



Aid Program Performance Report 2012–13 Tuvalu

Key messages

This Aid Program Performance Report (APPR) summarises the Australian aid program's progress in Tuvalu from January 2012 to June 2013 and provides an update on progress under the Tuvalu – Australia Partnership for Development. The Partnership covers all key areas of Australia's support to Tuvalu.

Key findings of this report include:

- > Australia is facilitating constructive discussion with the Government of Tuvalu on accountability and performance under the bilateral program.
- > Australia is supporting the Government of Tuvalu to undertake important economic reforms and set up an education program to train teachers and improve early grade literacy of Tuvaluan students.
- > Australia does not have a permanent presence in Tuvalu, which can make the program difficult to implement, and progress slow. The program could benefit from improved monitoring and evaluation, increased senior engagement with multilateral organisations to ensure continued progress under education and climate change, and better integration of gender equality and women's empowerment.

Context

Tuvalu has limited economic development opportunities and is highly dependent on development assistance. Its population of approximately 11 000 people is spread across nine islands. Tuvalu's remoteness, small and dispersed population and lack of natural resources limit its prospects for economic growth. The country is vulnerable to external shocks, economic and environmental. Tuvalu is expected to suffer from the impacts of climate change more than most other countries.¹

Tuvalu has limited options to generate domestic revenue, with fishing licenses, remittances, aid and the leasing of Tuvalu's 'dot TV' internet domain name its most significant sources of income.² The country's isolation and small population means it cannot take advantage of economies of scale. This makes the cost of doing business high. Tuvaluans rely on the public sector as their principal source of employment. Opportunities in the small private sector are limited. Unlike some other small Pacific countries facing many of these challenges such as Samoa and Tonga, Tuvalu does not have equivalent access to international labour markets.

Australia's aid program to Tuvalu is designed to support joint Partnership priorities of improved governance and sustainable growth, improved education outcomes and resilience to environmental and economic shocks.

¹ Bureau of Meteorology and Commonwealth Scientific and Industrial Research Organisation 2011, 'Climate Change in the Pacific Scientific Assessment and New Research Volume 2: Country Reports', Canberra.

² Tuvalu Government 2013, 'National Budget 2013'; Pacific Islands Forum Secretariat (PIFS) 2012, 'Pacific Regional MDG Tracking Report'.

Economic overview

Tuvalu's economic situation has improved somewhat since 2011, but it still faces a slow recovery from the global financial crisis. The country experienced its first positive growth since the crisis, posting 1.2 per cent growth in 2011 and 2012.³ Despite this, the economy has not yet rebounded to its pre-financial crisis size, with real gross domestic product (GDP) per capita at \$2963 in 2011, compared to \$3145 in 2008.⁴ Tuvalu's recovery from the financial crisis has been dampened by its steady decline in remittances over the past decade, as demand for seafarers, Tuvalu's largest source of non-public sector employment, continues to decline.⁵ Remittances were equivalent in size to around 30 per cent of GDP between 2001 and 2003 and were down to 8 per cent in 2011.⁶

In 2012, the government posted a surplus of approximately \$2.7 million, primarily due to higher aid flows, but also higher fishing license revenue, improved tax compliance and reduced expenditure. However, in 2010 and 2011, and now again in 2013, government expenditure has outpaced revenue due to lower-than-expected revenue and poor spending decisions. The budget deficit has fluctuated over recent years, from 3.2 per cent of GDP in 2009, to 38 and 22 per cent in 2010 and 2011 respectively⁷, to a surplus of 8 per cent in 2012.⁸ Due to increased government expenditure in 2013, this year's budget deficit is expected to blow out to 15 per cent of GDP.⁹

Health and education sector expenditure has improved since 2011, with higher spending on primary healthcare and education, and less on Tuvalu's costly overseas medical treatment and scholarship schemes. This transition, encouraged by donors through Tuvalu's multi-donor policy reform program, will benefit more of the population, particularly the poor, as funds are redirected from expensive schemes which benefit few towards more inclusive and cost-effective programs such as primary education and preventive healthcare. The 2013 budget provides a welcome increase in expenditure to education, but also a significant increase in funding to the Foreign Affairs and Trade portfolio and some other sectors, all of which has contributed to this year's forecast budget deficit.

Tuvalu's exports remain limited. The country is heavily dependent on imports with its domestic production base restricted to subsistence agriculture and fishing. The value of the Australian dollar, the official currency of Tuvalu, has risen steadily over the United States dollar since 2009. The appreciation of the Australian dollar has eased high levels of inflation from 10.5 per cent in 2008 to 1 per cent in 2011.¹⁰ This has reduced some pressure on the cost of living for Tuvaluans through minimal rises in the cost of imported food and fuel. However, the high Australian dollar has facilitated a growing current account deficit¹¹ and reduced revenue streams from sources denominated in other currencies such as the lease of the 'dot TV' domain name, fishing licences and grants from other development partners, including Taiwan.

³ International Monetary Fund (IMF) 2013, 'World Economic Outlook Database'.

⁴ Asian Development Bank (ADB), Tuvalu 'Key Indicators' <http://www.adb.org/sites/default/files/ki/2012/pdf/TUV.pdf>

⁵ IMF 2012, 'Tuvalu Article IV Consultation, Staff Report' <http://www.imf.org/external/pubs/ft/scr/2012/cr12259.pdf>

⁶ Ibid.

⁷ Tuvalu Government 2013, 'Tuvalu National Budget'; IMF 2012, 'Tuvalu Article IV Consultation, Staff Report'; ADB 2012, 'Asian Development Outlook 2012 Update', Manila.

⁸ ADB 2013, 'Pacific Economic Monitor', March 2013.

⁹ Ibid.

¹⁰ PIFS 2012, 'Pacific Regional MDG Tracking Report'.

¹¹ ADB 2013, 'Pacific Economic Monitor', March 2013.

While spending in some sectors may have improved, current expenditure levels are not sustainable. Tuvalu's Consolidated Investment Fund¹², used to finance 'sustainable' budget deficits, depleted to a balance of only \$4.3 million as of January 2013. It would be prudent for Tuvalu to halt further rises in expenditure and to strengthen fiscal management, in line with the fiscal restraint principles in the government's National Development Plan and the objectives of the Partnership for Development and multi-donor economic reform program. Given Tuvalu's extreme vulnerability to the global economy and the environment, and with sources of revenue so uncertain, it is important that the country contains spending and avoids depleting its Consolidated Investment Fund.

Development context

Table 1: Progress towards the Millennium Development Goals in Tuvalu, 2012

Source: 2012 Pacific Regional MDG Tracking Report, PIFS

Tuvalu has achieved mixed results against the Millennium Development Goals (MDGs). The *2012 Pacific Regional MDG Tracking Report*¹³ indicates that Tuvalu is off-track on MDG 1 (poverty and hunger). Although food poverty and depth of poverty have declined since Tuvalu's previous Household Income and Expenditure Survey in 2004–05, hardship and unemployment have increased¹⁴ (see poverty analysis below).

The country is on track to achieve MDG 4 (reducing child mortality) and MDG 5 (improving maternal health).¹⁵ The country is also on track to meet MDG 2 (universal primary education), although the quality of education remains a major challenge. Tuvalu's Ministry of Education data indicates that over the past four years only 50 per cent of Year 8 students have passed their exams and few continue beyond Year 8 to secondary school. If not improved, these poor educational outcomes will limit Tuvalu's potential to sustainably improve development outcomes across all sectors.

The country has had mixed outcomes on three other MDGs: gender equality and empowering women; combating disease; and environmental sustainability. Although Tuvalu has achieved gender parity in education, this has not translated into higher levels of formal sector employment. Little progress has been made towards women's empowerment. Women comprise nearly half of public sector employees but hold only 20 per cent of senior positions. Moreover, there has been only one female Member of Parliament since 1993.¹⁶ With health

¹² The Tuvalu Trust Fund is an offshore sovereign wealth fund set up in 1987 to provide a safety net against fluctuations in government income. The global recession reduced government revenues and resulted in budget reliance on withdrawals from the trust. Returns from the trust are transferred to the Consolidated Investment Fund, a holding account where the money sits until it needs to be drawn down into the budget. A distribution from the trust to the Consolidated Investment Fund is only made when the market value of the trust exceeds the maintained (real) value. Withdrawals from the Consolidated Investment Fund are at the discretion of the Ministry of Finance, guided by the protocol on use of the Consolidated Investment Fund and the Tuvalu Trust Fund Advisory Committee recommendations on the sustainable amount to be withdrawn every financial year.

