Leste.

³⁶ For example, the design of the Women and Children Nutrition program by World Bank in PNG, UN Women's Markets and Economic Recovery Initiative, and the ICRC program also in PNG, as well as the UnBlocked Cash transfer program implemented by Oxfam in Vanuatu.

Figure 13. Allocations to Fiscal Aggregates 2019–20 (Relevance of Funding)

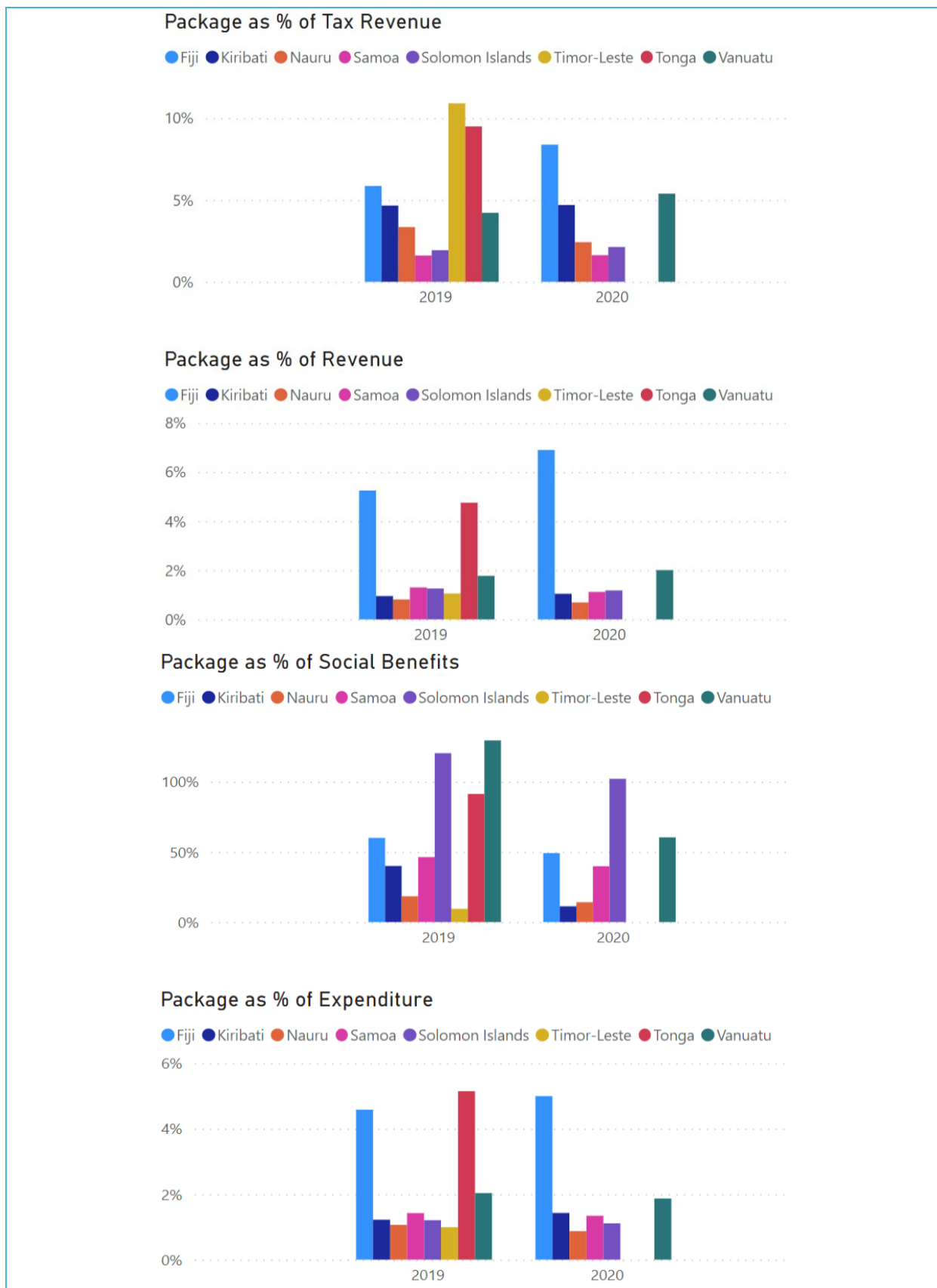


Figure shows the total amount of package funding for a country as a % of a fiscal comparator aggregate for 2019 and 2020. The year 2019 is included, as data for 2020 is not complete (missing Timor-Leste and Tonga). Source: AFI Estimates: drawn from DFAT AidWorks and GFS Database. Note: Social Benefits is a type of transfer and not the same as social benefits, which is a purpose of spending classification.

How Efficient was the COVID-19 Response Package for the Pacific and Timor-Leste?

95. **There is adequate evidence that the package was efficient.** Using the modality of budget support enabled most of the funds to be mobilised quickly by DFAT and disbursed in 2021.

96. **This represents a huge effort to mobilise these additional funds,** with the negotiation of 10 country-level packages and the approval of Direct Funding Agreements, and in some cases new or revised grant agreements with other implementing partners. Of particular note was that this was achieved during a period of high workloads and significant restrictions on staff. Many posts reported difficulties with lockdowns, posted staff being sent home to Australia, international technical advisers relocating to their home countries and working remotely, increased stress and work at home due to school closures, locally-engaged staff facing restricted movements, and posts responding on other fronts including to pandemic-induced health crises. As an example, when the Review Team were discussing a visit to PNG the post had nearly 80% of Australia-based staff either isolating or infected with COVID-19. The difficulty of the operating environment cannot be overstated.

97. **OTP in Canberra, with support from other areas across DFAT, provided considerable support in the development of the packages in each country,** including getting approvals in place to allow the funds to be disbursed. Most posts reported that the efforts of the Canberra team were highly appreciated and that the package could not have worked without this support. From multiple interviews in Canberra and with posts, the presence of in-house capacity to design, negotiate, and implement budget support investments within DFAT Canberra played a significant role in the efficiency of the package.

98. **A lot of work had gone into laying a foundation for budget support in the region, but was more advanced in some countries than others.** Interviews with the OTP Economics Group, the Economic Policy and Partnerships Section, and the Office of the Chief Economist, as well as former and current dedicated country economists made this clear. Australia had participated in budget support operations in several countries in the Pacific over several years (including in Kiribati, Samoa, and Tuvalu) and had actively put in place the necessary tools and frameworks to prepare for both General and Sector Budget Support operations in Fiji. In other countries like Timor-Leste there was no foundation in place (an ANS was planned but not completed), budget support had not been used since 2015, and existing technical advisers did not have the required experience to support the post, making the task of negotiating the direct funding agreement more difficult.

99. **The establishment of the Support Unit in Canberra was intended to fill some of the key skills gaps but was arguably less effective than it could have been** due to an inability to source people and skills to fill some roles. The Support Unit was established to fill resource, capacity, and skills gaps, especially on M&E and GEDSI. This was less effective than intended, as despite considerable efforts appropriate gender advice was not available after two rounds of recruitment failed to identify a Gender Economist³⁷, the M&E framework was never fully implemented, and the disability inclusion expertise was engaged late in the process and found themselves in unfamiliar territory dealing with discussions on budget support.

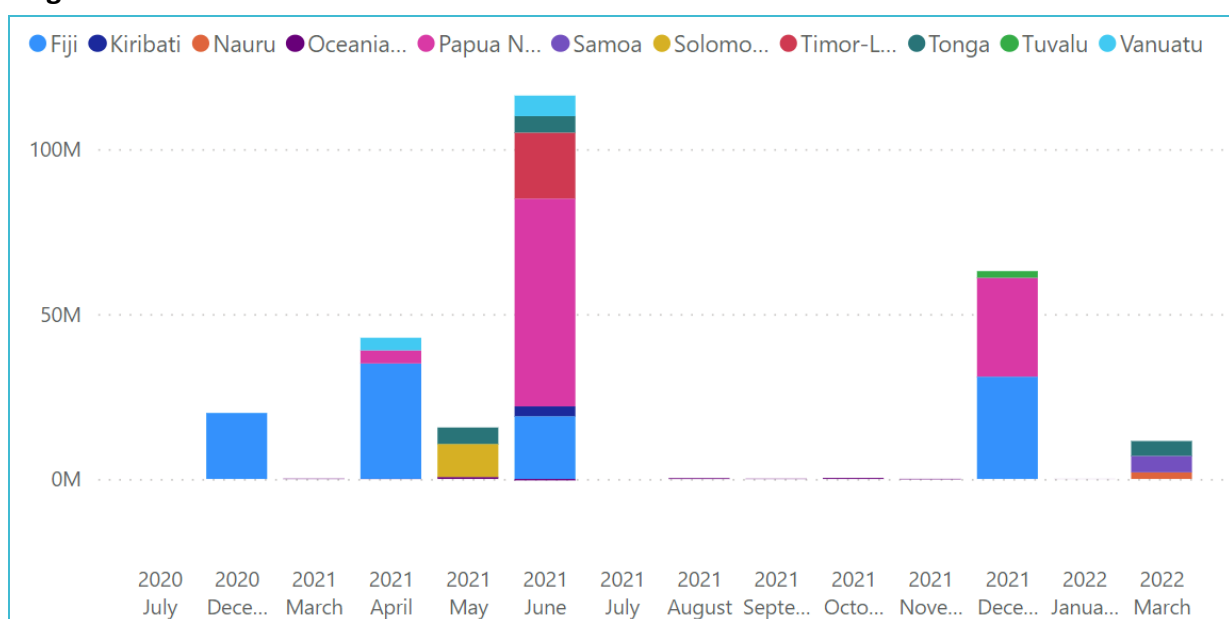
100. **While the package was being designed and delivered, posts were also busy pivoting their broader resources to respond to the crisis.** In some instances, relevant parts of bilateral programs were not sufficiently included in the design of the package and the subsequent engagement with government (i.e. there was fragmentation of efforts between Canberra and posts, and in some

³⁷ The gender strategy for the package prepared by the Support Unit, was not approved until more than 70% of funds had been disbursed.

instances within posts or between posts and their technical support facilities). Given the one-off nature of the package this was not a critical problem but will need to be addressed for future budget support operations.

101. **The package was timely, with almost all funds committed and expended in the 2021 calendar year** (see Figure 14 below). Fiji, which was hit the hardest, received funds in late 2020 as Sector Budget Support and then further funds in April, June, and December of 2021. The largest disbursements of funds under the package came at the end of the Australian financial year in June 2021. Given the package was not approved until January 2021, efforts to disburse funds prior to the end of the 2020–21 fiscal year are commendable. The only countries not to receive funding were Samoa, due to delays in reaching an agreement after the election of a new government in 2021³⁸, and Nauru, where there were already significant underspends in the bilateral development assistance budget.

Figure 14. Timeline of Disbursements



Source: DFAT, AidWorks 2022 and AFI calculations. Excludes funding for the Aid Connectivity Program.

102. **Efficiency of aid is also affected by how well it can be absorbed by the receiver – i.e. absorptive capacity.** Too much aid overall or too much aid in a particular area can often stretch a partner government’s ability to use the aid efficiently and can introduce perverse incentives. Indicators of absorptive capacity include aid to GDP, aid per capita, and aid to government expenditure and to components of expenditure. The way aid is delivered can also affect absorptive capacity. Budget support should generally have higher absorptive capacity than project-based assistance if structured well to reduce transaction costs, duplications, and burdens on recipient governments, albeit at potentially higher fiduciary risks.

103. **Allocations under the package were generally found to be based on need as well as absorptive capacity.** That is, the largest allocations went where they were most needed (Fiji and PNG), and where they could be used for existing programs and to sustain existing frontline services and/or existing social protection programs (Vanuatu and Timor-Leste). The FCW was used for the countries

³⁸ A revised package has been agreed and direct funding will be provided to Samoa in the 2021–22 FY.

with the biggest fiscal gaps and the VERW was used to target specific priorities and to ensure the package provided some assistance to all countries proportional to their needs.

Table 5. Absorptive Capacity Indicators: Aid to GDP and Aid Per Capita

Year_Gregorian Country	2018				2019			
	USD_Disbursed _ODA_Sc	ODA over GDP	ODA over Population	ODA to Govt Exp (MAB)	USD_Disbursed _ODA_Sc	ODA over GDP	ODA over Population	ODA to Govt Exp (MAB)
Fiji	163,268,606	2.9%	185	9.38%	149,250,524	2.7%	168	9.37%
Kiribati	80,377,516	40.2%	694	11.89%	57,641,558	30.6%	490	6.61%
Nauru	37,970,434	30.6%	3,556	8.67%	54,347,054	45.8%	5,049	10.39%
Papua New Guinea	1,121,420,814	4.7%	130	22.89%	965,162,845	3.9%	110	18.13%
Samoa	144,562,028	17.6%	737	12.36%	136,004,165	16.0%	690	11.87%
Solomon Islands	215,670,804	13.7%	330	38.35%	305,635,107	19.5%	456	53.01%
Timor-Leste	236,322,270	14.9%	186	3.87%	253,115,970	12.4%	196	3.81%
Tonga	102,692,889	21.0%	995	53.94%	110,910,001	21.6%	1,061	56.63%
Tuvalu	27,818,142	65.3%	2,418		36,904,313	78.1%	3,166	
Vanuatu	135,635,140	14.8%	463	46.23%	135,616,313	14.5%	452	39.69%
Total	2,265,738,643	6.4%	187	14.09%	2,204,587,850	6.0%	178	12.81%

Source: AFI calculations from OECD DAC CRS, WDI and IMF GFS Database (Major Aggregates and Balances – MAB). All sources of aid channels.

104. **These conclusions were partly informed by using aid to government expenditure rates to assess absorptive capacity.** Samoa, Tonga, and Kiribati, for example, have relatively low absorptive capacity³⁹ and high aid dependency ratios at around 50% of official aid to government spending. This correlates to delays in disbursements (Tuvalu and Samoa) and underspends (Kiribati) and aligns with decisions to keep allocations quite modest (Tuvalu) and not to rush agreements (Samoa). Nauru fluctuates within the 25% to 40% range of aid to government spending and significant underspends were already present when the package was designed and again correlated to delays in disbursement.

105. **Solomon Islands has over time fluctuated between 126% and 33% of aid to government spending** and there were clear indications that the decision to keep the support for Solomon Islands to a relatively modest allocation under the package compared to existing ODA was at least in part related to absorptive capacity, given issues with existing support. Timor-Leste and PNG have low-to-moderate aid dependency rates of around 20% of government spending and had relatively little difficulty in absorbing funds under the package, despite them being relatively large amounts.

106. **Fiji had the lowest levels of aid to expenditure rates over the period between 2010 and 2019, with around 10% of official aid to government spending,** indicating significant capacity to absorb more aid efficiently without creating perverse incentives to become aid dependent, or to crowd out efficient government spending and private sector entrepreneurial spirit. This proved to be correct, with Australia allocating additional funds to Fiji during the implementation phase of the package. (See Table 5 and Figure 15 below.)

107. **Interestingly, three countries, Tonga, Vanuatu, and Solomon Islands, all have low aid to GDP ratios but have high aid to government spending ratios,** presenting conflicting measures of aid dependency. One way to interpret this is that these countries are not economically aid dependent, but they are fiscally aid dependent. This makes aid more politically important than economically. It also demonstrates one form of allocative efficiency achieved by the package – where funds have been

³⁹ Analysis of aid, macro-economic, and budget data shows there is variability in terms of aid dependency in the countries supported by the package. Highly aid-dependent countries on a percentage of GDP basis are Tuvalu, Kiribati, and Nauru, with aid to GDP levels above 30%. Tuvalu is heavily aid-dependent at levels that can exceed 100% of GDP. Countries with potential absorptive capacity to use more aid efficiently based on aid to GDP levels are PNG, Timor-Leste, Samoa, Vanuatu, and Solomon Islands.

allocated to areas that are more likely to have the biggest impact rather than where they might be used for more political outcomes. Larger amounts were allocated to countries with relatively high absorptive capacity/low aid dependency, while the fiscally aid dependent countries, where inefficiency risks of too much on-budget assistance is higher (e.g. Tonga, Vanuatu, and Solomon Islands), received lower allocations under the package.⁴⁰ It is important not to draw too many conclusions from this analysis, but it shows that the package was effective on a number of measures related to absorptive capacity and likely impact.

Figure 15. Absorptive Capacity Indicators: Aid as % of Government Spending in a Sector (COFOG)



Source: AFI calculations from OECD DAC CRS and IMF GFS COFOG Database – COFOG

108. **In terms of using budget support as a modality for delivering development assistance**, the package moved against global and regional trends. Budget support to all the countries as reported to OECD DAC CRS in 2019 was a small fraction (3%) of aid channelled through recipient governments, and half that for all aid (1.6%). There has been a steady decline in budget support to COVID-19 Response Package countries since 2010, falling by around 70% over the last decade from USD113.1 million in 2011 to USD34.5 million in 2019. The actions taken in 2020 reversed that trend. The impact of the choice to employ budget support on risk (both fiduciary and development) is not yet known but is important to monitor in the next period. There is little evidence that delivering aid in-kind rather than using partner government systems has had any impact on reducing risk for donors or their partner governments, so the package represents a good opportunity to compare outcomes over the next year or two and for a future combination of budget support and targeted technical assistance to improve efficiency and explicitly target lower risks in partner government systems.

109. **The decision to use existing funding mechanisms through joint policy frameworks with the multilateral development banks**, or for new investments to target areas where the bilateral programs were already operating, was sensible. Most of the budget support was delivered as Sector Budget

⁴⁰ Although basing an assessment on how much aid is under a recipient government's control might be a politically sensitive indicator of absorptive capacity.

Support, negotiated with government counterparts with whom DFAT had existing relationships and were already engaged in policy dialogue. Otherwise, it was delivered as General Budget Support linked to joint policy work with multilateral development banks and other key donors. Where Sector Budget Support was used, in some cases it was earmarked to agreed line items, for instance for healthcare staff salaries, or tuition fee subsidies.

110. **The modality of budget support that was used for the bulk of the package, however, was less conducive to achieving GEDSI outcomes.** The intent and commitment to GEDSI outcomes are clearly articulated in the design and expressed in interviews with OTP staff, who recognise that it was not fully achieved. The reality of the crisis response context and the main mode of the delivery through budget support, made this a particular challenge. Disaggregated data was not available to carry out more detailed gender and vulnerability analysis of crisis impacts. Speed of delivery was important to ensure continuity of services, but this also meant that there was limited time to undertake the kind of planning or negotiation necessary to ensure greater responsiveness to the specific needs of women, people living with disabilities, and the most vulnerable members of society. There was little room for using budget support to incentivise change or reform systems to be more inclusive. Initiatives to promote gender responsive budgeting (GRB) were largely ineffective in a crisis response situation.

111. **Overhead costs were very low at less than 1% of total funding, meaning over 99% of funds reached their first point destination.** On the face of it, that appears to make the program extremely efficient. The counter argument is that this was a false economy: there were not enough resources (money and people) dedicated to coordination, support, and performance monitoring. Budget support can be an extremely efficient way to provide development assistance when compared with a facility or program delivered by a managing contractor, but it is important to compare the same things. Budget support still requires technical assistance in a different form and with different skills unless the relationship is extremely mature. Technical assistance (TA) could be required to help ensure prior actions are achieved, or to assess outcomes from previous budget support investments, or to provide ongoing advice on risks. The review concludes that while in many cases these sorts of inputs could be accessed by posts, the dedicated resources for the oversight and coordination of the package were low, not because of a lack of budget, but due to a lack of available people with the right skills willing to take on key roles.

How Effective was the COVID-19 Response Package for the Pacific and Timor-Leste?

112. **There is adequate evidence that the package was at least partially effective.** There are, however, significant constraints to judging the effectiveness of the package. Many country-level investments are still being implemented and there are lags in data. Most of the package was delivered as budget support, making specific attribution of outcomes to Australian investments impossible. In addition, the package's intended outcomes, as described in its program logic, were highly ambitious for a short-term budget support program implemented during a global pandemic.⁴¹

113. **That said, the review judges that the primary aim of the package to help cushion the fiscal and socio-economic impacts of COVID-19 was achieved.** The size of support was significant in providing much needed fiscal space to the countries in a time of great need. Consequently, despite

⁴¹ For example, the results chain in the M&E framework includes intended outcomes such as: changes in the inclusion and sustainability of central agency fiscal management; women-led informal businesses are better prepared to recover post-COVID-19; and individuals and households benefit from social protection programs.

the significant shock to GDP, most countries are projected to return to pre-COVID-19 per capita GDP levels in the next few years and resume their historical growth trajectory.⁴²

114. Other goals to help protect vulnerable people including children were at least partially achieved. Increases are being seen in government expenditures on social protection spending and establishment of new social protection mechanisms. These provide benefits to specific vulnerable groups (such as in Fiji, Samoa, Nauru, Tonga, and Kiribati), or expand their coverage to be near-universal (such as Timor-Leste and Tuvalu). It is too early to tell whether this expanded coverage will be sustained. Ongoing support from donors may be required to consolidate these promising foundations for social protection policy development.

115. The intention of shielding health and education services from the impact of COVID-19 was partially achieved. The package had an important but narrow scope of what it was trying to achieve with service delivery: maintain funding at pre-crisis levels, ensure frontline staff got paid and facilities remained open, rather than trying to improve the timeliness or quality of services. In most cases, health and education were underfunded, and often poor quality, with some services inaccessible to certain sub-populations prior to the pandemic. COVID-19 had the impact of crowding out routine health services and putting strain on schools with lockdowns and travel restrictions. This means the package was not intended to make services better; it was a frontline service ‘shielding’ exercise. In that context the package was relatively effective.

116. The package, despite some of the constraints noted above did help mitigate crisis impacts on women, people living with disabilities, and the most vulnerable, largely through social assistance programs. However, there was relatively little done to incentivise gender equality outcomes or bolster the gender focus in budget support, as had been envisioned in the design. The only efforts visible to the Review Team to mitigate potential risks of increased violence against women in social protection programs was seen in NGO-implemented programs. There is little evidence that efforts were made to make changes to improve gender equality or to challenge gender norms and roles that may have been reinforced as a result of the crisis, and responses such as men’s breadwinner roles, and women’s domestic roles at home. In hindsight, the ambition articulated in the design could be said to be overly ambitious in a crisis response when the appropriate groundwork had not been done. Integrating gender equality and disability inclusion more centrally into ongoing budget support and policy reform engagement would ensure better preparation for design of future emergency responses.

117. Country-level stakeholders representing women and people living with disabilities were (in general) not consulted during design or implementation of the package. There was an expectation that this would happen and that it would help to provide input on the realities of vulnerable people’s experiences and help to design responses that would be more tailored their needs. Moreover, it would provide an entry point for them to engage in broader dialogue on COVID-19 responses. Peak bodies and CSOs interviewed indicated that core funding by governments fell as the pandemic hit, with the expectation that donors would ‘pick up the slack’. Donors did provide some additional core support to some organisations, but the general feedback was that civil society groups were excluded from the discussion about policy responses to the crisis.

Program Outcomes

118. The design framework set out two end-of-program outcomes:

⁴² IMF WEO 2021 – however, these projections assume no further shocks and borders in the region reopening. There are significant downside risks to these projections.

1. Vulnerable people benefit from more inclusive recovery in eligible countries.
2. Australian support mitigates the impact of fiscal shortfalls resulting from the COVID-19 crisis on PIC and the Timor-Leste Governments and helps position them for economic and fiscal recovery.

EOPO1: Vulnerable people benefit from more inclusive recovery in eligible countries

119. **It is too early to form a clear judgement on this outcome, as for many countries the recovery is only just beginning or has yet to start.** Indeed, in some countries the health impacts of COVID-19 are yet to be felt. There is evidence in most countries that the impact of the pandemic hurt different sections of the economy in different ways and that existing inequalities were made worse. Those in the informal sector, exposed to tourism downturns, and without access to formal support or savings were much more adversely affected and will be the last to see their livelihoods and standards of living return to pre-pandemic levels. It might have been more realistic to say the outcome was to mitigate the impacts on vulnerable people in the short run.

120. **There is strong evidence that governments throughout the region have begun to recognise that vulnerability extends to a much higher proportion of the population** than were covered by their previous social protection interventions. All countries (except the Solomon Islands) have implemented expansions of social assistance as a response to COVID-19 (many with direct Australian support). While there is still scope for substantial increases in coverage, transfer values and efficiency of implementation in many countries, there has been a general acknowledgment of the need for broader social protection and more robust delivery systems. If such commitments are maintained, there will be a better platform in place to ensure that recovery is inclusive.

121. **While the package is relatively small as a proportion of the overall needs of the region,** the significant focus by Australia on access to and take-up of social protection options during the crisis has played a positive role. Australia has been working on social protection in the region for some time, seeking increased engagement and establishing the Partnerships for Social Protection to make dedicated expertise more available to partners. The emphasis in the package under EOPO 1 on a more inclusive recovery is clearly intended to maximise the potential for policy leverage from the increased budget support but is possibly beyond the scope of a one-off package of this nature. Some interventions have more potential to go beyond reaching targeted beneficiaries, including funds provided under the package in Fiji where existing programs were expanded and new technologies/innovations were employed, and in Timor-Leste where the work on a new household payment to pregnant women and mothers of young children has the potential for very long-term impacts.

122. **Social protection coverage increased in a number of countries** (e.g. Timor-Leste, Tuvalu); and new programs were introduced in others to reach groups not previously considered vulnerable (e.g. unemployed adults in Vanuatu and Kiribati, and informal sector workers in Fiji). Some social assistance programs have seen the value of their benefits increased – substantially in some cases – and while in some cases this may prove to be temporary, in others it may now be expected to remain at those higher levels (e.g. Samoa and Tonga). There has been enforced and rapid innovation in some of the systems needed to deliver social assistance effectively, for example: mobile phone-based registration for government programs in Fiji; e-payments of benefits in a number of countries; and expanded use of blockchain technology for cash transfers in Vanuatu. There is also a much greater recognition of the need for flexible social protection, where the common systems that are in place for one or more core life-course social protection programs can then serve as the basis for expansion in response to the shocks that often occur in the Pacific region.

123. **It is also positive that the social assistance programs that exist in the region for people with disabilities were able to respond at least in some degree to the impacts of the pandemic.** Additional top-ups were provided to beneficiaries of the disability allowances in Tonga, Kiribati, Nauru, and Fiji; and the (near-) universal responses in Samoa, Timor-Leste, and Tuvalu would have included extra people with disabilities. All the countries supported by the package (with the exception of Timor-Leste) are signatories to the Convention on the Rights of Persons with Disabilities (CRPD), so those countries still without any kind of disability allowance (notably Vanuatu, PNG, and Solomon Islands) should be strongly encouraged (and if necessary supported) to respect their obligations and introduce such systems as the bare minimum of essential social assistance. In Vanuatu this could potentially be achieved through the government assuming responsibility for all disability payments currently made through Oxfam's UnBlocked Cash transfer program (which already targets people with disabilities as one of its priority vulnerable groups).

124. **The challenge now is to maintain some of this momentum in a more constrained fiscal environment.** Social protection is still seen as a cost to the budget rather than an investment, and transfers to households and individuals once put in place are very hard to reduce or remove. Another important outcome from the package has been the recognition that transfers can be a useful and effective tool for short-run demand management. The package was largely delivered as a response to significant pressures on national budgets driven by falling revenues and increasing demands, and the significant levels of financing from the package for social protection meant that domestic demand was at least partly stabilised in the face of international border closures. These are significant outcomes to which the package can claim a substantial contribution.

EPO2: Australian support mitigates the impact of fiscal shortfalls resulting from the COVID-19 crisis on PIC and the Timor-Leste Governments and helps position them for economic and fiscal recovery.

125. **There is adequate evidence this EPO has been substantially though not fully achieved.** The amounts of budget support were significant in most cases, and there is evidence that the package helped to crowd in other donor support and concessional financing in some countries (notably in Fiji) and maintain confidence in governments throughout the region. Additionally, in the face of falling revenue all countries have maintained spending on frontline services and have been able to meet or partially meet increased demands for health services and social protection. It is also evident that most countries will return to pre-pandemic levels of GDP earlier than expected in the 2019 and 2020 forecasts by the IMF, although the outlook varies across countries and is heavily dependent on when borders open, vaccination levels, and how well countries cope with community transmission of COVID-19.

126. **It is also important to note that the achievement of the package in meeting this EPO cannot be viewed in isolation:** support from Australia and other partners through humanitarian responses, providing vaccines, deployment of Australian Medical Assistance Teams (AUSMAT), and through reprioritisation of existing bilateral programs, have all played crucial roles in the effectiveness of the package in supporting macro-fiscal sustainability and recovery.

Intermediate Outcomes

127. **The design framework had four intermediate outcomes:**

1. Individuals, households, and communities have access to and use social protection support interventions.
2. Targeted individuals benefit from policy decisions and budget allocations that mitigate against the health and education effects of COVID-19.

3. Formal and informal businesses, particularly women-led, are better prepared to recover post-COVID-19 in targeted countries.
4. Central agencies in targeted countries demonstrate inclusive and sustainable fiscal management.

Intermediate Outcome 1: Individuals, households, and communities have access to and use social protection support interventions

128. **There is strong evidence that this outcome was partially achieved.** While of course not every individual, household, and community that needed it was able to benefit from social protection support, such support was nonetheless substantially expanded in terms of both coverage and value. There is no counterfactual, but, in the absence of the package, it is highly probable that many social protection programs would have struggled even to maintain their existing coverage, faced with constrained fiscal space and the logistical challenges imposed by COVID-19. Instead, with support from the package – both direct and through partners – most countries achieved notable expansion of their schemes.

129. **COVID-19 has significantly raised the profile of social protection in the PICs and Timor-Leste.** Almost all the countries that were part of the package have implemented at least one type of social assistance response, several of them with support from the package (see Table 6 below). In some countries, the expanded coverage during COVID-19 will be temporary and will subsequently be scaled back (Fiji and Timor-Leste); in others, the increased value of social assistance transfers was only in the form of provisional top-ups (Tonga, Nauru, and Fiji); and in some, better channels and systems will need to be developed (PNG, Kiribati, and Vanuatu). However, most countries have accepted that they need at least the potential for much broader social assistance coverage; as a result, some are demonstrating a readiness to innovate with new programs (Timor-Leste, PNG, Samoa, and Tuvalu); and in some countries the increased transfer values will remain (Kiribati and Samoa).

130. **In several countries, the package provided momentum for designing, piloting, or scaling up social protection programs** that specifically targeted women, people with disabilities, or vulnerable populations. The funding to the World Bank in PNG helped take the concept for a nutrition program for pregnant women and children to design stage, and Oxfam in Vanuatu piloted a cash transfer program that targeted single mothers, widows, people living with disabilities, IDP, the elderly, and those living with chronic illness. A new variation of the *Bolsa da Mãe* program in Timor-Leste, *Jersaun Foun*, which targets all pregnant women and women with small children (and which includes an additional payment provision for children with disabilities), had already been designed, and funding from the package ensured government financial commitment to the design and the acceleration of the initial rollout (expected to take place in mid-2022). Package funding also supported increases in disability allowances in Fiji.

131. **Overall, COVID-19 has provided a stress-test for existing systems, and almost all PICs have been found wanting** (as indeed have most countries across the globe). However, the package has helped to identify and, in some cases, remedy the weaknesses exposed. While in general the package enabled the maintenance of existing levels of spending and programs, most countries additionally expanded existing programs or introduced new benefits to target vulnerable populations. The budget support provided in the package to varying degrees assisted in creating the fiscal space to enable that to happen.

Table 6. Social Assistance Responses to the Pandemic

Country	Pre-COVID-19 social assistance	COVID-19 social assistance responses ⁴³
Fiji	Rural pregnant mothers' scheme Care and protection allowance Poverty benefit scheme Social pension scheme Disability allowance Bus fare scheme	– Top-ups* Top-ups* Top-ups Top-ups* – \$360 Program (informal sector) Save The Children emergency cash transfer (new poor)
Kiribati	Senior citizens benefit Disability support allowance [Copra subsidy]	Top-ups and reduced age of eligibility Top-ups – Support for the unemployed
Nauru	Birth allowance Education allowance Old age allowance Disability allowance	Top-ups Top-ups Top-ups Top-ups
PNG	Pension (New Ireland only)	– First 1000-day pilot*
Samoa	Senior citizens benefit scheme	Top-ups and rate increase National ID rollout cash transfer
Solomons		One-off rice transfer (Malaita only)
Timor-Leste	<i>Bolsa da Mãe</i> (mothers) <i>Merenda escolar</i> (schoolchildren) <i>Pensão veteranos</i> (war veterans) <i>Subsídio de apoio</i> (elderly and disability)	New orientation <i>Jerasaun Foun</i> * – – – <i>Uma Kain</i> (near-universal cash transfer) <i>Cesta Básica</i> (near-universal food transfer)
Tonga	Elderly benefits scheme Disability welfare scheme Secondary school cash transfer	Top-ups Top-ups Top-ups Cash transfer to poor households*
Tuvalu	Senior citizen scheme Financial assistance to the disabled	– – Universal basic income transfers
Vanuatu	Oxfam UnBlocked Cash transfer program	Horizontal expansion (4,000 households)* Employment stabilisation program [Secondary school fee subsidy]*

132. **The scale of coverage represented by these new programs and modifications to existing programs was highly variable.** At one end of the scale, some responses were near-universal (Tuvalu's universal basic income payment, Samoa's national ID rollout cash transfer, and Timor-Leste's *Uma Kain* and *Cesta Básica* transfers); some were very significant, such as Fiji's \$360 Program, which reached 300,000 new beneficiaries (one-third of the total population); and some were small (Tonga's

⁴³ New programs implemented in response to COVID-19 are shown in bold. An asterisk indicates direct support from the package (others may also have been funded indirectly through budget support); and a dash in the right-hand column indicates no specific change to the program in response to COVID-19.

new cash transfer covered only 536 poor households). There were inevitably significant gaps in coverage; and the value of some transfers, especially where they were one-off payments or top-ups, would have been insufficient to have significant impacts given the duration of the crisis. Social protection made a positive difference, even if much remains to be done to make it fully fit-for-purpose in the region.

133. **COVID-19 responses have shone a spotlight on the need for robust systems to underpin social protection** (e.g. registration, enrolment, payment, grievances, communications, management information systems, and M&E). Many countries benefiting from the package faced obstacles in a number of these operational areas: Kiribati struggled initially to deliver its support to the unemployed and in Timor-Leste there were issues with the *Cesta Básica* food transfer; Vanuatu was obliged to use school fee subsidies as a *de facto* cash transfer in the absence of other mechanisms; and the main reason that Tuvalu opted for a universal approach was the difficulty it faced in identifying the hardest-hit households. Thus, there is an ongoing role for DFAT (including through its P4SP facility) to strengthen underlying systems, both to improve efficiency and effectiveness of core programs and to provide a sound platform for responses in case of an emergency. (For detailed analysis of lessons learned on Social Protection, see Annex F: Social Protection.)

Intermediate Outcome 2: Targeted individuals benefit from policy decisions and budget allocations that mitigate against the health and education effects of COVID-19

134. **There is adequate evidence that this outcome was partially achieved.** The package was effective in mitigating some effects of the COVID-19 crisis by shielding health and education budgets. It provided timely and targeted budget support and the projected large cuts in partner government spending for frontline services, including health and education, were avoided. The package was not principally about achieving reform, so any shortcomings in the partner government systems were not going to be directly addressed through this support. Nonetheless, within these parameters, there were missed opportunities to strengthen the support for service delivery.

135. **The program logic and results chain are not clear about who the ‘targeted individuals’ benefiting from the package are intended to be.** DFAT recognised that the crisis would put PIC governments under pressure to cut funding for essential services, and that any cuts would disproportionately impact vulnerable people, including women and girls, and people living with disability.⁴⁴ DFAT’s Pacific Economic Recovery and Growth Framework highlights the need to understand the context for vulnerable groups to support access to services and maximise impact. ‘At a minimum we [DFAT] will engage with women’s representative groups, including those that specialise in gender-based violence, and organisations of persons with disabilities (OPDs), to understand PIC government policy options.’ However, there were few references in service delivery packages to meeting the challenges facing women and girls, vulnerable people, and people living with disability. In this respect, the package was not as effective as it could have been.

136. **More guidance on how to define the beneficiaries, and how best to reach them, may have led to useful dialogue with partner governments** to design suitable funding modalities. Furthermore, the package contained limited monitoring requirements, and where mechanisms were established, they focused on tracking funding disbursement rather than service provision and who was – and was not – able to benefit from those services. Therefore, it is not possible to measure this outcome precisely against its stated ambition in all places.

⁴⁴ DFAT Pacific Economic Recovery and Growth Framework (final draft) March 2022.

137. **The degree to which the package focused on services is mixed.** Not all countries explicitly supported service delivery in the form of health and/or education, and only the Solomon Islands used the package to explicitly support water, sanitation, and hygiene (WASH), providing water supply and basic facilities to vulnerable communities in urban and rural settings. In Timor-Leste the additional funding to the National Program for Village Development (PNDS) enabled more small-scale infrastructure projects, many of which supported aspects of service delivery including for WASH. Where frontline services were explicitly supported, it was either through General Budget Support (e.g. Fiji) or included an element of targeting towards areas of need. For instance, Vanuatu acted on the evidence that a significant number of secondary students were dropping out of school due to costs and used the package to support school fee subsidies.⁴⁵

138. **Monitoring relies heavily on existing frameworks that have had to adapt to the context,** and in some cases the timing of reporting makes it difficult to validate the effectiveness of some support packages. This is not surprising given the short interval between the start of the package and the review. It is only 18 months, and many programs are still implementing activities associated with the funds provided in the package. This is a limitation in the design of the package and in doing an early review of progress but is counterbalanced by contextual factors like urgency and the efficiency of direct funding in an unfolding crisis.

139. **In a smaller number of cases where the package funded new investments the approach to monitoring was at times inconsistent.** For example, monitoring was a component of the support provided in PNG to the Christian Health Services (CHS) and the Catholic Church Health Services (CCHS) for frontline health worker salaries. There is strong evidence the funding reached both groups and enabled health services to continue being delivered. Where monitoring was not included as part of the package, the Review Team was able in some cases to qualitatively validate disbursement of funding through interviews with post and partner governments, and through internal DFAT reporting. In other cases, it was not possible to validate these reports during the evaluation. For example, DFAT reporting says that in the Solomon Islands funding under the VERW provided approximately 4,400 vulnerable households (about 20,000 people) with water supply and basic facilities. There was a focus on female-headed households and households with people living with a disability.⁴⁶ The Review Team could not validate this from other sources.

