




Australian Government
AusAID

Annual program performance report: Republic of Kiribati

2008



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Abbreviations

ADB	Asian Development Bank
APPR	annual program performance report
APTC	Australia–Pacific Technical College
ESSP	Education Sector Strategic Plan
FMU	Facilities Management Unit
GBV	gender-based violence
GDP	gross domestic product
GoK	Government of Kiribati
HIV/AIDS	human immunodeficiency virus / acquired immune deficiency syndrome
HRD	Human resource development
KANI	Kiribati–Australia Nursing Initiative
KAP II	Kiribati Adaptation Program II (World Bank)
KDP	Kiribati Development Plan
KEMIS	Kiribati Education Management Information System
KIT	Kiribati Institute of Technology
MDGs	Millennium Development Goals
MOE	Ministry of Education
ODA	Official Development Assistance
PNG	Papua New Guinea
PRPI	Pacific Regional Policing Initiative
RERF	Revenue Equalisation Reserve Fund
SPC	Secretariat of the Pacific Community
TB	tuberculosis
TVET	Technical and Vocational Education and Training
UNICEF	United Nations Children’s Fund

Executive summary

Overview

This report outlines the achievements of the Australian aid program to Kiribati in 2008, including progress since the 2007 report, and the challenges that lie ahead. Performance is assessed against the key objectives, which align with the Kiribati Development Plan 2008–2011 (KDP).

An Australia–Kiribati Partnership for Development, signed in January 2009, represents a shared vision for working together to meet common challenges, and for advancing Kiribati's development goals. The partnership sets out the direction for Australia's future development assistance to Kiribati. Next year's annual program performance report (APPR) will assess performance against the priority outcome areas under the partnership; namely, improved basic education, workforce skills development, and improved growth and economic management.

Kiribati remains a safe, peaceful and politically stable nation, reliant for most of its income on fishing licence revenue, remittances and the Revenue Equalisation Reserve Fund (RERF). Kiribati is a strongly egalitarian society, with most economic activity undertaken by government, and a very small but growing private sector. However, Kiribati remains isolated and highly vulnerable to external economic and environmental factors. Kiribati is vulnerable to the immediate issues of fuel and food prices, fluctuations in fish stocks and appreciation of the Australian dollar. Major long-term concerns are environmental degradation and the carrying capacity of the islands resulting from a growing population (particularly in Tarawa), and impending vulnerability to climate change. Where information exists, Kiribati's performance against the United Nations' Millennium Development Goals (MDGs) is low compared to that of other small Pacific island states. Kiribati faces many profound challenges and is increasingly engaging in open and frank dialogue about its long-term sustainability.

Ratings

Objective ^a	Rating	Review against previous rating
Objective 1: Education > Improved quality, relevance and efficiency of basic education for girls and boys in Kiribati.	Amber	Unchanged
Objective 2: Public sector performance > Improved public financial management, national planning and the performance of public enterprises.	Amber	Unchanged
Objective 3: Human resource development > Efficient and effective provision of academic programs, in-country programs and overseas programs for both new entrants to labour market and for those already in the labour market. > Development of an enabling environment for improved human resource development in Kiribati.	Green	Unchanged
Objective 4: Partnerships in vulnerability reduction > Strengthening of partnerships with regional and multilateral agencies to reduce vulnerability in key sectors such as health, environmental and social services.	Amber	Unchanged ^b

^a These objectives reflect Australia's aid program to Kiribati in 2008. Priority outcomes of the Australia–Kiribati Partnership for Development, signed in January 2009, will form the basis for future performance reporting of Australia's aid program to Kiribati.

^b Objective 4 was broader in 2007 than in 2008, and included a number of other donor harmonisation activities and partnerships to address vulnerability reduction.

Major results

Australian assistance contributed to the following major results in 2008.

Education

- > Supported the Ministry of Education (MOE):
 - to establish a Facilities Management Unit (FMU) and appoint a Facilities Manager
 - to develop the Language of Instruction Policy and submit it to their senior management for approval
 - to build the capacity of its senior management by using technical advisers
 - to complete costings in its key policy document, and to complete the review of MOE's use of technology
 - to develop guidelines for reviewing the national curriculum for basic education
 - to further develop the Kiribati Education Management Information System (KEMIS) and train staff in using KEMIS for better decision making.
- > Supported the Kiribati School for the Disabled, which now services 68 students who would otherwise not have access to education facilities.

Public sector performance

- > Supported the Government of Kiribati (GoK) to finalise the Kiribati Development Plan 2008–2011.
- > Increased the technical capacity of public service (PS) staff through engagement of customs and income taxation advisers, resulting in greater compliance enforcement and increased revenue collection (including a 10% increase in tax revenue in 2008).
- > Increased the capacity of PS staff, and improved efficiency and governance through technical advisers in key roles in audit, tourism and public works.
- > Provided two Australian aviation engineers to further build local capacity and contribute to improved maintenance, resulting in more efficient, reliable and safe domestic air services, highlighted by a 50% reduction in non-conformation issues identified by the Quality Assurance Department.

The Pacific Regional Policing Initiative (PRPI) provided support to the Kiribati Police Service by assisting with the implementation of the Safer Kiribati Program, refurbishment of police barracks, headquarters, and training school, and, with senior management, implementation of a policing program that included mentoring of the Police Commissioner and drafting of legislation.

Human resource development

- > Assisted 57 I-Kiribati youth to undertake nurse training through the Kiribati–Australia Nursing Initiative (KANI), and identified a further cohort of new KANI students.
- > Assisted 64 Australian Scholarship students currently studying in Australia and the region in courses aligned with Kiribati human resource development (HRD) priorities (anecdotal evidence suggests that many graduates have returned to Kiribati and hold senior and influential positions in the public sector, private sector and civil society – a planned tracer study will better measure development impacts).
- > Assisted with the implementation of the National HRD Plan, prioritising national training needs, which has resulted in ongoing improvements to HRD and workforce planning processes.
- > Assisted 2 graduates and 35 students to enrol at various Australia–Pacific Technical College (APTC) campuses in a range of courses, including carpentry, mechanics, electrical, cookery and hospitality operations.
- > Commenced preliminary support to strengthen technical and vocational education and training (TVET) in areas such as competency-based teacher training and assessment.