¹³ PIFS 2012, 'Pacific Regional MDG Tracking Report'; Government of Tuvalu 2012, 'Tuvalu MDGs Progress Report 2011–12'.

¹⁴ Tuvalu Government 2010, 'Household Income and Expenditure Survey'.

¹⁵ PIFS 2012, 'Pacific Regional MDG Tracking Report'; Tuvalu Government 2012, 'Tuvalu MDGs Progress Report 2011–12'.

¹⁶ PIFS 2012, 'Pacific Regional MDG Tracking Report'.

outcomes, tuberculosis is under control and immunisation rates have increased. However, condom use is only 25 per cent and the incidence of sexually transmitted infections is high.¹⁷

Tuvalu is increasingly experiencing the negative effects of climate change. This includes rising sea levels contaminating fresh water supplies, increased frequency and intensity of tropical cyclones, coastal erosion and increased crop damage. There is a high risk of further climate change-related damage, including the irreversible loss of livable areas.

Poverty and hardship analysis

The most recent data indicates that basic needs poverty¹⁸ in Tuvalu has increased over the past decade (from 21 per cent in 2004–05 to 26 per cent in 2010). However, as in much of the Pacific, widespread subsistence fishing and agriculture in Tuvalu mean that food poverty is low and has declined (from affecting 6 per cent of the population in 1994 to 3.4 per cent in 2010). Only 2 per cent of children under the age of five are underweight. This number, along with under-five and infant mortality, has declined steadily.¹⁹

Table 2: Tuvalu household expenditure and poverty data

	National			Funafuti			Outer Islands		
	1994	2004–05	2010	1994	2004–05	2010	1994	2004–05	2010
Household size—lowest quintile		6.8	6.5		8.8	9.4		6.1	5.7
Household size—highest quintile		3.8	4.6		4.1	4.8		3.4	3.1
Average weekly expenditure per capita adult	\$21	\$59	\$76	\$25	\$66	\$91	\$18	\$53	\$58
Weekly expenditure per capita adult—lowest quintile	\$12	\$24	\$26	\$18	\$26	\$33	\$8	\$24	\$22
Weekly expenditure per capita adult—highest quintile	\$42	\$101	\$200	\$47	\$111	\$224	\$41	\$85	\$170
Basic Needs Poverty Line per capita adult (weekly cost of food plus non-food essentials)		\$31	\$35		\$37	\$46		\$28	\$30
Incidence of Basic Needs Poverty (% of population)	~24%	21%	26%	~18%	28%	28%	~25%	18%	25%

Source: Tuvalu Government 2010, 'Household Income and Expenditure Survey'; Tuvalu Trust Fund Advisory Committee 2010, 'Annual Report'.

The number of people per household in Funafuti, Tuvalu's capital where half of the population lives, increased marginally between 2004–05 and 2010, whereas average

¹⁷ Ibid.

¹⁸ The basic needs poverty line for Tuvalu is defined as the food poverty line, or the weekly household cost of acquiring a minimum diet providing 2100 calories per day, plus the minimum weekly household cost for non-food essentials (Tuvalu Trust Fund Advisory Committee, 2010).

¹⁹ Tuvalu Government 2010, 'Household Income and Expenditure Survey'; PIFS 2012, 'Pacific Regional MDG Tracking Report'.

household size decreased in outer islands.²⁰ This trend is even more marked for the poorest quintile, as people move to Funafuti in search of work opportunities and better access to services. In Funafuti, the poorest households are also the largest, averaging 9.4 persons in the lowest quintile, with 4.8 persons in the highest quintile.²¹ This growing urbanisation has increased pressure on services²², available arable land²³ and drinking water in Funafuti.

Inequality in Tuvalu, as measured by the Gini coefficient, has increased from 0.24 in 2004–05 to 0.34 in 2010.²⁴ On average, the richest Funafuti households spend almost four times as much as those in the poorest quintile, despite having fewer people on average. In the latest Household Income and Expenditure Survey, Funafuti's richest 20 per cent of households spent almost seven times as much as households in the poorest quintile, up from four times only five years earlier.²⁵ For outer islands, the richest households spent almost eight times more than the poorest in 2010 compared with almost four times in 2004–05.²⁶ Further, the share of national income owned by the poorest quintile declined from 10 per cent in 2004 to 8 per cent in 2010.²⁷ Unfortunately women's and men's different experiences of poverty are not able to be determined from this data as the 2010 survey was undertaken only at household level, and reported data was not disaggregated by sex.

Inflation over the past decade, sometimes as high as 10 per cent, has affected Tuvalu's poorest citizens and exacerbated growing inequality. While real expenditure of the wealthiest quintile of households has consistently grown, the poorest households in Funafuti saw almost no increase in real expenditure between 1994 and 2010. On Tuvalu's outer islands, price inflation has seen real expenditure of the poorest outer islands households decline by 15 per cent between 2004–05 and 2010.²⁸ This translates to a significant increase in hardship felt by outer island Tuvaluans. The growing monetisation of economies makes it increasingly difficult for outer islands households to cover the everyday costs of education, health and transport.²⁹

With food consumption, the amount of home-produced food declined nationally. Outer islands are producing 50 per cent of their own food compared with 12 per cent in Funafuti³⁰, which could partially be explained by increasing numbers of people moving to Funafuti from outer islands with limited access to land. The primary source of calories for Tuvaluans is sugar and rice, with other imported products also heavily represented, particularly in Funafuti. Anecdotal evidence suggests that obesity levels in Tuvalu have risen, similar to a number of other Pacific countries where traditional foods such as fresh fish, local fruits and vegetables, have been replaced by imported rice, sugar, flour, canned meats and soft drink.³¹ Overall, food poverty in Funafuti declined between 2004–05 and 2010; however it increased on outer

²⁰ PIFS 2011, 'Pacific Regional MDG Tracking Report'; Tuvalu Government 2012, 'Tuvalu MDGs Progress Report 2011–12'.

²¹ Tuvalu Trust Fund Advisory Committee 2010, 'Preliminary analysis of Hardship and Poverty from HIES 2010'; Tuvalu Government 2010, 'Household Income and Expenditure Survey'.

²² United Nations Children's Fund (UNICEF) 2011, 'Achieving Education for All in Tuvalu'.

²³ Tuvalu Trust Fund Advisory Committee 2010, 'Preliminary analysis of Hardship and Poverty from HIES 2010'.

²⁴ United Nations Conference on Trade and Development 2012, 'Vulnerability profile- Tuvalu',

http://www.un.org/en/development/desa/policy/cdp/ldc/profile/vulnerability_profile_tuvalu_2012.pdf

²⁵ Tuvalu Trust Fund Advisory Committee 2010, 'Preliminary analysis of Hardship and Poverty from HIES 2010'; Tuvalu Government 2010, 'Household Income and Expenditure Survey'.

²⁶ Tuvalu Trust Fund Advisory Committee 2010, 'Preliminary analysis of Hardship and Poverty from HIES 2010'.

²⁷ PIFS 2012, 'Pacific Regional MDG Tracking Report'.

²⁸ Tuvalu Trust Fund Advisory Committee 2010, 'Preliminary analysis of Hardship and Poverty from HIES 2010'.

²⁹ PIFS 2012, 'Pacific Regional MDG Tracking Report'.

³⁰ Tuvalu Government 2010, 'Household Income and Expenditure Survey'.

³¹ Curtis, M, 2004, 'The Obesity Epidemic in the Pacific Islands', *Journal of Development and Social Transformation*.

islands, reflecting the impact of inflation and the fall in real household expenditure over this period.

