



NIUE AUSTRALIA DEVELOPMENT PROGRAM 2021-2025 - INVESTMENT DESIGN

Investment Design Title: Niue Australia Development Program 2021-2025

Start date: 1 July 2021

End date: 31 June 2025

Total proposed DFAT funding: AUD4.8 million

Total proposed funding from all donor/s: AUD4.8 million

Current program fund annual allocation: AUD1.4 million

AidWorks investment number: INN773

Overall Risk Profile: *medium*

Risk *medium*

Value *low*

Concept approved by: NA

Concept endorsed by AGB: NA

Quality Assurance completed: Consultation with ACD (Kirsten Hawken and Matthew Fehre) and Wellington Post (John Anakotta and Ahahera Acheson)

Approval: Delegate at Post: Louise Ellerton, High Commissioner

Delegate in Canberra: Marcus Henry, AS PZB

A. Executive Summary

Australia and Niue enjoy a friendly relationship based on close community links, participation in Pacific regional organisations and shared support for an open, resilient and inclusive Indo-Pacific region. The opening of Australia's High Commission in Alofi in 2020 further deepened our relationship and is enabling us to intensify our development cooperation. This investment signals a shift in how we deliver our support. In recognition of Niue and New Zealand's broad and deep development partnership, our support will focus on complementing New Zealand's funding and avoiding duplication of efforts. The Theory of Change (overleaf) provides an overview of the scope of our portfolio of support including through existing complementary investments.

B. Development Context and Situational Analysis

Niue is a small self-governing state in free association with New Zealand. As part of the New Zealand Realm with constitutional equities with New Zealand, Niueans hold New Zealand citizenship and use New Zealand currency. Niue is not a member country of the United Nations, but has the capacity to make its own laws, enter into treaties and establish diplomatic relations, and join international organisations where membership criteria are met, and is an active member of the Pacific Islands Forum. Niue's Assembly consists of 20 members, 14 representatives from villages and six elected on a common roll. Elections are held every three years.

Demographics

Niue has a population of approximately 1,700 with the most recent census in 2017 recording a population of 1,719.ⁱ Around 30 per cent of the population is under 15 years old, and 20 per cent over 60. Since independence Niue has experienced high outward migration. Estimates suggest that the Niuean diaspora numbers over 30,000. While the majority are located in New Zealand, there are around 5,000 people in Australia who identify as Niuean.

Land area totals 259m² on a single raised coral atoll, with population density at 6 people per km². The population is spread throughout the island in fourteen villages. Alofi, the capital, is also the commercial centre.

Economy

For 2020-21 budgets the projected deficit as of 19 April 2022 was estimated at \$3.9mil NZDⁱⁱ. Niue is one of the most aid dependent countries in the world, with an Official Development Assistance to Gross Domestic Product ratio of around 75 per cent.ⁱⁱⁱ It has a very narrow economic base and is heavily reliant on financial flows from New Zealand, with budget support generally over 50 per cent of GDP, and substantially more over the period of 2020-2022.

COVID-19 has had substantial impacts on the economy with tourism on hold due to border closures and other revenue flows such as airspace payments and departure taxes reduced significantly. While Niue is currently free of COVID-19, any future incursions will have substantial impacts on all aspects of the country – health, economy and society.

Outside of aid, Niue's primary source of income is from tourism. In 2018 over 12,000^{iv} tourists arrived on the twice weekly flights from New Zealand. However, Cyclone Tino in February 2020 and border closures due to COVID-19 have significantly reduced this income source.

Niue does not have the scale to develop a manufacturing base nor a diversified agricultural sector. Despite the large diaspora only 3.7 per cent of the population reported inward flows of personal remittances in the 2017 Census.^v

Niue's extremely small economic size makes the country more vulnerable than other microstates. It has a highly fragile economy that faces many of the constraints inherent in small Pacific countries: small population and subsequent capacity constraints; remoteness leading to expensive and limited transport options; inadequate infrastructure; poor land quality; and exposure to external shocks and natural disasters.

Natural disasters can have a drastic impact on the economy and on infrastructure. Cyclone Heta in 2004 was the most devastating cyclone to have hit Niue. Two people died a vast amount of infrastructure and houses were destroyed. In 2020, Cyclone Tino damaged several scenic sites and sea tracks along the whole western coastline and are still being repaired– these sites and tracks are important to the tourism sector.

Despite these challenges Niue has a high GDP per capita primarily due to New Zealand's financial support. New Zealand support is typically around a quarter to a third of Niue's total recurrent revenues and the Asian Development Bank (ADB) notes this a source of overall stability.^{vi} According to ADB, per capita Gross National Income (GNI) was USD14,546 in 2017^{vii}, well above the high-income threshold. Niue has no external national debt and low savings rates. The ADB noted "Niue's high reliance on grants, lack of borrowing experience, and PFM weaknesses pose potential challenges to debt sustainability" if it changed its implicit debt management strategy of not borrowing.^{viii}

The Niue International Trust Fund (NITF) was established in 2006 by the governments of Australia, New Zealand, and Niue. As detailed in the 'NITF Statement of Investment Policy and Objectives'^{ix} the purpose of the Fund is to contribute to the long-term financial stability and viability of Niue by providing the Government of Niue with an additional source of revenue for recurrent budgetary and development expenditure and in particular to:

- assist the Government of Niue to achieve greater financial autonomy in the management of its budget;
- enable the Government of Niue to maintain and if possible improve existing levels of social infrastructure and services;
- enhance the capacity of the Government of Niue to receive and effectively utilise external assistance;
- enable the Government of Niue to meet long-term maintenance and operating costs of social and economic infrastructure and services; and
- assist the Government of Niue to develop the economy of Niue.

