Evaluation of New Zealand's Development Cooperation in Tuvalu

Final Report

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ALLEN+CLARKE
EVALUATION AND RESEARCH

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AUD	Australian dollar
CPU	Central Procurement Unit
CIF	Consolidated Investment Fund
DFAT	Department of Foreign Affairs and Trade (Australia)
DAC	Development Assistance Committee
DCC	Development Coordination Committee
EU	European Union
FFA	Forum Fisheries Agency (Pacific Islands)
FTE	Full Time Equivalent
GDP	Gross Domestic Product
GEF	Global Environment Facility
GNI	Gross National Income
GoT	Government of Tuvalu
HIES	Household Income and Expenditure Survey
HOM	Head of Mission
HRD	Human Resource Development
ICT	Information and Communications Technology
JICA	Japanese International Cooperation Agency
JCfD	Joint Commitment for Development
JV	Joint Venture
LDC	Least developed country
MTS	Medical Treatment Scheme
MBIE	Ministry of Business, Innovation and Employment (New Zealand)
MDG	Millennium Development Goal
NCDs	Non-communicable diseases
NDMO	National Disaster Management Office
NGOs	Non-governmental organisations
NZD	New Zealand dollar
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development

PAC	Pacific Access Category
PICs	Pacific Island countries
PMSP	Pacific Maritime Safety Programme
PNA	Parties to the Nauru Agreement
PPDVP	Pacific Prevention Domestic Violence Programme
3P	Partnership for Pacific Policing
PRM	Policy reform matrix
PFM	Public financial management
PWD	Public Works Department (Tuvalu)
RSE	Recognised Seasonal Employer
SELF	Student Education Loan Fund
SPC	Secretariat for the Pacific Community
SPP	Strengthening Pacific Partnerships
SPREP	South Pacific Regional Environment Programme
TC	Tropical Cyclone
TK I, II, & III	Te Kakeega I, II, and III
TA	Technical Assistance
TCAF	Total country aid flow
TANGO	Tuvalu Association of NGOs
TEC	Tuvalu Electricity Corporation
TMTI	Tuvalu Maritime Training Institute
TMTS	Tuvalu Medical Treatment Scheme
TTF	Tuvalu Trust Fund
TTFAC	Tuvalu Trust Fund Advisory Committee
TVET	Technical and vocational education and training
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
USP	University of South Pacific
VMS	Visiting Medical Specialist
WHO	World Health Organization

EXECUTIVE SUMMARY

This report presents findings and recommendations from an evaluation of New Zealand's development cooperation in Tuvalu over the period 2012 to 2016. The main purpose of the evaluation is to inform improvements to the Tuvalu country programme and the future strategic direction of New Zealand's development cooperation in Tuvalu.

Three high level questions guided the evaluation:

1. How well was New Zealand's development cooperation designed and delivered?
2. What are the results of New Zealand's development cooperation and how sustainable are these results?
3. How could New Zealand's development cooperation support improved development outcomes in Tuvalu?

The evaluation involved a design phase, consisting of a document review and a small number of interviews with New Zealand and Pacific-based stakeholders to determine scope and focus. This was followed by an implementation and analysis phase, with a review of over 80 documents, a ten-day research mission to Funafuti and Suva in July 2016, and interviews with 90 stakeholders in Tuvalu, Suva and New Zealand.

Findings

The way New Zealand's development cooperation in Tuvalu has been designed and delivered is largely consistent with principles of development effectiveness. The programme demonstrates relevance to and alignment with Tuvalu's national development strategy and priorities, and is implemented through strong partnerships with the government and other donors. Tuvalu's ownership of its development priorities has been strengthened through some of New Zealand's investments. The results achieved through the development cooperation are largely very positive, although the long-term impact and sustainability of results are yet to be determined.

Design and delivery

Tuvalu has had a sequence of national development plans, including *Te Kakeega II* (TKII) for 2005–2015, and has established functional units to lead and coordinate its development planning. Its development plans are all-encompassing and do not include clear strategic focus or prioritisation. New Zealand's programme of development cooperation in Tuvalu is reasonably well-aligned to the country's broad development priorities; however, there are gaps in alignment, for example around TKII's focus on technical and vocational skills.

New Zealand's development cooperation is guided by several New Zealand Aid Programme strategies and country-specific agreements. There is, however, a lack of a longer term development intent articulated for Tuvalu which makes it less clear what constraints New Zealand is trying to address, what mission and overarching results it is trying to achieve, and how the different activities and modalities being delivered complement and connect. Having a more developed framework would be beneficial for Tuvalu and New Zealand as it would enhance predictability and accountability for development results, and would contribute to development effectiveness.

New Zealand has contributed to the strengthening of Tuvalu's systems and institutions, most notably in its contributions to the Tuvalu Trust Fund (TTF) and Tuvalu's economic reform programme, known as the Policy Reform Matrix (PRM). The governance, advisory and monitoring processes around these initiatives have provided effective mechanisms for strategic policy dialogue with the Government of Tuvalu (GoT). While the ownership of these mechanism does not fully lie with Tuvalu, the PRM in particular strikes a delicate balance between development country ownership and performance management. In addition, New Zealand has provided technical advisors (TA) for several sector reforms and for institutional strengthening, notably to the Fisheries Department and the Tuvalu Electricity Corporation.

New Zealand has also designed and delivered three significant projects outside of government systems over the last four years. These projects have been in renewable energy, maritime transport, and land remediation associated with the 'borrow pits'. The decision to implement these through project modalities was made jointly by Tuvalu and New Zealand, based on an assessment of local capacity. The evaluation found that the projects worked closely with Tuvalu government systems and incorporated mechanisms for building local capacity and ownership of the projects. As an aid modality, these projects have worked very well and appear to be an appropriate response and consistent with development effectiveness principles. More could be done to include the local workforce on such projects, with specific attention paid to women and youth.

The focus on establishing local partnerships at an implementation level has been a real strength of the delivery of New Zealand's development cooperation. Several examples of effective partnerships were reported to the evaluation team, best illustrated in the consultation on the design of the Borrow Pits Remediation Project, and the implementation of a policing partnership between the New Zealand Police and the Tuvalu Police.

Expenditure associated with New Zealand's development cooperation in Tuvalu has grown significantly over the past four years due to large investments in infrastructure. Over this period of growth, the programme has not fragmented and has remained reasonably well focused in terms of sectors and number of activities.

Over the past four years, donor coordination and strategic dialogue with Tuvalu has improved as a result of engagement in PRM and TTF governance and management processes. There is a need, however, for more regular and structured Tuvalu-led coordination. New Zealand has effectively coordinated its investments in renewable energy with the European Union and scoping work on ICT with the World Bank. However, donors did report that New Zealand was often 'missing from the table' at donor discussions in Suva and may be missing out on timely information as a result.

New Zealand has a local coordinator in Tuvalu but no high commission or post. The management of the programme has undergone significant change over the past four years, with rotation of staff and a shift in administration from Suva to Wellington, in parallel to a recent rationalisation of projects and expenditure. The new 'regime' is now beginning to bed down and communication between New Zealand and Tuvalu has recently improved, in part due to a series of recent visits from New Zealand officials to Tuvalu. There is no reason to suggest that the programme cannot be effectively managed from Wellington, but it will be important that New Zealand sustains frequent engagement with the government and other donors.

Results and sustainability

In lifting economic performance, the first outcome area in the Tuvalu-New Zealand Joint Commitment for Development (JCfD), New Zealand's support in public financial management has helped Tuvalu to achieve balanced budgets and improve the management of its finances. The investment includes support for the TTF and the PRM. Currently valued at around AUD 153 million, the TTF generates up to AUD 5 million in distributions annually. The balance of the Consolidated Investment Fund (CIF), which receives these distributions, currently stands at AUD 35 million. New Zealand's support for strengthening the fisheries sector has helped increase Tuvalu's capacity to engage and promote its interest in regional negotiations on oceanic fisheries. This has contributed to strong growth in revenue from fisheries licenses, from AUD 13 million in 2014 to AUD 26 million in 2015.

Results from New Zealand's cooperation regarding workforce skills development are mixed. New Zealand's support in this area has primarily consisted of the provision of scholarships, however the effectiveness and impact of this investment is difficult to establish in the absence of robust data, a tracer study or evaluation. The programme has focused on higher academic courses, while it is argued that Tuvalu's workforce needs are better met by focusing on technical and vocational education and training. Having key staff abroad on scholarships for extended periods contributes to persistent capacity constraints within the government and disrupts policy reform programmes and project implementation.

New Zealand's support for renewable energy has contributed to immediate benefits, including greater reliability of electricity supply in the outer islands and reduced dependency on diesel imports. These are contributing to wider benefits, such as increased self-reliance, improved storage of medicines and vaccines in the outer islands, and improved safety through reduced risk associated with transferring and transporting diesel to the outer islands. Although current data is only indicative, there are concerns about the cost/benefit of New Zealand's investments in renewable energy. Longer term benefits of the project will, to a large extent, depend on Tuvalu's ability to effectively plan for, fund and implement necessary infrastructure maintenance and replacement work. The connection between renewables and climate change mitigation for a nation that advocates strongly on the global stage for action on climate change, should not be ignored.

The remediation of the borrow pits has led to some immediate results such as an 8 percent increase in land area, improved aesthetics, reduced health risk, and improved resilience to storm surge and sea level rise. Over the longer term, it is reasonable to expect that these will lead to improved health outcomes. Other long-term benefits could be expected, but are subject to landowners' decisions on how they will use the additional land. The project has also contributed to an increase in Tuvalu's confidence to undertake other land reclamation projects. Within the context of adaptation to sea level rise, this impact could be significant; as could the environmental consequences of inappropriate coastal reclamation.

New Zealand's development assistance to Tuvalu has included initiatives delivered through partnerships between New Zealand agencies. The Recognised Seasonal Employer (RSE) scheme delivers benefits for around 70 participants annually, their wider communities, as well as New Zealand employers. It satisfies Tuvalu's requirement for increased access to employment opportunities, given limited domestic opportunities, and is an important source of remittances. However, Tuvalu struggles to compete with other Pacific countries in gaining greater access to the RSE scheme, due to a combination of cost and scheduling of flights to New Zealand, a lack of marketing of workers from Tuvalu to New Zealand employers, and in some instances, English language barriers.

Up to 75 Tuvaluans gain permanent residency to New Zealand each year under the Pacific Access Category (PAC) visa scheme. As with the RSE scheme, this provides work opportunities that are an important source of revenue for residents of Tuvalu through remittances. Similarly to the RSE, however, Tuvalu does not appear to achieve the same results under the PAC as other Pacific populations. On average, migrants from Tuvalu have comparatively lower education levels and earn comparatively lower incomes than other Pacific populations accessing the PAC.

The New Zealand Police's programmes in Tuvalu are generating promising results in breaking down cultural barriers pertaining to domestic violence and building trust and confidence in the Tuvalu Police Force. The programmes have tailored support to locally determined needs and involve quarterly in-country visits to build capacity, monitor implementation and identify future support needs. The sustainability of these benefits is at risk if New Zealand withdraws its support in 2017, as is currently planned. The cultural and behavioural change that the programmes are seeking to facilitate require long-term support.

New Zealand's support in the health sector is dominated by the Medical Treatment Scheme. While important and valued, it has limited funding and only provides treatment to approximately four to six people each year through overseas referrals. It has not delivered the expected level of support for in-country treatment through visiting specialists.

As well as the constraints and enablers to sustainability discussed above, the evaluation has identified cross-cutting constraints that are likely to affect the range and longevity of the results achieved. Some of these are related to the design of New Zealand's Tuvalu programme, and some to constraints in Tuvalu. These include a lack of a development framework and theory of change based on Tuvalu's structural constraints and setting out New Zealand's long-term intentions for development cooperation to Tuvalu; threats associated with climate change and disaster risk; insufficient consideration of gender perspectives, youth and human rights; low capacity within Tuvalu; and poor maintenance of capital assets.

Improvements

To guide strategic improvements to the effectiveness and quality of New Zealand's development cooperation in Tuvalu, the evaluation proposes a framework that focuses on the country's structural constraints, key mechanisms to respond to these constraints, and the desired results. This framework is used as a basis for identifying opportunities to strengthen New Zealand's support to Tuvalu. The framework would support the development of a programme theory of change, developed by New Zealand in partnership with Tuvalu, as part of a proposed Tuvalu country strategy for New Zealand's development cooperation.

The main structural constraints to Tuvalu's development relate to its small size, remoteness and limited natural resources. These combine to limit opportunities, create significant dependency and increase Tuvalu's vulnerability to exogenous shocks. These vulnerabilities are exacerbated by the expected impacts of climate change.

Managing risk associated with climate change needs to be integrated across New Zealand's programme of support for Tuvalu. As well as identifying opportunities for New Zealand to strengthen its approach to resilient development programming, the evaluation recommends New Zealand's support be based around: ensuring Tuvalu remains inhabitable for as long as possible; and ensuring the population is well-equipped in the event of displacement through, for example, building skills and capacity that would ease the effects of moving to another island or country. New Zealand, therefore, needs to be responsive to Tuvalu's immediate needs but also have an eye towards the longer term.

The evaluation proposes an overall mission for New Zealand's development cooperation in Tuvalu of 'Prosperity for all Tuvaluans' and high level objectives of 'Inclusive and sustainable development' and 'Increased resilience to shocks'. The opportunities to bridge the gap between Tuvalu's constraints and these desired outcomes are framed around three mechanisms: enhancing capability, self-reliance, and governance capability.

To enhance capability, the evaluation suggests New Zealand could deliver better outcomes for Tuvalu by:

- better aligning its support to the results of an ongoing GoT workforce planning exercise, including a refocus towards providing technical and vocational training opportunities
- considering how it could support Tuvalu to deliver short-term, in-country training
- supporting Tuvalu to strengthen English language competency
- strengthening the involvement of the local workforce and the provision of training opportunities when using project modalities for future infrastructure projects.

To build Tuvalu's self-reliance, the evaluation suggests New Zealand could deliver better outcomes for Tuvalu by:

- continuing to be an active partner in the governance of the TTF
- focusing on the successful completion of current support for the fisheries sector, and considering how to ensure ongoing specialist support for the sector at the same time as encouraging Tuvalu to take greater ownership for the management of its fisheries
- exploring ways to extract more value from fisheries through employment opportunities
- supporting Tuvalu to maximise labour mobility opportunities
- contributing to a more conducive environment for private sector led development, initially through consolidating reforms to government procurement processes.

To enhance governance capability, the evaluation suggests New Zealand could deliver better outcomes for Tuvalu by supporting improvements to government effectiveness through:

- deepening its involvement in the PRM by strengthening its role in helping Tuvalu to operationalise priority reforms, including through the provision of specialist TA
- engaging with the GoT and other PRM partners to achieve more equitable distribution of revenue in health and education, potentially through expectations set out in performance-oriented budget support
- continuing to focus on strengthening government systems when using project modalities
- supporting Tuvalu to operationalise and mobilise resources for asset management planning.

In addition to identifying these strategic opportunities for how New Zealand might support Tuvalu to response to its structural development constraints, the evaluation concludes with a set of priority strategic recommendations.

Recommendations

This evaluation recommends that:

1. Together with Tuvalu, New Zealand should develop a theory of change to inform a strategy for its development cooperation in Tuvalu. The strategy and its underpinning theory of change should include a shared mission that defines what Tuvalu is developing for, taking into consideration not only what is achievable and sustainable, but also desirable. The strategy and underpinning theory should make constraints and opportunities explicit, and should inform long- and medium-term outcomes, policy priorities and investments. Any new investments should be derived from and tested against the theory of change.
2. To support the achievement of optimal focus for its development cooperation to Tuvalu, New Zealand should deepen its engagement in strengthening public financial management. This would require strengthening its involvement in policy dialogue that takes place within the framework of the PRM, and offering technical advisory support and budget support for reforms prioritised by the Government of Tuvalu. Engagement in the PRM is also a strong platform for donor coordination and for government ownership over Tuvalu's development priorities.
3. New Zealand should prioritise the successful completion of its current support for fisheries and deepen its engagement in this sector through policy dialogue and further technical advisory support. Further support should be aimed at increasing Tuvalu's ownership of this critical resource through promoting investment back into fisheries operations and management, and exploring how Tuvalu can gain greater employment from its fisheries resources.
4. New Zealand should work closely with the Government of Tuvalu in the ongoing workforce planning and scholarships review to determine how it can best complement Tuvalu's human resource development needs. This may result in New Zealand supporting Tuvalu with more technical and vocational education and training (including to support private sector, informal and subsistence economic activity), assisting with delivering short-term in-country training, or continuing to provide targeted higher education scholarships for specialised skills and professions.
5. New Zealand should support Tuvalu to maximise use of its labour mobility schemes. This would require addressing barriers to access such as poor marketing of Tuvalu as a source of workers and poor levels of English language ability. This support should be of wider benefit to Tuvalu through enhancing access to other off-shore employment opportunities, such as through the PAC scheme and international seafaring.
6. If New Zealand continues to invest in large stand-alone initiatives, it should use project modalities to avoid disruption and burden on an already capacity-constrained government. Any projects modalities should still look to strengthen government systems and local ownership, and to recruit a local workforce, with special attention paid to identifying jobs that can be filled by women and youth.

1. INTRODUCTION

New Zealand's development cooperation to Tuvalu commenced following independence after the break-up of the Gilbert and Ellice Islands and the end of British colony status in 1978. The first significant support from New Zealand was its role as one of the founding contributors to the Tuvalu Trust Fund (TTF). Beyond the TTF, the programme was for many years focused on educational scholarships and support for medical treatment. The programme grew and diversified after 2007, mainly due to large infrastructure projects, with a peak in expenditure over 2013/14 to 2015/16.

Over the period covered by this evaluation (2012 to 2016) New Zealand's bilateral programme included support for the TTF and public financial management, investment in renewable energy infrastructure, fisheries sector support, support for land remediation, support for widening reef channels and constructing navigational aids for shipping services, and support for specialised medical treatment. In addition, through multi-lateral investments, New Zealand continued to provide educational scholarships, provided relief and recovery assistance following Tropical Cyclone Pam, and provided support through partner agencies, such as in policing, labour mobility and health. These all make up New Zealand's total country aid flow (TCAF) to Tuvalu.

1.1. Evaluation purpose and design

1.1.1. Purpose

The main purpose of the evaluation of New Zealand's Tuvalu country programme is to inform improvements and the future strategic direction of the programme. The evaluation focuses on assessing to what extent, and under which circumstances, the range of aid modalities and approaches across New Zealand's investments have led to intended national and/or sectoral level development outcomes. To do this, the evaluation seeks to answer three high level questions in respect of New Zealand's support to Tuvalu:

1. How well was New Zealand's development cooperation designed and delivered?
2. What are the results of New Zealand's development cooperation and how sustainable are these results?
3. How could New Zealand's development cooperation support improved development outcomes in Tuvalu?

New Zealand's development cooperation encompasses all activities designed to address challenges to, and enablers of, development in Tuvalu. This includes development cooperation delivered through the New Zealand Aid Programme and its implementing partners; broader development and foreign policy dialogue and engagement; and financial, capacity and policy support provided by other New Zealand agencies. In addition, the evaluation considers the above questions in the context of other countries' development cooperation to Tuvalu.

1.1.2. Evaluation scope

The evaluation focused on the impact of activities conducted by MFAT over the period 1 July 2012 to 30 June 2016. To assess the impact and effectiveness of the programme, the evaluation considers aspects of the programme as far back as 2007 and the evaluation team met with a range of development organisations with interests in Tuvalu. To assess the relevance of current strategic settings, Tuvalu's current and future development needs are considered.

The evaluation focuses on New Zealand's TCAF. As such, it has considered New Zealand's whole-of-government approach to Tuvalu and New Zealand's broader domestic and foreign policy priorities and how those may mutually benefit New Zealand and Tuvalu. The evaluation has also covered processes such as strategy development, programme implementation, bilateral relationships and donor co-ordination. Due to uneven data availability, some investments have been more robustly assessed than others. The geographic focus encompasses the nine atolls and islands that make up Tuvalu.[1]

The evaluation has a summative and a formative perspective. The summative perspective refers to the delivery of the programme and the results achieved during the past four years, while the formative focuses on recommended improvements for the future.

1.1.3. Evaluation design

Underpinning the three high level questions are six key evaluation criteria and questions:

1. Relevance: How well designed is the programme?
2. Efficiency: How well is the programme being implemented and managed?
3. Effectiveness: What difference has the programme made?
4. Impact: What difference has or is the programme likely to make over the long-term?
5. Sustainability: To what extent are the benefits of the programme likely to continue?
6. Future direction: How could the programme be improved?

The six key evaluation questions formed the basis for an evaluation framework, with more specific questions for each element. Integrated throughout the framework were considerations such as ownership and accountability, inclusive partnerships, value for money, and consideration of cross-cutting issues including gender and human rights.

The evaluation had two phases:

1. Phase One involved determining the scope of the evaluation. It included document review and interviews with Wellington-based stakeholders (including MFAT staff) as well as stakeholders in Tuvalu, Fiji and Australia via teleconference.
2. Phase Two focused on implementing the evaluation as per the scope identified in Phase One. It involved interviews with 90 key informants (31 in Wellington, 46 in Tuvalu, six in Fiji, and seven in other locations) and a review of over 80 documents. It also involved the discussion of preliminary findings with MFAT staff to support explanation and interpretation of the emerging findings.

The approach has built on MFAT's utilisation focused methodology, whereby the usability of the findings has been at the forefront of the evaluation design and process.

[1] Funafuti, Nanumea, Nanumanga, Niutao, Nui, Vaitupu, Nukufetau, Nukulaelae and Niulakita atolls.

1.1.4. Strengths and limitations

The evaluation saw very strong in-country engagement, with all but three of the key stakeholders identified available to participate in the evaluation. Widespread engagement has enabled the evaluation team to draw from wide-ranging perspectives and experiences of New Zealand's development cooperation.

The limitations of the evaluation fall primarily in two categories: data availability and the voice of beneficiaries.

Robust data was readily available for public financial management due to the role of TTF and the Tuvalu Trust Fund Advisory Committee (TTFAC), assessments of the Policy Reform Matrix (PRM) programme, and the monitoring mechanisms that underpin these. Data for recent transformational investments, namely for borrow pits remediation and renewable energy, were also readily available. However, data on education and health outcomes was limited. Qualitative data obtained from interviews proved sufficient to characterise education sector challenges and opportunities but regional thematic reports typically have little or no data for Tuvalu. Furthermore, where data is available, for example on some key health indicators, the data source is usually subject to the limitations of small populations, making interpretation of trends challenging.

The evaluation scope did not include visits to the outer islands. This would have been preferable to assess the results of New Zealand's investments outside the centre, as well as to collect perspectives on improvements for the formative evaluation. Interviews were held on Funafuti with government officials involved in outer island administration, and with residents from outer islands.

1.2. Structure of this report

This evaluation report has the following structure:

- Section 2 sets the socio-economic and demographic context for development cooperation to Tuvalu, and discusses other donors' and New Zealand's programmes to Tuvalu.
- Section 3 discusses how well New Zealand's development cooperation was designed and delivered, and assesses alignment with development effectiveness principles.
- In section 4, the results and sustainability of New Zealand's development cooperation are discussed by assessing the results of the different investments as well as programme-wide enablers and constraints on impact and sustainability.
- Section 5 explores the future direction of New Zealand's development cooperation with Tuvalu and how the programme can support improved development outcomes in Tuvalu.
- In section 6, the overall conclusions from the evaluation are discussed and key recommendations proposed.

2. THE DEVELOPMENT CONTEXT

Section 2 sets out the socio-economic and demographic context for New Zealand's development cooperation in Tuvalu, provides an overview of all donor support to Tuvalu, and a more detailed profile of New Zealand's programme over the past four years.

2.1. Social and economic context

2.1.1. Climate change

As a small island developing state, Tuvalu is highly vulnerable to the predicted effects of climate change. Its landmass consists of six atolls and three low lying reef islands with a highest elevation of 4.6 metres above sea level. This makes Tuvalu highly vulnerable to storm surges during extreme weather events. Seawater flooding of low-lying areas occurs regularly and is expected to become more frequent and extensive as a result of predicted sea level rise, threatening the growth of crops such as coconut, pulaka and taro. The national development plan, Te Kakeega III (TKIII), places climate change as its first priority area, reflecting the perceived seriousness of its threat to the security and survival of Tuvalu.

Anticipated climate change impacts are not gender or generation neutral. Increases in extreme weather conditions serve to accentuate risks to the most vulnerable and least empowered people in society – often women, children, older people and people with disabilities. For Tuvalu, this is likely to include poorer nutrition for children in the event of crop losses and increased burden on women on the outer islands who will need to spend more time collecting food as part of their childrearing responsibilities. It may also include infectious and water borne illness which often have the most significant impact on the very young, very old and immune-compromised population. Further, the damage to critical infrastructure is likely to impact on service delivery to those who do not have the resources to travel for alternative care.

The World Bank has estimated that building resilience against climate change will require Tuvalu to invest around 2 percent of its Gross Domestic Product (GDP) annually.[2] Investment will increase Tuvalu's adaptive capacity including climate-proofing critical infrastructure, adopting better early warning systems for hazards, and formulating and implementing climate change responsive policies. International donors support Tuvalu with climate change adaption projects and in accessing global funding. This support will continue to be needed, particularly if Tuvalu graduates from its status as a Least Developed Country (LDC) and is no longer eligible for its current level of funding from the UNDP for its National Adaption Programme of Action. Tuvalu, for its part, has set up a Climate Change and Disaster Survival Fund to 'provide immediate vital services to the people of Tuvalu in combating the devastating impact of climate change and natural disasters and to allow the government and the people of Tuvalu to respond to future climate change impacts and natural disasters in a coordinated, effective and timely manner.'[3] The Fund's current balance is AUD 5 million.

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[2] Government of Tuvalu (2016), *Te Kakeega III.*

[3] http://tuvalu-legislation.tv/cms/images/LEGISLATION/PRINCIPAL/2015/2015-0011/ClimateChangeandDisasterSurvivalFundAct2015_1.pdf

2.1.2. Population and migration

Tuvalu's 2012 census counted a population of 10,782 people, with 6,152 living on Funafuti and 4,630 in the outer islands.[4] The population is ethnically homogeneous: 87 percent are of Tuvaluan descent, 12 percent are of Tuvaluan / I-Kiribati or part Tuvaluan descent, and 1 percent of other descent.

Tuvalu's population is young with a median age of 25 years and 33 percent younger than 15 years of age. The youthful population is a consequence of a moderately high fertility rate and a marked decline in infant mortality.[5] Accelerating net emigration in recent years has led to negative population growth. Over the 2007–2009 period, Tuvalu recorded average net emigration of -222 per year (about 2 percent of the population) compared with natural increase of 142. Migration patterns out of Tuvalu are a complex mix of permanent emigration to New Zealand and to a lesser extent Australia, and shorter-term circular migration within the Pacific, involving Kiribati, Ocean Island and Nauru.[6]

New Zealand is the largest recipient of permanent emigration from Tuvalu.[7] The 2013 Census of New Zealand recorded 3,537 Tuvaluans living in New Zealand, an increase of 80 percent from 2001. About 40 percent (1,419) of the New Zealand Tuvaluan population were born in Tuvalu. The high proportion of New Zealand born Tuvaluans partly illustrates the ongoing migration process. Tuvaluan migration to New Zealand has been facilitated by several immigration schemes (e.g. the South Pacific Work Permit Scheme in 1986 and the Pacific Access Category (PAC) scheme in 2002) which allow permanent residency for several Pacific countries including Tuvalu. The PAC scheme has a quota of 75 people from Tuvalu per year. Figure 1 shows the population of Tuvalu over the past five decades, and the population of Tuvaluans living in New Zealand since 2001 when data was first collected in the Census. Since 2001, the growth in the total Tuvaluan population is largely due to the increase in the population living in New Zealand.

In addition to Pacific regional migration patterns, Tuvalu has substantial internal migration, typically from the outer islands to Funafuti. This has resulted in population growth on Funafuti and contributed to population loss in the outer islands. Younger age cohorts, especially those between 15 and 30 years of age, show the highest level of mobility. This is mostly related to secondary school movements and entry into the labour force.

These demographic and migratory patterns have several implications for Tuvalu's development policies. They imply a limited domestic market for economic activity and constrained workforce capacity as those who emigrate are typically of the most productive age group, further reducing the country's already small labour force. In addition, increased urbanisation poses challenges on Funafuti in terms of land rights, the provision of housing and utility services, public health, and the environmental impacts of waste disposal.

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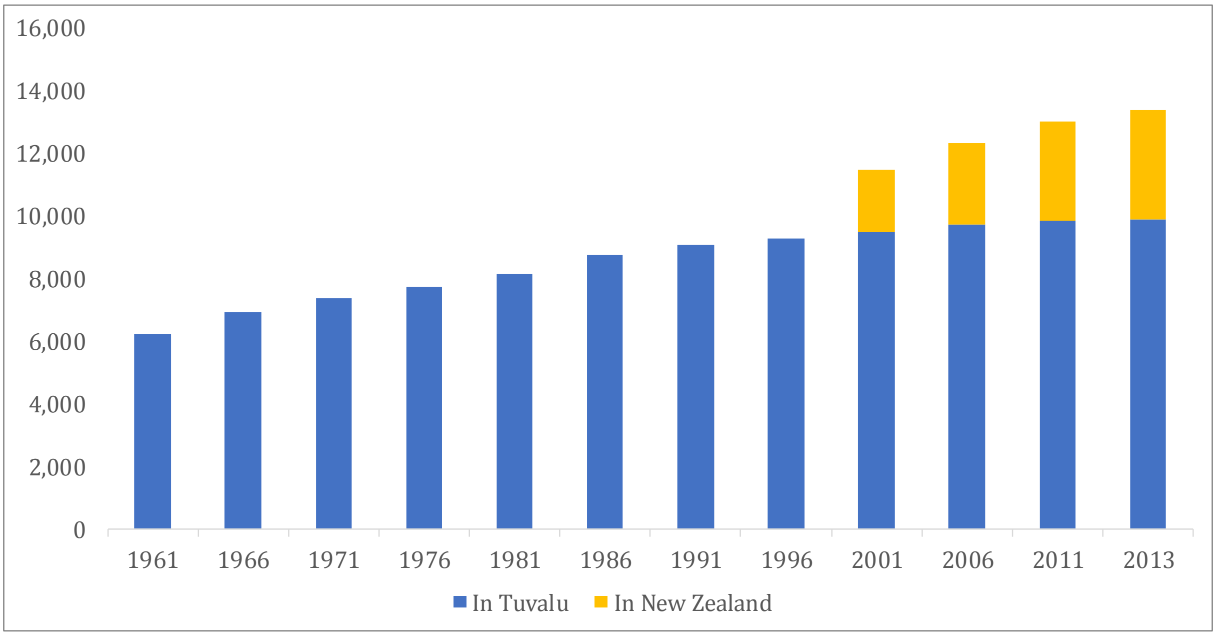
[4] UNFPA (2012) *Tuvalu 2012 National Population and Housing Census Migration, Urbanization and Youth Monograph Report.*

[5] Total fertility rate is estimated at 3.2 (2009), while infant mortality declined from 57.3 per 1,000 live births in 1992, to 14.8 in 2009.

[6] UNFPA (2012) *Tuvalu 2012 National Population and Housing Census.*

[7] Ibid.

Figure 1: Tuvalu population estimates, resident in Tuvalu and New Zealand



The GoT acknowledged migration patterns in Te Kakeega II, the National Strategy for Sustainable Development 2005–2015 (TKII), and has indicated a commitment to strengthening factors such as outer island development and private sector opportunities to ensure a better quality of life for Tuvaluans who stay, and to facilitate more opportunities for Tuvaluans to participate in migratory work schemes. In TK III, the Department of Labour reiterated plans to continue its efforts to improve the reputation of Tuvaluan workers to increase demand in Australia and New Zealand. Tuvalu's National Labour Migration Policy has been designed to assist Tuvaluans to access temporary and permanent employment in overseas markets.

2.1.3. Economic context

Economy size and constraints

Tuvalu has the smallest economy among countries for which national income data is available. The latest World Bank data indicates that Tuvalu's GDP in 2014 was USD 38 million (market price).[8] It is also one of the smallest countries in the world with a land mass of only 26 square kilometres, and its population is dispersed across its nine atolls and reef islands.

The small and disbursed population implies a very small domestic market which limits the scale and scope for domestic production and exchange. Adding to the size limitation is geographical remoteness, lack of natural resources, and vulnerability to environmental shocks, particularly those likely to be associated with climate change. The consequences of these 'structural constraints' is limited sources of income for the population, limited ability of the private and public sector to exploit economies of scale in production and service provision, and limited scope for and high cost of (international) trading. These limitations pose major challenges for

[8] http://data.worldbank.org/country/tuvalu

economic growth and development. In the 'growth diagnostics' framework of Hausman, Rodrik, and Velasco[9], these limitations lead to low return on economic activity in a way which is not easy to overcome with policies and development interventions.

Income level

Considering the above limitations, it is remarkable that Tuvalu's Gross National Income (GNI) per capita in 2014 was as high as USD 5,720, placing it in the upper middle income group of countries (World Bank classification). However, under the United Nations (UN) classification system, using GNI per capita in addition to structural measures that reflect levels of human development and structural vulnerability to external shocks, Tuvalu is classified as an LDC.[10] The UN classification is important for a variety of benefits in trade agreements, concessional loans, and special development assistance, particularly those related to the impact of climate change. Tuvalu was retained in the LDC group at the last LDC review in 2014. The main argument for not graduating Tuvalu from LDC to the developed country grouping has been its large dependence on official development assistance (ODA) and exposure to climate change driven shocks.[11] Potential reclassification due to its high ranking on GNI per capita and human development will remain an issue in the near future.