Tuvalu's slow population growth (only 0.2 per cent in 2011³²) and declining dependency ratio³³ provide an opportunity for reducing poverty and improving quality of services³⁴ and, ultimately, increasing Tuvalu's productivity and economic sustainability. With proportionally significant emigration, Tuvalu's low dependency ratio means that most of its population is able to participate in the workforce, earn an income and save more. However, the right policy settings must be in place to capitalise on this 'demographic dividend', including fiscal discipline to limit national debt, and a focus on improving quality of services in sectors that will support a more productive economy, such as education and health.

Tuvalu currently has low (and declining) levels of formal employment³⁵, partially due to the global decline in demand for seafarers. As domestic employment opportunities are currently limited, it is important that Tuvalu exploit all avenues to access the international labour market. This is especially important as remittances and a lower unemployment rate contribute significantly to reductions in poverty, particularly in the absence of formal social protection schemes.³⁶ From July 2012, Tuvalu has been one of the countries able to access Australia's Seasonal Worker Program; however, no seasonal workers have yet been recruited from Tuvalu. Australia is funding the World Bank to build the capacity of Tuvalu's Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour and to improve the marketing of Tuvaluan workers to seasonal employers in Australia. The Department of Foreign Affairs and Trade (DFAT) Tuvalu aid program will incorporate relevant lessons learned from the recent Seasonal Worker Program 'labour mobility initiative' progress report.³⁷ It will also contribute to the next stage of planning for capacity building activities to ensure Tuvalu is able to take up opportunities under the Seasonal Worker Program.

Political context

Tuvalu's fiscal crises over the past several years have led to a degree of political instability. The country has not had a stable majority government since the last national election in September 2010. Fragmented political coalitions influence decision making at all levels of government. The most recent instability was brought on by the loss of the government's one-seat majority when the Finance Minister passed away in December 2012. A date for the by-election has now been announced for the end of June 2013. Under the Constitution, the next national election must be held by the end of 2014.³⁸

This recent political uncertainty has not adversely affected the government's economic reform program, nor its commitment to other priorities under the Tuvalu – Australia Partnership for Development. However, Australia will continue to monitor developments to ensure implementation of Partnership priorities does not stall.

³² World Bank 2011, 'Tuvalu Data', <http://data.worldbank.org/country/tuvalu>

³³ The 'dependency ratio' is a measure of the number of 'dependents' in an economy (typically children under 15 years of age and those over 65 years of age), to the rest of the 'working age' population (15 to 65 years of age).

³⁴ UNICEF 2011, 'Achieving Education for All in Tuvalu'.

³⁵ PIFS 2012, 'Pacific Regional MDG Tracking Report'.

³⁶ Brown, R., 2008, and United Nations Conference on Trade and Development, 2011 in PIFS 2012, 'Pacific Regional MDG Tracking Report'.

³⁷ AusAID 2013, 'Labour Mobility Initiative in the Pacific: Independent Progress Report'

<http://aid.dfat.gov.au/publications/Pages/labour-mobility-pacific-independent-progress-report.aspx>

³⁸ PAC News, 4 April 2013, 'Tuvalu's PM says divisions must be sorted before by-election proceeds'
<http://www.pina.com.fj/?p=pacnews&m=read&o=1293365162515cb3aac052479a1c0f>

Donor landscape

Aid is equivalent in size to 50 per cent of Tuvalu's GDP³⁹ and 70 per cent of domestic revenue.⁴⁰ The national budget estimated that Tuvalu would receive \$30.7 million in development assistance in 2012 and \$27.8 million in 2013.⁴¹ Australian aid to Tuvalu was \$12 million in 2011–12 and \$13 million in 2012–13, making Australia the second largest donor after Japan.

Tuvalu's donors, in order of largest reported contribution, include Japan, the European Union, New Zealand, the Asian Development Bank (ADB), Canada, Republic of Korea, the United States and some United Nations (UN) agencies.⁴² Taiwan is another significant donor, providing \$6.5 million⁴³ in 2011 through grants to support priorities in Tuvalu's national budget. In 2010, Tuvalu joined the IMF and the World Bank.

In 2012–13, Australia's bilateral program totalled \$7.7 million. In the same year, Australia contributed \$5.3 million of official development assistance to Tuvalu through regional and global programs. The Department of Defence also provided approximately \$0.26 million to operate and maintain a patrol boat, and the Attorney-General's Department has been assisting the Government of Tuvalu to reform and implement its policing legislation since 2009. Australian-funded programs are also implemented by regional organisations, development banks and UN agencies, such as the United Nations Development Programme (UNDP) on environment and climate change, and UNICEF on education. Tuvalu also benefits from Australia's support to regional organisations such as the Secretariat of the Pacific Community. Through the Secretariat, Australia's funding supported the Pacific Islands Literacy and Numeracy Assessment, administered in Tuvalu in 2012. Information from this assessment will be used to set a regional baseline for literacy and numeracy. This will enable benchmarking of learning to address education quality issues in Tuvalu for the first time. The Secretariat also facilitated geoscientific modelling and negotiations between countries, which resulted in eight Maritime Boundary Agreements being signed by seven Pacific island countries, including Tuvalu. The agreements will provide more legal and jurisdictional certainty for managing fishing activity, protecting the marine environment and exploring natural resources.

Australia provides funding for the health sector through regional and multilateral organisations, including UNICEF, the United Nations Population Fund, the World Health Organization and Secretariat of the Pacific Community. Other health sector assistance includes short-term training for health professionals through the Pacific Public Sector Linkages program and maintenance of biomedical diagnostic and laboratory equipment at Tuvalu's Princess Margaret Hospital.

Priority objectives and strategy

In 2011, after a review, the 2009 Tuvalu – Australia Partnership for Development was expanded from one to three priority objectives. This better reflects the key areas of Australia's

³⁹ PIFS, 30 November 2011, 'Tuvalu calls for harmonisation of development cooperation', www.forumsec.org/pages.cfm/newsroom/press-statements/2011/tuvalu-calls-for-harmonisation-of-development-cooperation.html

⁴⁰ Own calculations from Government of Tuvalu 2013, 'National Budget 2013', and ADB, Tuvalu 'Key Indicators' <http://www.adb.org/sites/default/files/ki/2012/pdf/TUV.pdf>

⁴¹ Government of Tuvalu, 14 April 2011, Tuvalu 2011 national budget speech by the Honourable Lotoala Metia, Minister for Finance and Economic Development.

⁴² OECD 2013, 'Aid Statistics, Recipient Aid at a glance', <http://www.oecd.org/countries/tuvalu/recipientcharts.htm>

⁴³ Government of Tuvalu 2011, Tuvalu national budget program estimates, and Government of Tuvalu 14 April 2011, Tuvalu 2011 national budget speech by the Honourable Lotoala Metia, Minister for Finance and Economic Development.

assistance to Tuvalu, and is aligned to the country's national development plan, *Te Kakeega II*.

The three priority objectives are:

1. Good governance, economic growth and stability
This involves boosting long-term economic prospects by supporting the Tuvalu Trust Fund and Tuvalu's economic reform program to improve financial management and planning to achieve public policy priorities.
2. Education and human resources
This involves developing a skilled and educated Tuvalu workforce by improving the quality of basic education and supporting opportunities for further skills development through scholarships.
3. Environment and climate change
This involves minimising climate change impacts and strengthening capacity on disaster preparedness.

Tuvalu's development context, and the challenges it faces, are unique and the way Australia delivers aid has to be appropriate. For the reasons outlined earlier in this report (Context section) Australia will likely be providing aid to Tuvalu in the long term to help it overcome its myriad development challenges. This long-term approach influences the way Australia delivers aid to Tuvalu. The focus is on improving the country's macroeconomic and fiscal sustainability. Australia does so through building the Tuvalu Trust Fund, supporting economic reforms, building capacity of government, building resilience to climate change, and improving the educational outcomes of Tuvaluans to give them the best opportunities for work, domestically and internationally.

One challenge in implementing the Tuvalu aid program is the country's capacity constraints to carry out government functions. As a result, Australia focuses on building government capacity and, in some cases, supplementing capacity by providing highly skilled people to undertake important shorter-term work in key oversight institutions such as the Ministry of Finance and Auditor General's Office. The Pacific Technical Assistance Mechanism Review of 2012 revealed that these adviser positions are valued by government and fill an important role in building local capacity.