140. **In Vanuatu, the post reported that the budget support improved school cash flow,** enabling schools to maintain staffing levels confident in the knowledge of guaranteed income and student attendance. The support package also gave the government the confidence to extend the subsidy to the small number of private non-government schools.⁴⁷ It was reported the subsidy reached around 5,700 students for tuition fees, 3,000 students for exam fees, and all students (approximately 10,500) for boarding fees. There are slightly more females (51%) than males enrolled at secondary school and drop-out rates for females are reported to be significantly and consistently lower than males. At the time of the evaluation there were no details on what happened at the school or household level.

141. **In Fiji, DFAT reported that ‘continued safeguarding of expenditures to health [and] education in the 2021–22 budget’ was successful.**⁴⁸ The Review Team verified this with the Fiji Government, which reiterated its commitment to ensuring that every child receives primary and secondary education, fully paid for by the government. The 2021–22 budget set aside AUD59.4 million

⁴⁵ Minutes from SRG Meeting.

⁴⁶ DFAT COVID-19 Support Package Implementation Update November 2021.

⁴⁷ Minutes from evaluation meeting with Vanuatu Post.

⁴⁸ DFAT Fiji Country Annex.

to cater for 217,000 primary and secondary school students from Years 1 to 13. A further AUD17.1 million was provided as transportation assistance for more than 103,000 primary and secondary students from low-income families.⁴⁹ The budget support may also have enabled the government to continue funding innovative schemes, such as the provision of sanitary products to girls. Ministry of Education, Heritage, and Arts (MEHA) committed to ongoing provision of sanitary pads to all female students from Year 7 to Year 13, and an estimated 55,000 female students are expected to benefit from this policy.

142. In PNG, the design of the health package was built around both policy objectives and filling a potential budget gap. The decision to target budget support to non-government organisations arose from the insight shared by both DFAT Post and OTP, that funding the service providers had strategic value, as it could open and deepen the engagement with treasury on health financing and fund flows. However, the expectations of the DFAT health team were realistic, and in the short-term the goal was to ensure that health staff salaries were paid and that engagement through the Steering Committee was constructive. These expectations were fulfilled.

143. The PNG health sector support package was welcomed by the church service providers, but it did not make up for the historic budget shortfalls and did not make funds arrive any quicker. There were the usual delays in the CCHS and CHS receiving the funds for salaries, which is a feature of the Government of PNG (GoPNG) system. CHS reported that salaries were delayed by months and were for a reduced amount due to GoPNG cuts, but DFAT funds were not cut. Nonetheless, the package empowered both CHS and CCHS to continue paying staff salaries, as the knowledge the funding came from Australia gave them confidence the money would eventually make it through the GoPNG system to reimburse them. This enabled health services to continue being delivered, albeit within a poorly functioning system.

144. Where service delivery is not universal and free, budget support may have exacerbated inequality. In Vanuatu, for example, although the package was beneficial, its effectiveness was circumscribed by the situation before the pandemic, whereby secondary education was already effectively rationed, owing to the mismatch between demand and supply of places.⁵⁰ The government noted that ‘the [low] gross enrolment rate in secondary [school]...provides evidence that the country is not able to accommodate all its school-age population.’⁵¹ The three types of school fees effectively favour the relatively better-off households. It follows that supporting this system was an implicit subsidy to the better-off households, as it was their children who attended these schools.

145. In PNG, policy changes and cuts to the education budget meant households were expected to contribute over a third of the cost of tuition. The budget support to the sector for the Government Tuition Fee Subsidy (GTFS) program alleviated pressure on the treasury but did nothing to help parents with their share of the cost, leading to the withdrawal of many children from school. At best, the package funds meant that the GTFS was not cut, which would have led to funding shortfalls for schools. This would have led to additional school closures and possibly schools may have asked households for even higher contributions.⁵²

⁴⁹ Fiji National Budget Summary 16 July 2021.

⁵⁰ Most primary school aged children (90%) are enrolled in school; however, this figure drops sharply to 43% for secondary schools, partly a reflection of the limited number of secondary school places available. Meeting the cost of secondary school fees and living with a disability are two reasons for non-enrolment or drop-out rates.

⁵¹ Government of Vanuatu. (2015). Annual Statistical Digest.

⁵² Interviews with the GTFS Unit, with treasury and with the Treasurer’s office all revealed this to be a contested and fluid policy area for the government. This is covered in detail in Annex G.

146. **While it is possible to track budget support through the disbursement process, this does not show how service delivery was meeting the needs of citizens.** For example, as household incomes fell due to COVID-19, this made it harder for people to access services. Many households were struggling to afford the costs of transport, tuition fees, and educational materials for their children to attend schools where they are open. This, in turn, had an impact on service providers that relied on fees or co-payments. Both PNG and Solomon Islands reported that non-payment of school fees by some parents led to the relevant schools facing cashflow problems, with some schools having to close.⁵³

147. **The package was primarily focused on direct financing to partner governments and provided limited support for service providers outside those funded by governments.** This is consistent with the design but does mean there was potentially less consultation with these organisations more broadly than might have been optimal. Many frontline health services in the region are provided by CSOs and NGOs, for example, sexual and reproductive health, family planning, and support services for women who are survivors of violence. In addition, many peak bodies – women’s and disability groups – have a better understanding of the context in communities than the government and so can contribute to the policy response if they are brought into the discussion early. This illustrates the need at the outset to build into the design how to support the broad range of service provision in the context of a large-scale crisis response. Engaging more with partner governments to include these organisations could have encouraged important insights into how the scope of the package could encompass women and marginalised communities. Furthermore, a more complete picture of the funding for CSOs (either from government or donors) would complement the understanding of the fiscal position, identifying likely shortfalls and displacements. This is not only important to maintain access to services during the pandemic but is a more efficient and effective way to build the conditions for economic recovery and mitigate the consequences of foregone health and education.

148. **In Fiji, the government cut its core funding to OPDs in the expectation that donors would offset the funding shortfall.** In the main this did happen, and DFAT Posts supported their bilateral program to repurpose funding to maintain some essential service delivery. However, this was a separate exercise to the budget support package, rather than being designed in a coordinated way. This remains an issue for these providers in terms of uncertainty of future funding. For instance, the government does not provide core funding to any women’s organisations.

149. **ICRC’s program in PNG included identification of the most vulnerable people living in conflict-affected communities and helped them to access health services.** ICRC also helped to keep referral pathways open for women survivors of sexual violence and ran health programs in prisons, where the health risks to the prison population were high. According to the Program Managers, they learned lessons in pivoting their program to respond to COVID-19, which they have now introduced systematically in their programs.

Intermediate Outcome 3: Formal and informal businesses, particularly women-led, are better prepared to recover post-COVID-19 in targeted countries

150. **The evidence for this outcome is not strong.** It is clear that the design of the program intended to build in space for an economic recovery in the face of a very uncertain outlook. As a multi-country investment this is further complicated as the context is different in each country, some less vulnerable to border lockdowns than others, for example. The individual designs only included a small number of business-specific initiatives and those that were supported focused more on helping businesses to stay open or at least not close for good. There were other channels of support for

⁵³ MEHRD. (2020). *Radio Broadcast Series 66*. Government of the Solomon Islands, 15 November 2020.

business, including the South Pacific Air Connectivity Program, the Market Development Facility (MDF), and very significantly the Pacific Australia Labour Migration program that helped bolster remittances.

151. **The biggest impact in most countries has not been from COVID-19 itself, but from the border closures and the subsequent fall in economic activity**, especially those dependent on open borders like Vanuatu, Fiji, Samoa, and Tonga. Given the fiscal constraints, driven in large part by falls in government revenue, there is relatively little fiscal space for governments to provide meaningful support, either through subsidies, tax breaks, or investments in enabling infrastructure, such as better transport links, improved internet access, or public services. Most countries have focused on the ongoing threat of COVID-19 and the need to cushion their people from the economic impacts. There are likely to be large costs in businesses relating to tourism reopening again, and there may be short-term staff shortages as workers have shifted to other sectors in search of work.

152. **The impact on small informal business has been the largest, including in areas traditionally dominated by women**, with the package having in some cases at least assured these businesses' survival through the pandemic; without support, there is a high probability that many would have closed and would never start up again. For example, in Tonga, the package supported the government's Business Recovery Assistance Program: of the 6,381 informal businesses that received support, 71% were owned by women – the majority of these were in the handicraft sector. Women also made up 45% of the 295 business owners receiving Business Loss Grants from the program. In Fiji, the government's \$360 Program of cash transfers specifically targeted around 300,000 workers in the informal sector (more than half of whom were women). The Markets, Economic Recovery, and Inclusion (MERI) Program in PNG was another example and was intended to ensure ongoing safe operation of major food markets in PNG. This was arguably the only program that specifically provided support to market managers and women vendors to improve current and future market-based livelihood opportunities. The program had a strong focus on gender equality, disability, and social inclusion.

153. **In addition, the \$360 Program in Fiji funded digital delivery of cash transfers through the two mobile service providers, Vodafone and Digicel**, which managed the registration and payments under the program. They did this on a non-commercial basis, as a gesture of corporate social responsibility in response to COVID-19. The fact they did so suggests that they see significant potential in the rollout of such services for future delivery of social assistance payments, not just in Fiji, but potentially elsewhere in the Pacific.

154. **The package has helped support local economies in partner countries**. Strict lockdowns that prevent movement between districts in Timor-Leste meant that the goods required for the activities funded from PNDS had to be purchased locally, thereby providing an economic stimulus into local markets. In Vanuatu the UnBlocked Cash transfer program specifically linked small traders, most of whom are women, to the cash transfers, thereby helping them to maintain their businesses at a critical time. It could be argued that all cash transfers encourage the use of local markets and traders and is an important stimulus for them as well as protecting the livelihoods and welfare of the most vulnerable.

155. **The package has also invested in some targeted and limited instances (such as supporting planning for tourism in Vanuatu) with the goal of assisting the recovery**, but the impact on private sector enterprises is likely to have been limited. Australia's focus on direct financing of government expenditure and programs will have had the impact of freeing up funds that were used to support

businesses and to maintain some fiscal space for the future to help in the recovery, but this is impossible to quantify with the data available.

Intermediate Outcome 4: Central agencies in targeted countries demonstrate inclusive and sustainable fiscal management

156. **There is adequate evidence that this outcome will be partially achieved.** Fiscal management across the region has largely been as responsive as it can be, but fiscal constraints (lower revenue and more pressure on expenditure) mean that the degree to which fiscal policy has been both inclusive and sustainable is less clear. The package has largely filled gaps where revenue has fallen rather than provided any additional fiscal space. Budget support has meant that existing budget allocations have been maintained in key areas of health, education, and social protection, but in most cases these budget allocations were already too low, and the quality of services was poor. Salaries for government workers and frontline staff have been paid, which are very important outcomes, but without investments in more operational support and much needed infrastructure this will do little to improve outcomes for those already vulnerable or socially excluded. Efforts have been made to introduce or expand some form of social protection payments and subsidies in all countries, but they have been relatively limited compared to the loss of income and livelihoods caused by border closures. As a one-off measure the package is unlikely to have a significant impact on medium- to long-term fiscal sustainability.

157. **The decision to use budget support as the primary modality provided flexibility and allowed assistance to be significantly and rapidly scaled up and absorbed** by partner governments relatively efficiently. The primary vehicle for this was support for policy operations led by the multilateral development banks where they existed, with the goal of making sure support from international partners was coordinated. Feedback from both the World Bank and the ADB for the review suggested that in general the process had worked well. Similarly, feedback from partner governments also indicated that discussions were productive, and coordination was not a constraint to reaching agreement on policy responses.

158. **The context was not the same in every country.** In Fiji, where Australia scaled up its support dramatically, Australia's engagement with the government changed significantly. Australia went from a large bilateral donor mostly managing its own programs to a significant contributor to a wider policy dialogue, but did so without additional resources at the post. The Permanent Secretary for the Economy noted during interview that this change was welcome, and he hoped would continue in the future. Despite the significance of the scale of Australia's support, the package needs to be seen as part of a much larger effort. Combined with increased concessional lending from both the World Bank and the ADB, and more grants from other bilateral partners, Australia contributed to additional support of over AUD700 million between mid-2020 and 2022. This also contributed to confidence in the government and allowed them to significantly increase government borrowing. Australia could not have done this on its own. Australia's support aligned to, and leveraged, a significant scale-up of additional financing from key development partners to the region (including more than USD530 million by the World Bank, AUD590 million from Japan, and NZD307 million from New Zealand).

159. **In smaller countries like Samoa and Kiribati, Australia has been part of a multi-donor arrangements for many years** and with limited resources available it made sense from both an efficiency and effectiveness perspective to use those established mechanisms to provide this emergency support. However, some feedback indicated that at times the existing multi-donor arrangements are not as flexible as some partners would like, and at times are burdensome on the partner government (e.g. Kiribati). The conclusion of the review is that for this one-off intervention

with a large increase in direct budget support the use of existing operations and leaning on the resources of the multilateral development banks made sense.

160. **In terms of inclusive fiscal policy, there is evidence that existing inequalities have been made worse by the crisis and the package has only partially offset this deterioration.** Workers in the private sector, particularly in tourism and any trade-related (import or export) industry, have been disproportionately impacted, while government staff have had no loss of income at all. People who lost jobs in formal employment had more access to some protection than those in informal employment. Since a higher percentage of men are in the formal sector, and a higher percentage of women are in the informal sector, the impact was disproportionately borne by women. While health budgets have been maintained, COVID-19 related demands have gone up, meaning routine services like childhood vaccinations, MNCH services, and emergency department capacity, have all gone down. Rural communities who rely on agriculture have been less impacted than urban workers working in non-trade related service sectors who have been hit hard. The poorest, who are the most informal and least documented, have been the hardest to reach with support.

161. **The package has contributed to better outcomes than would have been the case had budgeted resources been cut.** In most cases, the imperative was to maintain existing programs and where possible increase household transfers. Overall, the review's assessment is that this was partially effective, with efforts mostly directed to helping partner governments address demand from those impacted by the crisis rather than a strategy to make fiscal policy more inclusive, which may have been the only realistic outcome under the circumstances.

162. **The package was largely linked to existing policy matrices (in Fiji, Tonga, Samoa, and Kiribati, for example) which do support and contribute to more inclusive fiscal and budget management.** How effective this alignment was in making sure outcomes were more inclusive is something the review was unable to quantify. These policy frameworks target longer-term, sustainable inclusive change, which requires reforms to budget management that were unlikely in a crisis. How well these processes and frameworks adapted to one-off emergency budget support is hard to answer. Discussions with partner countries (e.g. in Fiji), suggested that coordination was important and the differences in institutional cultures (between different international financial institutions and between donors) did not hamper the efforts to provide timely and targeted support. The Fijian authorities are supportive of policy-based operations (grant and lending) as it provides impetus of implementing a range of necessary reforms. Feedback from the multilateral development banks was also relatively positive, but the review was not able to get a detailed understanding of the dynamics within these policy settings. Was Australia more influential as a result of the package? Almost certainly. To what degree and in which countries, aside from Fiji where Australia played a key role, it is hard to analyse.

163. **Supporting reforms, however, does not simply imply a seat at the table in policy discussions.** The reforms promoted need to be analysed and options presented, and a significant number of resources is needed for this. For example, to scale up the UnBlocked Cash transfer program in Vanuatu, piloted with funding from the package, a legal and regulatory framework around digital cash use needs to be in place. This is the type of reform that could potentially be supported within a budget support instrument and that could lead to more inclusive growth.

164. **There is also potential to use budget support to improve gender equality by introducing prior actions that would support greater gender equality** in the joint policy matrices that Australia supports in many countries. DFAT has advocated for a gender focus in the Joint Policy Action Matrices (JPAMs), with some success in a few countries. However, this is the result of longer-term engagement

between posts, governments, and the multilateral banks. Fiji, for example has a number of actions in the JPAM relating to gender responsive budgeting, and also negotiated additional bilateral policy actions in the Direct Funding Agreement. There was no apparent additional support provided through the package to help implement the actions in reform matrices, and there may have been potential to do more to carry this forward. In the future, however, with the right resourcing, there is potential for DFAT to do more to help identify appropriate reforms that promote gender equality and support the work needed to see these through to adoption and implementation.

165. **Budget support can also be used to promote more transparent budget formulation and expenditure tracking**, which would enable more stakeholders to engage and influence budgeting and expenditure for inclusive programs and hold government to account. There is no evidence that the package budget support did anything to either promote transparency or to engage a broader range of stakeholders. Gender responsive budgeting can be a useful tool in this regard in some circumstances; however, despite years of engagement on this in several countries, it was not used in the budget support discussions relating to the package.

166. **Solid foundations for stronger control and reporting systems were found in PNG.** Systems that can ensure funds reach destinations and get used for intended purposes and that parents and teachers can easily find out how much their school is receiving in GTFS were not in place prior to Australia's budget support operation. As part of funding for risk management under the package, a new innovative funds flow monitoring system was adopted for the GTFS in PNG. While the system cannot yet confirm funds reach destinations and are used for intended purposes with a high level of certainty, the system is close to being able to do so, and could be expanded to deliver that function quickly. This is a good example of one of the benefits of budget support, where using country systems helps to improve them. (For more information see Annex D: Selected Country-Level Summaries for PNG.)

167. **Fiscal sustainability is hard to judge on the evidence available.** On balance the package has made a substantial contribution to fiscal sustainability in the region. Budget support has been material in several countries, but the impact on budget balances has been mixed. Fiji, Kiribati, and Timor-Leste have seen increases to deficits; Samoa, Solomon Islands, and Tuvalu all saw initial increases in deficits in 2020 before recovering in 2021; PNG has had relatively stable budget balances over the period; while Tonga managed a surplus in 2020 but is forecasting a deficit in 2021, and the fiscal position faces further challenges into 2022. Nauru and Vanuatu both saw their budget surpluses increase over the period, although for Vanuatu this is linked to passport revenue, which could be very uncertain in the next few years. Many countries are severely constrained when it comes to borrowing, while some (Timor-Leste, Kiribati, and Tuvalu) have sovereign wealth funds they have drawn on. There is clear evidence that the package has helped to create confidence in the region and among donors and has helped to leverage significant additional support including concessional lending.

Managing Risk and Performance

Risk Management

168. **Risk management was adequate.** Fiscal risk checks were done as the package was being designed and rolled out. Many countries have an Assessment of National Systems (ANS) already in place or resources in-country with expertise in partner government systems. DFAT had in place a group of well-qualified public finance economists, albeit mostly in Canberra, who guided the design and implementation of the package. Some countries (notably Fiji) had been actively preparing for a greater use of budget support for bilateral assistance, while others (PNG) had moved in the opposite direction and needed significant input from Canberra to manage the budget support investments.

169. **There was a healthy amount of policy debate within OTP on risk**, and some reasonable pragmatism was applied given the context of the crisis that has proven to be good judgement. The risk management systems need strengthening and much better and more timely access to partner government data if budget support is to be used more regularly as a tool for bilateral aid in the Pacific.

Performance Management

170. **There was a policy decision made to use existing M&E frameworks for investments in existing programs.** This was seen as important to make sure the package was timely and not burdensome to the partner governments (and to some extent DFAT Posts) in a time of crisis. The intended approach was to rely on the existing systems and joint policy frameworks where existing M&E arrangements were already in place. However, detailed DFAT-managed M&E frameworks were included in each country annex (reflecting the relatively optimistic outcomes in the package's results chain). Thus, there was from the start a misalignment between the expectations in the frameworks and the intended light-touch approach to M&E. In practice the M&E was and is being done based on the country and investment-level results frameworks. The timing is therefore going to be determined by country-specific contexts and is hard to turn into an overarching and coherent summary of what is happening across the package. This is probably less important than ensuring that each country is producing clear reporting against their investments in line with the country annexes, based on evidence gathered in-country.

171. **The review concludes that the process for information management could have been more systematic to leave a clearer paper trail** on how information flowing in from posts was being used to report progress on implementation and in due course outcomes. Ultimately, it appears monitoring became a more strategic function, a combination of analysing partner government COVID-19 policy responses both from posts and OTP in Canberra. DFAT's Strategic Review Group (SRG), which provided leadership and oversight of the package, also met regularly and managed risk routinely and provided regular updates to OTP and DFAT executives on progress.⁵⁴ Interviews with DFAT Executives in OTP indicated there was sufficient information being collected and reporting was adequate to manage the implementation risks associated with the package.

172. **While this approach was arguably appropriate in the context of a budget support program within a pandemic there were missed opportunities.** A stronger quantitative baseline at the outset based on available data (both public and through improved data and information exchanges with partner governments) would have allowed better information flows on the results of the package. Some of this was done by the OTP Economics Section for the CEFAs and by contracted advisers doing the review of the initial package of AUD100 million, but this data was not widely used to produce country or investment-level baselines and indicators for performance management. There was also little effort made to access partner government data from their own FMIS or program MIS. Improving the baseline would provide an improved level of accountability and enable timely reporting to DFAT management both during implementation, and to guide the design of any future budget support.

173. **Having a focus on drawing on and thus strengthening partner government data management systems has significant longer-term value.** Budget support allows Australia to request information and reporting that would not usually be provided, which can form a basis for an engagement between Australia and partner governments around data sharing and joint analysis on fiscal/budget policy.

⁵⁴ As noted in SRG meeting minutes.

174. **Additionally, the package could have usefully drawn on local CSOs to conduct third party monitoring** of the impacts of the crises, and of the efficacy of the local responses. This is also an opportunity to bridge the gaps between government and civil society where government seeks input from community-based organisations on the policy choices they are making and then feedback on the outcomes for communities and targeted groups of government investments. By investing in both, Australia has the opportunity to facilitate this engagement and build a stronger, more inclusive policy dialogue between partner governments and their people.

What are the Lessons from the Package?

175. **The large scale-up of budget support in the package compared with existing bilateral programs offers a lot of lessons for the future.** The first and most important lesson is that *budget support is both a useful tool and a manageable risk*. Despite the significant obstacles and constraints, the package managed to deliver on its primary goals. However, the experience of the package must be viewed in the context of a response to a crisis and using budget support to plug fiscal holes. The package helped maintain spending on existing services, many of which were already inadequate before COVID-19, and in some limited cases helped create enough fiscal space for new spending on social protection to offset the worst impacts of the crisis on vulnerable households and businesses. For the most part, the package did little to drive reforms or incentivise positive changes. That means there is no linear or easy progression from budget support in the package to wide or routine use of budget support for bilateral development assistance.

176. **Program design and monitoring needs to be grounded in a realistic program logic.** The program logic for the package was overly optimistic about what could be achieved, despite interviews identifying much more pragmatism among OTP staff and posts. A more realistic program logic for future investments is important, especially those designed to respond to a crisis. Budget support has been shown to be an important tool, but it is not helpful to overstate the potential benefits. The history of reform, and particularly institutional reform is that it takes a long time and change is usually incremental. There is clearly some tension between the need for political buy-in on both sides and the reality of achieving meaningful change over time. The nature of the crisis and the speed at which this package was conceived and rolled out no doubt contributed to this problem, but the result as something that has been overall a significant achievement could also be judged against some unrealistic goals as having failed to deliver.

177. **The best outcomes were achieved when staff were already experienced in delivery of budget support, or where technical specialists were already engaged in sectoral dialogue** with counterparts, for example on social protection. There is no time in a crisis response to bring people up to speed. This highlights the need for significant investment in in-house capacity for economic analysis, public financial management, GEDSI, and sectoral expertise in human development and social protection. Also, it reveals the need for a broader framework for making decisions about budget support, and training for staff in Canberra and posts on the strengths and weaknesses of budget support as a modality for achieving different political, economic, and social outcomes.

178. **Support functions need appropriate resourcing.** This means money, people, and skills. The Support Unit clearly worked very hard but in the end were manifestly under-resourced. The overhead costs for the package were very low at less than 1% of the total package. There were other constraints as well, with key skills in gender not easily accessed (although several unsuccessful attempts were made to recruit a Gender Economist), while disability inclusion experts were contracted late and found it challenging to engage in an unfamiliar modality. Data collection and information management were

ad hoc, poorly organised, and not sustained. Monitoring of progress was inconsistent and suffered from lack of access to information that should have been readily available.

179. **Posts need to be provided with necessary resources to manage additional funds and engagements on top of bilateral programs.** During the crisis resources were in high demand and simultaneously severely constrained by the pandemic. Some of this additional resourcing need can be addressed by contracting resources through existing facilities, but there is a good case for investment in stronger capacity and more resources for both coordination and implementation of future budget support investments.

180. **This relative lack of capacity for managing budget support operations flowed through to monitoring of investments.** There was insufficient focus on what relevant data and reporting was available to establish a basic baseline (by country) and then agree with posts what data could realistically be expected, when and who would be responsible for collecting it. Similarly, there are a lot of organisations and resources on the ground that can monitor outcomes, not for Australian investments, but for the communities, households, and target groups the package was intended to help.

181. **A small percentage of the package funds supported design innovations that have the potential to be scaled up in government programs.** These innovations can promote opportunities for women, people living with disabilities, and vulnerable people, and help to cushion impacts and mitigate risks they face, including in a crisis. DFAT has a track record of supporting partners with similar GEDSI priorities to push the bar forward and find solutions that remove barriers to equality. Budget support operations are not instruments that can support this kind of innovation and piloting; however, they can be used to help scale up promising interventions and ensure lessons learned feed back into government programs.

182. **Social protection was a clear priority under the package and has created the opportunity for longer-term investments** that improve the coverage and delivery of social protection systems across the region. However, the package also threw up some lessons. First, there is a prerequisite to have robust systems in place for registration, enrolment, payment, grievances, communications, management information systems, and M&E, which will serve both to improve the effectiveness of core programs, and to underpin rapid response to emergencies. For any such rapid response, it is also important that contingency funding arrangements are already available for any expansion. One mechanism for this is exactly the kind of rapid emergency response embodied in DFAT's COVID-19 Response Package. As this review has shown, the package, and in particular its use of budget support for social protection, was relevant, efficient, and effective. However, that is not to say that it was optimal. There is a need to consider options for putting in place more predictable approaches to making such contingency funding available to countries, including through facilities such as:

- **Emergency reserves** linked to sovereign wealth funds – such as in Timor-Leste, Kiribati, Nauru, and Tuvalu.
- **Disaster risk insurance** (e.g. Fiji's paramedic insurance for households).
- **Multi-donor trust funds** and pooled flexible funding.
- **Multi-year budget support** with contingency reserve options in them (regional or national).

183. **In addition to having the funding more readily available in the event of a disaster, there is also a need to have pre-agreements with governments** on the necessary governance arrangements and triggers to release appropriate levels of funding quickly in response to a shock. This will require

the necessary governance arrangements to have been pre-established when setting up the respective contingency funding mechanism. It will also entail working with the appropriate Disaster Management Agencies in each country on potential triggering mechanisms. This is likely to need to be negotiated on a country-by-country basis. However, in all cases, it will necessitate prior (and regular ongoing) fiduciary risk assessment or audits of national systems and continuing support to improved public finance management.

184. **Where there is no functioning social protection system, budget support for frontline services can be effective in providing fiscal support to maintain services but may not be effective in lowering costs to households.** It will depend on the policy framework in operation. For example, in Vanuatu, transfers directly offset household education costs, while in PNG, the GTFS framework meant that budget support primarily supported the education budget (important in maintaining services) but did not directly lower household costs.⁵⁵ This simply emphasises the importance of considering what the impacts of any support are and who the direct beneficiaries will be, given the prevailing policy framework. In addition to direct benefits, budget support can produce other impacts through trialling novel funding models (for example, grants for schools to waive fees for households facing hardship), communities can be empowered to understand policies and demand accountability for service delivery, through inexpensive programs such as fund flow tracking and citizen disclosure systems.

185. **Finding efficient ways to channel funds to service providers that operate outside the public finance system helps to ensure that benefits reach disadvantaged communities.** Locally designed and delivered services are likely to be more responsive to the needs of communities. This safeguards the services upon which disadvantaged communities depend, which is an essential condition for stability and prosperity.

Conclusions

186. **The package has materially achieved its strategic intent.** Australia's response was timely and targeted, and there is strong evidence that the package helped to cushion the impacts of the pandemic-induced economic and fiscal crisis in the region. The decision to use budget support as the primary modality provided flexibility and allowed assistance to be significantly scaled up and absorbed by partner governments. In particular, the package has helped to identify significant opportunities to strengthen the nascent social protection systems across the region.

187. **The package was relevant to all countries in the region, but especially those with more fiscal pressures** arising from border closures and significant loss of economic activity. The significant increase in budget support as the primary modality under the package ensured partner governments had access to flexible and timely resources that allowed them to respond to the extra demands on them by the crisis. Targeting social protection to reach those most vulnerable to the economic impacts and supporting governments to maintain spending on health and education, particularly salaries, was appropriate. The allocation of funds was also found to be appropriate, with larger allocations to countries with the highest needs, and good capacity to absorb resources efficiently. The rapid nature of the development of the package, the nature of the support, and the relative lack of expertise in budget support operations, meant that the intended outcomes for women, people with disabilities, and those most vulnerable to social exclusion, were not achieved.

⁵⁵ In the case of the PNG GTFS support provided under the package, there is a possibility that budget support did offset any deeper cuts that may have been made by government (thereby putting more pressure on households to increase their payments), but this counterfactual cannot be verified with evidence. This is discussed in the PNG section of Annex D.

188. **The delivery of the package was efficient** (especially considering the constraints imposed by the pandemic), but it showed up some existing weaknesses. There is some capacity within DFAT for economic and public finance analysis, but not enough. Posts have varying degrees of capacity and resources to manage large budget support investments, but in general this needs strengthening. Engagement between Canberra and posts, and within posts on the objectives, strengths, and weaknesses of budget support as a modality needs to improve.

189. **The package was effective within a limited scope of what was possible given the prevailing context.** It helped mitigate the impacts of the pandemic on partner governments' ability to maintain basic services and target vulnerable people, households, and businesses with support. This is in and of itself a significant outcome in what was an unprecedented crisis. However, the package had a limited direct impact on existing inequalities and constraints for the poorest and most vulnerable. There is little evidence that the package achieved material outcomes for gender equality, disability, or social inclusion, outside of one-off crisis-related social protection transfers.

190. **The Pacific and Timor-Leste have suffered a large economic and social shock that has tested their systems and capacity to meet the needs of their people.** Australia's support package recognised the unprecedented nature of the situation and did things that it has never done before. That is to be commended. However, the region is prone to shocks, from natural phenomena and human activities, and the crisis is not over. Some countries are still to open their borders, while others are dealing with the fallout from community transmission of the virus or multiple waves of infections. More will need to be done. The crisis and Australia's response package has created opportunities. DFAT will need significant investments in its own people, policy frameworks, and institutional approaches to ensure the right people with the right skills are in the right place to engage its partners.

Annexes

Annex A: Review Terms of Reference

Independent Review of Pacific COVID-19 Response Package

The Pacific COVID-19 Response Package (the package) is expected to provide AUD269 million over 2020–21 and 2021–22 to assist Pacific countries and Timor-Leste in weathering the economic impacts of COVID-19 and to better position the region for recovery. Combined, the package covered Timor-Leste, Papua New Guinea, Solomon Islands, Fiji, Vanuatu, Samoa, Tonga, Kiribati, Nauru, and Tuvalu. The package built upon the Pacific and Timor-Leste COVID-19 Immediate Response Package that provided AUD100 million during 2019–20 to assist selected Pacific Island countries (PICs) and Timor-Leste to prepare for the anticipated impacts of the COVID-19 pandemic and measures to reduce spread of the disease.

COVID-19 significantly impacted Pacific economies. The region's high dependence on open borders and the free movement of people for tourism, labour mobility, and aid assistance meant many countries faced annual GDP contractions of between 5% and 20% in 2020. Diminished economic activity reduced public revenue streams (e.g. Fiji's government revenue almost halved in the 2020–21 budget year compared with 2018–19 levels, and Vanuatu's tax revenue fell 33% from the January–March quarter to the April–June quarter in 2020). Pacific Governments and communities required financial assistance to weather this shock and position themselves for the adjustments required over the prolonged and uncertain period of pandemic response and recovery. The package primarily provided General and Sector Budget Support, managed through partner government systems. Some funding was also channelled through trusted development partners (such as the ICRC, UN Women, World Bank, and Oxfam) to support vulnerable people in the region.

In many countries, the package complemented longstanding economic policy reform programs that Australia has in partnership with other development partners – including the World Bank, Asian Development Bank, and New Zealand. An advantage Australia had in these donor groups is that we could provide financing quickly, flexibly, and at a reasonable quantum to assist in meeting participating country needs. Where possible, the package was designed to crowd-in or unlock funding from other partners. A key objective of each part of the package was to maintain these programs as the key mechanism through which donors jointly engage with countries on their economic management. Australia was particularly interested through the Pacific COVID-19 Response Package for Pacific countries and Timor-Leste to avoid fiscal crises, manage gradual adjustments to new revenue and expenditure positions, manage debt sustainably, and support economic and fiscal responses that promote gender equality. In addition, protecting social spending in health and education was identified as being critical to poverty alleviation, economic recovery, and sustainable long-term development, and so was a priority for each country allocation under the package. Each country package was not designed by itself to meet country requirements, but instead to provide much-needed financing, policy guidance, and confidence. As appropriate, the package leveraged other sources of finance where possible. A degree of funding flexibility was maintained to provide the ability to respond to shocks over the life of each package.

A key risk identified during design was engaging in policy dialogue with governments and leveraging Australian financing for policy outcomes. The high degree of uncertainty and risks governments faced in the early stages of the pandemic, combined with constrained capacity for meaningful dialogue and political uncertainty, meant Australia was realistic about the level of dialogue and policy outcomes that could be achieved through the package. Australia managed this risk by working through established policy reform/budget support programs; applying targeted judicious specific policy conditionality in some PICs; collaborating with donor partners where appropriate; taking a nuanced and strategic

approach to policy engagement, focused on economic impact, country context and longer-term objectives; and supporting reform efforts with appropriate technical assistance.

Rationale for the review

The Independent Review is commissioned to assess the relevance of Australian investment in the Pacific COVID-19 Response Package (2020–21 to 2021–22); as well as to assess the efficiency of the preparation and delivery of the package and the effectiveness of its implementation and outcomes.⁵⁶ The review should be situated in the Australian Government’s development policy *Partnerships for Recovery*, which has three areas of focus: health security, economic recovery, and stability.

Key objectives of the review include:

- Informing the 2022 Investment Performance Reporting for the package – expected to be in the form of a Final Investment Monitoring Report (including associated bilateral investment performance reporting processes).
- Provide lessons for any future economic or fiscal support programs in the Pacific and Timor-Leste.
- Assist any audit processes that are undertaken on the package.
- Contribute to DFAT’s overarching discussion on budget support in the Pacific.

The primary audience for the review is:

- DFAT Senior Executive (Assistant Secretary, Pacific Economic and Trade Branch, and First Assistant Secretary, Pacific Economic and Development Division) to demonstrate the relevance and effectiveness of the package.
- DFAT officers involved in the design and delivery of any future economic and fiscal package.
- Bilateral and post officers involved in reporting on the package.

The Independent Review will be published together with a management response. The evaluation must comply with DFAT’s M&E Standards, and the Ethical Research and Evaluation Guidance Note. Lessons learned from this Independent Review will inform decisions about future fiscal and economic support initiatives in PICs and Timor-Leste.

Key issues and context

The first Pacific COVID-19 Response Package (2020–21) was designed to provide a quick injection of cash to participating PICs to help them prepare for and respond to the health emergency unfolding during the early months of the COVID-19 pandemic.

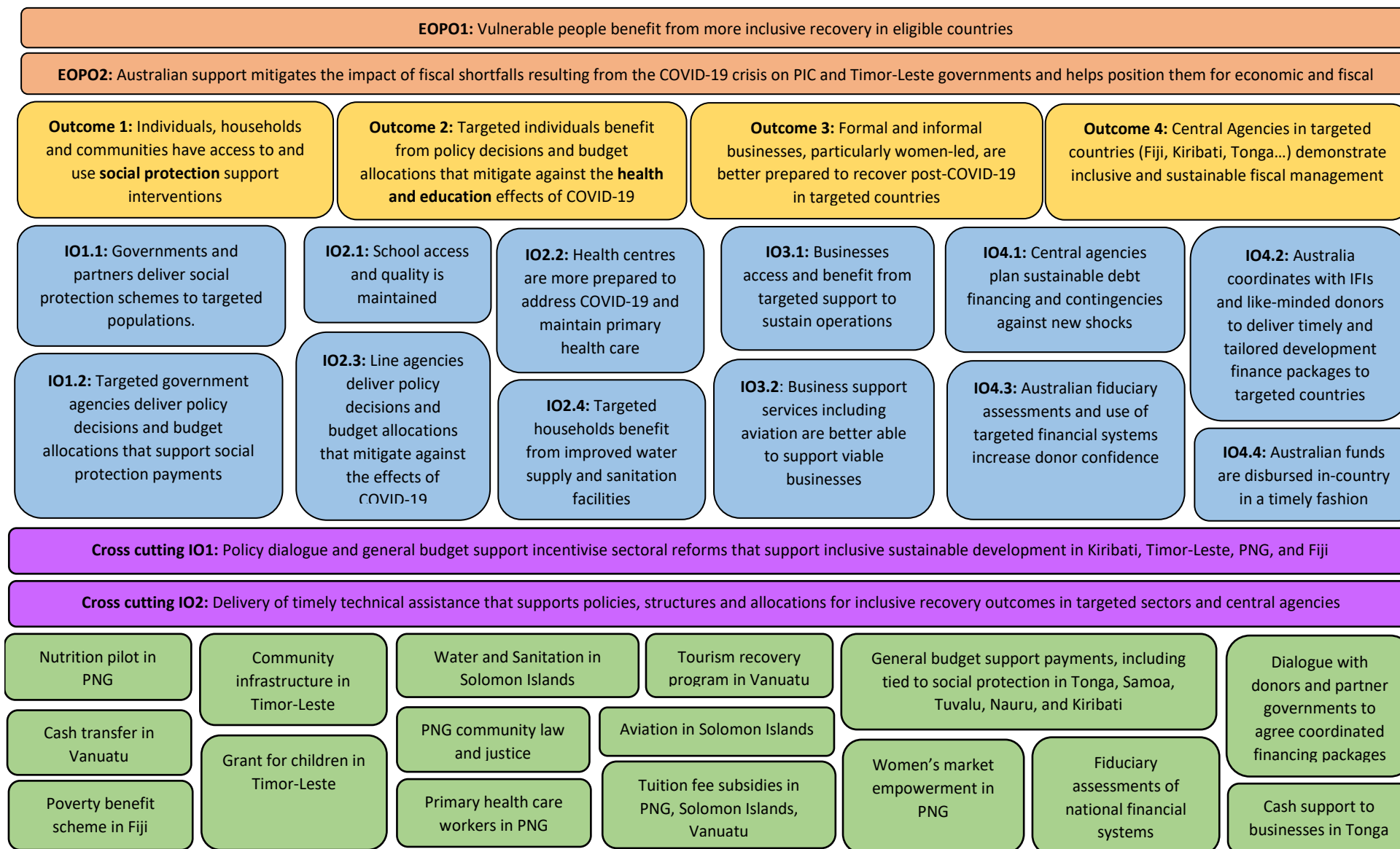
The second Response Package (2020–21 to 2021–22) was a temporary, targeted investment to help the Pacific and Timor-Leste mitigate the risk of fiscal crisis, maintain essential services, and protect the vulnerable. The package was announced as part of the 2020–21 budget in October 2020. The package provided grant-financed support to the budgets of nine Pacific Island countries and Timor-Leste in response to the economic and fiscal shocks from COVID-19. Recognising that the package will operate over two years, it is delivering assistance primarily through existing bilateral development programs. This is intended to maximise alignment with Australia’s long-term engagement, minimise the risk of displacing or diluting Australia’s effort, and ensure the package can be delivered quickly to respond to the acute crisis facing the region.