Partnerships in vulnerability reduction

- > In partnership with the Secretariat of the Pacific Community (SPC), the United Nations Population Fund and the United Nations Children’s Fund (UNICEF), delivered health programs that have resulted in improved detection and treatment of tuberculosis (TB), provided necessary equipment and supplies to improve obstetric care, and established a new strategy to improve immunisation and treatment of childhood illnesses.
- > In partnership with SPC, completed the gender-based violence study, and, with GoK, began planning appropriate measures to address gender-based violence.

- > In partnership with the World Bank, conducted preliminary analysis and planning to address retention and management of freshwater resources as a component of the Kiribati Adaptation Project Phase II.

Major challenges

Most of the challenges associated with achieving sustainable development outcomes in Kiribati remain unchanged from those outlined in last year's report. The challenges in the next 12 to 18 months are listed below.

Kiribati

For Kiribati, the challenges include the immediate financial impact of a large current account deficit, public sector fiscal budget deficit and sharp decline in the value of the RERF. The global recession is further highlighting the underlying weakness in public finance management capacity.

AusAID

For AusAID, the challenges include:

- > progressing the partnership, which will involve significant changes to the structure and approach of the program's portfolio of activities, including finalising implementation strategies for the partnership's priority outcomes, better aligning aid funding with GoK's systems (with improved monitoring, more transparent reporting and strengthening of those systems), and reducing the number of new aid activities in order to achieve a more strategic (and manageable) aid program
- > delivering scaled-up development assistance, which will require increased policy dialogue, particularly in relation to the partnership's 'improved growth and economic management' priority outcome, and
- > being able to access appropriate high-quality financial, technical and policy support.

Main management consequences

In order to meet the challenges ahead, AusAID will need to focus on:

- > aligning current programs with partnership outcomes
- > improving the quality of baseline data and of monitoring and evaluation processes so that progress against the goals of the partnership and the KDP can be measured
- > reducing the administrative burden for GoK by increasing harmonisation with other donors
- > maintaining ongoing program management requirements in an environment of constrained resources, which reduce opportunities for policy dialogue with GoK and strategic planning for implementation of the partnership, and
- > engaging with GoK and other donors in response to the impacts of the global recession on Kiribati.

Country performance

Australia's Official Development Assistance (ODA) budget for Kiribati in 2008–09 was approximately \$18.4 million, which equates to 22% of GoK's 2008 budget expenditure of \$82.6 million. Australia is the second largest donor behind Taiwan (who provided an estimated \$30 million in ODA in 2008). Other donors include Japan, the European Union, New Zealand (the New Zealand Agency for International Development – NZAID), Cuba, UN agencies, the Asian Development Bank (ADB), and the World Bank. It is estimated that grants and loans from donors comprised 60% of GDP in 2008.

Australia's ODA to Kiribati in 2008 was aligned with the objectives of the KDP, which identifies six key policy areas:

- > human resource development
- > economic growth and poverty reduction
- > health
- > environment
- > governance
- > infrastructure.

Those policy areas are broadly consistent with the Millennium Development Goals (MDGs). The KDP is explicit about its contribution to achieving the MDGs.

Economic performance

Kiribati consumes more goods than it produces and imports more than it exports, paying for the difference with foreign exchange income. Almost half of Kiribati's national income comes from abroad, mainly through fishing licence fees, remittances, foreign aid and revenue from the RERF. This makes Kiribati highly vulnerable to rising oil and food prices, loss of fisheries revenues, and appreciation of the Australian dollar.

Revenue from fishing licences (\$32 million in 2008) is expected to remain at a similar level in 2009. Remittances, estimated at USD\$8 million in 2008, are in decline (falling approximately 10% from the previous year). Kiribati spends over 90% of national income on imports, with nearly 70% of that on food and fuel. The value of fuel imports in 2008, around \$27 million, was approximately double their 2004 value, an increase of 15% of GDP. The rise in the price of imported food over the same period added a further 5% of GDP to costs. In 2008, rising fuel and food costs fed through into budgetary costs and consumer prices. Although fuel was subsidised (off budget) and a three-month rice subsidy was in place from October to December 2008, consumers struggled with higher food prices which, for imported staple foods, rose between 40% and 110%.

The May 2009 International Monetary Fund (IMF) Article IV consultation reported a strong economic performance in Kiribati in 2008, with 'real GDP expanding 3.5%, reversing the mild economic contraction in 2007, mainly due to strong agricultural activities, particularly copra production, and buoyant public sector activity'. However, the increase in food and fuel prices sent domestic inflation surging to 19% at the end of 2008 (from 3% in 2007), slowing consumer spending and resulting in a scaling back of business operations and reduced government revenue collections.

Kiribati consistently runs a large fiscal deficit (13.3% of GDP in 2008, an improvement on the 16% of GDP in 2007). The principal means of financing the fiscal deficit is to draw down from the RERF. In October 2008, the RERF had a market value of \$563 million, 12% less than its 2007 value. Unsustainable draw downs of \$33 million and \$45 million in 2006 and 2007 respectively were not repeated in 2008, with GoK drawing only \$25 million, which was less than the interest/dividends earned. The IMF reports that 'with the large draw downs in recent years, and the global decline in asset values, the RERF has declined substantially in real per capita terms.'

