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Evaluation of New Zealand's Aid Programmes in the Cook Islands, Niue, Samoa and Tokelau

A Synthesis Report

Further details about author

Adam Smith International (ASI) is an award-winning professional services business that delivers real impact, value and lasting change through projects supporting economic growth and government reform internationally. Our reputation as a global leader has been built on the positive results our projects have achieved in many of the world's most challenging environments. We provide high quality specialist expertise and intelligent programme management capability at all stages of the project cycle, from policy and strategy development, to design, implementation, monitoring and evaluation.

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Executive Summary

Purpose

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) commissioned Adam Smith International to conduct an independent evaluation of its country programmes in the Cook Islands, Niue, Samoa and Tokelau. The evaluation assessed the quality of New Zealand's aid delivery, the results of its programme of assistance, and suggested ways New Zealand could better support the above countries.

The Key Evaluation Question is:

"How, and to what extent, has New Zealand's development cooperation contributed to sustainable economic and human development in the target countries (Cook Islands, Niue, Samoa and Tokelau) and what lessons can be learnt from this to improve country programme assistance in the future?"

Three Secondary Evaluation Questions (SEQs) were developed to explore the issues raised in the Key Evaluation Question further:

1. To what extent is New Zealand's aid delivery to the Cook Islands, Niue, Samoa and Tokelau of a high quality?
2. What are the results of New Zealand's country programme in the Cook Islands, Niue, Samoa and Tokelau and how sustainable are these results?
3. How can New Zealand better meet its obligations to the Cook Islands, Niue, Samoa and Tokelau?

Findings

With regards to Secondary Evaluation Question 1 ("quality of aid delivery") the evaluation found that New Zealand's aid delivery is of a high quality but more could be done to further improve aid delivery. Of significant importance is New Zealand's efforts with regards to consolidation and its move to the use of higher order aid modalities such as budget support. There are only moderate levels of fiduciary risk associated with the provision of budget support in three of the four countries. The effectiveness of this support could be improved by adopting a performance management approach customised to the political-economic and institutional factors in each country. New Zealand is a strong and influential partner in each of the four countries. It should consider strengthening human resource capacity in key technical and operational areas to ensure that the policy dialogue and advice it provides is targeted towards influencing reform in each of the countries.

Relationships between New Zealand and each of the four countries are very strong and enduring. New Zealand should consider modifying its financial assistance arrangements with Niue and Tokelau so that they more accurately reflect the actual geo-political relationship, which is not a donor-recipient one. Better capacity building outcomes could be achieved if the relationship between New Zealand government agencies and Realm state counterparts was clarified and



interactions made more systematic. New Zealand's strategic framework of assistance works quite well at a high level. It is clear that departmental priorities are incorporated into country programmes (as evidenced by the consolidation efforts). However, aid quality could be improved with better strategic guidance and analysis at the country level. Analysis-based country strategies that consider the implementation context, the challenges this context presents, the priorities of New Zealand's aid programme within this context, and how the sum of New Zealand's financial and human resources will be deployed to address the constraints to human and economic development over the medium to long-term are required.

With regards to Secondary Evaluation Question 2 ("results") the evaluation found that New Zealand's support for economic and human development has produced some strong results across all four countries. A number of challenges must now be addressed to ensure these results are sustainable over the long-term.

In the area of economic development, New Zealand's investments in tourism have contributed to increases in GDP in the Cook Islands and Niue. Tourism numbers and revenues have climbed considerably over the course of New Zealand's support. In order to build on these investments and ensure sustainability, New Zealand and recipient countries need to strengthen the enabling environment for private sector development, extract more value from tourism, and improve tourism sector planning and coordination. New Zealand's investments in renewable energy have been particularly important and have helped improve energy security. To ensure sustainability, effort should be concentrated on building the capacity to maintain existing infrastructure, and develop credible energy sector plans and viable models for renewable energy financing. New Zealand's efforts in private sector development have achieved some sound results, but the enabling environment for private sector development remains weak across all countries and more needs to be done to address the structural issues that affect private sector investment. New Zealand could address this in a more systematic fashion through its country strategies.

In the area of human development, New Zealand's support for health has generated some good results where there has been strong institutional linkages between New Zealand and recipient country health agencies. There has been less success supporting sectoral approaches. This is primarily due to a lack of good policy development, weak sectoral costing, prioritisation and planning within recipient governments. Lack of recipient government capacity is a constraint in a number of areas across all countries. New Zealand's visiting medical officer schemes provide a high level of tertiary health care in small island states that would otherwise be prohibitively expensive. In the area of education it is clear that the countries reviewed rely on New Zealand funds for spending over and above their salary budgets. Some countries have also benefited from having access to New Zealand's curriculum, qualifications frameworks and tertiary education. Education budgets are very tight in all four countries and New Zealand funds support important quality improvement outcomes. New Zealand's support for education has been more successful when it has been delivered through a strong Ministry of Education with good leadership, strong policies and good planning. Establishing a more systematic relationship between the Ministry of Education in New Zealand and recipient country Departments' of Education would help strengthen education outcomes in Niue and Tokelau in particular.



With regards to Secondary Evaluation Question 3 (“better meeting obligations”) the evaluation makes the following recommendations:

- **MFAT should formulate a new process for the development of country strategies that includes its whole-of-government partners.** This process should result in the development of analytical country strategies that highlight the major constraints to economic and human development and articulate how the sum of New Zealand’s resources will be used to address these issues. Associated with these high level plans should be a series of more in-depth Investment Plans that target key areas (i.e. Tourism and Non-Communicable Diseases).
- **In order to improve coherence, the primary focus of Country Strategies should be the bilateral programme.** Other funding modalities should be deployed in a way that supports the bilateral programme to address the constraints identified in the country strategy. Investment Plans can be used to outline how multiple funding pathways can be used to achieve the priorities outlined in the Country Strategy.
- **In order to address human resource deficits, MFAT should increase its human resource allocations in technical and operational areas that support quality policy dialogue and the shift higher order aid modalities.** To support this, Country Strategies should be linked to business unit or operational plans. These plans should outline the technical and operational capabilities available to the Country Programme and how these resources will be deployed to support the priorities outlined in the Country Strategy.
- **In the area of human development, New Zealand should prioritise reducing Non-Communicable Diseases,** as this is the single most pressing development challenge in each of the four countries, which aside from its impacts on human health could have significant impacts on health budgets, and ultimately on economic development and potentially on migration to New Zealand from the Realm states.
- **In the area of economic development, New Zealand should focus on** improving the enabling environment for private sector development in the Cook Islands, Niue and Samoa in particular.
- **New Zealand can consolidate its programmes further through a progressive move to budget support in the Cook Islands and an increase in budget support in Samoa.** This should be accompanied by a performance management programme that systematically addresses fiduciary and development risks in partnership with each country.

With regards to the Key Evaluation Question, the evaluation found that New Zealand’s aid programmes have contributed significantly to economic and human development in each of the four countries. However, a number of issues to do with recipient government capacity and a weak enabling environment for private sector development affect the sustainability of results. In order to address these issues New Zealand should adopt a more strategic and analytical approach to the deployment of all of its technical, institutional and financial resources



and focus on addressing persistent public and private sector issues in all countries over the medium to long-term.

Key lessons emerging from this evaluation include:

- MFAT can operationalise high level policy priorities quickly and effectively.
- To influence reform in small island contexts, close and ongoing relationships between recipient and donor country technical staff/advisors are required over the long-term.
- The closer the institutional linkages between New Zealand and small island state government agencies the better the human development outcomes.
- Recipient government capacity constraints have a significant impact on the sustainability of results and need to be the focus on long-term capacity building strategies.
- Deficits in the enabling environment for private sector development affect the long-term sustainability of economic development investments and need to be addressed in a systematic way.



1. Background

Purpose of the Evaluation

The New Zealand Ministry of Foreign Affairs and Trade (MFAT) commissioned Adam Smith International to conduct an independent evaluation of its country programmes in the Cook Islands, Niue, Samoa and Tokelau. The evaluation focused on New Zealand's contribution to economic and human development. The following report synthesises the findings from the four country level evaluations, it identifies common themes and learnings and provides some recommendations to improve development effectiveness.

The evaluation focused on three key issues:

1. Determining whether the intended results have been achieved and the likely sustainability of these results;
2. Assessing the quality of aid delivery; and
3. Learning lessons to improve the future design, direction and delivery of the country programmes.

The evaluation considered all aid modalities including budget support, project finance, delegated cooperation, triangular partnership and government-to-government partnerships. The evaluation focused primarily on the period of the current Joint Commitment's for Development (2011-2015).

The Key Evaluation Question was:

How, and to what extent, has New Zealand's development cooperation contributed to sustainable economic and human development in the Cook Islands, Niue, Samoa and Tokelau and what lessons can be learnt from this to improve country programme assistance in the future?

Three Secondary Evaluation Questions (SEQs) were developed to explore these issues further:

1. To what extent is New Zealand's aid delivery to the Cook Islands, Niue, Samoa and Tokelau of a high quality?
2. What are the results of New Zealand's country programme in the Cook Islands, Niue, Samoa and Tokelau and how sustainable are these results?
3. How can New Zealand better meet its obligations to the Cook Islands, Niue, Samoa and Tokelau?

The evaluation adopted a mixed method approach, which included the analysis of 440 documents, interviews with 160 key informants in five countries, and statistical and economic analysis.

Development Context

New Zealand has strong cultural, historical, economic and political ties to all four countries. The Cook Islands, Niue and Tokelau are Realm states of New Zealand and each has



varying levels of financial dependency and different political and constitutional arrangements vis-à-vis New Zealand. Tokelau is a non-self-governing territory of New Zealand and is financially dependent on New Zealand to a very high degree. Niue is a self-governing state in free association with New Zealand and it is also highly dependent on New Zealand's financial assistance. New Zealand is constitutionally obliged to provide financial and administrative support to both these states. The Cook Islands is also a self-governing state in free association with New Zealand, but it is much less dependent on New Zealand's Official Development Assistance (ODA) and on aid more generally. Samoa is an independent nation state that has a special relationship with New Zealand that is enshrined in the Treaty of Friendship between the two countries.