Australia’s *Partnerships for Recovery* recognises that effective partnerships with partner governments, NGOs and multilateral organisations are critical to an effective aid program. The package is working

⁵⁶ These Terms of Reference align with [DFAT Monitoring and Evaluation Standard 4](#).

through PIC and Timor-Leste Governments as the primary partner. This strategy was chosen to strengthen Australia's relationships with Pacific Governments and to support their ability to continue to lead the COVID-19 response and recovery efforts in the region. Although the focus is on working through partner governments, the package can also work with other partners, including NGOs where appropriate, and in line with the objectives of the package. It is also important to note that the package, while significant, is unable to meet the full financing gaps facing Pacific countries (particularly the large ones). The package will work with the international financial institutions (IFIs) and other bilateral partners to use package funding to crowd-in financing. Australia also has other tools at its disposal to provide financing in response to the COVID-19 crisis, including bilateral development programs and lending through the Australian Infrastructure Financing Facility for the Pacific (AIFFP), and under the *International Monetary Agreements Act 1947* (Cth).

The results chain and end-of-program-outcomes are summarised in the schematic below.



Consultation

The following stakeholders were consulted in the development of the Terms of Reference:

- Response Package Team
- Aid Management and Performance Branch
- Office of the Chief Economist
- Aviation Section

Not yet consulted were:

- Pacific Economists
- Pacific Gender Section
- public governance
- Bilateral posts and desks
- Strategic Review Group

During the review, draft findings or initial outcomes will be discussed with the Strategic Review Group. The Strategic Review Group will be updated on the progress of the review.

Consultation with partner government officials and NGOs will be considered through the review workplan. Given the importance of potential reputational benefits as one reason why budget support was chosen as a modality, consultation with key informants from PICs will add value. This can be done by telephone/WebEx. The extent of PIC key informant consultation will be negotiated during finalisation and approval of the workplan.

Key Evaluation Questions and Scope

There are three key evaluation questions:

- How relevant was the Pacific COVID-19 Response Package (2020–21 to 2021–22) given the pandemic context?
- How effective was the Pacific COVID-19 Response Package in each participating PIC? (What did we achieve?)
- How efficient was the Pacific COVID-19 Response Package in each participating PIC?

Information and evidence to answer these key evaluation questions will be collected by asking more detailed secondary questions (see table below) using methods to be defined by the Review Team in the Independent Review plan and selected to fit the time and other resources available for the review. Priority questions that will have preferential resource allocation during the evaluation are **highlighted in bold**. Not all secondary questions will be used, and each stakeholder will only be asked those secondary questions that help elicit additional data from them or triangulate evidence from other sources.

Timeframe

The below timeframe is subject to discussion with the evaluation team.

2021

- December: Procurement of Review Team

2022

- 22 January: Verbal briefing and Draft Evaluation Plan: approved by 25 January
- 25 January–15 March: data collection/field work
- 15 March: Aide Memoire (presentation/roundtable)
- 1 April: Draft report (presentation/round table)
- 15 April: Final Investment Monitoring Report (FIMR) Moderation
- DFAT comments/turnaround within 2 weeks for final report by end April 2022
- OCE validation of FIMR.

Primary and Secondary Evaluation Questions⁵⁷

Primary Questions	Secondary Questions
1. How relevant was the Pacific COVID-19 Response Package (2020–21 to 2021–22) given the pandemic context?	<p>1. How relevant was the timing and scale of the response package offered to each participating PIC?</p> <p>2. How relevant was the modality of the response package offered to each participating PIC?</p>
2. How efficient was the Pacific COVID-19 Response Package in each participating country?	<p>3. To what extent did DFAT have the necessary capacity, skills and resources in Canberra and post to design and manage the package?</p> <p>4. To what extent could participating countries absorb the budget support provided by the package?</p> <p>5. To what extent did the Australian package leverage additional support (including for social protection) from other bilateral and/or multilateral donors?</p>
3. How effective was the Pacific COVID-19 Response Package in each participating country?	<p><i>What happened?</i></p> <p>6. Who did what differently because of the Pacific COVID-19 Response Package in each participating country?</p> <p><i>What was the result – changes in financing and service delivery?</i></p> <p>7. To what extent did the package contribute to maintaining primary health service funding and delivery of services?</p> <p>8. To what extent did the package contribute to maintaining primary education service funding and delivery of services?</p> <p>9. What other key services did the package contribute to, and how?</p> <p>10. To what extent did the package influence practice within central agencies (End-of-Program Outcome 4)?</p> <p><i>What was the result – changes in people’s lives and practices?</i></p> <p>11. Where are there significant examples of positive outcomes being achieved for individuals, households, communities, and businesses, and what contributed to these changes (End-of-Program Outcomes 1–3)?</p> <p><i>Inclusion and Protection</i></p> <p>12. To what extent did the package contribute to social protection?</p> <p>13. To what extent did the package contribute to inclusive economic recovery?</p>

⁵⁷ Following consultations to prepare the evaluation plan, the primary and secondary evaluation questions have been updated to reflect clearer priorities, to order them to follow the three key evaluation questions and to remove duplication. They retain the substance of those presented in the TOR.

Primary Questions	Secondary Questions
	<p>14. To what extent did the investment make a difference to gender equality, and empowering women and girls?</p> <p>15. To what extent did the investment make a difference for people living with disabilities, and other vulnerable groups?</p> <p>16. To what extent were NGOs used as a delivery mechanism – how much funding was delivered through NGOs, and which ones?</p> <p>17. How were NGOs, OPDs, and other stakeholders representing women or vulnerable groups (including government organisations) consulted and involved?</p> <p><i>Risk management</i></p> <p>18. To what extent did the package mitigate fiscal shortfalls as outlined in the EOPOs?</p> <p>19. To what extent was there active management of risks (including fiduciary risks) in relation to the achievement of the intended investment outcomes? Are risks actively managed to avoid negative impacts on people, the environment, and resources?</p> <p><i>Private Sector</i></p> <p>20. How well was the private sector engaged under the package in participating PICs?</p> <p>21. What difference did the package make to private sector enterprises in participating PICs?</p> <p><i>Public diplomacy outcomes and linkages</i></p> <p>22. How well were existing policy dialogue relationships (under complementary programs) used to leverage further policy and public financial management (PFM) changes with financing under the Pacific COVID-19 Response Package? Note: some Direct Funding Agreements had their own conditionalities that incentivised reform.</p> <p>23. To what extent did the package provide new pathways for partner dialogue? What insights and opportunities did we gain from this?</p> <p><i>Performance management</i></p> <p>24. To what extent was the reporting and evidence provided sufficient to meet DFAT's management purposes?</p>
<p>4. What could be done differently in future budget support initiatives in response to COVID-19 to enhance relevance, efficiency, and effectiveness?</p>	<p><i>Nil secondary questions</i></p>

Evaluation Process

1. DFAT will provide a verbal briefing of the key issues and priority information before initial document review and preparation of a plan for the Independent Review.
2. Up to 2 days for the Review Team to become oriented to the initiative, review and appraise documents to inform preparation of a plan for the Independent Review.
3. The Independent Review Team will prepare a plan for the Independent Review and submit it as a draft within one week of appointment and at least three weeks before mobilisation to the field – with the depth of planning required reflecting the importance of the review/evaluation questions and management decisions. The Review Plan must meet DFAT M&E Standard 5.

4. Scheduling will be subject to COVID-19 travel restrictions but will allow for adequate data collection and analysis in and/or with all participating Pacific Island countries to answer key evaluation questions.
5. Before completing the draft report, the Independent Review Team will conduct a feedback session with selected information users and present DFAT with an aide memoire summarising key findings and recommendations.
6. Quantitative data, qualitative information, and documents will be analysed to process data to visualise and otherwise present information to aid understanding and communication. This is anticipated to include quantitative charts, qualitative case study briefs, and systematically analysed qualitative findings.
7. A draft report will be submitted within three weeks of completing field work and data collection.
8. DFAT will appraise the draft report and ensure the process for commenting is efficient and allows independence of the Review Team’s final report. The Strategic Review Group will be used to comment and consider the evaluation as it progresses (aide memoire, draft report, and final report).
9. Adequate time has been allocated to respond to comments.
10. Roles and functions of proposed team member are set out in the following table.

Roles and Functions of Review Team Members

Review Team Member	Role	Functions
Independent Team Leader Vincent Ashcroft	<ul style="list-style-type: none"> • Lead the Independent Review Team. • Lead preparation of Review Plan. • Represent the team to DFAT, partner government agencies, and participating programs and their stakeholders. • Lead preparation and presentation of an aide memoire, draft report, and final report. • Always ensure the safety and efficiency of the team. 	<ul style="list-style-type: none"> • Perform the role of Team Leader. • Effectively use the expertise of team members to meet the Terms of Reference (TOR) and requirements for the review. • Draft and submit an Independent Review Plan. • Lead overall implementation and management of the review, including managing, coordinating assessment, and ensuring the collaboration of team members. • Lead the team in the field, allocating tasks, ensuring team safety and efficiency of implementation. • Collect evidence relating to relevance, efficiency, effectiveness, and relationships. • Collect evidence relating to the efficiency of the modality in the COVID-19 context. • Collect evidence relating to the contributions Australian budget support made to Australia’s reputation as an economic partner of choice in targeted PICs. • Collect evidence relating to the engagement with private sector actors during implementation of the package, and where possible demonstrate how such actors benefited. • Prepare at least three evidence-based case studies illustrating the difference budget support made to Australia’s reputation in targeted PICs. • Ensure gender equality and social inclusion are integrated into interviews, document review, and review findings. • Task, review, synthesise and integrate outputs from team members into the aide memoire and draft report. • Lead and coordinate preparation and finalisation of an Independent Review Report. • Other duties in TOR and/or as directed by DFAT.

Review Team Member	Role	Functions
Macro-economist and PFM/Budget Support Specialist Andrew Laing	<ul style="list-style-type: none"> • Ensure the Review Plan addresses macro-economic, PFM and budget support questions and issues. • Collect information to answer key evaluation questions relating to macro-economic stability, PFM, and budget support. • Contribute macro-economic, PFM, and budget support elements to the aide memoire, draft report, and review report. 	<ul style="list-style-type: none"> • Collect evidence relating to relevance, efficiency, and effectiveness. • Collect evidence relating to the contributions Australian budget support made to public revenue and expenditure at national level, as well as sectoral level (health and education). • Prepare at least three evidence-based case studies illustrating the difference budget support made to national economies, public finance management, and service delivery after the COVID-19 shocks. • Other duties in TOR and/or as directed by Team Leader.
Issues Primary Service Delivery Specialist Elizabeth Elson	<ul style="list-style-type: none"> • Ensure the Review Plan addresses primary service delivery questions and issues with a focus on health and education. • Collect information to answer key evaluation questions relating to primary health and education service delivery. • Contribute primary health and education service delivery elements to the aide memoire, draft report, and review report. 	<ul style="list-style-type: none"> • Collect evidence relating to relevance, efficiency, and effectiveness. • Collect evidence relating to the contributions Australian budget support made to primary health and education service delivery. • Prepare at least three evidence-based case studies illustrating the difference budget support made to primary health and education service delivery after the COVID-19 shocks – including at national and sub-national levels. • Other duties in TOR and/or as directed by Team Leader.
Social Protection Specialist Nicholas Freeland	<ul style="list-style-type: none"> • Ensure the Review Plan addresses social protection questions and issues. • Collect information to answer key evaluation questions relating to social protection. • Contribute social protection elements to the aide memoire, draft report, and review report. 	<ul style="list-style-type: none"> • Collect evidence relating to relevance, efficiency, and effectiveness. • Collect evidence relating to the contributions the package made to social protection. • Prepare at least three evidence-based case studies illustrating the difference budget support made to social protection after the COVID-19 shocks – including at national and sub-national levels. • Other duties in TOR and/or as directed by Team Leader.
Gender Equality, Disability and Social Inclusion Specialist Gillian Brown	<ul style="list-style-type: none"> • Ensure the Review Plan addresses questions and issues on gender equality, disability, and social inclusion. • Collect information to answer key evaluation questions relating to gender equality disability and social inclusion. • Contribute gender equality disability and social inclusion elements to the aide memoire, draft report, and review report. 	<ul style="list-style-type: none"> • Collect evidence relating to relevance, efficiency, and effectiveness. • Collect evidence relating to the contributions of the package to gender equality, disability, and social inclusion. • Prepare at least three evidence-based case studies illustrating the difference budget support made to gender equality after the COVID-19 shocks – including at national and sub-national levels. • Other duties in TOR and/or as directed by Team Leader.

Review Team Member	Role	Functions
Design and M&E Specialist Jessica Kenway	<ul style="list-style-type: none"> Provide M&E expertise to the team and ensure the work aligns with and meets relevant DFAT M&E Standards. 	<ul style="list-style-type: none"> Other duties in TOR and/or as directed by Team Leader. Ensure the Review Plan addresses questions and issues on design and M&E and meets the relevant DFAT M&E Standards. Review and quality assure the draft and final review report to ensure it meets the relevant DFAT M&E Standards.

OTP will make available to the Review Team documents and particulars relating to the package. These will include, but not be confined to, the following documents:

- The Design Framework
- Country annexes
- Approval and agreement information
- DFAT program documentation, including meeting agendas and minutes, risk registers, written approvals to commence
- Formal cable communications on the establishment of program and key milestones
- AidWorks data and other M&E material produced by the Response Package Team.

OTP will make available to the team any other reasonable requests for information and documentation relating to the evaluation. The Team Leader is also expected to independently source other relevant material and literature.

Annex B: Methodology and Limitations

Methodology – Data Collection and Sampling

The review has used a mixed methods approach to analyse quantitative and qualitative data to inform judgements on the key evaluation questions.

Analysis of Economic, Fiscal, Social and Aid Data

Quantitative data has been collected from a wide variety of sources including DFAT, IMF, OECD, World Bank, ADB, UN Agencies, partner government budgets and websites, universities, think tanks, DFAT programs, and non-government organisations. The data was consolidated in a separate database. For completeness, the outputs have been provided in a separate technical working paper titled *COVID-19 Package Review – Background Analytics*.

In general, there is sufficient economic, fiscal, social, statistical and investment level data to do trend analysis for the review. A summary of data used for the review is provided in Table 7 below. The table shows the category of data, the source description, and the date the dataset was last updated. Financial data for the package was of a particularly high standard. DFAT provided a complete dataset from AidWorks of all transactional level commitment and expenditure data with all classification fields requested, including sector, type, channel, and activity agreement.

The Review Team faced considerable gaps in other data – primarily around timeliness of data rather than quality or access. The team had anticipated that more routine statistics would have been available from the M&E system designed for the package. The Review Team’s approach was to tap into existing international databases. These also have their constraints. Lags in certain standard socio-economic, fiscal and aid statistics were significant for certain statistics and countries. Aggregate aid data for the package countries was incomplete for 2020 on the OECD database.⁵⁸ The World Development Indicators (WDI) is key source for socio-economic data, which consolidates data from many sources, such as the World Bank, UN, and IMF. Socio-economic statistics are generally complete in WDI, but recent data is often late or incomplete. For example, while routine data on tourist arrivals is available for 2020, data in important areas like education (e.g. children out of school) were delayed, often by years.

On fiscal data, the IMF GFS database is the primary source. It has improved dramatically over recent years. That said, there remain many gaps in the completeness and timeliness of data that is provided to the IMF. For example, data by economic classification (or type, like salaries and goods and services), is available for all countries (except Tuvalu), but can be delayed (e.g. Timor-Leste and Tonga’s last year were 2019). Fiscal data on purpose of spending (COFOG) is reasonable but limited to a few countries (Kiribati, PNG, Samoa, and Solomon Islands). By sector – or levels of government, the situation is similar. Kiribati, Nauru, Samoa, and Timor-Leste provide general government sector data. This includes government fiscal statistics that consolidate central government data with lower levels of government like states, provinces, and local government. It is important that countries which transfer significant resources to lower levels of government (e.g. PNG sends around 40% of central government expenditures to the provinces) produce general government level reports. Not providing general

⁵⁸ As at end March 2022, Australian and New Zealand Aid related data on Pacific countries were not accessible on the OECD DAC database for 2020. Most other donors’ aid data is available on the OECD database – all multilaterals (except FAO, IAEA, UNECE, UNEP, Adaption Fund, BADEA, CEF, CIF, & Montreal Protocol) and all non-DAC donors. Confirmed DAC bilateral donors where 2020 aid data is accessible on the OECD website are: Austria, Finland, Greece, Iceland, Ireland, Japan, Norway, and Sweden.

government sector data significantly compromises the visibility of where money went, as well as the impacts.

Table 7. Data Sources Used in the Consolidated Database and Latest Updates

Category	Latest Last Updated
Aid Data	20/04/2022
China Aid	29/09/2021
IFC Data	08/01/2022
OECD DAC CRS Data	20/04/2022
OTP COVID Data	28/01/2022
OTP S23 timings and OTP Budget Build	28/01/2022
SDGs	05/01/2022
DFRA	08/11/2022
AML	31/12/2021
BTI	31/12/2021
CPI (TI)	26/08/2021
CPIA	31/12/2021
Open Budget data	31/12/2021
PEFA 2011	21/10/2021
PEFA 2011 Annex	21/02/2022
PEFA 2016	21/02/2022
PEFA Gender	21/02/2022
Rule of Law Index	31/12/2021
SCI	04/03/2022
Specialised (fiscal sustainability, non-tax revenue, contract management, procurement, anti-corruption, communications and grant financing)	31/12/2021
SPI	08/11/2022
TADAT	31/12/2021
WCO	31/12/2021
Worldwide Governance Indicators	31/12/2021
World Bank Procurement Benchmarking Study	31/07/2021
Fiscal	02/04/2022
GFS COFOG Data	07/01/2022
GFS Expenses	07/03/2022
GFS Main Aggregates and Balances	07/03/2022
GFS Revenue	07/03/2022
IMF Debt - Financial Assets and Liabilities by Counterpart Sector	07/03/2022
IMF Debt - Stock Integrated Balance Sheet	07/03/2022
IMF Financial Soundness Indicators	02/04/2022
Macro-Fiscal	01/02/2022
WEO	01/02/2022
Socio-Economic	27/03/2022
ADB Pacific Monitor dataset	15/02/2022
City populations	29/01/2022
COVID	27/03/2022
Disability	01/03/2022
IMF Gender Indices	31/01/2022
WDI	04/03/2022

These data gaps limited the Review Team’s ability to secure deeper insights into the impact of Australia’s investment in the Pacific through the COVID-19 Response Package. From a quantitative data perspective, analysis of socio-economic and fiscal impacts was often limited to what was reported in 2020, or additional updated data secured through interviews, or available from government websites. The use of WEO to look at how forecasts and perceptions changed before COVID-19, during

the peak of the pandemic, and more recently, was helpful. Most of the limitations, however, were handled through qualitative assessments via interviews made in person, in the case of Fiji, and video conferences for other countries where possible.

Document Review

The document review analysed DFAT documents, individual program and investment planning documents, implementing partner reports and proposals, and other specialist papers (e.g. on disability and gender). The team prioritised analysis and review according to the following principles:

- **Materiality** – documents from all key partners will be analysed with an emphasis on the largest partners (by dollar value).
- **Relevance** – documents, or sections therein, which clearly relate to the key evaluation questions will receive priority attention.
- **Credibility and objectivity** – within the selection of documents identified for review the team will ensure that a range of sources and perspectives are captured and where information is triangulated.

There is generally a large volume of program and investment-level information available, and OTP provided a significant amount of information to the Review Team. However, the constraints on travel to countries and the fact the Review Team had limited access to non-DFAT interlocutors means there are certainly many more documents and important sources of data that the team have not been able to access. This is not a result of any intransigence on the part of DFAT or their partners, it simply reflects the ongoing difficulty of the operating environment. It is a function of remote engagements and difficulty in following up as key interlocutors are swamped with the pressures of the ongoing crisis. This has made the task of triangulating data and interviews with reports, analysis, and existing monitoring sometimes difficult (the in-country mission in Fiji highlighted many positives that could not be seen from documentation alone and some corroborating evidence that was identified in the end was not passed on), and in some countries impossible (the team has had no contact with anyone from Tonga due to the natural disaster and with Solomon Islands).

For future interventions of this kind there is a strong case for the Canberra-based OTP team engaging with posts early in the process to determine what data, routine reporting, and monitoring is available and accessible, who will provide the information and when (i.e. an evaluability assessment – determining readiness to be evaluated). This should not be burdensome on the post or the partner government, as it focuses on what is already routinely produced and only involves collection and coordinating the storing of country and investment-level information.

Key Informant Interviews

Semi-structured key informant interviews were conducted with a large number of stakeholders (over 100 interviews involving several hundred people). These interviews served several important purposes. They assisted the team to triangulate data and analysis, they provided additional first-person perspectives on the impact of the crisis and the responses, and they provided a source of new data and reporting.

Due to COVID-19 related travel restrictions, the team was only able to visit Fiji, where a good program of meetings was organised and interviews conducted with a range of DFAT, Fiji Government, implementing partners, and non-government organisations. For all other countries, consultations were conducted remotely. This proved challenging, and the original plan to use a sampling strategy of purposive sampling tended more towards convenience sampling. The Review Team acknowledges the

current context with continuing lockdowns, border closures and natural disasters, as well in some cases the poor timing of the review for some countries, in terms of the political or annual budget cycle. This discussion is not intended as criticism but is important in understanding the constraints in conducting the review.

Questions for the key informant interviews were based on the key evaluation questions, with some room for emerging questions. Typically, the interviews lasted no more than an hour, were via Zoom or Webex or WhatsApp, and were attended by multiple people on both sides. This made it quite difficult to explore the secondary evaluation questions, including in Fiji where we met people in person. The short timeframe meant there was only time for one interview, so for instance at the Ministry of the Economy we had an hour with the Permanent Secretary and his leadership team, which meant we had an excellent strategic discussion about the package but could not cover more detailed discussions with the Heads of Budget, Fiscal Policy, Debt Management, or Treasury.

Despite these challenges, in general stakeholders were open and frank. In Fiji, PNG, and Timor-Leste the team were able to do considerable triangulation of data and reporting with key interlocutors. With most other countries the engagement through interviews was still useful but less structured and detailed.

Analysis

The team has worked collaboratively throughout the analysis process to help ensure the multi-sectoral strengths of the team are reflected in the final report. The team has had to make a range of professional judgements in relation to each of the evaluation questions. These judgements are informed by a consideration of the relative strength of the evidence available (e.g. considering triangulation, and source of evidence). Where relevant, the team has drawn on DFAT's Final Investment Monitoring Report (FIMR) ratings matrix to support the analysis process. Where judgements have been made the review indicates the level of evidence (weak, adequate, or strong) and the basis for the judgement being made. These levels of evidence are defined as follows:

- **Strong evidence:** evidence derived from multiple reliable sources, such as independent reviews/evaluations, quality assured monitoring data, implementing agency reports validated by monitoring trips, and independent research conducted in the sector.
- **Adequate evidence:** evidence derived from a more limited range of sources, such as implementing agency reports, records of monitoring visits, or records of discussions with partners and other stakeholders.
- **Weak evidence:** includes non-validated assertions, personal opinions, and anecdotes. Weak evidence is not sufficient to rate an investment criterion as being satisfactory.

Limitations and Constraints

DFAT's decision to conduct the review of the package now was based on a number of factors. The package was effectively a one-off measure, and the Australian Government must make some additional decisions about additional support now. The review will provide analysis to help with the detailed design and implantation of the activities in any future package. In addition, it was felt by DFAT that it was important to capture the lessons of the last 18 months now, while the principal actors are still in place and before other priorities relegate the package to the background.

These decisions mean the review has faced several constraints and limitations.

Short Timeframe

The review was commissioned in late December 2021, kicked off in January 2022, and has been concluded by the end of May 2022. While the team has been well resourced, with sufficient people and expertise to conduct the analysis, the broad scope of the Terms of Reference has meant we are trying to cover a lot of ground in a short space of time.

Data and Analysis

The Review Team found that collection, collation, and coordination of economic and fiscal data in OTP is not systematic. By that we mean that consistent, comparable economic and fiscal data is not collected, moderated, and shared with relevant areas across DFAT, particularly posts. This means we have in part had to construct our own baseline of economic and fiscal measures for the review. The same can be said for country and investment-level data and analysis. There has been a lot of effort put into coordination of the package by OTP, but there was not a consistent approach to identifying what data, analysis, and reporting was available, or would become available, and who would collect it to form the country/investment level stock of information. It was an explicit decision to avoid creating burdensome M&E processes for posts and partner governments, which the Review Team agrees with. However, that has translated into incomplete and poorly organised information and knowledge management.

The Review Team also found that both implementing partners and partner governments could identify sources of data and information from their systems that could and should be available to DFAT but was not being sought by the post or provided routinely by the partner government.

The review finds there is a clear opportunity to improve knowledge management and information sharing between Australia and partner governments and within DFAT that makes it easier to compare investments and to aggregate results. This is something that could be remedied with a relatively small but dedicated investment in more people to coordinate the identification, collection, and management of data and information. The Support Unit in OTP worked very hard on this and other elements of the package, but in the end the Review Team feels this function was under-resourced. It was not simply an issue of budget, as a number of positions went unfilled due to a lack of availability or interest in working on these issues. We feel this issue has wider implications for DFAT. There needs to be some thought given to how much effort and resources are dedicated to data, analysis, and information, especially if budget support is to become a more regular feature of Australia's support to the Pacific and Timor-Leste.

Access to Key Stakeholders

The review had mixed access to relevant stakeholders. As noted above, much of this is a function of the context. The engagement with DFAT has been excellent in some cases – notably with all teams in OTP, the posts in Fiji, PNG, Samoa, and Timor-Leste. In other areas the engagement has been relatively low. Some of the smaller posts like Tuvalu, Kiribati, and Nauru provided basic inputs in line with the size and significance of the package in their countries.

The review's access to partner governments was also quite mixed and somewhat patchy. The Review Team has had little or no direct contact with central agencies (Ministries of Finance, Economy, or Planning) – except in Fiji where we were able to visit, and also PNG. The Review Team found people at posts were often of the view that the review should only focus on interviews with institutions and organisations directly involved in the implementation of the package, rather than seeking a wider cross-section of views. Normally the team would be able to do this with relatively little input from

posts, but the context has meant the level of response to requests for remote interviews has been quite low.

Overall, the Review Team feel confident in the strategic level findings based on the amount of evidence available, but there is a lot less that can be said at the country or investment level. More investment in the coordination and management of data, information, and knowledge for future investments of this type will make it much easier to assess performance.

Annex C: Record of Interviews

Table 8. Record of Interviews

Australian Government DFAT

Organisation	Date 2022
Kiribati, Tuvalu, and Nauru Desk	13/01
Tonga and Samoa Desk	13/01
Gender Team	13/01
Education Team	13/01
DFAT	13/01
Fiji Desk	14/01
Solomon Islands Taskforce	14/01
PNG Desk	14/01
Vanuatu Desk	14/01
Timor-Leste Desk	14/01
OTP	21/01
DFAT	21/01
Consultant	21/01
OTP Economics Section	21/01
Fiji Post	25/01
Timor Post	25/01
Office of the Chief Economist	25/01
PNG Post	27/01
Timor Post – Ambassador	28/01
Fiji Post	02/02
PNG Post/Desk	07/02
Samoa Post	07/02
Tuvalu Post	08/02
OTP	08/02
DFAT	10/02
Former OTP Contractor	10/02
OTP	10/02
OTP	10/02
OTP	11/02
Nauru Post	11/02
DFAT	11/02
Former OTP Contractor	14/02
DFAT	16/02
DFAT	21/02
OTP Economics Section	10/03
Australian Government Treasury	21/01

Australian Non-Government

Organisation	Date 2022
Pacific Trade Invest	03/02
Pacific Trade Invest	03/02
Lowy Institute	04/02
Lowy Institute	04/02
Australian National University (ANU)	08/02
Independent	11/02

Organisation	Date 2022
Independent	11/02
Independent	17/02
Independent	14/02
ANU Development Policy Centre	24/02

Multilaterals and Multilateral Development Banks

Organisation	Date 2022
World Bank – Sydney	04/02
UN Coordinators Office – Samoa	03/03
World Bank – Sydney and Pacific	08/03
ADB	10/03
ADB	14/02
ADB	15/02
ADB	16/02
OXFAM	29/03

Other Donor Government Agencies

Organisation	Date 2022
MFAT NZ	10/02

Partner Countries

PNG Government

Organisation	Date 2022
High Commission	14/03
High Commission	15/03
High Commission	15/03
High Commission	15/03
High Commission	15/03
High Commission	16/03
High Commission	18/03
PNG Government	16/03

Fiji Government

Organisation	Date 2022
High Commission	01/03
High Commission	01/03
High Commission	01/03
High Commission	01/03
High Commission	01/03
High Commission	04/03
Fiji Government	02/03
Fiji Government	02/03
Fiji Government	02/03
Fiji Government	03/03
Fiji Government	03/03

Solomon Islands Government

Timor-Leste Government

Organisation	Date 2022
Embassy	TBC
GoTL	16/02

Vanuatu Government

Organisation	Date 2022
Embassy	21/02
Vanuatu Tourism Office	11/03

Samoa Government

Organisation	Date 2022
Embassy	10/03
Embassy	09/03
Embassy	08/032

Tuvalu Government

Organisation	Date 2022
Embassy	10/03

Nauru Government**PNG Non-Government**

Organisation	Date 2022
CCHS	14/03
CHS	16/03
ICRC	28/03
EGIG Advisers	29/03
PNG–Australia Transition to Health (PATH) Program	07/03

Fiji Non-Government

Organisation	Date 2022
Pacific Disability Forum	28/02
Pacific Disability Forum	22/03
Fiji Council of Social Services	01/03
JICA and NZ MFAT	01/03
World Bank/ADB	02/03
UN Women	02/03
Fiji Women's Fund	03/03
IMF/PFTAC	03/03
National Council for People Living with Disabilities – Fiji	03/03
SPC	04/03
Pacific Women Lead	08/03
Save the Children	04/03
MDF	04/03
Invest Fiji	04/03
Fiji Program Support Facility	04/03
Shifting the Power Coalition	04/03

Solomon Islands Non-Government**Timor-Leste Non-Government**

Organisation	Date 2022
PARTISIPA	17/02
PHD	TBC
Adviser	15/02

Vanuatu Non-Government

Organisation	Date 2022
Vanuatu Skills Partnership	22/02
Vanuatu Education Support Program (VESP)	22/02
Pacific Consulting Limited	23/02

Kiribati Non-Government

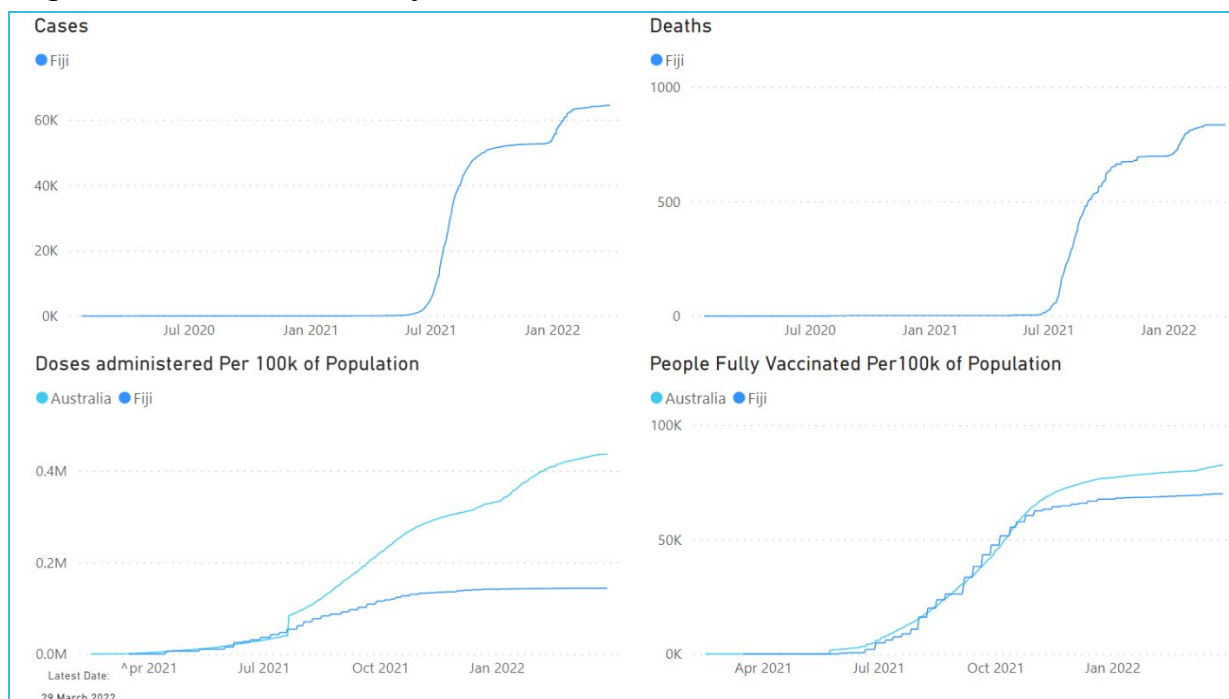
Organisation	Date 2022
Former Budget and Planning Department	16/02

Annex D: Selected Country-Level Summaries

Fiji

Fiji was by far the worst affected by COVID-19 in terms of total deaths and deaths per capita. It was also the quickest to get the population vaccinated. Fiji experienced two COVID-19 waves. The first started in July 2021, and had the biggest impact, killing around 700 people over 4 months. The second started in January 2022, but was limited to a month, killing 130. Fiji was quick to get people fully vaccinated, following a similar vaccination profile as Australia. The high vaccination rate may explain the controlled response of the second wave. (See Figure 16 below.)

Figure 16. COVID-19 Data: Fiji



Source: Github and WDI for population.

Support Package

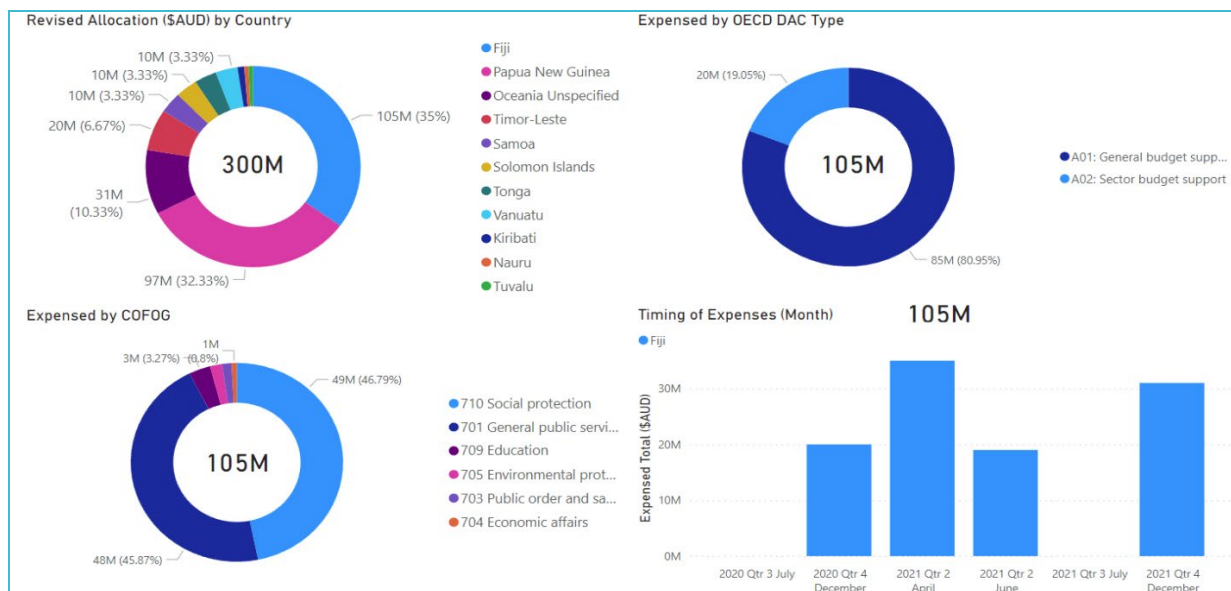
Fiji received AUD105 million in budget support over two fiscal years (2020–22), which accounts for 35% of the Pacific allocation (see Figure 16 above). From this allocation, 81% of funds for Fiji were channelled as General Budget Support and 19% as Sector Budget Support. This was the highest amount from the package and the third highest on a per capita basis.