Standard of living

Income per capita provides only a rough measure of wellbeing; a richer picture of people's incomes and living standards is formed by examining data from household surveys. These statistics and others show that the standard of living of the population is characteristic of a lower middle income country. Data from the two Household Income and Expenditure Surveys (HIES)[12] shows that the population primarily lives in durable dwellings, with a secure source of water, and hygienic toilet facilities. A considerable proportion of households have access to a wide range of household amenities, such as kitchen and entertainment appliances. The share of food in total household expenditure was 37 percent (HIES-2010); while LDCs typically have mean food shares in excess of 50 percent. The United Nations Children's Fund (UNICEF) further affirms the situation with data on infant mortality rate of 2.5 percent, under-five mortality rate of 3 percent, and with near universal use of drinking water sources, immunisation coverage, and primary school participation.[13]

Poverty and inequality

The promising national averages hide poverty and inequality, particularly differences in living standards between Funafuti and the outer islands, with absolute poverty in 2010 close to 20 percent on average.[14] The differences in living standards between Funafuti and the outer islands is evident in every measure of consumption, income, and housing conditions. For example, the share of food in total household expenditures is 30 percent on Funafuti, and 49 percent in the

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[9] Hausmann, R. et al. (2005), *Growth Diagnostics.*
[10] United Nations (2015). *UNDP LDC Category: Key Facts.*
[11] http://www.un.org/en/development/desa/policy/cdp/ldc/profile/ia_tuvalu.pdf
[12] HIES 2004/5 and 2010.
[13] http://www.unicef.org/infobycountry/Tuvalu_statistics.html
[14] https://www.adb.org/documents/tuvalu-country-operations-business-plan-2016-2018

outer islands.[15] The cross-island differences in household living standards are noteworthy as the outer island populations are subsistence oriented, unlike Funafuti. Generating income and employment opportunities in remote and small market contexts is challenging and must be considered in development strategy.

Economy structure

The economy is dominated by the services sector which accounts for 69 percent of GDP; agriculture accounts for 22 percent, industry 9 percent, and manufacturing only 1 percent. The public sector is the country's main employer and the official private sector is, in most analyses of Tuvalu, considered very small.[16] This commonly-accepted characterisation of the public-private mix of the economy over-emphasises the role played by the public sector, and does not acknowledge that all subsistence-oriented economic activity, such as fishing and small-scale agriculture, is private activity producing output with economic value. The HIES-2005 makes it clear that in the outer islands subsistence income is the main source of household income.[17] Creating economic opportunities and generating growth in the outer islands might well be critically dependent on increasing productivity in these activities.

Public enterprises

Within the public sector, besides government administration, there are eight public enterprises which operate in key sectors of the economy (transport, banking, utilities, tele-communications, fisheries and tourism). The small domestic market limits the scope for private sector competition in these areas. As a result, the public enterprises are effectively monopolies and have little incentive to operate efficiently. This is further constrained by civil service obligations as their orientation towards public service provision means they charge low tariffs and have payment arrears to public sector banks. Limited availability of management skills and weak management structures further affect their operation. A Public Enterprise Act was passed in 2010 and efforts are being made to monitor and enhance the performance of these enterprises.

Trading

Trade plays a critical role in the Tuvaluan economy and its structure is once again dictated by the growth constraints mentioned earlier: remoteness, small size, and a poor natural resource base. The result is limited exports, a large import bill, and a substantial negative trade balance.[18] However, exports seem to be growing: in the five years between 2009 and 2014 exports increased at an annualised rate of 9 percent, three quarters of which were of non-fillet frozen fish exports enabled by joint ventures (JVs) with Asian companies.[19]

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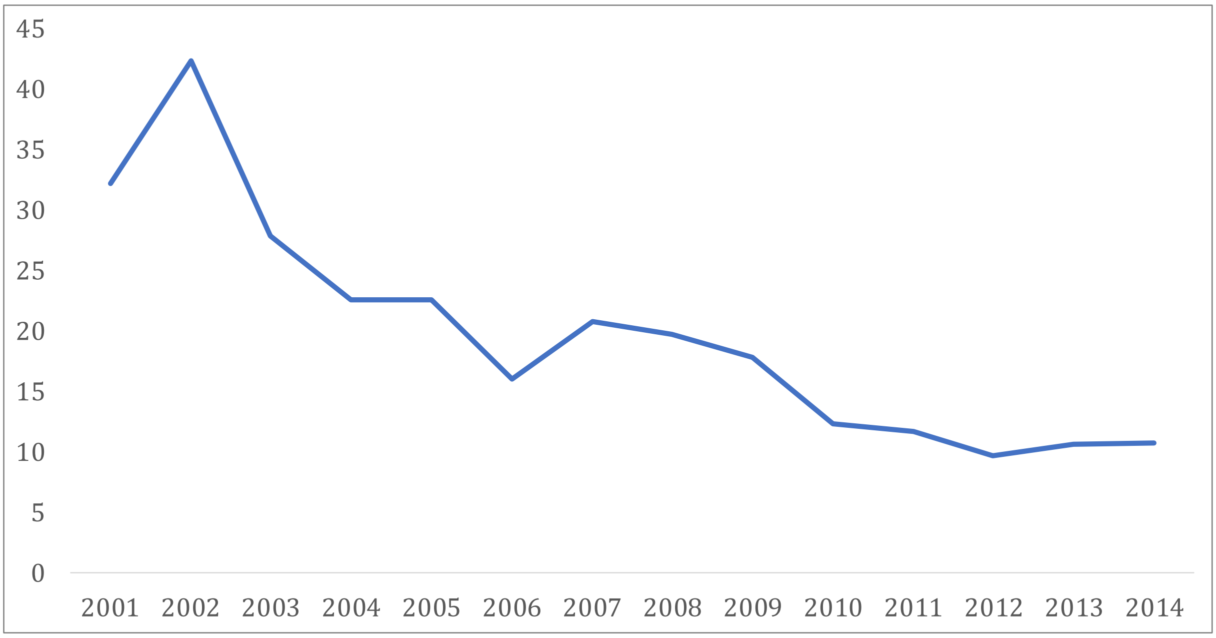
[15] HIES-2010.
[16] There is no data on labour force by sector so it is difficult to determine the employment share of different sectors.
[17] See Graph 3.1 in the HIES-2005 report: http://www.spc.int/nmdi/reports/Tuvalu_HIES_2005-Report.pdf
[18] In 2014, Tuvalu exported USD 5.85 million and imported USD 30.6 million, resulting in a negative trade balance of USD 24.7 million.
[19] https://www.imf.org/external/pubs/ft/scr/2014/cr14253.pdf

Remittances

Remittances from temporary and permanent migration of labour are an important source of foreign exchange for Tuvalu and income for recipient households. Figure 2 presents World Bank data on remittances as a share of GDP. While these were once a critical source of revenue, remittances at present account for only around 10 percent of GDP. There has also been a decline in the proportion of households receiving remittances between 2002 and 2012, from 50 percent to 40 percent. Most notable in this change was a reduction from 28 to 20 percent of households which received remittances from 'outside Tuvalu only'. This reduction is partly associated with a decline in the number of Tuvaluan seafarers employed in the international maritime industry, representing a decrease by 40 percent between 2001 and 2010, effectively reducing remittances by 50 percent.[20]

Figure 2: Remittances as a percentage of GDP



Managing public finances

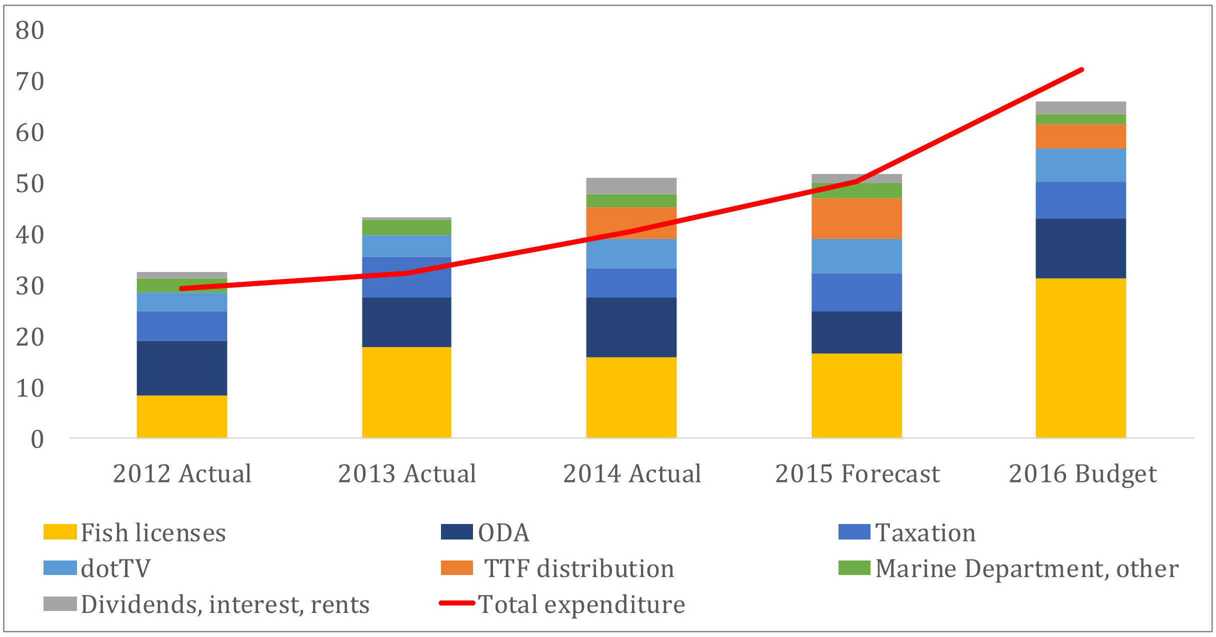
Tuvalu has adopted the Australian dollar as its currency: it has no independent monetary policy and fiscal policy is the only instrument the government has for affecting economic activity within the country. One consequence of adopting the Australian dollar as currency, is that fluctuations in its value (*vis-a-vis* the USD) have a direct impact on the Tuvalu economy because most international wage and licensing contracts are denominated in US dollars.

[20] https://www.adb.org/sites/default/files/project-document/60747/32407-013-tuv-pcr.pdf

Revenues

The Tuvalu Government has limited sources of revenue and ever-expanding demands on public expenditures. Figure 3 presents data for 2012 to 2016 from the national budget documents from 2015 and 2016.

Figure 3: Government of Tuvalu revenue and expenditure (AUD millions)



The government's total revenue has increased significantly in recent years, driven primarily by increases in revenue from fishing licenses. These revenues have almost quadrupled over the past four years and the contribution to government revenue has increased from 26 percent of the total in 2012 to 48 percent in 2016.[21] ODA, recurrent and non-recurrent, is the second most important revenue source (around AUD 10 to 11 million). Its relative contribution has declined from 33 percent to 17 percent. Taxation revenues and .tv revenues have increased steadily, though their relative importance has followed different pathways; taxation declined (from 18 to 11 percent), while .tv has stayed relatively constant (about 11 percent of the total).

All revenue sources are volatile and unpredictable. To provide the government with an additional revenue source and to smooth the volatility of external revenues, development partners and the GoT capitalised the TTF in 1987. The TTF is not a fully sovereign fund but governed by a board which represents development partners and the Tuvalu Government. Its holdings are global but weighted towards Australian assets. When the market value of the fund exceeds a 'maintained value' indexed to the Australian Consumer Price Index, its board can transfer the excess to the Consolidated Investment Fund (CIF) which serves as a fiscal buffer and a deposit account for development partners' grants. The CIF can be drawn down freely at the

[21] The 2016 figure is projected but these revenues are expected to stay at this level for the next three years.

government's discretion. The market value of the TTF fluctuates and experienced a sharp drop during the Global Financial Crisis. It has since recovered and currently stands at close to AUD 153 million, which is roughly 3.5 times GDP.

Figure 3 shows that in 2012 and 2013 there were no distributions from the TTF but since then distributions have increased and provide a sizable revenue source for the government. These are also, however, volatile and so it is the accumulations of the CIF which provides the real buffer. Large fiscal surpluses in recent years have led to a substantial build-up of the CIF to AUD 15 million, which is roughly 38 percent of GDP.

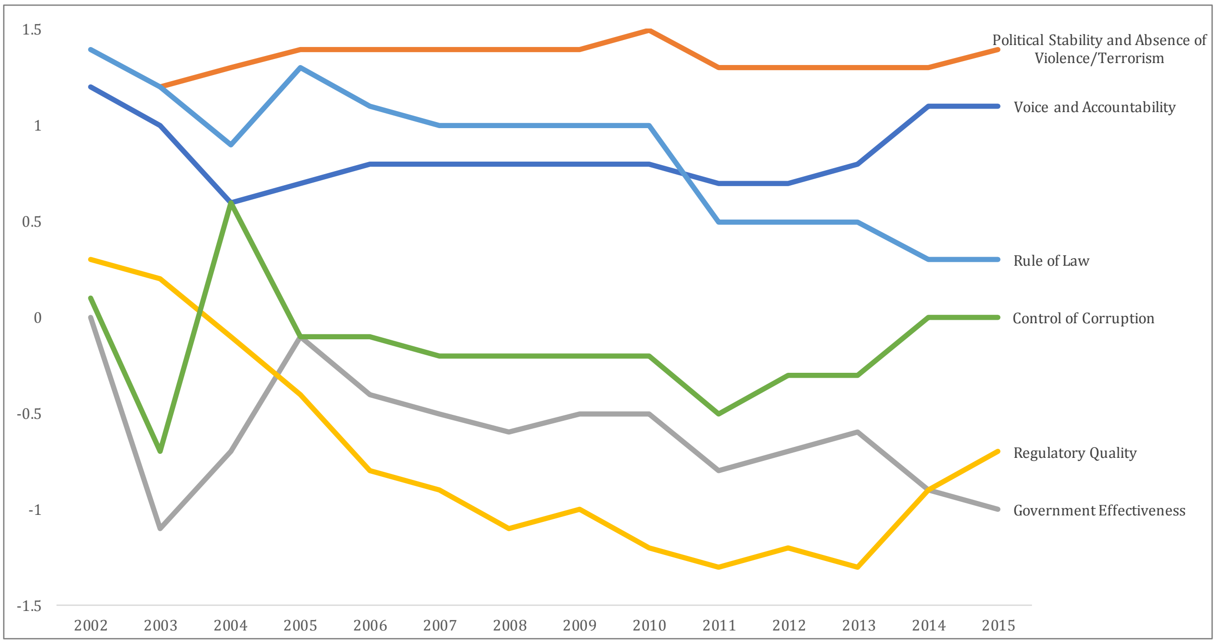
The increase in government revenue has provided Tuvalu with an opportunity to consolidate its overall fiscal position and strengthen fiscal buffers for the medium-term. At the same time, government expenditure has grown, partly due to large increases in the government budget spent on overseas health referrals and educational scholarships. The 2016 Budget projects a record level of expenditure of AUD 72.3 million, more than doubling the expenditure of AUD 32.5 million in 2013.

2.1.4. Governance

The World Bank's Worldwide Governance Indicators[22] report mixed governance scores for Tuvalu. As illustrated in Figure 4, the weighted average of six individual governance indicators has the country performing well compared to other countries on 'Political Stability' and 'Voice and Accountability'. It is scoring just above the median on 'Rule of Law', although there has been a downward trend for this indicator. Two areas stand out as performing poorly: 'Government Effectiveness' and 'Regulatory Quality'.

[22] The Worldwide Governance Indicators are a research dataset summarising views on the quality of governance provided by a large number of enterprises, citizen and expert survey respondents in industrial and developing countries. They measure the quality of governance in over 200 countries, based on close to 40 data sources produced by over 30 organisations worldwide. They have been updated annually since 2002.

Figure 4: Tuvalu Worldwide Governance Indicator Score



Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of government commitment to such policies. The average value on the Government Effectiveness indicator for Tuvalu for the period was -0.60 points with a minimum of -1.08 points in 2003 and a maximum of -0.04 points in 2002, with a downward trend since 2005.

Regulatory Quality captures perceptions of the ability of government to formulate and implement sound policies and regulations that permit and promote private sector development. The average score for Tuvalu on this indicator for the period was -0.74 with a minimum of -1.32 in 2013 and a maximum of 0.25 in 2002. In contrast to the Government Effectiveness indicator, there has been an upward trend between 2013 and 2015.

2.1.5. Education

There is near universal primary school attendance in Tuvalu with minimal gap between girls and boys. There are, however, challenges in providing quality secondary education. In line with education sector trends across the Pacific, more boys compared to girls drop out after primary school. There are two secondary schools in the country: a state funded boarding facility on Vaitupu and a private secondary school on Funafuti run by the Tuvalu Christian Church that receives grants from the government. Older children from the outer islands travel to attend secondary education, which imposes expense burdens on their families. Secondary school curricula pose a challenge due to the current orientation towards preparing students for white-collar occupations, with relatively limited attention to technical and vocational education and training (TVET). In addition, the quality of English language teaching in primary and secondary schools is declining.[23] This leaves pupils ill-equipped for the future in a regionally inter-dependent world where English is often a prerequisite for good employment prospects.

The government has included education and human resource development as a strategic area in TKII and TKIII 'to equip people with the knowledge and skills they need to achieve a higher degree of self-reliance in a changing world'.[24] To support investment in education, the GoT has recognised a need to develop a human resource plan to align government scholarships and educational programmes with its human resource needs.

The GoT funds scholarships through its scholarships programme and the Student Education Loan Fund (SELF)[25], (see more details on scholarships in 4.2). Tertiary education opportunities are available on Funafuti through the University of the South Pacific (USP) and the Tuvalu Maritime Training Institute (TMTI). USP offers foundation level studies and distance learning facilities. TMTI offers eight months of training to provide seafarers with the skills needed for employment in the international maritime industry. Training has traditionally focused on preparing diesel fitters, deck hands and catering staff for roles on merchant ships, although there has been a recent addition to train purse seiner deck hands and observers for foreign flagged fishing vessels. The GoT has explored the scope to further diversify the curriculum to improve employment prospects outside of the fisheries sector, such as hospitality, mechanical repairs, and structural maintenance. Other higher education opportunities are available in the region (e.g. USP and Fiji National University in Suva) and elsewhere internationally, and are largely accessed through scholarship programmes.

Given migration and labour patterns in the Pacific, education is increasingly important to ensure that Tuvaluans can participate in labour mobility schemes. In relation to long-term trends, poor quality education and low educational attainment will directly affect employment and business prospects in Tuvalu, which will further hamper efforts to develop a private sector.

2.1.6. Health

Tuvalu's health challenges include limited availability of and access to safe and nutritious food; limited onshore provision of the full suite of diagnostic, treatment and management services in quality facilities; high costs of referrals and specialised clinical care; a growing burden of non-communicable diseases (NCDs); and limited knowledge and expertise among existing health sector staff, including clinical senior managers.[26]

Women's health issues include domestic violence, declining physical activity and increased bodyweight which predisposes them to NCDs. A shortage of specialist services and routine medical screening means that aspects of reproductive health tend to be neglected.

The government provides most of the key health services to its citizens, however there are challenges to this provision. Cases which cannot be diagnosed in-country may be referred

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[23] Government of Tuvalu et al. (2013), *Tuvalu MDG Acceleration framework*.
[24] Government of Tuvalu (2016), *Te Kakeega III.*
[25] The Student Education Loan Fund (SELF), is a scheme set up the Government of Tuvalu for students to pursue tertiary level studies. Student apply for the scheme and are expected to repay the loans when study is completed.
[26] See, for example, http://www.wpro.who.int/countries/tuv/34TUVpro2011_finaldraft.pdf?ua=1

overseas for treatment in Fiji, Asia or New Zealand under the Tuvalu Medical Treatment Scheme (TMTS), or under donor schemes including New Zealand's Medical Treatment Scheme (MTS).

Health reforms were initiated in 2008 with the development of a new 10 year health master plan to guide the work of the Ministry of Health. The Strategic Health Plan 2009–2019 aims to ensure the highest attainable standard of health for all people of Tuvalu through:

- legislative and budgetary support for efficient and effective health services for the people of Tuvalu
- providing high-quality and cost-effective management of health services
- improving the quality and cost effectiveness of curative medical services
- providing the Ministry of Health with a renewed aim to focus on primary health care and disease prevention.

While the Princess Margaret Hospital is the only hospital in Tuvalu, several new medical centres staffed by nurses have been built on the outer islands since 2008. To support the health reform process, Tuvalu plans to build two small hospitals on outer islands that will be staffed by medical officers trained in Cuba. In 2009, the health worker to population ratio was 1.08 per 1,000 population for doctors and 0.18 per 1,000 population for dentists and pharmacists.[27]

2.1.7. Social inclusion

The World Bank defines social inclusion as the process of improving the terms by which individuals and groups take part in society. It ensures that marginalised people have a voice in decisions which affect their lives and that they enjoy equal access to markets, services and political, social and physical spaces. One aspect of social inclusion is how a country scores on gender equality and respect for human rights and vulnerable groups.

The 2013 Millennium Development Goals (MDGs) tracking report notes that Tuvalu has achieved gender parity in primary education, and women's participation in politics and the workforce is increasing; however, it notes that more work is required to increase gender equality overall.[28] Younger women and girls are particularly vulnerable, and those with disabilities are the most disadvantaged of all. Women and girls living on the outer atolls are likely to have few opportunities and encounter cultural barriers if they attempt to step outside traditional gender roles. Women are allowed to participate in meetings of the local assembly of elders (Falekaupule); however, due to traditional gender norms, it is understood that women are not used to speaking up and are not fully participating in debates.

Unemployed women, youth and people with disabilities face additional barriers that contribute to heightened vulnerability. According to the 2012 National Census, fewer women than men are in wage employment (51 percent compared to 68 percent respectively), although on Funafuti the gap is narrower (60 percent to 73 percent respectively). Yet wage employment is not an

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27 http://hiip.wpro.who.int/portal/CountryProfiles/Tuvalu/HealthProfiles/TabId/203/ArtMID/1060/ArticleID/117/Default

28 http://www.forumsec.org/resources/uploads/attachments/documents/2013_Pac_Regional_MDGs_Tracking_Report_FINAL.pdf

entirely robust measure of activity level as many people are not unemployed but face involuntary under-employment and only participate in part time or seasonal work. Women entrepreneurs face institutionalised gender-based discrimination, such as unequal access to credit as they are often unable to provide security for loans as customary systems of land tenure or land registration only recognise the male head of the household.

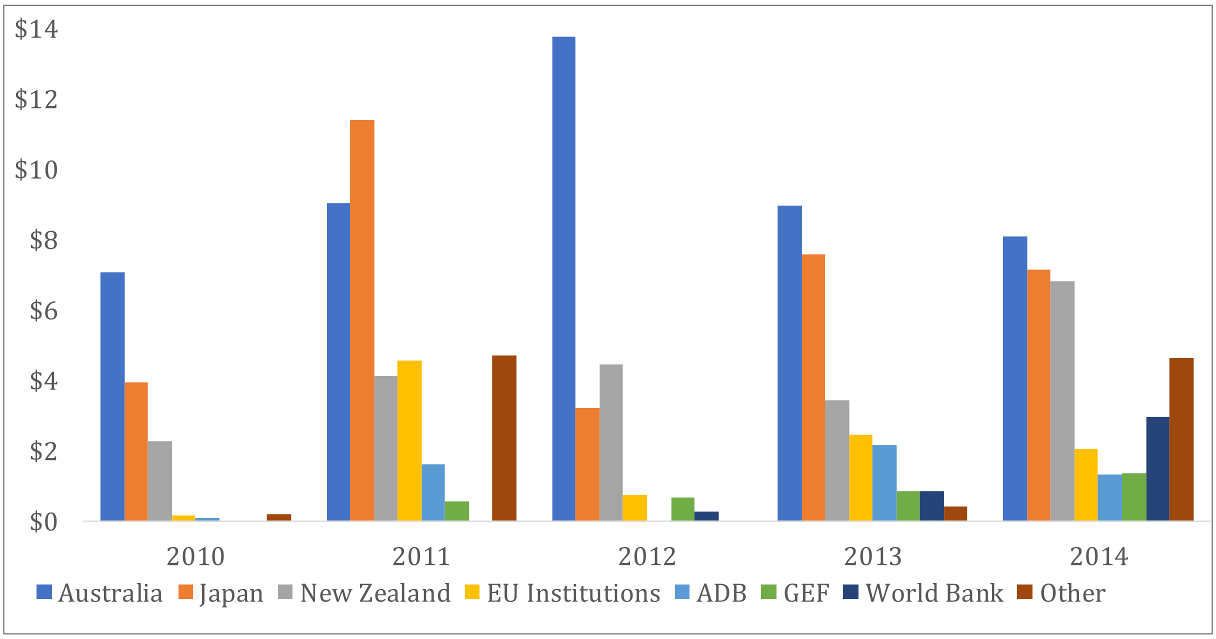
The main issue facing Tuvalu's youth is limited participation, with no youth representative on the Kaupule (the executive arm of the Falekaupule) or on the Falekaupule; limited employment opportunities; few facilities for sport and recreation; and limited access to confidential health services, especially sexual health services. These issues may contribute to low self-esteem and high risk behaviours. Youth vulnerability is compounded by under-resourcing of the youth sector and the difficulty of making the transition from school to the workplace, in a nation where job opportunities are limited. According to the Ministry of Education, Youth and Sports, 49 percent of youth are unemployed, however the real number is likely to be higher and include under and involuntary part time employed.

Key issues for children include limited access to maternal and child health care services due to remoteness, limited transport, poor communications and under-resourcing in the health sector. Child development is also compromised due to poor diet, limitations in the quality of education, and lack of services for disabled children.

2.2. Development cooperation in Tuvalu

Tuvalu receives bilateral development assistance primarily from Australia, New Zealand, Japan, and the Republic of China (Taiwan), as well as the United Arab Emirates (UAE). It also receives assistance form the European Union (EU), the World Bank, Asian Development Bank (ADB), United Nations Development Programme (UNDP), and the Green Climate Fund and Global Environment Facility (GEF). Recent trends in this assistance are shown in Figure 5.

Figure 5: Development partner assistance to Tuvalu (USD millions)

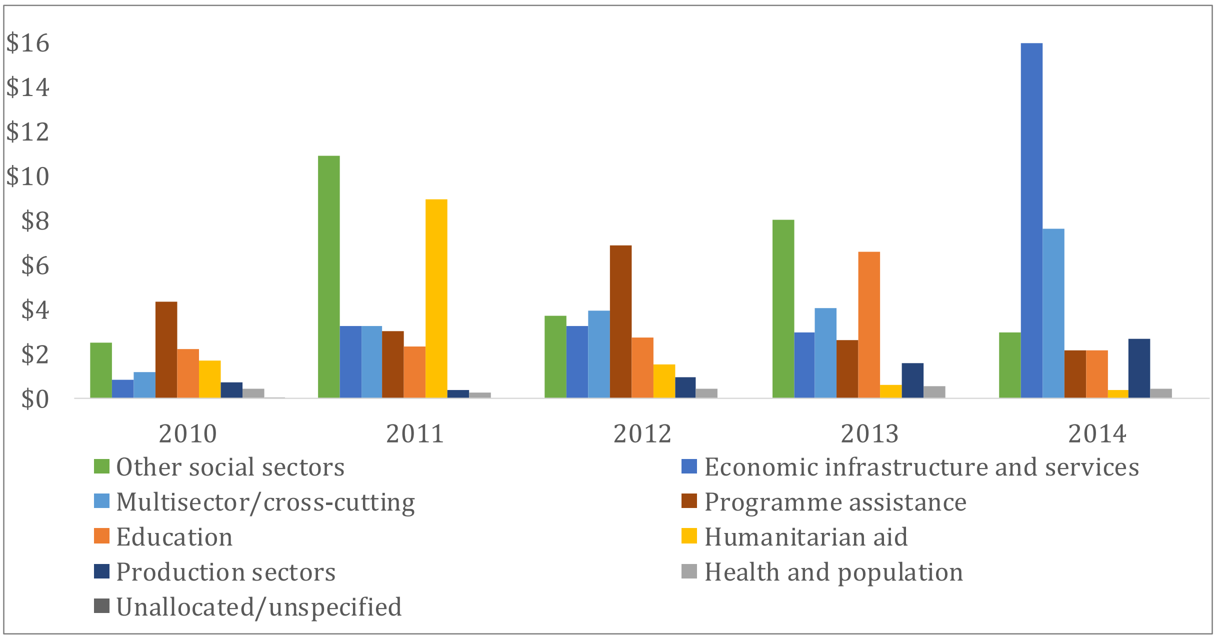


Notes: Graph excludes contributions from the Republic of China (Taiwan) which were approximately AUD 4–7M per year.[29] There are data gaps for ADB (2012) and World Bank (2010 and 2011).
Source: OECD DAC.

The available data shows that Australia (USD 46.8 million) has been the biggest donor over the five year period, followed by Japan (USD 37.0 million), New Zealand (USD 23.7 million) and the EU (USD 10 million). Total development partner contributions fluctuate significantly, with a substantial increase in total ODA in 2011 (from USD 14.0 million to USD 32.5 million), followed by a substantial decrease to USD 23.5 million in 2012. Total contributions then increased back up to USD 34.4 million over 2013 and 2014.

When broken down by sector (Figure 6), the sharp increase in ODA in 2011 can be attributed to increased spending in humanitarian aid due to the drought in late 2011 and an increase in social sector spending. The increase in 2014 is largely due to increases in ODA to economic infrastructure and services, which include New Zealand's investments. Spend under other sectors did not fluctuate as significantly during this period.

Figure 6: Bilateral ODA funding by sector for Tuvalu (USD millions)



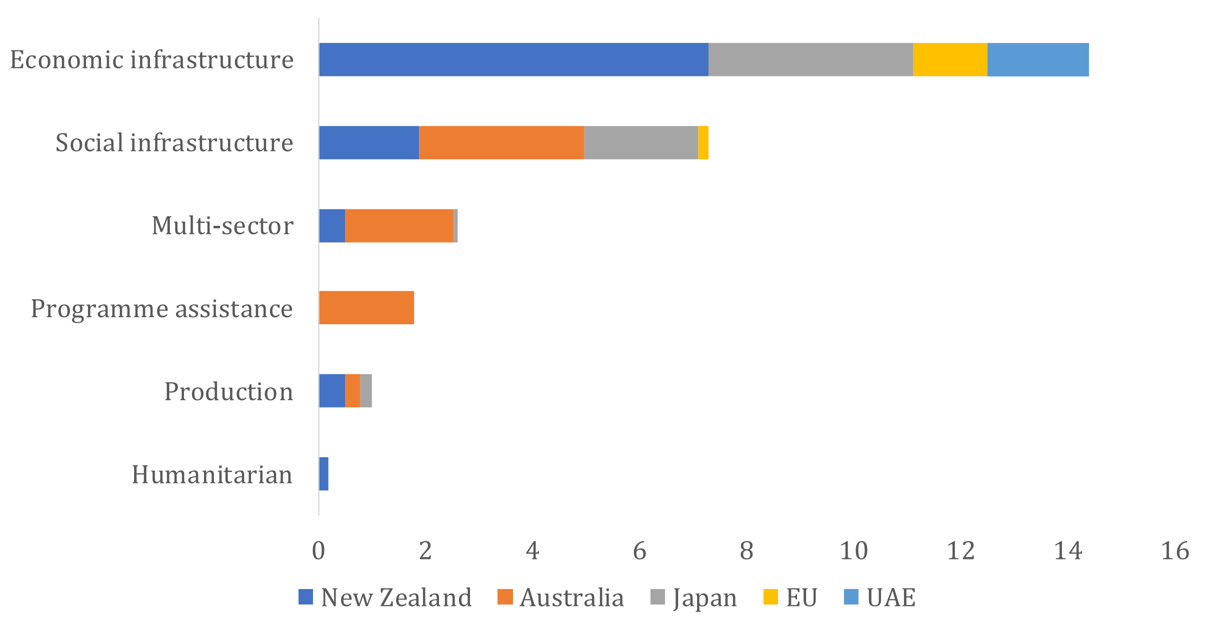
Source: OECD DAC

Figure 7 shows that New Zealand funding accounted for just over half of all ODA funding for economic infrastructure and services in 2014. This was largely the result of investments in renewable energy of around USD 7.2 million. This dominance of economic infrastructure was also the result of EU and UAE investments in renewable energy and Japanese funding for the

[29] Government of Tuvalu (2015) *Government of Tuvalu 2015 National Budget*.

construction of a new ship. Australia was the most significant bilateral partner in the social infrastructure, multi-sector and programme assistance sectors.

Figure 7: Total ODA funding by sector and donor (USD millions), 2014



Source: OECD DAC

2.3. MFAT in Tuvalu

New Zealand and Tuvalu signed a Joint Commitment for Development (JCfD) in 2013.[30] This document sets out the shared vision of the two governments, five priority areas and associated expected outcomes, and the activities that MFAT will invest in to achieve these outcomes. The five priority areas are:

1. Lifting economic performance;
2. Workforce skills development;
3. Renewable energy;
4. Strengthening water security; and
5. Partnerships.

Since 2009/10, New Zealand's aid programme to Tuvalu has been characterised by eight to ten activities, comprising a blend of projects, grant funding, budget support, technical assistance and scholarships. Since 2012, there has been a tripling in New Zealand investment, from an average TCAF of around NZD 4 million/year to NZD 13–15 million/year (see Figure 8). This is due to three large projects: renewable energy infrastructure, borrow pit remediation and provision of reef channels and navigation aids under the Ship to Shore project. In the absence of other

[30] The JCfD has a nominal three year life-span.

confirmed infrastructure development projects[31], TCAF is expected to decline over the remainder of the current triennium (i.e. to 2017/18).