Even though Tuvalu has the population of a small country town in Australia, it is still required to undertake most basic functions of a national government. Australia's support for regional institutions—such as the University of the South Pacific, Australian Pacific Technical College, Pacific Islands Forum Secretariat and World Health Organization—is designed to support Tuvalu by overcoming some economies-of-scale issues and providing access to education and healthcare services that would otherwise be unaffordable to deliver at a national level.

Another challenge faced by Australia's aid program in Tuvalu is that Australia does not have a permanent presence in-country. As a result, programs are implemented by other agencies, such as UNICEF or the UNDP, together with the government, or through incentive-based budget support. Australia overcomes these challenges of 'indirect' implementation by ensuring ongoing communication with partners. This includes regular travel to Tuvalu for face-to-face meetings and monitoring, as well as a strong policy discussion with government. It also includes building relationships to effectively manage performance.

All of these challenges affect Australia's long-term strategy for engagement with Tuvalu and the aid methods employed to deliver aid. The methods being used are in line with the

international aid effectiveness principles outlined in the Paris, Accra and Busan high-level fora on aid effectiveness⁴⁴, and the Cairns Compact on Strengthening Development Coordination in the Pacific. Australia's aid program to Tuvalu performs well against the principles of partner government ownership, harmonisation with other donors, a results agenda and mutual accountability. For example, Tuvalu's multi-donor economic reform program is government-led, with donors harmonising objectives and aligning them to the government's objectives. Monitoring of that program is primarily through biannual missions of the Tuvalu Trust Fund Advisory Committee. This reduces the burden on the Government of Tuvalu to host multiple visiting donor missions.

Expenditure

Table 1A Expenditure 01 January 2012–30 June 2012

Objective	A\$ million	% of bilateral program
Objective 1 Good governance, economic growth and stability	4.5	68
Objective 2 Education and human resources	1.4	22
Objective 3 Environment and climate change	0.7	11

Source: AidWorks

Objective	A\$ million	% of bilateral program
Objective 1 Good governance, economic growth and stability	4.6	59
Objective 2 Education and human resources	2.0	26
Objective 3 Environment and climate change	1.2	15

Table 1B Estimated expenditure in FY 2012–13

Source: AidWorks

Progress towards priority objectives

Overall progress against the priority objectives has been mixed. Progress under Objective 1 is 'green' as progress is as expected at this time and it is likely the objective will be met with no additional program management practices. Progress under Objective 2 is 'amber' as it is only partially met, though progress is close to what is expected at this time. Progress under Objective 3 is 'red' as it has been subject to significant delays over the past several years, and progress is significantly less than expected.

⁴⁴ Organisation for Economic Cooperation and Development 2011, 'The High Level Fora on Aid Effectiveness: A history' <http://www.oecd.org/dac/effectiveness/thehighlevelforaonaideffectivenessahistory.htm>

Table 2 Rating of the program's progress towards the objectives

Objective	Current rating	Previous rating
Objective 1 Good governance, economic growth and stability	Green	Amber
Objective 2 Education and human resources	Amber	N/A
Objective 3 Environment and climate change	Red	N/A

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Objective 1: Good governance, economic growth and stability

Good governance, economic growth and stability covers Australia's support to the Tuvalu Trust Fund, policy reform matrix, the Pacific Technical Assistance Mechanism, and short-term advisers working in key oversight institutions.

This objective has three components:

- > Creating incentives for economic reform: provide performance-linked financial contributions to the Consolidated Investment Fund as an incentive to improve financial and economic management in Tuvalu, enabling the government to maintain and improve social infrastructure and services
- > Contributing to the Tuvalu Trust Fund: enable the country to achieve greater financial autonomy in managing its budget and build a long-term revenue source
- > Strengthening Tuvalu's capacity for economic and social reform: assist the Government of Tuvalu to develop the country's economy and undertake essential functions of government by providing technical assistance in areas essential for government.

On the whole, Australia's support for Tuvalu's economic reform program is yielding positive results, and with Australia's and other donors' support, the Government of Tuvalu is making good progress towards achieving this objective.

Australia's policy discussion with the Government of Tuvalu has been strengthened through increased engagement afforded by the multi-donor policy reform matrix. Six-monthly joint donor – government meetings are supplemented by informal discussions and technical support to facilitate the achievement of government reforms. The quality and impact of this discussion is bolstered by supporting the Tuvalu Trust Fund and providing targeted technical assistance through the Pacific Technical Assistance Mechanism.

Australia needs to remain closely engaged with the Government of Tuvalu and other donors to ensure continued progress on undertaking and embedding complex and politically difficult, but essential, economic reforms. As the largest donor in the region, it is in Australia's interest to ensure Tuvalu is on a sustainable fiscal footing, and that it can manage inevitable swings in its revenue and expenditure needs while delivering quality basic services to its people.

Creating incentives for economic reform

Tuvalu made significant progress in economic and public financial management reform in 2012–13, particularly in audit, government transparency, internal treasury functions, procurement and tax compliance. The government has also advanced public enterprise reforms by improving public enterprise tax compliance and merging several small public

enterprises.⁴⁵ Further, the government has continued with the difficult steps required to reduce expenditure on the Tuvalu Medical Treatment Scheme (which provides critical tertiary medical care overseas if it is not available in-country) and on the Tuvalu government scholarship program⁴⁶, funding only five and 23 new scholarships in 2012 and 2013 respectively, down from 68 in 2011.⁴⁷

Performance-linked aid was integrated into the Tuvalu bilateral program in 2007. In July 2011, the Tuvalu Government approached Australia for crisis budget support. Australia and other donors agreed to provide financial support to Tuvalu, subject to its government implementing medium-term economic reforms to prevent a fiscal crisis from occurring again. In May 2012, after a meeting with the Government of Tuvalu at which fiscal benchmarks on basic education and health were agreed, Australia released \$4 million of performance-linked aid into the Consolidated Investment Fund (which was almost exhausted) to help Tuvalu fund its budget deficit.

In September 2012, this policy reform matrix—an incentive-based reform program—was formalised, with the Government of Tuvalu and other donors (ADB and New Zealand) agreeing to a two-year, government-led, multi-donor conditional budget support program. The program comprises three phases of policy reform actions, that, once complete, will enable the release of budget support by donors. The actions aim to help Tuvalu improve its financial management and fiscal position, as well as strengthen its public administration to deliver efficient social services. The Government of Tuvalu has demonstrated good leadership in establishing this program with donors and taken a lead role in identifying reforms for the first and second phases. Phase 1 ran from September 2012 to December 2012, and Phase 2 is underway (January 2013 to June 2013). Actions under Phase 3 will be agreed in mid-2013; this phase will likely run until early-mid 2014.

Phase 1 comprised nine objectives, all of which are complete. Reforms included⁴⁸:

- > improving public financial management by developing a Public Financial Management Roadmap for 2013–15
- > having the Ministry of Finance produce quarterly reports summarising key revenue and expenditure information and making this information available to the public
- > establishing a procurement policy to improve performance systems for competition, value-for-money and controls by incorporating tender and procurement procedures in financial instructions (or other legally binding documents) and releasing successful tender award contracts
- > implementing cost-reduction measures for the Tuvalu Medical Treatment Scheme, including accommodation and caretaker costs
- > ensuring all public enterprises, except the National Fishing Corporation of Tuvalu, complete audits and annual reports (including audited financial statements) and present them to Parliament

⁴⁵ Tuvalu Trust Fund Advisory Committee reports; donor reports; Australian discussions with the Government of Tuvalu.

⁴⁶ These tertiary health and education programs are very high cost and only benefit a few. They have also faced serious performance issues. Donors have encouraged the Tuvalu Government to spend more on pro-poor programs where appropriate, such as basic education and primary healthcare which benefits far more of the population, and offers better value-for-money.

⁴⁷ Tuvalu Trust Fund Advisory Committee, October 2012, 'TTFAC Report'.

⁴⁸ Tuvalu Trust Fund Advisory Committee reports (April 2013; October 2012); donor reports and Australian discussions with the Government of Tuvalu.