Two major agreements were in place: i) Recovery and Resilience budget support program (FCW) worth AUD85 million; and ii) Social Protection Payments (VERW) Sector Budget Support program worth AUD20 million. The funding was the highest amount from the package, and PNG received the second highest with AUD97 million.

The importance of Australia's COVID-19 financial assistance to Fiji was also the greatest in terms of percentage of previous Australian aid. Fiji's allocations represented 169% of all Australian aid provided in 2019. The last year that a non-zero level of Australian aid went through the Fiji Government was in 2011 when AUD390,000 was provided according to OECD DAC CRS data. All package allocations to Fiji have been fully disbursed, which was completed in December 2021.

Package funds were relatively important in the budget of Fiji. The amount of funds was worth around 18% of Fiji’s budget deficit in 2020. From a revenue perspective the package represents 6.9% of all government revenues and 8.4% of all tax revenues received in 2020. From an expenditure perspective the package represents 5% of all government expenditures and 49% of all social benefits payments made in 2020. Over 80% of the funds were delivered through the General Budget Support mechanism. Almost 50% of the allocation was attributable to social protection.

Figure 17. Fiji Support Package Summary FY 2020–21 to FY 2021–22



Source: AidWorks and AFI estimates. As at end January 2022. Revised allocation as at September 2021.

Economic and Fiscal Impact

Available data shows a large shock to GDP before returning to 2019 per capita GDP levels around 2024. Inflation up to the present remains moderate and in line with previous forecasts.

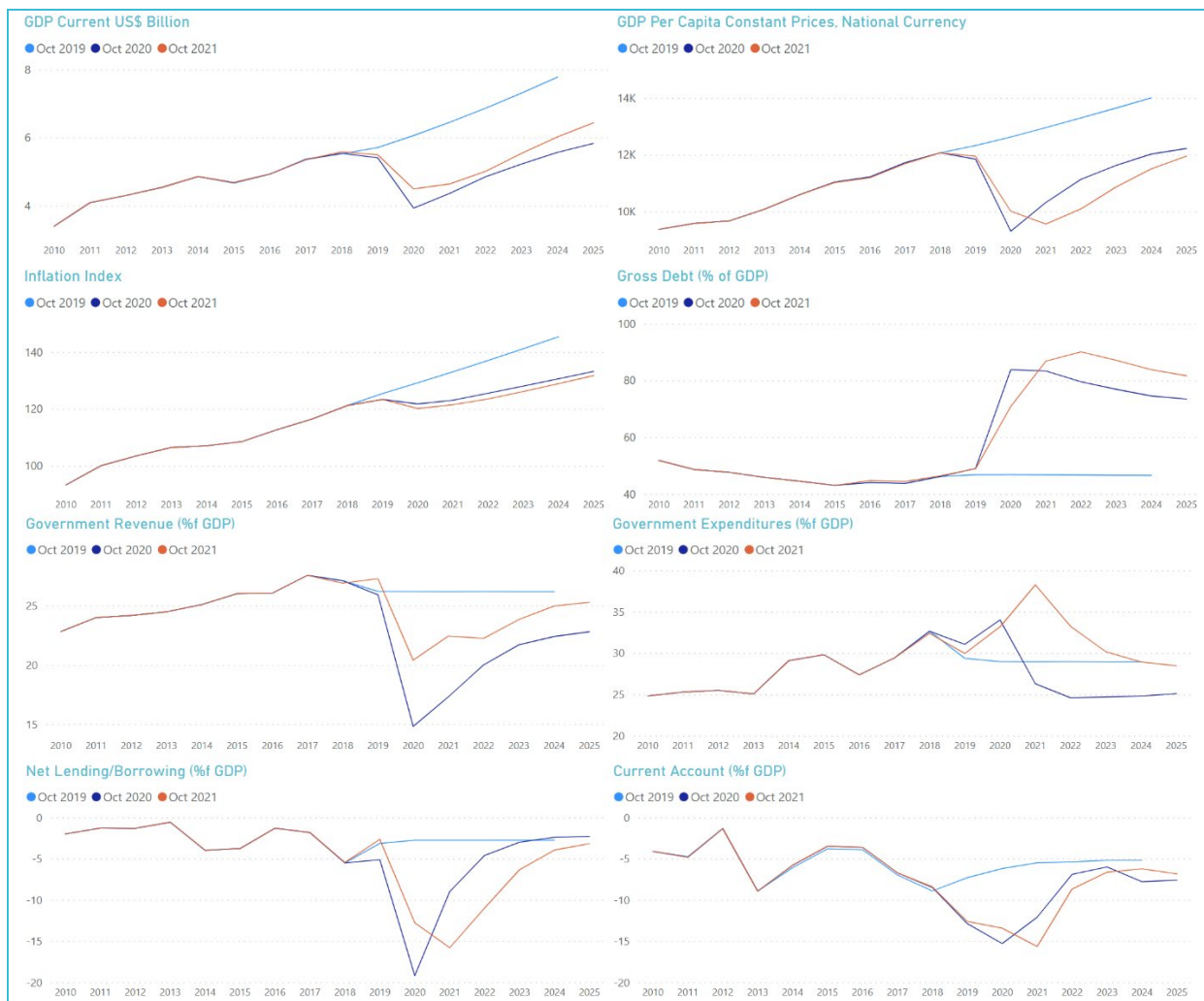
Debt increased dramatically (more than doubled) to relatively high levels because of falling revenue and higher expenditure. Despite an injection of over AUD700 million in grant funding (budget support) and concessional lending in the last 18 months, projections are for a slow reduction in debt levels out to 2025. Assuming no further economic shocks.

Government revenues fell dramatically in 2020, but the fall was revised up in 2021 with a V-shaped partial recovery evident. Even with borders opening, revenue as a proportion of GDP will remain below 2019 levels until 2025 (on a lower base of GDP meaning nominal revenue is considerably weaker than pre-crisis and will remain so for some time).

Government expenditures increased significantly in 2020, peaked in 2021, and are forecast to return to pre-COVID-19 levels by 2024. The impact of the additional budget support and concessional lending is evident in the difference between 2020 forecasts, which assumed spending would fall much more quickly and remain below pre-COVID-19 levels for some years, and 2021 forecasts showing fiscal support for the economy through 2022 and 2023.

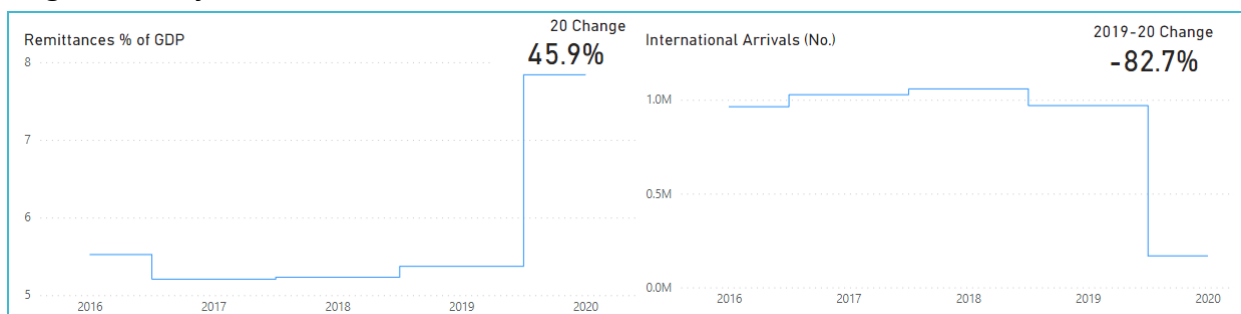
Unsurprisingly, due to lower revenues and higher spending, deficits increased dramatically with a V-shaped recovery to pre-COVID-19 levels forecast sometime after 2025.

Figure 18. Fiji: Various Forecasts (WEO)



Source: WEO.

Figure 19. Fiji Remittances and Tourism



Source: WDI 04/03/2022.

Remittances to Fiji increased by 46% in 2020 from a moderate base of around 5.5% of GDP to almost 8%. The increase is not related to recent trends.

Fiji tourism collapsed with an 83% decline in international tourism arrivals in 2020. Fiji is the largest tourist destination in the COVID-19 Response Package group of countries, with around 1 million visitors per annum, followed by Vanuatu (normally around 300,000) and PNG.

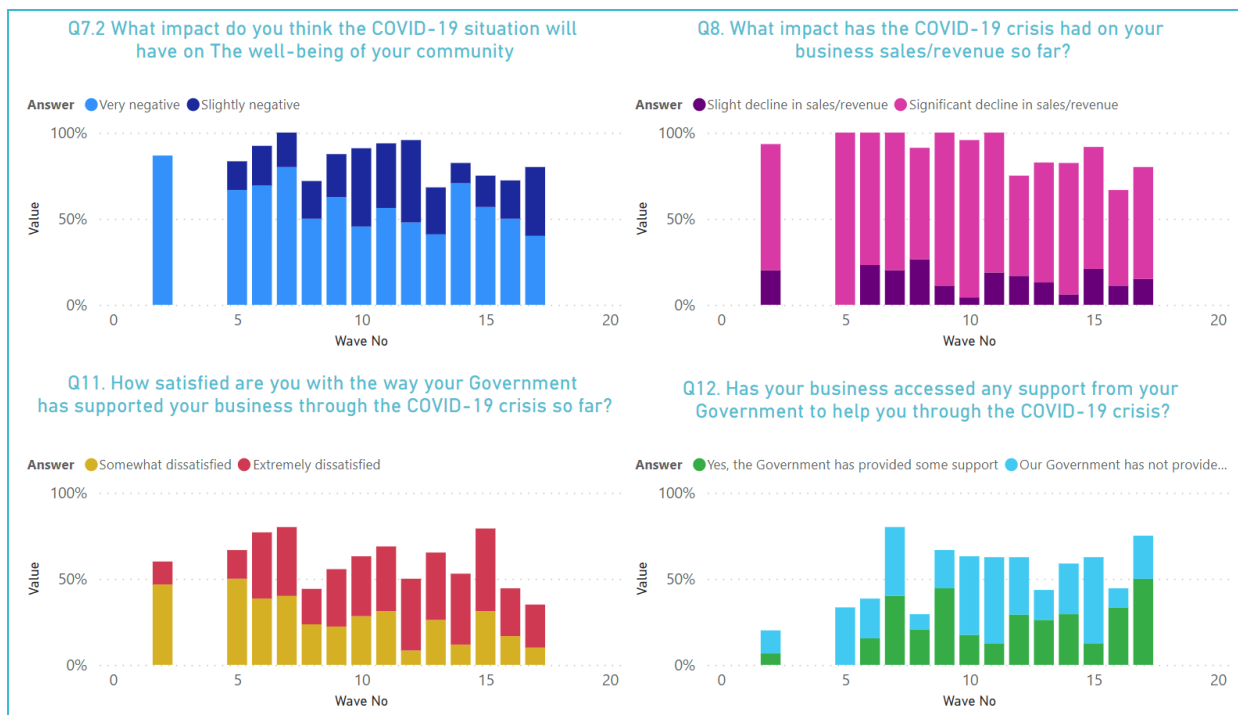
Social and Household Impact

The impact on households varied significantly. Those working in the private sector, particularly tourism, were left with no income. Arrival numbers fell from 969,000 in 2019 to 168,000 in 2020, and continued to fall as border closures across the region remained in force. While those working in government-related jobs and domestic industries were relatively less affected, unemployment rose from 4.5% to 13.35% in 2021.

Those in informal work were not included in the unemployment numbers and were significantly impacted by the economic shutdown. Poverty was around 30% pre-COVID-19. There is anecdotal evidence that businesses with high levels of participation by women – crafts and food sales – were dramatically affected. Social protection coverage was estimated at around 37% of the population pre-COVID-19, and efforts by the government to maintain and increase coverage helped to mitigate the worst impacts of the crisis.

As tensions within the home rose so did the incidence of domestic violence. Calls to the national domestic violence helpline between February and April 2020 were over 500% higher than in the same period in 2019.

Figure 20. Fiji Citizen Perceptions



Source: Pacific Trade Invest (PTI) – Pacific Business Monitor Data.

A time series survey indicates the people were worried about the impact of COVID-19 and that they were generally dissatisfied in their government’s handling of the response (see Figure 20). The Pacific Business Monitor Survey reveals that interviewed citizens/business owners:

- Were almost unanimously worried for the wellbeing of their communities, with the degree tapering off slightly as time progressed.
- Almost unanimously reported that COVID-19 had significant impact on revenues, with the degree tapering off slightly as time progressed.
- Were generally extremely dissatisfied with their government, but at a much lower level compared with some other countries.

- Generally reported that government does not provide support to business, but at a much lower level compared with some other countries.

Key Findings

Outcomes

Fiji represents the strongest outcomes under the package. Australia's support was largely in the form of General Budget Support but, combined with other donors and as a result of a productive engagement with the authorities, Fiji managed to mitigate the worst impacts of the crisis and is reasonably well-placed to recover as its border opens and it prepares to welcome tourists back.

EOPO 1: Vulnerable people benefit from more inclusive recovery – has been substantially achieved. The government maintained and expanded its social protection system, recognising that many people became vulnerable as a result of the pandemic.

EOPO 2: Australian support mitigates the impact of fiscal shortfalls and helped to position Fiji for economic and fiscal recovery – has also been substantially achieved. This was a truly massive crisis for Fiji, as its economy is the most exposed in the region to border closures and the loss of tourism. Revenues fell dramatically and without a significant intervention by development partners there could have been a catastrophic economic and fiscal shock. As it is, Fiji has absorbed a significant amount of economic and fiscal pain, but it is in reasonable shape to recover. Without its partners, this could not have been the case. Australia has played a key role in providing finance, creating confidence, and helping to crowd in additional financing.

Fiji is also the only country where there has been some contribution to all four intermediate outcomes. Affected people and households by and large were able to access social protection support (IO 1), health and education systems were severely stretched and there were disruptions and some routine services have been crowded out, but the systems did not break, and frontline staff were paid throughout the crisis (IO 2). There have been efforts through targeted programs to support small and informal businesses, including businesses run by women, but probably less than would be required to address the massive impacts (IO 3). Lastly, fiscal policy has been relatively inclusive (IO 4). There have been gaps, particularly engagement with women's groups and peak bodies for people living with a disability, but there have been efforts to innovate in reaching as many people as possible and there have not been cuts that hurt the most marginalised and poor.

The review finds that, overall, the effort from Australia, other development partners, and the Government of Fiji in responding to the pandemic has been an example of how cooperation can and should work.

Relevance

The package was highly relevant to Fiji. Fiji was the most exposed country in the region to the loss of tourism associated with the closure of borders. Revenue fell dramatically and pressures on government expenditure to respond to both the economic downturn initially and then the health response to COVID-19 were significant. Social protections systems were in place and relatively functional but were not flexible enough to meet the new demand created by the crisis.

Health spending pre-crisis had been growing slowly but remained relatively low at 3.82% of GDP. Child immunisation rates were high (96–99%), indicating widespread acceptance of the need for vaccination to prevent disease. These factors meant the choice of both Sector Budget Support and

later General Budget Support to allow the Fiji Government to maintain and even expand spending on social protection and health was the best way to support them through the crisis.

Efficiency

The package was relatively efficient. In Fiji the budget support was a 169% increase in assistance by Australia and could not have been absorbed in any other way than budget support. Fiji has low aid to GDP and aid to government expenditure ratios, indicating low aid dependency and a high level of absorptive capacity for additional budget support. Efforts pre-COVID-19 to position Australia to provide budget support contributed significantly to the efficiency of the package when the crisis hit in 2020.

It is important to note that the package was only one part of a wider support effort. The provision of vaccines and the assistance of AUSMAT were considered crucial in getting Fiji through the health crisis and ready to reopen its borders to tourists.

There were some gaps and missed opportunities. The engagement within the Australian High Commission (AHC) between the teams working on the budget support package and those working on the bilateral program were minimal. Despite nearly 50% of the bilateral program being delivered by one facility, including relevant health support, there was no discussion about the basis of the budget support package and how it would be delivered. There was also little effort made to monitor outcomes for Fijians and especially vulnerable groups. While the decision not to burden authorities with unnecessary M&E is considered correct in the circumstances, efforts to engage community groups and existing organisations on the ground to monitor the lived experience of the crisis for communities and feed this back into policy considerations could have been stronger.

Effectiveness

The package was found to be effective in helping Fiji to cope with the COVID-19 crisis. There is strong evidence that the Fijian Government faced a significant fiscal crisis. The package not only provided significant fiscal support, but it also formed part of a wider package of support with other development partners that provided Fiji with over AUD700 million in grants and concessional lending over the last 2 years.

The Government of Fiji (GoF) maintained spending in health and education and expanded its existing social protection programs to reach those directly affected by the closure of Fiji's borders. There is not enough evidence to draw any conclusions of how well the government's efforts mitigated the household or community-level impacts of the crisis. There is some anecdotal evidence that the impacts were not evenly distributed, with those in the private sector, informal workers, and the poorest being hardest hit.

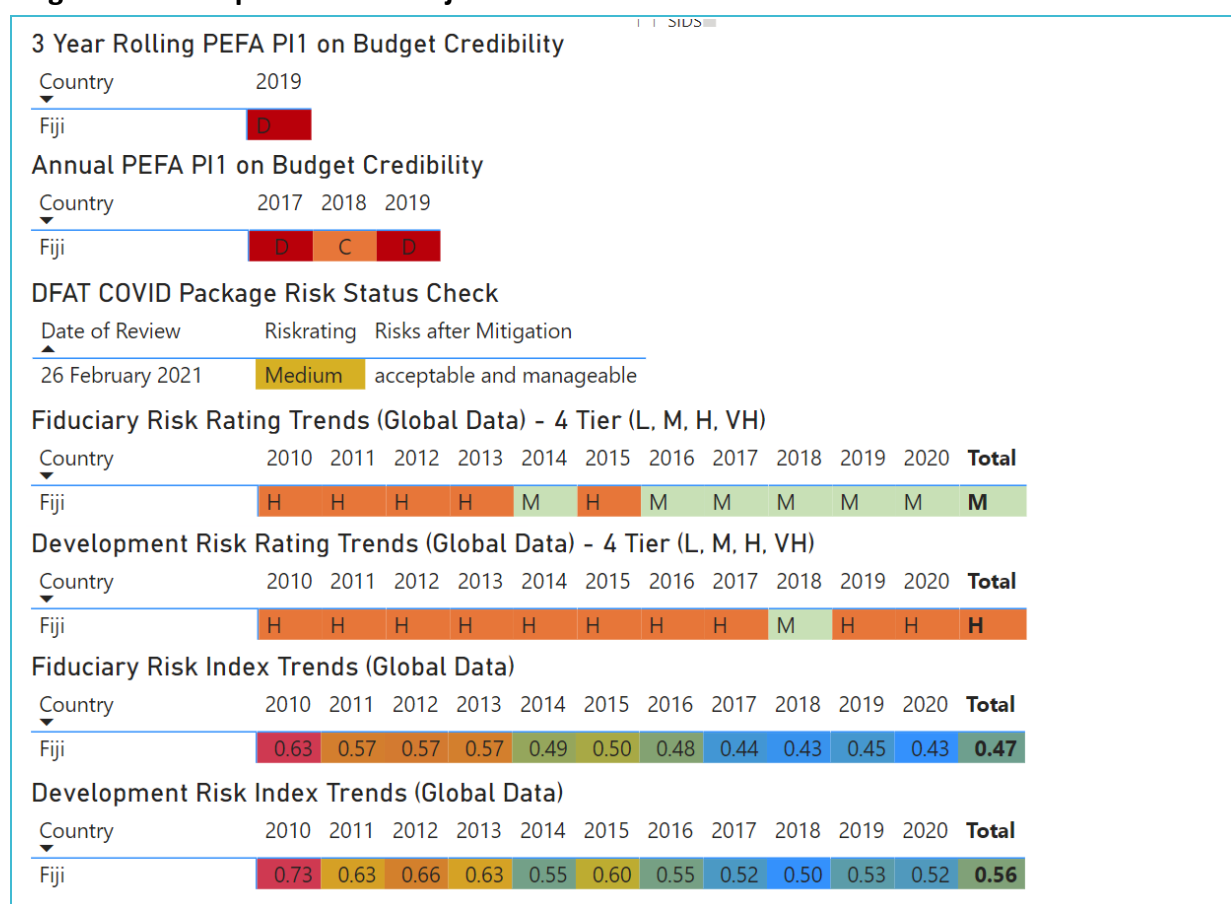
The budget support may also have enabled the government to continue funding innovative schemes, such as the provision of sanitary products to girls: MEHA committed to ongoing provision of sanitary pads to all female students from Year 7 to 13; an estimated 55,000 female students are expected to benefit from this policy.

There is also evidence that COVID-19 crowded out regular services in health and education, increasing the impact on poor families even more. Women and people living with disabilities were almost certainly impacted much more by the lockdowns and withdrawal of routine services because of the crisis. Responses tended to reinforce gender norms (prioritising male jobs and incomes while for women the burden of unpaid or home-based work increased, as did gender-based violence.

Lessons Learned

- **More consultation between teams at the post** would promote a more coordinated approach across the AHC.
- **A better understanding for all DFAT staff on the nature, purpose, strengths, and weaknesses of budget support** should be made a priority if this modality is to be used more routinely, along with a stronger understanding of exposures to and management of systemic risks.
- **More resources should be allocated to support M&E of budget support operations** – including to improve access to and sharing of data by partner governments and to engage CSOs and NGOs to conduct third party monitoring of outcomes for communities and vulnerable groups.
- **Australia will need to support safeguards and reform** to make further progress in reducing development and fiduciary risks that will ensure value for money improves and development goals are achieved on time – building on the significant reductions of fiduciary risk achieved over the last decade, and targeting development risk, which still remains high (see Figure 21 below).

Figure 21. Sample Risk Data: Fiji

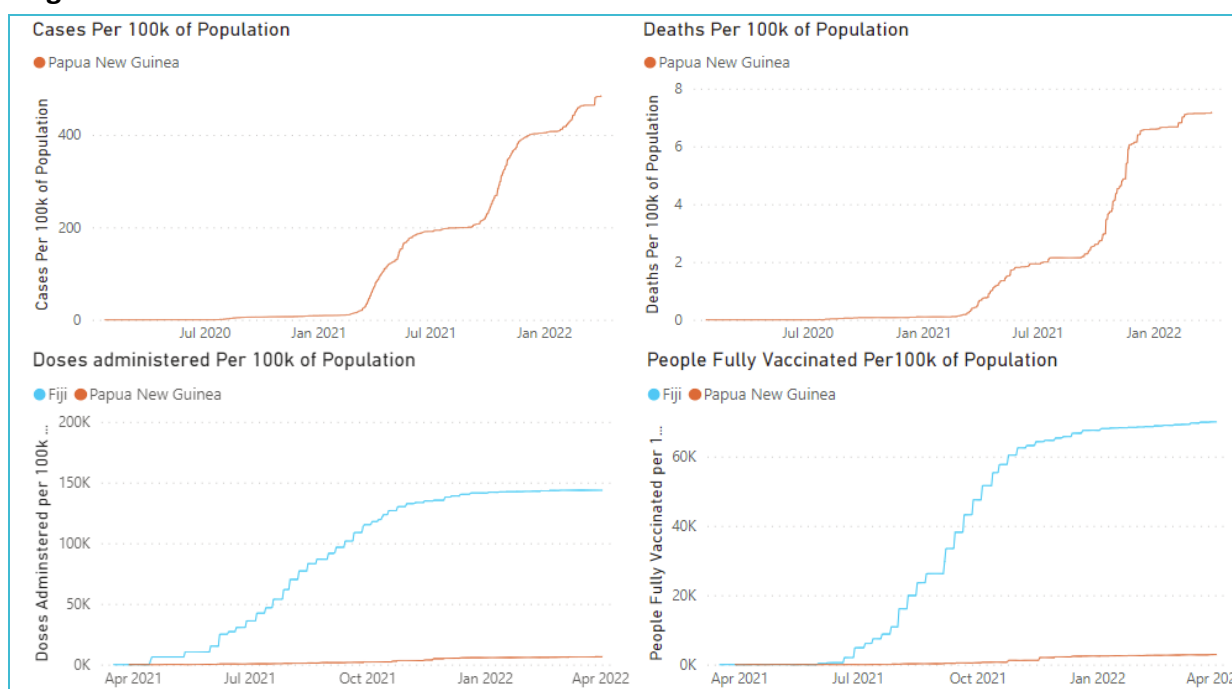


Source: WDI, DFAT and AFI calculations.

PNG

Data on COVID-19 infection and mortality is incomplete, but there are indications that PNG has been spared the high death rates from COVID-19 compared with some other Pacific countries in the group. Official reports indicate that 640 people have died in the country from three waves of COVID-19 (7.2 people per 100,000 population), but the true number is likely to be higher. The data on vaccination rates is more reliable and shows that only 3% of the population is fully vaccinated, increasing the risk of future surges in infection. (See Figure 22 below.)

Figure 22. COVID-19 Data: PNG



Source: Github and WDI for population.

Support Package

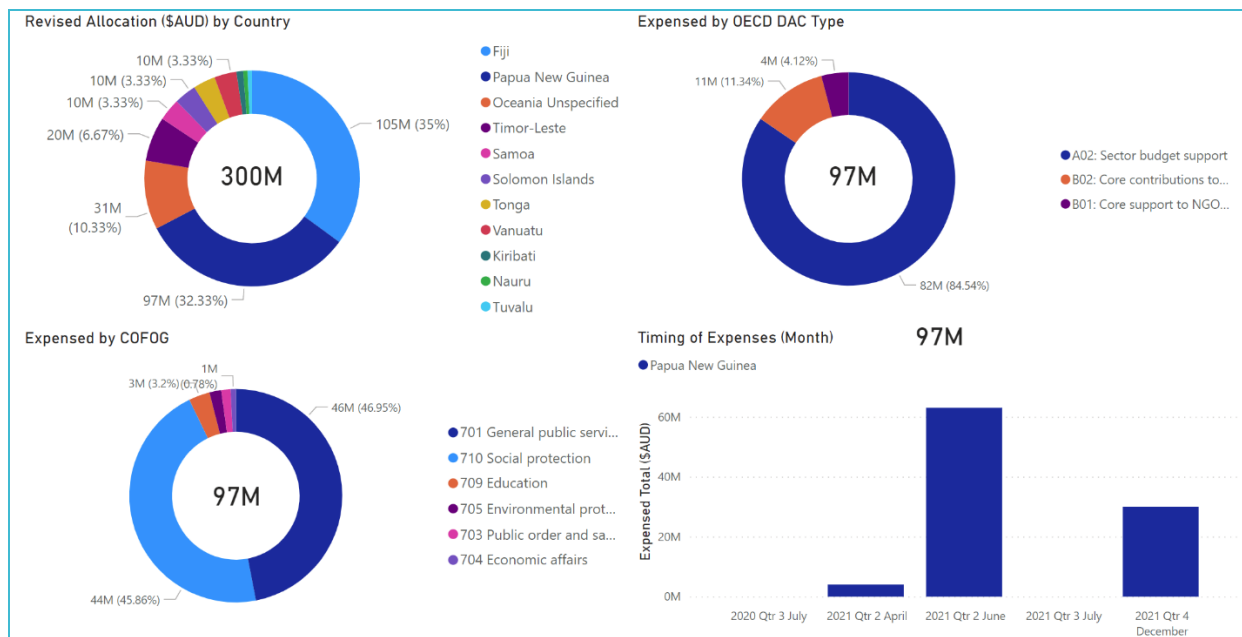
PNG received AUD97 million in 2021 in three tranches over the two fiscal years 2020–21 and 2021–22 (see Figure 23 below). This accounts for 32% of the Pacific allocation. From the allocation, 85% of funds for PNG were channelled as Sector Budget Support. This was the second highest amount from the package behind Fiji, but the lowest per capita amount of any country.

PNG was allocated a mix of new program funds. AUD15 million was provided for three programs (Protection of Civilians and Respect for the Law AUD4 million; UN Markets, Economic Recovery and Livelihoods Phase 2 AUD6 million; and World Bank child nutrition and social protection AUD5 million) under the VERW. Another AUD82 million in Sector Budget Support was allocated for tuition fees (AUD65 million), grants for health services (AUD21.5 million), and risk management (AUD0.5 million)⁵⁹ through the FCW. The AUD102 million initial allocation, was revised to AUD97 million in September 2021, which was fully disbursed by the end of December 2021. Of the AUD82 million in the first tranche, AUD52 million was disbursed on 10 June 2021 and the remainder on 10 December 2021. The AUD52 million first tranche made it into to PNG’s Central Government Budget 2022.⁶⁰ An additional AUD5 million was provided as a top-up through the bilateral program.

⁵⁹ This may have been delivered outside the Sector Budget Support channel mechanism.

⁶⁰ See page 50 for [PGK137.5 million recognition in the 2022 Budget Papers](#)

Figure 23. PNG Support Package Summary



Source: AidWorks and AFI estimates. As at End January 2022.

The importance of Australia’s COVID-19 financial assistance to PNG was also significant in terms of percentage of previous Australian aid. PNG’s allocation represented 16% of all Australian aid provided in 2019. In terms of aid being channelled directly through the Government of PNG it was equivalent to over 129% (more than double) the amount of direct financing assistance to PNG excluding loans.

Package funds were relatively important in the budget of PNG. The amount of funds was worth around 3.2% of PNG’s actual budget deficit in 2020. It is equivalent to around 20% of Australia’s budget support loan (USD400 million) provided in 2020.⁶¹ From a revenue perspective the package represents 1.9% of all government revenues and 2.4% of all tax revenues received in 2020. From an expenditure perspective the package represents 1.2% of all government expenditures and 136% of social benefits expenditures in 2020. PNG Government expenditure on health, education, and social protection on a per capita basis in 2020 was USD64, USD35, and USD4. In comparison, package funds to PNG were equivalent to USD7, with social protection accounting for USD1.16. The funds supported payments of salaries for staff in church-led health services, an important health provider in PNG, and to support the cost of government tuition for primary school children.

Economic and Fiscal Impact

Available data summarised in Figure 24 below reveals a shock to GDP in 2020, but GDP already exceeded pre-COVID-19 levels in 2021 in current USD terms. In per capita and constant prices and national currency terms, the shock takes a lot longer (i.e. more than 5 years) to return to pre-COVID-19 levels. This is driven by the impacts of inflation. Inflation up to the present remains moderate and in line with previous forecasts.

Gross debt as a percentage of GDP spiked in 2020, but then gets back to a little below the pre-COVID-19 level, reflecting GDP growing at a faster rate than gross debt.

Government revenues as a percentage of GDP fell dramatically in 2020–21 but have since started to recover. Revenues fell faster than the fall in GDP in 2020. They will not reach pre-COVID-19 levels as

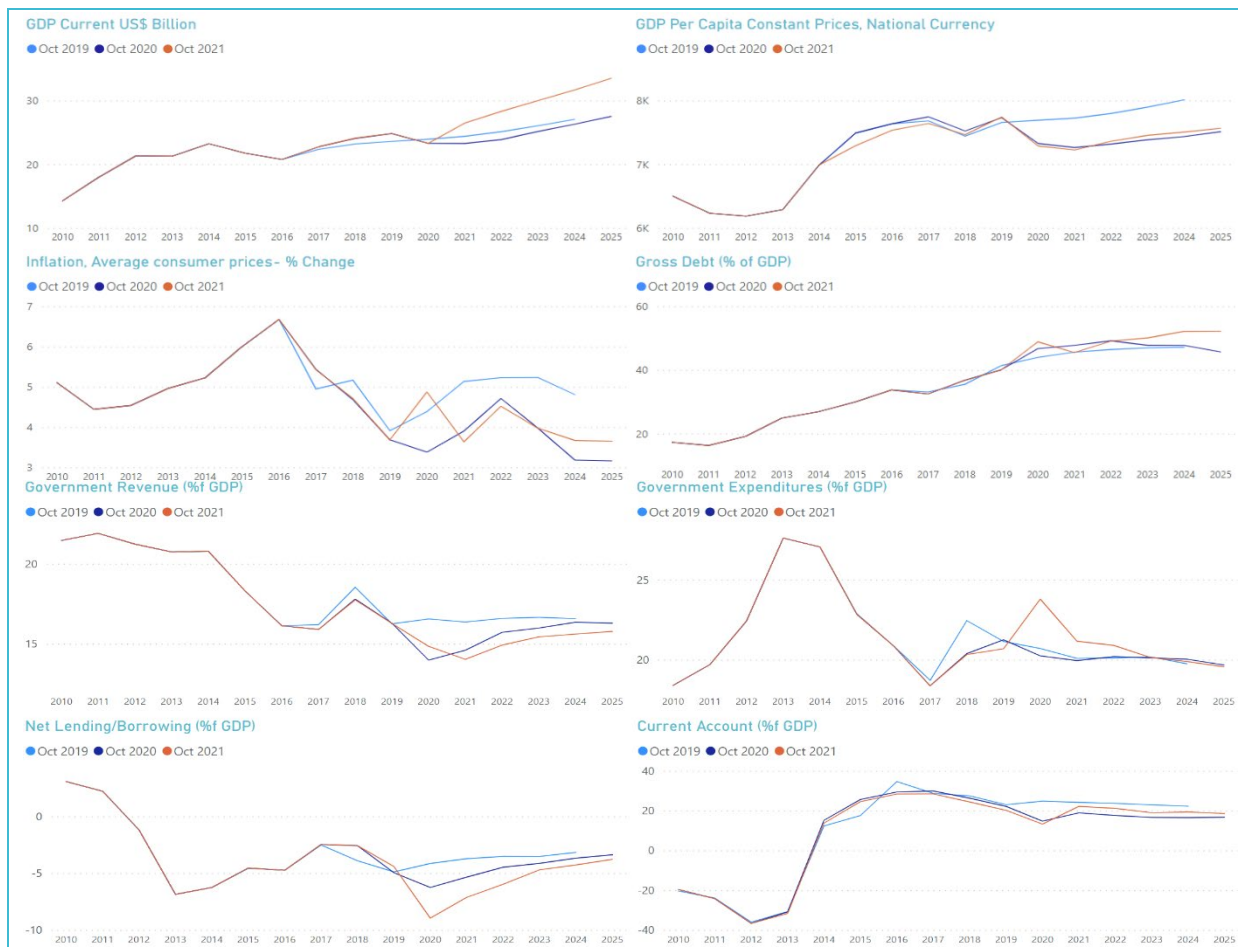
⁶¹ See PNG Central Government Budget 2021

a percentage of GDP until after 2025. In national currency current price terms, pre-COVID-19 revenue levels will be exceeded this year.

Government expenditures increased significantly in 2020, peaked in 2021, and have since returned to near pre-COVID-19 levels. The impact of the additional budget support is not evident in the aggregate data, but there is evidence that both the GTFS and church health services would have had budget cuts in 2021 without Australian direct financing.

Unsurprisingly, due to lower revenues and higher spending, deficits increased dramatically, adding to existing large deficits. These are forecast to fall slowly but the budget will remain in deficit of more than 2% until after 2025, putting further strain on financing.

Figure 24. PNG: Various Forecasts (WEO)



Source: WEO.

Table 9 below reveals the impacts on government expenditure in 2020 by sector.

- **Government expenditures in economic affairs increased dramatically by 50% to USD1.3 billion** in 2020, building on a 52% increase the previous year.
- **Government spending on social protection increased almost tenfold** in 2020. However, this increase was from a low base of USD3.8 million. This increase was offset by decreases in housing and community development of around USD17 million, and for environment of USD10 million.
- **Although PNG increased its health budget by 6% in 2020, this is less than the budgeted cost of pandemic response.**⁶² Also, it remains to be seen whether these increases will be sustained. PNG's health budget for 2021 already saw a drop of 21% on 2020, returning close to its level of 2018.⁶³
- **While overall general public services expenditure remained stable in 2020, transfers to lower levels of government from the centre increased by USD200 million** with offsetting cuts to general services.

Table 9. PNG Expenditures by Function 2019–2020 – USD and % Annual Change

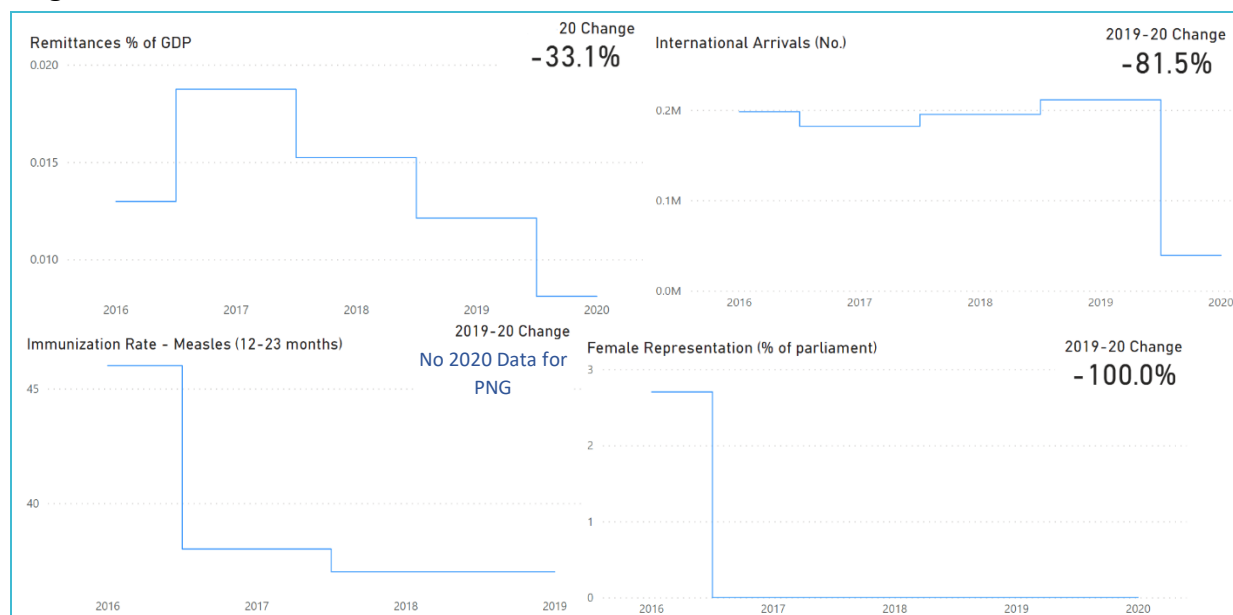
Date Year Item and Code 2011	2019		2020				
	SS % Change	US\$ Equivalent	COFOG US\$	% Change	US\$ Equivalent	COFOG US\$	% Change
701-General public services		2,905,131,820		-6.70%	2,892,958,509		-0.42%
702-Defense		128,268,662		52.72%	101,303,737		-21.02%
703-Public order and safety		388,325,810		81.57%	354,037,271		-8.83%
704-Economic affairs		845,887,859		51.27%	1,264,943,456		49.54%
705-Environmental protection		22,672,299		-73.25%	12,596,132		-44.44%
706-Housing and community amenities		47,429,051		85.01%	30,626,465		-35.43%
707-Health		538,658,086		31.67%	568,635,165		5.57%
708-Recreation, culture and religion		28,036,560		179.42%	29,324,773		4.59%
709-Education		416,565,758		6.93%	317,033,898		-23.89%
710-Social protection		3,776,671		-58.51%	34,884,649		823.69%
Total		5,324,752,577		8.69%	5,606,344,052		5.29%

Source: IMF GFS database and WDI 4/3/22.