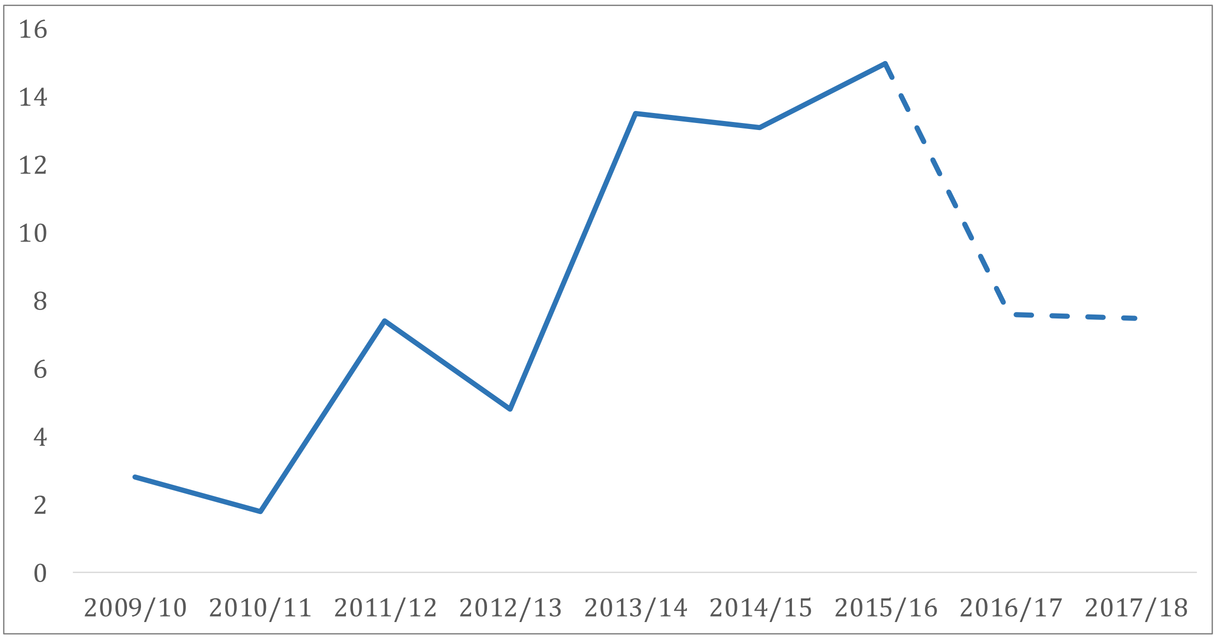


Figure 8: New Zealand Aid Programme TCAF (NZD millions)

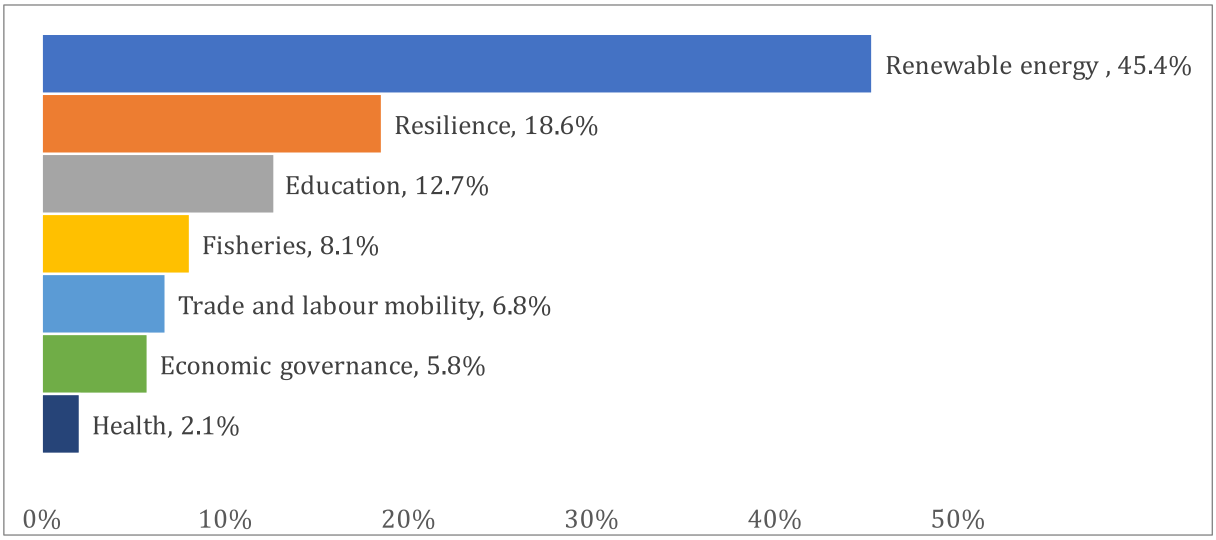
Note: Data for 2016/17 and 2017/18 is indicative allocations
Source: MFAT Forward Aid Plan

The majority of support under the New Zealand Aid Programme, including the large infrastructure projects, has been delivered through the bilateral programme. Additional support has been provided through the humanitarian programme, scholarships programme and the economic development programme. No support has been provided under the New Zealand Aid Programme's partnerships programme.

Figure 9 shows the distribution of New Zealand's funding to Tuvalu over the period 2012/13 to 2014/15 by the current (2015–19) New Zealand Aid Programme investment priorities. Almost half of the support was for renewable energy initiatives. Support for resilience was mainly for the borrow pits project, education was mainly for scholarships, trade and labour mobility was mainly for the RSE scheme, economic governance support was largely for public financial management and the TTF, and the health allocation is predominantly for the MTS.

Figure 9: Distribution of expenditure by investment priority, 2012/13 to 2014/15

[31] At the time of writing, MFAT was awaiting the GoT's acceptance of its proposal to fund a NZD 4 million Fisheries Department building near the port on Funafuti.


Renewable energy , 45.4%
Resilience, 18.6%
Education, 12.7%
Fisheries, 8.1%
Trade and labour mobility, 6.8%
Economic governance, 5.8%
Health, 2.1%
0%
10%
20%
30%
40%
50%

3. DESIGN AND DELIVERY

How well was New Zealand's development cooperation designed and delivered?

In this section, the evaluation findings in terms of the design and delivery of New Zealand's development cooperation are discussed. This is done by assessing design and delivery through the lens of development effectiveness.

Development effectiveness covers several principles originally set out in the 2005 Paris Declaration on Aid Effectiveness (the Paris Declaration) and the 2011 Busan Partnership for Effective Development Cooperation (the Busan Partnership).[32] In attempting to answer the high-level question of how well was New Zealand's development cooperation designed and delivered, effectiveness criteria relating to relevance and alignment, partnership, ownership, coherence and coordination are considered. In addition, the management arrangements of MFAT's Tuvalu programme are discussed in this section.

3.1. Relevance and alignment

The Paris Declaration includes commitments for countries to put in place national development strategies with clear priorities, and for donors to align their ODA to these priorities, with a first option to use and align their support to local systems. The principles are expected to contribute to greater ownership of development, more relevant aid delivery, capacity building, and sustainability of results. This section reviews the strategic alignment of New Zealand's development cooperation in Tuvalu, systems alignment, and use of modalities. Together these aspects form a picture of the relevance of New Zealand's Tuvalu programme.

3.1.1. Strategic alignment

In 2016, Tuvalu launched its eighth national development plan (TKIII) for the period 2016 to 2020, which builds on TKII (2005 to 2015). Both TKII and TKIII are all-encompassing and ambitious in scope. While broad strategic priority areas are defined, there is a lack of overall strategic prioritisation and consistency in the level of detail between the different strategic priority areas. In this sense, TKIII is a statement of the ideal; what Tuvalu could become if it had significantly more resources.

MFAT's overall strategy (*MFAT Strategic Intentions 2015–2019*) guides the New Zealand Aid Programme's ambition and focus (set out in the *New Zealand Aid Programme Strategic Plan 2015–19*), and its priorities (set out in *New Zealand Aid Programme Strategic Priorities 2012–15* and *New Zealand Aid Programme Investment Priorities 2015–19).* These, in turn, guide investments through specific country programmes. MFAT has not had a consistent approach to country strategies, although there has been an emphasis in the past year on developing consistency in approach. Existing MFAT country strategies (e.g. the *Tuvalu to 2020* document and the draft *Tuvalu to 2030* document) are not strategic in the sense of setting out the long-

[32] The Paris Declaration outlines five fundamental principles for making aid more effective. The Busan Partnership offers a framework for continued dialogue and efforts to enhance the effectiveness of development cooperation.

term intent and theory of change; they tend to have short-term horizons, and change in scope sometimes several times within the set period.

The New Zealand-Tuvalu JCfD sets out a three year planning horizon, and the *New Zealand Aid Programme Investment Priorities* has a five year horizon. The lack of a longer term development intent and clarity regarding New Zealand's foreign policy and trade interests in Tuvalu makes it less clear what constraints MFAT is trying to address, what mission and overarching results it is trying to achieve, and how the different activities and modalities complement and connect. Further, the lack of longer term intent is a challenge to identify optimal focus for the Tuvalu programme. Previous research by MFAT found that the lack of clear country strategies exacerbates constraints to focused aid delivery brought about by lack of coordination across TCAF funding windows.[33]

The lack of clear strategic prioritisation within TKII made it easy for donors to align their development cooperation to Tuvalu's national development strategy. For the past triennium, MFAT's development cooperation in Tuvalu almost fully aligned with the broad strategic priority areas in TKII. However, within each priority the responsiveness to Tuvalu's identified needs varied. This is not surprising; the small scale of New Zealand's aid programme in Tuvalu cannot meet all needs while striving for depth of engagement. In addition, New Zealand attempts to coordinate its investments with other development partners to achieve complementarity and thus some of the needs and gaps are met by other donors.

The level of alignment with TKII is presented in Table 1.

Table 1: Alignment of TKII priorities and MFAT's development cooperation in Tuvalu

TKII strategic priority	MFAT's development cooperation (2012–2016)
Good governance Public administration; Fiscal stability; Public enterprises; Falekaupule (traditional island assembly).	Clear alignment through Public Financial Management instruments, notably PRM and TTF. TA in TEC. No investments in Falekaupule.
The economy: growth and stability Sound macro-economic management; Fiscal discipline and balanced budget; Clear budget expenditure priorities; Structural changes, innovation and economic return; Increase private sector share of GDP; Minimise external debt; Lower subsidies to public enterprises.	Overall very good alignment, through TTF, PRM, support for tax reform and fisheries sector support. No direct investments in structural changes and innovation or private sector development.

[33] See for example 'Beyond 'BDFL': Focusing Aid Delivery Research Project' 2016, and 'Country Evaluations Synthesis Report' 2015.

TKII strategic priority	MFAT's development cooperation (2012–2016)
Health and social development *Health* Higher national health standard; Health education and nutrition awareness; Quality of curative services at PMH; Delivery of health services. *Youth* National youth policy development; Welfare and opportunities for young people. *Housing* Availability and standards of housing improvement. *Gender* Promote gender equity and the role of women in development. *Sports and recreation* Participation and opportunities to participate in sport; Sports facilities; National physical fitness and health.	Some alignment through the provision of MTS and support for the Pacific NCD Initiative. No direct investment, however RSE scheme targets youth. Social impact assessment is intended to underpin all investments. No investment. No direct investment, social impact assessment to underpin all investments. Work done through NZ Police contributing to raised awareness of gender equity. No investment.
Outer island and Falekaupule development Quality of basic service delivery to outer islands; Public sector services; Business development; Access to maritime training and employment; Access to microcredit; Management of urbanisation.	Partial alignment, notably through strategic infrastructure investment Ship-to-Shore and Maritime Safety Programme. Improved energy access and reliability through renewable energy investment. Both are enablers for service delivery.
Employment and private sector development Macroeconomic stability and economic growth; Conducive investment environment; Reduction of subsidies to public enterprises; Private sector investment; Fiscal policies and budget management; Adequate, efficient and cost-effective economic infrastructure; Access to exports markets; Job creation.	Partial alignment. TTF and PRM contribute to macroeconomic stability, growth and fiscal management. Employment opportunities through RSE scheme, PAC scheme, and in-country employment as part of big infrastructure investments.
Education and human resources Improve overall education standards; More highly-trained and motivated teachers; More appropriate facilities; Improve the teaching and learning environment; Sound, consistent and more appropriate curriculums; Expand/improve opportunities for TVET.	Some alignment through scholarships, although TKII is focused on primary and secondary education.

TKII strategic priority	MFAT's development cooperation (2012–2016)
Natural resources *Agriculture* Increase production and consumption of local produce; Mitigate climate change-related agricultural impacts. *Fisheries* Improve management of fisheries resources. *Tourism* Increase number of tourists; Eco-tourism development; Private sector tourism related enterprises. *Environment* Manage environmental degradation; Increase the number of marine and terrestrial conservation areas; Minimise climate change impacts.	Some alignment to local livelihoods through support for coastal fisheries. Clear alignment through fisheries sector support. No investment. Some alignment through borrow pits project and integration of a climate change perspective in renewable energy project.
Infrastructure and support services Efficient and competitively priced infrastructure and support services; Corporatise/privatise government functions.	Alignment through renewable energy and Ship to Shore projects. Contribution with a TA to TEC.

Reinforcing the mapping in Table 1, is the perception among GoT stakeholders interviewed for this evaluation that New Zealand's development cooperation is reasonably well-aligned to Tuvalu's priorities. Comments such as 'the projects chosen by MFAT are good and well chosen' were common. Stakeholders reported that New Zealand had adopted effective partnerships during the design of several activities and that this helped to align initiatives with local needs (see 'Partnerships', section 3.2). One stakeholder commented that MFAT had retained sufficient flexibility in its development priorities and programming to enable it to align to Tuvalu's priorities.

The GoT reported that the annual donor roundtable meetings under TKII had significantly improved in format over the 10 year TKII period, with enhanced harmonisation and alignment. The GoT should be encouraged to continue its effort to align its donor partners' cooperation with TKIII in a coordinated manner. The high level consultation meeting in Suva in July 2016 served as a GoT presentation on the priorities within TKIII, as well as a discussion on alignment and funding; however, the evaluation team is aware of donor views that the alignment discussions could be more effective. Fundamentally, donors reported to the evaluation team that it can be difficult to know what Tuvalu's priorities are, and therefore what they should be aligning to.

Implementation of the Tuvalu programme is intended to be reviewed against the JCfD at periodic high level policy dialogue meetings between New Zealand and Tuvalu. While the JCfD has a nominal three year horizon, it is reviewed as required. This should help to ensure it stays adaptive and relevant.

For the current period, covered by TKIII 2016 to 2020, New Zealand's development cooperation is equally aligned at the overarching strategic level, lining up with all 12 of Tuvalu's broad strategic priority areas. While again recognising that a relatively small programme like MFAT's Tuvalu programme cannot realistically cover all areas in an all-encompassing national development plan, it is noted that alignment is weaker, or rather there is less focus on, the following priorities: climate change (this is a new strategic focus area in TKIII[34]); private sector development, employment and trade; education and human resources; environment (this has been elevated to a strategic focus area in TKIII); and migration and urbanisation (this is a new strategic focus area in TKIII). Moreover, the programme has not significantly targeted mid/lower level professions and TVET to address skills gaps.

3.1.2. Use of modalities and partner systems

New Zealand's development cooperation to Tuvalu has used a mix of modalities. Some modalities are closely aligned with the government systems, while others have been project-based modalities, delivered through parallel systems. All New Zealand's bilateral financial cooperation is 'on budget': it is reported in Tuvalu's accounts and budget with cash contributions aligned to a project account in the Tuvalu Development Bank and other assistance recorded in line ministry budgets.

Higher order modalities

The PRM is a joint initiative between Tuvalu and its key development partners – Australia, New Zealand, EU, ADB, and the World Bank. It aims to contribute to improved living standards by increasing the efficiency and effectiveness of Tuvalu's public and financial management policies. The PRM appears to have strengthened Tuvalu's systems and enhanced its financial management capability and ownership of public sector reform.[35] In this sense it appears as a highly efficient and relevant vehicle for development partners, including New Zealand, to use and contribute to further strengthening of Tuvalu's institutions and systems.

In addition, the PRM provides an effective means to engage in strategic policy dialogue. The process of negotiating and implementing the PRM, whereby Tuvalu and its development partners jointly agree targets, helps to anchor the reform programme in the national policy priorities of Tuvalu. While it could be argued that this goes against the principles of full partner country ownership, this modality strikes a delicate balance between development country ownership and performance management. The recent review of the PRM notes that this process reflects a robust dialogue between Tuvalu and its development partners, and that the budget support provided by development partners through the PRM provides the government with the fiscal space needed to maintain core services.[36] Several GoT stakeholders interviewed in this evaluation considered that Tuvalu had strong ownership over the PRM process and that the proposed reforms under the matrix were considered well-aligned to Tuvalu's development needs. The GoT's coordination of drafting of the latest phase of the PRM is evidence of this increased ownership and leadership.

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[34] 'Climate change' is cited nine times in TKII as opposed to 170 times in TKIII.
[35] See for example Review of PRM; TTFAC Report 33.
[36] Economic Development Services Pty Ltd (2016) *Tuvalu – Review of the Multi-Donor Policy Reform Programme.*

While not working through the partner systems directly, the TTF as a mechanism has contributed to strengthening Tuvalu's fiscal management and monitoring capacity through the institutional infrastructure: TTFAC. TTFAC monitors how the funds distributed from the TTF have been spent, by monitoring all government accounts and expenditures. This has not only increased the fiscal discipline within Tuvalu, the government has now also started to generate its own fiscal analysis, with some coaching from TTFAC.

New Zealand's contributions to the TTF are made as direct grant contributions to the TTF account. The mechanisms for transfer of funding, including for recurrent budget through the CIF, are well structured. These contributions are not predictable to GoT as they have not been annual. However, they have been a consistent feature of New Zealand's cooperation and increase the likelihood of distributions to the CIF which the government can draw from for its recurrent budget. Contributions made directly into the CIF are available for the government to draw from; it sometimes decides to reinvest these monies in the TTF.

In addition to the grant contributions, New Zealand supports the TTF by providing a Director for the TTF Board, funding a member of the TTFAC, and funding a member of Tuvalu Trust Fund Investment Committee (TTFIC), who also advises the New Zealand Director on the TTF Board. Contributions such as time and resources towards ensuring effective oversight of the TTF are significant and valuable alone. Additionally, the benefit of this expertise in terms of regular dialogue, monitoring and strengthening wider financial systems, is considerable. The synergy with the PRM implementation process is perhaps the best example of this complementarity.

The support that New Zealand, and others, put around the TTF has 'helped to build an effective and well managed sovereign wealth fund, and the operating rules and governance framework mitigate risk'.[37] Contributions to the TTF present a robust long-term aid delivery option for development partners. While not owned by Tuvalu, it channels the funds to the government's systems.

Government ownership of the policy reform agenda is likely to require supplementary technical assistance to facilitate some reforms. The review of the PRM notes a concern about the ability of Tuvalu to engage effectively in policy dialogue. In addition, several stakeholders interviewed considered that technical advice is likely to be vital to supporting the ongoing implementation of the reforms under the PRM, a view supported by a World Bank note on development policy operations in small Pacific Island countries.[38] It finds that technical assistance and advice provided by the development partners, both under the PRM and outside of it, have been critical to the successful implementation of the reform programme.

New Zealand has used the technical advisory modality in Tuvalu on several occasions to contribute to strengthening local systems and institutional capacity, and to assist in driving through reform. This includes an accountancy advisor to support the Treasury to better manage public finances and develop capacity in the compilation of financial accounts; a fisheries advisor to improve capacity in the Fisheries Department to better manage the fisheries resources; and a finance manager in the Tuvalu Electricity Corporation to establish systems for financial and asset management. As a reference point, Australia utilises the technical advisory modality in

[37] MFAT (2016) *Activity Design Document: Tuvalu Trust Fund Contribution*.
[38] The World Bank Group (2015) *Development Policy Operations in Small Pacific Island Countries: What Works?*

Tuvalu through its Pacific Technical Advisor Mechanism (PACTAM). In 2010, Tuvalu requested four specific Technical Advisor roles to be filled by DFAT.

Project modalities

While New Zealand's financial contribution is 'on budget', not all projects have been designed and delivered using government delivery systems. The borrow pits, Ship to Shore and renewable energy projects all used external contractors to manage the project, albeit with close involvement of government officials during the design and implementation stages. It is quite plausible that this has enhanced efficiency of MFAT project delivery. For example, during scoping and design of the Ship to Shore project, close consideration was given to whether the GoT could implement the project. The final assessment was that there was not sufficient capacity within existing government systems. Yet, there was close partnership in implementation and the government was consulted on the design, the local Kaupule signed off on the designs, and an engineer from the Tuvalu Public Works Department (PWD) was contracted to work with the implementing partner (Calibre Consulting).

The renewable energy project similarly worked closely with government systems and processes. During the project negotiation phase, the GoT agreed that the project procurement, design and implementation would be led by MFAT due to capacity constraints in Tuvalu. A steering group involving the Ministry of Public Utilities and Infrastructure and the Tuvalu Electricity Corporation (TEC) was set up by MFAT and was consulted during the project. Beca Group Limited (Beca) was contracted to project manage the construction; PowerSmart delivered the outer island component of the project; while the Funafuti roof top systems were designed by Infratec and installed by Solar City. MFAT managed the relationship with the GoT. TEC also assigned three of its staff to the project for on-the-job upskilling. The speed with which this project was implemented was cited by stakeholders as a real success story.

The remediation of the borrow pits was also undertaken as a project modality. Calibre Consulting designed and managed the project, with New Zealand working closely with the GoT, the local Kaupule and the Tuvalu Association of NGOs (TANGO) on the remediation plan and consultation with landowners. PWD subcontracted an engineer to the implementing partner (Hall Construction) for the duration of the project. Both the renewable energy and borrow pits projects reflect MFAT's relatively new principle or modality used in infrastructure investment, by which an engineering consultant is used as project manager for a professional infrastructure contractor, using NZS3910 or NZS3916 standards.

The scoping for the Pacific Maritime Safety Programme (PMSP) has recently undergone a similar decision-making process. MFAT assessed whether it could provide a grant for the government to procure and manage the project. Consultation with GoT officials indicated that they were more comfortable with MFAT leading the procurement process. Again, this project seems to be following a robust process, but thought will need to be given to how to build local capacity during design and implementation as New Zealand appears to have had success with this in its other project-based support initiatives.

In a development context of a small population with ongoing capacity constraints, there is a strong case for continuing to use a project modality in Tuvalu for resource intense, shorter term infrastructure projects that draw on highly specialised expertise. New Zealand and Tuvalu took a pragmatic approach in deciding to work outside of government systems while establishing processes for engineers and other specialists to support local capacity building.

3.2. Partnerships

This section assesses how well New Zealand has involved local actors in the design and delivery of its development cooperation in Tuvalu. It draws on the principles in the Busan Partnership, which highlight partnerships and the participation of all actors as key to making development cooperation effective.[39]

Overall, engagement with local actors in the design and delivery of projects has been a strength of the New Zealand programme in Tuvalu. Consultation and dialogue were key features of this engagement and were a consistent message reported to the evaluation team while in Tuvalu, corroborated by numerous specific examples of multi-faceted partnership working.

One example of this partnership refers to the borrow pits. Given the timing of the evaluation and the geographic focus of the field research on Funafuti, this project was often cited as evidence of strong local engagement. New Zealand's commitment to remediate the pits set the relationship with Tuvalu on a strong path, given Tuvalu's longstanding but unsuccessful efforts to get other donors to assist.

Partnership case: Borrow pits

Several sensitive issues were identified, including land ownership, the necessary removal of squatter housing adjacent to many pits, and the need to find an alternative location for pigs. These issues, as well as the need to reassure and include the local community as active planning participants, dictated a need for effective consultation.

The delivery partner involved in the project design, Calibre Consulting, contracted the NGO umbrella organisation TANGO to recruit volunteers to run a survey seeking the views of landowners and people living around the pits. The consultation facilitator spoke Tuvaluan and was supported by New Zealand's local development coordinator, as well as by the local Kaupule. MFAT's development manager for Tuvalu engaged with and managed local and national political leaders, including the local Kaupule, through the design and planning process. Because the development manager at the time was a Tuvaluan, stakeholders felt the consultation was effective, there was no need for translators, and trust was built.

Landowners were suspicious as they had heard that the government wanted to use the project to acquire ownership of the new land. New Zealand could speak directly to these concerns at a community level, resulting in trust and buy-in. One stakeholder explained:

> *'Most donor consultation stops at government level; but on the pits, New Zealand was able to consult with the community directly'.*

Local engagement was also a necessary feature of the renewable energy project on the outer islands. Community consultation processes were led by local TEC staff in each of the islands and again seemed to be effective, although slightly rushed according to some stakeholders. Close

[39] The Busan Partnership for Effective Development Cooperation.

engagement of TEC in the project is considered to have contributed to government ownership over the renewables project. The panels on the government building were installed by Tuvaluans with oversight by the contracting firm.

A further example is the Ship to Shore project, which involved significant consultation with outer island Kaupule in the lead up to the project. Consultations were complex and had to manage very technical issues (associated with the dredging) and high expectations. The consultation led to changes in the project design, but not all local expectations could be met. As a result, the consultation and design took a long time and this appears to have contributed to a perceived low level of local ownership over this project. MFAT acknowledged that the locals could have been better appraised of project progress. The implementing partner employed several locals on each island.

Finally, the Partnerships for Pacific Policing (3P) activity demonstrates partnership between the New Zealand and Tuvaluan police departments. All Tuvalu stakeholders interviewed regarding this initiative valued the way that New Zealand Police (NZ Police) came to Tuvalu to engage and develop a local solution in partnership with the Tuvalu Police Force; rather than merely implement community policing initiatives that had been successfully applied in New Zealand and by NZ Police elsewhere in the Pacific. This partnership has been extended during implementation through frequent visits from the NZ Police project team.

3.3. Ownership

This section explores how local partners have been strengthened in the development cooperation process, and whether the selected aid modalities have enhanced local ownership. According to the Busan Partnership, partnerships for development succeed if they are led by developing countries, and if implementation approaches are tailored to country-specific situations and needs.

Tuvalu is self-reliant to the extent that it can raise its own revenues and there is dependable revenue from ODA. Because donors are constrained in what they can offer and what their support can achieve, the extent to which Tuvalu can fully own its own development agenda is questionable. This is an ongoing challenge for the country and ways to reduce relative donor dependence include enhancing revenues, improving public financial management, more focused prioritisation in development plans, and raising human resource capacity.

Ownership is more effective if recipient countries coordinate their own development work on the ground. In Tuvalu, development planning is guided by TKII and TKIII and coordinated by a Monitoring and Evaluation Unit in the Office of the Prime Minister. The Monitoring and Evaluation Unit reports to the Development Coordination Committee (DCC), which in turn reports to Cabinet. The DCC relies on technical advice from a taskforce in the Department of Budget and Planning. Line ministries prepare regular progress reports on implementation which are submitted to the DCC. The results of using this system have been mixed and the GoT still needs to engender more coherence among ministries in development coordination.

While there is consistent pressure on Tuvalu from different donors and agencies, coordination in terms of calling on the government’s time and human resources is reasonable. PRM has been helpful in this regard as it provides a more conducive situation for Tuvalu to be in control of its own development cooperation and setting the priorities, rather than having to respond to constant bilateral pressures from its donors.

In terms of modalities, PRM is a budget support vehicle for Tuvalu that enables a structured and coordinated approach to its reform agenda. While access to that support is conditional on the government meeting targets set by its development partners, the government is not in full ownership of the agenda. On balance this performance based approach appears to be working well for Tuvalu and donors alike. It provides access to policy advice and technical assistance and has resulted in enhanced government financial management capability, in turn allowing Tuvalu to gain more control over its finances and thus strengthen its bargaining position vis-à-vis its development partners.

TTF is not solely owned by Tuvalu, but by the original parties who set it up as well as by those who have contributed funds, including the GoT. TTF's robust governance structure – a Board with directors appointed by the GoT, MFAT and DFAT – is considered a key to its success as a sovereign wealth fund that will provide a financial cushion for Tuvalu for generations to come. The evaluation team suggests that the lack of full ownership and decision making by Tuvalu is offset by the benefits from quality governance, management and advisory services supported by donors, including New Zealand.

There is, nevertheless, a case for exploring whether more could be done to strengthen the GoT's role in the management of the fund into the future, and what this would mean in practice, as this would be a key area in which Tuvalu's ownership of its development agenda could be enhanced.

While the project modalities used by MFAT for projects such as renewable energy, borrow pits and Ship to Shore go against the Busan Partnership's principle to use country systems as the default approach, the evaluation team agrees with the views of MFAT and stakeholders in the GoT that this solution was preferred given the large, complex, technically specialised projects that contrasts with the capability of a small and stretched partner government. Nevertheless, partners such as New Zealand should try and build government ownership and capacity to run projects in the future. One way to strengthen country ownership is to involve the local workforce as much as possible, and to work alongside the Tuvalu Government in designing and planning projects. In addition, it is important to give thought to how the Central Procurement Unit can be strengthened and how the government can learn from project design and implementation processes.

3.4. Coordination and coherence

Fragmentation of aid and the proliferation of foreign assistance are major factors compromising aid effectiveness. The Paris Declaration calls for better harmonisation and coordination of aid as improved complementarity and coordination of external assistance can reduce transaction costs for recipients (critical for low capacity countries like Tuvalu). This section discusses the effectiveness of donor coordination in Tuvalu and the degree of focus within MFAT's Tuvalu aid programme.

3.4.1. Donor coordination

An underlying principle of the Paris Declaration and the Busan Partnership is the recipient country's capacity to manage the donor coordination agenda itself. As referred to in section 2.2, the development partner landscape in Tuvalu over the past five years consisted of six main country partners, and four main multilateral agencies and global funds. Tuvalu's Aid Information Management System indicates that there were 145 projects supported by donors that were ongoing, completed, or planned during the 2012–2015 period. These were provided by 26 donors and valued at AUD 105.2 million over the four years. A high proportion of this funding (39 percent) was allocated for general and sector budget support from Australia, Republic of China, Taiwan, New Zealand and other donors who provided cash support earmarked for sector or general budget support. The Ministry of Finance received the largest quantum of donor assistance and the largest number of projects (AUD 35.1 million, 23 projects); while the Ministry of Education, Youth and Sports was second in both the number of projects (22 projects) and the amount of assistance it received AUD 18.2 million (or 17 percent of total donors' support).

In considering predictability of aid, it is useful to differentiate between development assistance that is stable and fully or partially delivered through recipient country systems, such as budget support and TTF distributions, with a high level of Tuvalu ownership, and project or grant-based distributions that are delivered outside of the government system and therefore have less imposition on and ownership by the government. Figure 5 in section 2.2 shows considerable fluctuations in assistance year-on-year from the main donors. Because of the relatively small size of the total aid package, these fluctuations are largely driven by one-off projects, such as Japan's support for a new ship, and New Zealand, EU and UAE support for renewable energy facilities. This is expected in a small economy like Tuvalu and, as stated above, externally managed projects can be feasible and perhaps desirable in a country like Tuvalu as they protect the government from financial unevenness year-on-year, not requiring it to manage irregularly scheduled investments through its own systems. Donors should, nevertheless, collectively closely manage these fluctuations in total ODA to Tuvalu, particularly where there are short-term, high cost infrastructure projects, in parallel to relatively small, longer term commitments.

Higher level donor coordination operates at several levels, and appears to work well for Tuvalu, with stakeholders describing a 'good spirit between partners'. There are numerous mechanisms for this, including:

- annual high level consultation meetings led by Tuvalu (sometimes referred to as the 'donor roundtable')
- biannual TTF Board meetings
- management meetings around the PRM, including joint missions and meetings after each phase
- regular inter-donor high level meetings between MFAT and Australia/EU/WB/ADB on respective activities in the region
- quarterly catch-ups between donors in Suva.

Donors held mixed views on the effectiveness of GoT led donor coordination, with some commenting on the lack of a structured programme of meetings. The PRM process does appear to have contributed to improved donor coordination, as noted in section 3.3 on ownership. This was confirmed by the PRM review, which also noted that the PRM process provided the means for ongoing dialogue with Tuvalu and political support for more difficult reforms.[40] Other partners, such as UNDP, attend the PRM meetings as observers and reported finding them very useful, while also commenting on the efficiency and reduced transaction costs, particularly for

[40] Economic Development Services Pty Ltd (2016). *Tuvalu – Review of the Multi-Donor Policy Reform Programme.*

the GoT. The conversations that take place on the side lines of the official PRM and TTF meetings were cited as another effective means to achieve coordination.

Donors commented that, lately, New Zealand was not present at the regular meetings in Suva, with one feeling there had been 'more than an easing of engagement [from New Zealand] when [they] shifted to Wellington'. Comparisons were made with the World Bank, which, being based in Sydney, video-conferenced into the quarterly meetings if it was unable to attend in person. Most donors felt it was a limitation no longer having New Zealand based in Suva, and that New Zealand is missing out on sharing timely information. However, they also agreed that there was good engagement with MFAT when they visited Suva, and found New Zealand transparent and easy to get information from when it was needed.

GoT stakeholders reported some confusion with the shift in administration of New Zealand's development cooperation to Tuvalu from Suva to Wellington, suggesting the shift had not been clearly communicated. MFAT acknowledged that it no longer benefited from a GoT minister or permanent secretary visiting the Suva office for an informal catch-up when they were visiting or transiting through Suva. However, the frequent meetings with the Tuvalu High Commission in Wellington, as well as the regular travel to Tuvalu by the combined MFAT Tuvalu team, means that the frequency and seniority of visits has recently increased. The shift in administration to Wellington is further discussed in section 3.5 below.

Donor coordination on specific investments over the period 2012–2016 has, for New Zealand, predominantly been a feature of the scholarships programme and support for renewable energy. This is discussed in the results section for these initiatives (4.2.1 and 4.3 respectively). Beyond these, New Zealand has collaborated with the World Bank on a recent ICT needs assessment, while a new ADB coastal protection initiative is building on survey data and other technical information initially gathered for the Ship to Shore project. Outside of the above projects, New Zealand has not worked closely with other partners as there are not significant programme overlaps. For example, MFAT does not actively coordinate with Japan and Taiwan as they focus on areas largely outside of New Zealand's current portfolio.

3.4.2. Focus within New Zealand's development cooperation

The JCfD between the governments of New Zealand and Tuvalu states that:

> *'The majority of New Zealand's assistance will be through the Tuvalu bilateral allocation in a number of defined sectors …. The objective is to improve focus, reduce dispersal and focus on larger, longer term investments'.*

Data indicates that most assistance has been delivered through the bilateral programme. Over the six year period (2009/10 to 2014/15) the only non-bilateral assistance has been through the scholarships programme, the humanitarian programme (cyclone response) and one activity in the sustainable economic development programme. In 2014/15, eight of the nine MFAT activities were delivered bilaterally.