Each of the four countries are very different from an economic and human development perspective. For example, the **Cook Islands** has a Gross Domestic Product (GDP) per capita of NZD19,357¹, which is the third highest in the region outside Australia and New Zealand. Real GDP per capita more than doubled in the 31 years between 1982 and 2013. As a result, the Cook Islands is expected to graduate from the OECD-DAC list of Official Development Assistance (ODA) recipients in 2017². The Cook Islands is also well on track to achieve its Millennium Development Goals (MDGs), and has some of the best human development statistics in the region, particularly in areas like infant and child mortality. While human development achievements have been very good in some areas, the Cook Islands faces very high incidence of Non-Communicable Diseases (NCDs), and the healthcare costs associated with this threaten to undermine the sustainability of economic development in the Cook Islands. The Cook Islands has some of the highest NCD-related biochemical and lifestyle risk factors in the world, and women in the Cook Islands have higher risk factors than men³.

In contrast, Samoa is a low-middle income country with a per capita Gross National Income (GNI) of NZD 5,900⁴, which is much lower than the three New Zealand Realm states. The Samoan economy has suffered significantly from the impacts of the Global Financial Crisis, the Tsunami of 2009, and the destruction occasioned by Cyclone Evan in 2012. This sequence of events has produced a volatile economic growth profile over the last five or so years. Over the last 23 years, Samoa's life expectancy at birth has increased by 13.4 years, and its GNI per capita increased by about 13%, but its mean years of schooling indicator has stayed the same, and the expected years of schooling indicator has increased by only 1.5 years. Samoa also faces substantial NCD-related health issues and has a very high prevalence of diabetes.

1 Cook Islands Government, Ministry of Finance and Economic Management, Financial statistics

2 See: OECD-DAC List of ODA Recipient to 2016 -

<http://www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf>

3 SPC (2010) NCD Statistics for the Pacific Islands Countries and Territories, Public Health Division , Secretariat of the Pacific Community

4 World Bank Development Indicators – Samoa:

<http://databank.worldbank.org/data/views/reports/tableview.aspx>; (GNI figures Atlas method, current US prices) – US prices converted to NZD



Niue has one of the highest GDP per capita rates in the Pacific. GDP per capita grew from NZD 10,785 (in current terms) in 2006 to NZD 20,590 in 2014. The primary reason for this high GDP per capita is New Zealand's ongoing financial assistance. On the human development side, Niue has amongst the lowest infant and maternal mortality rates in the Pacific and education enrolment is 100% throughout the island. The primary ongoing health issue is the rise in NCDs⁵. Niue remains a highly fragile economy that faces many constraints including a small population, labour shortfalls, expensive and limited transport options, poor land quality, and exposure to natural disasters (i.e. cyclones and droughts). Tourism is growing in importance and is a priority for the governments of Niue and New Zealand.

Tokelau is highly dependent on financial assistance from New Zealand for its economic viability. New Zealand's total assistance to Tokelau in 2014-15 was NZD24.6m. Tokelau's physical characteristics and remoteness present significant challenges for human and economic development. The physical characteristics of the three atolls that comprise Tokelau allow for very limited economic development opportunities. Tokelau's main economic asset is a 200 nautical mile Exclusive Economic Zone (EEZ). The EEZ consists of three distinct types of fisheries: purse seine (skipjack and yellowfin), tropical longline (bigeye and yellowfin) and southern longline (albacore and billfish). Revenue earned from selling and trading annual vessel days is between NZD7-10m annually.

5 Personal communication with Director of Niue Hospital, 5th March, 2015.



2. Findings – Aid Quality

This section presents the empirical findings that pertain to aid quality. It examines New Zealand’s framework of assistance to the four countries, the provision of budget support and the risks associated with that support. It also examines the coherence of the country programmes, New Zealand’s efforts to reduce its activity numbers, and the quality of policy dialogue.

Strategy

New Zealand’s strategic framework is comprised of a suite of high level strategic and planning documents that inform the implementation of its country programmes – see Figure 1. Of particular importance is the International Development Group’s (IDG’s) Strategic Plan, which for the period covering this evaluation is ‘Development that Delivers’. This strategy guides the development of the Joint Commitments for Development (JCfD’s), which is the partnership agreement between New Zealand and each partner country. Strategic direction at the country level is also guided by the sectoral priorities articulated in the New Zealand Aid Programme Sector Priorities 2012 – 2015⁶. This document outlines the key drivers of growth (Agriculture, Fisheries and Tourism) and the key enablers of growth (renewable energy, transport and communications, private sector development, education and training, health, water supply and sanitation, and safe and secure communities).

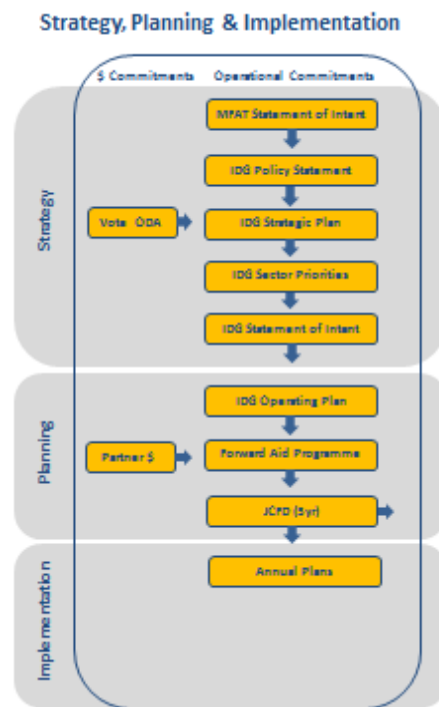
The evaluation found that this documentation provided good high level guidance on strategic direction, but there existed no specific guidance on the operationalisation of these strategies and priorities at the country level. The JCfD’s provide a clear and directed course of action at the country level in that they identify mutual commitments, sectoral priorities, financial commitments, and a results framework. But the extent to which the JCfD can be considered ‘strategic’ is debateable. JCfDs only very lightly address the broader implementation context and the challenges this context presents, i.e. the ‘strategic’ context for implementation. **The strategic framework for assistance at the country level does not sufficiently articulate how the sum of New Zealand’s financial and human resources are deployed to address the constraints to human and economic development.** This requires a thorough country level assessment of the drivers of economic growth and human development in the each country, the challenges that shape and constrain the delivery of effective aid, an articulation of the assumptions underpinning this analysis, and a theory of how New Zealand, through its various programmes and agencies will support change in each country. What is missing is an objective analysis of pressing development challenges at the country level and an articulation of how New Zealand, with all the human and financial resources at its disposal, will support each country to address these challenges.

6 See: http://www.aid.govt.nz/webfm_send/509



The evaluation found that the lack of an overarching programme-level country strategy reduces the probability that the full suite of New Zealand’s resources, including Partnership and Multilateral funds, can be used strategically and synergistically, a point that was made by the OECD-DAC in the recent New Zealand Peer Review⁷.

Figure 1: MFAT Strategic, Planning and Implementation schematic



Budget Support and Fiduciary Risk

The evaluation team was asked to review New Zealand’s budget support arrangements in each of the four countries and the fiduciary risks associated with the provision of budget support.

New Zealand’s budget support operations in each country are different. **In the Cook Islands, New Zealand provides Sector Budget Support (SBS) in tourism and education.** Recently, the Minister of Foreign Affairs has approved a consolidated grant funding arrangement, which consolidates support to health, education, tourism, and public sector spending under one umbrella. This support will represent an average of NZD10m per year, or 66% of the bilateral spend. The evaluation found that New Zealand’s SBS has been highly effective in education and tourism and there are minimal barriers to a move to consolidated budget support. Strong leadership and

7 OECD-DAC (2015) Development Cooperation Peer Review – New Zealand 2015, OECD Publishing, Paris



capability in the education and tourism line agencies have been a key feature behind their success to date.

The analysis of fiduciary risk in the Cook Islands, i.e. the risk that aid or government funds are used for unauthorized purposes, do not achieve value for money, or are not properly accounted for, was rated a moderate. The lack of multi-year fiscal planning, reporting and control, and the delayed release of financial statements and audits, were seen as issues that needed to be addressed. Despite this the evaluation found that there was minimal risk to a progressive move to broader based budget support and endorsed New Zealand’s move in that direction in the Cook Islands.

In Niue, there are two types of budget support provided by New Zealand: general budget support and sector budget support. Niue’s General Budget support foundations are varied and are set by the constitutional relationship. The Joint Commitment (JC)⁸ sets the general conditions for budget support disbursements. Dialogue is an informal arrangement based around mutual respect. The evaluation found that the budget support arrangement resembles more of a straight line unconditional operating subsidy than a performance linked budget support operation. Payments are essentially fixed and not variable based on performance.

The evaluation found that the weakness in Niue’s Public Financial Management (PFM) system constitute a moderate to substantial level of fiduciary risk. Niue has weak classification systems, inadequate disclosures, lack of medium term focus, poor clearances of advance accounts and untimely financial statements and audits. The evaluation found that Niue is ready for a move to a more coordinated, harmonised and balanced approach to budget support, but the fiduciary risks associated with its provision are still relatively high. The team is of the view that additional reform is required before more flexible funding can be provided. That said, given Niue’s small size and the constitutional relationship, there remains a strong case to deliver budget support at high levels, but with an increasing focus on fiscal performance and improving the effectiveness of the financial assistance delivery mechanism.