- > implementing cost-reduction measures for in-service scholarships, including removing accompanied allowances and more tightly enforcing extensions and variations
- > having Cabinet approve fiscal ratios for the 2013 Budget Circular
- > having Cabinet approve and prepare to contract out the management of the government-owned Vaiaku Lagi Hotel
- > approving and completing the merger of the Tuvalu Philatelic Bureau, Tuvalu Post Office and Tuvalu Travel Office.

While the government implemented a number of difficult reforms, it could not achieve several actions during specified timeframes. Reforms that faced delays included imposing cost controls on the Tuvalu Medical Treatment Scheme and ensuring all public enterprises produced annual reports. Delays were partly due to the deferred Parliamentary sitting in late 2013 (see Context), over-ambitious timeframes, capacity constraints and the difficult political economy of sensitive cost-reduction measures. Australia dispersed \$0.5 million in performance-linked aid in 2012–13 rather than the full provisional amount of \$2 million. The lesson for government and donors is the need to strike an appropriate level of ambition in the reform agenda and allow for an appropriate amount of time and technical assistance to implement reforms. Australia is encouraging the Government of Tuvalu to extend the length of time for Phase 3 actions.

The current political uncertainty has not yet undermined or slowed the policy reform process. Since the passing of the Finance Minister in December 2012, and the government's loss of its one seat majority, the Acting Finance Minister has taken leadership of this policy reform matrix, and progress and policy discussion has continued. The World Bank's intention to provide budget support for the next phase has helped increase the program's profile and the government's ongoing support.

With the World Bank likely to join the policy reform matrix, there is an opportunity to review monitoring and evaluation processes. Currently the Tuvalu Trust Fund Advisory Committee independently reviews policy reform implementation and advises the government on potential new actions for subsequent phases. This approach is intended to reduce the need for separate monitoring missions by donors; however, some donors are still fielding separate missions. There is also a need to ensure the Ministry of Finance continues its leadership role in identifying reforms and consulting with donors on their suitability, rather than donors leading reform planning. As the number of donors increases, it is also important that the number of reforms remains contained and realistic.

While the policy reform matrix performs very well on donor coordination and harmonisation, it can still be resource intensive for DFAT to manage, particularly given the lack of a permanent presence in Tuvalu and the department's significant role in coordinating donor input.

Contributing to the Tuvalu Trust Fund

Under the Partnership, Australia's contribution to the Tuvalu Trust Fund is key to Australia's ongoing commitment to building a financial asset for Tuvalu and providing its government with a revenue stream to fund budget expenditure. Australia has shared oversight of the fund through its membership on the board along with representatives of the governments of New Zealand and Tuvalu.⁴⁹ The ADB and World Bank are regular observers at board meetings.

⁴⁹ In addition, the Tuvalu Trust Fund Advisory Committee provides independent economic and financial advice to the board and government with members appointed by countries represented on the board.

Australia also funds an adviser for the Australian Director to the Tuvalu Trust Fund board and another to the Tuvalu Trust Fund Advisory Committee.

Australia contributed \$2 million to the fund in 2012–13. No distributions have been made from the fund to the Consolidated Investment Fund since 2009 when the global financial crisis reduced the fund's market value. However, global financial markets have improved and the fund's investment portfolio diversified and strengthened to the extent that the Tuvalu Trust Fund has now reached a value where it may be able to disperse funds in 2014. This will provide much-needed additional revenue to the government. While the outlook is positive, Tuvalu's improving fiscal balance may also reduce incentives for reform under the economic reform program. DFAT will work with the Government of Tuvalu and other donors to continue to promote the Consolidated Investment Fund as a longer-term buffer account to help the country respond to future fiscal shocks.

As a significant proportion of Australia's aid to Tuvalu is in the form of budget support (performance-linked or otherwise), it is important for staff in the Tuvalu program to have a good understanding of Tuvalu's national spending priorities. In future, policy discussion on budget expenditure, including on health and education spending, will be informed by annual budget analyses undertaken by DFAT.

Strengthening Tuvalu's capacity for economic and social reform

Support for long-term economic reform in Tuvalu is complemented through five in-line technical advisers deployed through DFAT's Pacific Technical Assistance Mechanism (PACTAM). These advisers address key capacity gaps by building local skills and training and improving government operations in central economic and oversight institutions.

Tuvalu faces severe capacity constraints: staff lack the expertise to perform important technical functions; there are not enough qualified staff to perform functions; or staff have multiple roles and responsibilities that limit their ability to perform each function. Tuvalu's small population and limited educational attainment means this will likely be the case in the long term. As a result, Australia's technical assistance program to Tuvalu is designed to build the capacity of local staff, although it is sometimes also required to supplement capacity where Tuvalu has identified gaps.

The work of the in-line technical advisers includes:

- > training local staff on auditing procedures and conducting whole-of-government and public enterprise audits
- > providing monthly whole-of-government financial reporting, preparing daily bank reconciliations, monitoring monthly cash flows and enforcing internal spending controls
- > providing advice to the Attorney General and representing the government in important civil cases
- > assisting the preparation of the annual budget, liaising with line ministries to undertake multi-year budgeting and providing technical support to develop the policy reform matrix
- > improving tax compliance and implementing tax reforms
- > developing an appropriate procurement policy to govern all government and public enterprise purchases.

A 2010 adviser review concluded that the technical advisory positions (under PACTAM and the Tuvalu Trust Fund, as well as short-term advisers) represent value-for-money as the technical expertise provided supports the Tuvalu – Australia Partnership for Development objectives and is valued by the Trust Fund Board and the Tuvalu Government.

Objective 2: Education and human resources

Australia's commitments under this objective are to:

- > increase access to early childhood and primary education for all children, especially those living in difficult circumstances and those with special needs; improve learning outcomes of primary school-aged children by Year 8 across all primary schools
- > increase literacy rates of children in Year 3 to Year 8 reading to national standards
- > increase pass rates for primary and secondary school children to increase the numbers entering tertiary education or the workforce
- > provide long-term scholarships in joint priority areas for Tuvaluan citizens to study in Australia and the Pacific region, creating opportunities to access quality education, gain good qualifications and access employment opportunities.

Primary education

In spite of near-universal primary education, the quality of education in Tuvalu remains a challenge. Ministry of Education data shows that only approximately 50 per cent of secondary school students passed their exams over the last decade. There is also a high failure rate for students undertaking Year 8 (the last year of primary school), and many students repeat or drop out and do not continue to secondary school.⁵⁰

In recognition of quality education issues and the need to meet joint commitments under the Partnership for Development, in March 2012, Australia started a five-year program with UNICEF and Tuvalu's Ministry of Education to improve the quality of basic education. DFAT will provide up to \$4.4 million over four years to UNICEF to implement the program, which will benefit 18 early childhood education centres, 10 primary schools and 2 secondary schools, directly benefitting 3220 of Tuvalu's students, or 30 per cent of the population. The program will target school-based management, teacher training, early grade literacy, and education planning and administration.

Progress started off slowly due to delayed recruitment of some key positions in UNICEF and delays in establishing formal and regular discussions between the three organisations involved. However, most key positions have now been filled, a program oversight committee established, and implementation is underway. Continued high-level discussion with UNICEF will be maintained to ensure progress continues and that adequate resources and time are devoted to the program. This program can be resource-intensive for DFAT to manage, a challenge made more difficult by the lack of a regular DFAT presence in Tuvalu.

Another challenge is the limited capacity of Ministry of Education staff to work with UNICEF to roll out the program. To overcome this challenge and ensure interventions are implemented, monitored and sustained, engagement at school-community level is essential (principals, teachers, parents, students and island councils). The capacity of Ministry staff will be built as they work with UNICEF specialists.⁵¹ It will be important to ensure policies and reforms can be sustained by the Ministry of Education once the program is complete. Despite initial delays, progress is what would be expected at this point. However, the pace of implementation will need to improve to ensure objectives are achieved on time.

⁵⁰ UNICEF 2011, 'Achieving Education for All in Tuvalu'.

⁵¹ UNICEF progress reports, April 2013.