Impact of the global recession

GoK considers that it is somewhat sheltered from the effects of the global recession, apart from the declining value of its RERF and superannuation fund, over which it has little or no control at present. GoK implemented a number of measures in late 2008, both independently and with donor support, as part of its ongoing reform agenda and in response to the rise in food and fuel prices. While these measures were not in direct response to the global recession, they were timely and enable GoK to be better placed to deal with the recession's effects and to capitalise on opportunities when the global economic situation improves. The measures include setting up the food security taskforce (which is introducing initiatives such as sourcing cheaper rice imports and introducing a subsidy to further reduce costs to consumers), reforming state-owned enterprises and taxation, and accelerating the local food production program.

Progress towards Millennium Development Goals

Poverty

Measures of poverty in Kiribati are unreliable. Estimated per capita gross national income puts the country ahead of Papua New Guinea (PNG) and Solomon Islands but well behind Fiji, Samoa and Tonga. The last estimate for the proportion of the population living on under \$1 a

day is 38% (a similar rate to PNG) but this is based on 1996 data and there is no recent information.¹

¹ Australia (Australian Bureau of Statistics) and SPC are providing assistance to the National Statistics Office in 2009 to improve the capacity of the unit leading into the National Census in 2010.

Primary education

The lack of progress in achieving universal primary education in Kiribati is of concern; however, a concerted effort is being made to target access and quality. While literacy rates remain stable at around 95%, year seven exam results indicate that students have poor functional English capacity and are lower than regional standards.

Gender equality

Gender parity in Kiribati is generally good in all sectors. The female to male ratio at primary school level was slightly below 1 from 2001 to 2006, after being above 1 in the previous eight years. However, the ratio at secondary school level has been above 1 since 1997, and the gap is widening (i.e. more females than males attend secondary school).

Women make up a significant proportion of the Kiribati labour force, and employment equality is generally believed to exist. Six out of fifteen government ministries are headed by women.

The results of the recent SPC socio-cultural research on gender-based violence and child abuse, released in October 2008, found that the rate of violence against women in Kiribati is much higher than in nine other countries surveyed. GoK has responded strongly to the results, by disseminating information to improve public education, establishing intervention strategies, strengthening services to address gender-based violence (such as clinical protocols and training), and introducing new, appropriate and proactive legislation. The need for a strong response to the SPC findings is further evidenced by the impacts of the global recession in Kiribati, with research indicating that domestic violence will increase in situations of greater economic hardship (linked to rising prices).

Child survival

Although the under-five mortality rate was 66/1000 in 2004, down from 88/1000 in 1990, it was still the second highest in the Pacific after PNG. If current trends continue, the mortality rate will fall to 60/1000 by 2015, representing only a one-third reduction (rather than the MDG target of two-thirds). On a positive note, 95% of children under age six have been immunised against measles, which is a leading cause of child mortality. A new vaccine introduced in 2008 for children less than one year of age addresses several life-threatening illnesses such as hepatitis B and haemophilus influenza.

Maternal mortality

GoK's own MDG report suggests that maternal mortality rates have been on a slightly upward trend since the early 1990s. However, the report also notes that during the same period there was a 20% increase (from 70% to 90%) in the number of births attended by skilled birth attendants. Reproductive health services and personnel are often underutilised, which is attributable to cultural, religious or personal beliefs. Many women still prefer traditional birth attendants, often without the presence of a trained health worker, partly due to the perceived invasiveness of contemporary medical procedures.

AIDS and tuberculosis

Kiribati has one of the highest HIV/AIDS prevalence rates in the Pacific. As of February 2008, there were 50 reported HIV cases, including six cases of mother-to-child HIV transmission. Of those 50 cases, 24 resulted in deaths due to AIDS-related illnesses, five were being treated with antiretroviral medications, and the remaining 21 were not able to be traced. Low rates of condom use and increasing prevalence of sexually transmitted infections suggest that the HIV rate is probably still increasing. Mandatory screening of merchant sailors on departure from and return to Kiribati appears to be increasing the number of cases identified and reported in this group.

Conversely, progress is being made against TB, with only 337 cases reported in 2008 (down from 745 in 2007). Contributing factors include the success of the joint GoK and donor TB program in South Tarawa, where 70% of TB cases are located, and improved detection and treatment processes through contact tracing. However, there are high-burden areas that are yet to be addressed.

Environmental sustainability

Kiribati's carbon emissions decreased between 1990 and 2000, and its chlorofluorocarbons (CFCs) consumption reduced to zero. However, performance against water and sanitation targets has been poor. According to the GoK MDG report, sustainable access to improved drinking water sources has increased from 35% in 1990 to 49% in 2000, but the level of access remains one of the lowest in the Pacific region. Only 22% of the rural population and 59% of the urban population have access to improved sanitation facilities. Because of the implications for community health, this is a major concern.

What are the results of our aid program?

Objective 1: Education

- > Improved quality, relevance and efficiency of basic education for girls and boys in Kiribati.

Rating



The objective will be partly achieved within the timeframe (to June 2009).

Estimated expenditure

Approximately 12.7% of the 2008–09 bilateral allocation was committed to initiatives related to this objective.

Assessment of results and performance

Performance against this objective was mixed during the reporting period. While there has been good progress on some individual activities, progress in establishing program-based assistance in the sector has been slower than expected. GoK is still struggling with limited capacity and poorly coordinated donor assistance (including fragmentation within AusAID's own program), which makes the move to directly supporting GoK's own strategies, plans and programs critical. As the major donor to the sector, Australia accepts some of the responsibility for this slow progress, with delays caused by lengthy decision-making processes identified as one area of weakness. On a positive note, joint donor efforts to support GoK sector leadership were showing good signs of progress towards the end of the reporting period and progress over the next reporting period is expected to improve.

Australia's assistance to the education sector is aligned with the goals of MOE's Education Sector Strategic Plan. Assistance to this sector is in an interim phase pending implementation of a new long-term, multi-donor strategic support program in 2010. Future APPRs will report against Partnership for Development Priority Outcome 1 – Improved Basic Education (an agreed priority outcome of the partnership). Achievements against the current objective in 2008 are set out below.