⁶² GoPNG Final Budget Outcome 2020.

⁶³ GoPNG Mid-year Economic and Fiscal Outlook (MYEFO) 2021 Report.

Figure 25. Selected Statistics: PNG



Source: WDI 04/03/2022.

Figure 25 provides some additional context:

- **Remittances to PNG fell by 33% in 2020 from a very low base** of well under 1% of GDP. The decrease continues a three-year trend in decreasing remittances.
- **PNG tourism collapsed with an 82% decline in international tourism arrivals in 2020.** PNG is the third largest tourist destination in the COVID-19 Response Package group of countries, with around 200,000 visitors per year. Fiji (normally around 1 million visitors per annum) and Vanuatu (normally around 300,000) have much higher levels.
- **Immunisation rates have been low in recent years** with measles, for example, running well under 50% coverage since 2017.
- **Between 2017 and 2020 there were no women representatives in parliament.**

Social and Household Impact

Papua New Guinea is classified as a fragile state by the OECD⁶⁴, based on the level of poverty, prevalence of violence, and low levels of government spending in health and education.

Fragile and conflict-affected countries are generally more vulnerable to shocks from crises and governments are poorly equipped to mitigate the impact on poorer households. Furthermore, these countries suffer from low levels of trust in authority, which can be manifested in vaccine hesitancy, reluctance to report infections and resistance to conforming with lockdown procedures. In PNG, this can be seen in the low levels of COVID-19 vaccination.

⁶⁴ GoPNG is rated as the 67th most fragile state under the Fragile State Index 2021.

Box 1: The State of the Education System in PNG

As the pandemic arrived in PNG, the education sector was struggling from the combination of years of budget cuts and a period of upheaval in policy.

In 2019, the government replaced the Tuition Fee Free (TFF) system with the Tuition Fee Subsidy (GTFS) policy, which required parents to share in the cost of tuition. This was informed by the belief that free education leads to a dependency culture among parents, although there is no global evidence to support this claim. In 2021, the national budget allocation for GTFS was frozen at 2020 level (which was already 21% below the 2019 level). Yet even during the years of TFF, the real value of the budget allocated to the subsidy had been reduced. By 2019, the education budget was roughly half of where it needed to be to keep pace with enrolments and inflation. The combination of the new GTFS policy (which for instance, required parents to find at least AUD225 per annum for secondary school fees), and the school closures caused by the pandemic, inevitably led to a significant drop in the number of children attending school.⁶⁵

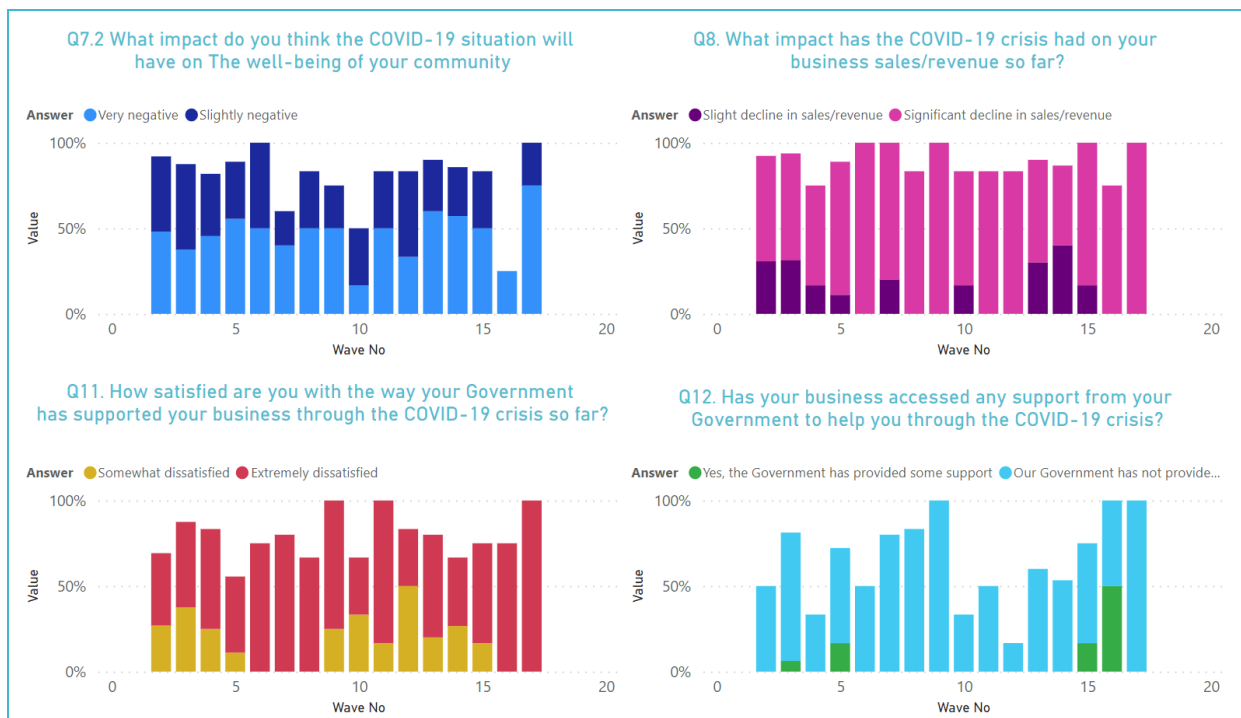
A further problem with the education system is the delay in funds reaching the schools. The government's instruction was that 'Parents will be required to pay fifty per cent (50%) of the Parental Contribution fee at the start of the school year and the balance must be paid before the end of Term 2. The government will pay its component before the end of Term 3.' In effect, this means the government is given more generous credit terms than parents, regardless of the financial status of poor households. This placed a further burden on parents to have cash available to pay half the fees in advance, which for poorer families may need to be borrowed, with additional costs. It also raises the question of how the schools manage to cover their costs for the first two terms of the year, having received (by end of Term 2) only about 17% of the fees. This could lead to more unofficial fees levied on parents. These cash flow problems permeate the whole system in PNG.

Fortunately, with DFAT support, in 2022 the government reversed the policy on GTFS, almost reverting to a free education model, although schools will still be required to seek at least 10% of their budgets from 'project finance', which in practice means soliciting parents for contributions towards running costs.

In some ways the COVID-19 crisis had less of an impact in PNG than other countries. It might be more accurate to say that the pandemic exacerbated existing problems rather being the dominant economic and social challenge. Services were already stretched and government funding of health and education services under considerable pressure. Disparities between urban and rural communities widened, with the low vaccine rates, poor health services in remote communities, and the prevalence of violence, especially for women. There is little data available on the household impact of the economic disruption in PNG but given lower exposure to tourism and significant constraints already there that drive social isolation of many communities, the marginal impact on livelihoods may have been relatively small.

⁶⁵ This conclusion is drawn from anecdotal responses in interviews, as official enrolment and drop-out data are not yet available.

Figure 26. PNG Citizen Perceptions



Source: Pacific Trade Invest (PTI) – Pacific Business Monitor Data.

A time series survey indicates the people were worried about the impact of COVID-19 and that they were generally dissatisfied in their government’s handling of the response (see Figure 26 above). The Pacific Business Monitor Survey reveals that interviewed citizens/business owners: i) were almost unanimously worried for the wellbeing of their communities; ii) almost unanimously reported that COVID-19 had significant impact on revenues; iii) were generally extremely dissatisfied with their government; and iv) generally reported that government does not provide support to business.

Key Findings

Outcomes

The decision to provide budget support to PNG in response to the pandemic achieved a number of important outcomes. Of all countries targeted under the package, PNG was probably the one least likely to fit well with the results chain and EOPOs. PNG is larger than any other economy and had existing challenges that meant any intervention, even one as significant as the almost AUD100 million in additional support provided under the package, was unlikely to achieve economy-wide impacts or changes.

EOPO 1 targeted vulnerable people and trying to ensure they benefit from a more inclusive recovery. This could be said to be less relevant in the context of the targeted programs in PNG.

EOPO 2 targeted mitigating the impacts of fiscal pressures on governments and helping to position PNG for an economic and fiscal recovery. The package investment very clearly did contribute to this outcome. There is strong evidence that both health and education spending were under pressure, and that Australian budget support at the very least ensured that salaries of frontline workers were paid, and that the government was able to maintain budget allocations. This is an important outcome and could not have been achieved through any other modality.

Looking at the intermediate outcomes also shows that the budget support investments did target mitigation of the impacts of decisions that affect health and education (IO 2) and to a lesser extent

inclusive fiscal management (IO 4). Both the support for GTFS and for church-led health services meant that government funding for both education and health were higher than they would otherwise have been. Given the nature of the policy environment and the history of poor frontline services this was an achievement in and of itself.

The budget support investments did not fix all the problems of the health and education systems, but they were not intended to. On the policy front there has been a change in education funding arrangements to restore tuition free schooling. While this cannot be attributed to the package funding, it may have had some influence and highlights the potential that is there if budget support is used as a tool for strategic engagement. The budget support investment did also create some important engagements for the Australian Government with the PNG Treasury at a middle management level that had not existed and improved the engagement between the treasury and line ministries. These are important developments for future engagements.

The overall judgement of the review is that the package did achieve the outcomes in PNG that were targeted and has provided some important lessons for DFAT when considering future investments of this nature. The analysis and discussion below cover the strengths and weaknesses of the package in PNG and are intended to help enable more budget support not to argue against it.

Relevance

Investments made under the package in PNG were relevant to the goal of avoiding large cuts to the salaries of health workers working for the churches, and to schools' ability to keep operating. Given the existing GTFS policy, the budget support funding for tuition fees supported the government to meet its commitments, which were under pressure, and left households to meet their commitments to fees on their own. Although there is some evidence that a lower budget for GTFS would have led to higher fees for some households. Overall, the education support helped to maintain education services in PNG.

The World Bank-delivered nutrition program and the Markets, Economic Recovery, and Inclusion (MERI) Program are relevant in their scope and will take time to deliver tangible results. MERI is one of the few programs funded from the package that can be said to be contributing towards inclusive economic recovery by improving market infrastructure and governance, and training of vendors, many of whom are women.

The core finding for ICRC is modest but does address some gaps, notably in management of people in the corrections system (jails) and information on some remote and rural areas of the country. ICRC has also helped to ensure the safety of health workers working in conflict-affected areas and helped vulnerable people to access alternative services when health facilities have been destroyed in conflict.

Efficiency

The delivery of the package in PNG was relatively efficient, funds were disbursed to the government in 2021 and were received by both the church-run health facilities and the schools. However, these funds came late in the fiscal year for both health facilities and schools (some payments were made in February of 2022 for expenses occurring in 2021, and there are many reports of very long delays in staff being paid their salaries).

Although Australia's support for the Government Tuition Fee Subsidy (GTFS) school subsidy program was directed at elementary and primary schools, in practice it is all fungible, because the trust funds under the National Department of Education (NDoE) are not set up to earmark funds. GTFS subsidies can, however, be tracked to individual schools providing opportunities to increase transparency,

accountability, and distributive efficiency⁶⁶ to ensure funds reach intended beneficiaries and/or used for intended purposes.

Monitoring was adequate, with the health investments monitored by the existing Human Development Monitoring and Evaluation Services (HDMES) facility and the Economic Governance and Inclusive Growth (EGIG) Partnership contracting dedicated TA to work in the Department of Education and the Department of Health. However, the TA was only put in place in early 2022 after all funds had been disbursed.

No additional resources were provided to the post to manage the large investments in budget support, although significant assistance was provided by OTP Canberra, including technical expertise to work with the Steering Committee established with the GoPNG to oversee the investments. This is a key issue for consideration in future packages.

Effectiveness

In PNG, a legacy of cuts to both education and health budgets, combined with generally poor standards of delivery, meant the scope for achieving effective impact with budget support was limited.

The GTFS support was primarily intended to bolster fiscal stability and was not expected to improve education quality or outcomes. However, there was an assumption that protecting the GTFS budget from further cuts induced by fiscal constraints would mitigate the risk of negative impacts on schoolchildren and their families. This belief was based on the explanation from the Secretary of NDoE, who said support for GTFS funds will provide relief to schools struggling due to economic impacts, and to families who are unable to pay school fees for their children.⁶⁷ Although the second term of the academic year had started, many schools reported they were yet to receive payments from parents due at the start of the first term, indicating that many households were unable to pay their 38% share of tuition fees mandated by the GTFS.

The policy environment around tuition fees has always been contested, with the government taking a strong view that families should contribute to the cost of their children's education. The GTFS mechanism was in place to define the level of government and household contributions and the budget support investment was not trying to change that policy. The concern expressed to the review was that the GTFS amount would be cut again and that this might cause disruptions in schools. The budget support investment in GTFS was effective in that the tuition fee subsidy budget was restored to around PGK486 million. The Treasurer's office confirmed to the review that the government was aware in early 2021 that the impacts of the pandemic and budget settings for GTFS would almost certainly leave schools short of funding and that they were considering some hard decisions around how to restore the level of funding. Following Australia initiating discussion over possible direct budget support, the revised GTFS allocation was included in a supplementary budget in 2021, and then again in the 2022 budget to cover the transition period from GTFS to the new policy of fee free education by 2023.

Despite this positive outcome, the review notes that funding still didn't start flowing to schools until very late in the school year, between July and September 2021. Reports indicate that many schools were compelled to shut and turn away pupils, not because of COVID-19, but due to lack of funds.⁶⁸ For example, in August 2021, NDoE informed the Support Package Steering Committee that they had

⁶⁶ Allocative efficiency is about allocating resources in a way that has the biggest impact, while distributive efficiency is about ensuring funds reach intended destinations to have the biggest impact.

⁶⁷ Cable: 21/05/2021 PNG: Increased support to the PNG Education Sector.

⁶⁸ Meeting minutes from GoPNG GTFS Team.

already disbursed almost all support package funds given to them since June, and yet schools were at risk of closing in the next couple of months if nothing is done to increase the GTFS allocation for 2021. Reporting and accountability issues in PNG are pre-existing and there was little scope for the package to fundamentally shift these. However, there is an opportunity to address this through any future engagement.

Budget support for the tuition fee subsidy did alleviate pressure on the treasury but could not do anything directly to help parents with their share of the cost, and many children were likely to have been withdrawn from school. Restoring GTFS funding to the pre-pandemic level maintained the status quo of chronic underfunding of education, amid an atmosphere of policy uncertainty. The underfunding of tuition fees was a policy decision, not a response to fiscal constraint, and therefore the scope for budget support to influence this situation was limited. Nonetheless, with DFAT support, in 2022 the government reversed the policy on GTFS (see Box 1: The state of the education system in PNG above). While important not to link the policy decision on fee free education to Australian budget support, the investment has dealt Australia into the policy discussion in a way that it had not been before.

The design of the PNG health package was focused on providing fiscal support for the PNG budget informed by DFAT's policy priorities – in this case, primary health care. The decision to target the budget support to church-led non-government organisations arose from a range of factors. The initial AUD100 million support package had put additional money into the existing government health system strengthening program trust fund, and post felt that the absorptive capacity of that mechanism for additional funds was low. If the package was to have an impact on frontline services, then the church-led health services were the best option. Further, both DFAT Post and OTP concluded that funding the service providers had strategic value, as it could open and deepen the engagement with treasury on health financing and fund flows. However, the expectations of the DFAT health team were realistic, and in the short-term wanted to ensure that health staff salaries were paid and that engagement through the Steering Committee was constructive. These expectations were fulfilled. However, this needs to be seen in the context of the PNG health system before the crisis. CHS reported that they experienced a 'downward trend of funding for both salary and goods and services – church health workers are currently paid on salary scales much lower than the 2014/2015 scales'.⁶⁹

These funding problems are manifested in various other problems, including insufficient equipment, medication, and health workers, limiting their capacity to deliver childhood vaccinations or manage critical programs such as TB response and management. Most clinics are unable to meet national minimum service standards due to government underfunding. The pandemic exacerbated these problems, and CHS reported that 'church health workers face a lot of duress and unnecessary stress that result in poor performance and compromises the quality of health care provided to clients'.⁷⁰

Nonetheless, the package empowered both CHS and CCHS to continue paying staff salaries, as the knowledge the funding came from Australia gave them confidence the money would eventually make it through the GoPNG system, to reimburse them. This enabled health services to continue being delivered, albeit within a dysfunctional system.⁷¹

There is evidence that the Steering Committee that was established as part of the support package has improved DFAT's relationship with PNG Departments of Treasury, Finance, Health, and

⁶⁹ CHS report to GoPNG and Support Package Steering Committee.

⁷⁰ CHS Preliminary Funding Acquittal: First Quarter and Second Report, 24/09/2021.

⁷¹ Reports CHS and CCHS provide to GoPNG and DFAT plus calls with evaluation team.

Education.⁷² Multiple DFAT sources stated they see this mechanism as an opportunity to influence policy and position themselves for harder budget reform decisions in the future. The likelihood of effective reforms will be greatly enhanced if the Steering Committee considers the views of users and providers of health and education services; for example, creating space for a diversity of voices, and if DFAT works with GoPNG to translate these insights into effective policy and practice.

Lessons Learned

Any expectation that the budget support to GTFS would both help families to keep children in school, and help schools with their cashflow crisis, was unlikely to be realised due to how GTFS worked in practice. The budget support did alleviate pressure on the treasury but was not designed to help parents with their share of the cost. It also could not solve the problems of education being underfunded, nor of funds being transferred to schools so late in the year. In the absence of a mechanism for targeting cash transfers to parents, options under this package to support parents directly were limited. On the other hand, the recent GoPNG policy decision to restore tuition free education may have been influenced by engagement between treasury and DFAT over the broader value of education subsidies.

Using Government Systems to Improve Them

While the primary goal of the investment in GTFS was to ensure the program was not subject to budget cuts, it is also a good example of the benefits of using country systems to improve them. As part of funding for risk management, a range of new innovative funds flow monitoring systems were considered. One option was put in place tracking the flow of funds through PNG's systems direct to beneficiaries. The system was found to be very effective at confirming flows from Australia through the centralised and decentralised education systems. The centralised system had Australian and PNG money tracked from the Waigani Public Bank Account (WPA) to the treasury multi-year trust accounts⁷³, and on to DoE multi-year trust accounts in three commercial banks⁷⁴ for disbursement to centralised school bank accounts. Similarly, the decentralised school subsidy system tracked money from Australia to treasury then on to four provinces, which were then sent on to individual schools.

This was a solid achievement to establish a new control system that tries to verify funds reach intended destinations. A summary of the metrics the system can produce is in Figure 27 below. It provides information on first quarter GTFS transfers to schools for 2021. While the system increases confidence that funds reach beneficiaries, the tracking system was not yet able to confirm funds were used for intended purposes.

While there were some teething problems the foundation for a control system was well established and provides a basis to strengthen functions. Examples include: i) running a reconciliation process of school capitation payment journals with bank statement data and between movements and balances of multi-year GTFS Trust Accounts; ii) receipting and systems for confirmation of money received; iii) random independent auditing of bank accounts and money disbursed, received, and used as authorised; iv) a routine bank account number verification process; and v) publication of amounts planned and disbursed to each school. Such improvements in risk management increase accountability and transparency of the school grant payment system and bring greater confidence in government reporting systems.

⁷² Interviews with DFAT Post and OTP.

⁷³ Movements of TFF Trust Account Balances are published in the [PNG Central Government Budget 2022 Volume 1](#)

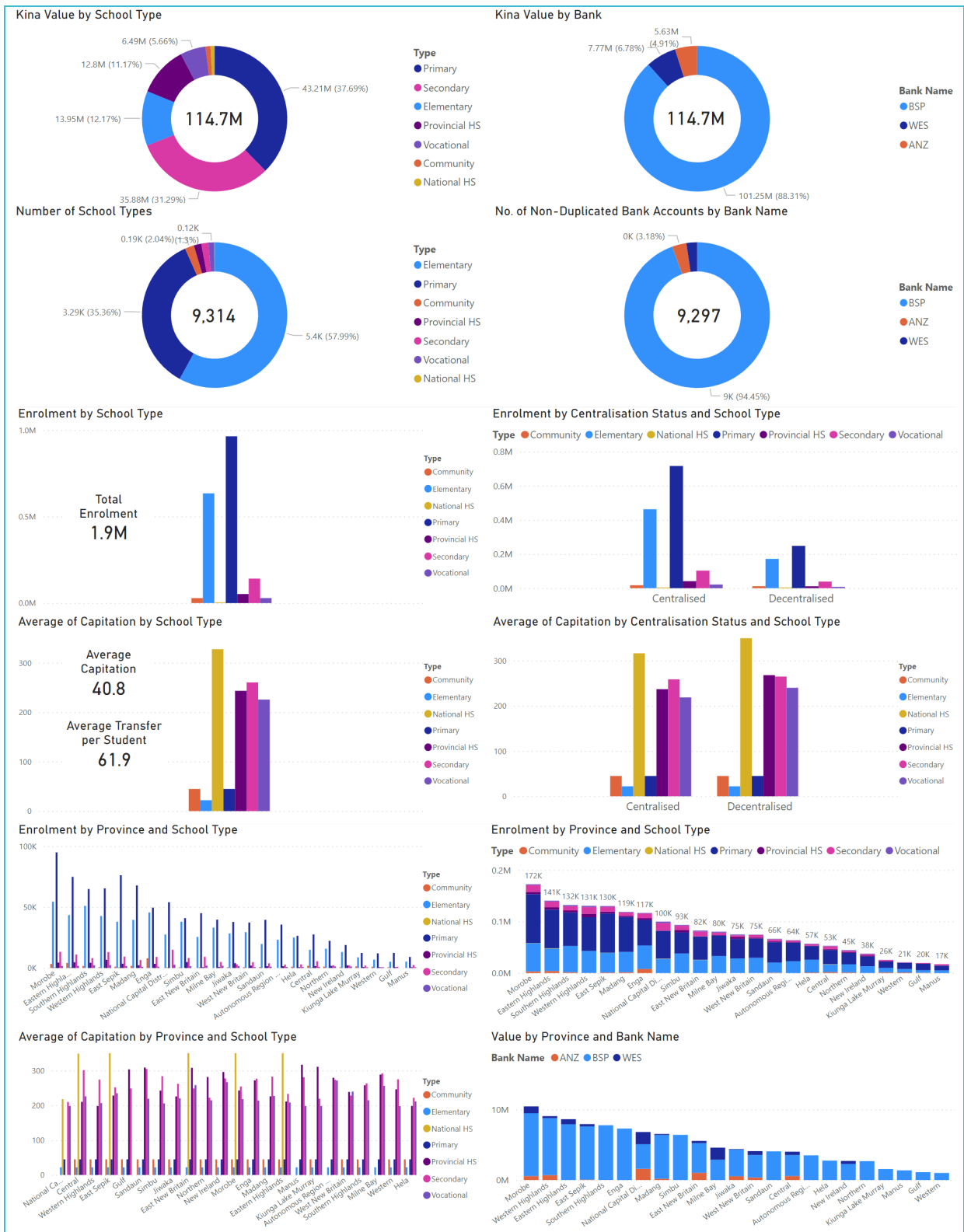
⁷⁴ BSP (88% of transactions), ANZ (7%), and Westpac (6%).

The engagement has provided other opportunities to strengthen systems. One area is improving comparability of budgets and end-of-year accounts. For example, GTFS funds are appropriated to the Department of Education under higher-level programs but are then transferred over to the MoF during the year, making comparability of budgets and actuals difficult and slowing down disbursement.⁷⁵ The absence of ministerial portfolio budget statements and annual reports also makes comparability of government sectoral budget promises to actual results much more difficult for citizens and stakeholders. There are similar opportunities to strengthen risk management systems, and budget comparability and predictability under the health grant fund flow process. Such system improvements could also be targeted through Sector Budget Support mechanisms.

If budget support is to be used in PNG in the future, Australia will need to consider that direct support for the education sector would focus on closing gender gaps in education outcomes, as well as include safeguards for children living with a disability.

⁷⁵ See page 222 of [PNG Central Government Budget 2021 Volume 2A](#) and page 237 of the [PNG Central Government Budget 2022 Volume 2A](#).

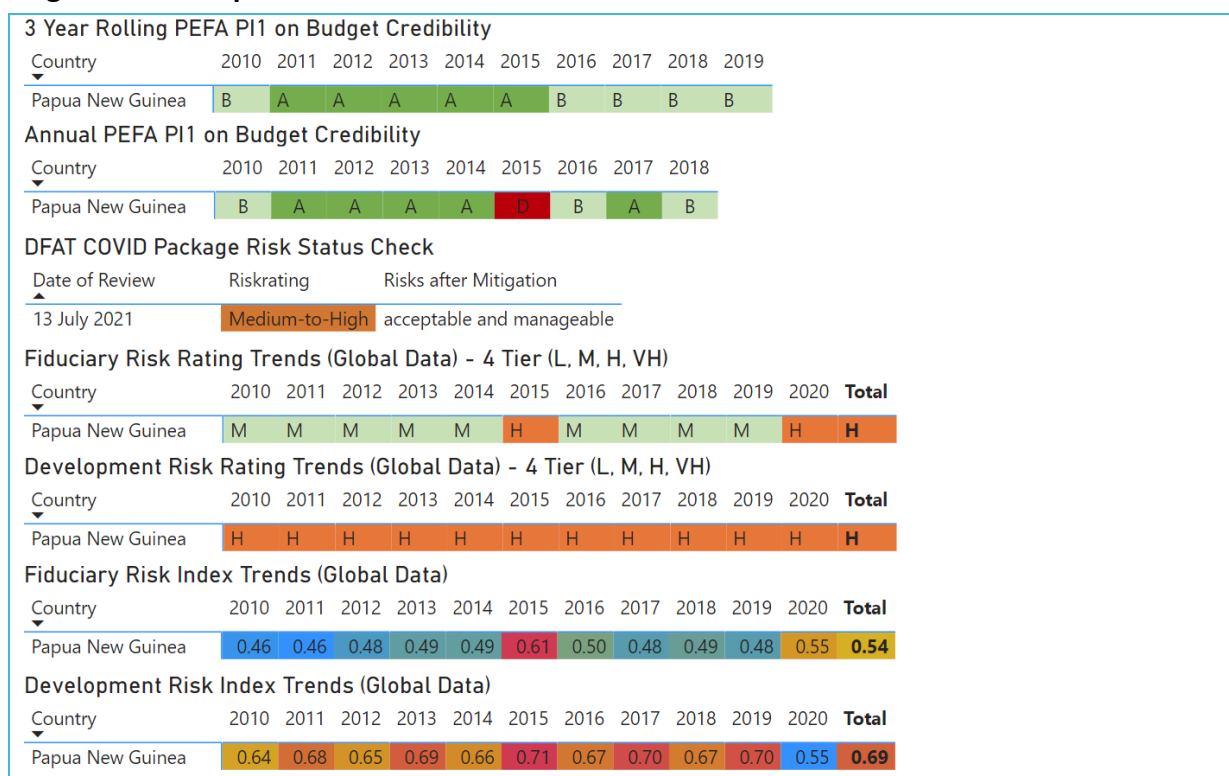
Figure 27. Summary of GTF Subsidy First Quarter Transfers to Schools



Source: Drawn from Risk Management Unit Dataset NDoE and report. Note 1: Capitation payments are in PNG Kina. Note 2: Of the PGK80 million (AUD30 million) disbursed to PNG WPA for TFF DFAT Tranche 2, 26% (PGK21 million) was attributed as being disbursed to schools. PGK57 million (AUD22 million) was for CHS/CHHS. Note 3: PGK115 million = approximately AUD44 million. Note 4: 17 duplicate bank accounts were found. 4 schools were in different cities. 2 schools had the same name. Note 5: For PNG primary schools per student funding is PGK45 (AUD18), for community schools also PGK45 (AUD18), while Elementary is PGK22 (AUD9). For secondary schools in PNG the per

student funding is between PGK225 (AUD91) and PGK328 (AUD133). For perspective, average capitation payments for Australian primary schools in 2019 was AUD11,343 and AUD14,245 for secondary.⁷⁶

Figure 28. Sample Risk Data: PNG



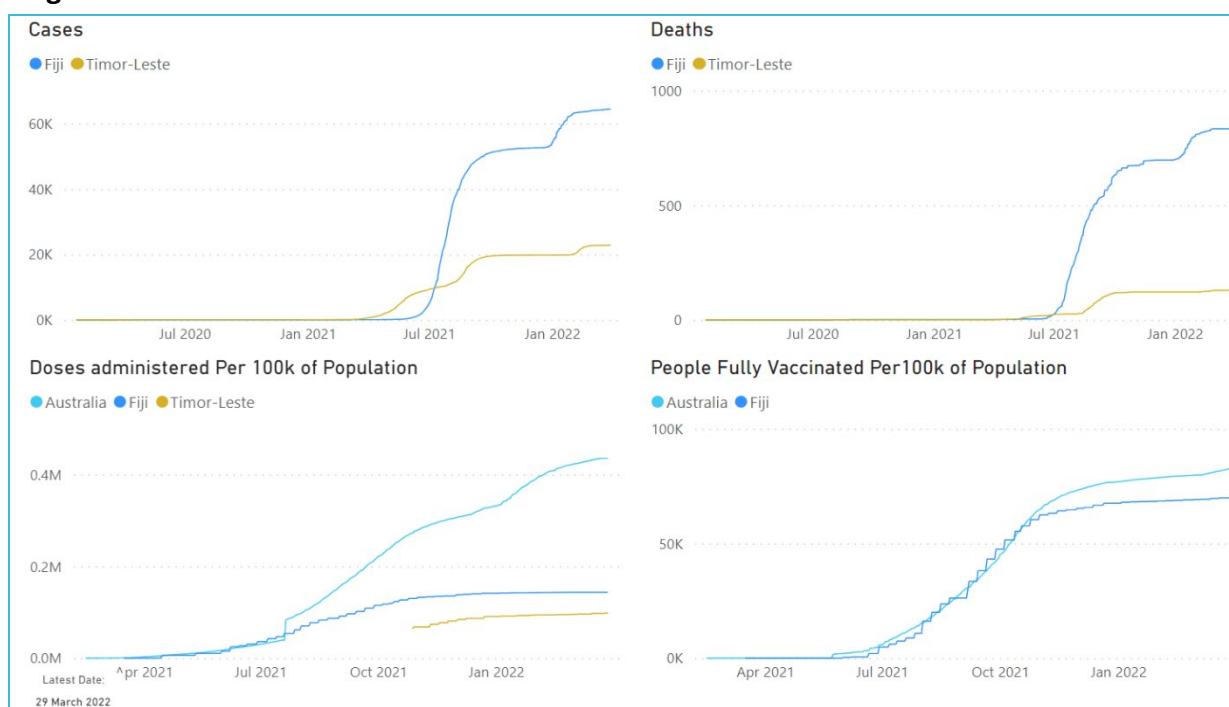
Source: WDI, DFAT and AFI calculations.

⁷⁶ See Fact Sheet on School Funding in Australia ([2019 NCEC Facts on School Funding.pdf](#)).

Timor-Leste

Timor-Leste has been spared the high death rates from COVID-19 compared with some other Pacific countries in the group. From official reports, 130 people have died in the country from three waves of COVID-19. This is equivalent to 9.9 people per 100,000 population. This is a lot lower than Fiji, for example, which has almost a tenfold higher rate of 93. Around 43% of the population is estimated to be fully vaccinated. This is almost half the rate of Australia's (82.5%) and well below Fiji's (70%). (See Figure 29 below.)

Figure 29. COVID-19 Data: Timor-Leste



Source: Github.

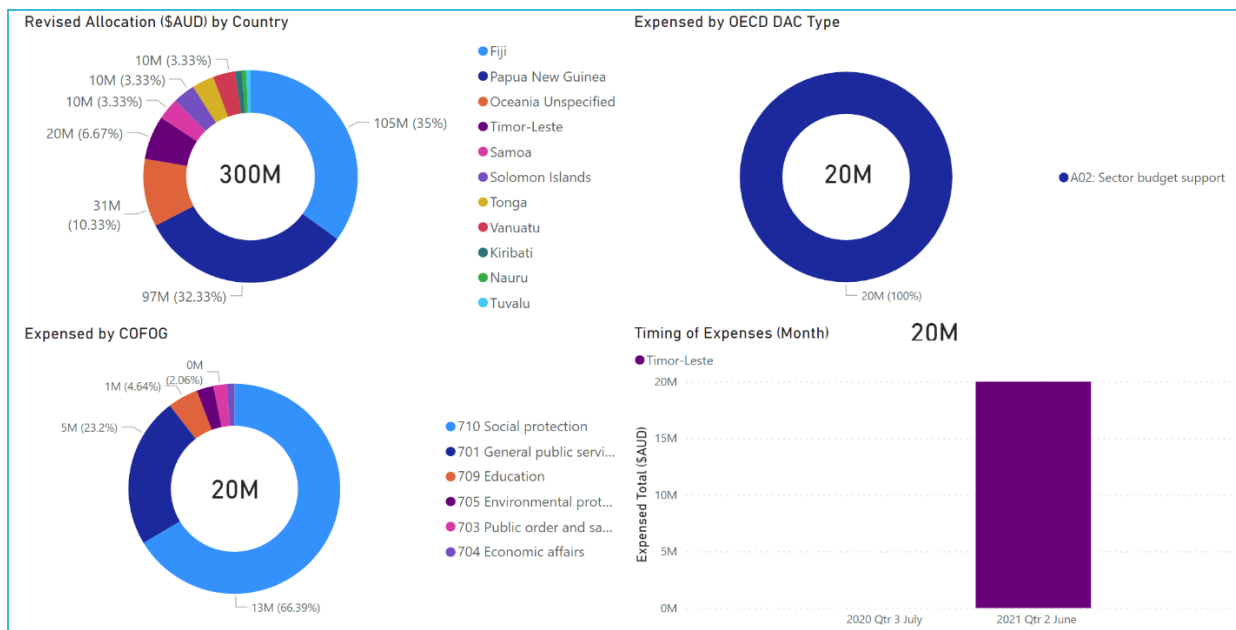
Support Package

Timor-Leste received AUD20 million in budget support in June 2021, which accounts for 7% of the Pacific allocation (see Figure 30 below). This was the third highest amount from the package, behind PNG with AUD97 million, but the third lowest in per capita terms (AUD15.17 per capita). PNG (AUD10.84) had the lowest levels. The funding was delivered through one agreement covering two projects: i) AUD13.5 million in earmarked budget support for the Government of Timor-Leste's National Village Development Program (PNDS); and ii) AUD6.5 million towards a USD13 million⁷⁷ expanded government program for pregnant women and children aged 0–6 years old (*Bolsa da Mãe – Jersaun Foun/Preparation for the New Generation or BDM-JF*) and for a new child disability benefits scheme. Funds were delivered in one tranche in June 2021.

The importance of Australia's COVID-19 financial assistance package to Timor-Leste was equivalent to around 20% of all Australian aid to the country in 2019. In terms of aid being channelled directly through partner government systems, Australia has not provided budget support since 2015.

⁷⁷ See page 68 of [Timor-Leste's 2022 Budget Book 1](#). See also page 48 of Budget Book 5 for the allocation of funds across 3 years 2022–2025.

Figure 30. Timor-Leste Support Package Summary



Source: AidWorks and AFI estimates. As at end January 2022. Revised allocation as at September 2021.

Funds were relatively important in the budget of Timor-Leste. The amount of funds for Timor-Leste was worth around 17% of Timor-Leste’s budget deficit in 2020. From a revenue perspective the package represents 1% of all government revenues but goes up to 11% as a proportion of all tax revenues received in 2019.⁷⁸ From an expenditure perspective the package represents 1% of all government expenditures and 9% of all social benefits payments made in 2019. All funds were delivered as Sector Budget Support, although in a strict sense some funds were delivered off-budget but still through the government (on-treasury), and the on-budget components could be described more accurately as a form of program budget support. Of the AUD20 million (approximately USD15 million) disbursed by DFAT to the Government of Timor-Leste (GoTL), USD8.2 million⁷⁹ over two years was reported on-budget, of which USD6.6 million⁸⁰ was disclosed as being used in 2022 (USD3.3 million each for PNDS and *Bolsa da Mãe*) and USD1.6 million in 2023 (for *Bolsa da Mãe*).

The funding is very important for the government programs they help finance. Total budget for the expanded BDM in 2022 is USD13 million⁸¹, making Australia’s earmarked contribution equivalent to 63% of program funds. Similarly, the total budget for the longer running PNDS⁸² in 2022 is USD22.4 million⁸³, making Australia’s contribution worth 15% of program funds.

Economic and Fiscal Impact

Available data summarised in Figure 24 above reveals the country was able to soften the economic and fiscal impacts of COVID-19. This was primarily due to Timor-Leste’s access to its Savings and Stabilization Fund. The data shows a slight dip in nominal and real GDP in 2020 and 2021, also reflecting the nature of the country’s dependency on resource rents. Inflation has moderated from pre-COVID-19 forecasts.