Phase 1 of the two-phase program was completed three months later than planned (it was initially scheduled to run from March to December 2012). This phase primarily involved scoping, consulting and designing actions under the program. Baseline education data was collected, and the education information management database is being established in the Ministry of Education.⁵² UNICEF also supported the Ministry to build capacity of Ministry officials, school heads, island council members and local communities to implement school-based management interventions and strengthen community engagement.

Phase 2 began in March 2013, and involves activities related to school-based management, early grade literacy and education planning, and further development of the education information system. This will include enrolling all primary teachers of Year 5 to Year 8 in an accredited training program, and developing and rolling out new school work plans to improve teacher performance. A review of Tuvalu's Education Act will be undertaken to ensure it is inclusive of all students and reflects changes needed in school-based management, such as differentiating roles of teachers, parents and island councils.

Newly collected (under this program's education information management system) sex-disaggregated enrolment data shows there are 924 boys and 870 girls enrolled in Tuvaluan primary schools, 165 boys and 285 girls in secondary schools, and 33 boys and 53 girls in the final year of secondary school.⁵³ This baseline data indicates a positive culture supporting educational opportunities for Tuvaluan girls.

Improving education outcomes for children will underpin Tuvalu's growth, develop the potential of future generations, and underpin the achievement of development objectives in other sectors. As a result, Australia will support improved performance in the education sector in the long term. It will be several years before changes, such as in test results, can be seen, even after a program such as this has brought about fundamental changes at school level.⁵⁴ Given the program's slower-than-expected start, it will be important for DFAT to continue high-level discussion with UNICEF to ensure early delays do not impede implementation.

Tertiary and vocational training

Australia also provides support for Tuvaluan students to undertake technical and vocational training and scholarships in Australia and the region, with the aim of contributing to Tuvalu's long-term development needs. Scholarships, for example, provide opportunities for Tuvaluans to undertake full-time undergraduate or postgraduate study at participating universities and technical and further education institutions. Australia Awards Scholarships provide study and research opportunities that develop the skills and knowledge of individuals to drive change and contribute to the development outcomes of their own country.

In 2012, 26 Australia Awards were awarded to build Tuvalu's human resource capacity. Over the past six years, 50.5 per cent of awards went to women and 49.5 per cent to men. Awards included Australia Awards Scholarships, which support long-term study in Australia, and Australia Awards Pacific Scholarships, which provide opportunities for Tuvaluans to study at education institutions in the Pacific region. A total of 83 per cent of scholars due to complete their programs in 2012 did so. This is a good outcome and an improvement on previous years.

⁵² Ibid.

⁵³ Tuvalu Ministry of Education 2013, 'Tuvalu Education Management Information System- Data for Education Statistics Digest'.

⁵⁴ UNICEF 2011, 'Achieving Education for All in Tuvalu'.

All graduates have since returned to work in Tuvalu.⁵⁵ Recent graduates have completed their studies in commerce, public policy, law, education, health, engineering and environment.

A tracer study of scholarship alumni will shortly be undertaken so DFAT can better assess the development impact of Australia's scholarship program in Tuvalu, and to determine if objectives are being met. Further, introducing an Australia Awards Alumni Association to Tuvalu would assist the scholarships program to have a more sustainable impact on alumni networks, job prospects and future careers. However, current requirements on program staff to administer the scholarships program do not allow time to establish an alumni association. An outsourcing arrangement for scholarship management is being considered. If it goes ahead, DFAT program staff could support Australia Awards graduates in their careers through an alumni association.

Australia's Pacific regional program provides technical and vocational training to Tuvaluans through the Australia – Pacific Technical College to study for technical and vocational qualifications. Currently, three women are enrolled—two studying floor and wall tiling and one, community services. Over the life of Australia's support to the college, 40 Tuvaluan women and 26 Tuvaluan men have graduated from hospitality and community services, and trades and technology.⁵⁶

Objective 3: Environment and climate change

Australia's commitments to Tuvalu on environment and climate change are to:

- > enhance capacity of public administration, island governments, local communities and non-government organisations to plan for and respond to the adverse effects of climate change
- > implement priority adaptation measures including:
 - water security: an additional 400m³ of fresh water supply and water storage capacity to support agriculture in at least four islands
 - coastal protection: an expanded area of demonstration projects of planting mangroves on at least five atolls
 - food security: an additional 12 plantations of local fruit and vegetables protected from saline groundwater on at least three atolls.

Tuvalu is vulnerable to the effects of climate change. Risks include rising sea levels contaminating freshwater supplies, increasing intensity of tropical cyclones, coastal erosion and crop damage. Satellite data, for example, indicate that the sea level has risen near Tuvalu by about five millimetres a year since 1993—a total of nine centimetres.⁵⁷

Bilateral climate change support

Australia is supporting Tuvalu to build its resilience to the effects of climate change and, in turn, protect livelihoods. In 2011, Australia contributed \$1 million through the UNDP to help Tuvalu implement climate change priorities under the Tuvalu National Adaptation Program of Action. This four-year program with the UNDP and the Government of Tuvalu aims to

⁵⁵ DFAT scholarships database.

⁵⁶ Australia – Pacific Technical College Country Update, 2013.

⁵⁷ Bureau of Meteorology and CSIRO 2011, 'Climate Change in the Pacific Scientific Assessment and New Research Volume 2: Country Reports', Canberra.

increase fresh water supply and storage, protect coastal zones by planting mangroves, and continue to develop new food crop plantations on outer islands to enhance food security.

Implementation has been very slow. Two years after Australia provided the UNDP with funding, overall progress is not as expected and less than 15 per cent of funding has been spent.⁵⁸ This is due to factors including delayed recruitment of key positions, lack of clarity on responsibilities between the UNDP and the Government of Tuvalu, issues with program design to engage community support, and logistics challenges (such as infrequent shipping schedules from Fiji and to outer islands to transport materials).

The UNDP has achieved the first component of the project, installing four communal 100m³ water storage systems which should provide fresh water to sustain agriculture on four atolls. In addition, the UNDP has rehabilitated 700m³ of water storage capacity through fixing guttering to water storage units on four atolls. There are no results for the project's other two components—food security and coastal protection. Future implementation plans for these remaining activities have been agreed between DFAT and the Government of Tuvalu.

The Tuvalu National Adaptation Program of Action (NAPA) is important for improving disaster preparedness and building sustainability across all sectors. Australia will continue to work with the government and other donors to ensure activities identified in the government's NAPA are supported and implemented. However, the pace of progress is a significant concern. A recent mid-term review of NAPA will inform Australia's future programming decisions in this sector. This review includes a gender-sensitive adaptation assessment which analyses the gender dimensions of NAPA's current adaptation interventions and makes recommendations to improve incorporation of gender-sensitive measures.

Tuvalu has been an effective international advocate for increased resources for climate change in the Pacific, yet success on climate change adaptation domestically has not been commensurate with the level of attention or funding directed to this sector in Tuvalu. Without a DFAT presence in Tuvalu, it can be difficult to promptly identify and manage performance issues of implementing partners, which can make progress slower than in countries where the department has a direct presence. DFAT has held senior-level discussions with the UNDP and Government of Tuvalu to discuss progress on climate change. Clarity of responsibilities and performance has improved somewhat.

Australia is now designing its next phase of climate change support to Tuvalu, and will integrate lessons learned from this UNDP-implemented program in that process. Australia will work with Government of Tuvalu to design a multi-year program based on an assessment of current vulnerabilities and gaps, and address the needs in relevant sub-sectors (for example, food security and agriculture, coastal protection, water security, disaster preparedness).

Regional programs and coordinated emergency response

Through its Pacific regional climate change program, Australia supports the Pacific – Australia Climate Change Science and Adaptation Planning Program (\$19 million in 2012–13 over 14 countries) which continued to build on the substantive body of climate change research published in November 2011. Further research on major climate drivers in the Pacific and improved climate projections are informing risk assessments and adaptation planning.

The DFAT regionally-funded Climate and Oceans Support Program (\$8.3 million in 2012–13 over 14 countries) worked with the Tuvalu Meteorological Service to build its capacity in essential meteorological and climate services. The service provides seasonal

⁵⁸ UNDP, April 2013, progress report

forecasts for climate-sensitive sectors such as agriculture, fisheries, tourism and public health, enabling them to prepare for droughts and extreme events.