In Samoa, New Zealand provides a small amount of general budget support through the “Incentivising Public Financial Management Reform in Samoa (IPFMRS) programme”. The programme was favourably reviewed but there appears to be a few weaknesses that, if addressed, would help make the programme even more effective. New Zealand also provides sector budget support in health. The evaluation found that New Zealand follows an effective approach to sector budget support with a clear results focus, with earmarking of sectoral resources through soft budget approval mechanisms, supported by soft conditionalities around mutually agreeable results. The evaluation found that further support is required on the policy dialogue side, which is one area that should be strengthened considerably. The evaluation found the weakness in the Samoan PFM system constitutes a moderate level of fiduciary risk, with weak tax collection, auditing and public access systems compromising fiscal performance the most. Samoa had the

⁸ The Joint Commitment (JC) is Niue’s version of the Joint Commitment for Development



highest performing PFM system of the four countries. The evaluation found that there were minimal barriers to the provision of higher levels of budget support.

In Tokelau, as with Niue, the general budget support arrangement appears more like a straight line unconditional operating subsidy than a performance linked budget support operation. Payments are essentially fixed and not variable based on ex-poste assessed performance. With regards to fiduciary risk the evaluation found that the weakness in Tokelau's PFM system constitutes a moderate level of fiduciary risk, with weak classification systems, inadequate public disclosures, poor account reconciliation, lack of service delivery data, weak accounting standards and weak audits. The analysis suggests that Tokelau requires a more coordinated, harmonised and balanced approach to budget support. Given the fiduciary risks associated with its provision are still relatively high, with only moderate probability of delivering increasing development benefits, a case can be made that more reform is required before increasing flexible funding, as is the case with Niue. That said, given Tokelau's small size and the constitutional relationship, there remains a strong case to deliver budget support at high levels, but with an increasing focus on fiscal performance and improving the effectiveness of the financial assistance delivery mechanism.

Across all countries the evaluation found that budget support operations could be improved through the adoption of a more performance management-based approach customised to the conditions in each country. The evaluation team is of the view that a team-based approach to performance management will help address some of the persistent issues with planning and implementation that hinder PFM reform in each of the four countries. Performance management creates incentives for the ownership of policy choices. It focuses effort and resources on reforms that have a high impact and are achievable, using existing management systems and improving them over time. The aim of this approach is to direct attention to the inputs that are needed to deliver the outputs that will, in turn, lead to the reform outcomes prioritised by donors and governments. Team-based performance management concentrates on the development and implementation of team-level rolling plans that cover all aspects of institutional development. It focuses on the actual tasks that need to be undertaken to implement change, as this is one of the biggest constraints to reform.

Harmonisation

New Zealand's role in the Te Mato Vai project, which is the second largest infrastructure project ever in the Cook Islands is a particularly important effort in harmonisation that warrants a specific mention as it has the potential to alter the way that recipient governments, traditional bilateral, and emerging donors interact. This project is being delivered via a triangular partnership with the Cook Islands and Chinese Governments. This is the first time that China has partnered with a traditional donor to deliver an aid programme in the Pacific. New Zealand has demonstrated significant flexibility and determination to ensure this innovative model of cooperation succeeds. The evaluation found that New Zealand's efforts in the area of harmonisation have been effective and have helped reduce administrative burdens in partner countries. The role New Zealand plays in delegated cooperation in Niue and the Cook Islands is highly appreciated by officials in those countries.



Coherence

The evaluation found that the absence of a country strategy coupled with the many different funding pathways (at least five in each country) affects the coherence of New Zealand’s total country aid flow effort. Important work is being done in all countries but synergies and complementarities could be better exploited if there was a more strategic and analytical approach to the use of the different funding pathways and to New Zealand’s total effort. The evaluation also found that New Zealand government agency involvement in development activities could be better coordinated across all countries and that significant benefits could be gained by better clarifying the role of NZ agencies (and other NZ partners) in each country. This is particularly the case in the Realm states where government agencies are unsure about the mandate of their New Zealand counterparts and would benefit from more systematic engagements.

Consolidation

The evaluation found that New Zealand had been very proactive in its efforts to consolidate its aid programmes in line with the consolidation priority in *Development that Delivers*.

Consolidation was most prominent in Samoa and the Cook Islands. For example, between 2008 and 2010 the Cook Islands experienced a significant increase in the number of donor-funded activities, which more than doubled over that period to a high of 105 activities (See Figure 2). Activity levels such as this would have placed significant stress on the Cook Islands Government (CIG) from a management perspective. After the establishment of the Development Coordination Division (DCD) with the Ministry of Finance and Economic Management (MFEM) in 2011 and stronger efforts to coordinate donors, activity levels decreased significantly after 2011 and continue to decrease. As highlighted in Figure 3 New Zealand did not contribute to the growth in activity numbers between 2008 and 2010, and managed to decrease its activity levels significantly since 2011. New Zealand activities in the Cook Islands almost halved between 2011 and 2013. This decrease was driven by both the ODA policy of the CIG, and the strong New Zealand focus on ‘bigger, fewer, deeper, longer’ investments articulated in ‘Development that Delivers’.

Figure 2: All Donor Supported Activities, Cook Islands, 2002 to 2013

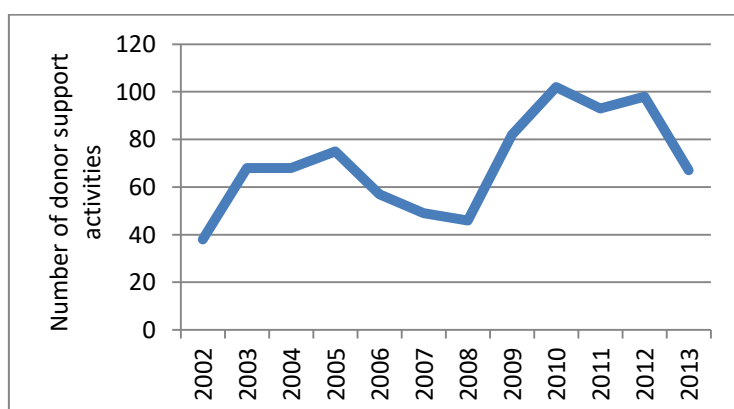
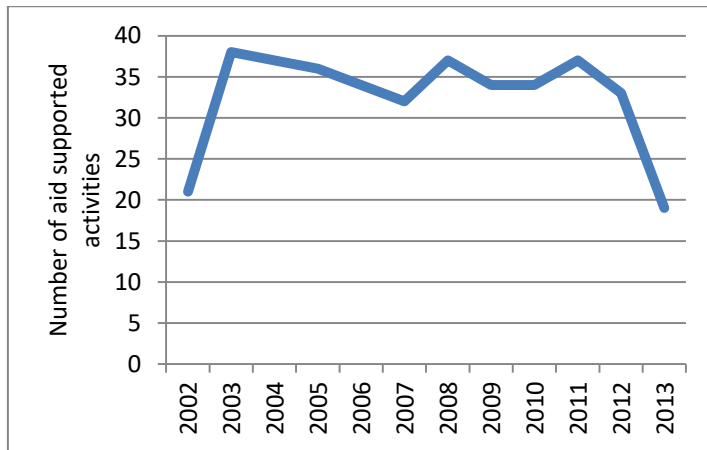
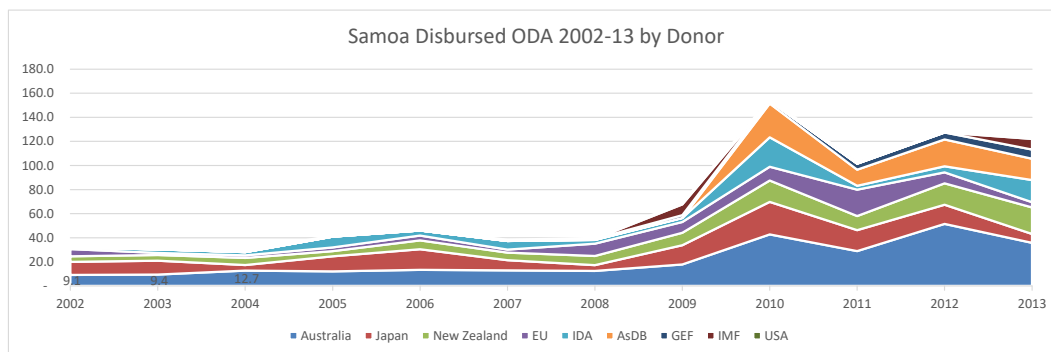


Figure 3: New Zealand Supported Activities, Cook Islands, 2002 to 2013



A similar story emerges in Samoa. As highlighted in Figure 4, aid flows to Samoa increased considerably in 2009 in response to the Tsunami, and levels have stayed high since then. ODA levels increased more than 300% between 2008 and 2010, which is a huge change and difficult for any recipient to absorb.

Figure 4: ODA 2002-2013 (USD)



Source: OECD-DAC CRS Database

As the volume of ODA increased so did the number of donors and the number of aid activities (see Figure 5). The number of donor activities increased by 350% from 100 activities in 2002 to 350 activities in 2013 – this is extensive proliferation by any standard. It is clear from the data presented in Figure 6 that New Zealand has taken significant efforts to reduce its activity numbers particularly since 2011. This is in sharp contrast to the extensive proliferation that has taken place in the Samoan ODA landscape since 2009. This level of consolidation within the context of ongoing donor and activity proliferation is a solid effort and demonstrates a strong commitment to development effectiveness by New Zealand.