Table 2 (below) shows further data on New Zealand's development assistance to Tuvalu, which increased four-fold over the five years to 2014/15, due to the large renewable energy and borrow pits projects, but has since returned to a level more consistent with the scale of the programme over the longer term. The total spend and number of activities is relatively small; trends therefore need to be treated with caution – single activities can distort the data. There does not appear to be any movement towards longer term projects and, up until 2015/16, the number of activities and sectors has remained static despite the large increase in expenditure.

Table 2: Trends in indicators of New Zealand TCAF to Tuvalu, 2009/10–2015/16

Indicator	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Total spend (NZD million)	2.8	1.8	7.4	4.2	12.4	12.2	3.8
Number of activities (with expenditure in year)	10	9	9	9	8	9	6
Median annual activity spend (NZD million)	0.215	0.134	0.247	0.198	0.604	0.420	-
Average activity length (years)[a]	9.50	10.44	9.90	9.22	9.13	8.67	-
Number of activities 1 year or less in duration	2	1	1	1	0	1	-
Number of sectors[b] (with expenditure in year)	6	6	8	7	7	7	-

Source: Data extracted from MFAT Forward Aid Plan, 19 October 2015, and from MFAT for 2015/16.

(a) For activities with spend in a given year, the total number of years in that activity (actual and forecast) as at the most recent approved Programme Activity Authority (PAA) in that year.

(b) Sectors as defined by MFAT investment priorities.

As shown in Table 2, the number of sectors New Zealand has invested in has remained fairly static over the course of, or despite, the four-fold increase in annual expenditure. Looking at the dispersal of New Zealand's expenditure over the past three years by activity (Figure 10) suggests that New Zealand's portfolio is concentrated in four sectors – renewable energy, resilience, education and fisheries – while three sectors collectively received only 3 percent of total expenditure. The relatively low levels of aid from New Zealand in these sectors – trade and labour mobility, health and economic governance – means that they are likely to have disproportionately high transaction costs. The evaluation team is conscious that the GoT's transaction costs associated with the activities in each of these three sectors may be relatively low. We also acknowledge that aid volume does not equate to impact.

The total programme increased from NZD 2.8 million in 2009/10 to NZD 12.2 million in 2014/15. While the relative expenditure in the three sectors of trade and labour mobility, health and economic governance, decreased from 46 percent to 3 percent of New Zealand's total annual investment, the actual level of investment decreased less drastically, from 43 percent (NZD 1.29 million) in 2009/10 to 30 percent (NZD 0.39 million) in 2014/15. Similarly, expenditure in education increased between the two periods, from NZD 0.94 million in 2009/19 to NZD 1.43 million in 2014/15, despite its relative decrease from 34 percent to 12 percent of total investment.

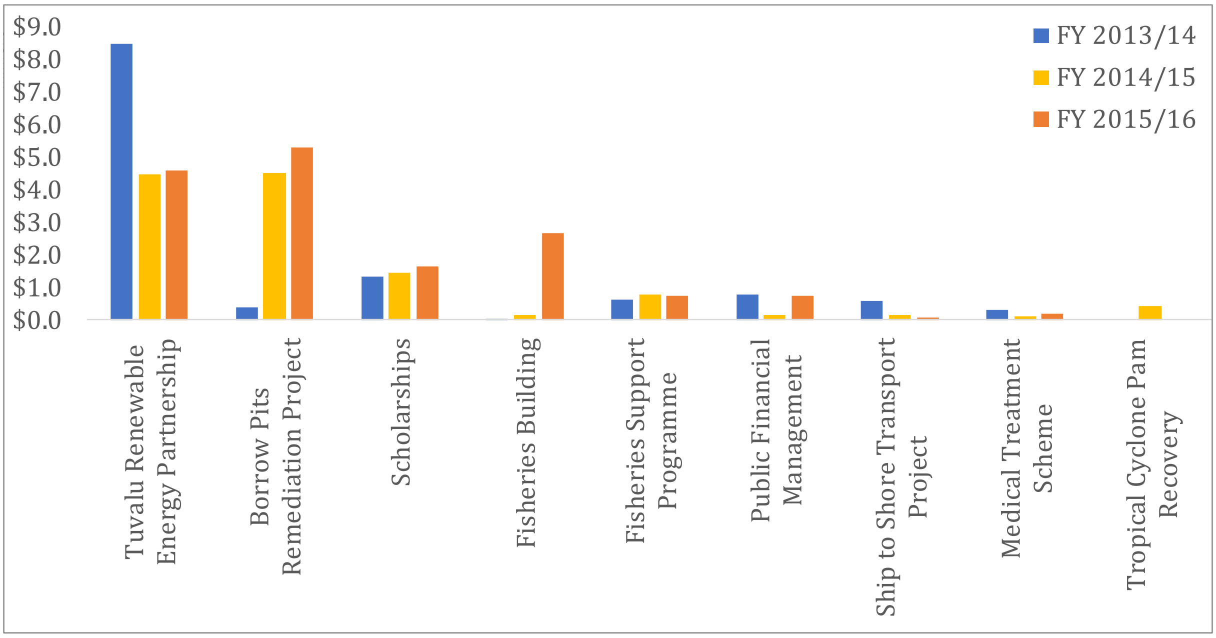

Figure 10: New Zealand Aid Programme investment by activity (NZD millions)

Source: Data extracted from MFAT Forward Aid Plan, 19 October 2015, and from MFAT for 2015/16.

As discussed in the previous section, New Zealand's development programme in Tuvalu has not been guided by an overarching MFAT country strategy and the activities have not been deployed as an integrated, coherent whole, with deliberate links between activities. On one level, the programme looks like several separate projects, designed and implemented in isolation of one another. The scholarships programme, for example, tends to operate in isolation of other projects.

Despite a lack of integration, the activities delivered by New Zealand in Tuvalu are complementary. Connections between some projects have been made with more 'coupling' opportunities being explored. Perhaps the clearest examples are where New Zealand has provided infrastructural support (such as in the construction of renewable energy facilities) and is now providing financial management support to the TEC by way of a technical adviser. Another example is where New Zealand has provided technical support to build institutional strengthening in the Fisheries Department, which has enabled the programme to actively engage in the design specification for the new Fisheries Department building. The new PMSP is also closely aligned with the Ship to Shore project which had a strong focus on the safe passage of people and goods on and off the outer islands. Such connections are evidence of efficiency, as projects seek to leverage off past experiences, lessons and results.

Turning briefly to NZ Inc, the broader development cooperation delivered to Tuvalu in partnership with other New Zealand agencies, notably NZ Police and the Ministry of Business, Innovation and Employment (MBIE), benefits from shared policy settings, clear responsibilities and strong and effective partnerships with MFAT. However, one stakeholder with expert knowledge of the RSE scheme considered that the scheme needed to be more fully integrated into New Zealand's development agenda for Tuvalu in order to contribute to equitable development for a broader range of communities in Tuvalu. Policing and the RSE scheme are included in the JCfD and similarly should be considered within any future country strategy for Tuvalu.

3.5. Management of MFAT's development cooperation

At the time of this evaluation (mid-2016), MFAT's bilateral programme for Tuvalu is managed by a team of two FTEs and a Deputy Director in Wellington, supported by a local coordinator on Funafuti, and a High Commissioner and policy officer also based in Wellington. Compared to other bilateral programmes, dollar for dollar this is not a small team. The location of this management resource has changed over the period within scope of this evaluation, and this section provides a brief assessment of whether the changes have had any impact on the delivery of effective development cooperation.

In 2015, the accreditation for Tuvalu ceased to sit in Fiji. As the Head of Mission moved from Suva to Wellington in 2011, keeping the management of the programme in Fiji was mainly a historical legacy. While the Fiji aid programme experienced a less active phase, this was feasible. However, following the Fiji elections and the ensuing increase in New Zealand's aid to Fiji, managing the Tuvalu programme from Fiji became less of a focus for MFAT's Fiji office. As a result, and to improve focus, the management of MFAT's Tuvalu country programme moved from Suva to Wellington in 2015.

In section 3.4.1, we noted some perceived negative impacts associated with New Zealand no longer having staff on the ground in Suva to participate in regular and ad hoc donor partner meetings on Tuvalu, or to be available at the Suva office to meet Tuvalu government representatives on their visits to/through Suva. This was a consistent view from several of Tuvalu's donor partners; however, it is also an impact that could be mitigated. In the absence of Suva-based staff on the Tuvalu programme, MFAT needs to ensure it is visible and communicative with other donors.

At the diplomatic level, there has reportedly been a recent improvement in the communication channels between Funafuti and Wellington that has largely been attributed to Tuvalu opening a High Commission in Wellington, and the recently appointed New Zealand High Commissioner settling into the role. New Zealand's High Commissioner had also recently undertaken two visits to Tuvalu just prior to this evaluation. Monthly meetings between the Tuvalu High Commissioner and New Zealand officials help to keep Tuvalu informed of latest developments regarding New Zealand's overall foreign affairs and trade, and development cooperation.

New Zealand's on-the-ground presence on Funafuti is provided by a local coordinator who is highly valued not only by New Zealand and Tuvaluan stakeholders, but also by donor partners who do not have a presence in Tuvalu. The local coordinator plays an important broker and bridging role and helps to bolster New Zealand's image in Tuvalu. While it is not a senior position, the role does afford New Zealand regular opportunities for direct engagement with the Tuvalu Government. The role seems well supported from Wellington, although there is a more natural reporting line for the coordinator to the Development Manager and less so to the Deputy Director, who currently oversees the position.

Overall, the recent changes in management of MFAT's Tuvalu country programme have not negatively impacted day-to-day operations. The programme is 'in recovery' from a heavy staff rotation and a hiatus in key appointments. The new arrangements have not fully stabilised, in the sense that many people interviewed as part of the evaluation were not fully aware that New

Zealand's programme was no longer managed from Suva. New Zealand's on-the-ground presence on Funafuti has, to some extent, countered any negative consequences of the uncertainty from the management changes.

As the expenditure on the Tuvalu programme returns to an expected level of NZD 3–4 million per annum, the management overhead of MFAT's programme will increase as a percentage. This is probably an unavoidable constraint to efficiency.

3.6. Summary

The overall assessment of the effectiveness of the design and delivery of New Zealand's development cooperation to Tuvalu indicates an aid programme that is highly relevant, aligned with Tuvalu's priorities, and implemented through strong partnerships.

Most investments are derived from the JCfD and are aligned to Tuvalu's national development plan. New Zealand's focus on workforce skills development, more specifically academic scholarships, is not so well aligned with TKII's focus on technical and vocational skills.

Tuvalu's high level of aid dependency is a significant constraint to ownership and determination of its development efforts. The modalities used by New Zealand have used and/or strengthened Tuvalu's systems, including the use of budget support as a modality, and TA and other support for public financial management that directly targets systems strengthening. Involvement in the TTF and the PRM has afforded New Zealand excellent opportunities for dialogue with the government and has facilitated deep engagement on PFM. When New Zealand has used project modalities, these have been implemented through strong and effective partnerships that have enhanced Tuvalu's ownership of projects and built local capacity in the process. The design and implementation process for the Borrow Pits Remediation Project stands out as an exemplar of an inclusive and respectful approach to establishing partnerships at a local level.

Donor coordination has improved as a result of engagement in PRM and TTF processes; however, there is room for improvement in Tuvalu-led coordination and New Zealand's engagement in donor discussions in Suva. New Zealand has demonstrated strong coordination with other donors on specific projects, most notably on the design and implementation of renewable energy projects in the outer islands.

On paper, it appears that New Zealand's Tuvalu programme is unfocused and fragmented for its size. For the 2014/15 financial year, when both borrow pits remediation and renewable energy projects were being implemented, the programme consisted of nine activities in four investment priorities. Given the small size of the country and the administration, an increased focus on fewer sectors may stretch the absorptive capacity of individual ministries.

The lack of an explicit theory of change and strategy for the programme masks any deliberate inter-connections between the individual investments. In reality, there are complementary features between activities and evidence of 'coupling' or projects leveraging off other projects.

Recent changes in MFAT's management of the Tuvalu country programme have not significantly affected day-to-day operations, but New Zealand must maintain frequent engagement with Tuvalu and its other development partners.

4. PROGRAMME RESULTS

What are the results of New Zealand's development cooperation and how sustainable are these results?

MFAT is committed to achieving measurable tangible results from its development cooperation that clearly demonstrate New Zealand's effectiveness and increase its accountability. This section discusses development effectiveness in terms of the results of New Zealand's development cooperation to Tuvalu and how sustainable these results are. The section is structured by the outcomes sought in the JCfD, as well as the outcomes sought with individual and regional investments that fall outside of the JCfD. Sections 4.1–4.4 largely reflect the priority areas specified in the JCfD (lifting economic performance, education and workforce development, renewable energy and land remediation and water security). Section 4.5 discuses New Zealand's partnerships and includes broader aspects of labour mobility. Section 4.6 refers to health initiatives that fall outside of the JCfD. In section 4.7, overarching constraints to impact and sustainability of results are discussed.

4.1. Lifting economic performance

Lifting economic performance is the first outcome area in the Tuvalu-New Zealand JCfD. It receives most of New Zealand's aid allocation to Tuvalu, after a deduction of temporary transformational investments in infrastructure and energy. For the past four years, the joint commitment in lifting economic performance sought the following outcome:

> *'Strengthened public financial management and improved economic performance, including balanced budgets and transparent public accountability. Increased economic returns from the Tuvalu Trust Fund, fisheries, and better shipping services.'*

To this effect, New Zealand supports Tuvalu in two areas:

1. Public Financial Management – support to the TTF and the PRM aimed at improving financial management leading to financial sustainability and greater financial autonomy; and
2. Improved Economic Performance – technical assistance to the fisheries sector and Ship to Shore infrastructure improvements aimed at improving fisheries resource management and better shipping services.

4.1.2. Public Financial Management

The Government of Tuvalu has four key investment funds: the TTF, the CIF, the Falekaupule Trust Fund, and the Tuvalu Survival Fund.[41]

[41] CIF (AUD 26 million in 2015) receives distributions from the TTF; the Falekaupule Trust Fund (AUD 27 million in 2010) was established with a loan from ADB and matched funding from the GoT for outer island development; the Tuvalu Survival Fund (AUD 5 million in 2015) was established to provide Tuvalu with quick access to funds required in response to a natural disaster such as a tropical cyclone. Establishment funding came from a TTF distribution.

The TTF was established in 1987 for the purpose of supplementing national deficits, underpinning economic development, and helping Tuvalu to achieve greater financial autonomy. As mentioned in section 2.1.3 it provides an additional source of revenue for recurrent expenses of the GoT, thereby contributing to long-term financial viability. It can be seen as a way of saving and transferring aid for future generations.

The purpose of the TTF is to assist the Government of Tuvalu to:

- Achieve greater autonomy.
- Maintain and improve existing levels of social infrastructure and services.
- Enhance the capacity to receive and effectively utilise external capital development and technical assistance.
- Meet long-term maintenance and operating costs of social and economic infrastructure and services.

The TTF's initial capital was approximately AUD 27 million. Later contributions have increased the total maintained value to AUD 148 million. Table 3 shows the total contribution to the TTF to October 2015, by country.

Table 3: Total contributions to the Tuvalu Trust Fund as at October 2015 (AUD million)

Contributor	Initial contribution	Total contributions	Percent of total
Tuvalu	1.6	34.9	39
Australia	8.0	31.6	36
New Zealand(a)	8.3	12.9	15
United Kingdom	8.5	8.5	10
Japan	0.7	0.7	1
South Korea	0.031m	<0.1m	0.1
Turkey	-	<0.1m	<0.1

(a) New Zealand has since contributed an additional AUD 1.4m at the end of the 2015/16 financial year.

The TTF's current worth generates between AUD 8 and AUD 10 million in interest for the annual national budget. Due to large fiscal surpluses achieved in 2012–2014, the CIF value was approximately AUD 35 million (22.2 percent of the TTF Market Value) at March 2016.[42,43] This is

[42] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee.*

not insignificant in a country of fewer than 11,000 people, with very limited options for revenue generation. All contributors to the TTF, including the GoT and New Zealand, are to be commended on this result.

As mentioned in section 3, a key contributing factor to TTF's success is that it is not owned exclusively by Tuvalu but by all those who have set it up and contribute significant funds on a regular basis. It is well designed and has a strong governance structure that has protected the TTF from political pressures to invest and manage funds according to particular interests. The current investment approach, whereby two separate fund managers provide different investment strategies, was designed to reduce volatility.[44] As noted in the 2016 TTF Activity Design Document, it has proven to be an effective and well managed sovereign wealth fund. New Zealand has had a direct role in this success and much of the external impetus for this innovative scheme has been credited to New Zealand's Prime Minister at the time of the TTF's establishment.[45]

While the TTF is focused on increasing a sustainable revenue base, the PRM aims to improve living standards by increasing the efficiency and effectiveness of Tuvalu's public and financial management policies and systems and improving the linkages between policy making and policy spending. New Zealand's engagement in the PRM is independent of its TTF involvement, although there are strong synergies between the two[46], not least because TTFAC assesses the government's achievement of PRM targets.

The public sector reforms implemented through the PRM were intended to help strengthen financial management and expenditure. The first two phases focused on public financial management and systems set-up. The recent phase has focused on specific development outcomes, such as education reform and infrastructure reform, and this will continue in the upcoming phase 4.[47] TTFAC has been tasked by the TTF Board to monitor not only how funds distributed from the TTF have been spent, but also the extent to which the GoT has achieved the PRM targets. In doing so, TTFAC monitors Tuvalu's overall budget estimates and fiscal risks, follows up progress against commitments, and identifies issues arising from policy, planning and fiscal decisions.[48]

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[43] TTFAC has established a target of not letting the value of the CIF fall beneath 16 percent of the TTF Market Value.

[44]Vinstar (2011) *Tuvalu Trust Fund Investment Review*.

[45] Extract from *The South Pacific Forum information bulletin No 26, July 1989 – Ministry of External Relations & Trade, New Zealand.*

[46] MFAT (2016) *Activity Design Document: Tuvalu Trust Fund Contribution*.

[47] Phase 1 and 2 consisted of six areas: sound macro-economic and fiscal management and minimise external debt; exert fiscal discipline so government budgets are fiscally sustainable; strengthen public administration; strengthen and improve public enterprise management; provide Tuvaluans with the highest attainable standard of health; and improve management of the education system. Phase 3 focused on three areas: good governance, macro-economic growth and stability; good governance and outer islands development; and education and human resources.

[48] TTFAC also monitors the Tuvalu Survival Fund and, reportedly, the GoT is looking into other areas it could expand into.

Tuvalu's national budget has grown significantly in recent years, both in terms of domestic recurrent revenue and total expenditure. Increased domestic revenue, driven by buoyant fishing revenues, has provided Tuvalu with an opportunity to: consolidate its overall fiscal position and strengthen fiscal buffers for the medium-term; prudently increase investment levels into projects with prospects of producing an acceptable social and economic return; and sustainably manage ongoing operational expenditure.

Overall, the reforms undertaken by Tuvalu (under TKII), and supported by the PRM, have allowed the government to make more informed decisions and to better understand the benefits, risks and costs associated with these decisions. According to the 2016 review of the PRM, economic governance has improved since 2012 and potentially contributed to a budget surplus in the years following the introduction of the PRM (acknowledging that a large increase in revenue from fishing licenses also made a substantive contribution), as well as contributed to the government's ability to prudently manage an expanding budget. Instrumentally, the PRM review notes that the budget support provided by the development partners through the PRM has provided the government with the fiscal space to maintain core services while at the same time enabling it to implement reforms and improve its fiscal position.

Significant achievements from the PRM implementation include:

- Better understanding of the fiscal implications of decisions, resulting in current and relevant information to provide a basis for fiscal decisions, thereby the ability to prudently manage the rise in revenues.
- Specific reforms, such as the reform of tax administration and tax auditing supported by New Zealand and Australia. These have resulted in improved tax revenue collection – the AUD 8.5 million received in 2015 was the highest ever achieved[49], and was an increase of 42 percent from 2014. Donor funded TA in the Revenue Department has assisted with the reforms and this has helped to strengthen the systems, which now generate audited accounts of all public enterprises.
- The establishment of a Central Procurement Unit (CPU).[50] While this unit is still in its infancy, with government departments still adjusting to a centralised procurement system, there appears to be good progress and increasing line ministry compliance. The CPU is contributing to transparency and accountability and it is expected that it will lead to cost savings by sourcing the most competitive service bidders.[51] There has been an improvement on the supply side as the CPU appears to have contributed to uncovering a local supplier market, with eight key local firms/individuals who regularly bid on works procurement.[52]
- A coordinated donor approach and the means for ongoing dialogue with the GoT and political support for more difficult reform (as discussed in section 3.3 and 3.4). The

49 TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.
50 The role of CPU is to do the main procurements, >$5,000. Amounts below this mark are still managed by line ministries.
51 At the time of this evaluation, the CPU was getting quotes from agencies in three centres – Fiji, Australia and New Zealand – for air fares. It was also planning for tendering of fuels used in GoT transport services (e.g. vessels).
52 Ongoing and planned outsourced work includes construction of ministers' residences and classrooms in the outer islands.

> PRM is considered by all stakeholders consulted to be effective and focused, helping to ensure GoT ownership of issues as it is integral to the process of defining priorities. The links to budget reform are also considered to be working well.

The recent review of the PRM identifies several elements that have helped to achieve improved fiscal and macroeconomic management of the economy. TTFAC's monitoring of all the government's accounts and expenditure has resulted in increased discipline within the GoT. This has also contributed to building the government's own monitoring capacity. In October 2015, TTFAC helped the government to generate its own fiscal analysis and to transform its public accounts to meet international standard accounting practices. As mentioned in section 3.1, another success factor has been the TAs provided and tied to several of the required reforms. This has both supported capacity development and supplemented GoT capacity.

While Tuvalu's fiscal position has improved significantly over 2012–2016, and notably so since the establishment of the PRM, expenditure has also increased, as could be seen in Figure 2. Tuvalu's 2016 Budget projects a record level of expenditure of AUD 72.3 million, 2.5 times higher than the expenditure level in 2012 of AUD 28.9 million. TTFAC has raised an issue with line ministries sometimes making commitments without always fully costing them and assessing the impact on the overall budget position. While the Development Coordination Committee is the overarching unit across all proposals it does not always appear to be consulted. TTFAC also put forward this concern, noting that the situation reinforces a silo culture where ministers table their own papers which at times risk contradicting what has been agreed under a whole of government consultation and under the PRM (e.g. health sector reform strategy) and TK II and III.[53]

Concerns were raised by a donor and TAs about the verification measures in the PRM, and whether these have been the most appropriate for measuring impact and achieving the results sought. For some activities in the matrix, the GoT met the verification targets used to trigger contributions but the expected development outcome had not been achieved. For example, one verification trigger was the establishment of a Public Service Reform Committee. While this measure was achieved (i.e. triggering donor contributions), evaluation participants noted that the committee had been largely inactive. Some donors also reported that New Zealand had released budget support without Tuvalu achieving some of the PRM targets. They considered this unhelpful in trying to establish a system based on incentivising specific outcomes and results. This indicates that the measures may not have been feasible for the government to attain within the period, and/or a lack of alignment by the donor in terms of abiding with the framework measures set. It points to a need for the GoT to take full ownership in the PRM discussions regarding relevant and feasible measures, with a potential staggered approach to allow for gradual enhancement in Tuvalu's capability and maturity in performance based public management.

Overall, the PRM is assisting in identifying the key reforms necessary to Tuvalu's development, and is supporting the process of implementing such reforms (including through the provisions of TA). Successful implementation of the reforms and conversion into effective development results remains a challenge for Tuvalu.

[53] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.

4.1.3. Improved economic performance

Fisheries is Tuvalu's main natural resource. Next to the TTF and revenue from the .tv domain name, revenue from fishing is a key income source for Tuvalu, with fishing licence fees providing an important source of foreign exchange. While fish licence revenue varies significantly from year to year, the pay-outs over recent years have been significant. Tuvalu has bilateral fishing agreements, is a party to the multi-lateral fishing agreement with the United States, and is one of the PNA nations (Parties to the Nauru Agreement), a sub-regional cooperation agreement. For people's livelihoods, traditional subsistence agriculture and fisheries also play a large role in Tuvalu, even though both are highly susceptible to adverse weather conditions, and to potential sea level rise.

New Zealand has been engaged in the Tuvalu fishery sector since 2011; initially through the Institutional Strengthening Project inception phase over 2012 and 2013, which identified issues needing to be addressed, and then under the Tuvalu Fisheries Support Programme. Support of NZD 2.9 million between 2012/13 and 2014/15 represented 9 percent of New Zealand's aid to Tuvalu. Projected spend in the fisheries sector in the new triennium (2015/16 to 2017/18) is NZD 3.6 million. In addition to New Zealand, other donors supporting the fisheries sector in Tuvalu are Japan, the World Bank and the Global Environment Facility.

Tuvalu Fisheries Support Programme

The New Zealand-funded Tuvalu Fisheries Support Programme concentrates on both oceanic and coastal fisheries development. The New Zealand-Tuvalu JCfD specifies the key expected results from this support as:

- Increased fisheries resource management capacity: more Tuvaluans trained as competent lawyers and negotiators and skilled fishers and observers on foreign fishing vessels.
- Increased revenue from fisheries resources.

The Fisheries Support Programme is a five year initiative (2014–2019) with a focus on activities to: increase revenue and employment opportunities from fisheries resources; improve the management of inshore fisheries resources; and to support the progressive development and implementation of improved Tuvalu Fisheries Department' policies, strategies and plans, including a human resource development plan. Two medium-term outcomes related to oceanic fisheries were sought:

1. Tuvalu's license and access arrangements optimised.
2. Trained purse seine crew and observers employed aboard tuna vessels.

A further medium-term outcome has been pursued related to New Zealand's support to sustainable harvesting of coastal fisheries: 'improved management of lagoon/coastal fisheries resources'. And a final medium-term outcome is related to the support for the Fisheries Department: 'improved operational effectiveness, synergies and morale'.

Despite revenue volatility driven by AUD/USD exchange rate fluctuations, Tuvalu's fishing revenues doubled in two years, from AUD 13 million in 2014 to AUD 26 million in 2015. This dramatic increase reflects the benefit of the Vessel Day Scheme (VDS[54]) which enables Tuvalu to get a greater share of the true value of the fish caught in its waters. If the number of days allocated to Tuvalu under the VDS remain constant, current revenue levels can be expected to continue to 2018 at the least.[55] The Pacific Islands Forum Fisheries Agency (FFA) expects there to be potentially modest increases in revenue over the next few years, but notes that the license costs match what the industry can bear and there is no further scope for the large increases that have been experienced over the last few years.

The strong growth in fisheries sector revenue is clearly a very good result, with one evaluation participant describing it as a 'game changer' for Tuvalu. There are a number of factors behind this strong growth, including strengthened regional agreements such as the VDS and favourable exogenous factors, such as the migratory patterns of tuna (recent weather patterns have increased catch amounts for tuna in the Eastern Pacific, for example[56]). But it is difficult to gauge the extent to which the increased revenue can be attributed to specific factors. Given the agreements are negotiated regionally, it is also hard to isolate the impact Tuvalu has had on negotiations and reaching the various agreements. However, it is clear that Tuvalu's capacity to engage and promote its interest in regional negotiations has increased substantially; and that New Zealand's support through funding a TA in the Fisheries Department has played a major role in building this capability. On the basis of this logic, therefore, it is reasonable to conclude that New Zealand's support has had a direct impact on the strong growth in fisheries revenue.

Tracking towards the second medium-term outcome, having trained purse seine crew and observers employed aboard tuna vessels, is looking less positive. Tuvalu has always wanted to increase employment opportunities by ensuring vessels fishing in its waters hire Tuvaluans, as domestic employment opportunities in fisheries are limited. However, Tuvalu cannot pursue mandatory crewing alone; any agreement is tied to conditions in the PNA, and/or other arrangement, and negotiating such agreements regionally and sub-regionally has proved complex. Existing conditions on local crewing have not been enforced. The current proposal under the Nauru Agreement is to have two PNA nationals as crew on each boat, or alternatively the licensee pay a training levy. The number of crew would increase to three in the third year of the amended agreement, and four in year four. However, this proposal has not yet been agreed and it is likely to change again. Nevertheless, when an agreement is finalised it has the potential to lead to a significant number of job opportunities for Tuvaluans. In the absence of amendments to the Nauru Agreement on mandatory conditions, fishing vessels operating under the PNA in Tuvalu's waters have not employed Tuvaluan crew.

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[54] The VDS was brought about by the Nauru Agreement and determines the terms and conditions for tuna purse seine fishing licences. Parties to the agreement are the Federated States of Micronesia, Kiribati, Nauru, Palau, Papua New Guinea, Solomon Islands, Tuvalu and Tokelau also participate in the VDS. Foreign vessel owners or operators must purchase vessel days in order to fish in these parties' waters. Vessel days are set at a fixed amount per year and apportioned between the parties to limit overfishing and protect fish stocks in addition to providing a source of revenue. The parties can also sell their VDS days to other VDS partners for them to on sell to vessel operators for fishing in their EEZs, providing a balancing mechanism to cater for changes in the distribution of the migratory tuna stocks across EEZ in any given year.

[55] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee.*

[56] Notwithstanding that the VDS is designed to mitigate the impact of such local or regional effects on revenue.

An added barrier to employment in the purse seine fishery for Tuvalu is that it lacks a pool of qualified crew.[57] New Zealand supported the TMTI to add training relevant to purse seine fishing vessel crews to its curriculum; however, while four courses have reportedly been run, a report from a New Zealand TA visit to the TMTI in August 2016 reported that the initiative was not progressing.[58] Other work being done to address the lack of progress on securing employment outcomes for Tuvaluans includes discussions with the International Labour Organisation (ILO) to standardise labour rules across the region and how this can be integrated into the future United States Pacific Islands FFA Treaty.[59] Employment opportunities for Tuvaluans could also be enhanced by joint venture arrangements. Tuvalu currently has two JVs in the fisheries sector: one with a Taiwanese company and one with a Korean company. However, once again, the minimum local crew requirements have not been enforced. With the right commercial advice, and with a trained pool of crew, there could be scope to explore similar JV opportunities that lead to employment outcomes.

In terms of New Zealand's support for improved management of lagoon/coastal fisheries, progress has been slow due to multiple challenges. Progress with baseline surveys of fisheries resources and upskilling Kaupule in fisheries management have been hampered by the challenges of working in the outer islands and only recently having had access to a vessel for travel and resource assessments.

Results associated with improving the operational effectiveness of the Fisheries Department have been stronger, with the human resource development plan having been implemented and the new operational structure in place. However, there continue to be challenges (many of which are symptomatic across the government), including:

- A lack of investment in operations (80 percent of the Department's budget is absorbed by staff costs and it remains reliant on donors – mostly New Zealand and the World Bank – for operations).
- Regular absences of senior staff, due to international engagements or long-term overseas studies, results in a lack of in-country management capability. Encouragingly, 16 frontline managers were due to receive management training at the end of 2016.
- A lack of technical financial management capability and commercial skills.
- High staff turnover in the Department, coupled with low salaries and not a well-understood concept of a career (e.g. this results in trained fisheries staff shifting to other departments/ministries).
- Delays in the construction of the new Fisheries Department building (see below).

The new Fisheries Department building is considered an integral part of the overall Fisheries Support Programme. It is expected to include an analytical laboratory which is a prerequisite for

[57] Tuvalu does have a pool of 20 trained observers; however, the observer programme has been poorly managed and the observers have been largely idle.

[58] Information paper Tuv 007. Meeting notes: TMTI Tuvalu. TA visit 3 August 2016.

[59] To decide the future of a US FFA treaty negotiation, a forum was held in Auckland in June 2016 at which many PICs called for increased employment opportunities for their people on fishing vessels. The FFA has a goal of increasing local employment opportunities for its nationals in the tuna industry, with a goal of creating 18,000 new jobs in the tuna industry by 2025.

many aspects of the coastal fisheries work. It is also expected to include secure storage for classified and commercially sensitive material on fishing quotas. In addition, the building would bring together the Department which is currently spread across five premises, all in varying degrees of deterioration. There have been delays in starting construction, and at the time of this evaluation MFAT and the GoT were in the process of assessing bids to construct the building. This delay has had several implications on achieving the short-term institutional outcomes. In addition, according to one regional organisation stakeholder, the delay has jeopardised projects planned by other donors that were leveraging off New Zealand's investment (a World Bank project was planned partly to support Tuvalu with purchase of equipment, such as for surveillance, and the delays have put this project funding at risk as the building was a platform for the World Bank project). However, it is encouraging that, as at October 2016, the build is set to start.

Building an effective department, particularly when it encompasses a highly technical field such as oceanic fisheries, is complex and takes time. New Zealand may have over-estimated how much could be achieved within the timeframe of the Fisheries Support Programme. It is also important to consider the baseline; in the inception phase of this project, the performance of the Department was described as 'sporadic performance at best and dysfunction at worst'.[60]

In its early design, the TA component of the Fisheries Support Programme had a stronger focus on building capability, but due to staff absences on long-term overseas training this focus shifted to supplementation, particularly in the oceanic fisheries area. The reality is that Tuvalu will probably need external support in highly specialised technical areas for some time to come, the question is how this is delivered (e.g. direct supplementation or through a long-term mentoring relationship), and what support Tuvalu needs from its development partners in implementing a long-term arrangement.