On 28 September 2011, the Government of Tuvalu declared a state of emergency due to water shortages. Australia provided approximately \$1.4 million in response to the drought emergency and to support and improve Tuvalu's longer-term water security. Australia's support was coordinated with other donors to ensure the most effective response. These donors included the European Union, Japan, New Zealand, United Kingdom, United States and UN agencies, as well as the SPC. Australia also worked closely with New Zealand to deliver one million litres of potable water to the main island of Funafuti to meet immediate crisis needs, and provided fuel to operate existing desalination plants and water supply trucks for water distribution. Australia also provided a total of 150 water tanks to Tuvalu's primary and secondary schools, and co-funded three desalination units and their maintenance, all installed in 2012–13.

Crosscutting objectives

Gender

Australia does not yet have a specific strategy to improve gender equality or women's empowerment in the Tuvalu program. Rather, this crosscutting objective is embedded in other initiatives and supported by regional gender programs. The Quality at Implementation (QAI) reviews on Tuvalu found gender equality to be a weakness across the program, with limited sex-disaggregated data available from which to make judgements about impact on women. Therefore, a priority of the Tuvalu program in 2013–14 is to develop a gender strategy to inform current and future programming to improve gender equality and women's empowerment, and to underscore the importance of collecting gender-disaggregated data to partners so the impact of aid on women and men can be assessed.

Women's political representation in Tuvalu is very low, though a number of women are in senior positions in government and active in civil society. On average, girls have higher levels of educational attainment in Tuvalu than boys.⁵⁹ At the Pacific Islands Forum in August 2012, the Prime Minister of Tuvalu, along with other Pacific leaders, committed to:

... support women's political representation, including by: strengthening consultative mechanisms with civil society groups on key budget and policy issues; advocating for increased representation of women in the private sector and local level governance boards and committees; and considering specific legislative changes to allow temporary special measures such as reserved seats.

Leaders committed to ensure that gender analysis is factored into sustainable development discussions, country programming, and policy decisions ... Leaders [also] pledged to act to end violence against women by progressively implementing a set of essential services to women and girls who are survivors of violence.⁶⁰

The development of a Tuvalu program gender strategy will give greater prominence to achieving these objectives and articulating a path to achieve them. The gender equality measures set out in the gender strategy will fall under 'Pacific Women Shaping Pacific Development', Australia's \$320 million, 10-year initiative to improve the political, social and

⁵⁹ UNICEF 2011, 'Achieving Education for All in Tuvalu'.

⁶⁰ 43rd Pacific Island Forum Communique, 28 to 30 August 2012, Rarotonga, Cook Islands.

economic opportunities for women in the Pacific region, as announced at the Pacific Island Forum Leaders' meeting in August 2012.

Disability

Tuvalu is making progress towards advancing the rights of people with disability. A national disability policy is being developed with the support of the Pacific Disability Forum and Pacific Islands Forum Secretariat.⁶¹ While the National Strategic Development Plan is disability inclusive, no budget has yet been allocated to support the disability sector. In 2008, Tuvalu undertook a survey of the social and economic status of people with disability, which identified that 2 per cent of the population had a disability. The Government of Tuvalu has reported its intention to sign and ratify the Convention on the Rights of Persons with Disabilities and revise its legislation accordingly.⁶²

Tuvalu's national disabled people's organisation, the Fusi Alofa Association, was established with support of the Pacific Disability Forum in 2009. The association runs social programs, including art and drama programs, which serve as a disability advocacy tool. With the support of Disability Rights Fund, a non-government organisation, the association is increasing awareness and understanding among people with disability and community leaders across Tuvalu about disability rights.

Australia's support to Tuvalu's disability-inclusive development efforts is channelled through partnerships with the Pacific Islands Forum Secretariat, Pacific Disability Forum, Disability Rights Fund, SPC, Regional Rights Resource Team, and the World Health Organisation. Australia has also supported Tuvaluan citizens with disability through the Australian Leadership Awards Fellowships and the International Seminar Support Scheme. Support to UNICEF and Tuvalu's Ministry of Education for basic education focuses on improving access to education for disadvantaged children, including those with disability.

Communications and transparency

Over 2012–13, Australia worked with partners in Tuvalu and Australia to promote key program milestones and results. The department is committed to making documents on Australia's aid program in Tuvalu available to partners, stakeholders and the public. The Government of Tuvalu has also committed to greater transparency, including through publishing key budget documents and all annual reports on its website, as well as making key announcements on the radio and in the newspaper.

In 2012–13, with the Government of Tuvalu's agreement, signs were posted at Australian Government-sponsored projects, and large 'Australian Aid' stickers applied to Australian-funded water tanks around the country.

Quality at implementation ratings

Given the relatively small size of the Tuvalu bilateral aid program, several initiatives, including environment and climate change, do not require QAI reports.⁶³ Four QAI reports were completed in 2013.⁶⁴ These covered the good governance and economic growth

⁶¹ Pacific Disability Forum 2011, '2010–11 Annual Report'.

⁶² Tuvalu Government, 'Country Report', PIFS Government Focal Points Disability Meeting, 10 – 12 August 2011, Nadi, Fiji.

⁶³ DFAT policy requires all initiatives with a value of \$3 million or over to undertake annual QAI reviews. DFAT's climate change support in Tuvalu is under this value.

⁶⁴ See QAI ratings table, Annex B.

initiative; Pacific Technical Assistance Mechanism in Tuvalu; scholarships; and the new Tuvalu Education Support Program.

The 2013 QAI reports found these initiatives to be highly relevant. They also rated well on effectiveness, efficiency and sustainability. Key areas for improvement are in:

- > the education program, which rated ‘less than adequate’ on monitoring and evaluation and efficiency
- > gender equality, which was rated ‘less than adequate’ in the initiatives for education, PACTAM and good governance and economic growth.

These ratings reflect the program management issues discussed in the education section, and the absence of gender analysis or a gender strategy for the Tuvalu program. They also reflect that gender-disaggregated data and other specific gender reporting are not included in all initiatives. The 2013 QAI reports had good use of data and concluded that initiatives are highly aligned with the Partnership for Development.

Ratings for most indicators generally remained steady across 2011 and 2012. They increased for monitoring and evaluation on the good governance and economic growth initiative, and for gender equality on the scholarships program. Ratings declined for monitoring and evaluation under the scholarships and PACTAM initiatives.

In 2012, the Tuvalu program consolidated a number of small value and similar initiatives under several overarching initiatives to improve program management efficiency and provide greater strategic oversight of the Partnership for Development to various components of the program. This will also prevent the proliferation of small activities, in line with the selectivity and consolidation objectives. Rationalisation of initiatives should also improve the program team’s focus on strategically engaging with government, as well as managing risk and focusing on achieving results.

Management consequences

Objective 1

The Tuvalu Program will:

- > contribute to the Pacific Division review of incentive-based budget support programs; continue regular discussion with the Government of Tuvalu and other donors; and closely monitor progress under the policy reform matrix, particularly in light of current political uncertainty
- > in designing the next phase of support for the policy reform matrix, discuss with other donors the need to: reduce the burden on the Government of Tuvalu (limiting planning and monitoring missions); ensure reforms are government-initiated, realistic and contribute to reducing the fiscal deficit; and improve alignment of budget expenditure with development priorities
- > in Canberra, with Post’s support, undertake a budget analysis of Tuvalu’s National Budget to inform discussion on the policy reform matrix and future budget support, and supplement the information provided in Tuvalu Trust Fund Advisory Committee reports

- > in Canberra, with Post's support, undertake a brief stocktake of progress in implementing the recommendations of the 2012 Tuvalu Assessment of National Systems⁶⁵, noting the progress of the economic reform program at reducing fiduciary risk.

Objective 2

The Tuvalu Program will:

- > subject to the outsourcing of scholarships administration, develop and implement an Australia Awards alumni association to strengthen ties between Australia and Tuvalu, support networks of alumni and foster a new generation of leaders working in Tuvalu's public and private sectors
- > in Canberra and at Post, work with DFAT's Pacific regional branch to ensure that the next phase of Australia's Seasonal Worker Program capacity building activities consider the specific needs of the Tuvalu program, to increase the number of Tuvaluans taking up opportunities under the Program.

