

## Independent Evaluation of the Niue Programme

### Key findings from Adam Smith International



#### Results highlights

New Zealand investments have contributed directly to a significant increase in tourism numbers over the last few years. Business confidence is up, and the provision of new banking services has helped improve financial services. However, a number of economic barriers need to be addressed. Education support in Niue is delivered in a cost-effective manner. In health, non communicable diseases (NCDs) will have significant impacts on future budgets.

#### Context

Niue is a self-governing Realm country in free association with New Zealand. New Zealand is Niue's largest donor. New Zealand is constitutionally obliged to provide financial and administrative support to Niue.

#### The relationship

There are a range of perceptions about the optimal nature of the relationship and the rights and responsibilities of each country. Niue would prefer that assistance be delivered through direct financial transfer. Assistance currently takes place within the overseas development assistance framework. However New Zealand's economic assistance is key to Niue meaning that the transfer is of a permanent nature. A move to a higher proportion of aid being delivered as budget support has been flagged. New Zealand is also committed 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.

#### Aid Quality

New Zealand provides both general budget support and sector budget support to Niue. The evaluation found that 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 commented that Niue faces challenges that need to be addressed to improve development effectiveness. These include medium-term budgeting and planning and procurement. Niue has a strong strategic vision, its capacity to operationalise that vision is limited because of the challenges noted above.

The evaluation considers that Niue could move to a more predictable, coordinated, harmonised and balanced approach to budget support. However, given fiduciary risks associated with its provision are relatively high, more reform is required before more flexible funding can be provided.

#### Adam Smith International Recommendations

In order to better fulfil its Realm country obligations New Zealand needs to assist Niue by systematically addressing the key constraints to economic development and better governance. A change in the type of financial relationship, coupled with a long term performance-based approach to capacity building could be the catalyst for a shift that would improve development effectiveness.

# Insights into Economic and Human Development Outcomes for Niue



## Tourism

New Zealand's support contributed directly to significant increases in tourist numbers over the last 3 years. There was a 240% increase in tourism's contribution to GDP over that time, rising from NZD2.2 million in 2010 to NZD5.3 million in 2014. The Government of Niue sees the continuing growth of tourism as a platform for economic development, strongly supported by New Zealand. The lack of a strong medium term plan for tourism and economic development places New Zealand's investment in tourism at risk. Furthermore, for tourism to be sustainable in the long term, other aspects including the upgrade and maintenance of infrastructure and the retention of a trained workforce need to be addressed.



## Private sector development and banking

Banking sector support in Niue has been particularly important. In 2012-13, New Zealand supported the continuance of banking facilities in Niue which has helped improve the efficiency, effectiveness and security of financial services in Niue.

The evaluation noted that more needs to be done to further strengthen the private sector with a number of issues affecting the enabling environment. 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 life-line 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.



## Health

Considering Niue's relatively low health budget, New Zealand's ongoing support for health is important. Most of Niue's budget covers salaries and operational expenses, leaving little room for primary and secondary health activities. New Zealand funds comprise about 20% of the health budget and are vital for training of medical professionals and providing specialist medical services and technology.

The lack of discretionary funds affects the capacity of the health service to engage in preventative health care which could, in the long term, reduce the budgetary burdens. However the budget is increasing because of the growth in non communicable diseases (NCDs). NCDs are a significant issue in Niue and are the most common cause of death in the country.



## Education

The Department of Education (DoE) is the largest government department in Niue. New Zealand provides education sector support which is essentially the only significant non-salary expenditure available for education. Without these funds, the capacity to improve teaching quality would be severely limited.

Issues that affect education in Niue include the low levels of qualifications amongst local teachers and the role language plays in educational achievement. Test results show that Niue students lag behind in literacy in the early years. The DoE believes that students being taught exclusively in Niuean until year 3 is the main reason for these results.

There is also a lack of high level engagement between the DoE and New Zealand's Ministry of Education. More systematic engagement would help ensure that outcomes of sector budget support are more sustainable.

***This document is drawn from Adam Smith International's independent evaluation of the Niue country Programme completed in 2015.***

**[Click here for the full report.](#)**