Figure 5: All Donor Supported Activities, Samoa, 2002 to 2013⁹

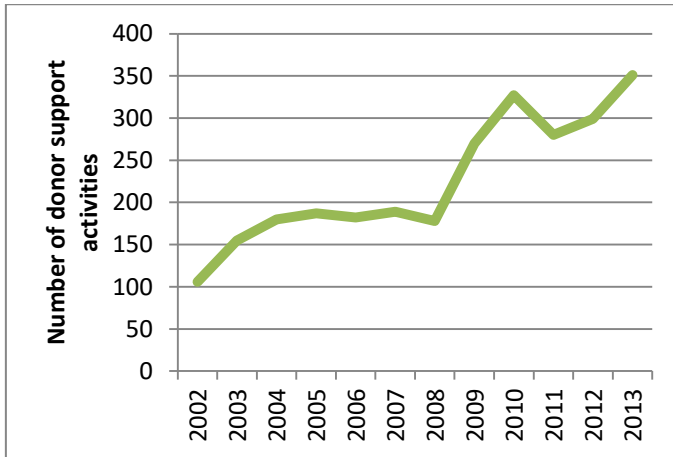
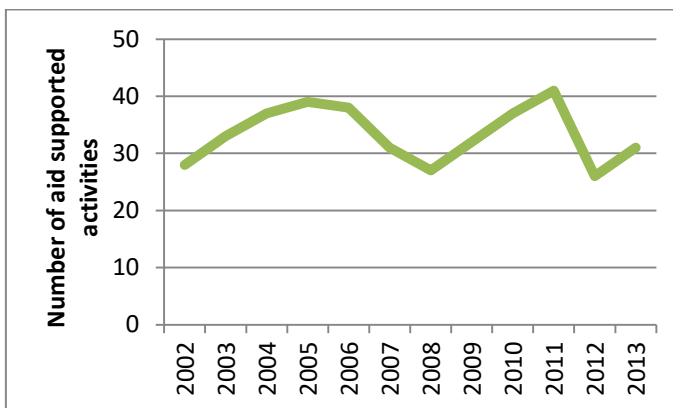


Figure 6: New Zealand aid supported activities



Source: OECD-DAC Database

Relationship Management

The evaluation also examined the relationship between New Zealand and the four countries, and the extent to which this relationship has been conducive to meaningful engagement, supported effective policy dialogue, and allowed strategic issues to be addressed. The focus on relationships is especially important in the Realm state context.

9 All activities reported by bilateral and multi-lateral donors in OECD-DAC database



In the Cook Islands the pursuit of independence from New Zealand, or a higher form of autonomy, is an ongoing issue. Key informants from the Cook Islands interviewed for this evaluation communicated contrasting views about this issue. At one end of the continuum were those who see the Cook Islands' initial move to self-governance in free association with New Zealand as the first step in the move towards complete independence and one that is best for the country, as it may help secure more aid and allow the Cook Islands to mature as a country in a diplomatic and economic sense. On the other hand are those who are critical of this proposal, and who cite the costs associated with it, the impact the withdrawal of New Zealand citizenship may have on labour mobility and the economy, and the fact that it may actually speed up the depopulation that has been evident over time¹⁰.

The consideration of full independence takes place within a milieu of interconnectedness in many areas. The Realm state relationship, and the historical ties between the two countries, has been significantly beneficial to the Cook Islands in many ways, but has also led to significant depopulation. New Zealand citizenship status has enabled Cook Islanders to live, study and work in New Zealand, this has created a pull factor drawing people away from the Cook Islands over the last 40 years. This has significantly reduced the population and radically changed the demography of the country. At the same time it has forged a large number of social and professional networks that enable CIG officials to leverage and transact business with New Zealand agencies in a way that most other non-Realm PICs cannot.

In Niue, the Realm state relationship is a very real and dynamic one. The relationship between New Zealand and Niue is affected very much by unresolved issues and different perceptions regarding the optimal nature of the relationship and the rights and responsibilities of each country. As noted under Section 7 of the Niue Constitution it shall "...be the continuing responsibility of the government of New Zealand to provide necessary economic and administrative assistance to Niue¹¹". However, the meaning of 'necessary' has not been defined by either party. It is clear that due to the constitutional links and other close ties the relationship is not a traditional donor-recipient one. While it may be a 'special' relationship, the broader architecture of development cooperation remains a dominant feature, and the Niue aid programme is therefore subject to the same checks and balances as other aid programmes.

The use of ODA funds to finance economic and administrative assistance to Niue is a source of tension between the two countries. For example there is sensitivity within the Niue government over the use of the word 'aid', and the word 'development' has been removed from the Joint Commitment [for Development] for this reason. There is also tension over the extent to which Niue should be held accountable for the spending of New Zealand ODA. This stems from different interpretations of what is meant by 'necessary economic and administrative assistance'. This affects everything from the timeliness and quality of reporting under an ODA framework to policy dialogue regarding feasible 'development' outcomes for Niue. For the purposes of New Zealand

10 See: <http://pidp.eastwestcenter.org/pireport/2015/July/07-01-07.htm> for an example of this commentary

11 Section 7, Niue Constitution Act (1974) , 29th August 1974



budgeting, Niue is an ODA recipient in much the same way that Indonesia or Tonga is. This is at odds with Niue's conception of itself, however.

On the Niuean side there is a preference for more clarity on exactly what is meant by 'necessary economic and administrative assistance'. It is also clear that Niue would prefer that all 'necessary economic and administrative assistance' be delivered through a direct financial transfer without all the administrative issues associated with accounting for ODA. While this currently takes place within an ODA framework, noting the dependence of Niue on New Zealand's economic assistance, and the limited prospects for economic sustainability, this transfer is, in practice, more akin to a permanent subsidy than an impermanent investment in 'development'. Recent bilateral talks¹² and associated agreements have flagged a move to a higher proportion of aid being delivered as budget support. There is now a commitment on New Zealand's behalf to examine ways to more effectively deliver the 'necessary economic and administrative assistance' to Niue in a way that reduces administration and reporting and lifts policy dialogue to a new level. The appetite to consider these issues has arisen due to the demonstrable improvement in relations over the last few years.

The relationship between New Zealand and Samoa, both independent and sovereign nations, is much more straightforward than that between New Zealand and the Realm states. In 2014, New Zealand and Samoa celebrated 100 years since the beginning of the political relationship. In 1962, in accordance with the growing decolonisation imperative in the United Nations, Samoa became an independent and sovereign state, and a Treaty of Friendship was signed that affirmed the special relationship between the two countries. This treaty continues to influence and shape relations. Samoan government and MFAT staff interviewed for this evaluation characterised the working relationship between the two countries as very strong. There is free and frank dialogue about the purpose and direction of the aid programme, which is strongly owned by the Samoan government. However, some MFAT staff commented on the lack of engagement around key structural and reform-oriented issues that continue to affect the economy, the performance of the public service and the effectiveness of ODA. These high level issues include: the need for ongoing public sector reform, the need for the Samoan government to address its project implementation capacity constraints, the need to adhere to its debt management policy, and the fostering of relationships in certain sectors that affect New Zealand government-funded programmes.

Tokelau is a non-self-governing territory of New Zealand and as such its relationship to New Zealand is considerably different than the other three countries. Tokelau is administered by the 'Administrator of Tokelau', a statutory position appointed by the Minister of Foreign Affairs and Trade. In support of Tokelau's desire to move toward greater self-governance, the executive powers of the Administrator were formally delegated to the Taupulega (Council of Elders) via the Modern House of Tokelau Project in 2004. This resulted in the full transfer or devolution of responsibility for public service delivery with respective budget management to each

12 MFAT (2014) Bilateral Talks Between Niue and New Zealand Governments, 29-30th April, 2014



village Taupulega. Two national bodies, the General Fono and the Council of Ongoing Government deal with issues that need to be handled at the national level.

It is clear from the interviews with Tokelauans in Tokelau that they would like a stronger sense of control over their destiny. Currently there are a number of tensions. For example, Tokelau respondents expressed criticism at New Zealand’s interventions in some areas (for example withdrawal of budget funding) but then questioned the “hands off” approach by the Administrator at other times. Respondents commented that the Administrator rarely attends national meetings. As one respondent commented: “That form of ‘checking in’ is really important, to keep everyone informed.” The interviews with Tokelau respondents indicate they do not see the Administrator as a MFAT official, but as the Administrator of Tokelau and somehow independent of MFAT. When leaders are able to meet with him, there is a view that both sides are able to speak openly and be heard: “When people sit across from each other they can be honest, they don’t hide how they feel about things. This works both ways. But the conversation doesn’t happen until a crisis happens”. At the political level, the Administrator has deliberately taken a hands-off approach in most areas, which aligns with the spirit of devolution and a focus on progressive independence. It is clear from the two referenda that Tokelauans do not want total independence, but on the other hand they also do not want to be told by New Zealand what to do. This tension is an artefact of the political settlement between New Zealand and Tokelau. Aside from this high level tension there is also tension at the village and national levels, as village level priorities take precedence over national level ones. These various tensions create a complex and challenging governance environment.

Policy dialogue

Effective policy dialogue is an important aspect of quality aid delivery and fundamental to the maintenance of a strong and coherent strategy of development cooperation. Policy dialogue is defined as “the expression of a set of values or principles that the leadership of an organisation holds to be important in delivering its mandate or in bringing about change¹³”. The evaluation found that MFAT’s capacity to engage in high level policy dialogue, particularly in technical areas (e.g. economic reform, governance, health policy etc.) is affected by human resource constraints in key areas. The recent OECD-DAC review¹⁴ noted that MFAT’s capability in these technical areas has decreased over time, particularly since International Development Group’s (IDG) incorporation into MFAT in 2009. For example, between 2009/10 and 2014/15 there has been an 18% reduction in full time equivalent staff within the IDG.