Supporting the establishment of the Facilities Management Unit

A contracted facilities management specialist assisted the Facilities Management Unit (FMU) in developing National Infrastructure Standards for approval by Cabinet, and ‘on the job’ training was provided for staff of the newly established FMU. The Facilities Management Plan, now drafted and at costing stage, will result in improvements to infrastructure and equipment and water and sanitation facilities, providing a better learning environment in Kiribati primary schools.

Progressing the Curriculum Assessment and Improvement Strategy

Language specialists have improved key policymakers’ understanding of current research and developments in bilingual education. This increased recognition has led to the development of Kiribati’s first Language of Instruction Policy, currently awaiting approval by Cabinet. The policy is an important component of the Curriculum Assessment and Improvement Strategy, which is now driving reforms to deliver a better quality and more relevant school curriculum for Kiribati children.

Strengthening Ministry of Education senior management

Technical assistance in MOE’s finance, information and communications technology (ICT), and policy and planning areas has strengthened the capacity of senior management in those areas. Key results include completion of the costing of the Education Sector Strategic Plan (ESSP), development of an ICT strategy, and improved capacity to draft policy proposals and devise operational plans to support ESSP implementation.

Kiribati Education Management Information System Project

A capacity-building adviser and an IT development and software specialist have assisted in improving the functionality of KEMIS and the quality of its data and in developing the skills of staff using KEMIS and analysing its outputs. As a result, the annual Statistics Digest was completed and distributed on time, and staff attended awareness-raising workshops and were trained in how to use education statistics. Inquiries from other GoK ministries and donor agencies increased by 55% as they became aware of the availability and usefulness of such information to their operations.

Strategic program of support to the Ministry of Education

In early 2009, donors and MOE agreed to bring the design process in house, with the advisory support of AusAID’s Pacific Branch Education Adviser. The new program of support will be a three-phase, 10-year development program with planning cycles to coincide with MOE planning cycles. Phase 1 involves agreeing on a joint donor program of support for the next two years. Phases 2 and 3 will both run for four years, and their design will begin in 2011. The design process highlighted the shortcomings of traditionally contracted design teams and GoK’s limited capacity to lead and guide the process.

The Language Education Pilot Project

The Language Education Pilot Project will improve the English language proficiency of teachers and Kiribati Teachers College lecturers (including Te-Kiribati and English Language lecturers, and other content area lecturers). The project will also map the English language

proficiency levels of MOE personnel across the system, and establish sex-disaggregated baseline data on student achievements in English. The program was originally designed and developed by MOE in 2007 but, due to changes in the scope of the project, was delayed. The mobilisation date is now expected to be July 2009.

AusAID is providing a two-year grant to assist with the operational costs of the Kiribati School for the Disabled, while MOE prepares to take on responsibility for the school's operation. Inclusive education requirements are integral to MOE's specifications for school maintenance and refurbishment in its Facilities Management Plan.

Overall assessment


Overall, GoK is positive in their assessment of AusAID's efforts. However, GoK notes that the objectives and timelines currently set for its education sector work are ambitious, and that a number of factors threaten MOE's capacity to deliver on expected outcomes. Those factors include the following.

- > MOE senior management is forced to manage at an operational rather than a strategic level due to capacity gaps at lower levels in MOE. This puts strategic planning development at risk.
- > The level of GoK funding and resources required to achieve all ESSP goals is unlikely to be available.
- > High turnover of staff in MOE, compulsory retirement at 50 years of age and lack of established transition planning, impact negatively on the capacity and capability of middle and lower level staff.
- > Capacity building cannot be done in the short term, so donors need to look at timeframes of three to four years before improvements in staff capacity impact on operational performance.
- > Centralised budget and recruitment processes, along with misalignment of MOE's organisational structure with ESSP objectives, restrict MOE's ability to deliver the planned outcomes.
- > Reforming the education system is particularly challenging in a geographically complex country such as Kiribati. MOE is consulting and communicating with outer island communities in developing and delivering ESSP objectives to ensure that they understand that the ESSP includes all schools in Kiribati.

Objective 2: Public sector performance

- > Improved public financial management, national planning and the performance of public enterprises

Rating

 The objective will be partly achieved within the timeframe.

The rationale behind the amber rating for this objective is much the same as that for Objective 1; namely, good to very good progress on some individual activities but slow progress towards building a coherent, focused portfolio driven by GoK policy and budget priorities. Slower than

expected progress on SOE reform and improving the management of the RERF brought down the overall rating for this objective. However, GoK is now seeing improvements in strategic planning and budgeting as a result of Australian assistance.

Estimated expenditure

Approximately 7.9% of total expenditure in 2008–09 was committed to initiatives related to this objective. AusAID provides significant support to the public sector, as do the ADB and the United Nations Development Programme.

Assessment of results and performance

Activities under this objective aim to improve public sector performance by ensuring sustainability of the public sector planning system, strengthening public financial management, and building capacity in priority areas. Future APPRs will report against the broader Partnership for Development Priority Outcome 3 – Improved Growth and Economic Management. Achievements against the objective for 2008 are set out below.

Finalisation of the Kiribati Development Plan 2008–2011

The Kiribati Development Plan 2008–2011 (KDP) was endorsed by Cabinet and published in March 2008 with AusAID support. However, it should be noted that the GoK 2009 Budget Statement does not refer to the KDP.

Engagement of income taxation and customs technical advisers

The training provided by income taxation and customs technical advisers has increased the capacity of staff in relevant departments. The better capacity of staff has led to greater public compliance with laws and significant increases in taxes collected (a 10% increase in tax revenue in 2008) and customs duties. This improvement in revenue collection capacity has benefited GoK's fiscal position.

Engagement of technical advisers in key public sector roles

An audit adviser has helped to develop three-year corporate and strategic audit plans and new audit methodologies, which have been endorsed by the Auditor-General. A tourism adviser has developed a strategic plan now before Cabinet. An architect adviser in public works is overseeing the technical aspects related to the construction of new tuberculosis laboratories.