⁷⁸ 2020 GFS data not available on the IMF GFS database at the time of writing.

⁷⁹ See page 93 of Timor-Leste’s 2022 Budget Book 1.

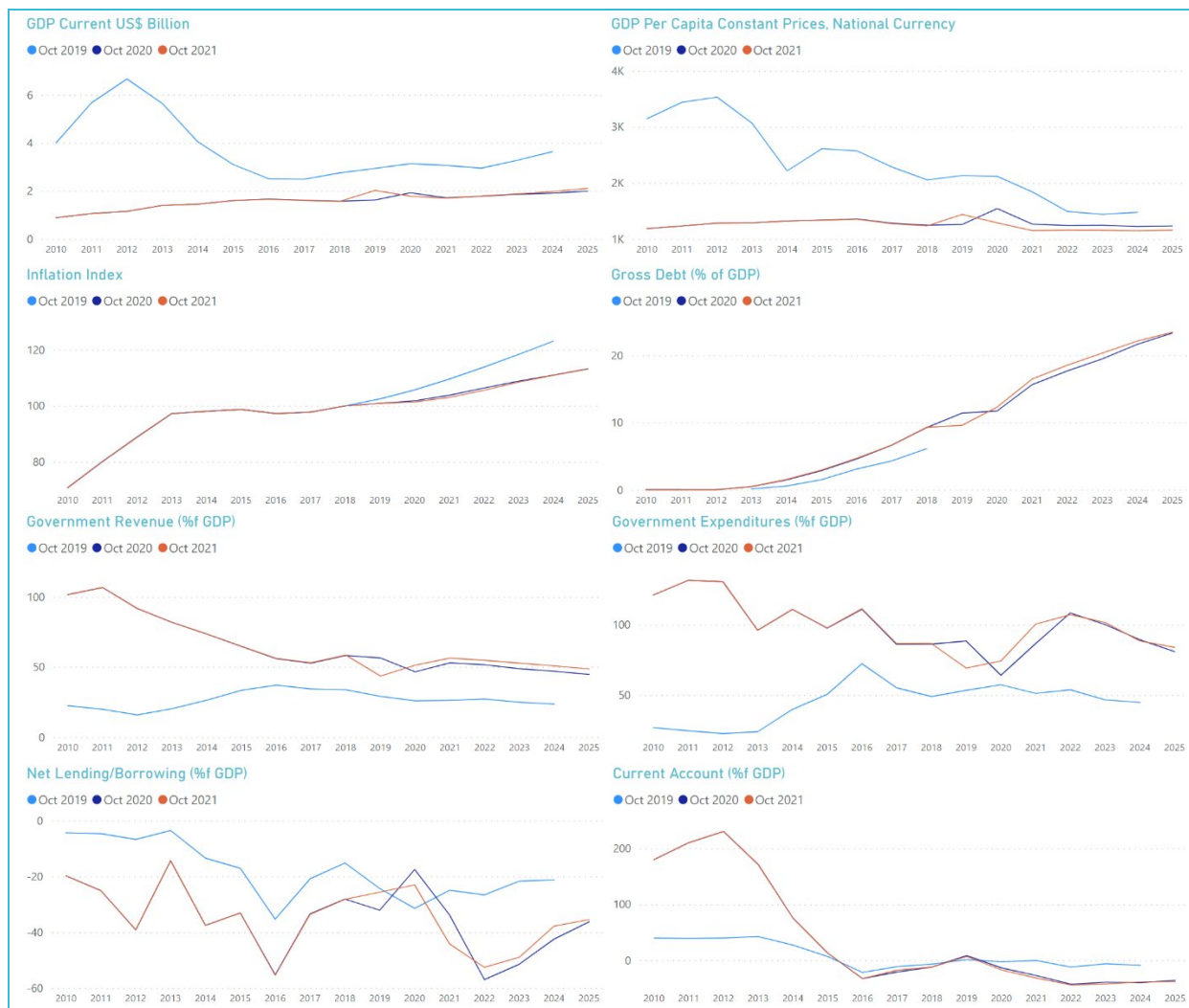
⁸⁰ See page 14 of Timor-Leste’s 2022 Budget Book 1.

⁸¹ See page 68 of Timor-Leste’s 2022 Budget Book 1.

⁸² PNDS was established in 2012 with the support of DFAT.

⁸³ See page 59 of Timor-Leste’s 2022 Budget Book 1.

Figure 31. Timor-Leste: Various Forecasts (WEO)



Source: WDI 04/03/2022. GDP figures for WEO 2019 used a different methodology to WEO 2020 and 2021 by including related extractive industry operations. WEO also uses a different methodology for NLG compared to IMF GFS reporting.

However, future generations are paying for the stability with around AUD1.6 billion in excess withdrawals being drawn down from the country's savings fund over 3 years between 2020 and 2022. Around USD0.8 billion above the Estimated Sustainable Income⁸⁴ (ESI) of Timor-Leste's Savings and Stabilization Fund is estimated to have been withdrawn to finance the budget in 2021. This was USD500 million more than what was withdrawn above the ESI in 2020. It was the largest ever annual excess withdrawal since Timor-Leste's independence. The year 2012 was the last time a similar amount was withdrawn from the fund. Another AUD500 million above the ESI is budgeted to be withdrawn in 2022.

Overall government revenues were stable in 2020 and 2021 thanks to the Savings and Stabilization Fund, which provides the ability to the authorities to smooth out aggregate revenues during period of volatility.⁸⁵ The Government of Timor-Leste has recently been grappling with fiscal sustainability policy positions. One option has been to have a slow decline in aggregate revenues to extend the time before the Savings and Stabilization Fund is depleted. This option basically has domestic revenues

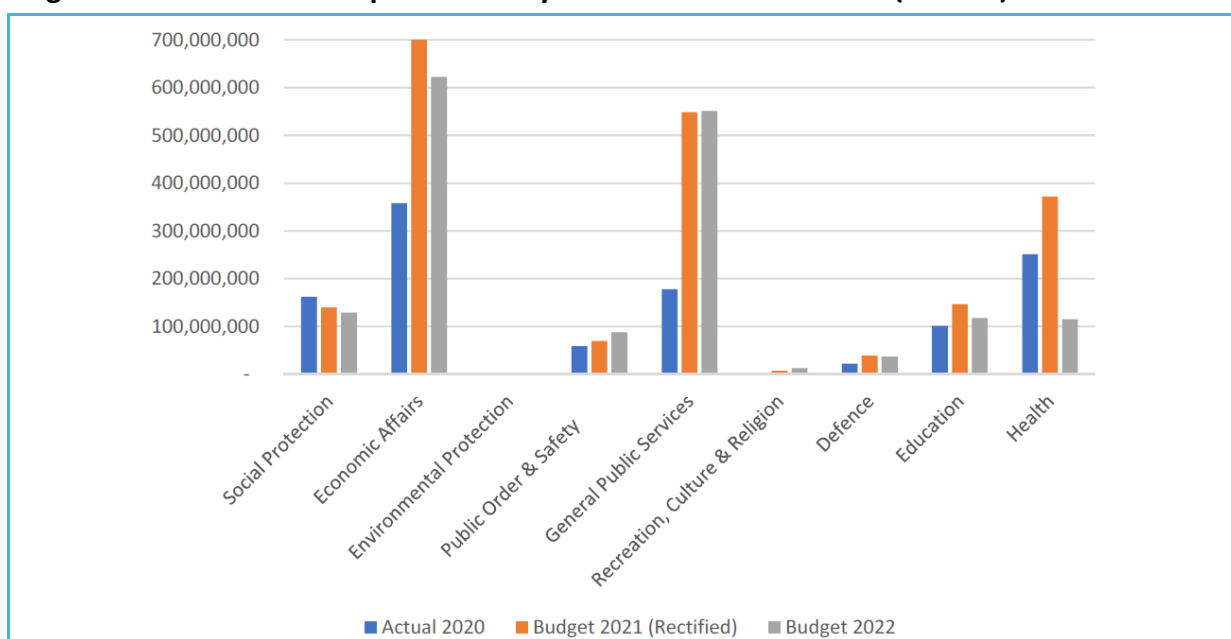
⁸⁴ The ESI can be thought of as living off the interest of the Petroleum Fund.

⁸⁵ This is misleading in the sense that domestic revenue and especially income taxes have been falling for some years, well before the pandemic.

increasing with withdrawals from Savings and Stabilization Fund being closer to the ESI rather than the high levels of the last decade. The Ministry of Finance forecasts that under historical fund withdrawal rates, the fund will be depleted within 12 years by 2034.⁸⁶

Growth in gross debt followed pre-COVID-19 trends, increasing by 2.6 percentage points to 12.3% of GDP (USD218.37m⁸⁷) between 2019 and 2020. This is equivalent to a 13% increase in debt in nominal terms. Gross debt increased by a further 28% in 2021 and is projected to stabilise at around 15% growth per annum over the medium-term under October 21 WEO assumptions. Existing debt stock is all on concessional terms provided by ADB, World Bank, and Japan International Cooperation Agency (JICA). The authorities continue to consider options to expand debt policy to include other instruments like Treasury and/or Central Bank Bills.

Figure 32. Timor-Leste Expenditures by Function of Government (COFOG)



Source: Timor-Leste Budget 2022 Book 1, p.68.

Government expenditures fell by 5.5% in 2020, but are projected to increase by 29% in 2021, with another increase of 13% projected for 2022. Aggregate expenditure policy is in effect set by Petroleum Fund withdrawal policy. Budget expenditures in 2021 on health and education went up significantly, while social protection went down somewhat. Expenditures on economic affairs doubled to USD0.7 billion (see Figure 32).

Non-oil deficits reduced in 2020 and increased in 2021. In FY 2020 the non-oil deficit was USD429 million. The government projects that the deficit was to increase to USD1.3 billion in 2021, softening to USD1.0 billion in 2022, then doubling to USD2 billion in 2023.⁸⁸ WEO forecasts reflect a more prudential position (see Figure 33 below).

Timor-Leste finances its non-oil deficits⁸⁹ in three ways: by: i) **reducing cash balances** in the consolidated fund, including those derived from surpluses from previous years and those balances in appropriated multi-year fiscal funds, such as the Human Capital Fund, Infrastructure Fund, and

⁸⁶ See page 50 of Timor-Leste's 2022 Budget Book 1.

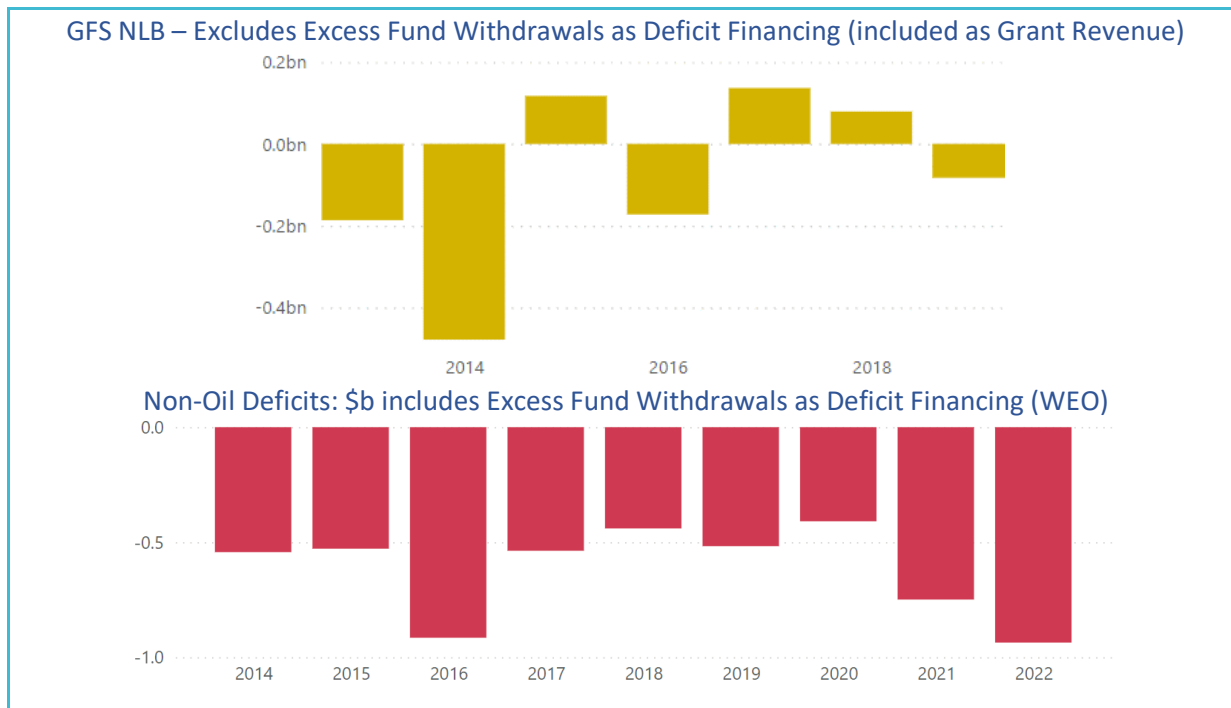
⁸⁷ See also page 81 of Timor-Leste's 2022 Budget Book 1.

⁸⁸ See page 14 of Timor-Leste's 2022 Budget Book 1.

⁸⁹ MoF defines Non-Oil Deficits as domestic revenue, including ESI withdrawals minus expenditure.

autonomous region fund; ii) **borrowing**, currently using concessional debt instruments only; and iii) **budget support** from the European Union and Australia. WEO fiscal deficits (Net Lending/Borrowing) are different from IMF GFS levels, in that WEO uses non-oil deficits, while GFS includes all withdrawals from the fund and all budget support as grant revenue.

Figure 33. Net Lending/Borrowing (NLB): GFS V's Non-Oil



Source: IMF GFS Database and WEO Database. WEO methodology in line with GoTL fiscal balance disclosure reports, which includes ESI Excess Fund withdrawals.

Remittances increased by 67% in 2020 to over 8.2% of GDP (see Figure 34 below). This is still a low-to-moderate level when comparing across other package countries. For perspective, Tonga had the highest level at 39% of GDP.

Figure 34. Timor-Leste Remittances



Source: WDI 04/03/2022.

Social and Household Impact

It is currently too early to tell the impact of package funds to Timor-Leste. From the initial AUD100 million package, of which AUD7 million went to PNDS, the support program PARTISIPA has 85% complete data in its MIS and the following information about DFAT projects:

- DFAT funded 173 projects in 153 villages (there are 452 villages total in Timor-Leste).
- This included 110 water projects, 50 roads and bridges, 10 irrigation projects, and 3 education projects.
- Of these projects, 94 are at 100% completion, and 79 are at 50–84% completion rate.
- A total of 23,889 households are estimated to benefit from these projects/120,871 people (63,644 men, 57,227 women).
- The projects created labour opportunities for 2,273 people (including 452 women and 12 people with disabilities).
- A total of 29,620 people participated in community processes around these projects (35.91% women).
- More than 6,504 people received training through the projects (such as financial management).

Under the current package, DFAT’s budget support is funding projects in 244 villages (54% of all villages in the country). PARTISIPA has confirmed it has only around 20% data in the MIS so far for these projects, but has projected estimates based on what is known about PNDS averages for projects (based on 8 years of implementation).

- There will likely be more than 244 projects – as some villages can use their grant of AUD50,000–70,000 to cover two projects (as in Phase 1, there were 173 projects in 153 villages).
- The projects in 244 villages are expected to be mainly water and roads projects, followed by irrigation and education projects, that will benefit an estimated 35,000 households and create labour opportunities for more than 3,500 people.

While funds under the package were delivered in June 2021, appropriation for the majority of funds occurred in the 2022 Budget. Funds were kept in the budget support account – essentially a multi-year development fund. PNDS has a good history of having a positive impact on households and a range of socio-economic indicators.⁹⁰

Key Findings

Outcomes

Investments under the package in Timor-Leste have achieved significant outcomes and will potentially have long-term impacts on policy towards household transfers targeting pregnant women and mothers of young children. In addition, the package has enabled Australia to strengthen its engagement with the Government of Timor-Leste and in particular the Ministry of Finance. Given historical strains in this relationship, this is an important step forward.

Funding provided to PNDS and to support the reform of conditional cash transfers to poor women have both contributed to EOPO 1. Both investments target vulnerable people and ensure that funds reach outside the capital Dili to support communities that are often excluded from the benefits of government investments. The significant policy buy-in by the government to the phased national roll

⁹⁰ See [National Program for Village Development Support Program \(PNDSSP\) – Mid Term Review Final Report \(dfat.gov.au\)](https://dfat.gov.au).

out of the BDM-JF payment to poor women means the impact of this current investment will be felt for many years to come.

The investments under the package in Timor-Leste have made smaller, but important contributions to EOPO 2. The amounts of funding are significant and have made sure that increased investment in PNDS and BDM have not come at the expense of other services. However, the national Petroleum Fund means there is no immediate fiscal constraint, and so there was no fiscal shortfall at least in the short run. In the longer run, the Petroleum Fund is projected to be exhausted in 10 to 12 years and any excess withdrawals now will bring that timing forward.

The investments make a material contribution to both IO 1, access to social protection, and IO 4, more inclusive fiscal management, as the program investments target vulnerable and poor rural households and have ensured additional funds are provided above what would have occurred without the budget support.

There are some other important outcomes that are less obvious. Firstly, the use of budget support has helped to build trust between Australia and the GoTL. Given the history of Timor-Leste as a fragile conflict-affected state, this is very important as a foundation for a bilateral engagement. Secondly, budget support has allowed Australia to begin engaging the government on reforms to systems and processes – including routine bank reconciliations and improved financial reporting. These are also important for future reforms and would not have been possible through technical assistance alone.

Overall, the review finds that the investments in Timor-Leste achieved their intended outcomes and have opened space for future engagement on key areas of policy engagement that were not in place pre-pandemic.

Relevance

The review found that the investments under the package for Timor-Leste are highly relevant. There are two important ways the investments are relevant. First, they provide funding for key social programs, and importantly have leveraged additional funds and government commitment that was not previously there. The funding is highly relevant to the programs they support, given they account for 63% of the New Generation *Bolsa da Mãe* program and 15% of PNDS. It was hoped that PNDS would be fully funded for grants to every village for the first time in its history, and while that was not achieved it did receive its highest level of funding ever. BDM-JF is a new program seeking to reform a poor performing but long-running conditional cash transfer. This is quite complex and commits the GoTL to long-term budget allocations growing to around USD70 million per year when it is rolled out across the country. Significant funding for the first phase of the program and significant technical support has ensured policy commitment and matching budget commitments. This has risks into the future from a change in policy during the rollout, which will take a number of years, but this would not have happened without the budget support investment. Payments to the first recipients are scheduled for the second half of 2022.

Secondly, the decision to return to delivering support using budget support has helped to build relationships and trust. By providing budget support it signals to Timorese policymakers Australia's willingness and a good faith to align behind Timor-Leste's long-held policy of a preference for donors to use partner government systems. This also signals that Timor-Leste's biggest donor is prepared to provide budget support. This will help in the longer run to build confidence with other donors and assist the multilateral development banks to make the case for policy-based financing. This is a long journey to put in place the foundations needed for wider use of General Budget Support but is going to be an important part of the solution to preserving the Petroleum Fund and creating some fiscal

discipline. The example of what can be achieved in Fiji provides a benchmark and a goal for where Timor-Leste and Australia can potentially reach over the next decade or more.

Efficiency

The delivery of the funds was efficient, and it is almost certain that the money will reach intended beneficiaries. DFAT disbursed AUD20 million on 8 June 2021, providing ample time for the government to include it in the 2022 Budget. The key issue with the operation of the Direct Funding Agreement was the provision of funds off-budget but on-treasury in 2021. Essentially this means that the funds are administered by the GoTL, but they do not form part of the national budget. It is important to be clear that as a grant provided by a third party, the government is legally allowed to enter into the Direct Budget Support agreement and does not require the approval of parliament. The resulting expenditure under the agreement would be subject to scrutiny by the parliament at the end of the year. In practice the issue was political not legal or technical, but may well have delayed the disbursement of package funds.

There were consequences of the decision to have the funds off-budget in 2021. The funds were transferred to the single treasury account at the central bank and held in a special account, so funds could be tracked and reconciled. However, as the funds were off-budget, they were not considered an appropriation and MoF chose not to raise commitments for PNDS in their FMIS. The usual practice once there is an appropriation is for MoF to raise a commitment and ministries to make spending requests against the commitment. That allows MoF and the line ministry to track what has been spent and what is the balanced of the relevant appropriation. In the end the process was managed through manual journal entries that left the Finance Department of State Administration (the responsible ministry) unable to monitor spending.

Once this was identified as an issue, Australia asked the MoF to provide a reconciliation of the special account and the spending against the funds, which they were able to do. There were no irregularities in the process, but in effect the DBS by agreeing to funds off-budget lowered the level of transparency and accountability from what would have been the case if funds were on-budget. It did not slow down disbursements or result in funds being used for any purpose other than what was intended.⁹⁰ At the other end of the program, the funds were transferred to villages and bank reconciliations were done against the program MIS.

It is also worthy of note that a small part of the funds was allocated for operations budgets for the PNDS Secretariat and its field teams. This allowed them to do routine monitoring that was often not done due to a lack of funds. This is an important lesson for future support, as operational funds are important in addition to contracted TA.

BDM-JF is in its early stages and only AUD50,000 was allocated to the Ministry for Social Solidarity and Inclusion (MSSI) in 2021, also off-budget. Again, this caused some issues, as MoF directed MSSI to open a separate bank account into which the money was transferred. The account requires three signatures from MSSI and MoF to make withdrawals, and MSSI confirmed to the review that, despite purchasing information technology equipment valued at AUD50,000, they have not been able to get MoF to sign the payment from the bank, thereby leaving the funds sitting in the account and creating an arrears that is now 5–6 months old. This is a minor issue, but is illustrative of why bespoke off-budget arrangements are not advisable and create fiduciary risks rather than lower them.

The presence of the PHD facility to assist with the design has been a prerequisite to the whole program, as the ministry would not have had the capacity to design or roll out the payment. This is important, because it highlights that budget support might look as though implementation costs are

low, but in fact additional TA is required alongside the budget support funds. Funds for BDM-JF in 2022 and 2023 will come from the special account in the central bank; given there are not financing issues for the budget, there are no fiduciary risks associated with the special account.

Effectiveness

There is strong evidence that package funds will be used effectively – but it is still too early to be 100% sure. PNDS has a proven track record (see impacts from the initial AUD100 million package reporting above), and there is excess demand for funds (PNDS is not fully funded). If the assessment is done on PNDS as it has operated since 2012, the review would have a high degree of confidence the additional funds would be highly effective. There are, however, some additional risks that should be considered.

In the Timor-Leste budget structure, PNDS is considered an activity. There are three levels of budget controls – programs, sub-programs, and activities. In this case the program is Decentralisation, the sub-program is Local Development, and the activity is PNDS. Below this there are sub-activities that are tracked, but between which funding at the activity level is fungible (at least in theory). PNDS for many years was only managing village grants for tertiary infrastructure, but since the beginning of the pandemic PNDS has also been tasked with implementing the government’s flagship social housing program known as UKL and a dedicated water initiative called Bee Mos. So, there are now three sub-activities – PNDS general (the usual grants for infrastructure and what the package funds were funding), UKL, and Be Mos. This change potentially makes it harder to track both funds and outcomes for PNDS general. This is especially tricky as there is only one village bank account making cash reconciliations much more complicated. Partispa and the PNDS Secretariat are aware of this and have the capacity within their MIS to be able to track and report on sub-activity outcomes. It has not been an issue for 2021, as the Australian funds are off-budget and so reported separately anyway, but this is a key issue for the post to monitor in 2022 and future years.

In terms of effectiveness, there are also questions about the absorptive capacity of PNDS to be answered. The UKL began with an allocation of USD25 million and has been increased to USD75 million total, which is some three or four times the size of PNDS general. Indications are from PARTISIPA and from the ministry itself that PNDS is operating at its limit and both the government and Australia need to be wary of overloading communities. At the moment the dedicated Steering Committee is operating effectively and DFAT advisers have excellent access to government systems and people. However, the risks are rising as the program becomes more fragmented.

The design of BDM-JF is proceeding well, with implementation scheduled to begin in the second half of 2022. Indications are that the engagement is working well, and that Australian technical advice is being taken. This means the program includes steps to mitigate risks and incentivise behaviours, such as communication materials that are clear that the cash received will fill gaps and support the costs of raising a child (education and nutrition). Also, registration is carried out in health centres to encourage health seeking behaviours without making them a criterion for receiving support. Families with children with disabilities will receive an additional USD30 per month, although an identification system is still being developed.

Lessons Learned

- **Clearer budget disclosure requirements will be needed in future budget support operations.** Further work is warranted to determine what the agreement says about how much of the AUD20 million disbursed is for on-budget activities and how much off-budget. Regardless,

Australia needs to encourage full and clear disclosures of support in the Budget Papers and in financial statements. Classification of the aid channel when funds are off-budget, but on-treasury will also need to be reviewed.

- **Budget support channelling funds through the treasury but off-budget might be considered in exceptional circumstances** but in general creates the wrong incentives and increases fiduciary risks in Timor-Leste. Further clarity is needed on when a recipient government needs to appropriate budget support funds or ‘on-account’ projects. ‘On-Budget’ and ‘on-account’ can still mean that an appropriation is not required, which allows quicker and more flexible utilisation of funds once received.⁹¹
- **Australia’s investment social protection and community development in Timor-Leste over the last decade helped.** Having experienced support teams for the ongoing programs on the ground was a considerable advantage in being able to quickly respond and adapt and make the changes to receive program funds through budget support.
- **Future budget support operation could focus on ensuring more timely and more complete data is delivered to existing international organisations** for consolidation in existing global databases. This will facilitate timely access to data for performance reviews and evaluations and help avoid proliferation of parallel monitoring and data gathering systems, especially if the M&E performance monitoring measures are drawn from standard statistical databases.
- **Given the GoTL’s interest in developing new debt instruments, there could be opportunities to support this carefully through innovative budget support mechanisms.** The authorities are considering options for the issuance of Treasury and Central Bank Bills. There are risks and benefits to such a practice, but an effective debt program can help extend the life of the Petroleum Fund and provide space for Timor-Leste to secure a sustainable fiscal footing.

⁹¹ ‘On-budget’ generally means that the funding is disclosed in the budget. DFAT staff, officials and advisers need to be clear when funding should be subject to an annual appropriation approved through the parliament and when it should be considered a special appropriation covered under agreement between a donor and a government. GBS is recognised as grant revenue under GFS standards, or as a financing source under various country practices. Sector Budget Support might or might not require a specific appropriation, depending on the type of earmarking and the terms of the agreement. The agreement essentially determines if funding needs to be covered by an annual appropriation – or be covered under a special appropriation mechanism. A special appropriation can be set by the agreement and be the primary authority for use of funds – which can be the donor’s prerogative. This can be made clear in the funding agreement.

Figure 35. Sample Risk Data: Timor-Leste

3 Year Rolling PEFA PI1 on Budget Credibility										
Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Timor-Leste	D	D	D	D	D	C	C	C	B	D

Annual PEFA PI1 on Budget Credibility										
Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Timor-Leste	D	D	D	D	C	C	A	D	B	D

DFAT COVID Package Risk Status Check		
Date of Review	Riskrating	Risks after Mitigation
25 May 2021	Medium	acceptable and manageable

Fiduciary Risk Rating Trends (Global Data) - 4 Tier (L, M, H, VH)												
Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Timor-Leste	M	M	M	M	M	M	M	M	M	M	H	M

Development Risk Rating Trends (Global Data) - 4 Tier (L, M, H, VH)												
Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Timor-Leste	H	H	H	H	H	H	H	H	H	H	H	H

Fiduciary Risk Index Trends (Global Data)												
Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Timor-Leste	0.48	0.48	0.49	0.49	0.46	0.48	0.48	0.48	0.48	0.46	0.53	0.49

Development Risk Index Trends (Global Data)												
Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Timor-Leste	0.57	0.70	0.70	0.69	0.54	0.69	0.68	0.68	0.68	0.68	0.60	0.62

Source: WDI, DFAT and AFI Calculations.

Annex E: GEDSI

Crisis Impacts on Women, People Living with Disabilities, and the Most Vulnerable

Early predictions and evidence from other countries indicated that the impacts of the crisis in Pacific countries would be disproportionately borne, and would most affect women, people living with disabilities, and the most vulnerable people in society. A high percentage of women and vulnerable people in these countries work in the informal sector, or in sectors such as tourism, services and retail that would be most affected by border closures and lockdowns. Women's unpaid work burden would increase as a result of them bearing the brunt of caring for children during school closures and taking responsibility for increasing attention to hygiene. If the pandemic hit, they would also be the ones caring for sick family members. Market closures and mobility restrictions would make it difficult for the vulnerable in need to access food and essential services. School closures and overstretched health facilities would reduce the access the most vulnerable had to services. Confined to their homes and with tensions rising, violence against women was likely to increase, and other forms of violence within or between communities might also increase.

Good quality national-level evidence has been slow to become available, for example, on how health and education outcomes have been impacted. However, community-level monitoring by NGOs and others⁹² have found these early concerns about impacts on women, people living with disabilities, and the most vulnerable, to be warranted, and have documented the evidence.

Relevance of Package

Given the emerging evidence of the disproportionate and unequal impacts of the crisis, the package design was highly relevant. The design of the package had a strong focus on protecting the vulnerable. It also articulated an ambition for incentivising gender equality outcomes and improving the focus of gender in budget support operations.

However, there were opportunities missed to do more, and lessons learned that are important for achieving better GEDSI outcomes in the future, especially in budget support operations. The modalities used, and urgent need for fast response, meant that not all of the high ambition of the package for what could be achieved in terms of going beyond cushioning impacts to improving the lives of the poorest, most vulnerable, women, and people living with disabilities, was achieved.

Efficiency

Even without specific targeting, the most vulnerable, women, and people living with disabilities were generally included among those for whom crisis impacts were cushioned. The broad sweep approach of filling fiscal gaps to deliver social protection programs and keep health and education services running meant that more social assistance could be provided to more people in need, and that health and education services received more budget than they might have done in the absence of additional support.

In several countries, the package was being delivered on the foundation of many years of successful DFAT-funded work to support gender equality and disability inclusion. Hence where GEDSI outcomes

⁹² See for example: Pacific Women Shaping Pacific Development 2021 briefs on gendered impacts and responses: *Thematic Brief: Gender and COVID-19 in the Pacific: Gendered impacts and response*; and *Thematic Brief: Gender and Economic Recovery Measures in the Pacific*; as well as World Vision Report: *Pacific Aftershocks*, which summarised the findings from focus group discussions with 750 people in Papua New Guinea, Solomon Islands, Timor-Leste, and Vanuatu; and the Edge Effect report, *We don't do a lot for them specifically*, which identifies the gaps and opportunities for improving diverse SOCIESC inclusion in social protection programs and includes a case study on Fiji.

were seen, such as their inclusion in the Joint Prior Action Matrices to which package budget support was linked, this was often a result of work that had gone before, rather than as a result of additional contribution from the package. Several country programs were in a good position to have used additional resources to build on the foundations they had and exploit the opportunity to move the progress on GEDSI forward. In the absence of any additional resources, staff at post were far too stretched responding to the crisis to provide any extra input.

The intention was that the Support Unit would provide additional TA and support to posts to help design responses to achieve the GEDSI outcomes, but this was not effective. CBM with the Pacific Disability Forum (PDF) were contracted to provide support on disability inclusion. However, they were contracted late, and lacked the understanding of how to engage in budget support discussions. They found their entry points for engagement were limited and their inputs tended to be overlooked. They were, however, effective in linking posts and OTP teams with work being done in the region on disability and building awareness of this. Two rounds of recruitment failed to identify a Gender Economist to join the Support Unit. The gender equality strategy was prepared after 70% of the funds were disbursed and there was no additional support for posts to help improve gender equality outcomes. The most notable GEDSI output from the Support Unit was an issues paper on integrating gender into budget support programs. The paper included a Terms of Reference for a more extensive review and assessment; however, this was not implemented.

There were some exceptions and examples of impressive efforts to address some of the more challenging GEDSI issues. These were found in the programs implemented by multilaterals and NGOs that were funded directly from the package (discussed below). In these programs, resources were used to design and innovate and pilot programs that analysed and addressed issues of gender norms, women's empowerment, disability inclusion, and the potential risk of increased intimate partner and other forms of gender-based violence. Only a small percentage of the funding (around 6%) went into these types of activities.

Little or no attempt was made to consult with organisations representing women and people living with disabilities. In most countries, DFAT has a strong relationship with these organisations and provides significant funding to them. There were very few examples of them having been consulted in the design or preparation of the package, despite many of them carrying out monitoring activities of the populations they represented and understanding the challenges they were facing. This was also important as there may have been opportunities to facilitate the engagement of these organisations with government and other stakeholders in a broader dialogue on COVID-19 response and economic recovery policies. The engagement with these organisations is also important ensure that social change is driven (and seen to be driven) from within the country and help them to build political will.

Effectiveness

GEDSI outcomes were only partly achieved. The design envisioned a strong emphasis on gender equality, disability, and social inclusion, with the package used to incentivise gender equality outcomes, and a gender focus in budget support operations. There is no doubt about the intent and commitment of those involved in the design; however, the reality of the delivery mechanisms made this a challenge. The program effectively mitigated some of the worst impacts on women, people living with disabilities and vulnerable populations. However, little attempt was made to ensure that crisis responses contributed to making transformational changes in gender norms and did not reinforce traditional norms, address specific gender issues such as violence against women and girls, respond to the increased isolation of people with disabilities, or the exclusion of most vulnerable populations

including those, for example, living in informal settlements and from diverse sexual orientation, gender identity and expression and sex characteristics (SOGIESC) communities.

EPOPO 1: Vulnerable people benefit from more inclusive recovery in eligible countries

Intermediate Outcome 1: Individuals, households, and communities have access to and use social protection support interventions

The outcome of ensuring that individuals households and communities had access to and used social protection programs was largely achieved. The funding ensured that existing social protection programs could continue, and in some cases were expanded or extended to more people. In general, though, there was little effort to influence the design of the programs to make them more effective at reaching the most vulnerable and addressing issues that had been raised. There were a few exceptions: a new program for pregnant women and mothers of small children in Timor-Leste (AUD6.5 million) funded through Sectoral Budget Support was piloted and built in the lessons from a previous program, and design features to address risks to women and empower them. Funding to the World Bank (AUD5 million) enabled the design of a new nutrition and social protection program in PNG for pregnant women and mothers of small children. The design was based on social and gender assessments and the design responded to the issues raised and included a gender-based violence action plan. Oxfam implemented the UnBlocked Cash transfer program in Vanuatu (AUD3.8 million) based on careful assessment and incorporating features to identify, empower, and mitigate risks to vulnerable groups such as single mothers, the elderly, and people living with disabilities.

Additional efforts could have been made to improve the identification of eligible people living with disabilities, address potential risks of increased violence against women, and challenge gender norms that risked being reinforced through COVID-19 impacts and responses, and build the lessons from the pilots and designs back into government programs.

Intermediate Outcome 2: Targeted individuals benefit from policy decisions and budget allocations that mitigate against the health and education effects of COVID-19

The funding for health and education ensured that budgets were allocated to keep services functioning when they otherwise have been cut back. However, there is no evidence that any improvements were made to the services provided. Almost all of the funding for health and education was channelled through General or Sectoral Budget Support. The data is not available yet to see what the gender impacts on school enrolments were nor to assess the impact of the pandemic on health outcomes. The additional pressure of responding to COVID-19 in the health sector has impacted on the provision of regular services for sexual and reproductive health and normal childhood vaccinations, for example. This may have long-term consequences, but it is too early to tell.

The JPAMs linked to budget support contain few, if any, prior actions linked to health and education. There is some evidence that negotiations around the funding were successful in drawing commitments from government to maintain the budgets for health and education.

The funding (AUD4 million) to ICRC was the exception, and especially notable were the efforts to ensure improved services to people in detention centres where the COVID-19 risks were greatest due to overcrowding and poor hygiene. Some of the improvements made will have positive impacts after the program in addressing other diseases such as TB. ICRC also trained health workers how to protect themselves and helped vulnerable people to access services in conflict-affected areas.

There was an opportunity to do more. Given the ongoing relationship that DFAT had with the sectoral agencies involved in most cases, there would have been potential to take the opportunity to push

forward some of the ongoing discussions on GEDSI, especially where these may have been ongoing in the bilateral program.

Intermediate Outcome 3: Formal and informal businesses, particularly women-led, are better prepared to recover post-COVID-19 in targeted countries

There were few activities in that part of the package covered by this evaluation, that contribute to this outcome. The duration of lockdowns in most countries significantly impacted on both formal and informal businesses. Women make up the majority of formal sector workers and work mostly in sectors like tourism, services, and retail that were most affected. As countries are only just beginning to open, there was little scope until now to prepare companies to recover post-COVID-19 and the focus was on social assistance to help people get by. The support for the Business Recovery Assistance Program in Tonga (AUD5 million) acknowledged the importance of the impact on women-owned businesses and ensured that women were included among those receiving Business Loss Grants. More importantly, 71% of those that received informal business support grants were women – most from the handicraft sector.

One program that had specific objectives aligned with this outcome was implemented with funding to UN Women (AUD6 million). MERI Phase 2 is being funded from the package and has integrated the lessons learned from Phase 1 into the design. Program M&E data is collected and the design framework for Phase 2 also includes questions on disability inclusion.

The Markets, Economic Recovery, and Inclusion (MERI) program supported 12 major markets to stay open, and be COVID-19 safe, better-governed, and inclusive. This directly impacted the socio-economic resilience of 17,329 market vendors (3,812 men; 13,517 women), and indirectly benefited 64,854 people (18,159 men; 46,695 women) who used the markets daily.

Source: Paragraph on MERI Phase I in Decentralisation and Citizen Participation Partnership Final Report

The UnBlocked Cash transfer program in Vanuatu also made specific effort to link the cash transfer payments to local small vendors. This would have had the impact of helping them to weather the economic downturn caused by the crisis, but not necessarily helping them to recover and grown post-crisis.