Ship to Shore Transport Project

The Ship to Shore project reflects a key priority in TKII regarding Falekaupule and outer island development to provide better infrastructure, including jetties, causeways/bridges, seawalls and renewable energy technologies. New Zealand and Tuvalu agreed to improve shipping services through commitment to the Ship to Shore project. This was aimed at:

- More efficient inter-island shipping services.
- Increased passenger safety (especially ensuring that the needs of pregnant women, the old and the young are met) and reduced damage to goods being transported to/from outer islands.[61]

The outer islands are surrounded by coral reef flats, which prevent boats from reaching the beach at low tide. The distance between the edge of the reef flat and the beach can be more than one 100 metres, making the loading and unloading of cargo and passengers difficult and dangerous. Bridging this gap is critical to the safety of passengers and the security of goods. New Zealand's Ship to Shore project installed navigational aids in Funafuti Lagoon and on the outer islands of Nukufetau, Nui, Nanumaga, Nanumea and Niutao, and widened the existing reef

[60] Gillett, Preston and Associates (2013). Fisheries Department Institutional Strengthening Project: *Technical Report 4.*
[61] New Zealand-Tuvalu JCfD.

channels in the eight outer islands to allow for safer passage of people and goods between ship and shore.

The evaluation revealed mixed perceptions amongst stakeholders regarding the outcomes achieved. Many stakeholders considered that the navigational aids and improvements to channels had increased passenger safety and improved access for goods and services, including after dark. At the same time, some believed the project experienced delays and that not all expectations and criteria were met. Significant time is thought to have been spent on the design phase, with less budget remaining for implementation. Not all stakeholders consider the channels to be up to standard, with one channel silting up and some still getting waves breaking across them. Some stakeholders assessed the benefits of the intervention to be 50-75 percent of what had been expected. While it appears that the local population expected full access between the reef and the shore, the gaps avoid draining perched lagoons, which would have severe environmental impacts. As per the original co-ordinated plan, ADB is now bridging the gap to the shore in three northern islands – Nanumea atoll, and Nanumanga and Niutao islands.

An independent expert concluded that failure of the Navigation Pile B in Funafuti Lagoon could be attributed to shortfalls in design and/or installation. They also concluded that all other defects identified during a reconnaissance were primarily due to either a lack of routine maintenance, or to damage sustained during Tropical Cyclone (TC) Pam.[62] It is likely that the perception of the project's shortcomings amongst stakeholders is due to miscommunication, or insufficient communication, regarding expected results and details relating to the project schedule and implementation.

The high cost and the delays of the Ship to Shore project need to be contrasted with the benefit of the enhanced safety and access it has provided for the outer islands' population. The GoT needs to provide basic services to people in the outer islands, and it has been highlighted as a priority in TKIII to ensure that the outer islands are still a desirable place to live. While the Ship to Shore investment was large and while the cost has risen due to TC Pam damage and less than required maintenance subsequent to the investment, for the outer island population it has undoubtedly contributed to improved inclusive and equitable development.

Ship to Shore has been perceived as a success by the Japan International Cooperation Agency (JICA) as it complements its investment in Nivaga III, a ship recently donated for Tuvalu's shipping services. Furthermore, the project had a role in supporting ADB's investments, as this agency is now building jetties in the northern outer islands to bridge the gap between off-loading points and the shore.

New Zealand has an opportunity to further leverage the Ship to Shore project through MFAT's new Pacific Maritime Safety Programme which initially involved Tonga, Kiribati and the Cook Islands when it began in 2012, and has extended to Niue, Tuvalu and Tokelau in July 2015. In Tuvalu it is likely to include a focus on maritime communications (including navigational aids) and non-infrastructural support, such as for marine safety regulations, education, and training.

[62] KBR (2016) *Independent review of Ship-to-Shore project.*

4.1.4. Key messages on lifting economic performance

In summarising the results of New Zealand's development cooperation on lifting economic performance, and the sustainability of these results, this evaluation finds:

- Multiple New Zealand investments have contributed to enhancing Tuvalu's financial autonomy and sustainability, including support to the TTF, PRM programme, fisheries sector and for ship-to-shore transportation.
- Increased returns from the TTF and substantial fishing revenue have contributed to a strong growth in Tuvalu's income. Reforms overseen by the PRM, such as taxation, have also resulted in increased domestic revenue and tax collection.
- Against these increases, rapid escalation of government expenditure, especially in Tuvalu's medical treatment and scholarships programmes, is a threat to consolidating Tuvalu's fiscal position.
- New Zealand's support for the TTF has benefits beyond contributing to a well-managed fund and increased returns; the strong governance and monitoring has flow-on effects on Tuvalu's public financial management capability more generally.
- New Zealand's support for the PRM has helped to identify key reform efforts necessary for Tuvalu's development. Some of these reforms are going to be hard to achieve. New Zealand will need to provide further budgetary and technical support to successfully implement the reform programmes.
- It is reasonable to conclude that the Fisheries Support Programme has contributed to the significant growth in revenue from tuna fisheries licenses. The TAs supported under the programme have largely supplemented capacity, rather than built it. This reflects the reality of some of the highly specialised support provided; and the challenges associated with building capability in the oceanic fisheries area when local staff are often absent at overseas meetings and on trainings, and in the coastal fisheries area which requires travel to the outer islands. Tuvalu's ability to monitor catches by overseas fishing vessels, particularly illegal, unreported and unregulated fishing, is a key determinant of future fishing revenue, along with patterns in the sustainability of the tuna fishery.
- Due to volatility in government revenue, the Fisheries Support Programme's intention to strengthen sustainable harvesting of coastal fisheries is important in contributing to building sustainable livelihoods and resilience. Progress on coastal fisheries has been hampered by local staff being absent on overseas training, and a lack of a quality laboratory.
- The contribution of improved ship-to-shore transportation to increased revenue is not easy to ascertain, although safe movement of people and goods is essential for a functioning nation state. New Zealand's support has directly enabled other partners and projects to leverage off this, helping Tuvalu to further improve island infrastructure and maritime safety. Sustainability of results for the Ship to Shore project is threatened by a lack of asset maintenance capability, as well as a lack of funding for maintenance.

4.2. Education and workforce skills development

TKII outlines a goal to provide quality education, and to equip people with knowledge and skills to develop more self-reliance. Education and training are intended to target the skills and manpower demands in the different sectors of the economy.

The New Zealand-Tuvalu JCfD is focused on workforce skills development and seeks the following outcome:

> *'More skilled workforce matched to market demands resulting in increased employment opportunities in Tuvalu and overseas'.*

New Zealand's contribution to education and workforce skills development has primarily been in the higher education sector through the provision of scholarships and assistance with vocational training through Short Term Training Awards.

Australia and UNICEF have been Tuvalu's key partners in supporting primary and secondary education. Good progress has been made towards achieving the six Education for All goals, with a recent review attributing this to the commitment of the education sector in Tuvalu and the development partners who have worked together towards this aim.[63] While there are some constraints on fully achieving the Education for All goals, the GoT is continuing to work towards strengthening the quality of education through improving monitoring and evaluation systems, developing a national assessment policy, and improving the quality of teaching and learning. The review notes a strong reliance on donor funding to achieve the objectives, and strengthening relationships between the government, the Kaupule and the community remains a key feature for success. The Fiji Volunteer Teachers Scheme appears to have made a strong contribution to raising the quality of teaching, notably at secondary level.[64] In 2015, the scheme placed one teacher in each school and in the same year all schools recorded dramatic improvements in exam pass rates.

4.2.1. Scholarships

Scholarships are highly sought after in Tuvalu. They provide an opportunity for individuals to attain a higher education, gain credentials in a new field, or enhance their knowledge and skills within an existing profession. They open opportunities and career prospects both in-country and off-shore; both critical to Tuvalu's development. As there are limited higher education and training opportunities available in Tuvalu, scholarships to study and train off-shore are relevant.

Tuvalu, Australia and New Zealand are the main funders of higher education scholarships, while Taiwan, Japan and other countries also offer a small number. The GoT provides approximately 30 scholarships per annum. To date, these have been focused on higher education as opposed to TVET. Australia's scholarship programme, the Australia Awards, offers a suite of short courses, fellowships and scholarships. Twenty-two scholarships were awarded to Tuvaluans under the programme in 2015, and 16 have been awarded in 2016.

New Zealand offers 17 scholarship awards to Tuvalu per annum. This includes nine for tertiary study in New Zealand (through the New Zealand Pacific Scholarship scheme), three for tertiary

[63] UNESCO (2015) *Education for All 2000–2015: Achievements and Challenges*.
[64] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.

study in the Pacific region (through the New Zealand Regional Development Scholarship scheme), and five for vocational training/work placements in New Zealand (through the Short Term Training Awards). Because of a focus on multi-year courses, between 20–40 Tuvaluans are 'on-award' at any one time.[65] For the most recent year (2015), five people were studying at under-graduate level, 24 at graduate level, and eight at post-graduate level. Those 'on-award' are a mix of school leavers (pre-service) and people in employment (in-service).

In the past, the alignment between Tuvalu's workforce needs and what scholarships, including New Zealand's, provided has not always been well coordinated. Priority sectors and human resource development needs are determined by the GoT and MFAT's bilateral team, usually before the applications become available. In 2016, the priority setting was delayed and so New Zealand based its priority areas on priorities identified in TKIII.

The TTFAC notes that the GoT's practice of workforce planning seems to have lost its way since the 1990s.[66] A comprehensive review of manpower planning and scholarships processes was underway at the time of this evaluation. This is expected to lead to a more robust approach to determining Tuvalu's workforce needs, and a more coordinated approach across scholarship providers to target those needs. Promisingly, the scholarships interview panel in 2016 included the Tuvalu Human Resource Department (HRD) and the Ministry of Education, Youth and Sports. The HRD was on the panel to ensure Tuvalu's labour market needs were considered.

In the past, New Zealand, Australia and Tuvalu conducted selection interviews separately for their respective scholarships programmes, and subsequently had a joint selection meeting to share their shortlists of preferred candidates. The evaluation team encountered stakeholder perceptions that the selection processes used to date were not entirely robust or transparent, however this was not further investigated. In an effort to make the selection processes more robust and coordinated, New Zealand, Australia and Tuvalu agreed at the joint scholarships committee meeting in August 2016 to undertake the selection process as a joint exercise from 2017. This will include interviews conducted by a panel of the three scholarship providers and selections made by the joint committee.

MFAT has recently sought to standardise the scholarships application and selection process in each country, with more coordination and oversight from the Scholarships Programme team in Wellington. This may help to improve processes and alleviate some of the concerns relating to lack of transparency and consistency. As part of this process, in 2016 Tuvalu moved from paper-based applications to a mixed paper or online application process. The significantly lower number of applications received in 2016 (38 as opposed to 85 in 2015) suggests that applicants may have attempted to apply online but ran into connectivity issues. MFAT is considering moving back to having paper applications only in Tuvalu. Aside from this problem, other parts of the application process are more accessible now than in previous years, with requirements for high-cost components of selection (such as certified documents) left to the final stages so that there is less financial barrier to applying.

It is difficult to assess what difference New Zealand's scholarships are making for Tuvalu. There is a lack of data and formal assessment of what happens to scholarship recipients on

[65] MFAT's Scholarships Monitoring Reports for Tuvalu indicate 26 people were on-award in 2014 and 37 in 2015.

[66] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.

completion.[67] In terms of the expected results from its scholarships, MFAT expects scholars to (scholars may have different motivations for taking up a scholarship):

- successfully gain skills and qualifications
- contribute to development in their home countries
- maintain positive connections with New Zealand.[68]

In terms of the first result area above, MFAT's Scholarship Monitoring Reports indicate that seven Tuvaluans completed scholarships in 2014, five of whom completed successfully and gained a qualification and two who completed without a qualification. In 2015, nine completed their scholarship; eight with a qualification and one without; while a further two had their scholarship terminated due to unsatisfactory performance. The levels of performance on-award are similar to scholars from the Pacific as a whole.

In terms of contributing to development in Tuvalu, data on scholarship recipients' post-completion is limited. Recipients are required to return to and remain in Tuvalu for a minimum of two years after they complete their scholarship. In evaluation interviews, there were frequent reports of people emigrating to work overseas once this two year period had expired. For example, an engineering graduate who returned after three years' study in New Zealand, worked for the two year 'bond' period, then emigrated almost immediately. The interviewee commented on how this put them on the back-foot – after five years, the organisation's capacity was unchanged and they were facing having to send another employee away for three years of study. There is also evidence of recipients returning to live and work in Tuvalu for the long-term.

Scholarship recipients who migrate overseas post-completion may contribute to valid development outcomes in other ways, and certainly contribute to the outcome in the JCfD of 'increased employment opportunities in Tuvalu *and overseas*'. As discussed in section 2.1.3, around 40 percent of household in Tuvalu receive remittances and these account for around 10 percent of GDP. Assuming migrants with qualifications have higher earning potential than, for example, temporary migrants who work in low-skilled occupations, it could be concluded that Tuvalu has more to gain from exporting skilled migrants, who have the potential to remit more earnings back to households in Tuvalu. However, such migration does little to address capacity constraints in-country.

Scholarship programmes can exacerbate capacity constraints in-country when people in-service are overseas on multiple year scholarships. The evaluation team heard numerous accounts of how this can cause disruption for government policy and project implementation. The TTFAC notes in its most recent monitoring report the importance of ensuring that core public sector operational capability is sustained and not weakened by work absence such as extended study leave and overseas missions.[69]

Over 2014 and 2015 New Zealand spent around NZD 2.8 million on scholarships for Tuvalu. This equates to between NZD 40,000–50,000 per scholar per year. It is more expensive to award scholarships to New Zealand compared to awards to attend regional institutions such as USP

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[67] MFAT are in the process of initiating a Tracer Study and a Graduate Study to address this knowledge gap.
[68] MFAT (2015) *New Zealand Aid Programme Investment Priorities 2015–19.*
[69] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.

and the Fiji National University. One evaluation participant claimed that for every student sent to study in New Zealand, four or five could be trained in Fiji. However, there are other factors to consider such as the availability of specialised courses, the quality of tuition, and the achievement of the third MFAT outcome for its scholarship programme of 'positive connections with New Zealand'. Issues with the quality of tuition and support services at regional institutions has led the GoT to send some of its scholarship recipients to New Zealand and Australia.

For the GoT's scholarship scheme, the financial impact on the government's balance sheets is significant. As noted by the TTFAC, the growth in expenditure on scholarships and SELF has seen an increase from AUD 1.8 million in 2013 to AUD 5.2 million in 2016 (see Figure 11). Tuvalu's current spend on scholarships is 9.7 percent of domestic revenue, exceeding the target of five percent of domestic revenue set out in TKII. The government's spend on scholarships has consistently exceeded this target and is expected to blow-out in 2016, as illustrated in Figure 11.

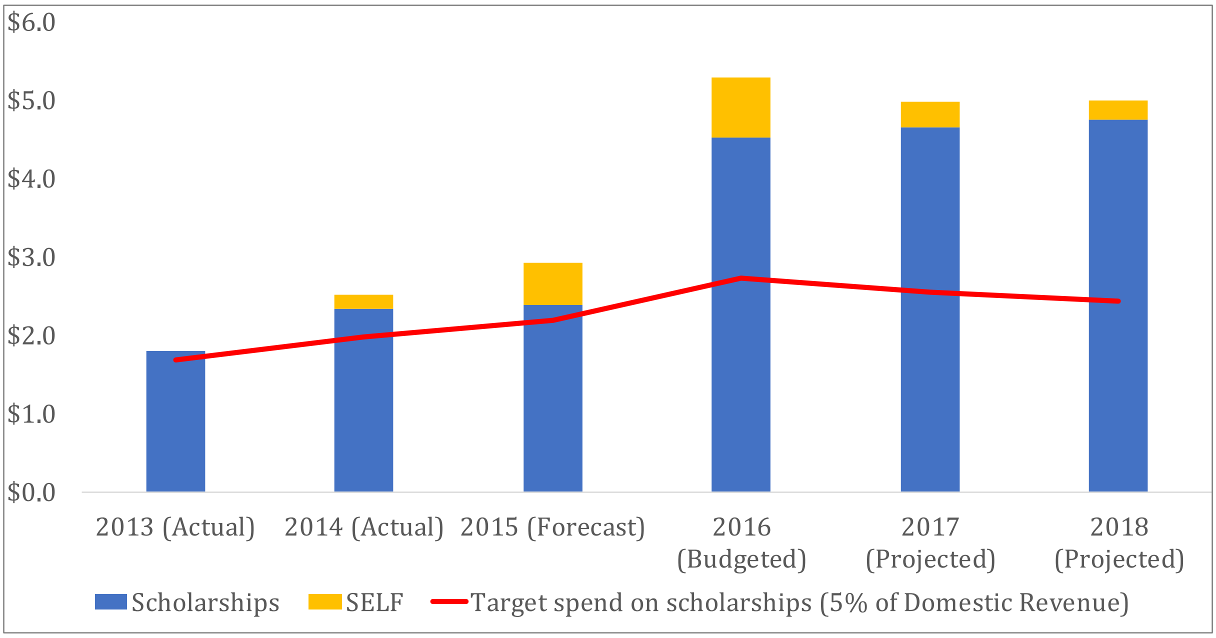

Figure 11: Actual and projected Government of Tuvalu spend on scholarships and SELF (AUD millions)

Source: Data extracted from the 2016 GoT Budget and IMF Article IV Consultation Document, 2014

In its latest monitoring report, the TTFAC questions the focus on higher education scholarships:

> *'Rather than train large numbers of people in academic subjects, for which there are limited jobs on their return to Tuvalu, more attention and more resources should be given to skilling and upskilling people in TVET subjects…'*[70]

TVET opportunities are discussed in the next section.

[70] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.

4.2.2. Other training

New Zealand has not been active in supporting Tuvalu with pursuing other training opportunities, other than those associated with New Zealand labour mobility schemes.

In addition to the previous quote from the TTFAC monitoring report, the review of the PRM and several evaluation participants reported the, potentially misplaced, focus on higher education at the expense of TVET programmes which better align to skill demands in Tuvalu and in its regional markets such as New Zealand. The TTFAC suggests that a smaller, leaner more targeted GoT scholarships programme could free up resources for the establishment of in-country TVET training, supported by external partners.

As discussed in section 2.1.5, the main post-school training opportunities in Tuvalu are provided through USP and the TMTI on Funafuti. Motufoua Secondary School also provides courses in TVET through the Fiji Junior Certificate and skills training through the Public Works Training Centre.[71] The TMTI has trailed training in purse seine fishing, and has considered offering training for trawler fisheries leading to employment in Australia and New Zealand. The GoT has also explored the scope to diversify the TMTI's curriculum to improve employment prospects outside the fisheries sector, such as in hospitality, mechanical repairs, and structural maintenance. However, other than the attempts in purse seine fishing, none of these opportunities have been actively pursued.

In terms of non-technical skills, the level of English language competency has declined in Tuvalu and there are concerns about the level of English proficiency in students coming through the education system.[72] Low English language ability can be a barrier for accessing the PAC or RSE schemes, and for general employability of Tuvaluans overseas. Evaluation participants commented that Tuvalu struggles to compete with other Pacific countries in accessing the RSE scheme, and some stakeholders considered that one reason for this was lower levels of English language competency.

4.2.3. Key messages on education and workforce skills development

In summarising the results of New Zealand's development cooperation in education and workforce skills development, and the sustainability of these results, this evaluation finds:

- Given Tuvalu's financial situation, lack of training institutes and human resource capacity constraints, scholarships are a very important development tool.
- Results from New Zealand's scholarships are constrained by: questionable alignment with country needs; poor understanding of what difference they are making; and challenges they present to the workforce when people in-service are away for extended periods of study.
- The outcomes of the Tuvalu's current workforce planning process should provide a useful platform for New Zealand to more deliberately align its scholarship awards to Tuvalu's wider workforce needs, and to coordinate its efforts in this area with Tuvalu and Australia.

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[71] UNESCO (2008) *National Education Support Strategy 2008–2013*.

[72] Government of Tuvalu and United Nations (2013) *Tuvalu MDG Acceleration Framework*.

- The GoT is exploring options for the in-country provision of wider TVET opportunities, largely in the context of the potential to expand offerings at the TMTI, but there has not been significant progress in this area.

4.3. Renewable energy

TKII specifies renewable energy technology as a priority for outer island development. In addition, Tuvalu has a prominent regional and international role in climate change advocacy, and it is therefore important for the country to minimise its impact on climate change. For New Zealand, renewable energy is a flagship investment priority. Although Tuvalu already had 98 percent electricity coverage, the provision of renewables provides a more reliable energy source and helps to reduce Tuvalu's exposure to the volatility of price fluctuations in diesel (diesel generators being the main alternative source of electricity).[73]

4.3.1. Tuvalu Renewable Energy Partnership

New Zealand's support through the Tuvalu Renewable Energy Partnership was driven by Tuvalu's 2012 Master Plan for Renewable Electricity and Energy Efficiency and was designed to support Tuvalu to meet its target of 100 percent renewable electricity generation by 2020.[74] It aims for 'a reduction in Tuvalu's reliance on diesel generated electricity with a greater use of renewable energy sources'.[75] In the outer islands, New Zealand formalised a partnership with the EU to ensure their respective support was coordinated geographically and technically.[76] Numerous evaluation participants acknowledged the strong coordination that was achieved. New Zealand funded the installation of hybrid mini-grid systems on Nanumaga, Nanumea, Niutao, and Vaitupu. EU funded similar infrastructure on Nukufetau, Nui and Nukulaelae atolls. New Zealand's investment was NZD 17.5 million. Construction started in February 2014 and was completed in December 2015. New Zealand also funded the NZD 2.0 million installation of rooftop solar panels on the government building and media centre on Funafuti, both completed in 2015. The UAE has also provided support for solar power systems on Funafuti.

As a result of these projects, 80 percent of electricity in the outer islands and 43 percent in Tuvalu as a whole is now generated by renewable technology. This is an increase from 2013, when 4 percent of Tuvalu's electricity was generated by renewable energy. This is a very positive result in reducing fossil fuel dependency. While access (connections) to electricity has not improved, as at 98 percent it was already high, reliability has increased substantially – electricity is available 24 hours a day on islands with panels installed by New Zealand. Previously, diesel generators only ran 18 hours a day. The solar panel system installed on the government building on Funafuti provides approximately 5 percent of the island's electricity demand.

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[73] Government of Tuvalu (2012) *Tuvalu Infrastructure Strategy and Investment Plan.*
[74] This target has since shifted to 2025.
[75] Tuvalu Electricity Corporation (2012) *Enetise Tutumau. 2012–2020 Master Plan for Renewable Electricity and Energy Efficiency in Tuvalu.*
[76] New Zealand - EU Energy Access Partnership, 2013.

Completed solar mini-grid system on Nanumea
Photos courtesy of MFAT and PowerSmart

The approach to implementing this project in partnership with the GoT has been detailed in section 3.2. In addition, a training package provided new skills to increase the capability of TEC staff in operating and maintaining the solar power systems. The contractors, PowerSmart on the outer islands and Infratec on Funafuti, provided this training to local TEC staff who are now responsible for the ongoing operation, inspection and maintenance of the mini-grid installations.

TC Pam was a significant challenge to the project, disrupting implementation of systems in the outer islands. The damage cut off access for materials and equipment to two islands – Nanumaga and Niutao – and slowed progress as the project team needed to remove debris from the reef channels to be able to land the materials.

Technical aspects of the New Zealand mini-grid systems on the outer islands have been assessed by one TA as 'state of the art' and they are considered very well designed. For example, there are seven inverters that have been designed so when one goes down the others can still operate automatically. The World Bank is now considering improving grid and battery storage capacity on Funafuti. This will ensure that Tuvalu can get the most benefit possible out of New Zealand's and other donors' investments.

During the evaluation, benefits of New Zealand's investment in renewable energy were reported for the whole population. For example, in terms of health outcomes, as a result of improved continuity of electricity supply in the outer islands, there has been improved use of fridges for food storage (and therefore improved food safety), and for storage of medical supplies and vaccines at health centres. Even though medical supplies were previously stored in kerosene fuelled chillers or medical practitioners' own fridges, the predictable connectivity has enabled greater use of modern electrical fridges. Other benefits reported include improved safety and efficiency from the reduced handling of fuel. Previously, diesel had to be handled at four stages, from storage tank to ship, to drum, to shore, then to the generator plant. Managing this system created risks from spillage. In addition, the system was very labour intensive. Renewable energy also provides environmental benefits from a reduction of harmful fumes from diesel, even if air pollution is not a significant problem in Tuvalu due to its small population size. Finally, while it was not reported to the evaluation team (and this possibly reflects the lack of direct engagement by the evaluation team in the outer islands), it is plausible that the services that are now possible as a result of the renewable energy could lead to new informal sector entrepreneurship, such as better storage of locally produced perishables including fish.

In assessing value for money of the renewable energy investment, the figures are not sufficient to give a clear indication. There are immediate savings associated with the reduction in diesel use. The solar arrays have been fully operational since January 2016 and it is not yet clear exactly how much savings can be made on fuel long-term. The EU has estimated short-term savings from the renewable energy projects it installed in the outer islands of approximately AUD 200,000 per annum. MFAT has estimated that New Zealand's projects in the outer islands will save approximately 240,000 litres of diesel fuel per year and Solar City estimate that the rooftop systems on Funafuti will save an additional 63,000 litres. In the first quarter of 2016, TEC saw the cost of its diesel purchases fall by 80 percent, even though the electricity demand increased over the same period.

The expected benefit is reduced reliance on diesel, which has clearly been achieved, along with gains in system reliability and environmental and health gains from renewable and 'clean' energy. However, the costs associated with solar need close examination, particularly the ongoing costs of maintenance and replacement of componentry. Replacement of batteries alone, assuming current technology, is estimated at AUD 12 million over 10 years across all Tuvalu's solar photovoltaic systems.[77] It is difficult to estimate what the lifespan of the systems will be in the Tuvaluan environment, but one evaluation participant estimated the lifespan for batteries, inverters and panels as approximately 10 years. Assuming regular maintenance, this translates to a significant, regular and medium-term financial outlay for asset replacement.

There is a need to raise Tuvalu's awareness around the cost of repair and replacement versus prevention and maintenance. With the newly installed solar panels, the evaluation team were aware a widely-held view is that electricity production, and by extension consumption, costs nothing; anecdotally supported by comments such as 'the sun is free'. This view had led to calls for TEC to lower its tariffs. Yet, maintaining the assets comes at a high cost and this needs to be built into current electricity consumption tariffs.

Asset maintenance is the most pressing issue in terms of the sustainability of New Zealand's renewable energy investment. This refers both to capability on the Tuvalu side, as well as ensuring that there is available capital to fund necessary maintenance and replacement work. In terms of capability, interviewees commented that, while the training provided during installation was helpful, it could have been longer and more comprehensive. TEC reported that their staff on the outer island do not have adequate skills to repair all faults and rely on staff from Funafuti for more complex problems. In terms of capital to support maintenance and replacement, a GoT representative reported that Tuvalu is likely to need ongoing financial support from donor partners.

Renewable energy is an important issue for Tuvalu; not only because it is the first strategic priority under TKII, but as a strong advocate for action on climate change on the global stage, it is important for Tuvalu to lead by example in fostering a green economy.

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[77] Report to Project Steering Committee on Project Prioritisation Process for the Infrastructure Investment Plan 2016–25.

4.3.2. Key messages on renewable energy

In summarising the results of New Zealand's development cooperation in renewable energy, and the sustainability of these results, this evaluation finds:

- The investments were strongly aligned with Tuvalu's priorities and plans, and were well coordinated with support provided by other donors.
- The hybrid mini-grid systems installed on the four outer islands were well designed and to a high specification.
- There have been immediate benefits from increased production of renewable energy and reduced use of and reliance on imported diesel.
- Wider benefits are also evident, including improved health service delivery (e.g. improved storage of vaccines) and safety (e.g. reduced handling and transfer of diesel).
- Ongoing maintenance and replacement of the systems will be a challenge for Tuvalu, from both a financial and capability perspective, and will largely determine the sustainability of the benefits achieved to date.

The results indicate that New Zealand is a very effective partner in the delivery of renewable energy, with a strong comparative advantage from solid expertise and experience, and commercial capacity.

4.4. Land remediation and water security

The JCfD commits Tuvalu and New Zealand to strengthen water security through 'improved access to safe, reliable and affordable water and sanitation to protect public health and the environment'; and 'improved resilience to the adverse impacts of disaster risk, climate vulnerability and climate change'.

New Zealand's main cooperation in this area has been through the Borrow Pits Remediation Project. New Zealand has had a minimal role in water security as EU, DFAT and ADB have been active in this sector. However, New Zealand was active in responding to a significant drought event in late 2011 and early 2012 (before the period covered by this evaluation), mainly through the provision of relief water supplies and desalination plants, and is now helping Tuvalu to build longer term resilience and water security through the Strengthening Water Security in Vulnerable Island States project in partnership with SPC. New Zealand's support for water security is discussed within the context of humanitarian response, in section 4.5.4.

4.4.1. Borrow Pits Remediation Project

The Borrow Pits Remediation Project was designed to fill 10 large pits that were created on Funafuti by the United States Marine Corps for the construction of an airstrip during World War II. The project was expected to strengthen water security through improved solid waste management by consolidating landfills, and to improve sanitation by moving pig farms further away from the main community. It was also expected to strengthen Tuvalu's resilience providing additional land area at a higher elevation than surrounding land. There was a plan to include buried bulk water storage as part of the project, but this was not carried through to the final design.[78]

Thirty workers were involved with the comprehensive works on-site, including six of the contracting company's staff members, four Fijians and 20 Tuvaluans. The overwhelming majority of the stakeholders consulted during the evaluation stated that of all the investments that New Zealand had made in Tuvalu, the borrow pits had contributed to the most significant change:

'Of all projects done, the borrow pits was transformational.'[79]

The benefits of the project include additional land (estimated at an 8 percent increase in area of inhabited islands/islets of Funafuti atoll), and reduced public health risk. Health specialists reported that there is a strong potential that this reduced risk will have positive health outcomes, as a result of drastically improved water and sanitation environment, and reduced incidences of water borne and skin diseases. The improved living conditions and aesthetic benefits are evident in the following before and after images. The remediated land has also provided people on Funafuti with additional recreational space, and the evaluation team observed it being used for sports. Evidence of improved urban planning is not yet apparent because development of the land was being discouraged as the project was still subject to a monitoring phase at the time of this evaluation.

Borrow Pit 7: During and after remediation
Photos courtesy of the Ministry of Public Utilities and Infrastructure

Another benefit of the borrow pits project is that it appears to have given Tuvalu greater confidence in implementing its own development projects: the government has since commissioned two beach reclamation projects using the dredge that was transported to Tuvalu for the borrow pits project.[80] Wider benefits to Tuvalu from institutional capacity building and encouragement to pursue procurement and contract management are promising.

[78] It is not clear why underground water storage tanks were removed from the design, but some stakeholders did consider this a missed opportunity.
[79] Quote from a GoT official that was also reflected in comments from several other stakeholders.
[80] The beach reclamation projects potentially have a more mixed effect. Some stakeholders have voiced concern that the project on Funafuti will have devastating effects on the environment and were concerned

Wider regional outcomes from the borrow pits project are also appearing. Reclamation projects in the Pacific are gaining traction. The borrow pits were the first project of this kind in the region and have given a signal to other Pacific governments that small nations can implement such projects effectively and have significant benefits when completed. Kiribati is scoping a project to reclaim land that has recently been inundated by the sea which is similar in nature to the borrow pits but with a much larger scope and cost.

Borrow Pit 10: Before and after remediation (from opposite direction)
Photos courtesy of the Ministry of Public Utilities and Infrastructure

Apart from some initial defects which were subsequently resolved, the most significant issue in terms of social sustainability has been land ownership and how that was communicated between the government and residents. There appears to have been confusion and concern by landowners regarding when rehabilitated land was going to be 'handed back' to them. During a 12 month monitoring phase the landowners were asked not to construct anything on the land, during which time there were suggestions that the government would take ownership of the land. We understand that this has been resolved now and the original landowners will soon be able to use their land.[81] Nevertheless, given the complexity of the project with respect to land issues, it would be advisable if similar future interventions received a clear decision on land ownership, and when appropriate land use, prior to the start of the project.

Clearing and filling the pits has contributed to more land being available to Tuvalu, but has also highlighted issues around the future of waste management on Funafuti. The original plan had been to overfill the northernmost borrow pit and use excess sand as a cap for that landfill. This pit would thus permanently have become the landfill with rubbish moved from other pits into this one. However, the GoT only leased part of this land and the locals now do not agree to leave the site. The landfill is running out of space and will be full in five to seven years. The government will need to look at other landfill options or alternative ways to dispose waste. This is going to be a challenging aspect that needs to be addressed in the future given the short lifespan of the current approach to waste management.

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that no environmental impact assessment was done. In addition, some stakeholders also consider that the beach will be washed away well before the period claimed by other stakeholders.

[81] Tuvalu Borrow Pits Project Completion: Social Impact Assessment (Volume 4). December 2015.

4.4.2. Key messages on land remediation

In summarising the results of New Zealand's development cooperation around land remediation and water security, and the sustainability of these results, this evaluation finds:

- The Borrow Pits Remediation Project was well chosen by New Zealand and it has been well implemented. It is a flagship project for New Zealand and Tuvalu.
- The project is starting to bring dividends in Tuvalu, with benefits associated with more land, reduced public health risk and aesthetic benefits.
- Other Pacific island countries have the potential to leverage off its success. Land remediation is a game changer for low lying, densely populated atolls like Funafuti.
- The project has provided an entry point for broader discussions between development partners and Tuvalu on solid-waste/sewage treatment/disposal, and perhaps for water supply. New Zealand could help to build some real vision here.
- The project can expect to contribute to improved health outcomes on Funafuti over the longer term. Other long-term results will depend on how the landowners decide to utilise the land.

4.5. Partnerships and labour mobility

Through partnerships, the JCfD states that New Zealand will explore and facilitate opportunities for New Zealand government agencies, Crown Research Institutions, NGOs, private sector and other organisations to add value to in-country activities through their expertise and resources. Over the past four years, New Zealand has supported partnerships in policing, temporary labour migration through the RSE, and in humanitarian and disaster relief. Outside of the JCfD, New Zealand has continued to support long-term migration through the Pacific Access Category (PAC).