Ongoing support to Air Kiribati Ltd through two Australian aviation engineers

Australia's support has built the capacity of local engineers (highlighted by a 50% reduction in 'non-conformation' issues identified by the Quality Assurance Department), contributing to better aircraft maintenance and resulting in safer, more efficient and reliable domestic air transport services.

Pacific Regional Policing Initiative – bilateral component

The Pacific Regional Policing Initiative (PRPI) has assisted the Kiribati Police Service with the implementation of the 'Safer Kiribati' Program, refurbishment of police barracks,

headquarters, and training school, and legislative redrafting and printing of Police Standing Orders and Procedures. GoK reports noticeable improvements in community perceptions of the Kiribati Police Service as a direct result of the PRPI's work in supporting capacity development and upgrading of police infrastructure in Kiribati.

Fisheries

The fisheries program, an incentives-based program being implemented to improve fisheries governance, has four agreed milestones:

- > the review of the Fisheries Act
- > an independent review of access, licensing and joint venture arrangements
- > the formulation of an agreement by GoK for clear policy and operational guidelines
- > the development of a memorandum of understanding between the Ministry of Fisheries and Marine Resources Development and the Police Maritime Unit.

Progress towards meeting these milestones was slow (but not unexpectedly so) during the reporting period, with only two of the four milestones being partially met by mid-2009 (the end point of the program).

Overall assessment

The outputs of the above activities are linked to GoK key priorities.² However, GoK officials (and technical advisers) have raised a number of upcoming challenges, including the following.

- > The early success of the current technical advisers highlights the need for external technical expertise to continue beyond earlier proposed timeframes and for clearer long-term policy outcomes.
- > Monitoring and evaluation data on the outcomes of technical advisers needs to be shared between donors and GoK to improve lessons learned.
- > Although GoK encourages greater use of their systems, various ministries have weak and incompatible database systems, making it difficult for donors to use them, and for ministries to share relevant and up-to-date information. More effort will be needed to align with and/or strengthen GoK's systems if donors are to continue to use them.

Objective 3: Human resource development

- > Efficient and effective provision of academic programs, in-country programs and overseas programs for new entrants to the labour market and for those already in the labour market.
- > Development of an enabling environment for improved human resource development in Kiribati.

² The focus of these activities in future years will be re-shaped by the development of the outcome priority area 'improved growth and economic management' under the Australia–Kiribati Partnership for Development.

Rating



The objective is on track to be fully achieved within the timeframe.

Australian assistance in support of this objective is having a demonstrably positive impact on Kiribati human resource development. As noted in the 2007 APPR, this remains the strongest component of the aid program in Kiribati. The administration and impact of the scholarship programs continues to improve, but it is in technical and vocational training that the most significant impacts are occurring. Initiatives such as the Kiribati–Australia Nursing Initiative (KANI) and links to the Australia–Pacific Technical College (APTC) are having direct benefits through skills development and employment. But it is the impact on human resource and education p

olicy where the aid program is having greater than expected influence, with the profile and interest in technical and vocational training gaining much greater government and community support as a result of the development and implementation of the individual programs.

Estimated expenditure

In 2008–09, approximately 57.1% of total expenditure was committed to initiatives related to this objective. AusAID, NZAID, Japan, Taiwan and Cuba provide significant support to human resource development (HRD).

Assessment of results and performance

Activities under this objective are aligned with the KDP, which identifies investment in targeted HRD for domestic and international employment as a critical strategy for securing economic growth and reducing poverty in Kiribati.³ Future APPRs will report against the Partnership for Development Priority Outcome 2 – Workforce Skills Development. Under the partnership, there will be more explicit programming and policy links between the support that AusAID gives for basic education and workforce skills development. Achievements against the current objectives for 2008 are as follows.

Kiribati–Australia Nursing Initiative

Fifty-seven students are studying nursing at Griffith University in Brisbane, with the first cohort successfully completing the first 12 months of their bachelor degree, and the second cohort successfully completing the preparation program. With no graduates as yet, it is too early in the program to realise actual outcomes; however, good indicators include the 97% study success rate for students, and the engagement of three students for casual nursing work in Australia over their study break. Students for the third cohort in 2009 have begun the preparation program in Tarawa. Components 2 and 3 of the program, which focus on improving the quality of nurse training in Kiribati, were deferred in 2008, pending outcomes of other donor activity in this area; namely, activities of the World Health Organization, NZAID and the EU. A donor coordination committee for the nursing sector, chaired by GoK, was established to ensure that all future assistance by donors is harmonised and aligned with GoK policy directions.

³ The focus of these programs in future years will be re-shaped by the development of the priority outcome area of ‘workforce skills development’ under the Australia–Kiribati Partnership for Development.

Scholarships

There were six continuing and nine new Australian Development Scholarship (ADS) students studying in Australia in 2008 in courses directly relevant to priorities identified in the Kiribati HRD Plan, including in public administration, health science, engineering, and environmental studies. It is estimated that 90% of all ADS students have successfully completed their studies – a statistic which continues recent positive upwards trends but which is still lower than regional benchmarks.

Forty-nine students were studying under Australian Regional Development Scholarships (ARDS) in 2008, mainly in Fiji, but also in Samoa and Vanuatu. It is estimated that 67% of all ARDS students to date have successfully completed their studies, significantly lower than the rate for ADS students. This success rate has improved slightly since last year, and is attributable to the introduction of student support and progress monitoring measures. It is anticipated that this rate will further increase with the appointment of a student support officer in Suva in July 2008 to provide orientation, guidance and support to I-Kiribati students.