The important role of the NITF was recognised by ADB who noted that the NITF helps to manage risks associated with external shocks and could be leveraged with prudence.^x The current balance of the fund is below the target level.

The ADB's country classification report notes the dominance of the public sector, accounting for more than three-quarters of the value of GDP and employs more than 60% of the labour force.^{xi}

Human Development

Niue has relatively high levels of human development, a safe environment and zero poverty.^{xii} It has amongst the lowest infant and maternal mortality rates in the Pacific. All residents have access to free health care, although basic, with tertiary medical treatment generally undertaken in New Zealand. Vaccination levels are high, including for COVID-19.

Life expectancy at birth for males is 72.8 years and 79.8 years for females.^{xiii} The primary ongoing health issue is the rise in Non-Communicable Diseases with significant proportions of the population classified as obese (61 per cent), with hypertension (34 per cent) and with hyperglycaemia (38 percent).^{xiv} Less than 20 per cent of the population smokes and around 20 per cent of the population drinks at least 8 drinks a week.^{xv}

New Zealand provides longstanding and highly valued support to the health sector. New Zealand extensive support for health sector includes health workforce capability, health facilities, strengthened connections between health systems and strengthened health services.

In response to the COVID-19 pandemic, the Government of Niue has worked closely with its key health partner New Zealand to develop response plans, implement health and social measures and rollout the COVID-19 vaccination. To date, COVID-19 vaccines have been provided by New Zealand and vaccination rates are amongst the highest in the world with 97% of the eligible population (12 years plus) fully vaccinated.^{xvi} Australian support has been limited to our global partnerships with UNICEF and WHO, and in light of New Zealand's comprehensive support we have not shared COVID vaccine doses.

Education is free to the age of 16 and there is 100 per cent enrolment at the primary level.^{xvii} There is one primary school and one secondary school. There is a strong emphasis on Vagahau Niue (vernacular) and the Education Department has a one person section dedicated to Vagahau Niue work. Schools follow the New Zealand curriculum and the New Zealand Government provides significant development support to primary and secondary school.

Post-secondary opportunities are extremely limited. Niue has a small University of the South Pacific (USP) campus and there is no dedicated faculty in Niue. At present, in-country cohorts are limited to certificates in Vagahau language, diplomas in pacific studies and MBAs.^{xviii} The USP campus has video conferencing facilities and satellite link with Suva, which has supported remote learning during COVID-19. Most students need to travel overseas to completed high education studies. Niuean students are eligible for student loans to study at New Zealand, and scholarships from New Zealand and Australia provide an alternative option for financing higher education.

Gender

Parity in educational attainment has been reached between girls and boys at the primary and secondary level, with girls outperforming boys at the secondary level. Women are very strongly represented in decision-making bodies and comprise a significant proportion of senior public service jobs, however, only a small number of women are represented in Parliament (3 from 20) and one member of the four-person cabinet is female.

Governance

Niue has a policy of balanced budgets, and while there are high levels of reliance on New Zealand's financial support, this also provides a level of stability. A public commitment has been made to address issues identified in report of the New Zealand Auditor-General including the backlog of outstanding financial statements.

Recent PEFA reports (2017 and 2020 self-assessment) identify a number of weaknesses in public financial management including in management of assets, fiscal strategy, accounting and reporting.

The mandatory Assessment of National Systems (ANS) undertaken in 2021 and assessed the inherent fiduciary risks associated with using Government of Niue systems as medium-high.

Infrastructure

Niue's infrastructure is highly vulnerable to natural disasters and ADB assesses it as inadequate.^{xx} The Niue National Strategic Plan (2016-2026) identifies infrastructure as a key development pillar and notes climate resilience as the cross-cutting consideration.^{xx}

The most recent census noted 98% of all households had access to public electrical grid^{xxi} with the remaining households relying on solar energy. Niue's grid is highly dependent on imported fuel for power generation which makes generation expensive. New Zealand (with supplementary support from Australia) has supported procurement of two additional generators and this is expected to improve reliability of the power supply.

Niue has a small transport footprint and limited freight links. Transport infrastructure is vulnerable to natural disasters. There are around 120kms of road network, the majority of which is paved. Selected parts of the road network are scheduled for repaving under the Belt and Road Initiative under China (which Niue signed in 2018) when borders re-open. Niue's only wharf was damaged by cyclone Tino in 2020, and this disrupted fishing and business activity. In 2020, ADB completed a pre-feasibility study to address operational and safety issues. New Zealand recently provided funds to upgrade the airport including resurfacing of the runway and to strengthen the wharf (with some funding from Australia). Like all Pacific countries, Niue is highly dependent on imports and is subject to the variabilities of sea transport and weather delays.

Almost the entire population has access to the public piped water supply^{xxii}, however, due to aging infrastructure most communities have been required to boil their water since January 2022^{xxiii}, sanitation services and waste-water treatment could be improved in some areas. Infrastructure such as septic tanks require repair or replacement. Australia has funded a solid waste management project which has improved waste collection and commenced limited recycling services. New Zealand does not provide funding support in the water or waste sectors.