4.5.1. New Zealand Police

NZ Police has two regional programmes which benefit Tuvalu: the Partnership for Pacific Policing (3P), and the Pacific Prevention of Domestic Violence Programme (PPDVP).

The 3P has been in place in Tuvalu since 2010. The overall goal of 3P is safer and more secure Pacific Island countries. Targeted outcomes include increased public confidence in the police; more professional local police force; and stronger links between the police services and the government. The implementation model is based on regular in-country visits by NZ Police, with 9–12 weeks in-country per year. For Tuvalu, the specific police training and mentoring activities were designed and implemented to meet specific country and community needs, and were set within an overarching programmatic framework. Discussions with communities in Tuvalu regarding their specific needs, resulted in a programme that prioritised youth and alcohol.

The PPDVP is a partnership between MFAT, the Pacific Island Chiefs of Police and the NZ Police. The second phase of this programme has been running over 2012–2016.[82] Its long-term vision is to achieve a safer Pacific that is free from domestic violence. It aims to develop a consistent

[82] A proposal for a third phase, 2016–2021, has been presented to MFAT.

approach, at a regional level, to domestic violence issues among Pacific police agencies and other linked organisations. The PPDVP's in-country work has included establishment of data and development of action plans relating to attitudes and practice; domestic violence mentoring and training; and engagement activities with partners and communities to change social norms and raise awareness on reducing harm from family violence. NZ Police also supports the justice sector response to gender-based violence. It works in partnership with the Gender Department, Attorney General and Tuvalu Police to implement the Family Protection Act.

To date, the two programmes have focused on Funafuti. Evaluation participants noted, however, that more recently the Tuvalu Police has started to go to the outer islands to implement lessons learnt from the programme on Funafuti.

Stakeholders identified several results from both programmes. There is more engagement from the Tuvalu Police with local communities, contributing to a higher profile and improved community perception in the Tuvalu Police (from a view that the Tuvalu Police previously appeared to lack initiative, people noted that criminal actions are being addressed). This has increased confidence in the police force and its ability to enforce the rule of law, and resulted in growing community demand for its services.

The Tuvalu Police is recruiting female police officers, which in-country stakeholders working with the police considered to be due to the 3P programme and its work with challenging gender stereotypes relating to management and leadership. One of the two New Zealand police officers who regularly travels in-country is a woman, and she was considered a role model. There is also growing recognition in Tuvalu that female police are considered more effective in brokering difficult conversations with women (for example in getting women to speak up about domestic violence).

All stakeholders consulted in relation to the NZ Police programmes considered that they had resulted in raising awareness of domestic violence within the Tuvalu Police and the wider community. There is now more reporting of domestic violence cases.

In a NZ Police comparative assessment of the progress of the five core countries within the PPDVP plus Tuvalu[83], Tuvalu scored second highest after the Cook Islands. The assessment was based on a UN performance framework that uses 11 domestic violence intervention and strategy areas. In 6 of the 11 areas Tuvalu scored 'good' or 'very good', in one area (pre-trial processes) it scored 'below average', in three areas (accountability and reparation, safety and protection, and coordination) it scored 'poor', and in a final area (trial processes) there was no data.[84]

The current 3P is funded until 2017. The Tuvalu Police is now looking at other ways of funding the programme without donor support. There were concerns about the sustainability of results if NZ Police withdraws after the current programme period. Two stakeholders noted that the model used to encourage behavioural change and facilitate capacity building under the 3P programme is based on ongoing mentoring support which requires a long-term commitment and ongoing financial support.

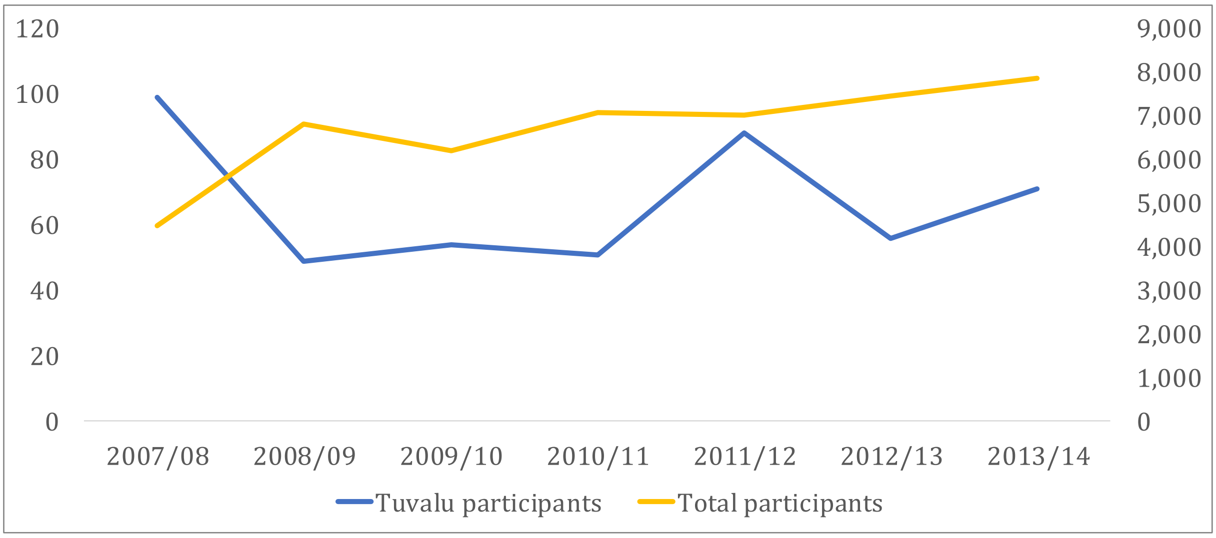
[83] The initial five core countries were Samoa, Tonga, Cook Islands, Vanuatu and Kiribati.
[84] PPDVP briefing to MFAT on Phase II. *An evidence based approach to achieving sustainability.* August 2016. http://www.ppdvp.org.nz/2016/08/23/an-evidence-based-approach-to-achieving-sustainability/

4.5.2. Recognised Seasonal Employer scheme

The Recognised Seasonal Employer (RSE) scheme was established in 2007 in Tuvalu, Kiribati, Samoa, Tonga and Vanuatu and has since been extended to seven more countries in the Pacific[85] and in South East Asia.[86] The scheme is a partnership between MFAT and MBIE, with the latter leading implementation. It allows New Zealand horticulture and viticulture sector employers with RSE status to recruit overseas workers for up to seven months[87] per season. An evaluation of the scheme has shown that it satisfies employers in New Zealand as well as overseas employees.[88]

Despite being one of the initial countries eligible for the RSE scheme, the number of workers coming from Tuvalu has been small. Furthermore, the number of participants from Tuvalu has fluctuated with several peaks (99 in 2007/08, 88 in 2011/12, and 71 in 2013/14) and troughs as low as 49 participants (in 2008/09). This contrasts to the total number of workers in the scheme which has grown steadily from 4,486 in 2007/08 to 7,855 in 2013/14 (Figure 12).

Figure 12: RSE worker arrivals from Tuvalu (left axis) and total (right axis)



Several factors have been identified for the low recruitment in the RSE scheme from Tuvalu, including the relative greater geographic distance to Tuvalu, its small population size, high cost of travel to Tuvalu, poor airline connections resulting in workers being delayed, late submission of applications from workers, and a lack of proactive actions by the GoT in New Zealand (see for

[85] The Federated States of Micronesia, Fiji, Nauru, Palau, Papua New Guinea, the Republic of the Marshall Islands and the Solomon Islands.
[86] Predominantly Indonesia, Malaysia, and Thailand.
[87] Tuvaluans can be employed for up to 9 months to help recover the higher costs of transport to New Zealand, although few stay this long.
[88] Evalue Research (2011). Review of the Recognised Seasonal Employer (RSE) worker pilot training programme.

example[89]). The need to pass a health check can also present a barrier to participating in the scheme, while English language skills may be a barrier for a few. In addition, there has only been one New Zealand employer that has recruited from Tuvalu over every year of the scheme, and only a hand-full of other employers.

The benefits of the RSE are multi-faceted. For New Zealand employers, the benefits include a more reliable workforce, reduced recruitment and training costs, increased confidence to expand and invest, and reduced stress[90], as well as higher productivity.[91] For Tuvalu, participation in the scheme provides temporary employment opportunities and income, a portion of which is remitted back to Tuvalu. Data from the main New Zealand employer indicates that the RSE workers had family connections with all of Tuvalu's atolls.[92] However, data on households receiving remittances suggests that many of the RSE workers do, in fact, live on Funafuti. Bedford and Bedford note that:

> *'The Tuvalu Government has long had a policy of trying to allocate work opportunities overseas using a form of island quota system that ensures families on all islands have an opportunity to benefit from earnings remitted by workers while they are off-shore. In fact, most of the workers from the outer islands who have been recruited since the scheme commenced had been resident on Funafuti for some time'.*[93]

Ensuring equity in access to the scheme is a challenge. The scheme is employer driven. Even though Kaupule and the GoT pre-select workers, employers form relationships with specific communities and benefit from the certainty and efficiency that stems from re-employing the same individuals. Further, the workers from Tuvalu are predominantly male (72 percent in 2013/14), and under 30 years of age (56 percent in 2013/14). There appear to be various reasons why employers have recruited more males than females. Women are likely to be less able than men to leave Tuvalu for extended periods, with greater traditional responsibilities for running households and caring for children and the elderly. In addition, some horticultural work is perceived to be more suitable for men. Work perceived to be more suitable for women (such as in pack-houses) is less in demand and is often undertaken by New Zealanders. Notwithstanding these challenges, RSE provides considerable opportunities for Tuvaluan women and they were a high proportion of the Tuvalu uptake in 2011/12.

Of the 71 Tuvaluans recruited in 2013/14, all had employment for a minimum of six months, while a small number had between seven and nine months' employment. Compared to other countries in the Pacific, Tuvalu has a relatively low return rate of employees.[94] Bedford and Bedford suggest this is a likely result of two factors: the GoT pre-selection process which has tried to ensure opportunities for seasonal work are not monopolised by a small group of Tuvaluans; and the financial returns from employment in New Zealand, once all costs have been

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[89] Bedford C et al. (2010) *Engaging with New Zealand's Recognised Seasonal Employer Work Policy: The Case of Tuvalu.*
[90] Evalue Research (2011). Review of the Recognised Seasonal Employer (RSE) worker pilot training programme.
[91] Bedford C et al. (2010) *Engaging with New Zealand's Recognised Seasonal Employer Work Policy: The Case of Tuvalu.*
[92] Bedford C and Bedford R. (June 2015) *RSE Country Reports: Tuvalu.*
[93] Ibid.
[94] Bedford C and Bedford R. *RSE Country Reports: Tuvalu.* June 2015.

covered, not being as high as expected and therefore not acting as an important incentive to return for a subsequent season.

Data on wages and remitted earnings for Tuvaluans under the RSE scheme is limited. In 2009/10, estimated gross earnings from Tuvaluan workers were, on average, NZD 9,680.[95] This is the lowest for any of the participating Pacific countries. Estimates of 'take-home' income (gross earnings less costs of participating in the scheme, including travel, local transport, accommodation and tax) for 34 Tuvaluan RSE workers in 2009/10 gives average earnings of NZD 1,835 for 13 weeks' work (equivalent to 24 percent of gross earnings).[96] This calculates at around NZD 3.70 per hour which the authors note as:

> *'still more than someone could expect to earn for casual work on Funafuti, but a long way from the average hourly rate for the gross earnings in New Zealand of $15.60'.*

Remittances are likely to benefit not only the immediate family, but also the wider community. We were unable to find concrete evidence that RSE earnings or remittances have been invested in local livelihoods, although people engaged in this evaluation did report that RSE workers often return with tools and electronic items, which may improve the quality of the household and living conditions. Evidence from elsewhere (Tonga) has reported RSE workers contributing funds to local village water supplies, street lighting, a school scholarship fund, and community halls. The research also notes that the importation of goods contributes little to local development through multiplier effects.[97]

The skills the RSE workers learn while on the scheme are mainly in fruit picking and therefore not particularly transferrable to Tuvalu. Some RSE workers are offered certification in horticulture or viticulture as part of the workplace training. In addition, under the MFAT-supported Vakameasina capacity building programme, RSE workers can access broader training while in New Zealand, including in leadership, business and financial literacy, and digital literacy. The training is voluntary and is a component of the RSE scheme's pastoral care. The programme was piloted in three regions in 2010/11 and has since been extended to eight (of nine) regions. Almost 10 percent of total RSE workers currently participate in the training.

The RSE scheme is clearly valued by both New Zealand and Tuvalu, but it appears that Tuvalu is not getting the same value from the scheme as other Pacific countries. Directing an increased uptake of Tuvaluan workers is difficult, given the scheme is conditional on employers providing opportunities. Government intervention is potentially needed to make Tuvalu's participation in the scheme more attractive to employers. Some interventions have already occurred. For example, for Tuvaluan workers, employers pay half the airfares from Fiji rather than from Funafuti to 'level the playing field' in the cost to employers of recruiting from Tuvalu compared to other Pacific countries.

The Strengthening Pacific Partnerships (SPP) initiative, implemented by MBIE, has addressed barriers to accessing the RSE with a focus on Tuvalu and Kiribati. In Tuvalu, initiatives have

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[95] Department of Labour (2012) *Return migration and earnings of workers in New Zealand's Recognised Seasonal Employer Scheme*.
[96] Bedford C and Bedford R. *RSE Country Reports: Tuvalu.* June 2015.
[97] Gibson J and McKenzie D. (2014) *Development through Seasonal Worker Programs: The Case of New Zealand's RSE Program*.

included developing a website to market Tuvalu as a source of workers and creating a database of available workers to aid employers in accessing the Tuvaluan labour force.[98] The recent *Pacific Possible* report on labour mobility recommends that Pacific countries invest in developing marketing strategies for their workers in key receiving countries, noting that the most effective marketing is delivered by good service to employers by both workers and sending governments[99]. It goes on to propose increasing the cap on the RSE; however, the evaluation team notes that past increases have not affected Tuvalu's participation. A number of stakeholders, in Tuvalu and New Zealand, commented on low capacity in the Tuvalu Labour Department to administer the RSE and the lack of a champion within the GoT. Encouragingly, the GoT reported that three Labour Department staff were to receive training in implementation of RSE in early 2017.

Tuvalu is currently participating in a separate labour mobility pilot scheme in fisheries, established as part of PACER plus[100] negotiations. At the time of this evaluation the pilot was sourcing workers; 10 from Tuvalu and 10 from Kiribati. The pilot would involve six months in New Zealand, with a mix of employment with Sanford Fisheries, a New Zealand fishing company, and, potentially (the details are not clear), training at the Westport Deep Sea Fishing School. It would (or may) also include pastoral care. While the pilot has progressed in Kiribati, it appears to have stalled in Tuvalu. The reasons are not clear; although, anecdotally, the English language ability of a number of the applicants from Tuvalu was not up to the required standard and this may be part of the reason.

The pilot appeared to offer a real opportunity for Tuvalu. Unlike the RSE, the pilot was not initially employer driven; a feasibility study did show a demand for workers but employers were not specifically requesting access to migrant workers. It appeared to offer the chance for workers in manual labour type positions, such as deckhands, the opportunity to progress to more skilled positions as they received more experience and training. The wages earned by workers under this scheme were expected to be higher than those earned under the RSE scheme. Without government intervention, the pilot scheme now appears to be employer led. However, the New Zealand Government did not intend to have an ongoing role in the fisheries pilot, unlike its role on the RSE scheme.

4.5.3. Pacific Access Category

The Pacific Access Category (PAC) is a resident visa which enables those who hold it to work, live and study in New Zealand indefinitely. Selection is based on a ballot system with a quota of 1,750 each year for citizens of selected Pacific countries, including 75 each year for Tuvaluans. Applicants need to be aged 18–45 years, and are required to have a job offer or job with an income above a minimum level (currently NZD 32,046 per year for applicants with dependents), be in good health, speak reasonable English and be of good character. The quota is inclusive of dependents. The PAC resident visa was established in 2002 and is managed by Immigration New Zealand.

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[98] Mid-term evaluation (2013) of the South Pacific Partnership.
[99] World Bank (2016) *Pacific Possible: Labour mobility: the ten billion dollar prize.*
[100] Pacific Agreement on Closer Economic Relations (PACER Plus) is a trade and economic integration agreement that aims to create jobs, raise standards of living and encourage sustainable economic development in the Pacific region.

Similar to the RSE scheme, the PAC supports labour mobility for Tuvaluans, as well as sustaining livelihoods in Tuvalu through remittances. As a controlled migration scheme, it is also beneficial for New Zealand from a foreign policy perspective, and New Zealand employers stand to benefit from workers that cannot be sufficiently satisfied by its own citizens.

There is high demand for the PAC. For the five year period to 2014/15, the ratio of applicants from Tuvalu to those selected was eight to one. Despite the high demand, the number of visas approved from Tuvaluans was considerably lower than the available quota over the first four years of the PAC: the annual average number of successful applications was 46. However, there has been stronger interest in the scheme since 2006. In 2012/13, 33 applications were approved and 81 people were approved for permanent residence (some people are approved for residence in a different year than when they were approved in the ballot).[101] Stakeholders consulted for this evaluation suggested that Tuvalu should have a waitlist of people, as a backup in cases when the people initially selected in the ballot fail to convert their residency due to not meeting the criteria or deciding to withdraw. This would help ensure that Tuvalu consistently used its full quota under the PAC.

The biggest constraint to PAC for Tuvaluans is the income threshold, and the mismatch between Tuvaluan skill levels and this requirement. The English language and health requirements also present a challenge for many applicants, or would be applicants. New Zealand Census 2013 data shows that, for migrants from Samoa, Tonga, Kiribati and Tuvalu, employment outcomes are dependent on educational level, with 44 percent with a low education level employed compared with 66 percent of people with a high education level. It also shows that migrants from Tuvalu have the lowest employment outcomes across the four countries and across each level of education. The *Pacific Possible* report on labour mobility states that this reflects:

> *'in part the lack of numbers in a micro-state such as Tuvalu to make post-secondary training facilities viable. The lower employment rates for each level of education, however, may reflect their lower quality of education. This same curse of smallness may also make it difficult to produce education outcomes such as the level of literacy in English required to obtain work in New Zealand.'*

The report suggests that introducing an education level requirement together with tougher English requirements would benefit migrants' employment and income outcomes. It suggests that this measure would incentivise the sending country to improve the quality of its education, which would have long-term positive impacts on employment and income outcomes for Tuvaluans.[102]

The PAC resident visa is well designed and evidence of employment outcomes and incomes earned demonstrate its success. However, as with the RSE scheme, results for Tuvalu are not as strong as for other countries.

An additional benefit of the PAC scheme for Tuvalu is that it provides a mechanism to help control population growth in Tuvalu. If the PAC quota had been fully utilised over the 15 years since 2002, 1,125 Tuvaluans could have emigrated to New Zealand. This is equivalent to 10

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[101] MBIE (2013) *Migration Trends and Outlooks.*

[102] World Bank (2016) *Pacific Possible: Labour mobility: the ten billion dollar prize*.

percent of the population resident in Tuvalu in 2012. As it stands, somewhere between 5 and 8 percent of Tuvalu's population has gained permanent residency in New Zealand under the PAC scheme since 2002. Because of their age, many of these migrants have gone on to have families in New Zealand, which has further mitigated population growth in Tuvalu.

In the context of the likely impacts of climate change on low lying countries like Tuvalu, a recent paper sets out hypothetical situations for population growth in Tuvalu and the potential to impact on these trajectories through changing various migration settings, including PAC.[103] Under current emigration rates (estimated at net-loss of 100 people per year, majority due to PAC quota), it estimates that the population of Tuvalu will increase by 15 percent by 2050, relative to 2015. An alternative scenario, whereby outflows would gradually increase from 100 per year to 250 per year by 2040, would result in a population decline of 25 percent by 2050. Under the two scenarios discussed here, the report estimates that the Tuvalu resident population will be approximately 12,500 in 2050 under business-as-usual net migration losses of 100 people per year scenario; as opposed to 8,220 under the gradual increase to 250 scenario.

The report concludes that stabilising the population as a proxy goal (or at least first step) for responding to climate change risks is manageable for Tuvalu:

> *'Quota-based programmes, along the lines of PAC … definitely have a place in the policy package that might be developed to address the inevitable increase in pressure ... for greater access to work and residence overseas. ... Tuvalu's population change and prospective depopulation, if this becomes necessary, will be easy to accommodate via the PAC if New Zealand allows for small increases in numbers able to access work and residence via this type of visa.*[104]

Climate change migration is discussed further in section 5.2.

4.5.4. Humanitarian and disaster relief

In the JCfD, New Zealand commits to assist Tuvalu with humanitarian and disaster relief contributions where requested, taking into account responses from other development partners.

In the period covered by this evaluation, New Zealand assisted Tuvalu with humanitarian and disaster relief on one occasion, in response to TC Pam in 2015. Immediately preceding this evaluation period, New Zealand provided relief in response to a drought in late 2011 and early 2012. This response is considered in this section as well, for two reasons. First, assessing two responses which are relatively close in time provides for a better analysis of the efficiency and effectiveness of New Zealand's humanitarian and disaster relief support. Second, the experience from the drought response resulted in a longer term, multi-country water security project, supported by New Zealand, that currently benefits Tuvalu.

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[103] Bedford R et al. (In Press) *Population change and migration in Kiribati and Tuvalu, 2015–2050: some hypothetical scenarios in a context of climate change*.

[104] The report also examines similar scenarios with respect to Kiribati but, importantly, concludes that it poses challenges of quite a different magnitude due mostly to its larger population and more rapid population growth.

Drought response in 2011

In late 2011, Tuvalu suffered a severe drought across its nine atolls and islands following a prolonged period of dry weather attributed to a La Niña weather pattern. Water shortages led the government to declare a state of emergency on 28 September 2011. Funafuti and several of the outer atolls were particularly affected, with Nukulaelae and Nanumaga the most seriously affected.

Officials from New Zealand, other aid agencies, the International Red Cross and the Tuvalu Red Cross (TRC), worked with the Tuvalu Government to alleviate the impacts of the drought and water shortages. At the request of the government, the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) deployed surge support in coordination and information management. New Zealand worked closely with the National Disaster Management Office (NDMO) and mobilised the New Zealand Defence Force. Within five days of the state of emergency, New Zealand had begun to airlift water supplies, two desalination units and 20 army engineers to Tuvalu. At the request of the TRC, the New Zealand Red Cross (NZRC) brought emergency water supplies to Funafuti. The TRC, NZRC and the government delivered the desalination plants to the islands worst affected (some islands had unaffected fresh water sources, and others had sufficient storage capacity). At the end of the first week of assistance, Tuvalu had fresh water. The New Zealand Defence Force stayed in Tuvalu for one month, assisting in the provision of water and helping the government to set up water pumping stations on Funafuti.

In July 2012, a United Nations Special Rapporteur called on the GoT to develop a national water strategy to improve access to safe drinking water and sanitation, to avoid a repeat of the experience from the drought. This contributed to Tuvalu and its development partners giving greater focus to efforts to improve water security. Japan funded the purchase of one large and two smaller portable desalination plants, EU and Australia provided water tanks to increase storage capacity in the outer islands, and Australia also funded the installation of water tanks on Funafuti.

Further, the experience from the drought raised the need for building internal water management capacity, and to formalise a structure around resilience in how Tuvalu manages water. This resulted in a longer-term water resilience initiative, the Strengthening Water Security in Vulnerable Island States project, which is supported by New Zealand and implemented by the Secretariat for the Pacific Community (SPC). The project runs until 2019, and covers five countries: Tuvalu, Tokelau, Kiribati, Cook Islands and the Marshall Islands. New Zealand is contributing NZD 4.9 million of regional funds. The project is managed by a Tuvaluan at SPC in Fiji, and has dedicated water officers in each of the five countries. These officers' roles are to upskill the governments in water security.

Tropical Cyclone Pam response in 2015

The category five TC Pam struck Tuvalu in March 2015, with the government declaring a state of emergency on 14 March. TC Pam affected almost half the population, and destroyed significant proportions of food crops in the outer islands. Waves and tidal surges up to 5 metres high caused significant coastal erosion, contaminated water supplies, damaged houses, roads and services, and resulted in the temporary displacement of hundreds of people. Nui, Nukufetau, Nanumaga and to a lesser extent the other outer islands, were most substantially impacted. Funafuti was relatively unscathed by TC Pam but did sustain damage to seawalls. The GoT estimated damages from TC Pam at USD 13.9 million, representing approximately 25 percent of GDP. Cyclone damage to many outer island structures is yet to be repaired.

According to UNOCHA's first situation report, the government's initial assessments led to requests for water, medicines, shelter and food. Despite logistical challenges, initial responses from the GoT included protein rich food, fuel, generators, medical supplies, kitchen kits and shelter kits.[105]

The total amount of in-kind, cash and pledge donations to relief and recovery efforts was approximately AUD 2.1 million, with Australia contributing AUD 1 million, New Zealand AUD 530,000, Papua New Guinea AUD 491,000, Taiwan AUD 80,000, and the United States AUD 50,000.

The response from New Zealand was limited and in response to supplies requested by the government, such as hand sanitizer, spare parts, chainsaws, and food. The situation in Tuvalu stabilised relatively quickly, and there was no need for New Zealand to do significantly more. New Zealand's actual assistance totalled NZD 128,000 for emergency relief and included:

- the redeployment of MFAT's renewable energy contractors (PowerSmart) to assist with ground clearance
- the redeployment of a boat chartered for the renewable energy project for the delivery of relief supplies to affected islands
- the deployment of a C-130 aircraft loaded with NZD 118,000 of relief supplies, including extensive medical supplies, food, and other essentials (tool kits, generators, water containers and chainsaw packs).

The subsequent NZD 420,000 was for recovery and vulnerability reduction, with sector focus and allocation determined by the GoT.

Tuvalu's capacity

Both the drought and TC Pam shed light on the country's broader disaster and disaster risk reduction (DRR) needs and capabilities. The NDMO, managed out of the Prime Minister's Office, has very limited capacity and essentially consists of one person. The TC Pam coordination, for example, posed challenges for the GoT and a thinly staffed NDMO. UNOCHA noted in its first situation report that:

> *'There is ongoing need to manage staged deployments to Tuvalu to ensure that international support meets ongoing government response needs and that incoming support/human resourcing does not overwhelm local capacity and facilities.'*

More positively, the small size of the country meant that during the responses to the drought and TC Pam the NDMO could talk to all donors at once, and that the NDMO knew exactly which families on which islands needed help. This was helped by the fact that Tuvalu communities are considered to have strong networks and this is a key for resilience, particularly so in the context of limited government DRR capacity.

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[105] UNOCHA (2015) *Tuvalu situation report 1, 22 March 2015.*

4.5.5. Key messages on partnerships and labour mobility

In summarising the results of New Zealand's development cooperation around partnerships and labour mobility, and the sustainability of these results, this evaluation finds:

- The partnership approach to the design and delivery of the policing programmes has been a real strength. The delivery model, which involves regular visits from NZ Police trainers and advisors, has been critical to the success, resulting in improved confidence and capability within Tuvalu Police. The sustainability of results achieved under both policing programmes are under threat, without continued support.
- The RSE scheme brings benefits for New Zealand employers, Tuvaluan workers, and the economy through workers' remittances. However, Tuvalu could achieve more under the scheme if issues such as low participation and strong dependence on one New Zealand employer are addressed. Further, the GoT could do more to champion the scheme and to promote Tuvalu as a source of workers.
- The PAC scheme also benefits Tuvaluan workers and the economy through remittances. However, as with the RSE scheme, the benefits for Tuvalu are not as strong as they are for other Pacific countries due to poorer employment outcomes.
- New Zealand is a key partner to Tuvalu in humanitarian and disaster relief and needs to remain involved. In the drought and tropical cyclone events, New Zealand responded swiftly and directly to the needs assessed and requested by Tuvalu. During TC Pam, New Zealand demonstrated flexibility and innovation with its response. New Zealand showed commitment to Tuvalu after the drought response in 2011/12, and an ability to bridge humanitarian response to longer term development to strengthen resilience, by supporting a regional water security initiative.

4.6. Health sector outcomes

A number of New Zealand's Pacific regional and multi-country projects aimed at improving health outcomes are implemented in Tuvalu. These projects are delivered through partner organisations and include multi-phase projects which have been running for several years, and other more recent projects that are approximately halfway through an initial phase of delivery. These projects are summarised in Table 4. The first of these projects, the New Zealand Medical Treatment Scheme (MTS), is the only bilateral investment.

Table 4: NZ regional and multi-country health investments that have covered Tuvalu

Project	Focus	Partner	Period	Funding	Activity and results for Tuvalu
NZ Medical Treatment Scheme	Providing access to specialised medical treatment through referring patients to treatment overseas and sending specialists to	Health Specialists Ltd.	Since 2011 (current phase)	NZD 12.9M across 5 countries Tuvalu: c. NZD 0.2 million p.a.	2014/15: 11 referrals, 5 of whom approved for treatment 2015 (6-months): 14 referrals, 5 of whom

Project	Focus	Partner	Period	Funding	Activity and results for Tuvalu
	provide treatment in-country				approved for treatment
Strengthening Pacific Health Laboratory Systems	Increasing the accuracy and effectiveness of medical laboratory performance	Pacific Paramedical Training Centre	2012/13 to 2015/16	NZD 1.4 million across PICs	Two lab technicians did online training module Quality assurance assessment and technical support Laboratory audit and in-country training during one visit
Pacific Regional Blindness Prevention Programme	Providing training to eye health practitioners and access to high quality eye care	Fred Hollows Foundation New Zealand	2013–2015	NZD 8.7 million across 13 countries	249 consultations and 72 surgeries through one outreach visit One nurse trained in eye care
Pacific Mental Health Network	Increasing awareness of metal health and improving access to mental health services	WHO	2012–2016	NZD 1.5 million across 18 countries	Training for mental health officer and primary health care workers planned for 2016
Maternal Newborn and Child Health Initiative	Increasing immunisation coverage, improving maternal health and nutrition, and health systems strengthening	UNICEF	2013–2017	NZD 6 million across 14 countries	Support for immunisation activities
Pacific NCD Initiative	Delivering initiatives that reduce adult cardio-vascular disease risk and tobacco use	WHO	2013–2015	NZD 8.7 million across 13 countries Tuvalu: c.NZD 35,000 over two years	Training of health workers and training on benefits of tobacco tax increases Support for NCD activities

It is difficult to determine the reach and impact of many of these activities in Tuvalu. The visibility of New Zealand is limited in many of these initiatives, with the development partners recognised as delivering the project, but New Zealand not often recognised, locally, as the funder. This low profile is seen as unhelpful, with one stakeholder mentioning that they '*would like to know the funding channels, so I know who to discuss priorities with*'. New Zealand deserves more of a profile for supporting these initiatives and MFAT could look to summarise the collective benefits of these projects and share this with the GoT.

Two of the above initiatives now have limited reach in Tuvalu: the new phase of the Pacific Regional Blindness Prevention Programme excludes Tuvalu; and the Strengthening Pacific Health Laboratory Systems project has re-focused on countries other than Tuvalu. The main profile New Zealand has in the health sector in Tuvalu is through the MTS.

4.6.1. Medical Treatment Scheme

The MTS provides support for overseas referrals and for visiting medical specialists (VMS). The number of Tuvaluans who have received treatment through overseas referrals has fluctuated between four and six per year (Figure 13), and represents 43 percent of those referred by Tuvalu's in-country overseas referral committee for treatment over the four-year period. Of the 20 patients treated over this period, 12 (40 percent) were female.[106]

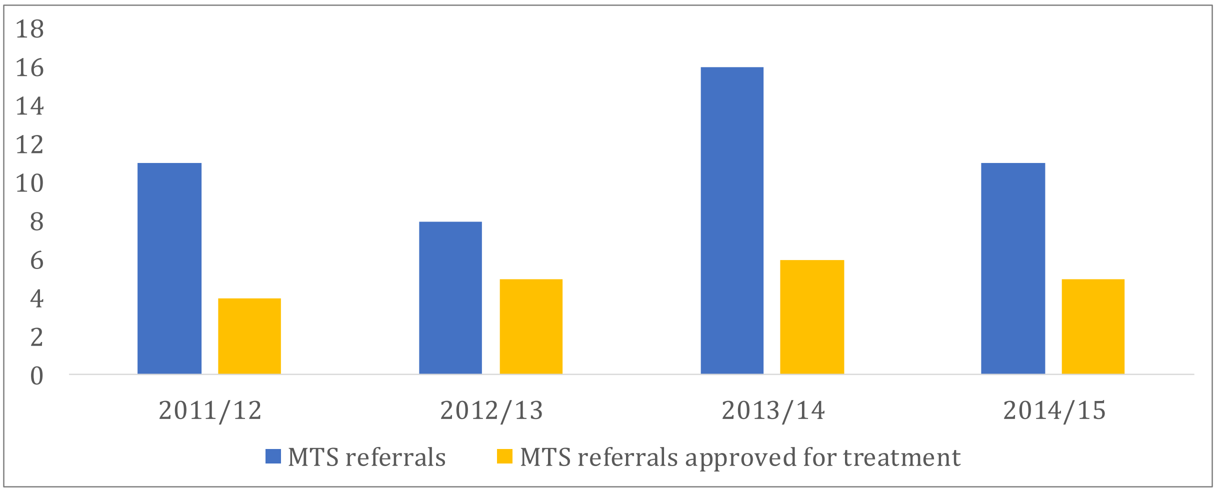


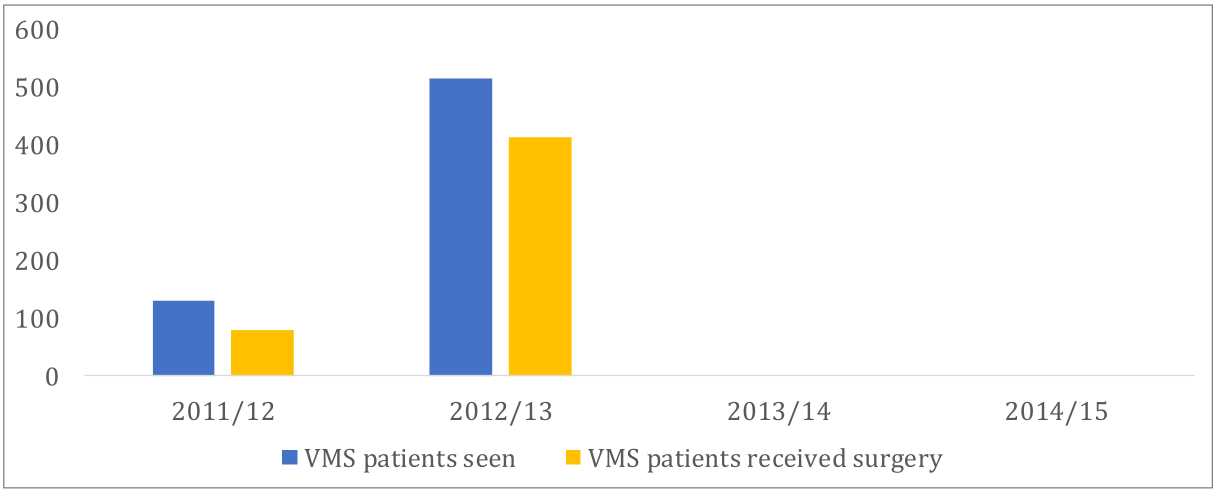
Figure 13: Number of patients referred overseas and treated under the MTS

Source: Sapere 2015; 2014/15 data supplied by MFAT.