While no system exists to measure development outcomes of scholarships, anecdotal evidence suggests that many graduates have returned to Kiribati and now hold senior and influential positions in the public sector, private sector and civil society. In March 2009, GoK, with the assistance of AusAID, conducted a mini-tracer study to improve data on the development impact of scholarships. AusAID will be reviewing its scholarship programs for Kiribati in 2009 with a view to producing quantifiable data to assess whether the initiative is achieving its objectives. This review will look at how scholarship programs with good success rates at other AusAID posts are managed, and incorporate these findings into the revised model. It is acknowledged that English language deficiency is a particular impediment to improving success rates of I-Kiribati students. The review will also consider options for addressing this problem, including the wider application of the KANI preparation program model prior to students coming to Australia.

Human resource development planning

The ongoing engagement of a technical adviser to the Public Service Office (PSO) in 2008 contributed to the finalisation and implementation of the National HRD Plan. The HRD Plan was integrated into PSO's planning processes, with ongoing improvements to the HRD Plan and workforce planning processes. The HRD Plan prioritises national training needs, and ensures that training awards, such as AusAID scholarships, are allocated according to national priorities. The adviser's role was expanded to assist the PSO to progress its broader public sector reform agenda, including its review of the National Conditions of Service. GoK and Australia are aware that there are a number of inherent challenges to HRD planning and reform (see 'Overall assessment' below) which will require systematic and long-term responses under the Australia–Kiribati Partnership for Development.

Kiribati–Australia Technical and Vocational Education and Training (TVET) Sector Strengthening Program (TSSP)

The TSSP, which is still at concept stage, aims to strengthen TVET institutions in Kiribati. It will focus in particular on improving training standards at the Kiribati Institute of Technology (KIT), as a pathway to domestic and overseas employment or further education. As a basis for engaging in the long-term program, AusAID has agreed to a number of preliminary assistance

measures, including the recruitment of an internationally qualified principal at KIT; delivery of teacher training at KIT in collaboration with APTC; and upgrade of equipment at the Marine Training Centre. AusAID has begun implementing these measures to set the foundations for a long-term assistance program.

There are currently 35 I-Kiribati students on scholarships enrolled at various APTC campuses (with 14 graduates) in a range of courses, including carpentry, mechanics, electrical, cookery and hospital operations.

Australia has been a long-term supporter of the Marine Training Centre, which has helped the centre to increase the number of courses and places it is able to offer students in the maritime industry.

Overall assessment

GoK advised that AusAID's programs are valuable and supportive of the overarching HRD strategic objectives, and noted in particular the considerable success of KANI. However, GoK considers that more needs to be done to support 'in-country' training programs and to address youth unemployment under this objective, acknowledging the shift in this direction in the design of the future TVET program, and the Australia–Kiribati Partnership for Development. GoK also recommended that support for implementing the HRD planning process be better targeted, and suggested that AusAID move from fixed scholarship numbers to a 'funding envelope' with more flexibility for addressing HRD requirements; for example, TVET options (GoK feedback will be factored into a planned scholarships review in 2009). GoK officials highlighted a number of other factors that could impact on the success of these programs.

- > Staff lack the skills and systems are inadequate for producing and analysing data on labour/skill needs, and for informing and developing HRD policy.
- > The sustainability of HRD planning processes will be contingent on being able to retain staff in the PSO and broaden HRD management and workforce planning skills across all GoK ministries.
- > Government policies such as centralised budget and recruitment processes are not sufficiently flexible to meet changing HRD requirements across all ministries.
- > Improved dialogue, more timely exchange of information and better coordination between GoK, contractors, AusAID and other donors are needed to ensure that programs continue to align with the HRD plan.
- > The ongoing challenge of addressing vocational English language skills needs to be met.
- > The poor standard and incompatible database systems currently used by some ministries will affect the delivery of programs.
- > Long-term donor funding is needed if the objectives of the HRD Plan are to be fully implemented in this sector.

Objective 4: Partnerships in vulnerability reduction

Strengthening of partnerships with regional and multilateral agencies to reduce vulnerability in key sectors such as health, environmental and social services.

Rating



The objective will be partly achieved within the timeframe.

Estimated expenditure

Approximately 4% of the 2008–09 bilateral allocation was committed to initiatives related to this objective.

Assessment of results and performance

Performance against this objective has improved since reported on in the 2007 APPR, but weaker than expected progress in the environment component of the objective means that only a 'partially achieved' rating is possible for this reporting period. Overall, progress on working in partnership with GoK and key development partners has been positive, particularly in the health and social sectors, with engagement with UN system and regional organisations leading to more streamlined, coherent and effective programming. The One Fund, One UN initiative in Kiribati continues to stimulate positive policy discussion on administrative and operational issues related to donor harmonisation and coordination.

Health and environment are two key policy areas of the KDP.⁴ Under this objective⁵, AusAID contributes to several programs, including engaging directly with other donor agency programs. By utilising existing partnerships with GoK, Australia aims to strengthen the effectiveness of these programs and reduce the burden on GoK of dealing with multiple donors. The programs under this objective, and the respective implementing agency for each, are as follows.

Tuberculosis Control Project (Secretariat for the Pacific Community)

Kiribati has the highest rate of TB per capita in the Pacific. The three-year Tuberculosis Control Project (which adopts the World Health Organization's Direct Observation Treatment Strategy) has resulted in a detection and treatment success rate of over 90%. This has led to a reduction in the number of confirmed TB cases from 745 in 2007 to 337 in 2008; however, there are high burden areas yet to be addressed. The employment of nurses for contact tracing has been successful, meaning that early diagnosis and treatment have averted full blown TB in many cases. A TB laboratory and outpatient clinic is being constructed and, although it has been delayed by six months, is scheduled to be finished by mid-2009. This project remains a strong performer and demonstrates the potential impact of partnering on activities that are clearly defined and given technical support.

Support for population and reproductive health (United Nations Population Fund)

In 2008, support for population and reproductive health in Kiribati, which aims to reduce maternal mortality and morbidity, enabled approximately 3000 women and children to receive improved maternal and child healthcare through the provision of emergency obstetric

⁴ Other policy areas of the KDP include infrastructure, governance, economic growth and poverty reduction, and human resources development.