Australia's Aid Program

Niue and Australia share a close partnership and Australia delivers assistance to Niue to promote prosperity, reduce poverty and enhance stability. While modest, the aid program is a key element of this partnership. Australia supports Niue's goal of developing a stable, broad-based economy, but recognises the challenges faced by small island states.

To date Australia's bilateral aid program to Niue has been delivered by the New Zealand Ministry of Foreign Affairs and Trade (MFAT) through a Delegated Cooperation Arrangement (DCA). The DCA reflected both country's history and constitutional linkages and that New Zealand was the only

diplomatic presence in country until 2020. The DCA commenced on 12 June 2014 and will expire on 31 December 2022. The DCA was initially scheduled to run until 2016-17 with an annual budget of AU\$1.4 million and a focus on education and waste management. In 2017, the DCA was extended until 2018. In November 2019, the DCA was further extended to 2021 and its scope was expanded to include support to economic growth and governance. In response to Niue's COVID-19 priorities, the DCA's scope was further expanded in 2020 to include support to economic resilience, public health, and social cohesion.

Bilateral assistance has remained stable at \$1.4 million per annum, totalling \$11.2 million over the duration of the DCA. Of the \$1.4 million, \$1.2 million is made available for priority sectors, while \$200,000 is provided for Australia Awards Pacific Scholarships (AAPS). Australian regional programs, such as Pacific Women, have also delivered projects in Niue. Recent Australian projects have included budget support (\$2.5m), electricity generation (\$2m), wharf repairs from Cyclone Tino in January 2020, and Fale Fono 2 (new Parliament House) exterior works and fitout (\$0.4m).

Development support from Australia has also been provided through a range of regional and global programs. In education, Australia provides significant support to the USP and the Education Quality and Assessment Program (EQAP) of the Pacific Community. Our funding to multilateral partners, such as WHO and UNICEF helped support the health sector and COVID-19 response. Technical assistance has been provided across agriculture (Pacific Regional Market Access – PHAMA), public governance and finance (Pacific Financial Technical Assistance Centre – PFTAC) and gender equality (Pacific Women Shaping Pacific Development).

Development partner landscape

New Zealand is the lead donor in Niue both in terms of size and scope of support. Based on the latest data from OECD DAC^{xxiv}, New Zealand provided 84% of total ODA in 2018-19, followed by Australia 7.7%, Japan 3.2% and Global Environment Facility (GEF) 2.4%, with the balance provided by the EU, Green Climate Fund, Food and Agricultural Organisation, UNDP, WHO and Government of Korea. New Zealand and Australia are the only partners with a local presence. China also provides development assistance. Niue joined the ADB in 2019 and is eligible for a blend of concessional and regular ordinary capital resources loan and limited access to 13 Asian Development Fund grants.

C. Strategic Intent and Rationale

Through the 2017 Foreign Policy White Paper (including the Pacific Step-up) and the COVID-19 Partnerships for Recovery strategy, Australia has committed to intensified engagement in the Pacific in support of a more prosperous and resilient region. Australia appointed the first resident Australian High Commissioner to Niue in August 2020, a significant milestone in the relationship and an affirmation of Australia's commitment to stepping up engagement with Pacific partners.

With the expiration of the DCA with New Zealand, and in recognition of Australia's intensified engagement, DFAT will transition from the DCA to an active aid delivery model. The Government of

Niue has been clear that it values Australia's increased engagement and it is in our interests to continue building the relationship by having direct engagement on the development program.

Although comparatively modest, Australia's development assistance has the potential to make an important contribution to prosperity and sustainability in Niue if carefully targeted. The investment will enhance Australia's influence, including through people-to-people linkages, at a time of geostrategic complexity. It will complement Australia's other support to Niue, including but not limited to the Australia Awards Pacific Scholarship (AAPS), Direct Assistance Programme (DAP community grants), Pacific Sports Diplomacy Fund, PACER Plus implementation unit, and funding to regional programs such as IMF's Pacific Financial Technical Assistance Centre (PFTAC) from which Niue will also benefit.

The investment's activities and outcomes will be closely aligned with Niue's *National Strategic Plan 2016-2026*, and in particular its mission – *Working Together to Protect the People and the Environment*. This Plan is a high-level roadmap setting out Niue's direction and priorities under seven national development pillars: Finance and Economic Development; Governance; Infrastructure; Social Services; Environment and Climate Change; Culture; and Private Sector.

In line with this Plan and *Partnerships for Recovery* our investment in Niue will aim to contribute to addressing medium-longer term needs and will be focused on complementing not duplicating New Zealand's support.

Regional and existing programs will be leveraged where possible to maximise our impact and make the best use of the modest size of Australia's aid program in Niue. The investment will be harmonised with assistance provided by New Zealand, Niue's major development partner, to avoid overlap and duplication. Lessons have been learnt from the previous development programs and the investment is informed by a recent independent evaluation of the Niue Aid Program under the DCA. The evaluation found that Australia's development assistance contributed to a range of achievements across the DCA priority areas of education, waste management, economic growth, social cohesion and COVID-19 response. The review highlighted the construction of the primary school, co-funded by New Zealand, and the funding of a resource recovery centre as key achievements under the DCA. The evaluation also found that the achievements appeared to be generally sustainable with strong public ownership of the school in particular.