Beyond a humanitarian support mechanism, the UnBlocked Cash solution is generating a market stimulus for local businesses and recovering economies. In a country where only 37% of the population has access to formal banking systems, most local businesspeople and small vendors have never processed electronic payments. Now they can receive a payment into their digital wallets with just a tap of the card, through more secure and easy transactions. The project is inclusive of street and market vendors from the informal economy, and vendors without access to electricity grid or internet connection. They are now at the centre of a technology and banking revolution.

Source: Oxfam report

Other economic impacts were less direct. One outcome of PNDS in Timor-Leste, for which additional budgets were provided from the package, had the (intentional) impact of stimulating local markets since movement between districts was stopped. It is also possible that by increasing the amount of cash transfers to people during lockdowns, they would need to spend this on essentials closer to home and provide an injection into the local economy to support local businesses.

Where support for women-led businesses was included in the policy matrices, for example, in Fiji, this was generally as a result of previous dialogues between governments and the donor group working on these.

Intermediate Outcome 4: Central agencies in targeted countries demonstrate inclusive and sustainable fiscal management

The package design included resourcing for gender analysis to support policy dialogue and enable inclusion of gender-sensitive reforms in policy matrices. This did not happen. DFAT had helped to advocate for gender-responsive actions in the JPAMs, but this is not attributable to package activities. It also helped that both the multilateral banks (World Bank and ADB) now have institutional requirements to include reforms to promote gender equality among the prior actions. It is safe to say that the reason the multilaterals now have institutional requirements to include gender in the matrices is due in part to the pressure applied over the years by DFAT. DFAT has also contributed funding for gender analysis to help them to do this, but not through the package.

There is potential for deeper engagement to promote gender equality in budget support operations in the future, but it requires skills and resourcing. Investment is needed for more sophisticated analysis and long-term engagement. The multilaterals have skills within their organisations to do this too, but need DFAT encouragement to deploy these in the Pacific. At the country level, there is the risk that lack of skills within DFAT to engage could in fact be detrimental.

Taking a gender-responsive approach to budget support could involve:

- Encouraging benefit analysis of all policies being promoted.
- Carrying out analysis to identify and make the business case and cost options for specific reforms that would promote gender equality (such as childcare, which would help to reduce the burden of unpaid care work and give women more opportunity to engage in economic activity), which can then be introduced as a long-term evolving dialogue.
- Encourage gender responsive budgeting. This needs a long-term approach and can be time and resource-intensive in smaller countries. There are some aspects, such as ensuring transparency in budgets and expense reporting, that would give women’s organisations valuable information to use in advocacy. Lack of transparency, M&E and information systems not adapted to collect sex-disaggregated data, and a lack of skills to undertake the required analysis, are all challenges.

The package did not help to further this cause in any way, but it did expose the challenges that could contribute to a more realistic approach in the future.

Recommendations

Lessons on promoting gender equality and disability inclusion from pilots need to feed back into government programs at policy and operational levels. There needs to be a balance between providing funding for those organisations that can innovate and pilot new approaches to identify and include people living with disabilities and challenge gender norms – and providing funding through budget support for sectoral programs. Lessons and evaluations of what works and what doesn’t in the former, and what can effectively be scaled up and introduced into government systems and processes, should feed into the latter at an operational as well as a policy level.

Promoting gender equality outcomes through policy reforms linked to budget support requires skills and resources. It needs to be backed up with clear evidence, based on robust research of what reforms will have the greatest impact. Political will can be promoted by facilitating the engagement of the

gender equality advocates in the country – either champions in a Ministry of Economy, Ministries of Women, sector ministries, or civil society organisations. Gender responsive budgeting can facilitate this and can be promoted in parallel; however, it is not a magic bullet.

**Table 10. Country Summaries of GEDSI Inclusion in the Package Funding
Papua New Guinea**

GEDSI score	Strength of evidence	Program	Information source
Low	Weak	<p>Tuition Fee Subsidies AUD30 million FCW, Sector Budget Support</p> <p>There are significant gender disparities in education outcomes in PNG. There is an assumption that school fee subsidies will help reduce the incentives to withdraw girls from school. There are no figures yet to support this. There was no discussion of girl’s education or additional responses needed to keep girls in school or facilitate access of children with disabilities to education.</p> <p>Apparently, no analysis or assessment, design changes, or M&E.</p>	<i>Services Annexe, DFAT documents, ROC</i>
Low	Moderate	<p>Health staff salaries AUD21.5 million FCW Sector Budget Support</p> <p>Objective to ensure that health staff received salaries contributing to keeping health centres open and services functioning, including SRH and vaccinations. According to monitoring reports 55.1% of the staff supported were women.</p> <p>Improvement of outcomes per se, and of outcomes for women and people living with disabilities would require the whole health system to be functioning more efficiently. At best, services were maintained, but stressed with the additional requirements of COVID-19.</p> <p>No analysis or assessment, design changes, minimal monitoring.</p>	<i>SD Annex, ROCs, DFAT docs, Human Development Monitoring Services reports.</i>
High	Strong	<p>Protection of Civilians and Respect for Law, ICRC, AUD4 million VERW</p> <p>This program provided a vital service to communities that were vulnerable and in danger of being further marginalised due to COVID-19. ICRC identified the most vulnerable: elderly, pregnant women, single mothers, people living with disabilities, victims of sexual violence and helped them access services when their nearest facilities were closed. This was potentially in hostile village after tribal violence. They also helped train and support health workers to protect them from COVID-19 and tribal violence and identify victims of sexual violence as a result of tribal conflict and help them to access service.</p> <p>Having identified those in detention as being among the most vulnerable, ICRC initiated a program to work with government justice and health departments to develop an action plan to reduce the COVID-19 risks in detention centres. Some of these things such as constructing reception areas to help keep</p>	<i>ICRC reports, ROC with DFAT Post, key informant firsthand interview</i>

GEDSI score	Strength of evidence	Program	Information source
		<p>COVID-19 out, will have benefits post-pandemic. They provided cleaning equipment etc to improve hygiene and trained staff. A program to reduce vaccine hesitancy was successful in increasing vaccination rates to around 40% – compared with less than 4% in the general population. Some of these activities were scale-up and expansion of their current work. ICRC found it challenging to meet some of DFAT requirements. However, DFAT has agreed further funding for continuation of activities. ICRC says that some of the tools and interventions that were introduced with package funding are now integrated into their normal operation. Assessment, interventions designed, some monitoring.</p>	
Moderate	Moderate	<p>Child Nutrition and Social Protection Program, World Bank, AUD5 million VERW</p> <p>DFAT funding contributed to the design of the program which will provide the grants to pregnant women and mothers of children under 2 years. The design recognises the considerable social risks including risk of increasing intimate partner violence. A social assessment has been done and gender inequality issues identified including with respect to risk of intimate partner violence and sexual exploitation and harassment of service providers. A further gender analysis is being carried out. A gender action plan has been prepared with extensive mitigation strategies integrated into the design including a GBV action plan. Design also includes stakeholder engagement plan and design for grievance mechanism. Gender norms have been considered and there is inclusion of programs to encourage men to be good fathers.</p> <p>DFAT has contributed to enabling the gender and social analysis to take place that has informed the design. There is no discussion of disability inclusion, and the test will come in how much of this is implemented.</p> <p>Detailed assessments and action plan. Not implemented yet and M&E not designed yet.</p>	<p><i>World Bank project documents available at:</i></p> <p>Development Projects: Child Nutrition and Social Protection Project – P174637 (worldbank.org)</p>
High	Moderate	<p>Markets and Economic Recovery Initiative, UN Women, AUD6 million VERW</p> <p>MERI was developed as a COVID-19 response at the request of the Prime minister to ensure ongoing safe operation of major fresh food markets in PNG. The project was classified as highly relevant in a review that was carried out of MERI Phase I. A number of issues were identified and contributed to the design of Phase II which is being funded from the package.</p> <p>GEDSI was a core principle in the design and the activities were specifically designed to meet women’s needs in markets, increase space for women’s voice in the governance of markets and promote women’s economic empowerment through training courses and other livelihood related services. Disability inclusion is not widely mentioned but does appear with regard to a dedicated space being created for market vendors with disabilities in Lae.</p> <p>The Monitoring, Evaluation and Learning Framework also asks questions and includes indicators on disability such as access</p>	<p><i>DCP final report. DFAT Cable 29/10/21, Review of MERI Phase I, MERI Phase 2 MELF</i></p>

GEDSI score	Strength of evidence	Program	Information source
		<p>to markets for people with disability and whether the program targeted groups including people living with disability.</p> <p>No assessment was carried out for Phase I due to speed of design, but second phase includes lessons, interventions designed to promote gender equality, MELF framework includes detailed gender and some disability.</p>	

Fiji

GEDSI score	Strength of evidence	Program	Information source
Moderate	Moderate	<p>Government Poverty Benefit Scheme AUD20 million VERW Sectoral Budget Support</p> <p>Funding covered payments under Poverty Benefit Scheme, Care and Protection Allowance and Disability Allowance for 6 months. It was initially coordinated with WB policy operation and later with ADBs policy operation. A fiduciary assessment identified cases of ineligible applicants, while Edge Effect report⁹³ found that people with diverse SOGIESC had not received support for various reasons such as not having a home address, stigma, and exclusion they faced in dealing with government service providers etc. SPACE identified people living in squatter settlements and outer islands may be among the excluded.</p> <p>Fiji has most sophisticated ways of identifying eligible people with disabilities. To qualify for benefit applicants must be 60% disabled according to the Washington Group assessment tool-this is evolving towards a functional assessment tool. DFAT may have contributed towards this but not through the package. SPACE Case study finds vulnerable women and women headed households among groups of target beneficiaries of PBS and C&P</p> <p>In broad terms the package has helped mitigate impacts on the most vulnerable, especially through increased number of beneficiaries for disability allowance, however, there is no specific input that contributed to improving the targeting and coverage of those likely to be excluded or mitigate, any risks associated.</p> <p><i>Sources</i></p>	<p><i>Cables, DFAT Fiduciary Assessment, Edge Effect report 'We don't do a lot for them specifically', WB ESMF for new program, SPACE: Leveraging social protection systems to respond to COVID-19 and other shocks in Fiji</i></p>
Moderate	Moderate	<p>GoF Budget Support AUD 85 million FCW Budget support</p> <p>The package is aligned to the Joint Prior Action Matrices of the last WB policy operation and the forthcoming ADB one. During negotiations around the package, Australia advocated for enhanced gender focus around reform actions including under promoting private sector led economic recovery, enhancing climate, disaster, and social resilience, and strengthening debt and public financial management pillars in the operation. This</p>	<p><i>DFAT DFA Agreements, ADB and World Bank JPAMs</i></p>

⁹³ Edge Effect. (2021). *We don't do a lot specifically for them*. Australian Aid.

GEDSI score	Strength of evidence	Program	Information source
		<p>was apparently ‘well received’ by GoF and reflected in the reform agenda. Several prior actions include attention to gender or women including:</p> <ul style="list-style-type: none"> • A gender-responsive framework for resilience and climate change. • Piloting of gender responsive budgeting in different ministries with a view to institutionalising a new GRB methodology. • Implementation of an overarching social assistance policy to guide gender-responsive targeting of social assistance programs. • Inclusion of women, the poor and vulnerable as recipients of water and sanitation, and electricity programs. • Provision of immediate relief to and support medium-term recovery of existing and creation of new businesses (including those run by women). • Simplification of business licensing procedures to promote formalisation and creation of new enterprises including those run by women. <p>Additional indicative bilateral policy actions included:</p> <ul style="list-style-type: none"> • MoWCPA to submit to cabinet a guidance notes for development of Fiji Childhood Care Policy and Regulatory Framework that aims to strengthen early childhood care services. • MoE to develop and publish Gender Equality and Social Inclusion Policy 2021 – 2024 and Action Plan 2021 and 2022 on its website <p>A DFAT led assessment found all reforms under ADB matrix had been completed and all bilateral indicators achieved. However, since all these discussions were ongoing prior to the package preparation and were also mostly being pursued by multilateral organisations there is not enough evidence to link the development or progress in this comprehensive gender equality agenda specifically to the package.</p>	

Timor-Leste

GEDSI score	Strength of evidence	Program	Information source
Low	Moderate	<p>National Village Development Program AUD13.5 million VERW Sectoral budget support</p> <p>This program has been implemented for several years and has a number of design features to encourage women’s participation in decision-making and implementation. Program evaluations also show that women and people with disabilities benefit significantly from the community projects implemented.</p> <p>The big achievement of the package funding was to put PNDS funding on-budget and significant effort was required from</p>	<p><i>Key informant interviews, Report on Economic Impacts of PNDS Infrastructure Projects</i></p>

GEDSI score	Strength of evidence	Program	Information source
		the existing adviser support team to adapt the processes and institutionalise them within government systems. This will help to ensure sustainability of the program and bring further benefits to women, people living with disability, and the most vulnerable. However, no specific initiatives or design features were added as a result of the package funding above what are already included in normal operations. It is not clear whether there was scope to do more had more resources been available.	
High	Moderate	<p>Social Protection Program AUD6.5 million VERW Sectoral budget support</p> <p>The package supported the piloting of a new revision of the <i>Bolsa da Mãe</i> cash transfer program, <i>Jersaun Foun</i>. The program provides cash transfers to pregnant women and women with young children. There is an additional disability allowance for families with children with disability or chronic illness. The challenge of how to assess eligibility of children for the disability allowance is noted in the documents. The cash transfers are paid to pregnant women or mothers, and the existing health facilities will be used to register beneficiaries. This will, it is hoped, encourage the increased use of health services. The program design takes a number of issues such as gender norms, and risk of increased intimate partner violence into account and includes mitigation measures such as through communication materials, and referral pathways (including links to the DFAT-funded Nabilan project).</p>	<i>Key informant interviews, Jersaun Foun Technical Note</i>

Kiribati

GEDSI score	Strength of evidence	Program	Information source
-	-	<p>General budget support AUD3 million VERW</p> <p>GBS disbursed against JPAM and there are no prior actions specifically relating to GEDSI. The unemployment benefit promoted through the package includes benefits for the informal sector and there are assumptions that this will therefore also benefit women, people living with disabilities, and the elderly. There is insufficient information to assess the extent to which this happened and what was achieved.</p>	-

Solomon Islands

GEDSI score	Strength of evidence	Program	Information source
-	-	<p>Solomon Islands Water Authority AUD5 million VERW</p> <p>Sectoral budget support Not reviewed</p>	-
-	-	<p>MoE School Grants \$4m VERW</p> <p>Sectoral budget support Not reviewed</p>	-

Tonga

GEDSI score	Strength of evidence	Program	Information source
High	Moderate	<p>Business Recovery Assistance Program AUD5 million VERW</p> <p>Sectoral budget support</p> <p>Cash support to registered businesses with a demonstrated revenue loss; wage subsidies to reduce unemployment risks among small businesses, grants for vulnerable individuals reliant on informal business sector income.</p> <p>Results:</p> <ul style="list-style-type: none"> • Business grants: 32% of 295 businesses receiving business grants were owned by women – 80% of these in Services, tourism, and hospitality. • Wage subsidy: 58% of those laid off were women according to March 2020 survey. 44% of 1,138 employees for whom applications were submitted were women. Only 35% (402) of all applicants were deemed eligible, 45% of whom were women. Most women were from services, and tourism and hospitality sectors. • Informal business support: 6,763 applications received – 71% were from women. 94% of applications were approved and received grants. 71% of the eligible businesses receiving grants were from women – the majority were in the handicraft sector. <p>There is evidence of some analysis of gender impacts being carried out in design of program. Gender is taken into account in application and eligibility, and Ministry of Trade and Economic Development Completion Report provides sex-disaggregated data.</p>	<i>MTED completion report</i>
-	-	<p>General budget support AUD5 million FCW</p> <p>Policy reforms in areas of debt management, labour mobility (aiming to close gender gap in overseas employment opportunities), and public service sexual harassment linked to funding.</p> <p>Not reviewed</p>	-

Vanuatu

GEDSI score	Strength of evidence	Program	Information source
Low	Weak	<p>Sectoral budget support AUD5 million VERW</p> <p><i>GEDSI Score Low (weak)</i></p> <p>Support to schools to cover fees and boarding costs for secondary school students. As slightly more girls go to secondary school than boys there was an assumption that the grant would help to keep girls in school. (Bilateral programs provide support to lower levels of education).</p> <p>A relatively small percentage of children progress to secondary school and these are from better-off families so the grant can't</p>	-

GEDSI score	Strength of evidence	Program	Information source
		be said to target the most vulnerable. Data on enrolment rates of the period is not available so the gender impacts of the grant cannot be assessed.	
-	-	Sectoral budget support AUD1.2 million VERW Develop and implement tourism recovery plan. Vanuatu is only just starting to open its borders so plan not yet implemented, and not reviewed for this evaluation.	-
High	High	UnBlocked Cash transfers Oxfam AUD3.8 million VERW The funding was used to expand the UnBlocked Cash transfer pilot program that had been piloted by Oxfam. Support was provided to vulnerable households using e-vouchers. Most vulnerable including single mothers, women heads of households, the elderly, people living with disabilities identified at community level. Local vendors were also identified, many of whom were women. The technology allowed for fast and comprehensive monitoring of how the cash transfers were used by whom and with which vendors. Risk of potential increase in intimate partner violence were identified and steps taken to address this.	<i>Key informant interviews, Oxfam final report, other reports, and evaluations of the program</i>

Annex F: Social Protection

Introduction

COVID-19 has revealed weaknesses in every country's social protection system globally. The PICs and Timor-Leste are no exception.

It has particularly revealed how each country needs a robust and scalable social protection system, with coverage that can be expanded and reduced as circumstances dictate, and which can thereby provide counter-cyclical support through crises, on top of ongoing regular protection against life-course vulnerabilities. This is something that was already known in PICs and Timor-Leste, which are exceptionally exposed to the likelihood of shocks.

COVID-19 (and DFAT's response to it) has also helped to clarify what needs to be done in the PICs and Timor-Leste to remedy those identified weaknesses, and how DFAT (through its P4SP facility) can potentially provide support.

1. Each country needs to identify (or consolidate) **a single priority** government-owned social protection program for strengthening.
2. Each country needs to **establish a set of robust and flexible systems** that will allow it to deliver the priority program effectively on an ongoing routine basis.
3. It would then **use these same systems to integrate other programs** that are immediately or subsequently identified as important.
4. In this way, crucially, it would also then **have the necessary systems in place to expand its social protection offerings,** when necessary, in response to an emergency.
5. It would also require having in place arrangements for the kind of **contingency funding** that would be needed in the case of rapid expansion of the program.
6. Finally, it would need to have pre-agreed the **triggers and coordination arrangements** that would allow these contingency funds to be released rapidly.

It is suggested that these six steps provide a basic roadmap for the development of social protection in the region. They are discussed in more detail below. The first section sets out the status of social protection in each country, which shows that the different countries are already at different stages along the proposed path.

1. Priority social protection program

COVID-19 has significantly raised the profile of social protection in the PICs and Timor-Leste (as elsewhere in the world). Almost all the countries that were part of the package have implemented at least one type of social protection response, in many cases building from their existing systems, as follows:

- **Fiji** (0.6% of GDP⁹⁴). As the PIC with one of the most comprehensive existing social protection systems, Fiji has scaled up many of its current programs and has implemented several new ones. For example, it made top-up payments to all beneficiaries of its Poverty Benefit Scheme, Care and Protection Allowance and Disability Allowance (delivery of which programs was supported with funding from the package), and its Social Pension Scheme (with additional

⁹⁴ The figures against each country in brackets provide the amount spent on social assistance as a percentage of GDP in 2015, taken from the ADB's Social Protection Indicator. It is intended to provide a rough metric for the relative importance of social protection against a Pacific average of 2.1%.

World Food Programme support)⁹⁵. It also introduced new cash transfer payments to street traders in 2020 and to the broader informal sector, conditioned on COVID-19 vaccinations, in 2021 (the latter commonly referred to as the \$360 Program because of the value of each tranche of the double transfer in FJD). Alongside this, Save the Children also implemented a substantial emergency cash transfer to 39,000 households, again identifying new households who were not beneficiaries of existing social welfare.

- **Kiribati** (1.0% of GDP). Kiribati significantly increased the value of its universal Senior Citizens Benefit and Disability Support Allowance and lowered the age of eligibility for the Senior Citizens Benefit from 65 to 60 years; and it introduced a substantial new program of Support for the Unemployed, including all those aged between 18 and 59 years who are neither in employment nor on a government-sponsored training program.
- **Nauru** (4.4% of GDP). Nauru has a range of life-course allowances: birth allowance, education allowance, disability allowance, and an old age allowance, all of which are income-tested (i.e. if a person has an alternative source of income, including other social benefits, then they are not eligible), most of which are paid on a two-weekly basis. Top-ups to these programs were used as part of its COVID-19 response. ADB is also helping Nauru to develop a National Social Protection Strategy and is funding a program to support the working age population, a current gap.
- **PNG** (0.0% of GDP). Even in PNG, where current government life-course social protection is limited to a small-scale pension in New Ireland, the early signs are that COVID-19 has given impetus to the possibility of introducing a national, universal, nutritionally oriented cash transfer targeting pregnant women and children up to the age of 2 years (the first 1,000 days). The concept and design of this is a result of DFAT engagement with the government and World Bank through the package. Encouragingly, the government is currently spearheading the development of a National Social Protection Policy (with some support from ADB and World Bank).
- **Samoa** (1.0% of GDP). Samoa used funding from its overall COVID-19 support (which included a budget support component from DFAT) to increase the value of its universal Senior Citizens Benefit Scheme, from WST145 per month pre-COVID-19 to WST200 per month now. It also made two top-ups of WST300 and WST100 to all senior citizens on the scheme in May and July 2020, respectively. Interestingly, it also introduced a cash transfer of WST50 per person, conditioned upon the individual registering for the 2020 Census and National ID Registration Roll Out. The UN agencies have recently supported the government in developing a National Social Protection Policy.
- **Solomon Islands** (0.0% of GDP). The Solomon Islands are something of an outlier. With no formal government-owned social assistance programs⁹⁶, the Solomons are rare among countries globally in not having used social protection as a mechanism within its Economic Stimulus Package to respond to COVID-19 (except in the form of a one-off rice transfer to some 800 households in Malaita province).

⁹⁵ Fiji also has a Rural Pregnant Mothers' scheme, which was not scaled up; and a Bus Fare Scheme for older persons and persons with disabilities, which was reduced during COVID-19 because of the lockdowns and travel restrictions that were put in place.

⁹⁶ Oxfam has a small cash transfer program in the Solomons, based on lessons learned from the UnBlocked Cash transfer program in Vanuatu.

- **Timor-Leste** (12.9% of GDP). Timor-Leste is notable for its extensive social protection system compared with other countries in the region. This includes social assistance provisions for veterans and martyrs of the liberation war, for the elderly above 60 years of age and adults with disabilities, and for vulnerable female-headed households through *Bolsa da Mãe*. All are funded from the government's own budget. In response to COVID-19, the government rolled out a new, near-universal cash transfer, *Uma Kain*, which provided an emergency one-off payment of USD200 to families, covering the first two months of the State of Emergency in March and April 2020. It reached 313,000 households (an estimated 95% of families), only excluding households earning more than USD500 per month. The government also, with support from the package, designed a variation of *Bolsa da Mãe* called *Jersaun Foun* ('new generation'). This will target all pregnant women and infants up to the age of 3 years (initially) with USD20 per month (plus a supplement of USD10 per month if the child has a disability). It will start in three municipalities and gradually scale up, at the same time increasing the age of eligibility, so that by 2030 it includes all pregnant women and all children up to 6 years old. Timor-Leste's National Social Protection Strategy for 2021–2030 was approved in November 2022, having been developed with ILO support.
- **Tonga** (0.4% of GDP). Tonga has an Elderly Benefits Scheme for all citizens over the age of 70 years and a Disability Welfare Scheme for all those requiring 24-hour care. During COVID-19 it introduced a conditional cash transfer (CCT) to poor children in secondary school (TOP250 per term for 4 years), which had already been planned prior to the advent of COVID-19. It provided top-ups (of TOP200) to beneficiaries of all three programs as part of its Economic Stimulus Package. Finally, it began a specific cash transfer program, funded from the package. This was initially targeted at poor households, based on the MIA Social Registry, but the targeting was complex and only 536 out of an intended 2,580 beneficiaries had been successfully enrolled. Following the tsunami, the targeting has been repurposed to provide support to owners of damaged houses on affected islands. ADB is developing a program to further support community-based age-care.
- **Tuvalu** (not available). Pre-COVID-19, Tuvalu's social protection consisted of its Senior Citizen Scheme and financial assistance to the disabled. Tuvalu was one of only a handful of countries in the world to introduce a universal basic income to all citizens as part of its COVID-19 Response Package (to which DFAT contributed through budget support). This comprised a universal cash transfer of AUD80 per person, followed by a further transfer of AUD80 for all those earning less than AUD80 per month.
- **Vanuatu** (0.5% of GDP). Vanuatu does not have any government-owned social assistance programs; and there is furthermore some institutional ambiguity resulting from the dissolution of the Ministry of Justice (which had previously been responsible for social protection) in 2021. As part of its response to COVID-19, however, and with support from DFAT, Vanuatu introduced an Employment Stabilization Payment which reimbursed employers VUV30,000 (USD263) per employee per month for four months (paid to the employee), plus an additional 12% to the employer. The package also used budget support to pay the tuition and boarding fees of all students at secondary schools throughout the country. While this was paid direct to the school, it represents a substantial indirect cash transfer to households which would otherwise have had to pay those fees (although there would be substantial exclusion errors of those households whose children would have been too poor or remote to enrol in secondary school). Finally, with funding from the package, Oxfam was able to substantially expand coverage of its UnBlocked Cash transfer program to reach over 4,000

vulnerable households in Tafea, Sanma and Shefa Provinces with a cash transfer totalling VUV80,000 paid on a monthly basis over a period of 6 months.

2. Robust and flexible systems

As has already been identified by several studies⁹⁷, COVID-19 has provided a stress-test for existing systems, and almost all PIC countries have been found wanting (as indeed have most countries across the globe). However, the package has helped to identify, and in some cases remedy, the weaknesses exposed.

Good social protection (and its effective use in response to a shock) requires at least the following systems to be efficient and operational:

- **Registration.** It is essential to know who should receive social protection. This requires a comprehensive database, not just of current program beneficiaries but also of potential beneficiaries, which – as COVID-19 has shown – may comprise nearly the entire population. For this reason, any social registry should be integrally linked with the national identity system, so that it can be integrated with other databases (such as of those working in the government and formal sectors). Interestingly, this linking with the national ID system was explicitly recognised in Samoa’s COVID-19 response, where the government made a cash transfer to everyone who registered for a national identity card, a lesson which could be replicated in other PICs. Also, of relevance here was the ability in Timor-Leste to rapidly roll out two near-universal responses to COVID-19 (the *Uma Kain* cash transfer and an in-kind food transfer called *Cesta Basica*), made possible largely through the pre-existence of a comprehensive registry called the *Ficha de Familia*. Finally, Fiji provides an indication of how the integration of databases could have the potential to rapidly generate a comprehensive national social registry: if one combines all those who have received core social protection (90,000), those who received COVID-19 payments either through the government’s \$360 Program (300,000), or through Save the Children (39,000 households or 220,000 beneficiaries), and those who are on the government’s own payroll (35,000), coverage is already over 75% of the total population.
- **Enrolment.** Experience in the region⁹⁸ has shown the potential for rapid vertical expansion (i.e. giving more cash to existing beneficiaries), but the complexity of horizontal expansion (i.e. adding new beneficiaries), because limited data exists on non-beneficiaries. Experience in Fiji during COVID-19 (in which DFAT has been heavily engaged) is illustrative. It was relatively easy, during the first COVID-19 wave in 2020, to add top-up payments to existing beneficiaries. By the time of the subsequent lockdowns in 2021, it was apparent that this was not sufficient, so substantial new programs had to be rolled out, starting their enrolment from scratch: most notably the government’s \$360 Program of cash transfers and Save the Children’s emergency cash transfer. These both entailed significant innovation in enrolment procedures, introducing direct registration through Unstructured Supplementary Services Data (USSD) applications on mobile phones, which provide interesting and potentially replicable learning for the future. However, they also faced huge challenges in reconciling new applicants with other registries

⁹⁷ See for example: Beazley, R., Gorman, H., Satriana, S., & Attenborough, J. (2021). *Social protection responses to the COVID-19 pandemic in the Pacific: A tipping point for the sector?* Social Protection Approaches to COVID-19 Expert Advice Service (SPACE), DAI Global UK Ltd.

⁹⁸ See for example: Mansur, A., Doyle, J. & Ivaschenko, O. (2017). *Cash transfers from disaster response: Lessons from tropical cyclone Winston*. Development Policy Centre Discussion Paper #67, Crawford School of Public Policy, the Australian National University, Canberra.

to ensure that the new beneficiaries were not already registered for social welfare or Fiji National Provident Fund support.

- **Delivery.** COVID-19 response also called for innovation in delivery mechanisms, with lockdowns and containment reducing mobility and with social distancing requirements imposing constraints on human engagement. In some cases, this entailed pragmatic solutions: in Vanuatu, for example, without existing social assistance payment channels, funding from the package was channelled to households through schools (for which mechanisms did already exist). In other cases, more innovative technology was introduced or expanded: for example, Fiji delivered its \$360 Program and Save the Children interventions through mobile money; and in Vanuatu Oxfam expanded coverage of its UnBlocked Cash transfer program, which uses distributed ledger technology (or blockchain). The use of blockchain is potentially well-suited to the PICs and Timor-Leste, given the challenges of remoteness and poor penetration of financial infrastructure and mobile phone coverage: indeed, Oxfam has learned several lessons from Vanuatu, which it is applying in the complex environments of PNG and Solomon Islands. Such technological innovation will provide useful learning for the delivery of social protection in the Pacific, although it is likely, given the challenges of remoteness in some PICs and low network penetration in others, that there will be a continuing need for multi-channel delivery approaches for the foreseeable future.
- **Management information and reporting.** Linked to the difficulties of registration and national identity systems, there is a need for better integration of information systems in many countries. In Fiji, for example, each of the six main social welfare programs operates its own information system. Many rely on predominantly manual procedures or use simple processing tools such as Microsoft Excel, which are ill-suited to expansion and integration. COVID-19 highlighted such weaknesses and generated some examples of overcoming them: Vanuatu, for example, with support from DFAT, had to think through a whole new program design for getting cash to businesses to guarantee employment; and Kiribati had to implement a new system to implement its Support for the Unemployed.
- **Grievance redress.** These are important mechanisms to improve transparency and social accountability in social protection, and potentially in broader social service delivery. They are currently underused in PICs and Timor-Leste. However, COVID-19 responses may have provided some fresh impetus to their introduction and have also highlighted the potential role of CSOs. Save the Children implemented a complaints mechanism in its Fiji emergency cash transfer, logged all complaints and feedback, and kept track of complaint resolution. Lessons from such experiences should be captured and shared across PICs.
- **Outreach and communications.** Again, these are important elements of social protection: beneficiaries and non-beneficiaries alike need to know about available programs and to understand their entitlements. Again, there is a role for CSOs to support government approaches. Overall, there was positive experience of outreach during the COVID-19 response. For example, there seemed to be widespread knowledge⁹⁹ of entitlement to the *Uma Kain* transfer in Timor-Leste; Fiji rolled out its \$360 Program based on applications from

⁹⁹ In parallel with this review of the COVID-19 Response Package, there is also a large-scale longitudinal evaluation of the overall Australian Humanitarian Program's COVID-19 response (which includes many social protection aspects) under way across five of the countries.

the public, generating substantial interest; and Samoa's cash transfer for national identity registration appears to have increased uptake.

- **Monitoring and evaluation.** This review has highlighted some challenges in the monitoring of the package. However, monitoring of its social protection components has tended to be better, at least as far as data on beneficiary numbers and overall program expenditure is concerned. For example, both Fiji and Timor-Leste have provided monthly data on coverage and expenditure throughout the pandemic; and most other countries that have received package support for social protection have been able to account for it at least on an annual basis (e.g. Tuvalu, Samoa, Vanuatu). Evaluation of social assistance programs is weaker, and it is certainly too soon to understand their impact in responding to COVID-19 (although the World Bank, through funding from DFAT's Pacific Facility 4 Multi-Donor Trust Fund program, is undertaking an assessment of Oxfam's UnBlocked Cash transfer program and Save the Children is planning a full evaluation of its Fiji cash transfer). Generally, there may be a role for DFAT in supporting evaluations of key programs in the region to be able to share lessons learned. A key lesson from elsewhere in the world is that there is as much, or potentially more, value in evaluating existing large-scale government programs, rather than focusing on small-scale non-government pilots

Both World Bank and ADB also have regional support facilities to work on policy and systems reform for social protection, so this represents an important area for DFAT collaboration.

3. Integration of other programs

Some PICs and Timor-Leste already have multiple life-course social protection programs in place; and others will want to add more over time. These should all use the same set of operational systems.

This should be relatively easy to achieve in countries that are starting with a single priority program: the systems can subsequently be developed or modified with harmonisation across programs already in mind. So, for example, Tonga, Nauru, Kiribati, and Samoa can orient their systems around their old age and/or disability pensions; Tuvalu around its basic income; PNG around its proposed nutritional grant; and Vanuatu – in the absence of existing social assistance – could potentially harmonise around the UnBlocked Cash transfer program or the government's new support to employment stabilisation. In such cases, the fundamental operational systems (see above) need first to be refined for the priority program, then applied to new programs, as and when those programs are introduced.

It will be more complex, but possible, to develop common systems in those countries that already have multiple interventions where, unfortunately, different – and often incompatible – systems are often used for different programs within the overall social protection system. For example, Timor-Leste has different systems for its old age pension and for *Bolsa da Mãe* (and new systems again for *Uma Kain*). In Fiji, the operational environment is even more challenging. All of its existing programs, even though operated by a single ministry, use different systems, often manual and therefore hard to reconcile with one another. During COVID-19 a new layer of complexity has been added through the introduction of two major new interventions, implemented respectively by a different ministry (Ministry of the Economy) and an NGO (Save the Children), using innovative, but different, approaches. The innovation has the potential to contribute to improved systems, but the operational differences will nonetheless add to the complexity of redesign. In these cases (Timor-Leste and Fiji), there will be a need for formal systems analysis and redesign to develop common systems and convert existing procedures to them. This is already recognised in both countries; and in Fiji both DFAT and

the World Bank have already undertaken studies and have made funding provision to support such reforms through technical assistance over the next couple of years.

4. Basis for expansion in response to shocks

Once the common systems are in place for one or more social protection programs, then they can serve as the basis for expansion in response to the shocks that are so inevitable in the Pacific region.

Each system outlined above would need to be flexible enough to meet the requirements of shock-response. **Registries** would contain comprehensive information on beneficiaries and potential beneficiaries and, through links to the national identity systems, could be integrated with other relevant databases (tax records, social insurance, and informal sector registries). They would contain information that would allow **enrolment** into an expanded program based on geographic location (in the event of a localised cyclone or flooding), of employment status (in the event of a financial shock like COVID-19 or a severe economic downturn), or of other characteristics depending on the type of shock and affected population. **Delivery** systems, using multiple channels, could be swiftly activated, so with information already held in the system, for example, bank account details (for bank transfers) or telephone numbers (for mobile money payments); or potentially with existing cards pre-distributed, that could be quickly unlocked and activated for use in a blockchain environment. **Communications** would be quickly ramped up to raise awareness of new or revised entitlements and the procedures for claiming them; **monitoring** systems and **grievance redress** mechanisms would already be in place to respond on an expanded scale. Finally, **management information systems** would seamlessly cope with the greater traffic engendered by an emergency.

5. Arrangements for contingency funding

For rapid response, it is important that contingency funding arrangements are already available for any expansion that is required to respond to a shock. One mechanism for this is exactly the kind of rapid emergency response embodied in DFAT's COVID-19 Response Package. As this review has shown, the package, and in particular its use for budget support to social protection, was relevant, efficient, and effective. That is not to say it was optimal. There is now an opportunity to consider options for putting in place more predictable approaches to making such contingency funding available to countries:

- Emergency reserve linked to sovereign wealth funds – such as Timor-Leste, Kiribati, Nauru, and Tuvalu.
- Disaster risk insurance (e.g. Fiji's paramedic insurance for households).
- Multi-donor trust fund.
- Multi-year budget support with contingency reserve (regional or national).

This is likely to need to be negotiated on a country-by-country basis. In all cases, it will necessitate prior (and regular ongoing) fiduciary risk assessment or audits of national systems and continuing support to improved public finance management.

DFAT could help to support appropriate solutions for such contingency funding.

6. Pre-agreed triggers and arrangements

In addition to having the funding more readily available in the event of a disaster, there is also a need to have pre-agreed with governments the necessary governance arrangements and triggers to release appropriate levels of funding quickly in response to a shock. This will require the necessary governance arrangements to have been pre-established when setting up the respective contingency

funding mechanism. It will entail working with the appropriate Disaster Management Agencies in each country on potential triggering mechanisms.

It will be important to establish coordination arrangements with other stakeholders in social protection. Some PICs and Timor-Leste already have such coordination structures in place (such as the Cash Working Groups in Fiji, Samoa, and Solomon Islands) and have already been able to demonstrate the necessary level of collaboration in scaling up after a shock, such as in Fiji's responses to Tropical Cyclone Harold and indeed to COVID-19 (both supported by DFAT).

Conclusions

It is evident from the review that expandable social protection, underpinned by robust and flexible systems, is a high priority in the Pacific. It also lends itself extremely well to budget support. Budget support that is provided for the purpose of shoring up or expanding social transfers can be measured and monitored relatively easily (unlike budget support with the intention to support education or health delivery): the number of transfers made, and the total amount transferred to beneficiaries, can be captured through existing systems (or simple new ones). So, in Fiji, for example it has been possible to track beneficiaries of the three social protection programs targeted by DFAT budget support on a monthly basis throughout the pandemic, to ensure that coverage has been maintained. In Timor-Leste, it is possible to monitor the number of households reached by *Uma Kain*, or to track the expansion of the *Jerasaun Foun* component of *Bolsa da Mãe* (the design and implementation of which the package has contributed to). In this context, DFAT commissioned a range of pulse surveys, analysis, and reports from The Asia Foundation on the impacts of *Uma Kain* payments on markets, household spending, intra-household dynamics and decision-making, social cohesion, and trust in government.