[106] Sapere (2015) *Evaluation of the New Zealand Medical Treatment Scheme.*

Under the VMS, 646 patients were seen by visiting specialists in Tuvalu in 2011/12 and 2012/13 (Figure 14). There were no VMS activities in Tuvalu over 2013/14 and 2014/15 with 100 percent of the MTS funds going towards overseas referrals. Of the 646 patients over the two years, 250 (39 percent) were female.[107]

Figure 14: Number of patients seen and treated in-country by the VMS



Source: Sapere 2015; 2014/15 data supplied by MFAT.

The 2015 evaluation of the MTS concluded that there was clear evidence that the scheme was successfully meeting clinical needs that would otherwise not be met. In terms of Tuvalu, the evaluation was unable to explain the absence of VMS teams but reported there were 'ongoing issues with MFAT and possibly the management service contractor.' Due to cancellation of the in-country research visit for the MTS evaluation, the evaluation team was unable to further substantiate or explain this comment. Stakeholders interviewed for this Tuvalu country evaluation suggested there was an ongoing lack of dialogue between the GoT and the MTS management service contractor that needed to be addressed.

The MTS is likely to be challenging to manage for Tuvalu. The small budget means that a few expensive overseas referrals can absorb the entire annual budget. The VMS component, on the other hand, is easier to manage from a financial standpoint but is not so responsive to addressing acute needs. However, it could be effective in helping address chronic health needs and to support capacity building in-country.

The number of patients seen under the scheme in Tuvalu is small; however, the benefit for these people and their families is significant. It is a concern that there were no patients seen under the VMS for two years yet no corresponding increase in service by way of overseas referrals. The evaluation team was encouraged to learn that a visiting obstetrics and gynaecology specialist, funded under the MTS, arrived in Tuvalu while we were in-country.

There is support in the Tuvalu Health Department for the criteria applied to assess patients referred for overseas treatment under New Zealand's MTS. The criteria are considered fair and

[107] Ibid.

the process shielded from potential political interference. There is also a degree of acceptance with the current relationship with the MTS contracted provider. Nevertheless, there is also a desire within the GoT to take over control of New Zealand's MTS funds. This appears to be driven by a perception that the administration costs of the MTS are too high, and a desire to utilise the funding for overseas referrals and visiting specialists differently, for example, to fund long-term locums.

The MTS has entered a new phase of design, with the current phase due to run until 30 June 2017. Encouragingly, the new design is looking at ways to strengthen in-country provision including through building local capacity of health workers. The redesign should also be set within the context of the eight Tuvaluan medical officer graduates from the medical training programme in Cuba who are currently completing re-integration training in Kiribati and are due in Tuvalu in 2017. It is expected that some of these graduates could be posted to outer island health centres while others would benefit from close oversight and further training at the hospital on Funafuti. It will be important not to lose these graduates from the system and to ensure they receive adequate clinical support. Some are likely to be candidates for future specialised training.

Tuvalu currently has several medical specialists in training, including in internal medicine, obstetrics and gynaecology, and paediatrics; however, they have three years to go on their training. Again, it will be important to ensure these specialists return and stay within the Tuvalu health system. Filling these positions with long-term locums in the meantime would be very expensive and it would be worth considering alternative options. For example, it was suggested that sending specialists in-country regularly, such as for a two-week visit every three months, could be financially sustainable and provide the security the health system needs.

4.6.2. Key messages on health sector outcomes

In summarising the results of New Zealand's development cooperation in the health sector, and the sustainability of these results, this evaluation finds:

- New Zealand supports six regional and multi-country health programmes in Tuvalu through partner organisations. New Zealand's role in many of these programmes is not well recognised.
- Overseas referrals for treatment under the MTS benefit a small number of people, with four to six referrals per year.
- There were no patients seen by visiting medical specialist under the MTS over two years covered by this evaluation.
- Building and maintaining a sufficient medical workforce in Tuvalu is an ongoing challenge, with specialists resigning to work overseas, and nurses being lost to Fiji.
- The growing burden of NCDs is another significant challenge for Tuvalu.
- New Zealand and its development partners could do better in building in-country capability by increasing the provision of visiting medical specialists who can work alongside local clinicians.
- There may also be an opportunity to build on potential synergies between New Zealand's current health investments in Tuvalu, many of which provide elements of training and support preventative care.

4.7. Factors influencing future impact and sustainability

This section discusses several cross-cutting factors that will have an influence on the likely long-term impact and sustainability of New Zealand's development cooperation.

4.7.1. Climate change and disaster risk reduction

Support to a low-lying atoll nation like Tuvalu will inevitably need to place climate change and disaster risk reduction at the forefront of the design of initiatives if they are going to have a lasting impact. Such support to raise Tuvalu's resilience to climate change could take different forms. It may be targeted initiatives to physically prepare for the damaging effect of climate change, such as sea walls or land reclamation. It may be strengthening the capability of the government to plan for the effects of climate change. It may be mainstreaming a climate change and DRR perspective into all investments and projects. Or it may be diplomatic support to strengthen Tuvalu's bargaining position in different regional and international climate change negotiation fora.

Climate change and DRR considerations were key in the identification and design of several of New Zealand's investments. The Borrow Pits Remediation Project is considered a climate change adaptation initiative that has integrated resilience with social and health benefits. The core of the project was land reclamation/remediation. While there are some unintended issues and effects from the project, overall it has put Tuvalu in a significantly better position than before the remediation work. The project design involved a 100-year projection which required filling the pits to a height of 3.6 metres above sea level to improve resilience in the face of storm surges, cyclones and sea level rise. Considering Tuvalu's fragile future, this time horizon appears appropriate and sufficiently long-term.

New Zealand's investment in renewable energy in the outer islands involved two climate change and DRR considerations. The location of the solar arrays was partly based on a risk assessment of storm surges; and the photovoltaic panels were constructed to withstand cyclones.

Unpredictability of climate-related events is also a constraint to design. Some navigational aids installed in the Ship to Shore project suffered damage during TC Pam, and some reef channels were obstructed by storm debris. However, with record cyclone winds, it is hard to see what engineering solution might have prevented damage and at what cost. A balance must be struck between the investment cost and the durability and longevity of the investment; and it is not always clear on which side the judgement will fall.

New Zealand's contribution to the TTF can be seen as an enabler with good potential for sustainability. It is a cushion that insures against future risk, and a mechanism for safeguarding against the cost of climate change and climate change adaptation.

Awareness and understanding of the impact of climate change is also an important enabler of programme impact. Consultations during this evaluation revealed that there are lower levels of awareness in the outer islands regarding climate change adaptation and the need to integrate climate change into infrastructure and service delivery planning.

4.7.2. Social inclusion

In terms of furthering gender equality and human rights (such as equal rights for youth and people with disabilities), New Zealand's investments have generated mixed results. While some investments have specific gender quotas in striving for equal representation, in line with MFAT cross-cutting issues policy, the programme does not have an overarching theory of change underpinned by a gender equality or human rights perspective. While social impact assessments are done at the activity level, the lack of a gender or youth analysis in terms of overarching constraints and investment entry points is a limitation to inclusive development at a strategic level.

Around 20 percent of Tuvaluan participants in the RSE scheme are female. Increasing this proportion has proved difficult, as discussed in section 4.5.2. New Zealand's scholarships programme operates a gender balance in selection of candidates, with 16 scholarship awards annually: eight male and eight female.[108] Of the 37 scholars on award in 2015, 20 were female.[109] However, there is criticism that the programme primarily benefits a small proportion of the population, and has a strong focus on higher education study that excludes, for example, youth that want to study at a TVET level.

New Zealand's big infrastructure projects have hired local Tuvaluans to be part of the project teams, but not many women have been employed on these projects. This is most likely due to the horizontal gender segregation of the labour market, whereby women and men are, to some extent, found in different sectors and industries. If more was done to include females on the teams, such as project coordinators and local stakeholder engagement advisors, this would further empower women by role modelling for others.

NZ Police's programmes in Tuvalu are perhaps the best example of how a development cooperation partnership can achieve change in cultural perceptions and behaviours, and can challenge barriers around deep rooted issues such as gender norms, rule of law and domestic violence. The programmes are built around a theory of change, which seems to have been a contributor to their success. They have been successful in changing the population's attitudes to the police, increasing acceptance of women as law enforcers, raising awareness about domestic violence, and encouraging women to claim their rights to lives free from abuse. As a result, reporting of domestic violence has increased. NZ Police is also contributing to strengthening institutions that facilitate gender equality, by working closely in partnership with Tuvalu's Gender Department, the Tuvalu Police, the Judiciary, the Attorney General, and the NGO Tuvalu National Council of Women in implementing the new Domestic Violence Act.

In taking a long-term view, New Zealand's development cooperation to Tuvalu needs to better target the specific needs of young people, who represent Tuvalu's future with 33 percent of the population younger than 15 years of age. Current New Zealand projects have not been designed to benefit young people in any structured way, even though the RSE participants are mainly under 30 years of age due to the physical requirements of manual labour, and many other investments (e.g. renewable energy, MTS, Ship to Shore and borrow pits) will benefit young people as well as older people.

4.7.3. Local capacity

The long-term positive impact of New Zealand's development cooperation is hampered by capacity constraints in Tuvalu. A frequent experience of TAs funded by any donor programme is

[108] This is to be contrasted to Tuvalu's own sponsored scholarship programme, which is not on gender parity.
[109] MFAT (2015) *Scholarship monitoring report for Tuvalu.*

that often the intent of their roles, which usually includes capability building and institutional strengthening, has to be set aside in favour of capacity supplementation given human resource shortages. For New Zealand, the most pertinent example of this is under the Fisheries Support Programme. The TAs have not been able to train and upskill Fisheries Department staff as initially intended because key personnel have been away. Several short- and medium-term outcomes of this programme have therefore not been met. This suggest a need to conduct a capacity assessment prior to committing TA support to a particular department to determine if the institutional environment is conducive for such support. If, for example, local staff who are the target of capability building are going to be absent for long periods of time, or travel to outer islands to conduct trainings is not going to be feasible, New Zealand should withdraw, re-schedule or re-purpose such support.

The scholarships culture contributes to this constraint. Many government staff spend months or years outside of Tuvalu on long-term scholarships, leaving positions vacant. Other staff may 'act-up' in their position but the overall staff complement remains the same. This phenomenon effectively removes a portion of an already small government workforce. This is extremely disruptive for policy and project implementation, and impairs government decision making.

There is a place for New Zealand to both supplement and build capacity. For some specialist skills, such as accounting or specific sector specialists (e.g. certain medical specialists), there is a resource gap and Tuvalu is reliant on international personnel filling these gaps (i.e. a focus on capacity supplementation). The need for TAs to support and drive through reform has been emphasised earlier in this report, and is supported by findings from the review of the PRM and by the World Bank.[110] For example, Australia has a TA within the Public Sector Reform Committee who has a dual role of leading some of the reform while at the same time working closely with one or two Tuvaluan staff and strengthening their capacity to eventually take over.

New Zealand can contribute to building more lasting local capacity through the involvement of the local workforce in specific investments and infrastructure projects. The construction company responsible for the filling the borrow pits hired local staff, and those involved have, anecdotally, moved on to secure employment contracts with other international firms for other infrastructure investments around the country.

The CPU, set up as part of the PRM, has contributed to involving the private sector and developing a supply of local workers. The importance of this should not be underestimated as the contracts that these suppliers will get will continually strengthen and improve their technical skills in their different areas of operation; an enabler for private sector development.

4.7.4. Asset maintenance

Asset maintenance is a priority theme for New Zealand's infrastructure investment in Tuvalu, and could be an important area for support through the PRM, among other mechanisms. There appears to be a need for awareness raising around the cost of replacement versus the cost of maintenance, as well as a need for recognition that deferred maintenance is not good use of investment and resources.

[110] World Bank, 2015.

For New Zealand's investments, the maintenance issue mostly refers to the Ship to Shore and renewable energy projects. As discussed in sections 4.1.3 and 4.3.1, inadequate routine maintenance has already affected the sustainability of New Zealand's investment in navigational piles, and the projected replacement costs of renewable energy componentry is likely to present a challenge for Tuvalu. There is an urgent need for Tuvalu to raise awareness and capability to undertake asset maintenance, and for the government to allocate responsibility and resources to it.

Encouragingly, preparation of an asset management framework and plan is underway.[111] Once complete, this is expected to provide much better information on the historical cost, replacement value and annual maintenance requirements of Tuvalu's current infrastructure assets. It will be used to identify maintenance and eventual replacement needs for these assets. Tuvalu has also established a Deferred Maintenance Fund which, from 2015, receives an annual appropriation of AUD 0.5 million. As part of the administration of this fund, the government is preparing a 10-year maintenance schedule for all assets with a purchase price greater than AUD 20,000. Routine maintenance is covered separately within the recurrent budgets of ministries, and was allocated a total of AUD 1.6 million in 2016. At present, it is difficult to judge the adequacy of this allocation, due to incomplete information on assets and their maintenance requirements.[112]

4.8 Summary

New Zealand's support to Tuvalu over the past four years has sought to:

- Strengthen PFM and improve economic performance.
- Develop a skilled workforce able to gain employment domestically and abroad.
- Increase use of renewable sources of energy.
- Improve water security and resilience to climate change and DRR.
- Strengthen partnerships that benefit Tuvalu through leveraging New Zealand expertise.

New Zealand's support has contributed to strengthening PFM in Tuvalu. New Zealand's role on the TTF Board and support for TTFAC have contributed to a well designed and robust governance structure for the TTF, and professional fund management. Reforms overseen by the PRM programme, such as in taxation, have also contributed to improved fiscal management capability. New Zealand should be commended for its role in both the TTF and the PRM.

Improved PFM has, in turn, contributed to lifting Tuvalu's economic performance. Tuvalu has benefited from strong returns from the TTF and increased returns from domestic tax collection as a result of New Zealand's governance support and support for policy reforms. Substantial increases in fisheries revenue have also driven improved economic performance, and New Zealand's technical assistance in strengthening the fisheries sector has contributed to this. While the impact of New Zealand's investment in improving outer islands shipping infrastructure on

[111] ADB TA 8345 REG: Tuvalu Asset Management Framework and Infrastructure Management Support.
[112] Government of Tuvalu (2016, Draft) *Tuvalu Infrastructure Strategy and Investment Plan.*

economic performance is not yet clear, better shipping services are a critical efficiency enabler for the movement of people and goods.

The impact of New Zealand's development cooperation around PFM and economic performance has faced constraints. Some reforms implemented under the PRM programme have had the desired result at an output level, but have yet to translate to improved service delivery outcomes, especially in health and education. In the fisheries sector, New Zealand's support has not contributed to expected increased employment aboard tuna vessels, and building capability within the sector has been constrained by the absence of local staff and unavailability of a vessel to travel to the outer islands. The latter has meant that the expected improvements to coastal fisheries management, aimed at improving people's livelihoods, have not yet been realised.

New Zealand's contribution to workforce skills development has primarily been through the provisions of scholarships. Measuring the effectiveness and impact of this investment is difficult in the absence of any tracer study or evaluation of the programme. New Zealand scholarships have focused on higher academic courses, while it could be argued that Tuvalu's workforce needs are better met by focusing on TVET. Multi-year scholarship studies abroad present a challenge to Tuvalu in managing persistent capacity constraints and the associated disruption to the implementation of government policies and projects.

Support for renewable energy infrastructure represents New Zealand's biggest investment in Tuvalu over the past four years. The investment has had an immediate and significant effect on the amount of energy Tuvalu sources from renewable sources (contributing to an increase from 4 to 43 percent since 2013), has increased the reliability of electricity access, and has seen a reduction in the dependence on imported diesel. The project is also achieving wider benefits, for example, improved storage of medicines and vaccines in the outer islands and improved safety from reduced handling and transportation of diesel. These multi-faceted results are impressive.

The main results associated with New Zealand's support for improved water security and resilience are from the Borrow Pits Remediation Project. The immediate results of this project are the 8 percent addition to land area on Funafuti, the project's aesthetic benefits, and a reduction in health risk associated with the previously contaminated pits. Given the high population density on Funafuti, these benefits are potentially substantial. The project can be expected to have a positive impact on health outcomes in the longer term. Other long-term benefits will depend on how the landowners decide to use the reclaimed land, and the land's resilience to storm surges and sea level rise. An unexpected benefit of the Borrow Pits Remediation Project is the confidence it has given Tuvalu to proceed with other land reclamation projects. New Zealand did very well in selecting and implementing this project.

Partnerships between NZ Police and the Tuvalu Police Force are generating promising results, partly due to a delivery mechanism with quarterly in-country visits from NZ Police based on a long-term commitment. Beneficial outcomes that need to be sustained for long-term impact include breaking down cultural barriers pertaining to domestic violence, and strengthened community-police relationships and trust in the police.

New Zealand's direct support for Tuvalu in labour mobility includes the RSE temporary migration scheme and the PAC scheme which grants permanent New Zealand residency for up to 75 Tuvaluans per year. Both schemes are well designed and implemented, contribute to increased employment and income for Tuvaluans, and some of this income is remitted from workers to family in Tuvalu. However, Tuvalu has low uptake of RSE, and has only recently begun to use its full quota under PAC. Furthermore, Tuvaluans who migrate under PAC achieve, on average, poorer employment outcomes than other Pacific peoples who access PAC. Education and English language levels are a constraint to Tuvalu achieving higher outcomes under labour mobility schemes.

New Zealand has been a key partner to Tuvalu in humanitarian and disaster relief. It has responded swiftly and directly to the needs assessed and requested by Tuvalu, and has demonstrated an ability to bridge humanitarian response to longer term development, thereby strengthening Tuvalu's resilience to disaster risk.

New Zealand's investment in the health sector is dominated by the MTS. Its limited funding, combined with the high cost of specialised medical treatment overseas, has meant it has only treated four to six people each year under the overseas referral scheme over the past four years. The MTS has also not delivered a high level of in-country treatment through visiting specialists, with visits only occurring in two of the past four years.

Common factors that are likely to influence the future impact and sustainability of New Zealand's investments have been identified including: threats associated with climate change and disaster risk; the need for greater consideration of gender perspectives, youth and human rights in New Zealand's development programming; the ongoing challenge of low capacity within the GoT; and the lack of planning and responsibility for asset maintenance.

5. IMPROVING DEVELOPMENT OUTCOMES

How could New Zealand deliver better development outcomes for Tuvalu?

An assessment of how New Zealand could deliver better development outcomes in Tuvalu needs to consider how New Zealand can better respond to the development needs of Tuvalu, and how development cooperation can be made more effective.

This section discusses components of a proposed framework for guiding decisions on how New Zealand could support Tuvalu in meeting its development needs. The framework identifies two overarching development objectives for New Zealand's support to Tuvalu, the structural constraints to growth in Tuvalu, and key mechanisms New Zealand could target to respond to these constraints. For each mechanism, this section then discusses existing and potential policy and investment areas that present opportunities for New Zealand's development cooperation. How New Zealand's development programming could strengthen Tuvalu's resilience to the predicted effects of climate change is also discussed, as this is central to Tuvalu's development opportunities.

5.1. Development framework

As discussed earlier in this report, over the period covered by this evaluation the Tuvalu country programme has not had a long-term strategy that responds to Tuvalu's explicit development constraints and opportunities. In addition, even though some key strategic documents indicate what outcomes specific interventions are trying to achieve, the overall outcomes and causal logic both horizontally between investments and vertically between outcome levels, are not clear; there is no overarching theory of change.

This section considers an appropriate development framework for New Zealand's support to Tuvalu that addresses its structural constraints and how this might inform a theory of change for the programme. An overall mission, long-term objectives for the Tuvalu aid programme and three key mechanisms for addressing the constraints are proposed. The framework is designed to inform an MFAT Tuvalu country strategy. Further development of a theory of change for that strategy should be informed by other contributions and build on an inclusive process owned by Tuvalu stakeholders.

5.1.1. Structural constraints and development objectives

Section 2.1 discussed the development context and some of Tuvalu's development constraints. These are typical of many small island developing states and include Tuvalu's small size, remoteness and limited natural resource base (see Figure 15). The small population size means that there are limited options for developing a domestic economy large enough to sustain the country in terms of jobs, revenue and production of goods and services. Tuvalu's geographical remoteness raises trading costs, which affects competitiveness of exports and cost of imports. The geographic dispersal of its population limits opportunities to benefit from economies of scale in service provision. Limited natural resources, including land mass, makes the country import dependent and extremely vulnerable to exogenous economic shocks such as reduced fishing revenue, volatility of Australian dollar exchange rate, reduced remittances and aid level fluctuations. These vulnerabilities are further exacerbated by the expected impacts of climate change.

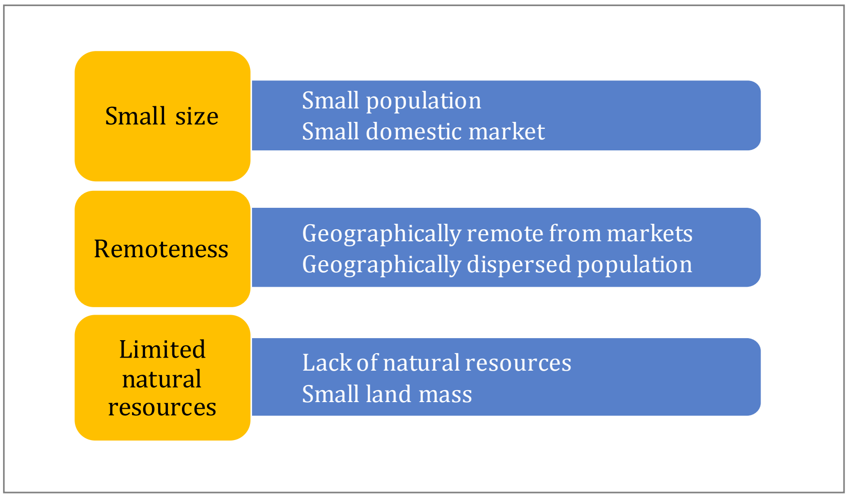


Figure 15: Structural constraints to development in Tuvalu

New Zealand, in turn, has needs which it looks to satisfy through conducive relationships with its partner countries in the Pacific, including Tuvalu. This includes the need for skilled, semi-skilled and unskilled workers to meet workforce shortages in New Zealand, which it hopes to address through controlled immigration, as well as policy alignment on regional and global issues (e.g. climate change and security).

New Zealand should set a mission statement and high level objectives for its development cooperation in Tuvalu. An overall mission statement is helpful for communicating the purpose and the intent of the cooperation, and will be useful for receiving buy-in and commitment to the development effort. A proposed mission statement is 'Prosperity for all Tuvaluans' and is directly derived from TKIII's 'improve the quality of life and prosperity for all'. Two proposed high level objectives for New Zealand's development cooperation are:

1. Inclusive and sustainable development.
2. Increased resilience to shocks.

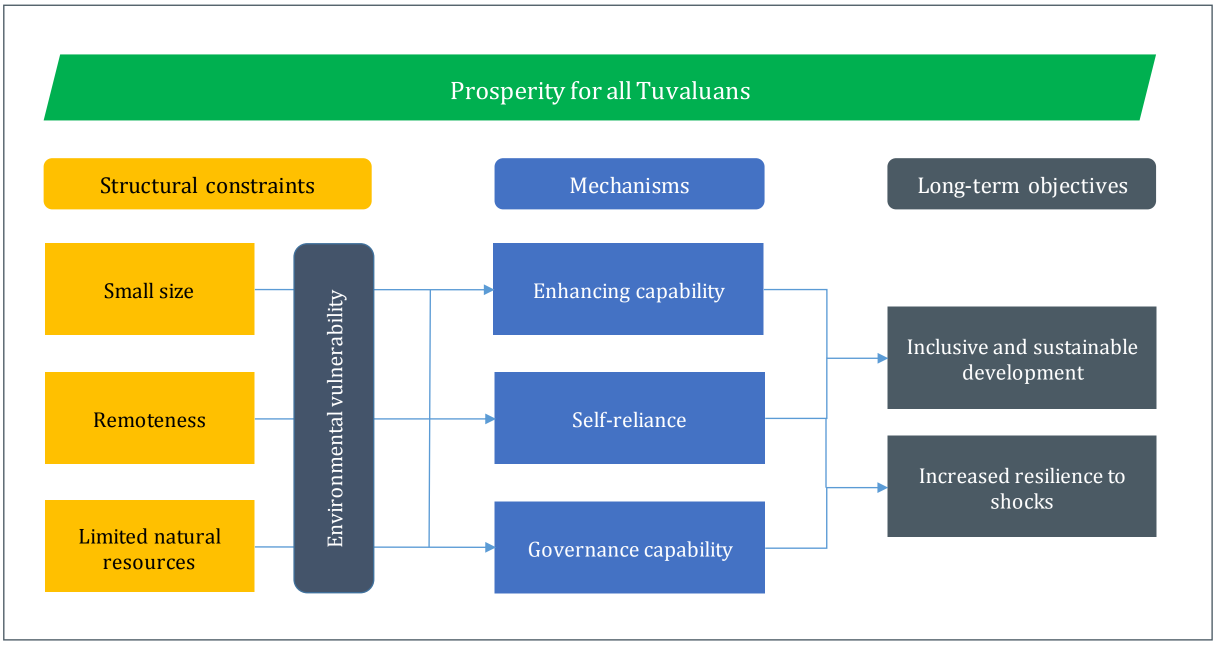
Both these objectives relate to TKIII and to New Zealand's and broader global goals for international development. Inclusive development recognises the need to ensure that development benefits all Tuvaluans and reflects TKIII's call to 'improve the quality of life and prosperity for *all* Tuvaluans' and responds to this evaluation's findings that further effort is required to ensure that the GoT's and New Zealand's interventions benefit a broader population segment, on Funafuti and in the outer islands alike. Increased resilience to shocks recognises that Tuvalu's structural constraints make it vulnerable to external economic, financial and environmental shocks.

5.1.2. Mechanisms for responding to Tuvalu's development constraints

The framework proposes three mechanisms for responding to Tuvalu's development constraints and achieving New Zealand's proposed long-term objectives for Tuvalu. These mechanisms should in turn inform New Zealand's investments, discussed in sections 5.3 to 5.5.

Figure 16 adds these mechanisms and the long-term objectives to the previous figure of Tuvalu's development constraints.

Figure 15: Proposed framework for New Zealand's development cooperation in Tuvalu



The first mechanism is enhancing capability of the Tuvalu population. Due to the small size of the country, limited resource base and lack of proper growth industries, Tuvalu's population needs to ensure it is capable, educated and has the right skills to seize work opportunities where these present, whether in Tuvalu or its wider Pacific hinterland. Tuvaluans need to ensure they can compete with workers from other nations, for example in seafaring and labour mobility schemes. This mechanism covers building individuals' capability to improve employability in Tuvalu and overseas, as well as addressing capacity and capability gaps in service provision through, for example, supplementing capacity. Current New Zealand investments that would contribute to this building block include scholarships (targeting individual capability), the Fisheries Support Programme (targeting institutional capability), and the MTS (supplementing gaps in service capacity).

The second mechanism, self-reliance, responds to the limited opportunities for individuals to improve their livelihoods and for the government to achieve greater economic security and independence given Tuvalu's structural constraints. Current New Zealand investments that would map to this mechanism include contributions to the TTF, the support for renewable energy, the RSE scheme and support for coastal fisheries as a sustainable livelihoods investment. These are aimed at reducing external dependence and providing a buffer to increase government and individual resilience.

The third mechanism, governance capability, reflects the key role of government in small island developing states like Tuvalu, and the consequences of poor policy formulation and implementation on development. It targets improvements in the effectiveness and efficiency of government and is aimed at enhancing the government's ability to manage the development process, including implementing necessary reforms that lead to improved service delivery.

Current New Zealand investments that would map to this mechanism include support for the PRM, budget support, TTFAC (TTF) through its financial management monitoring role, and technical assistance to the TEC.

New Zealand's development cooperation in Tuvalu can be built around the proposed framework. The mechanisms can serve as the building blocks for developing a programme theory of change, which will inform the identification and selection of prioritised policies and investments. The investments should be planned so that they are connected and mutually contribute to achieving medium-term outcomes.

The following sections discuss how New Zealand's current investments can be strengthened to contribute to the mechanisms in the framework. Potential gaps are identified within the investment areas which New Zealand could help to address, along with Tuvalu and its other development partners. Before turning to specific investment areas, a discussion follows regarding how New Zealand can position itself strategically to deliver better outcomes for Tuvalu within the context of the country's environmental vulnerability and the likely impacts of climate change.

5.2. Development and climate change

The risks from climate change to Tuvalu have been discussed previously in this report and include sea-level rise, greater frequency and intensity of tropical cyclones and associated hydrological events (such as wave, tide and storm surge), increased ocean acidification, and an increase in the frequency and severity of coral bleaching events.

The risks of the predicted effects of climate change cannot be eliminated; however, the socio-economic effects can be reduced or managed. In the long-term, the predicted effects will likely make the country uninhabitable. Tuvalu and its other development partners need to have an eye towards this likely long-term impact of climate change. At the same time, New Zealand and other partners need to support Tuvalu in ensuring its islands and atolls remain habitable for as long as possible. As a result, New Zealand's focus should be two-pronged:

1. Supporting Tuvaluans to stay in Tuvalu as long as possible with a good quality of life; *and*
2. Supporting the population to be well-equipped (e.g. with relevant skills) in the event of displacement due to the effects of climate change.

Supporting social and economic development of Tuvalu will contribute to both of these objectives.

Countries in the Pacific have recently moved to integrate approaches to managing the risk associated with climate change and disaster risk. For example, consistent with international thinking, the recently agreed *Framework for Resilient Development in the Pacific*[113] approaches the risks of climate change and disasters as an integral part of development. This 'development-first' approach to risk management incorporates climate and disaster resilient development consideration into all development programming. New Zealand should align its development

[113] http://www.pacificdisaster.net/dox/FRDP_2016_Resilient_Dev_pacific.pdf

cooperation with this approach. Ongoing research for MFAT on resilient development in the Pacific indicates that this would change the focus of the decision-making process to:

- resilient development being a common goal across development, climate change and disaster risk management, as opposed to development and risk management goals being pursued in parallel
- mainstreaming being seen as a process to bring risk into the 'mainstream' of development decision making and practice.[114]

The implication for development programming in Tuvalu is that the desired development outcomes are identified first, followed by an assessment of how risks associated with climate change and disaster risk can be managed. The goals of development and building resilience are thus pursued in parallel, acknowledging the two-way relationship between risk and development: climate and disaster risks can increase vulnerability and undermine development; while development can also reduce vulnerability to climate and disaster risk.

By taking a 'development-first' approach, New Zealand's support to Tuvalu could include both targeted support to strengthen resilience (i.e. investing in specific risk reduction and climate change adaptation initiatives), as well as mainstreamed risk reduction programming (i.e. integrating disaster risk reduction and climate change adaptation measures across development investments).[115] This is consistent with New Zealand's past programming, as discussed in section 4.7.1.

Recent research for MFAT on climate change and DRR identified strategic opportunities for MFAT in the Pacific, including several which closely align with this evaluation's findings:[116]

- Investing in strengthening local government leadership and governance (e.g. through the Pacific Risk and Resilience Programme[117]).
- Investing in national coordination capacity and information and knowledge management systems (e.g. personnel and information systems within the Climate Change and Disaster Coordination Unit within the Office of the Prime Minister in Tuvalu).
- Expanding support for national TVET institutions – important for developing and maintaining skills needed for resilient societies (e.g. plumbing, solar energy system maintenance); and for upskilling potential migrants.
- Continuing to strengthen institutional capacity of national fisheries ministries (e.g. to strengthen their capacity to use information on climate change impacts on migratory patterns of fish stocks for long-term planning and revenue forecasting); and, at a local level, enhance livelihood opportunities from coastal fisheries and support the

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[114] Hay JE *et al.* (2016) *Draft Decision Support Framework: Informing MFAT's programming for Resilient Development in the Pacific*.
[115] Et al.
[116] Hay JE *et al.* (2016) *Research and Analysis on Climate Change and Disaster Risk Reduction: Synthesis Report*.
[117] http://www.pacific.undp.org/content/pacific/en/home/operations/projects/environment_and_energy/PRRP.html

development of TVET opportunities to maximise employment and income generating opportunities from coastal and oceanic fisheries – critical for achieving economic resilience.

- Prioritise national and other in-country training over regional training which requires many government staff to spend months out of their country and disrupts project implementation.