D. Proposed Outcomes and Investment Options

Australia is well positioned to respond to Niue's development priorities, and our relationships will enable us to engage broadly across Niue's community to ensure we are investing in the highest priorities, and with the most impact.

As Niue has been COVID-19 free, the pandemic has not had a significant social impact and its eventual impacts in Niue are uncertain. To date, the investment has been flexible to respond to the rapidly changing nature of the pandemic and additional uncertainties caused by:

- a dynamic health, economic, and political context;
- the need for Australia to remain responsive and in a position to build on existing relationships;
- natural disasters and emergencies, or sudden economic shocks; and
- the small size and limited absorptive capacities of the Niue Government, civil society and private sector agencies, including the need to consider the likelihood of price escalation due to delivery delays and other COVID-19 impacts.

The investment will also be limited to delivering activities in the outcome areas of quality services (education and community level projects), economic recovery (Trust Fund and systems strengthening), and infrastructure.

Having an investment with a medium-term framework and multiyear funding will give some surety to the development pipeline and assist with Niue's fiscal planning.

Quality services

The Australia Awards Pacific Scholarships (AAPS) will remain an important feature of Australia's development assistance to Niue and provide post-secondary education opportunities in complement to New Zealand's support. The evaluation of Australia's development assistance under the DCA indicated broad agreement across Niue stakeholders on the continuing value of Australian scholarships. We will continue to work with the Niuean government to ensure scholarships are aligned with local priorities and responsive to future skill gaps. We will look for opportunities to maximise the impact of our regional funding to USP and EQAP.

Our Direct Aid Program (DAP), will be our primary mechanism for delivering grants to communities and the non-government sector. The bilaterally funded complementary investment will enhance livelihoods and provide small scale infrastructure at the community level.

New Zealand provides substantial support to Niue's health system and Niueans are able to access the New Zealand public health system. Where required, and in close consultation with New Zealand, we will look for ways to support Niue's COVID-19 preparation and response.



NIUE IS SUPPORTED TO ACHIEVE INCREASED FISCAL SUSTAINABILITY AND SOCIAL DEVELOPMENT

OUR END OF PROGRAM OUTCOMES

1 Increased access to quality services

2 Resilient and sustainable budgets and infrastructure

IO1
Graduates use skills to contribute to Niue's social and economic development

IO3
Small grant projects implemented to benefit village communities

IO5
Improved performance and efficiency of the Niue International Trust Fund

IO6
Improved pipeline of waste management and WASH infrastructure being built and maintained

IO2
Graduates have internationally recognised qualifications

Active alumni with strong working relationships with Australia

Transparent selection processes

Progress with implementing PEFA and PFM roadmaps

Agreed priorities for infrastructure

Scholarship sectoral priorities agreed with government

Needs identified and prioritized

Progress with implementing audit recommendations

Climate and disaster resilient infrastructure standards

Gender equity in scholarships selection

Projects promote inclusion

People with disabilities consulted and benefit from infrastructure

Merit based selection

Decision making criteria:

- Address a priority within the Government of Niue's Strategic Plan
- Aligned with Australia's COVID-19 Recovery strategy
- Deliver clear economic, social or technical results, and are evidence based
- Contains a budget which is realistic, defensible and provides VFM
- Consider sustainability including whole of life costs and capacity building
- Harmonise with support from other development partners
- Support gender and disability inclusion
- Proposals meet DFAT's Design Quality Criteria
- Able to manage risks and apply departmental safeguards
- Using innovative approaches to deliver results in a resource constrained environment

A CTIVITIES - indicative

Policy briefs, studies, baselines, systems, reform planning and implementation, budget support management, training, events, dialogue, Infrastructure projects, project management, grant rounds

I N P U T S

Technical advisers, grants and subcontracting, partnership brokering, operations, management, learning

OUTPUTS AND INTERMEDIATE OUTCOMES



Infrastructure

Due to constrained resources, Niue has a limited ability to invest in resilient infrastructure resulting in a number of gaps. Australia can value add in this sector and build on previous experience and lessons learnt (school, power station). The focus will be on critical infrastructure which delivers clear and sustainable development outcomes. Infrastructure will need to be compliant with Niue's new building code at minimum, and in line with build back better principles.

A number of priorities have been identified, particularly relating to climate change considerations and include: water resource management; and waste and sanitation management strategy for general, liquid and organic wastes. A key priority during the first year of implementation will be scoping the focus and modality of our infrastructure support. Our approach for implementation will take into account fiduciary risk identified in the ANS. We will look to partner with multilateral partners where possible to leverage additional funding and their extensive expertise and experience. We will look to draw on and build Niue's domestic capabilities.

Disaster Risk reduction and Resilience

Infrastructure activities will be consistent with Australia's international commitment to the *Sendai Framework for Disaster Risk Reduction 2015-2030* – the global framework for addressing disaster resilience, risk reduction and response. An agreed priority area for action under the Sendai Framework is to help partner countries 'build back better' in recovery, rehabilitation and reconstruction.

Building Back Better entails identifying the social and structural causes of damage and ensuring reconstruction does not rebuild the same vulnerabilities and is accessible to all. Where practicable, our assistance to public infrastructure will help Niue be better prepared for future natural disasters. Building resilience also applies to government resources. Where the opportunity exists, Post will encourage the Niue Government to build greater financial resilience and predictability to manage and respond to disasters. This could include areas such as improved management of the Trust Fund and increased levels of cash reserves.