As a result, it may be that direct cash transfers should be considered for countries with weaker governance systems, where they have been used much more sparingly in the past. Much of the historic (and current) expenditure in these countries has gone into high-level governance programs, attempting to reform existing national structures and operations, with arguably limited impact or return on investment. It is already indicative that the package in these countries targeted service delivery aimed at providing support to households. However, consideration should also be given to taking this one step further, through DFAT helping to develop and implement cash transfers that go direct to individual beneficiaries, such as the proposed nutrition grant to pregnant women and mothers of young children in PNG. This could potentially have greater impact than existing governance approaches, by getting funds direct to those who need it most, thereby generating a demand for service delivery, leveraging the multiplier effect of cash in local economies, and potentially improving social cohesion and state legitimacy through the deployment of popular government-owned programs.

Looking further ahead, DFAT may need to consider how it supports what it often calls its 'Pacific family'. What is the extent of those 'family' obligations? It already supports programs across the region that address life-course vulnerabilities: health and nutrition to young mothers; education to children; skills training to adolescents; job and livelihood opportunities to those of working age; and support to the elderly, the marginalised, and those with disabilities. There can be no doubt that social protection offers a huge potential for DFAT to increase its engagement in the PIC countries and Timor-Leste and represents a particularly strong opportunity for expanded budget support.

Annex G: Services: Health and Education

The direct impact of the pandemic on the health of citizens has been significant but arguably less than first feared, as most countries shut their borders early and are now in the process of re-opening. However, the indirect consequences of the pandemic have affected the health service systems. The severity of impact on each country is largely determined by the state of their health system (and overall quality of governance) before the pandemic.

The PICs and Timor-Leste are in a health service delivery context that is already challenging, due to geographic isolation, limited resources and infrastructure, and high costs of service delivery, particularly in rural and outer island areas. Prior to COVID-19, the Pacific had high rates of child and maternal mortality, malnutrition, adolescent birth rates, and non-communicable diseases such as diabetes, alongside persistent communicable diseases such as tuberculosis and dengue outbreaks. For example, prior to COVID-19, PNG had the lowest child immunisation rates in the world for measles and diphtheria, pertussis, and tetanus (DPT).

'While there may be few deaths from COVID-19 in the Pacific, the lack of routine monitoring and the interruptions to essential service delivery may see an increase in preventable deaths from broader poor service delivery in maternal and child health, non-communicable diseases and other causes.'¹⁰⁰

Pressure on health service resources worsened health outcomes: According to UNFPA, countries are *no longer reporting health data routinely even though they are still collecting it*. In those who are reporting – Kiribati and Solomon Islands – there are reductions in service delivery, alongside persistent incidence of TB and measles and increased incidence of malaria. The prevalence of non-communicable diseases across the Pacific is already among the highest in the world, so these issues all pile more pressure on health services and store up long-term costs. Constraints to reproductive health services had consequences for women and children across the region. For example, in Kiribati this led to a sixfold increase in unintended pregnancies, contributing to a doubling of neonatal deaths.

Most countries reported increases in reports of violence against women. For example, in Fiji calls to the national domestic violence helpline between February and April 2020 were over 500% higher than in the same period in 2019. Lockdown measures in PNG impeded women's ability to access family and sexual violence services, but while fewer women were able to attend centres, the number of phone calls to family and sexual violence-related hotlines increased.

A whole cohort of children have had their education interrupted; the pandemic had an impact on education in places where learning outcomes were already quite poor. Many schools across the region were closed for several months. In PNG, the school closures, combined with increased tuition fees, led to children from almost half of households being pulled out of school. Global studies suggest there could be long-term negative impacts of extended time out of class, particularly for students from low-income households. Some countries attempted to move to online teaching, but the uneven access to the internet increased inequality in education outcomes, with rural and remotely-located students the most disadvantaged.

The crisis aggravated social unrest in some places. Papua New Guinea and Solomon Islands are classified as fragile states by OECD, based on the level of poverty, prevalence of violence, and low levels of government spending in health and education. Fragile and conflict-affected countries are generally more vulnerable to shocks from crises and governments are poorly equipped to mitigate the impact on poorer households. Furthermore, these countries suffer from low levels of trust in

¹⁰⁰ COVID-19 Implications for Health Financing in Pacific Island Countries: Pacific Heads of Health Meeting 22–23 July 2020.

authority, which can be manifested in vaccine hesitancy, reluctance to report infections, and resistance to conforming with lockdown procedures. In PNG and Solomon Islands, this can be seen in the low levels of COVID-19 vaccination.

Status of Education Spending in Selected Countries

To reach the Sustainable Development Goals (SDGs) for education, the World Bank, and other international agencies such as the Global Partnership for Education suggest between 15% to 20% of the national budget should be allocated to education, or around 5% of GDP. With the exception of Fiji, most Pacific countries do not meet this level of spending (see table below). In the World Bank’s ranking of education spending, PNG is very near the bottom in the table, investing between 4% and 6% of government expenditure in education, which is less than 2% of GDP. Even the lowest income countries in the world spend on average 3.2% of GDP. However, data from PNG Treasury indicates spending for the whole education budget is 9% of total expenditure. The difference may be explained by cost categorisation differences; for example, how central government expenses are allocated to each sector. What is not in doubt is that PNG’s funding for tuition fee support has not kept pace with inflation or demographics, and this is discussed in detail below.

Table 11. Education Budget as Percentage of Government Expenditure and GDP

Country	% of government spending	% of GDP	Source
Fiji	16.4%	5%	WDI (2020)
Papua New Guinea	5.6%	1.8%	COFOG (2020)
Vanuatu	4.43%	2.3%	WDI (2020)

Status of Health Spending in Selected Countries

To reach the SDGs for health, the WHO suggests ideally 6–7% of GDP should be allocated to public health expenditure, with low-income countries attaining at least 5% of GDP.¹⁰¹ Before the pandemic, Nauru, Tuvalu, and Kiribati were above this target (which is partly a statistical issue: even minimum health facilities will be expensive for small populations). Among the other countries, only Timor-Leste is achieving the spending target. On a per capita basis, Timor-Leste is quite low (USD92), compared with Samoa, Tonga, and Fiji (which spend around USD250). PNG is far lower still, at only USD65 per capita, which is below the rate recommended by WHO.¹⁰² In response to the pandemic, most countries were compelled to increase health spending, some of them quite substantially. However, the increased budget was likely to be soaked up by the additional burden of containing the pandemic, with pressure on other health services staying the same or increasing. For instance, the 6% increase in PNG’s health budget for 2020 (compared with 2019) is less than the budgeted cost of pandemic response.¹⁰³ Also, it remains to be seen whether these increases will be sustained. PNG’s health budget for 2021 was a drop of 21% on 2020, returning close to its level of 2018.¹⁰⁴

The correlation between pre-pandemic health spending and positive outcomes in the selected countries is weak. Fiji has the strongest indicators in the region, but historically spends less than 9%

¹⁰¹ WHO World Health Report 2010.

¹⁰² WHO recommended USD84 per capita in 2012, which should now be set higher than this to account for reduced purchasing power.

¹⁰³ GoPNG Final Budget Outcome 2020.

¹⁰⁴ GoPNG Mid-year Economic and Fiscal Outlook (MYEFO) 2021 Report.

of the budget on health. This spending is roughly on a par with PNG, which has significantly worse health outcomes. This illustrates how, to be effective, public spending needs to occur in the context of strong health systems, minimum standards of infrastructure (especially water and sanitation), and social factors such as nutrition. Budget support alone will not overcome these structural constraints.

Table 12. Health Budget as Percentage of Government Spending and GDP

Country	% of Govt spending	% of GDP	Source
Fiji	n.d.	3.8	WDI (2019)
Papua New Guinea	10.1	2.3	COFOG (2020)
Vanuatu	n.d.	3.36	WDI (2020)
Solomon Islands	13	5.2	COFOG (2020)
Samoa	16.8	5.3	COFOG (2020)
Timor-Leste	n.d.	7.16	WDI (2018)

Relevance of the Package for Supporting Service Delivery

The design of the package recognised the need to support partner governments to maintain important frontline services in health and education. In the context of falling government revenue, there was a risk of large cuts in spending for these sectors. Although tackling the pandemic necessitated increased spending on health, the composition of this spending was focused on the COVID-19 crisis (for example, personal protective equipment, quarantine requirements, tertiary care, and vaccinations), with less funding and capacity to deliver primary and routine health services. Alongside the package, DFAT provided dedicated support to manage the pandemic through supplying vaccines and supporting partner health systems through AUSMAT.

Response to the pandemic by governments: Fiji, Kiribati, Samoa, Solomon Islands and Vanuatu all increased health spending as a percentage of government budget, some of them quite substantially. On the other hand, health spending was static in Timor-Leste and fell in PNG.

The lesson of the Asia Financial Crisis (1998) is that disrupted access to education will have second order effects. As the cohort of pupils continues to fall further behind their peers, they are more likely to drop out of school early, with longer-term impacts on their earnings potential, which in turn could form a demographic ‘notch’ that leads to shortages of skilled labour and negative social effects. The data emerging from PNG, Fiji and Vanuatu shows that the pandemic is likely to widen the opportunity gaps that perpetuate intergenerational cycles of poverty and low human capital creation. Without intervention, the effects of the COVID-19 pandemic could have long-term consequences for growth, inequality, and social cohesion.

Benefits of Health and Education for Economic and Social Development

The benefits of health services for a quality life are self-evident. Universal health coverage, where treatment is free, also has significant economic benefits, especially for low-income countries. The additional public spending is more than offset by higher productivity, more employment, higher GDP, and reduced poverty. An effective primary healthcare service saves money in the long term, through early diagnosis of disease and scheduled interventions such as maternal and child health. Good public health services also build resilience to shocks, such as future pandemics and tropical cyclones.

Besides the role of education in empowering individuals to reach their potential, there is also a strong correlation between education and improved economic growth. Education is an essential component of human capital, which is fundamental for improved productivity and the ability of a country's economy to produce sufficient output per capita to improve quality of life.¹⁰⁵ In developing countries, the correlation is very strong for primary and secondary education, less so for tertiary education.¹⁰⁶ Moreover, where education is delivered free at the point of use, it leads to increased enrolment, especially for poor socio-economic groups.¹⁰⁷ This is a rational investment for a nation: for every USD1 spent on education, as much as USD10 to USD15 can be generated in economic growth.¹⁰⁸ The correlation is often bidirectional: free education begets economic growth, which in turn supplies the resources for free education.

Furthermore, there is a correlation between free education and higher prevalence of education for girls. This, in turn, has profound effects on human capital; Women with a secondary education seek out better medical treatment, take more measures to improve their children's health, delay marriage and have fewer children (thus reducing maternal mortality), are more likely to send their children to school, and have greater economic opportunities that will alleviate poverty and hunger.

The importance of free education is expressed in the Sustainable Development Goals, which include the aim to ensure 'all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes'.

Efficiency

The modalities used in the package to fill fiscal gaps to keep services running were broadly appropriate. The package had an important but relatively narrow scope of what it was trying to achieve with service delivery: maintain it at pre-crisis level, rather than improve quality. Therefore, as in most cases, health and education were underfunded, often poor quality, with some services inaccessible to certain sub-populations prior to COVID-19, the support package was not intended to make it better, it was a frontline service 'shielding' exercise.

In countries where the package had an explicit service delivery agenda (Fiji, PNG, Solomon Islands, and Vanuatu) the modality used Sectoral Budget Support, with the exception of Fiji, where support was via General Budget Support. Additionally, a few grants were provided to non-government organisations to support service delivery. Australia has a lot of experience using Sectoral Budget Support to support health and education in its bilateral programs, including some across the Pacific. This commonly uses earmarked funding or policy triggers over government expenditure to support reforms in a sector and conduct monitoring and verification through audits to confirm actions or expenditures at the sub-sector level.¹⁰⁹

Subsidies are potentially inefficient and inherently distorting, as they encourage more consumption of the product or service being subsidised. In the case of education, this is an advantage, as the aim is to entice more households to send their children to school. Therefore, the Sectoral Budget Support approach can in theory be an efficient way to enhance human capital formation in target countries,

¹⁰⁵ World Economic Forum. (2016). *Global Competitiveness Report 2015–2016* ([link](#)).

¹⁰⁶ Tertiary education is more relevant to industrialised countries. IASA. (2008). *Economic Growth in Developing Countries: Education Proves Key*. Policy Brief ([link](#)).

¹⁰⁷ Evidence suggests that eliminating tuition fees has been one of the most important drivers of primary enrolment increases, particularly in low-income environments and where the rates of attending primary education are low (Earle, A., Milovantseva, N. & Heymann, J. (2018). *Is free pre-primary education associated with increased primary school completion? A global study*. ICEP 12, 13.

¹⁰⁸ UNESCO. (2012). *Global Monitoring Report* ([link](#)).

¹⁰⁹ 20220303 Attachment B – Budget Support Opportunities and Challenges.

by increasing the number of children receiving an education and encouraging parents to keep their children in school for longer. However, where the supply of education is constrained, or is of poor quality, subsidies will be less efficient, with distorting effects. For example, in Vanuatu there are not enough secondary school places for the number of children in the cohort. Demand is rationed through price (fees) and exams, both of which favour better-off households. Therefore, a subsidy in this context benefits wealthier families without tackling the underlying problem of demand exceeding supply. In this case, subsidies may be less efficient than budget support to expanding educational opportunities.

Channelling funds via General and Sectoral Budget Support can exclude service providers outside the public finance system. Many frontline health services in the region are provided by CSOs, NGOs, and other third sector entities, including those providing, for example, sexual and reproductive health, family planning, and support services for women who are survivors of violence. Without a plan for how to ensure these continue to receive funding, some essential services were likely to be reduced or cut, with the likelihood of longer-term damage to important parts of civil society from the loss of capacity and resources.

More engagement with bilateral programs supporting health and education, as well as with CSOs and other non-government organisations could have increased inclusivity considerations in the support package. This would have enabled more comprehensive support for service delivery, as well as fostering the necessary pre-conditions for inclusive economic recovery, and mitigated the consequences of foregone health and education.

Effectiveness

In countries that explicitly supported service delivery in the form of health and/or education, the package was effective in mitigating some effects of the COVID-19 crisis by shielding sector budgets. It provided timely and targeted budget support and the projected large cuts in partner government spending for frontline services, including health and education, were avoided.

DFAT recognised that the crisis would put PIC governments under pressure to cut funding for essential services, and that any cuts would disproportionately impact vulnerable people, including women and girls, and people living with disability.¹¹⁰ DFAT's Pacific Economic Recovery and Growth Framework highlights the need to understand the context for vulnerable groups to support access to services and maximise impact. 'At a minimum we [DFAT] will engage with women's representative groups, including those that specialise in gender-based violence, and disabled people's organisations (DPOs) to understand PIC government policy options.'¹¹¹ However, there were few references in service delivery packages to meeting the challenges facing women and girls, vulnerable people, and people living with disability. **In this respect, the package was not as effective as it could have been.**

In Fiji, DFAT reported that 'continued safeguarding of expenditures to health [and] education...in the 2021–22 budget was successful'.¹¹² The Review Team verified this with the Fiji Government, which reiterated its commitment to ensuring that every child receives primary and secondary education, fully paid for by the government. The 2021–22 budget set aside AUD59.4 million to cater for 217,000 primary and secondary school students from Years 1 to 13. A further AUD17.1 million was provided as transportation assistance for more than 103,000 primary and secondary students from low-income families.¹¹³ The budget support may also have enabled the government to continue funding innovative

¹¹⁰ DFAT Pacific Economic Recovery and Growth Framework (final draft) March 2022.

¹¹¹ DFAT Pacific Economic Recovery and Growth Framework (final draft) March 2022.

¹¹² DFAT Fiji Country Annex.

¹¹³ Fiji National Budget Summary 16 July 2021.

schemes, such as the provision of sanitary products to girls: MEHA committed to ongoing provision of sanitary pads to all female students from Year 7 to 13; an estimated 55,000 female students are expected to benefit from this policy.¹¹⁴

The strategy for safeguarding expenditures to health and education beyond the 2021–22 budget is less clear.¹¹⁵ Senior officials in the Government of Fiji stated that revitalising the private sector is a national priority and also its role in areas such as health. Advocacy from Post, and through Fiji's multi-donor budget support program can complement the Government of Fiji's ambitions of strengthening these sectors. On the DFAT side this engagement is led by the Economic Team with the health and education team peripherally involved. Without better collaboration and communication between the economic and health and education teams at Post, and a defined mechanism for monitoring impact and outcomes, there is a risk of disconnecting the budget support from its ultimate aim of supporting policy reforms in service delivery.

An additional risk highlighted during the evaluation was the lack of depth of human development sectoral expertise within DFAT senior management. This sectoral skill set is essential if DFAT is to continue using budget support as a modality, so they can meaningfully engage in an integrated human development reform agenda with partner governments, multilateral development banks, and other stakeholders.

In Vanuatu, in response to the risk of secondary school students dropping out due to unaffordable school fees, the package used Sectoral Budget Support to provide a school fee subsidy. The subsidy targeted secondary school students (Years 7–14) and included a subsidy for tuition fees and exam fees for all secondary school students (Year 11–14), as well as partial support for boarding fees for students at secondary schools (Year 7–14). It was felt these three fees constitute a significant expense for families and therefore the 'support package will alleviate financial pressure and drive local economic stimulus.'¹¹⁶ Post estimated beneficiaries in terms of sex-disaggregated secondary school enrolment and noted that 51% of secondary school students are girls¹¹⁷ and referred to 'evidence that students, particularly those from poorer households, are dropping out as a result [of school fees].'¹¹⁸

This was the first time Australia has provided support to secondary schools in Vanuatu. However, there is a well-established bilateral primary education program with a grants scheme that Australia has been supporting for many years. The support package funds were disbursed directly to the secondary schools, on the understanding that they waive the fees for families and provide a refund or a credit for families who had already paid fees for the next year (2022). At the time of the evaluation there were no details on what happened at the school or household level and this type of monitoring wasn't included in the package design. However, post reported that the subsidy funded by the package reached around 5,700 students for tuition fees, 3,000 students for exam fees, and all students (approximately 10,500) for boarding fees. Other benefits included a reported improvement of school cash flow, enabling them to maintain staffing levels confident in the knowledge of guaranteed income and student attendance, and increased Government of Vanuatu confidence to extend the subsidy to the small number of private non-government schools.¹¹⁹

¹¹⁴ Meeting with Permanent Secretary of Education.

¹¹⁵ DFAT Fiji Country Annex.

¹¹⁶ Vanuatu Education S23 Amendment 4.pdf.

¹¹⁷ SRG meeting minutes.

¹¹⁸ SRG meeting minutes.

¹¹⁹ Meeting Minutes from consultation with Vanuatu Post.

Where service delivery is not universal and free, budget support may exacerbate inequality and displace resources from some communities. Although the package in Vanuatu was broadly beneficial, its effectiveness was circumscribed by the situation before the pandemic, whereby secondary education was already effectively rationed, owing to the mismatch between demand and supply of places. The government noted that ‘the [low] gross enrolment rate in secondary [school] provides evidence that the country is not able to accommodate all its school-age population.’¹²⁰ The three types of school fees effectively favour the relatively better-off households. It follows that supporting this system was an implicit subsidy to the better-off households, as it was their children that attended these schools.

In terms of formal monitoring, OTP did not want to overburden Vanuatu Post, however there is an expectation that the contractor implementing the bilateral education program will work with MoET and Provincial Education Offices to provide post with a case study on some schools. These were not available at the time of the evaluation, so findings for Vanuatu are based on the literature review and consultations with Vanuatu Post, the bilateral education program, and OTP.

The Solomon Islands was the only PIC to use the package to explicitly support water and sanitation (WASH) provision, although many of the small-scale infrastructure projects supported under PNDS in Timor-Leste also had a WASH focus. DFAT provided support to the Solomon Islands Water Authority (SIWA) to provide water supply and basic facilities to vulnerable communities in urban and rural settings. Budget support was provided via a Direct Funding Agreement with the Ministry of Finance and Treasury (MoFT). According to SIWA, this will enable them to provide new water connections for approximately 4,000 households, install new sanitation facilities for 150 households, and conduct water source upgrades for approximately 9,000 people resulting in improved water quality and quantity.^{121 122} References are made to WASH support including GEDSI considerations, but in the Review Team were not able to verify this independently.

Under the package, the Solomon Islands also received earmarked Sector Budget Support under the Education Sector Support Program (ESSP) for school grants. This used an existing DFA with the Ministry of Education and Human Resources Development (MEHRD) to channel the school grant subsidies. The original intention was to help vulnerable children stay in school by subsidising compulsory tuition fees. However, in response to significant budget cuts, this was altered to become a contribution to annual school grants to keep schools open.¹²³ However, MEHRD also cited non-payment of school fees by some parents leading to some schools’ financial difficulties.

Monitoring of the support to WASH and education was through acquittal reporting and six-monthly progress reports and meetings to confirm outcomes achieved¹²⁴, but the post acknowledged that its oversight or control of the agreed activities is limited.¹²⁵ DFAT reported that the school funds were disbursed to GoSI and further disbursed to schools, but there is no information about what happened next in terms of schools being open and enrolments.¹²⁶

¹²⁰ Government of Vanuatu. (2015). *Annual Statistical Digest*.

¹²¹ COVID-19 Package Implementation Update November 2021.

¹²² Cable Solomon Islands: Pacific COVID-19 Response Package – Vulnerability and Economic Recovery Window (21/06/2021).

¹²³ Cable Solomon Islands: Pacific COVID-19 Response Package – Vulnerability and Economic Recovery Window (21/06/2021).

¹²⁴ Cable Solomon Islands: Pacific COVID-19 Response Package – Vulnerability and Economic Recovery Window (21/06/2021).

¹²⁵ Cable Solomon Islands: Update on Australia’s COVID-19 budget support package.

¹²⁶ DFAT COVID-19 Support Package Implementation Update November 2021.

While it is possible to track budget support through the disbursement process, this does not show how service delivery was meeting the needs of citizens. For example, as household incomes fell due to COVID-19, this made it harder for people to access services. Many households were struggling to afford the costs of transport, tuition fees, and educational materials for their children to attend schools where they are open.

Box 2: PNG Education Policy Context

As the pandemic arrived in PNG, the education sector was struggling from the combination of years of budget cuts and a period of upheaval in policy. In 2019 the government replaced the Tuition Fee Free (TFF) system with the Government Tuition Fee Subsidy (GTFS) policy, which required parents to share in the cost of tuition. This was informed by the belief that free education leads to a dependency culture among parents, although there is no global evidence to support this claim. In 2021, the national budget allocation for GTFS was frozen at 2020 level (which was already 21% below the 2019 level). Yet even during the years of TFF, the real value of the budget allocated to the subsidy had been reduced. By 2019, the education budget was roughly half of where it needed to be to keep pace with enrolments and inflation. The combination of the new GTFS policy (which for instance, required parents to find at least AUD225 per annum for secondary school fees), and the school closures caused by the pandemic, inevitably led to a significant drop in the number of children attending school.¹²⁷

A further problem with the education system is the delay in funds reaching the schools. The government's instruction was that 'Parents will be required to pay fifty per cent (50%) of the Parental Contribution fee at the start of the school year and the balance must be paid before the end of Term 2. The government will pay its component before the end of Term 3.' In effect, this means the government is given more generous credit terms than parents, regardless of the financial status of poor households. This placed a further burden on parents to have cash available to pay half the fees in advance, which for poorer families may need to be borrowed, with additional costs. It also raises the question of how the schools manage to cover their costs for the first two terms of the year, having received (by end of Term 2) only about 17% of the fee. This could lead to more unofficial fees levied on parents. These cash flow problems permeate the whole system in PNG.

Fortunately, with DFAT support, in 2022 the government reversed the policy on GTFS, almost reverting to a free education model, although schools will still be required to seek at least 10% of their budgets from 'project finance', which in practice means soliciting parents for contributions towards running costs. However, until the government is persuaded that education is an essential investment in future fiscal stability, the persistent problems facing schools of underfunding and delayed payments are unlikely to be addressed.

This, in turn, had an impact on service providers which relied on fees or co-payments. Both PNG and Solomon Islands reported that non-payment of school fees by some parents was leading some schools to face cashflow problems; with some schools having to close. Where services are not universally free, the practical value of budget support to households is reduced.¹²⁸

In PNG, a legacy of cuts to both education and health budgets, combined with generally poor standards of delivery, meant the scope for achieving effective impact with budget support was limited (see box). The package provided budget support to help finance the cost of the GTFS, earmarked to the relevant budget lines in PNG's 2021 Budget and Supplementary Budget. Although the support was directed at elementary and primary schools, in practice it is all fungible, because the trust funds under the National Department of Education are not set up to earmark funds.¹²⁹ The intention was to cover up to 6 months of the cost of GTFS with an agreement that GoPNG would be

¹²⁷ This is anecdotal from interviews, as official enrolment and drop-out data are not yet available.

¹²⁸ MEHRD. (2020). *Radio Broadcast Series 66. Government of the Solomon Islands, 15 November 2020.*

¹²⁹ Minutes GoPNG GTFS team.

required to pay their component of the GTFS as a trigger for the release of Australia's contribution.¹³⁰ However, this was based on the understanding that GTFS can be finely targeted, which is not the case.

PNG Post emphasised that the GTFS support was primarily intended to bolster fiscal stability and was not expected to improve education quality or outcomes. However, there was an assumption that supporting the GTFS would keep children in school.¹³¹ This belief was based on the explanation from the Secretary of NDoE, who said support for GTFS funds will provide relief to schools struggling due to economic impacts, and to families who are unable to pay school fees for their children. Although the second term of the academic year had started, many schools reported they were yet to receive payments from parents due at the start of the first term, indicating that many households were unable to pay their 38% share of tuition fees mandated by the GTFS.¹³²

As the main objective was fiscal support, it was decided that monitoring would be the responsibility of the Economics Team at post, rather than using the existing HDMES (as was used for health budget support in PNG). A dedicated consultant was hired to work with the GTFS Unit and to verify the outcomes from the budget support, but delays in recruitment meant they did not commence work until February 2022.

What happened?

Australia's commitment to provide budget support meant that the tuition fee subsidy budget was restored to around PGK486 million, but funding still didn't start flowing to schools until very late in the school year, between July and September 2021. Many schools were compelled to shut and turn away pupils, not because of COVID-19, but due to lack of funds.¹³³

Financial reports shared with the evaluation team summarise the totals paid into the banks used by schools for the Tuition Fee Education Trust Account. However, this only shows the reported disbursements, with no attempt at reconciling the accounting transactions with the bank statements. This indicates a 20% disbursement rate for the 2021 financial year, which is very low. In the opinion of the Review Team, this could be because the treasury is running well behind schedule in reconciling and accounting for the fund transfers. There was a large increase in the allocation in a supplementary budget in December 2021. This was very late in the financial year, and the second tranche of funds was in part used to cover this, so would not have been reflected in disbursement reports. Therefore, based on the data available, it is not possible to state with certainty that the budget support funds reached the schools. This problem of delayed transfers should have been foreseen. For instance, a cable included the observation that 'until DFAT began budget support discussions earlier this year, education officials were unaware that almost half the GTFS budget allocation had not been warranted in the 2021 budget'.¹³⁴

The role of Australia's budget support to GTFS is not simple to evaluate. GTFS by its very nature is a mechanism to establish a cost-sharing arrangement between government and households. This means that in theory the GTFS is the government's contribution to the schools and the rest comes from households. In practice, the system is underfunded, and schools are forced to ask for additional fees from parents and if they can't pay then children do not go to school. In 2021, there was a policy decision made to lower the GTFS, in effect raising the amount the parents would have to contribute.

¹³⁰ Supporting half the GTFS budget would cost AUD91 million, so the implication is the intention was to cover half of a targeted portion of GTFS, but this has not been defined, and finetuning may not have been possible.

¹³¹ Meeting minutes with PNG Post Education Team.

¹³² Cable PNG: Increased support to the PNG Education Sector. 21/05/2021.

¹³³ Meeting minutes from GoPNG GTFS Team.

¹³⁴ Cable 15/10/2021 – PNG: Education: school subsidies funded in MYEFO, acknowledging Australia's budget support.

Schools were unprepared for this and so it was agreed that the government would restore the GTFS funding to its original level, but this would require a supplementary budget and some hard decisions on where the funding came from. Australia's intervention with the offer of budget support did alleviate pressure on the treasury. It is also arguable that it meant that parents were not going to be asked to increase their share of the costs or face school closures due to a shortfall in funding. These are important outcomes but are essentially saying the budget support made sure a bad situation did not get any worse, which in a crisis is still a good outcome.

What the budget support to restore the GTFS could not and was not designed to do was solve the problems of education being underfunded, nor of funds being transferred to schools late in the year putting them under cashflow pressure. For example, in August 2021, NDoE informed the Support Package Steering Committee that they had already disbursed almost all the support package funds given to them since June, and yet schools were at risk of closing down in the next couple of months if nothing was done to increase the GTFS allocation for 2021.¹³⁵

While it is important not to overstate the influence of Australian budget support, there is some evidence that the recent GoPNG policy decision to restore tuition fee free education may have been influenced by engagement between treasury and DFAT over the broader value of education subsidies in boosting household disposable income. The Treasurer's office indicated to the review that up until 2021, the GTFS had been viewed entirely through the lens of the value of education to parents, rather than the cost to households and the direct impact on household budgets if the fees are waived. Even though this was not the intent of the budget support investment and cannot be attributed to it, this is an example of how budget support can open a line of policy engagement that might otherwise not be there.

Supporting the 2022 tuition fee subsidy policy. The change in tuition fee policy announced in 2021 required an increased budget, to at least restore it to the 2019 level. NDoE requested a budget for 2022 for the full amount (based on enrolments and standards) of PGK 778 million, but was allocated PGK632 million (compared with PGK618 million in 2019).¹³⁶ There is a possibility (acknowledged by post) that this restoration of tuition fee subsidy is connected to this being an election year, so it could later be reversed.¹³⁷ In any case, inflation and demographics have eroded the real value of the budget. For example, pupil enrolment has increased from 1.3 million to 2.1 million since 2013. Schools report chronic overcrowding, with a ratio of one teacher to 55, or as many as 70 pupils.¹³⁸ Therefore, the budget for tuition fee subsidy, although higher than 2020–21, is in nominal terms less than the budget back in 2013, so the funding gap is now 124% of the budget (meaning the budget needs to be PGK1,414 million, instead of the PGK632 allocated). To close this gap would not only require budget support of AUD300 million per annum, but also technical support to ensure the cash reaches schools in a timely manner.

DFAT Post acknowledged that even with the increased budget for 2022, schools are likely to face a shortfall, so will still expect families to pay 'project fees' to top-up the budget. Although the NDoE sets a limit on how much schools can extract through project fees, there is no oversight of how this works in practice, and what impact it has on families. It is also notable that although the tuition fee policy was changed, the government mandated that schools continue to raise project funds, as a way

¹³⁵ Minute No. 2. 12 August 2021 Project Steering Committee, DFAT Budget Support Grant for GTFS, CHS and CHSS.

¹³⁶ GoPNG GTFS Team/NDoE meeting minutes.

¹³⁷ Cable 15/10/2021 – PNG: Education: school subsidies funded in MYEFO, acknowledging Australia's budget support.

¹³⁸ PNG Education News, 22 February 2022, 'Schools in PNG urged to follow enrolment rules' ([link](#)).

to encourage greater ‘involvement’ by parents. This is a contentious policy area that will need careful handling by donors in the future.

The package provided limited support for service providers outside the public finance system.

Ensuring benefits reach disadvantaged communities will contribute to a ‘stable, prosperous and secure’ Pacific, but the NGOs that serve them were not part of this package. Many frontline health services in the region are provided by CSOs, NGOs, and other third sector entities, including, for example, sexual and reproductive health, family planning, and support services for women who are survivors of violence. Engaging with CSOs and other non-government organisations could have increased inclusivity considerations in the support package. This is important in terms of maintaining access to services during the pandemic but would be more efficient and effective in terms of fostering the conditions for economic recovery and mitigating the consequences of foregone health and education.

PNG is an example of where the package did provide budget support for a non-government service provider. The package supported the salaries and wages of frontline service providers working for the Catholic Church Health Services and the Christian Health Services across 21 provinces. This was provided through grant Sector Budget Support, with payments targeted via government systems to church health services. Church-run health facilities are integral to PNG’s health system and are estimated to provide almost half of primary health care services across the country. Church-run health facilities are highly subsidised, as approximately 80% of their operational costs is financed by the PNG Government.¹³⁹ The pandemic has underlined the critical need for functional and effective health systems, exposing the weakness in PNG’s health sector, and the poor reach of essential health services to the vast majority of the population.

Box 2: PNG Health Sector Context

PNG has the lowest life expectancy in the Pacific region. Infant, under-5 years, and maternal mortality rates are higher than in countries at similar income levels. Use of basic health services has declined markedly. For example, there has been a decline in measles immunisation in children less than 5 years old from 34% in 2012 to 29% in 2016, most likely due to a reduced frequency of outreach clinics and, as a result, exposing PNG further to communicable disease outbreaks, including measles and polio. More than 50% of women have an unmet need for modern methods of contraception, a need compounded by the largest cohort of young people in the history of PNG now entering their reproductive years. Supervised births are persistently low and declined further from 44% in 2012 to 40% in 2016 nationwide.

Most hospitals and health facilities are poorly maintained, do not meet national health standards, and have functional layouts that do not support patient safety. In 2012, 67% of surveyed health facilities and 77% of health worker accommodations required rebuilding or maintenance. A little over half of health clinics had year-round access to clean water, some 40% had electricity and refrigeration, 30% had access to fuel, about 20% had beds with mattresses and a kitchen, and only 33% had the ability to make patient transfers.

Source ADB. 2019 Line of Sight: How Improved Information, Transparency, and Accountability Would Promote the Adequate Resourcing of Health Facilities Across Papua New Guinea. June 2019

The design of the package was built around policy objectives, rather than merely filling a fiscal gap.

The decision to target the budget support to CHS and CCHS was driven by the Post Health Team working closely with the Canberra team from the beginning of the package. It was also recognised that

¹³⁹ Wiltshire, C., Watson, A.H.A., Lokinap, D., & Currie, T. (2020). *Papua New Guinea’s Primary Health Care System: Views from the Front Line*. Canberra and Port Moresby: ANU and UPNG.

funding the CHS/CCHS had strategic value, as it opened and deepened the engagement with treasury on health financing and fund flows.¹⁴⁰

The good engagement between the Health and Economics Team, as well as with Canberra was reflected in the decision to have an M&E plan, using DFAT's Human Development Monitoring and Evaluation Services in PNG. This was the suggestion of the Health Team as they saw it as a good opportunity to use existing resources. It is notable that the Education Team chose not to use HDMES, and the effectiveness of the support to that sector has consequently been harder to evaluate.

What happened?

The expectations of the DFAT Health Team were realistic, and in the short-term wanted to ensure that health staff salaries were paid and that engagement through the Steering Committee was constructive. These expectations were fulfilled. However, this needs to be seen in the context of the PNG health system before the crisis. CHS reported that they had experienced a 'downward trend of funding for both salary and goods and services – church health workers are currently paid on salary scales much lower than the 2014/2015 scales'.¹⁴¹ CHS and CCHS had already had a 73% cut in their operational grants from GoPNG, which have been cut each year since 2017. Furthermore, operational grants were delayed by around 6 months. Therefore, some clinics are not able to pay support staff. These funding problems are manifested by insufficient equipment, medication, and health workers, limiting their capacity to deliver childhood vaccinations or manage critical programs such as TB response and management. Most clinics are unable to meet national minimum service standards due to government underfunding. The pandemic exacerbated these problems, and CHS reported that 'church health workers face a lot of duress and unnecessary stress that result in poor performance and compromises the quality of health care provided to clients'.¹⁴²

The support package was welcome, but it did not make up for the historic shortfalls and did not arrive any quicker. There were the usual delays in the CCHS and CHS receiving the funds for salaries, which is a feature of the GoPNG system. CHS reported that salaries were delayed by months and were for a reduced amount due to GoPNG cuts, but DFAT funds were not cut. Nonetheless, the package empowered both CHS and CCHS to continue paying staff salaries, as the knowledge the funding came from Australia gave them confidence the money would eventually make it through the GoPNG system, to reimburse them.¹⁴³ This enabled health services to continue being delivered, albeit within a dysfunctional system. In summary, the support package plugged the gap, but in an already underfunded system that is vulnerable to collapse. CHS observed that the 'Australian Government funding should enable some breathing space for Government to fund the PGK17 million shortfall', otherwise closures of church-run health facilities would be likely as the funding shortfall is critical.

There is evidence that the Steering Committee that was established as part of the support package has improved DFAT's relationships with PNG Departments of Treasury, Finance, Health, and Education.¹⁴⁴ Multiple DFAT sources stated they see this mechanism as an opportunity to influence policy and position themselves for harder budget reform decisions in the future. The likelihood of effective reforms will be greatly enhanced if the Steering Committee considers the views of users and providers of health and education services. For example, creating space for a diversity of voices and if DFAT works with GoPNG to translate these insights into effective policy and practice.

¹⁴⁰ Minutes of meeting with Health Team at post.

¹⁴¹ CHS report to GoPNG and Support Package Steering Committee.

¹⁴² CHS Preliminary Funding Acquittal: First Quarter and Second Report. 24/09/2021.

¹⁴³ Reports CHS and CCHS provide to GoPNG and DFAT plus calls with evaluation team.

¹⁴⁴ Interviews with DFAT Post and OTP.

A further example of the package funding a non-government service provider was through the grant to the International Committee of the Red Cross in PNG. ICRC's program in PNG included identification of the most vulnerable people living in conflict-affected communities and helped them to access health services. They also helped to keep referral pathways open for women survivors of sexual violence, and ran health programs in prisons where the health risks to the prison population were high. According to the Program Managers, they learned a number of lessons in pivoting their program to respond to COVID-19, which they have now introduced systematically in their ongoing programs.

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Data Sources

- See Annex B: Methodology and Limitations.