The findings from this evaluation suggest further opportunities for MFAT in supporting resilient development in Tuvalu:

- Ensuring a climate change or strengthening resilience lens is applied across the scholarships programme (e.g. in selection processes for scholarships, consider not only how the award will benefit Tuvalu's development, but also how it could strengthen Tuvalu's resilience to climate change and disaster risk).
- Ensuring strong donor coordination around climate change assistance – the model used for coordinating assistance for renewable energy across the Pacific may provide a useful lesson. The large number of partners providing climate finance assistance to Tuvalu 'in a largely uncoordinated manner'[118] can lead to duplication and inefficiency, even if the level of finance is short of the anticipated costs required for adaptation.
- Over the longer term, recognising that migration may be part of a solution for climate change adaptation, ensuring that New Zealand's policy settings around immigration remain responsive to population mobility and the potential for population displacement.[119] This would align with the Tuvalu National Strategic Action Plan for Climate Change and Disaster Risk Management 2012–2016 which identifies several actions relating to migration including conducting investigations and providing recommendations for opportunities under the PAC, and exploring access to other migration schemes (and expansion of existing migration schemes).

5.3. Enhancing capability

The socio-economic and environmental fragility of Tuvalu means that the population needs to stay capable, educated, and be resilient by having relevant skills and competencies to be able to secure opportunities that present themselves, in Tuvalu or off-shore. This means investing in an educated population as well as developing skills that are relevant to job market demands.

Tuvalu's education system has a long list of needs. As has been mentioned earlier in this report, quality education for all has been given less attention and priority by the government relative to scholarships. The recent review of the PRM and the TTFAC May 2016 monitoring report suggest that more attention is required to remove education barriers both inside and outside the education system to provide equitable opportunities for all children, and to link education expenditure to productive employment and labour requirements. This is particularly relevant

[118] Hay JE *et al.* 2016 *Research and Analysis on Climate Change and Disaster Risk Reduction: Synthesis Report.*

[119] There is a body of literature on the importance of ensuring any required migration is handled sensitively and enables Tuvaluans to migrate 'with dignity'. See for example: Farbotko C and Lazrus R. (2012). *The first climate refugees? Contesting global narratives of climate change in Tuvalu.*

for youth: it can be difficult and take time for young people to transition into the workforce and into adulthood, and equipping more young people with technical skills can expand opportunities and facilitate this transition.

DFAT has, until recently, worked to support Tuvalu in several of its education sector needs, but it is now ending most of its support to the sector. This leaves some hurdles for Tuvalu to overcome, and it is important for human development that the government can meet outstanding needs.

Having a reasonable level of English language ability is important for the people of Tuvalu to maximise opportunities in-country and off-shore, such as potential work in Tuvalu with international partners and, more critically, for accessing labour mobility schemes, such as international seafaring opportunities and New Zealand's RSE scheme. The Tuvalu MDG Acceleration Framework notes concerns about the level of English capability and while MFAT needs to prioritise where to invest its limited Tuvalu aid programme budget, the evaluation team see this as a potential area of support. New Zealand has a strong track-record in teaching English as a second language and it could explore how to assist Tuvalu in this area. In addition, MFAT has existing experience in this area through its English Language Training for Officials (ELTO) programme. Improving English language capability would facilitate Tuvalu's access to other areas of New Zealand's development cooperation where Tuvalu is not doing as well as it should be (e.g. the PAC resident visa scheme). Opportunities for volunteer or private sector involvement in teaching English should also be explored.

In the higher education sector, in contrast to the current emphasis on graduate and post-graduate level scholarships, more focus is needed on supporting the provision of TVET linked to employment opportunities. Under the guidance of the Office of the Prime Minister and the Ministry of Education, Youth and Sports, a comprehensive review of workforce planning and the scholarships process is underway by the Human Resource Department. This process goes beyond linking scholarships to government requirements to include the skill and labour requirements of the nation as a whole, including the skills required to meet the strategic goals in TKIII.

For in-service training, the HRD is currently assessing how more training could be undertaken in-country. This would contribute to cost-efficiency, less disruption to existing work programmes, reduction in capacity gaps, and would allow for better oversight of trainees' achievements and participation. To this effect, a two week full-time course for a postgraduate certificate in public sector management was recently run in Tuvalu by USP in conjunction with another provider. The HRD is considering whether this model could be applied to other areas such as auditing and planning. Such courses would cater for senior and middle management government officials who are qualified and need re-training or refresher courses, as opposed to longer term studies through overseas scholarships.

MFAT needs to work closely with the GoT to align New Zealand's support to the workforce and training priorities identified in the current review. This should involve close dialogue between the GoT, New Zealand and Australia (as the main providers of scholarships) to improve coordination in the provision of scholarships to attend training overseas (including in higher education and TVET), and to support the provision of short-term in-country courses. It should also involve consideration of how TVET could meet skill gaps in the subsistence and informal sectors, which are predominant in the outer islands. Growing skills in these sectors has the potential to have transformative impacts on outer islands' economies and on self-reliance for families. It will also help with the achievement of the mission of prosperity for *all* Tuvaluans.

In addition to aligning to the government's workforce planning and responding to TVET needs, New Zealand could contribute to the capability enhancement agenda that comes out of the PRM process. For example, the focus on improving service delivery in health or education may result in an identified need to upskill workforce in these sectors and New Zealand's support for capability enhancement should reflect this. Further, this evaluation has identified a need for capability development in asset maintenance, and this aligns with the PRM's proposed reforms in this area.

The need for TVET necessitates an institution and education provider, ideally in-country. The TMTI is the main such provider in Tuvalu, however it currently only provides training for seafarers. The TMTI has ventured into training people to work on purse seine fishing vessels, but a recent TA mission funded by New Zealand suggests it is not well-equipped to do so and training seems to have stalled. Regardless, there is an excess of trained seafarers in Tuvalu and a significant fall in demand. To stay relevant, TMTI needs to diversify its training programmes. Once Tuvalu's TVET priorities are known, TMTI should be included in any assessment as to how best to equip Tuvaluans with those skills. There are benefits to providing this training in-country, but there are also constraints regarding getting the TMTI up to standard and recruiting and retaining educators/trainers.

New Zealand should continue and strengthen its current practice of upskilling the local workforce when it implements infrastructure projects, such as was the practice on the borrow pits and renewable energy projects. More deliberate upskilling plans aimed at ensuring the Tuvalu workforce possesses the necessary skill level to maintain these assets are desirable. Upskilling plans could also include skills that can be readily transferred to other projects. Attention should be paid to gender balance and youth representation in recruiting workers to support project implementation.

In summary, to contribute to enhanced capability for Tuvalu, New Zealand could focus on:

- Working closely with the GoT in its workforce planning to determine how it can best complement a refocus towards TVET. This may include direct support to the provision of TVET opportunities (potentially including trade training for informal and subsistence economic activity), including through scholarships. Alternatively, New Zealand's role may be to continue to provide for scholarships for higher level academic qualifications and support the GoT to refocus its expenditure towards providing TVET opportunities. To help address underlying barriers for young people in transitioning from school to work, relevant skills for this group should be part of any technical training initiatives.
- Considering how it can support Tuvalu to deliver short-term, in-country training, potentially through technical advisors or through a train-the-trainer mechanism.
- Supporting Tuvalu to strengthen the level of English language competency, either across the education sector or in specific demographics, such as young people who want to access labour mobility schemes. This will enhance prospects for Tuvalu's youth, including in the international labour market. Opportunities for volunteer or private sector involvement in teaching English should be explored.

- Strengthening involvement of the local workforce and the provision of formal and informal training opportunities when using project modalities for its investments.

5.4. Self-reliance

Tuvalu's structural constraints result in dependency on external earnings and vulnerability to the volatility of those earnings. In this context, it is important that Tuvalu deepen and fully explore its available income sources and other opportunities by addressing the efficiency as well as the innovation enablers of growth. Efficiency enablers facilitate the production of goods and services, such as ICT, transport and skills. One example is the renewable energy investment, which has reduced Tuvalu's reliance on imported fuel and thereby made the energy supply for both economic and social outcomes more reliable and self-reliant. Innovation enablers facilitate moving production in new directions and up the value chain. In addressing these enablers of growth, it is essential to consider the sustainability and continuity of resources that are required for the development agenda, from the present to the future generation. This is particularly relevant for an environmentally fragile country like Tuvalu.

Tuvalu's dependence on foreign earnings and official aid is considerable. New Zealand has investments that relate to most of Tuvalu's main capital inflows from external income sources (TTF, fisheries and remittances). It is important for New Zealand to continue to ensure that these sources are managed well.

Considering the country's limited resources and income options, the TTF has served as an important revenue source for Tuvalu. In addition to funds contributed by New Zealand, the TTF has required significant input from MFAT in terms of human capital, particularly in comparison to the overall size of the Tuvalu country programme.

The recent spike in fisheries revenue is almost entirely dependent on Tuvalu's allocation of Vessel Day's for the regions highly migratory tuna stocks. This heavy reliance on fisheries licenses presents a vulnerability. Attempting to deepen the value extracted from this sector is important, however, moving up the fisheries value chain is challenging. Prospects for fish exports are limited. Lack of land, economic, logistical and other constraints make the development of export-based fisheries difficult. Value-adding through fish processing, particularly canneries, is an option for countries with land and fresh water, such as the Solomon Islands, Papua New Guinea and Fiji; but not for Tuvalu. The JVs that Tuvalu participates in are exporting whole frozen fish.

Considering fish is Tuvalu's only substantial natural resource, the country should get more employment out of the resource. The PNA has explored innovative arrangements to get its members more engaged at a higher point in the value chain, such as via certification and branding, however this will not create fisheries jobs in Tuvalu. PNA ministers are attempting to agree to a scheme requiring distant water fishing nations to take an increasing percentage of Pacific Island people as crew.[120] New Zealand should support concluding this agreement as it has the potential to open employment options for a country with very few options. Other options for Tuvalu to explore to gain more employment include forming new JVs. The evaluation team understands that the GoT considers this unlikely due to current low profitability of tuna fishing

[120] TTFAC (2016) *Thirty-third Report of the Trust Fund Advisory Committee*.

in the region; however, in the light of limited options this should be further explored. New Zealand could consider supporting Tuvalu with commercial legal advice in the pursuit of JVs.

While fishing licenses currently represent Tuvalu's biggest revenue source, subsistence activities dominate Tuvalu's domestic fisheries sector. The sustainability of this resource is critical, yet Tuvalu's coastal fisheries are impacted by over-fishing and environmental degradation, particularly around Funafuti. UNDP has recently helped Tuvalu to access USD 3.7 million to implement a national ridge to reef project to restore marine ecosystems in Tuvalu and help boost declining fish stocks. The ridge to reef approach has been successful in improving community food sources in other Pacific countries and builds on marine areas that are protected and managed by the owners of the fishing grounds. In terms of New Zealand's contribution to sustainable livelihoods, as part of the fisheries programme which partly focuses on sustainable harvesting of coastal fisheries support, the Department of Fisheries, the World Bank and New Zealand are undertaking a water quality project. It is important that this part of the programme be put back on track and be supported through to completion, after some delays.

In the absence of a potential manufacturing or primary production export industry, exporting services in the form of labour mobility is a more viable option for Tuvalu. The importance of PAC and the RSE scheme to the livelihoods of Tuvalu families was discussed in section 4.5. There are some barriers to the full utilisation of these schemes that need to be addressed. Beyond ensuring Tuvaluans can compete by having the right skills, New Zealand can continue assisting Tuvalu to market itself and can contribute to minimising the cost of sending remittances home through the Sending Money Pacific Initiative. More broadly, New Zealand could consider support, possibly through TA, to strengthen the Tuvalu Labour Department so that it is better placed to facilitate access to labour mobility opportunities, including in seafaring.

There may also be an opportunity to improve the RSE scheme's development dividend. One expert stakeholder, for example, suggested changing the selection criteria so that communities had to make a case about the support they needed for development and how participation in the RSE would contribute to this. He also suggested setting a cap on participation in the scheme of, say, four years to enable other communities to participate, and importantly, to ensure communities, families and individuals did not become dependent on the scheme.[121] Any such changes would need to be managed carefully to make sure the scheme did not become unattractive for employers.

There may be other opportunities for New Zealand to extend temporary labour mobility programmes like the RSE into other areas with semi-skilled and low-skilled labour shortages. This is already occurring with workers from Fiji, Samoa and Tonga in the Canterbury rebuild, and with workers from Kiribati in a small fisheries pilot programme. The other potential demand that is looming, given New Zealand's rapidly ageing population, is in the aged care sector.[122]

Given the limited revenue options and the dominance of the government as an employer, it is important to address barriers to entrepreneurship and small business development, maximise opportunities from other livelihood strategies, and maximise the benefits from current income

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[121] As noted earlier, Tuvalu already has a relatively low return rate of employees, but few workers are recruited directly from communities in the outer islands.

[122] Callister et al. (2014) *Ageing New Zealand: The Growing Reliance on Migrant Caregivers, a 2014 Update.*

sources. TKIII's goal for private sector, employment and trade emphasises the potential of the under-developed private sector to generate new employment and stimulate economic growth. As noted earlier, New Zealand's investment in renewable energy could be used as an enabler for informal sector enterprise development in the outer islands, and TVET could play a similar role in terms of skills development for informal and subsistence economic activity.

The CPU has reported a small but increasing number of local private suppliers bidding for government works. There is a need to overcome information barriers that limit local business participation in government and donor purchasing through the CPU. These barriers include local suppliers being unaware of the market opportunities and being disadvantaged due to a lack of knowledge of the bidding process. There is also a need to encourage ministries to switch from public to private sector provision of services, where appropriate. New Zealand can support this process through its continued involvement in the PRM. The recommendations for phase 4 include consolidating and building on gains related to procurement through embedding CPU procedures and processes in all government ministries.[123]

In the absence of secure employment prospects or an adequate pension system, it is important to build private resilience to future shocks and to increase people's capacity to leverage off future opportunities through savings. Raising financial literacy could contribute to families maximising the value from current earnings and assets, such as remittances earned in New Zealand. New Zealand could explore how it could support increased financial literacy, for example through the Pacific Financial Inclusion Programme. This initiative has operated across the Pacific since 2009 and is supported by New Zealand and other development partners. It has increased financial inclusion and enrolled over 1 million new customers in financial services (as of March 2016), with a specific focus on increasing financial literacy among women in the Pacific.[124] The programme may be extended to Tuvalu and Kiribati in 2019.

Specifically, New Zealand could help Tuvalu by:

- Continuing to be an active partner in the governance of the TTF. New Zealand's input into the governance and monitoring of the Fund contributes to the quality of its management, improved PFM more broadly, and increases Tuvalu's self-reliance.
- Focusing on successful completion of the current Fisheries Support Programme, and providing ongoing advice and support to the fisheries sector as part of the PRM process or through other strategic policy discussions with the GoT. This would include a discussion regarding the government investing more of the profit from fisheries revenue into the ongoing operation and management of the fisheries sector so that, over time, the sector becomes self-reliant.
- Exploring deepening the value extracted from fisheries through employment opportunities in JVs and as crew on foreign vessels through implementing planned regional mechanisms in the PNA agreement.

[123] Economic Development Services Pty Ltd (2016). *Tuvalu – Review of the Multi-Donor Policy Reform Programme.*
[124] http://www.pfip.org/

- Supporting Tuvalu to maximise labour mobility opportunities by continuing support under the SPP and potentially providing institutional strengthening support to the Tuvalu Labour Department.
- Contributing to a conducive local private sector environment by supporting consolidation of PRM reforms relating to the CPU and, when the time is right, considering how to support communities to enhance financial literacy so that they are able to make more productive use of private assets.

5.5. Governance capability

This section discusses Tuvalu's constraints and gaps in government effectiveness, and how New Zealand's current investments can be improved to enhance performance in governance.

In section 2.1, we reported a mixed governance score for Tuvalu on the six indicators measured, with a particularly weak score on government effectiveness. New Zealand's current development cooperation to Tuvalu is relevant in this respect, as it is focused on this dimension of governance.

In assessing Tuvalu's needs in terms of government effectiveness and how New Zealand can better respond to these, the four World Bank government effectiveness themes are discussed: quality of public service, quality of civil service, quality of policy formulation and implementation, and credibility of government's commitment to such policies. The last two themes are closely aligned and are discussed together.

5.5.1. Quality of public service

Quality of public service includes satisfaction with the education system, basic health services, and infrastructure, electricity, and water and sanitation services.[125]

Given that Tuvalu has been able to consolidate its overall medium-term fiscal position due to significant revenue increases in recent years, ensuring quality of public services as well as equity in access to those services requires an understanding of how the GoT intends to distribute this revenue, as most of the revenue is centralised. A mechanism for encouraging the government to use its central revenue for delivering quality social services is pressing. As a key partner to Tuvalu, New Zealand needs to consider how it can contribute to government increasing its wealth redistribution efforts.

Distribution of social services in the outer islands will depend on the government's commitment to deliver on TKIII's Falekaupule and Island Development goal to provide quality services and create more opportunities for development. Strategic areas for the period 2016–2020 are performance of Falekaupule government; sea transport and shipping services; outer island depopulation; Falekaupule staff development; outer island communication; solid waste management; and climate change and island development.

This evaluation found that New Zealand has substantially helped Tuvalu to improve service delivery in the outer islands through its support in renewable energy generation and transport infrastructure. Current investment through the Maritime Safety Programme is expected to

[125] Worldwide Governance Indicators concepts for Government Effectiveness.

further enhance gains made in the safe movement of people and goods in Tuvaluan waters. New Zealand and the World Bank have also completed scoping work aimed at improving ICT, essential to improving social and economic development in Tuvalu, and for the provision of online services and connecting people in a geographic dispersed country.

In terms of improving the quality of health and education services, re-distribution is required if a larger proportion of the country's population is to benefit from Tuvalu's improved fiscal position. Tuvalu's increased investment in education by expanding its scholarships budget benefits a small minority of the country's children and youth. Of the 2016 education budget of AUD 9.63 million, scholarships (excluding the SELF scheme) accounted for AUD 4.53 million, or 47 percent; while only benefiting around 30 individuals. Tuvalu's Medical Treatment Scheme, at a cost of AUD 3.5 million per annum, accounts for over 50 percent of the health budget but improves health outcomes (albeit significantly) for only a very small proportion of the population.[126]

The need to improve service delivery, especially in the areas of health and education, and for the outer islands, was one of the suggested recommendations in the recent review of the PRM. This recommendation provides a platform for New Zealand to engage with the GoT and other PRM partners on the matter of equitable distribution of revenue. Performance-oriented budget support, based on expectations with verification measures in the PRM that gradually, and in a way that embeds government ownership, shifts focus from activities and outputs to outcomes, could incentivise further public reform and investment in health and education. It is important that such shifts be done in an incremental way and with realistic targets defined by Tuvalu, with advice from its PRM partners. One way to ease performance-orientated budget support in is to make a portion of the support tied to performance, with the remaining portion unrelated to performance.

5.5.2. Quality of civil service

Quality of civil service includes quality of bureaucracy and institutional efficiency, quality of public administration, quality of budgetary and financial management, efficiency of revenue mobilisation, and governance capability.

The importance of the quality and efficiency of Tuvalu's civil service cannot be understated. The country relies heavily on its public sector as the driver of growth. With 1,041 permanent staff (2015) it employs 19.8 percent of the country's population aged over 20 years and puts AUD 17.8 million dollars (budgeted 2015) into the economy through salaries and wages.[127] In a micro-economy such as Tuvalu, poor public and fiscal management has significant opportunity costs that impede development and growth.

Tuvalu's improvements in balancing its books have been discussed in section 2.1 and 4.1.1. The PRM explicitly targets a sustainable budget framework, which will be accomplished by strengthening fiscal controls, making budgeting and budget execution more effective, improving service delivery, protecting essential social services, reforming the government's public enterprises, and increasing revenue mobilisation. Under the PRM, several public sector reforms

[126] Economic Development Services Pty Ltd (2016). *Tuvalu – Review of the Multi-Donor Policy Reform Programme.*
[127] Government of Tuvalu (2014) *2015 National Budget.*

have been made that bring good practice into the sector. These reforms include a new payroll accounting module; an asset register; strengthening linkages between planning, budgeting and results; sustaining core public sector operational capacity; and strengthening governance institutions. As noted in the review of the PRM, critical to achieving success has been the TA provided by donors and tied to several of the reforms required, which has served as both capacity development and capacity supplementation.

There are implementation issues with the reforms and they have not always translated into the intended outcomes. Line ministries at times make commitments without fully costing them; partly as a result of a silo culture in which the impact on other departments or the overall budget is not measured, and with approvals from Cabinet without proper consultation. This reduces both accountability and efficiency.

In carrying out the reforms, Tuvalu is likely to encounter capacity constraints. Capacity constraints are further affected by two factors: a high staff turnover which results in a lack of institutional knowledge; and a significant number of staff overseas for work or on scholarship. Poor record keeping and ineffective handovers affect not only the efficiency of reforms but also more fundamentally the ability of the public service to carry out its functions. The need for improving corporate knowledge through institutional management systems is critical to achieving institutional efficiency. The PRM review recommends development partners invest in more systematic monitoring and recording by the GoT, to improve corporate memory, learning and ownership of results.

Given capacity constraints within Tuvalu, New Zealand and other donors need to ask themselves how much they can expect from its government systems. While the key reforms settle, it may be realistic to prioritise what can be done through partner systems, and what needs to be done outside of the government as project modalities but inclusive of strengthening government systems. In reducing pressure on Tuvalu to deal with multiple partners, the PRM has in this context enabled a more coordinated approach and provided means for ongoing dialogue with the government and political support for more difficult reform.

Budget support is considered good development effectiveness practice, as it places the ownership and accountability with the recipient country and the intention is long-term capability and capacity strengthening. New Zealand has provided support to the GoT's budget through the TTF as well as through direct input into the CIF. The infrastructure around the budget support mechanism for Tuvalu is strong compared to that of other nations. TTFAC and PRM are vehicles available to Tuvalu for policy dialogue and advice, and they also serve the function of monitoring and control, including for New Zealand. Fiduciary risk is therefore low. There is good reason for New Zealand to continue this support; if not to increase it over time. Any increase needs to be gradual with a pre-assessment of the government's corresponding capacity to handle this and what potential TA may be required from donor partners.

5.5.3. Quality of policy formulation, implementation and government commitment

Quality of policy formulation, implementation and government commitment to such polices are dependent on several processes and behaviours being in place. Quality policy formulation requires not only that policies are responsive to the needs of the population, but that there is policy consistency between different sectors and strong horizontal linkages between activities in different ministries that are directed towards the same strategic area. In addition, policy implementation and the government's commitment to such policy and reform requires strengthened linkages between budgeting and results. TTFAC has noted that increased effort has been put on training senior staff to translate public expectations and political objectives into activities and resources used by core government and the results that will be achieved.

Quality of policy formulation hinges on evidence. Evidence-based policy requires rigorous data regarding what has worked in the past, where the evidence gaps are, and how that evidence can be used to assess how a future policy may impact intended beneficiaries and overall fiscal position. It also requires ongoing monitoring and evaluation to establish evidence to base future decisions on. The government's new Monitoring and Evaluation Unit has a key role in this and it is important that development partners discuss with the government how the unit can be strengthened. This could be usefully progressed through the PRM – as noted in the previous section, the PRM review notes that development partners should invest in systematic monitoring and recording by the GoT, so that there is greater corporate memory, learning and ownership of results.[128]

As noted by TTFAC, the GoT needs to ensure that crosscutting issues such as resilience, collaboration, better governance and gender-related practices are properly included throughout TKIII initiatives. The specific socio-economic needs of young people should also be included in all policies that fall out of TKIII, particularly given 45 percent of the population fall into the youth category, and 49 percent of youth are unemployed (the real number is likely to be higher and include under-employed and involuntary part-time employed as well). A National Youth Policy is in place but the government states that there are insufficient funds to implement the policy, which raises questions of prioritisation against other policy areas. In response to youth unemployment, the Ministry of Education Youth and Sports 'encourages youth to start businesses or do volunteer work to build experiences to launch their own businesses, or pursue another career' without fully recognising the structural constraints that would make this very difficult for young people to achieve in the absence of appropriate and targeted private sector incentives, TVET or other targeted labour market policies and youth programmes.

While there appears to be an increasing awareness within the GoT of the need for improved asset maintenance, significant efforts are required to translate this awareness into planning, costing, resource allocation and operationalisation. The Pacific Region Infrastructure Facility has supported the GoT in taking stock of assets and creating an asset register balance sheet. This should support Tuvalu in planning and budgeting for ongoing maintenance and replacement of capital items. It is critical that the government allocate dedicated asset maintenance funds for the upcoming repair and replacement needs of its capital assets, given that a maintenance fund set up in 2015 was, according to evaluation participants, used for other purposes.

To be confident that its investments in projects such as Ship to Shore and renewable energy are sustained, New Zealand has a direct interest in ensuring that Tuvalu develops an asset maintenance (and replacement) plan with allocated funding, and that there is sufficient capacity to implement the plan. One of the TTF's original purposes is to enable the GoT to meet long-term maintenance and operating costs of social and economic infrastructure and services, and maintain relevant infrastructure required for service delivery, through a strengthened fiscal position. TTFAC, through its role providing monitoring of Tuvalu's overall financial management and of the progress of policy reform, could contribute to a dialogue with the government on

[128] Economic Development Services (2016). *Tuvalu – Review of the Multi-Donor Policy Reform Programme.*

continued reform processes relating to asset maintenance and the build-up of funds for deferred maintenance. Further, one of the recommended priorities of the new PRM phase 4 is for reforms for the maintenance of infrastructure and recurring expenditure. New Zealand can influence this, for example by setting performance expectations as part of the matrix. As mentioned in section 5.3, there is also a need for capability enhancement in asset maintenance. New Zealand already supports the Pacific Region Infrastructure Facility and this provides another platform for identifying Tuvalu's future support needs in asset maintenance.

In summarising how New Zealand can best support Tuvalu with improving government effectiveness, the following points should be noted:

- New Zealand's development cooperation in Tuvalu regarding governance is primarily focused on the government effectiveness dimension. Considering the relative urgency of this area for Tuvalu (together with that of regulatory quality), New Zealand's support is very relevant and targeted and should continue.
- As a priority for optimal focus of the Tuvalu aid programme, New Zealand should deepen its involvement in the PRM and play a stronger role in assisting Tuvalu and its partners in operationalising the policy agenda for phase 4. This should include attention to how the government translates commitments to mainstream cross-cutting issues such as resilience, gender and youth into all policy formulation and implementation.
- Deeper involvement in the PRM could be achieved by increasing the support of TAs to facilitate implementation of prioritised reforms. It is important that external experts work in tandem with Tuvalu officials, through a mentoring partnership, to build capability to ensure sustainability of the results. Any investment in TAs should be preceded by a capacity assessment to determine if the institutional environment is conducive to taking on external experts, to ensure that they can add value as intended.
- To contribute to addressing Tuvalu's capacity constraints, New Zealand should continue to use project modalities for future infrastructure projects but involve the government as much as possible, for example through upskilling and mentoring the CPU.
- A priority for New Zealand should be to support Tuvalu in operationalising and mobilising resources for its asset maintenance plan. This can be done through a PRM dialogue. New Zealand should also, to the extent possible, build in an asset maintenance capacity strengthening component in any future infrastructure projects.

5.6. MFAT management arrangements

While the management arrangements for New Zealand's Tuvalu country programme have now settled, there does and will continue to be high staff rotation on MFAT's bilateral programme. It is important that sufficient and relevant institutional processes and procedures are in place to provide a consistent approach to managing the programme from a distance, regardless of the staff in place at a given point in time. It is also important that New Zealand clearly communicates any changes to programme management arrangements, including staffing, to Tuvalu and its other development partners.

The absence of a high commission in Tuvalu means that the opportunities for active policy dialogue are more limited relative to programmes where the bilateral relationship is serviced from in-country. It is more challenging for New Zealand to call on the GoT to discuss specific reforms or strategic priorities; and vice versa, for GoT officials to call on New Zealand. Regardless of how MFAT structures the management of its Tuvalu programme, New Zealand needs to ensure it maintains active engagement with Tuvalu and its development partners. There are various ways New Zealand could enhance its engagement, including:

- Ensure MFAT officials participate in the regular donor group meetings in Suva (noting that the World Bank is the other main partner without an office in Suva and it participates in these meetings through teleconference).
- In appointing any future long-term TAs to support the implementation of the GoT's reform agenda, consider tasking the TA with performing some of the wider policy dialogue role.

In the absence of a local high commission, the role of New Zealand's local coordinator in Tuvalu is considered critical to its relationship with the GoT. Any decisions on how MFAT manages its development cooperation in Tuvalu need to consider how these contribute to improving this local coordination function.

6. CONCLUSIONS AND RECOMMENDATIONS

How well was New Zealand's development cooperation designed and delivered?

The design and delivery of New Zealand's development cooperation to Tuvalu indicates an aid programme that is relevant, aligned with Tuvalu's priorities, and implemented through strong and inclusive partnerships. Tuvalu shows increasing ownership over its development agenda and New Zealand's approach to implementing projects through and closely with government systems has helped to strengthen this ownership. There is adequate coordination and strong relationships between New Zealand and the Government of Tuvalu, and with other donors.

Several investment areas have been a consistent feature of New Zealand's development cooperation to Tuvalu well beyond the four years covered by this evaluation. This consistency has contributed to predictability for the GoT as well as focus for MFAT. Other shorter term investments have been delivered through project modalities with contracts managed by MFAT thereby not contributing to unpredictability or being over-burdensome for the GoT.

The lack of an explicit theory of change and strategy for the programme contributes to a lack of deliberate inter-connections between New Zealand's individual investments; however, several of the investments are complementary and there is evidence of links being made between projects.

Recent changes in MFAT's management of the Tuvalu country programme have not significantly affected implementation of New Zealand's development cooperation.

What are the results of New Zealand's development cooperation and how sustainable are these results?

New Zealand's development cooperation to Tuvalu has produced positive results. Its support for public financial management and economic governance, renewable energy, land remediation and policing are making a significant difference. Results include increased government revenue, reduced dependency on imported fuel, increased land area and increased confidence. These results should help to provide a foundation for potential improvements in public service delivery.

Other areas of New Zealand's support to Tuvalu have produced mixed results. A lack of ownership by Tuvalu for maintenance has tempered the success of support for maritime transport infrastructure. The absence of local staff and lack of an available vessel to travel to the outer islands has affected the ability to build local capacity under New Zealand's support for the fisheries sector. Poor uptake, promotion, level of education and English language competency have constrained Tuvalu's ability to maximise labour migration opportunities.

In other areas, the extent of impact on Tuvalu's development is difficult to determine. Support for scholarships and overseas medical treatment benefits relatively few individuals. Furthermore, the development dividend from scholarships is hard to ascertain, but they contribute to a significant number of senior level public servants being absent for extended periods which disrupts policy and project implementation.

The likely long-term benefits from New Zealand's support to Tuvalu is variable. A key determinant will be the impact of climate change and the resilience to disaster risk. Other constraints include: escalation in government expenditure, for example in specialist medical treatment and educational scholarships; lack of attention to development that is inclusive of gender perspectives and human rights; ongoing low capacity; and inadequate provision for asset maintenance.

How could New Zealand's development cooperation support improved development outcomes in Tuvalu?

New Zealand's development cooperation in Tuvalu would support improved outcomes if it were framed around responding to Tuvalu's main structural constraints of small size, remoteness and limited natural resources; and aimed at achieving two high level objectives of inclusive and sustainable development, and increased resilience to external shocks. The focus of New Zealand's programme should be on enhancing Tuvalu's capability, strengthening self-reliance, and building governance capability. All New Zealand's development programming to Tuvalu needs to integrate approaches to managing the risk associated with climate change and disaster risk.

This framework should be used as a basis for developing a theory of change, informed by other contributions and developed in consultation with Tuvalu stakeholders, to inform MFAT's proposed Tuvalu country strategy. The theory of change would clearly articulate how New Zealand's support is expected to respond to the key development constraints and meet the two high level objectives. The country strategy would then identify a coherent programme of support that aligns to the theory of change.

Recommendations

This evaluation recommends that:

1. Together with Tuvalu, New Zealand should develop a theory of change to inform a strategy for its development cooperation in Tuvalu. The strategy and its underpinning theory of change should include a shared mission that defines what Tuvalu is developing for, taking into consideration not only what is achievable and sustainable, but also desirable. The strategy and underpinning theory should make constraints and opportunities explicit, and should inform long- and medium-term outcomes, policy priorities and investments. Any new investments should be derived from and tested against the theory of change.
2. To support the achievement of optimal focus for its development cooperation to Tuvalu, New Zealand should deepen its engagement in strengthening public financial management. This would require strengthening its involvement in policy dialogue that takes place within the framework of the PRM, and offering technical advisory support and budget support for reforms prioritised by the Government of Tuvalu. Engagement in the PRM is also a strong platform for donor coordination and for government ownership over Tuvalu's development priorities.
3. New Zealand should prioritise the successful completion of its current support for fisheries and deepen its engagement in this sector through policy dialogue and further technical advisory support. Further support should be aimed at increasing Tuvalu's ownership of this critical resource through promoting investment back into fisheries operations and management, and exploring how Tuvalu can gain greater employment from its fisheries resources.

4. New Zealand should work closely with the Government of Tuvalu in the ongoing workforce planning and scholarships review to determine how it can best complement Tuvalu's human resource development needs. This may result in New Zealand supporting Tuvalu with more technical and vocational education and training (including to support private sector, informal and subsistence economic activity), assisting with delivering short-term in-country training, or continuing to provide targeted higher education scholarships for specialised skills and professions.
5. New Zealand should support Tuvalu to maximise use of its labour mobility schemes. This would require addressing barriers to access such as poor marketing of Tuvalu as a source of workers and poor levels of English language ability. This support should be of wider benefit to Tuvalu through enhancing access to other off-shore employment opportunities, such as through the PAC scheme and international seafaring.
6. If New Zealand continues to invest in large stand-alone initiatives, it should use project modalities to avoid disruption and burden on an already capacity-constrained government. Any projects modalities should still look to strengthen government systems and local ownership, and to recruit a local workforce, with special attention paid to identifying jobs that can be filled by women and youth.

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