Economic Recovery

Niue faces significant budget constraints which have been exacerbated by the loss of tourism revenue due to COVID-19 travel restrictions. New Zealand, as the major donor in Niue, provides substantial budget support.

Niue International Trust Fund

In recognition of the important role of the NITF in providing stability, we will provide support to the trust fund over the life of the investment. Our contribution will be assessed on an annual basis and will depend in part on implementation rates of infrastructure activities.

As agreed in late 2021, Australia will provide funding for professional services to the NITF. In-country technical advice remains an important option with regard to support the sustainability and improving the effectiveness of the NITF. With border and travel restrictions likely to remain in some form in 2022, remote options may be more appropriate.

We will also look for opportunities to support emerging innovative financing options such as the Niue Oceans Wide (NOW) Trust which is currently being developed by Government of Niue as part of public private partnership with Tofia Niue.

Government Systems

If requested by the Niue Government in an emergency situation, we will consider providing direct financing to GoN to help maintain service delivery in the short-to-medium term. Financing would be limited to clearly defined, small value and time-limited projects or other earmarked expenditures, not for general budget

support. We would only provide general budget support where the alternative would be a substantial decrease in the delivery of health, education or justice services or an unacceptable risk of a fiscal crisis. Any such support would need to address fiduciary risks.

E. Implementation Arrangements

Implementation of activities will be phased in accordance with Niue Government decisions on priorities and as resources (both human capacity and financial) become available. DFAT will record formal Niue Government approval before proceeding with an activity and all activities will be monitored to ensure outcomes are being achieved.

Funding for activities will be released in tranches, where appropriate, so that progress can be monitored and tranches adjusted as necessary. We will work with the implementing partners to ensure that Australian-funded projects proceed at the expected rate.

Australia will coordinate its development program with Niue Government systems to the extent possible, including to:

- coordinate with stakeholders;
- jointly plan and agree on which activities Australia will support and who will implement them;
- coordinate implementation of activities including reporting and M&E; and
- manage and disburse Australia's financial contributions (only if required in an emergency).

Where, despite our efforts, there is an under-spend, we can seek to reallocate funds to other recovery projects or the NITF.

Activity Approval Criteria

We will follow clear decision-making criteria to determine when and how to invest in potential activities. Activities will need to demonstrate that they are:

1. meet DFAT's Investment Design Quality Criteria: relevant; effective; efficient; sustainable; able to be monitored and evaluated; and planned to adequately address gender equality and cross cutting issues;
2. able to manage risks and apply departmental safeguards; and
3. using innovative approaches to deliver results in a resource constrained environment.

This means activities should:

- a. address a priority of the Government of Niue's Strategic Plan;
- b. align with Australia's COVID-19 Recovery Strategy in supporting health security, economic recovery or stability;
- c. deliver clear economic, social or technical results;
- d. contain a budget which is realistic, defensible and provides value for money;
- e. consider sustainability including whole of life costs and capacity building;
- f. harmonise with support from other development partners; and
- g. support gender and disability inclusion.

It is expected that activities will meet all of these criteria or provide clear justification why the activity should be funded in instances where all criteria are not met.

We will use these criteria to assess and approve activities. These activity approval criteria may not relate to the provision of general budget support (if requested) which may be based on broader considerations.

Design and governance

This section describes the processes that we will follow to ensure that development funds are used to support high-quality activities.

We will make decisions about whether to proceed based on the quality assurance process stipulated in DFAT's Aid Programming Guide. The process involves assessing whether the project will be effective, efficient, relevant, and sustainable, in line with the criteria above, and whether the risks inherent in the process have been addressed.

In line with the Aid Programming Guide, investment level risk registers will be maintained across the portfolio of investments. The local engaged Policy Officer based at the Australian High Commission in Alofi will be the delegate for the DAP risk register, Suva Post for AAPS and Niue desk officer (DFAT Canberra) for the Niue Australia Development Program (primary investment). The Australian High Commissioner to Niue is the delegate for the overarching Post risk register and risks that are assessed as high or above will be elevated to the High Commissioner or delegate in Canberra. The appropriate financial delegate will be determined based on DFAT's financial delegations.

Once we have received approvals to proceed, we will work with the relevant implementing partner to ensure that the agreed administrative and reporting tasks are completed.

Our involvement in procurement, contracting and implementation arrangements will depend on the activity. In general, we need to be assured that procurement and contracting meet our quality, value for money, risk and safeguards requirements. We can do this in a number of ways, including reviewing completed tender, contracting and risk management documentation before releasing funds. Implementing contracts will generally form the basis of payments for which we will approve the release of funds.

We will not proceed with a process where there is evidence of error, mismanagement or misdirection. We will also verify that the partner has performed satisfactorily; has the capacity to deliver on the body of work; and can put the appropriate fiduciary controls in place.

DFAT staff in the Australian High Commission in Alofi will undertake the analysis, with support from DFAT's Canberra-based public financial management specialists and the country desk. We will make an assessment of potential implementing partners on appropriateness based on annual performance and partner assessments, and independent and periodic review reports.

Implementing partners and agreements could range from NGO or multilateral partners with grant agreements, to community based organisations with direct financing agreements, to contracts with managing contractors.