While there has been some recruitment of technical specialists, the OECD-DAC review noted that technical expertise is stretched in a number of areas, including economics and cross-cutting issues. A number of key informants from MFAT interviewed for this evaluation

13 ODE (2013) Thinking and Working Politically: An Evaluation of Policy Dialogue in AusAID, April 2013, Department of Foreign Affairs and Trade, Office of Development Effectiveness

14 See Chapter 4 of the OECD DAC Review (2015)



commented on the time pressures they are under with regards to supporting programme teams. The loss of institutional memory that has occasioned the reforms since 2009 (e.g. 50% staff churn since 2009/10) has also contributed to human resource deficits at the sector and country programme levels. Effective high level policy dialogue requires the use of evidence-based technical advice that supports donors' values, and which address pressing development challenges in the recipient country. As the modality shifts to a higher order, so do the discussions around optimal policy settings at macro-economic and sectoral levels. This involves the consistent deployment of technical experts in these policy areas, and this is something that New Zealand needs to ensure it can provide to optimise the quality of its aid delivery.

Summary

The evaluation found that New Zealand's aid delivery is of a high quality but that more could be done to further improve aid delivery. Of significant importance is New Zealand's efforts with regards to consolidation and its move to the use of higher order aid modalities such as budget support. There are only moderate levels of fiduciary risk associated with the provision of budget support. The effectiveness of this support could be improved by adopting a performance management approach, which is customised to the political-economic and institutional factors in each country. Team-based performance management is one suggested approach. New Zealand is a strong and influential partner in each of the four countries, but it should consider strengthening human resource capacity in key technical and operational areas, both at Post (in some countries) and in Wellington, to ensure that the policy dialogue and technical advice it provides is targeted to reform efforts.

Relationships between New Zealand and each of the four countries are very strong and enduring. New Zealand should consider modifying its financial assistance arrangements with Niue and Tokelau so that they more accurately reflect the actual geo-political relationship, which is not a donor-recipient one. In line with this, better capacity building outcomes could be achieved if the relationship between New Zealand government agencies and Realm state counterparts was clarified and interactions made more systematic. New Zealand's strategic framework of assistance works quite well, and it is clear that high level priorities are incorporated into country programmes (as evidenced by the consolidation efforts). Aid quality could be improved if New Zealand improved strategic guidance at the country level. This would involve developing country strategies that consider the broader implementation context, the challenges this context presents, the priorities of New Zealand's aid programme within this context, and how the sum of New Zealand's financial and human resources will be deployed to address the constraints to human and economic development.



3. Findings – Results

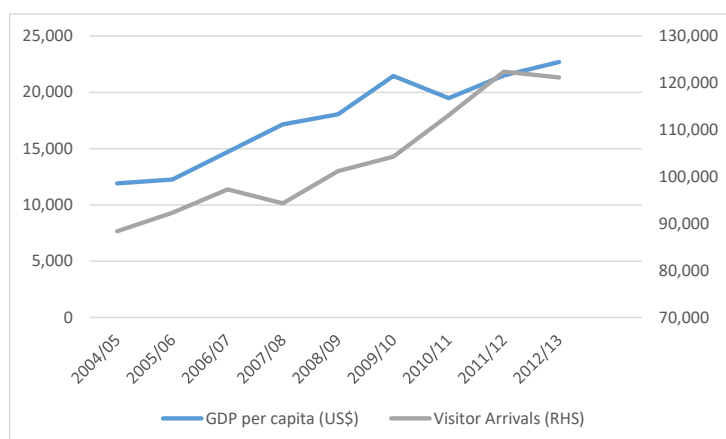
The following section reviews the results of New Zealand’s support for economic and human development in the Cook Islands, Niue, Samoa and Tokelau, the section focuses specifically on tourism, renewable energy, private sector development, health and education.

Tourism

New Zealand’s support for tourism has led to demonstrable economic development outcomes in the Cook Islands and Niue, results in Samoa have been less impressive.

For example, tourist arrivals in the Cook Islands grew by 26,682 or 28% between 2008 and 2014 (see Figure 7). Between 2008 and 2014 the GDP of the Cook Islands increased significantly as well, and a large part of that growth can be attributed to the growth in tourist arrivals, as Figure 7 suggests.

Figure 7: Tourist growth and GDP growth, Cook Islands 2004/5 – 2012/13



The growth in tourism numbers witnessed between 2010-12 coincides with a period of increased investment in tourism by both the CIG and New Zealand governments. CIG annual appropriations for tourism have risen from around NZD4m in the early 2000s to around NZD6m pa since 2011. New Zealand has supplemented this funding with an additional NZD12.4m since 2010/11. Total annual expenditure for tourism over the past 5 years has averaged nearly NZD9m per year. It was during this period (2012/13), that tourism numbers exceeded 120,000 for the first time. The combined efforts of both the CIG and New Zealand have directly contributed to this increase in tourism arrivals.

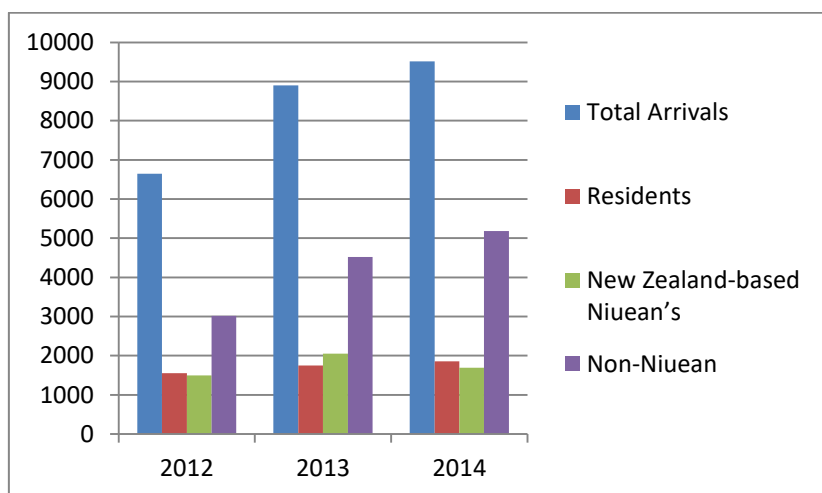
While these gains have been significantly important to the Cook Islands economy, the CIG must now address a number of challenges to ensure the sustainability of tourism. One of the key challenges is to grow the revenue generated by the tourism sector, whilst mitigating environmental harm and accommodation capacity constraints. This will require a



progressive shift away from year on year increases in visitor numbers, to spreading a greater portion of visitors into the shoulder / low seasons and increasing visitor yield i.e. spend per person, per day, per visit. Reforms to the business environment are needed that can promote increased investment in the destination, particularly tourism infrastructure in order to attract higher yield tourists. This will involve improving the regulatory environment and developing incentives for private sector actors to invest in commercial infrastructure.

In Niue, tourism is of growing importance to the economy. In recent years, tourism in Niue has been subject to significant growth. Between 2012 and 2014 total arrivals grew by 2,869, from 6,647 to 9,516 total arrivals – an increase of 43% (See Figure 8). In 2013 tourism generated NZD5.3m for the Niue economy, which was around 25% of GDP in that year. This was up from NZD2.2m in 2010¹⁵.

Figure 8: Tourism arrivals 2012-2014



The continuing growth of tourism is seen as the platform for economic development by the Government of Niue and is strongly supported by the New Zealand government. Over the course of the current JC, New Zealand has invested in various aspects of the tourism industry, including tourism marketing, tourism redevelopment and support for the management of the island’s premier resort – the Matavai. The proposed refurbishment and extensions to the Matavai would bring New Zealand’s total investment in tourism in Niue to approximately NZD25m over eight years.

But a number of issues place New Zealand’s significant investment at risk. Not the least of which is the Niue government’s lack of a strong strategy and medium term plans for tourism and economic development. For tourism to be sustainable in the long-term, other aspects of the

15 Figures from Niue Statistics Office



economy require attention. These include the upgrade and maintenance of economic infrastructure (particularly telecommunications, and waste and sanitation), the availability of a suitably trained work force, addressing land tenure issues to make commercial activities more viable, and integrating sectoral planning under a tourism lens. The weak planning capacity of the Niue government is a serious constraint to this happening and needs to be supplemented. Tourism does have the potential to make a more significant contribution to GDP in Niue, but it is not a panacea for the economy. Niue is, and will remain, dependent on financial flows from New Zealand over the long-term but there is an opportunity to reduce Niue's dependence on these funds. For this to occur a number of broader private sector development and public sector strengthening issues need to be addressed.

Tourism is of central importance to the Samoan economy and one of the focal points of New Zealand's development cooperation. In 2013 tourism contributed SAT468 million to GDP, which was 25% of GDP in that year. New Zealand tourists contributed approximately SAT191 million (approximately NZD111m) to GDP in 2013¹⁶, which is more than three times the New Zealand aid budget. Over the last three years (2012/13 – 2014/15) New Zealand provided NZD6.3m to tourism through three programmes¹⁷: the Tourism Support Programme, Tourism Cyclone Recovery Programme, and the Tourism Dog Management Programme. The performance of these programmes has been variable. A number of technical products have been developed that can lay the foundation for New Zealand's ongoing support. These include the development of the Samoa Tourism Sector Plan, an economic impact assessment of Samoan tourism, and an exit survey and consumer market research. New Zealand is working to develop a new programme of support based on these products. The Samoa Tourism Authority (who manages the Tourism Support Programmes) was, however, unable to deliver these products without significant technical assistance from New Zealand¹⁸. The evaluation also found that the tourism sector in Samoa could be better coordinated and more cohesive and the lack of coordination across the sector may have a significant impact on the effectiveness of New Zealand's support going forward.

Renewable Energy

New Zealand's support for renewable energy is having a demonstrably beneficial impact in small islands states who face significant energy security challenges. For example in the Cook Islands diesel fuel use for electricity generation accounted for 56% of all fuel imports in 2013 (approximately NZD19m per year). With diesel fuel prices expected to grow at an average of 2.9% per year to 2040¹⁹ it is imperative that the Cook Islands economy becomes increasingly decoupled from global fossil fuel markets. New Zealand has supported this decoupling through the **NZD3.8m**

16 Drawing on the results of the abovementioned economic impact assessment this is 41% (the percentage of New Zealand tourist arrivals in 2013) by tourism's contribution to GDP in 2013. The figure may well be much higher as New Zealand tourists spend longer in Samoa than tourists from other destinations, but the available data don't allow for this type of disaggregation.