⁵ These programs, currently grouped as one initiative, are to be re-allocated to appropriate thematic or sectoral headings, and future reporting will reflect these changes.

care equipment, supplies and drugs (funded by AusAID), in approximately 15 newly built or refurbished health centres and clinics on seven of the outer islands (funded by the EU). The Adolescent Health and Development program, which includes peer education, awareness raising and advocacy on reproductive health issues, has been successfully piloted in a number of villages in South Tarawa, and is being considered for integration into the mainstream public health system. This program met all of its deliverable targets for the reporting period.

Child Health consultant (United Nations Children's Fund)

The project was delayed in 2008–09, because the Child Health consultant, who left in November 2007, was not replaced until October 2008. The consultant, who was engaged for six months, worked with hospital and community health practitioners to develop measures for improving child health, in particular for the under five years age group. While the overall project was behind schedule, an evidence-based strategic plan and a framework for implementing child-survival strategies were developed.

Gender-based violence study (Secretariat of the Pacific Community)

The gender-based violence (GBV) study, completed in October 2008, aims to reduce the incidence and prevalence of GBV and child abuse. Initial findings revealed that Kiribati has a higher incidence of domestic violence than nine other countries that completed the study. In response, arrangements were immediately made with the Fiji Women's Crisis Centre to provide support where needed. In addition, plans are in place to address GBV by disseminating information to improve public education, establishing intervention strategies, strengthening services such as clinical protocols and training, and introducing new, appropriate and proactive legislation. The study has had a far greater policy impact than expected; as a result, SPC will stay engaged with GoK to provide the technical support necessary to effectively integrate those measures with government programs.

Kiribati Adaptation Program II (World Bank)

AusAID is providing funding of \$2.9 million for the Freshwater Resources component of Kiribati Adaptation Program (KAP) II. Development and management of this resource is an important climate change adaptation measure, and one that will update the national water policy, improve water resource management, and explore and promote opportunities to reduce leakage and enhance rainwater catchment and storage. To date, a senior water engineer has been engaged, Cabinet has approved the updated National Water Resources Policy and Implementation Plan, a draft water master plan for South Tarawa has been developed, and work to reduce leakage from the Betio water supply system has begun.

Regional programs

In addition to those programs previously mentioned, a number of other Pacific regional programs are augmenting the bilateral aid program objectives in Kiribati, including:

- > **The Pacific Regional Policing Initiative** – which is improving basic policing, leadership and management, and key technical skills in areas such as forensics and infrastructure.
- > **The Pacific Regional Audit Initiative** – which is benchmarking audit practices, and helping to pool audit resources across Kiribati, Tuvalu and Nauru.

- > **The Pacific regional non-communicable diseases (NCD) program** – which has resulted in a reviewed and costed NCD Plan for a number of countries, including Kiribati.
- > **The pilot seasonal workers scheme** – which will provide employment opportunities in Australia for a limited number of workers from Kiribati, PNG, Tonga and Vanuatu.
- > **The Pacific Regional HIV/AIDS Program** – which is a major source of support to countries in the region in building their capacity to respond to HIV/AIDS.
- > **The Pacific Islands Project – Royal Australasian College of Surgeons** – which is contracted by AusAID to provide a range of specialist medical services to Pacific island countries; for example, in Kiribati, the specialist eye team.
- > **The Australia – New Zealand School of Government** – which provides capacity building, leadership and training programs for senior public service managers.

Overall assessment

GoK advises that AusAID's health-related projects are consistent with the priorities of the Ministry of Health and Medical Services (MHMS). However, MHMS is concerned about elements of the current project model; primarily, the channelling of AusAID funds through the implementing agency, which makes it difficult to monitor individual donor funding, and, in some cases, delaying the release of funds. MHMS has found it difficult to meet the various administrative requirements of different donors, highlighting the need for greater streamlining and partnering under common systems. MHMS raised the following issues (many of which are common to work in other sectors) in relation to Australia's support in the health sector.

- > Extracting the necessary financial information from MHMS's account systems, and from the Ministry of Finance, is difficult due to the poor quality of systems and the lack of appropriately skilled staff.
- > Technical assistance and capacity building in financial management and related activities are required.
- > Direct consultations with AusAID about AusAID's contributions in the health sector, including AusAID's support in developing a strategic plan, are considered desirable.
- > Greater integration of regional health programs, such as the Pacific Islands Project, with related MHMS activities, including capacity building of MHMS staff by visiting medical teams, is required.
- > Ongoing donor funding to support a number of MHMS activities; for example, implementation of the Child Health Strategy and continuation of Adolescent Health and Development programs, is needed.
- > Gaps in the health sector, such as mental health and disability support programs, and sources of donor funding for related activities need to be identified.

Overall progress of KAP II has been unsatisfactory, with donor reviews in 2008 identifying continued lack of progress due to poor overall management and insufficient disbursement (at April 2008, only 8% of the KAP II budget had been spent in the first two years, with AusAID's contribution only at 3% spent and a further 7% committed). Greater involvement by the lead agency, the Office of the President, and a tighter focus resulting from a reduction in the

number of activities, led to better coordinated and directed climate change issues. At September 2008, the situation had improved, with 15% of project funds having been spent and a further 24% committed.

KAP II, including AusAID's contribution, has now been extended to December 2010, and Freshwater Resources and Coastal Resilience remain GoK's climate change adaptation priorities. Those priorities are the focus of the National Adaptation Plan of Action as well as KAP II, which could mean merging the two projects if a proposed future funded project goes ahead. Another component that could be considered for inclusion in the adaptation strategy is Disaster Risk Reduction. AusAID's ongoing support includes reallocating 10% of its funding to technical assistance to further improve coordination, direction, disbursement of funds and project management.

What is the quality of our aid activities?