Depending on the size of these activities, agreements will be governed by separate designs, and explicit financing, procurement and monitoring arrangements that align with DFAT policies. We will draw on Canberra for contracting, safeguarding and quality assurance expertise.

While we have allocated indicative funding amounts against sectors, the joint and iterative decision-making process means that the quantum of investment in each sector will change over time. As agreements are reached with the Niue Government on activities to be funded, a detailed pipeline of investments and consolidated budget for all activities will be prepared.

A key priority during the first year of implementation will be agreement on priorities for our infrastructure support. Once agreed with the Government of Niue, we will work with relevant line ministry and likeminded partners to design our activity.

Project cancellations and fund reallocation

We will discuss any substantial under-spends or project cancellations with the Niue Government. Ordinarily, we would seek to reallocate funds to other activities in line with this design. However, a substantial under-spend or cancellation in the third and final year of the investment may not be able to be addressed in this way. Where reallocation is not possible because of a lack of agreement between Australia and Niue or the lack of any appropriate projects, we are able to seek the investment of the funds in the Niue International Trust Fund.

Policy Dialogue

DFAT will organise an annual senior official's meeting at which policy reform roadmaps and strategic policy and budget dialogue can be discussed. Dialogues with other key stakeholders will be organised on an as needed basis.

Profile and Public Diplomacy

We will pursue opportunities to promote Australian development engagement, including through events, use of media, digital content, signage, branding and production of project communication materials.

Sustainability

Noting that Niue has limited capacity to manage and finance additional complex projects, we will collaborate with local stakeholders throughout the design and implementation process to ensure that projects are contextually appropriate and aligned with Niue's development goals. Close collaboration with Niuean stakeholders will ensure that projects are driven by local interests and increase the likelihood of local ownership of projects in the long term.

F. Monitoring and Evaluation

As progress and decisions are made on the activities to be supported, we will identify and plan the range of approaches to be taken for mentoring and evaluation (M&E). Implementing partners will be required to provide M&E reports proportional to the level of funding provided.

M&E frameworks and plans will be developed for new activities during planning stages. Where possible M&E data will be disaggregated by gender and disability. The overarching investment M&E Framework (see Annex B) will remain live and will be updated to reflect new activities.

Eighteen months to two years into the investment, DFAT will hold a mid-term review to test the extent to which outcomes are being achieved. Key questions to be asked at this stage are:

Relevance

- Did the processes to identify development needs, and implementation arrangements, ensure that the program addressed high priority needs?

Effectiveness

- To what extent has the investment addressed high priority needs?
- Do the targeted beneficiaries have greater access to skills, equipment and services as a result of the activity?
- Were gender equality and protection addressed effectively in delivery of the program?

- Were implementation arrangements effective?

Efficiency

- Did the implementation arrangements provide good value for money?
- To what extent can Government budget allocations meet the recurrent costs of any public infrastructure built by the investment?
- Did Australia and Niue meet their commitments to each other?
- Was the choice of modalities efficient and effective?

DFAT will test whether these questions remain relevant, and whether we have the information base to answer them at the mid-term review in 18 – 24 months.

At the end of the four-year investment, DFAT will conduct an end-of-program evaluation (completion review).

G. Gender, Disability and Other Cross Cutting Issues

Gender

Gender equality reduces the likelihood of violence against girls and women and is at the heart of our development program. We will ensure any activities are sensitive to this and will promote gender equality across our program. Niue's small, geographically concentrated population and close familial connections means that support for the most vulnerable will be most effective when mainstreamed across our response. We will seek Niue Government agreement to ensure that safety is addressed in any public infrastructure projects (eg good lighting), and other implementation partners are aware of our gender requirements and proportional gender plans are put in place.

Child Protection

Formal child protection systems in Niue are weak. To reduce vulnerability in line with the DFAT Child Protection policy, we will conduct screening of contractors and sub-contractors for compliance with the DFAT policy.

Disability Inclusiveness

According to the 2017 census, a small percentage of Niueans identified as having some problem which has a negative impact on daily activities. The highest numbers include problems with vision (14.7%), mobility (7.9%) and memory (7.1%). In line with our obligations under the UN Convention on the Rights of Persons with Disabilities, we will promote disability-inclusive development (in line with DFAT's Development for All Strategy) in all activities implemented through the development program. Post will promote disability-inclusive services and infrastructure activities will help remove physical barriers. Implementing partners will be encouraged to use the design principles for accessibility. Recognising the vital role of people with disabilities, Post will consult with people with disabilities and including but not limited to the Niue Tolomaki Auloa Association.

Climate Change

Niue faces both severe events such as cyclones, and slow onset events such as contamination of the water lens from salt inundation, from changes to the climate system. The key guiding documents for building resilience to Climate Change in Niue are the National Climate Change Policy (2009) and Niue's Joint Action Plan for Disaster risk management and Climate Change (2012). DFAT will align its development program to

the priorities identified in these national policies, including awareness raising, adaptation and mitigation measures.

H. Budget and Resources

Indicative Funding

In consultation with the Government of Niue the development program will target the greatest needs and build on the strengths of Australian support. Following initial consultations undertaken during the 2021 evaluation of the aid program, the indicative breakdown of the program over the life of the investment will be:

- 45% economy
- 50% infrastructure
- 5% monitoring and evaluation

It is important to note that funding for social services (\$0.2m per annum) is already allocated to existing complementary investments.