17 MFAT (2015) Forward Aid Plan, Samoa Country Programme

18 MFAT (2014) Activity Monitoring Assessment, 23rd July 2014

19 ADB (2014)



'Te Mana o Te Ra' or Airport West project. This solar energy system meets 5% of Rarotonga's electricity demand, producing a predicted 1.413 MWh per year. It displaces the use of 375,000 litres of diesel fuel each year²⁰. The displacement of diesel fuel is predicted to reduce greenhouse gas emissions by 1,009 tonnes per year while also reducing exposure to international diesel price hikes²¹.

New Zealand has also invested NZD20.7m over 2013/14 to 2014/15 in the 'Te Huira Natura Ki Te Tokerau', or Northern Group Renewable Energy Project. This project provides solar mini-grid technology that meets the entire electricity demand of the six Northern Group islands of Manihiki, Nassau, Palmerston, Penhryn, Pukapuka, and Rakahunga. This is the biggest economic infrastructure project ever implemented in the Northern Islands group. The project included the provision of eight photovoltaic – diesel – battery mini-grid systems on the six atolls, with a total predicted output of 1.126 MWh per annum²². Each system is designed to supply up to 95% of annual electricity demand on each of the islands (%). The project installation phase began in September 2014 and was completed in early June 2015, representing an incredibly swift process by Pacific island standards. All of the Northern group islands now have a 24 hour electricity supply augmented by a diesel back-up system, which guarantees energy security. The provision of constant electricity supply to health and education facilities is expected to improve human development outcomes on these islands. The project is expected to contribute to increases in economic development opportunities through the better storage of fish for export to Rarotonga for example. The project is expected to result in annual diesel savings of approximately 230,000 litres per annum and up to 436,000 litres per annum once the potential of the systems is fully realised²³, and will reduce greenhouse gas emissions by between 620 tonnes and 1,170 tonnes per annum.

New Zealand has also made some significant renewable energy investments in Samoa, which will help increase energy security. On 1st September 2014, the New Zealand-funded 2.2 Mwp 8,000 panel solar farm was launched. The solar array provides 4.5% of Samoa electricity production and is the largest solar energy project ever constructed in the Pacific Islands. The project displaces 1.1 million litres of diesel fuel per year, which is expected to save the Samoan economy approximately SAT 3.4 million per year (NZD2m) in diesel fuel importation costs. The project was implemented through a project modality using the services of New Zealand consultants who worked in coordination with the Samoan Electricity Power Corporation (EPC) to deliver this project in less than 18 months. There is no doubt that this project delivered a very good result in a very swift period of time. The long-term sustainability of the project and New Zealand's investments in renewable energy are affected by a suite of other issues, which need to be addressed to improve overall sector performance. These include: increasing technical and

20http://www.mfem.gov.ck/images/MFEM_Documents/DCD_Docs/Renewable_Energy/Cook_Islands_Renewable_Electricity_Chart_-_Final_April_2012.pdf

21 IRENA Cook islands Renewable Energy Notes, Internal MFAT Document

22 IRENA Cook islands Renewable Energy Notes, Internal MFAT Document

23

http://www.mfem.gov.ck/images/MFEM_Documents/DCD_Docs/Renewable_Energy/Cook_Islands_Renewable_Electricity_Chart_-_Final_April_2012.pdf



organisational capacity within the EPC, addressing Operations and Maintenance budgeting issues, and strengthening energy sector planning and coordination across the Samoan government.

In Tokelau, New Zealand has invested heavily in renewable energy and this has resulted in Tokelau having arguably the highest proportion of renewable energy generation of any state in the world. Reducing reliance on diesel fuel for energy needs has been a major priority for Tokelau. Like most small Pacific Island nations, Tokelau has been heavily reliant on the importation of fossil fuels for energy generation, at considerable expenditure. With fuel prices expected to grow at an average of 2.9% per year to 2040²⁴, it is imperative that Tokelau becomes increasingly decoupled from global fossil fuel markets.

Figure 9: Solar Panels on Fakaofu



The installation of about 4000 solar panels across the three atolls was completed in 2012, on time and within budget. The NZD8.5m system was funded in part by Tokelau (NZD1m) and through an advance in Tokelau's budget (NZD7.5m)²⁵. The system is managed by the two staff funded by the Tokelau government. Staff on each atoll maintain the individual mini grids, each paid by their village. In the first year of operation, consumption of diesel dropped by 536,000 litres and an estimated 1383 tonnes of carbon dioxide emissions were avoided. There are some issues with regards to the financial sustainability of the installation which need to be addressed going forward. MFAT and Tokelauan government officials noted that power costs are cheap at a uniform 50c per kWh, which does not encourage energy conservation, nor sustainability in terms of earning enough revenue to replace batteries and other parts over time. A tariff of 89c per kWh is required to meet ongoing costs and provide a 15% contribution to the Tokelauan government to allow for contingency, insurance, management and general return on investment. The notional cost for power was decided by the taupulega and there appears to be little appetite to increase the cost.

24 Asian Development Bank (2014) – Economic Assessment, Renewable Energy Sector project

25 Data on funding for the solar system was provided by the Director of Energy.



New Zealand's efforts in the area of private sector development have had some significant impacts but more needs to be done to address some of the persistent challenges in the enabling environment in the Cook Islands, Niue and Samoa.

In Niue, support for the Banking sector has been particularly important. In 2012-13 New Zealand provided NZD1.38m to assist in the continuance of banking facilities in Niue and the establishment of KiwiBank as the sole commercial banker in the country. In 2012 a review²⁶ of transactional banking in Niue was conducted and various recommendations were made. The review found that the existing financial services on the Island (which included BSP, the Niue Development Bank and widespread informal banking) did not meet the current and future needs of Niue. New Zealand acted swiftly and strategically to address the many issues associated with finding a solution. This included providing continued support to ensure Niue was removed from the Financial Action Task Force blacklist²⁷, providing support for the drafting of new legislation, providing assurances and lobbying KiwiBank, providing funds to assist in the establishment of a new banking system, and engaging strategically with political actors. As a result of these activities the transition from BSP to KiwiBank occurred reasonably smoothly and the Niue branch of KiwiBank opened in April 2013, offering a range of banking services to Niueans. Shortly after this, NZ EFTPOS also established services in Niue. There are now 23 EFTPOS terminals covering 26 businesses and six government departments.

While New Zealand's work in the Banking sector has progressed well, more needs to be done to further strengthen the private sector in Niue. A number of issues continue to affect the enabling environment for private sector development. These include the tax and duty structure, the cost of supplies, labour constraints, payment and debt collection issues, limited access to commercial land, lack of insurance, problems with infrastructure (ICT in particular), risks associated with lifeline projects, and the non-implementation of the private sector superannuation policy. New Zealand's country strategy in Niue should highlight how it will support Niue to address these issues going forward.

In Samoa, New Zealand's support for private sector development through the Small Business Enterprise Centre has been impressive. In 2011 New Zealand extended its core support for the Samoan Small Business Centre (SBEC) providing NZD3.92m between 2011 and 2016. An impact assessment²⁸ conducted in 2015 reiterated the importance of SBEC for the SME sector. This assessment found that every New Zealand dollar facilitated by SBEC provides economic value for the Samoan economy. It found that this value varied depending on whether the focus of

26 Burleigh Evatt (2012) Niue Transactional Banking Review, 6th March 2012

27 Niue was placed on the Financial Action Task Force blacklist in 2001 and was on that list until 2012. New Zealand was instrumental in supporting Niue's removal from that blacklist. Niue faced a number of sanctions from the international community following a series of issues associated with and the establishment of shelf companies on the island by the international firm Mossack Fonseca in the late 1990's.

28 McIlrath, L., Marshall, J and S. Mariner (2015) SBEC Economic Impact Assessment – Key Finding, 27th March 2015



the loan and subsequent small business investment was on capital expenditure (CAPEX) or operational expenditure (OPEX). Every NZD invested in Capex has a NZD2.30 effect on GDP compared with NZD1 invested in Opex, which has a NZD2.36 effect on GDP. The latter was also more durable in that the effects on GDP lasted longer. Based on these calculations the evaluation found that since 2008 the total value facilitated by SBEC had increased from SAT3.6 million to SAT32.8 million, and that approximately 1% of the Samoan economy is affected by SBEC in some way. The assessment also found that total employment of the order of 700 new jobs per year was generated through these investments. These are very significant results considering SBECs budget is only NZD1.5m per year, of which New Zealand provides around NZD700,000. These results are all the more important considering the sluggish performance of the Samoan economy, particularly through the various natural disasters since 2009. The provision of ongoing core support for SBEC is clearly a highly cost effective investment.

The sustainability of these results could be further supported by a more targeted approach to addressing persistent private sector development challenges in Samoa. New Zealand should deploy a more strategic and analytical approach to improving the enabling environment for private sector development through the use of the non-bilateral programme. There are numerous barriers that continue to affect business in Samoa including the business regulatory environment, financial services, electricity prices, enforcement of contracts and many others. New Zealand agencies could support counterparts in Samoa to more explicitly address these issues, through the more strategic use of Partnership Funds and other pathways.