Objectives 2 and 3

The Tuvalu Program will:

- > hold regular, high-level discussions with UNICEF and UNDP on program performance and impress the importance of the timely recruitment of skilled staff to the Pacific.

Objective 3

The Tuvalu Program will:

- > implement appropriate measures recommended in the NAPA mid-term review, and design the next stage of support on climate change and disaster risk reduction/preparedness to reduce the risk of future delays.

Crosscutting

The Tuvalu Program will:

- > bid for one extra full-time resource, to be based in Funafuti or Suva, to help deal with the resource-intensity, risk and technical complexity of the sectors and methods of working in the Tuvalu aid program
- > develop and implement a gender strategy for the Tuvalu program, which could be jointly undertaken with a country poverty analysis and strategy.

⁶⁵ In 2011, Australia undertook an assessment of national systems to determine the level of risk associated with using Tuvalu's government systems to deliver Australian aid and identify opportunities to strengthen those systems and manage risks. See the 2011 Tuvalu APPR for more information.

Table 3 Risks associated with the program and management actions

Most significant risks	Management Response—What? Who? How? When?
Policy reform matrix: The Government of Tuvalu loses momentum or backslides on reforms, or the government changes and new government does not continue the reform program.	DFAT’s Counsellor to continue to engage with the Government of Tuvalu and other donors to underscore the importance of continued progress under this program. If reform targets not met, incentive funding will not be paid. Canberra and Post to engage in the Pacific Division review of budget support programs and reflect lessons learned in the next phase of reforms.
UNICEF does not recruit key education positions, and progress continues slowly.	DFAT’s Minister-Counsellor and Counsellor to meet with UNICEF to impress importance to DFAT of UNICEF recruiting suitably skilled people in a timely manner to its Suva Office. Program staff to raise performance issues at the biannual program oversight committee.
Progress on climate change adaptation does not improve.	Suva-based climate change specialist and DFAT’s Minister-Counsellor to meet with the UNDP to raise concerns. Pacific specialists and Tuvalu program staff to identify the most appropriate way to design future support to this sector.
Gender equality and women’s empowerment is not adequately integrated across the program.	Tuvalu program staff with gender specialists to develop a gender strategy. Tuvalu program staff to ensure the strategy is integrated into each program objective and that sex-disaggregated data is collected wherever possible.
Post unable to adequately manage risks and monitor program performance due to understaffing.	Tuvalu program to bid for one extra overseas-based staff member in business planning processes.

Annex A

Progress in addressing 2011 management consequences




Management consequences Identified In 2011 APPR ⁶⁶	Rating	Progress made in 2012–13
1. As an incentive to improve financial and economic management—and before providing planned performance-linked aid—work with the ADB to provide technical assistance to help Tuvalu develop a procurement policy framework.	Green	The Australian Government-funded, ADB-recruited Procurement Adviser was engaged and worked with Government of Tuvalu and donors to finalise the procurement policy framework. This framework was recently approved by Tuvalu’s Cabinet. The Australian Government agreed to fund an extension of this technical assistance to ensure the Government of Tuvalu can implement the framework after approval.
2. Encourage all donors in Tuvalu to align their development assistance to the economic reform objectives of Tuvalu’s policy reform matrix to support the country’s long-term economic prospects.	Green	Australia, New Zealand, the ADB and World Bank have all signed on to the policy reform matrix. The European Union initially signed up and suggested it may commit funding in 2014–15, but has since not participated in donor meetings or discussion on the matrix. Japan has participated in discussions to help align its public sector technical assistance and infrastructure support with policy reform matrix actions. Taiwan, one of Tuvalu’s largest development partners has also been participating as an observer on the reform matrix.
3. Manage risks identified in the assessment of Tuvalu’s national systems by closely monitoring progress on economic reforms in the policy reform matrix and using performance-linked aid tied to reforms to incentivise progress.	Green	The policy reform matrix and multi-donor discussion with Government of Tuvalu are providing incentives for identified reforms, including improved accounting and transparent reporting. However, progress on these difficult and complex reforms is slow, government capacity is weak, and it will take time and significant, long-term technical assistance to address the fiduciary risks identified in the Assessment of National Systems.
4. Optimise overseas remittances and scope further options for enhancing labour mobility opportunities for the Seasonal Worker Program, in addition to building the capacity of the labour department sending unit through the World Bank.	Red	The Australian Government is working with the World Bank and Government of Tuvalu to improve take-up of the Seasonal Worker Program and promote Tuvaluan workers to Australian employers. As yet, no Tuvaluans have been employed under the program.

⁶⁶ Prior to 2012-13 Aid Program Performance Reports were called Annual Program Performance Reports.

Management consequences identified in 2011 APPR⁶⁶

	Rating	Progress made in 2012–13
5. Identify opportunities to progress climate change adaptation and disaster risk reduction and produce more tangible results.	Amber	Post is working with International Climate Change Adaptation Initiative, other development partners, and Australian aid program's climate change sectoral specialists to develop targeted support to implement adaption programs and improve disaster preparedness. The recent mid-term review of the NAPA program will inform planning for Australia's future support to this sector.
6. Undertake a tracer study of students who have received Australian scholarships. The study would assess the impact of the Australian Awards in Tuvalu and also assess the extent to which the Awards are contributing to the human resource needs of Tuvalu in support of its long-term development.	Amber	The Tuvalu program will shortly undertake a joint tracer study of scholarship alumni with the Kiribati and Nauru programs.
7. Monitor the United Nations Development Programme's performance on working with Tuvalu to implement the National Adaptation Plan of Action, with an emphasis on ensuring activities are achieved on the ground. This will include additional input from Suva and Canberra-based staff and management if required.	Red	Canberra and Suva-based staff have monitored UNDP performance and raised performance concerns a number of times at senior levels. Performance has not improved. Post is considering future Australian Government support on this activity, and will shortly discuss with the Government of Tuvalu plans for Australia's future support to this sector.

Note:

-  Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
-  Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
-  Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Annex B

Quality at implementation ratings

Initiative name	Approved budget and duration	Qal year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	Risk management
Initiative 1—Good governance and economic growth		2012	6	4	5	6	5	3	I
		2011	6	4	5	5	5	3	I
Initiative 2—Pacific Technical Assistance Mechanism		2012	5	4	5	4	4	3	I
		2011	5	5	5	5	4	3	I
Initiative 3—Tuvalu Education Support Program		2012	5	4	3	3	4	3	I
		2011	N/A						
Initiative 4—Scholarships		2012	5	5	5	4	4	5	I
		2011	5	5	5	5	4	4	M

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very high quality

5 = 5 = Good quality

4 = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate quality; needs significant work

2 = 2 = Poor quality; needs major work to improve

1 = 1 = Very poor quality; needs major overhaul

Risk management scale:

Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

Annex C

Evaluation and review pipeline planning

List of evaluations completed⁶⁷ in the reporting period

Name of Initiative	AidWorks number	Type of evaluation ⁶⁸	Date evaluation report received	Date evaluation report uploaded into AidWorks	Date management response uploaded into AidWorks	Published on website
PACTAM	ING854	Independent review	February 2013	21 March 2013	21 March 2013	Yes
NAPA mid-term review (Tuvalu Environment and Climate Change Initiative)	INJ967	Partner-led mid-term review	30 May 2013	22 July 2013	Still to receive from UNDP	No

List of evaluations planned in the next 12 months

Name of Initiative	AidWorks number	Type of evaluation	Purpose of evaluation ⁶⁹	Expected completion date
Tuvalu Scholarships alumni tracer study	Several initiatives in the Tuvalu program	Tracer study and impact evaluation	To improve existing and inform future scholarships programs in Tuvalu	August 2013
Pacific Division budget support review	Several initiatives across Pacific Division	Joint review	To improve existing and inform future budget support programs in the Pacific.	November 2013

⁶⁷ 'Completed' means the final version of the report has been received.

⁶⁸ e.g. Mid-term review, Completion report, partner-led evaluation, joint evaluation.

⁶⁹ e.g. .To inform a future phase of program, to improve existing program; to verify program outcomes.