We will consider investing in innovative or high-priority activities outside these sectors if we are asked by the Government of Niue.

Budget

Annex D provides an indicative budget for the investment by priority area. To ensure visibility of our holistic efforts in Niue, the budget also notes flows to complementary investments in the services sector. The level of contribution for the NITF will be reviewed annually and will provide a buffer if there are implementation delays with infrastructure activities. Given the very limited resources at Post, the NITF represents an efficient mechanism to deliver support.

Resources

Responsibility for managing the Investment will sit with Post (one A-based HOM) and one locally engaged staff member. Desk will provide support as necessary (FTE 0.5).

I. Risk Management and Safeguards

The investment was assessed as having an inherent risk rating of medium risk (see Risk and Safeguard Tool). Ongoing and regular consultations with all stakeholders will inform the regular assessment of risks on a quarterly basis or the risk environment changes. During implementation, key risks will be escalated to the Australian High Commission in Alofi and to the Assistant Secretary of the New Zealand and Polynesia Branch (DFAT, Canberra). Risks arising from regional and globally funded and managed programs will be considered as part of the quarterly post risk meeting. DFAT will ensure each activity has a risk management plan in place before disbursement of funds. The most significant risks are:

Political and Reputational: Given the level of need there will be areas that remain unaddressed. A lack of alignment between political priorities and the development program could lead to dissatisfaction. Clear communication with stakeholders about the level of support available and strategic priorities will minimise any perception of Australia not providing enough support, or not in the best sectors.

Implementation delays: While it is not unusual for there to be delays in implementing projects, the risk of delays is much higher in a capacity constrained environment like Niue. There is a lack of forward planning and a weak capacity to systematically assess and prioritise projects and capacity building needs. There is also

great demand for a very small pool of human and material resources as individuals, businesses and Government. Slow implementation can increase costs, frustrate achievement of projects and create development and reputational risks for Australia. The Delivery Approach described above is designed to ensure that we only fund the efficient implementation of high-quality and highly relevant projects. Specific implementation risks will be monitored through activity risk registers and mitigated as appropriate. Where implementation becomes so slow as to put our funds at risk, we can also take other action such as reallocation or cancellation

Implementation resources: Implementation of the investment activities will increase the workload at post and in Canberra as Australia's support to Niue was previously delivered by New Zealand. Limited staffing resources in both locations may impact implementation.

Gender Equality/disability inclusiveness/child protection: Research suggests that with increased stress on families, such as during a pandemic, there may be an increase in levels of domestic violence. In addition, child protection risks are heightened when schools close, and when there is an influx of people working on the program with access to / contact with children. Implementation partners will be required to be aware of the risks and have policies/procedures in place to identify and address risks.

Fiduciary risks with Government systems: DFAT's 2021 assessment of Niue national systems found risks to be medium-high, and Australia is not proposing to provide general budget support. However, in the case of any emergency, financing may be provided directly to Government of Niue for clearly defined, small value and time-limited projects or other earmarked expenditures. A clear Direct Funding Arrangement will be a strong risk mitigation measure. DFAT maintains a zero tolerance policy in relation to fraud. A Direct Funding Arrangement would require the Niue Government to prevent, detect, report on and act on any actual or suspected fraudulent activity.

Fiduciary risks with implementing partners: Activities will be implemented through managing contractors, multilaterals, NGOs or community groups. Risk mitigation measures will be proportional to the level of funding dispersed and include acquittal measures.

Future disasters: Niue's exposure to natural disasters increases risks to activities and possible reallocation of funds to future disasters.

Environment: Environment impacts could potentially arise from infrastructure investment activities (for example erosion, flooding, water pollution or asbestos). Land use planning, building standards, livelihood development and service delivery improvements will be used to minimise investments that do not consider future disaster risks and therefore be vulnerable in the event of another natural shock.

Harmonisation with New Zealand and other partners: There is a risk of duplication which will impact on effectiveness. Frequent coordination with New Zealand and any other partners will minimise the risk of overlapping development programs.

J. Annexes

Required Annexes:

- › Annex A: Policy Dialogue Matrix;
- › Annex B: M&E Framework;
- › Annex C: [Risk and Safeguards Tool including the risk register](#);
- › Annex D: Indicative budget



Annex A: Policy Dialogue Matrix

Related End-of-Investment Outcome	Problem/ Issue	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead within AHC	Partnership engagement lead
Niue has increasingly resilient and sustainable budgets and infrastructure	Extremely narrow revenue base with high dependence on ODA and tourism revenue affected by COVID-19	Improved performance and efficiency of the NITF	Annual bilateral talks NITF Board of Trustees meetings NOW Trust consultations Donor partner group	Premier, Minister of Finance, Secretary of Government, Directory General Treasury, NZ, Cabinet, ADB, IMF - PFTAC, MIDP	Professional services for NITF (TA)	High Commissioner Australian trustee (AS PZB)	Not applicable
	Aging critical public infrastructure requires repair (due to	Agreement with partner government on priorities for infrastructure support and	Annual bilateral talks HOM-Premier monthly meeting	Premier, Minister of Finance and Infrastructure, Cabinet, PMCU, NZ, Cabinet, ADB, AIFFP, MIDP	Community consultations	High Commissioner	To be determined

	cyclones) or replacement	modality for implementation	HOM-Secretary of Government meetings Community consultations Donor partner group				
People have increased access to quality services to optimise livelihood opportunities	Skills gaps due narrow and small pool of workers	Agreement with partner government on sectoral priorities for AAPS	Annual bilateral talks HOM-Minister of Social Service meetings HOM-Public Service Commissioner meetings	Premier, Minister for Social Services, Public Service Commissioners, USP Director, Chamber of Commerce	Nil	High Commissioner (w. LES Policy Officer)	Not applicable