Health

New Zealand's support for health has had variable impacts across the four countries. In the **Cook Islands**, New Zealand's most significant investment in health is the Health Specialist Visits Programme, which provides NZD500,000 per year for the Cook Islands Ministry of Health to access tertiary health care services from New Zealand. This support is particularly important considering the aging population and the rising incidence of Non-Communicable Diseases (NCDs). The programme operates effectively and achieves good outputs. On average the Programme provides services to 3000 patients per annum. These services were delivered at a cost significantly lower than that available in New Zealand, primarily because of the low fee rates charged by New Zealand specialists, many of whom operate on a pro bono basis²⁹. New Zealand's support for the HSV is highly regarded by Cook Islands Ministry of Health (MoH) officials. These key informants acknowledged how the HSV programme augments the Cook Islands health budget, which is important noting that over 80% of health expenditure is spent on salaries and operational expenses.

New Zealand has provided significant long-term support to the health sector in Niue. Ranging from the rebuilding of the Foou Hospital after Cyclone Heta, to the provision of New Zealand medical specialists, funding for the Chief Medical Officer and the treatment of Niuean's in

29 See MFAT (2014) Activity Monitoring Assessment, Cook Islands Health Visits Programme, 21st May 2014



New Zealand. New Zealand's funding under the current JC includes NZD1.44m over four years in sector budget support for the Niue Health Sector Support Programme. The programme is implemented in coordination with the Counties Manukau District Health Board (CMDHB) who has been working with Niue counterparts for over six years. The CMDHB provides significant value for money for the programme. The support for locums is seen as particularly critical for the support of ongoing services noting the lack of Niuean doctors. The extensive visits from the CMDHB professionals provides vital services to Niuean's that would otherwise not be available. For example in 2014, 789 cases were treated for a wide range of issues by New Zealand doctors, and 12 medical specialist teams visited Niue to provide services in many areas including: infection control, mental health, paediatrics, orthopaedics, ophthalmology, general practice, cardiology, physical activity, medical technology and dermatology³⁰.

New Zealand's ongoing support for health in Niue is important considering the relatively low health budget. The Niue Department of Health (NDH) receives approximately NZD1.9m per year, 65% of which is used to pay salaries and 30% of which is used for operational expenses. The latter includes the costs of running the hospital (e.g. electricity, which is almost NZD60,000 per year) and other expenses such as pharmaceuticals (which costs upwards of NZD170,000 per year)³¹. These limited funds leave very little room for primary and secondary health prevention activities. New Zealand's funds, which comprise around 20% of the health budget, are vital for the training of medical professionals, the provision of specialist medical services, the provision of medical technology and the ongoing efficient management of the hospital. The paucity of operational funds affects the capacity of the NDH to engage in preventative primary and secondary prevention, which could, over the long run, actually reduce the burden on the health budget – instead stress on the budget is increasing. The primary reason for this is the growth in NCD prevalence. The recent STEPs report highlighted the significant issues associated with NCDs in Niue³², which is the most common cause of death in the country.

In Samoa, New Zealand's most significant recent investment in health has been through the Health Sector Programme (SWAp), which commenced in 2008 and will finish in December 2015. New Zealand committed NZD16.3m³³ to this USD30 million sector wide programme during that period. The health SWAp was the first of its kind in the health sector in Samoa. The two main objectives of the SWAp were to: 'improve the effectiveness of the GoS in managing and implementing its Health Sector Plan using results from sector performance monitoring', and to 'improve access to, and utilisation of, effective, efficient and quality health services to improve the health of the Samoan population³⁴'.

30 Niue Medical Health Visits Table 2014, NDH

31 Key informant 25 per comm (senior health care manager, Ffoo Hospital)

32 WHO (2013) Niue NCD Risk Factors, STEPS report, May 2013

33 MFAT (2013) Activity Monitoring Assessment, Health Sector Programme, 29th April 2013

34 World Bank (2008) Project Appraisal Design, Health Sector Programme



A Mid-Term Review (MTR) of the SWAp was undertaken in 2013³⁵. This review pointed to some mixed results. The MTR noted that the “SWAp fell short of expectations in a number of programme areas”. Chief amongst these was the slow progress in capital works, an issue which continually plagued the project and ended in a no cost extension until December 2015. As of June 2014 only one of the four major capital works projects had been completed³⁶. The slow progress in the infrastructure component was also identified by MFAT who highlighted problems with overruns in infrastructure costing and lengthy procurement processes³⁷. Since the MTR, progress on capital works has gained momentum. The MTR also reported slow progress in the development of a health information system and in the development of breast and cervical cancer screening programmes. The MTR highlighted a number of fundamental issues with the SWAp which undermined its performance, chief amongst these was the lack of effective sector planning, prioritisation and costing.

New Zealand also supports health care in Samoa through the NZD5.02m Institutional Linkages Programme (ILP)³⁸. This programme aims to increase the capability of the NHS to provide medical treatment for Samoans that is of an international standard. Through this programme the Counties Manukau District Health Board (CMDHB) works directly with the NHS to strengthen governance and management, improve clinical services and policies and procedures, and implement the visiting medical specialist scheme, which provides in-country medical services in a wide range of areas. A Mid-Term Review of the ILP was conducted in 2014³⁹. This review recommended that the programme be extended with some modifications to improve effectiveness and sustainability. The report found that the strong relationship between CMDHB and the NHS had facilitated a number of improvements to governance, clinical services and management but that more could be done to more systematically address capacity building issues through better prioritisation and sequencing of activities.

In Tokelau, the effectiveness of New Zealand’s support health is affected by a number of issues, as highlighted in the recent Health Sector Review. The review identifies that capability at the village level, including specialised mid-level and allied health staff (e.g. eye technicians, laboratory and imaging technicians, social workers, mental health workers) is limited. Fragmented workforce development and planning, and some cultural traditions and political issues, prevent practical collaboration, expand atoll inequalities and reduce the effectiveness of clinical service delivery at all levels. Health care is particularly expensive in Tokelau given its isolation and high incidence of NCDs, in particular diabetes. Patient transfers (required because of Tokelau’s isolation) account for about a quarter of its health budget. Approaches informed by evidence and good practice, and explicitly designed to meet Tokelau’s unique health needs and context, are

35 Davies, P (2013) Evaluation of Samoa Health Sector Management Programme (Health SWAp), 21st May 2013, Health Resource Facility

36 Aide Memoire Health SWAp June 9-13th 2014

37 MFAT (2014) Activity Monitoring Assessment, Samoa Health Sector Programme, 5th December 2014

38 MFAT (2014) Programme Activity Approval, International Linkage Programme, 8th July 2014

39 Sapere Research (2014) Evaluation of the Samoa Institutional Linkage Programme, Final Evaluation Report, 25th March 2014



limited. There is insufficient training of health staff. An issue identified by Tokelauan respondents is that health professionals serving Tokelau are not registered to work in New Zealand, this limits their ability to pursue further clinical training.

Education

New Zealand’s support for education has been significantly important across all countries. In the Cook Islands, New Zealand provided NZD9.52m between 2012 and 2015 in sector budget support to the Cook Islands Ministry of Education (MoE). New Zealand’s support provides important resources for the implementation of the MoE’s Business Plan, which is aligned to the Cook Islands Education Master Plan (2008-2028). With almost 90% of the Ministry’s budget allocated to salaries, the MoE has very little domestic resources it can use for improving education outcomes and is highly dependent on New Zealand aid for such activities⁴⁰. A recent evaluation of New Zealand sector budget support for education in the Cook Islands suggests that it is directly contributing to a wide range of improved education outcomes⁴¹. New Zealand supports activities that address the four outcomes presented in Table 1.

Table 1: Headline Results of New Zealand’s support for Education in the Cook Islands⁴²

High Level Outcome	Headline Results
All children in school and completing basic education	Significant decreases in ‘below average or at risk’ classifications for Pa Enua students in both literacy and numeracy as a result of new online learning programme; achieved 93% retention rate for year 10 to year 11 students (3% above target indicator); increase in year 11 to year 12 retention from 60% in 2012 to 75% in 2014; a decrease in retention rates for students from year 12 to year 13 from 69% in 2012 to 54% in 2014; NCEA achievements rates increased at all levels from 2011 to 2014 by around 20%
An increased number of children able to read and write	Improvements in literacy achievement at NCEA level 1 from 85% in 2011 to 91% in 2013; significant improvement in Northern group numeracy achievement in year 3 assessments from 59% in 2011 to 95% in 2013; improvement in cross country year 3 numeracy from 68% in 2011 to 76% in 2013; improvement in NCEA level 1 numeracy achievement from 85% in 2011 to 97% in 2013; improvement in the capacity of teachers to deliver numeracy programmes as evidenced by 100% pass rates of teachers in 2013 University of Auckland Education Curriculum courses.

40 Public Expenditure Review of Cook islands Education, 2013

41 Scott, C (2015) Desk Study for the Evaluation of the Cook Islands Education Sector Budget Support Grant Funding Agreement, 19th January, 2015

42 Modified from Scott (2015)



High Level Outcome	Headline Results
Trained and effective teachers	100% of new Principals completing Auckland University First Time Principal's Programme in 2013 up from a baseline of 75% in 2012; 72 (of 268 teachers) completed further education qualifications by 2012, projected to increase to 198 by 2018; development of Education Act (2012) and subsequent changes to frameworks for teachers; the development of a performance management system for the education department; development of MoE Workforce Plan.
Young people appropriately skilled to participate in the labour market	Development of a TVET strategy (with costing support provided by Volunteer Services Abroad); NZQA and LCG accreditation of courses under the Cook Islands Tertiary Training Institute (CITTI), and development of hospitality related programmes; implementation of CITTI apprenticeship scheme in Hospitality.