Annex B: Monitoring and Evaluation Framework

<u>Outcomes</u>	<u>Measures</u>	<u>Deliverables</u>	<u>Distribution</u>	<u>Expenditure</u>
People have increased access to quality services to optimise livelihood opportunities	Proportion of AAPS graduates who are employed within 12 months of completion (rolling 5-year average). Number of DAP projects completed COVID vaccination rates	Niue residents only Non-government sector – villages, community groups, etc. Eligible population	Gender parity maintained for awardees Proportion of villages (of 14) that have received DAP support in last three years. Eligible population, disaggregated by cohort.	\$0.17m per annum \$0.03m per annum Emergency funding NZ primary delivery partner
Niue has increasingly resilient and sustainable budgets and infrastructure	Growth in NITF balance Improved efficiency in distribution of NITF revenues Number of climate resilient and disability accessible infrastructure projects delivered	NITF income generated as proportion of total GoN budget. Proportion of projects that adhere to DFAT Accessibility Guidelines.	Government of Niue, with indirect benefits flowing to population. Ministry of Finance Niue residents (if waste water or waste management is pursued)	\$2.16 over four years with majority of expenditure in year 1 \$2.4m over four years

Elements that must be included in the ‘minimum sufficient’ M&E Framework at design stage for monitoring from start-up / inception:

Deliverables: Level, reach / coverage and quality of key deliverables produced.

Distribution: Beneficiary access to and control over benefits delivered by the program (disaggregated by gender, age, disability, ethnicity)

Expenditure: Level and rate of expenditure

Annex D: Indicative Budget

No.	Items (<i>indicative</i>)	Year 1	Year 2	Year 3	Year 4	Total
	Niue Development Program					
1	Critical infrastructure		\$1.02m	\$1.04m	\$0.34m	\$2.4m
2a	Economy – including not limited to NITF	\$1.2m			\$0.7m	\$1.9m
2b	Economy - Technical Assistance (international/national)		\$0.1m	\$0.08m	\$0.08m	\$0.26m
3	Monitoring and Evaluation		\$0.08m	\$0.08m	\$0.08m	\$0.24m
	Total – Niue Australia Development Program	\$1.2m	\$1.2m	\$1.2m	\$1.2m	\$4.8m
	Other investments (bilateral)					
4	Social Services (AAPS)	\$0.17m	\$0.17m	\$0.17m	\$0.17m	\$0.68m
5	Community grants (DAP)	\$0.03m	\$0.03m	\$0.03m	\$0.03m	\$0.12m
	Total – bilateral budget	\$1.4m	\$1.4m	\$1.4	\$1.4	\$5.6m

ⁱ Population & Housing | Niue Statistics Office (spc.int), accessed 1/3/2022

ⁱⁱ Government of Niue Media Releases, accessed 10/5/2022

ⁱⁱⁱ Niue: Country Classification (adb.org), accessed 1/3/2022

^{iv} GON Snapshot Report of the Niue National Economy- 31Jan21.pdf (gov.nu), accessed 1/3/2022

^v Population & Housing | Niue Statistics Office (spc.int), accessed 1/3/2022

^{vi} Niue: Country Classification (adb.org), accessed 24/02/2022

^{vii} Niue: Country Classification (adb.org), accessed 1/3/2022

^{viii} Niue: Country Classification (adb.org), page 12, accessed 24/02/2022

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- ^{ix} Government of Niue, NITF Statement of Investment Policy and Objectives, May 2020
- ^x [Niue: Country Classification \(adb.org\)](#), accessed 24/02/2022
- ^{xi} [Niue: Country Classification \(adb.org\)](#), accessed 1/3/2022
- ^{xii} [Niue: Country Classification \(adb.org\)](#), accessed 1/3/2022
- ^{xiii} [Population & Housing | Niue Statistics Office \(spc.int\)](#), accessed 1/3/2022
- ^{xiv} [Niue: Country Classification \(adb.org\)](#), accessed 1/3/2022
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- ^{xvi} [7feb-media-release-gon-niue-vaccination-rollout-approved-for-children-aged-5-11-years.pdf \(gov.nu\)](#), accessed 1/3/2022
- ^{xvii} [Niue: Country Classification \(adb.org\)](#), accessed 24/02/2022
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- ^{xix} [Niue: Country Classification \(adb.org\)](#) accessed 24/02/2022
- ^{xx} Government of Niue, Niue National Strategic Plan (2016-2026), 2016
- ^{xxi} [2019-Niue-PopHH-Census-2.0.pdf](#), accessed 1/3/2022
- ^{xxii} [2019-Niue-PopHH-Census-2.0.pdf](#) accessed 1/3/2022
- ^{xxiii} [TV Niue News /accessed 10/5/2022](#)
- ^{xxiv} [Workbook: OECD DAC Aid at a glance by recipient new \(tableau.com\)](#), accessed 1/3/2022