A 2013 public expenditure review of the Cook Islands education system highlighted the recent dependence of the Cook Islands on New Zealand funds for education⁴³. The key finding from this analysis was that CIG spending on education (both as a percentage of GDP and as a share of government expenditure) was low by international standards, and insufficient to meet the objectives of the Education Master Plan. In the 2014-15 budget, the total gross education appropriation was NZD14.53m, which is 3.6% of projected GDP⁴⁴. New Zealand's additional support raises this to 3.8% of GDP, which was the minimal level set by the public expenditure review required to ensure sustainable outcomes. While this increase is welcome these are still low rates for education expenditure by international standards, particularly for a country that aspires to a quality of education enjoyed in developed countries. Noting the challenges relating to personnel costs and ongoing service provision in remote locations, the CIG needs to continue to raise its education expenditure and find efficiencies.

New Zealand's support for education in Niue is also of significant importance. The Department of Education is the largest government department in Niue and employs 64 staff, the majority of staff teaching in primary school are of Niuean heritage. There are significantly more expatriate staff teaching in the high school (40% of all high school teachers). Education in Niue is free and compulsory for all students up to the age of 15. There are no fees associated with the provision of education and parents are also provided with a quarterly allowance to cover the costs of uniforms and education resources. Students are taught in Niuean until year 4 and thereafter English becomes the language of instruction. This is part of the countries language protection policy and has been a feature of education in Niue for some time.

New Zealand provides NZD 200,000 per year through the Education Support Programme through a sector budget support modality. These funds are essentially the only significant

43 Public Expenditure Review of Cook Islands Education, April 2013

44 MFEM (2014)



non-salary expenditure available to the DoE. Without those funds the capacity of the DoE to improve teaching quality would be severely limited. Aside from a lack of operational funds a number of other issues affect education outcomes in Niue. Chief amongst these are the low levels of qualifications amongst local teachers and the fact that only approximately 1 in 10 Niuean teachers return to Niue to teach once they have completed or upgraded their training. A second issue is the role language plays in educational achievement. Test results suggest that in the area of literacy, Niuean students lag behind particularly in the early years. As noted above, Niuean primary school students are taught exclusively in Niuean until year 4 and in English thereafter. The DoE believes this is the reason behind the lack of performance. The necessity to teach Niuean to year 4 also reduces the pool of suitable teachers at primary school level, which is an issue considering the problems with retention. A third issue raised by discussants was the lack of high level policy dialogue and systematic technical engagement between the DoE in Niue and counterparts in New Zealand. Despite implementing the New Zealand curriculum since 1995 there is no systematic relationship between the NZ Ministry of Education and Niuean DoE, there is certainly scope for a more systematic level of engagement. Such engagement would help ensure the outcomes of New Zealand sector budget support are more sustainable.

New Zealand has made significant investments in the education sector in Samoa. Between 2007/8 and 2014/15 New Zealand provided NZD25.2m to support Samoa education through three major initiatives: the Education Sector Project II (ESPII), the Samoa School Fee Grant Scheme (Primary), and the Samoa (Secondary) School Fee Grant Scheme. This is a significant investment considering that the Ministry of Education, Sport and Culture's (MESC's) annual appropriation is around NZD50m⁴⁵, of which approximately 70% is for direct education service provision-related activities. The evaluation found that there were some mixed results emerging from the various education programmes. The adoption of the school grant fee schemes into the Samoan budget and the capacity that has to improve access over the long-term is a definite positive, but as yet donor and GoS investment in education has yet to demonstrate improvements in the quality of education and significant increases in numeracy (particularly science and maths), where there are particular deficits.

New Zealand's significant investments in education over the years have produced mixed results but this is not uncommon, certainly in PICs, where the underperformance of donor-funded education programmes has been common⁴⁶, but these results need to be interpreted within the correct context. First, it is clear that the capacity of MESC was weak at the inception of ESP II 8 years ago, and that there were significant changes that needed to take place with regards to curriculum development, teacher development, and the policy environment. MESC also suffers from the same constraints as other GoS departments, such as weak sector planning. Second, there were, and continue to be, significant disparities in school resourcing in Samoa and this has been a

45 GoS (2014) Approved Estimates of Receipts and Payments of the Government of Samoa 2014/15

46 Levine, V (2013) Education in Pacific Islands States – Pacific Islands Policy, Volume 8, East-West Centre, University of Hawaii



feature of the Samoan education system for some time⁴⁷. While the secondary school grant scheme will address this to some limited extent, the historical over allocation to urban government schools is not something that can be addressed in a short period of time. Third, there is a growing recognition that the focus needs to shift from improving access to improving the quality of teaching. This is something that MFAT has recognised and is addressing through the design of the new Education Sector Support Programme.

In Tokelau, the focus of activities identified in the JCfD has been on opportunities for Tokelauans to access tertiary training via scholarships, short term attachments and apprenticeships, and developing a strategy for improved management and governance of schools. In 2013 the New Zealand Education Review Office (ERO) undertook a national evaluation of the early childhood education (ECE) and schooling provision in Tokelau. This review confirmed many of the challenges facing the Tokelau education system that were identified in the TNSP and Tokelau Education Sector Strategy Plan 2008-2013. An outcome of the ERO findings has been the implementation of a five-year special project, funded by New Zealand, to work on improvements to education services in Tokelau. Massey University has been contracted to work alongside teachers and principals on each atoll to help increase the effectiveness of teachers and school leadership. It is not clear what role the New Zealand Ministry of Education has in supporting Tokelau to develop capacity and appropriate education resources.

Summary

New Zealand's support for economic and human development has produced some strong results across all four countries, but a number of challenges must now be addressed to ensure these results are sustainable over the long-term.

In the area of economic development, New Zealand investments in tourism have contributed to increases in GDP in the Cook Islands and Niue and this is a strong result. Tourism numbers have climbed considerably in recent years. In order to build on these investments and ensure sustainability New Zealand and recipient countries need to strengthen the enabling environment for private sector development, extract more value from tourism, and improve tourism sector planning and coordination. New Zealand's investments in renewable energy have been particularly important as well and have helped improve energy security, which is very important in small island states. To ensure sustainability, effort should be concentrated on building the capacity to maintain existing infrastructure, and develop credible energy sector plans and viable models for renewable energy financing. New Zealand's efforts in private sector development have achieved some sound results, but the enabling environment for private sector development remains weak across all countries and more needs to be done to address the structural issues that affect private sector investment. New Zealand could address this in a more systematic and analytical fashion through its country strategies.

47 Male, A (2011) Structures, history and hope: A case study of mechanisms that maintain advantage in education, *International Education Journal: Comparative Perspectives*, 2011, 10(2), 113-126.



In the area of human development, New Zealand's support for health has generated some good results where there has been strong institutional linkages. There has been less success supporting sectoral approaches. This is primarily due to a lack of good policy development, weak sectoral costing, prioritisation and planning by recipient governments. New Zealand's visiting medical officer schemes provide a high level of tertiary health care in small island states that would otherwise be prohibitively expensive. In the area of education, it is clear that the countries reviewed rely on New Zealand funds for operations spending over and above their salary budgets. Some countries have also benefited from having access to New Zealand curriculum, qualifications frameworks and tertiary education. Education budgets in these states are very tight and New Zealand's funds enable countries to improve quality outcomes. New Zealand's support for education has been more successful when it has been delivered through a strong Ministry of Education with good leadership, strong policies and good planning. Establishing a more systematic relationship between the Ministry of Education in New Zealand and recipient country Departments of Education would help strengthen education outcomes in some countries.



4. Conclusion and Recommendations

With regards to the Key Evaluation Question, the evaluation found that New Zealand's aid programmes have contributed significantly to economic and human development in each of the four countries. However, a number of issues to do with recipient government capacity and a weak enabling environment for private sector development affect the sustainability of results. In order to address these issues New Zealand should adopt a more strategic and analytical approach to the deployment of all of its technical, institutional and financial resources and focus on addressing persistent public and private sector issues in all countries over the medium to long-term.

Key lessons emerging from this evaluation include:

- MFAT can operationalise high level policy priorities quickly and effectively.
- To influence reform in small island contexts, close and ongoing relationships between recipient and donor country technical staff/advisors are required over the long-term.
- The closer the institutional linkages between New Zealand and small island state government agencies the better the human development outcomes.
- Recipient government capacity constraints have a significant impact on the sustainability of results and need to be the focus on long-term capacity building strategies.
- Deficits in the enabling environment for private sector development affect the long-term sustainability of economic development investments and need to be addressed in a systematic way.

The evaluation makes the following recommendations:

1. MFAT should formulate a new process for the development of country strategies that includes its whole-of-government partners. This process should result in the development of analytical country strategies that highlight the major constraints to economic and human development and articulate how the sum of New Zealand's resources will be used to address these issues. Associated with these high level plans should be a series of more in-depth Investment Plans that target key areas (i.e. Tourism and Non-Communicable Diseases).
2. In order to improve coherence, the primary focus of Country Strategies should be the bilateral programme. Other funding modalities should be deployed in a way that supports the bilateral programme to address the constraints identified in the country strategy. Investment Plans can be used to outline how multiple funding pathways can be used to achieve the priorities outlined in the Country Strategy.
3. In order to address human resource deficits, MFAT should increase its human resource allocations in technical and operational areas that support quality policy dialogue and the shift to higher order aid modalities. To support this, Country Strategies should be linked to business unit or operational plans. These plans should outline the technical and operational capabilities available to



the Country Programme and how these resources will be deployed to support the priorities outlined in the Country Strategy.

4. In the area of human development, New Zealand should prioritise reducing Non-Communicable Diseases, as this is the single most pressing development challenge in each of the four countries, which aside from its impacts on human health could have significant impacts on health budgets, and ultimately on economic development and potentially on migration to New Zealand from the Realm states.

5. In the area of economic development, New Zealand should focus on improving the enabling environment for private sector development in the Cook Islands, Niue and Samoa in particular.

6. New Zealand can consolidate its programmes further through a progressive move to budget support in the Cook Islands and an increase in budget support in Samoa. This should be accompanied by a performance management programme that systematically addresses fiduciary and development risks in partnership with each country.






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