In 2008, the Kiribati program rated six of their initiatives for their quality at implementation. The four measures are achieving objectives; implementation progress; monitoring and evaluation; and sustainability. The six initiatives accounted for 77.6% of bilateral program fund expenditure for 2008. Table 1 also highlights the fact that many of the aid program's initiatives in Kiribati are small (do not trigger requirement for quality at implementation reviews) and that the larger ones are concentrated against one or two objectives. The program design work under way under the Australia–Kiribati Partnership for Development takes account of this issue. More consolidation within the portfolio is expected in the next reporting period.

Table 1 Quality at implementation summary for 2008

Initiative	Achieving objectives	Implementation progress	Monitoring and evaluation	Sustainability
Education Sector Support	4	3	3	4
Kiribati Targeted Public Sector Support	4	5	3	3
Nurse Skills Upgrading (KANI)	5	5	5	4
Kiribati – ADS	5	4	3	4
Kiribati – ARDS	4	3	3	3
Partnerships in Vulnerability Reduction	3	4	4	4
Number of initiatives that are rated satisfactory	5	4	2	4
As a percentage of total initiatives	83%	67%	33%	67%
Satisfactory (4, 5 and 6)				
6		Very high quality		
5		Good quality		
4		Adequate quality; some work to improve needed		
Less than satisfactory (1, 2 and 3)				
3		Less than adequate quality; needs significant work		
2		Poor quality; needs major work to improve		
1		Very poor quality; needs major overhaul		

The quality at implementation review process highlighted the following cross-cutting issues.

Monitoring and evaluation

Monitoring and evaluation (M&E) needs to be strengthened across the whole program. While the education and HRD initiatives have a number of activity-level M&E frameworks in place, no sector-wide M&E processes exist. This has led to difficulties in clearly articulating overall program objectives and measuring progress. The introduction of KEMIS in 2008 has improved data-gathering capability in the education sector. However, in some instances, M&E data has been gathered but not shared with relevant parties such as contractors, donors and appropriate GoK ministries. A number of activities planned for 2009 will improve overall M&E. For example, a review of the scholarships program will include a mini-tracer study of graduates to better measure the program's impact.

The Public Sector Improvement and Partnerships in Vulnerability Reduction initiatives represent an amalgam of similar activities grouped under each of these initiatives. As such, they generally have effective activity-level M&E processes in place; however, there is no overarching M&E framework. For example, the technical advisers recruited through the Pacific Technical Assistance Mechanism report back to the contractor. Furthermore, information is not shared with relevant parties for a number of activities that have individual M&E processes.

The implementation of the Australia–Kiribati Partnership for Development priority outcomes will bring increased rigour to measuring and reporting on progress in the education, HRD and public sector improvement components of the program, which will require investments in improving M&E processes. AusAID's ability to benchmark program performance against agreed targets (a feature of the individual partnership implementation schedules) will significantly improve the objectivity of its performance assessments and ratings in future APPRs. The proposed reallocation of activities under the Partnerships in Vulnerability Reduction initiative should result in more focused, tangible and measurable outcomes. However, a lack of necessary skills in partner government staff and appropriate systems for producing and analysing data are ongoing challenges that will need to be addressed in order to improve overall M&E processes across all initiatives.

Finally, AusAID continues to work internally to improve integration with regional programs in support of the partnership with Kiribati. As mentioned elsewhere, regional programs make up a large (and growing) proportion of Australian assistance to Kiribati and remain a priority to ensure monitoring and evaluation requirements are integrated as closely as possible with those already put in place by GoK or joint donor–GoK initiatives.

Sustainability

A common challenge for the six initiatives relates to constraints in GoK recurrent funding for often long-term objectives. Although activities are aligned with GoK development priorities, uncertainty about whether funding will be ongoing affects the viability of initiatives. Also, the high turnover of staff, exacerbated by a policy of compulsory retirement at 50 years of age, has an impact on the capacity and capability of staff to deliver required outcomes. GoK continues to rely on technical assistance across a number of initiatives and, while this is understandable

in the short term, all programs need to explicitly address the longer term issues of capacity (hence the strong focus on HRD, training, and scholarships). A review of the scholarship program in 2009 will gauge the sustainability of this program in particular.

An important way in which to address concerns about the sustainability of initiatives is to promote GoK ownership of initiatives through greater alignment with current GoK development priorities. AusAID is also considering placing technical advisers long term in key roles to promote sustainability. AusAID is working collaboratively with GoK and other development partners (such as ADB and New Zealand) in a number of areas, such as education and HRD, to ensure that program targets remain relevant and realistic. This collaborative process will be further strengthened by delivering on the Australia–Kiribati Partnership for Development outcomes, which demonstrate that both countries are committed to the sustainable delivery of core government functions and services. The partnership also requires mutual accountability for results – entailing joint, regular and evidence-based review of progress and performance measures.

Progress against Paris Declaration and Accra principles

In recent years, Australia has strengthened its partnerships with Kiribati institutions, which has resulted in priorities that are more relevant and achievable and that align with development priorities. However, the capacity of those institutions and their respective systems remains weak, and this affects the effectiveness and sustainability of aid programs. While Kiribati is not yet in a position to proactively manage donor harmonisation or alignment with national systems, a number of donors have already adopted harmonisation principles. Australia is now working more closely with UN and New Zealand donors in the education and HRD sectors; however, there is still room for closer collaboration. Greater participation by development partners in peer review processes has been particularly valuable in identifying areas in which early engagement in planning would be valuable. A practical example of this is the increased engagement with New Zealand on early planning and strategic collaboration as a result of their participation in APPR peer reviews and preparation of implementation schedules under the Partnership for Development.

As mentioned under Objective 4, collaborative programming has increased markedly as a direct result of Australia's more explicit policy focus on implementing Accra and Paris Declaration principles. The increased focus on these principles has coincided with a similar focus from GoK and development partners, noticeably the multilaterals such as ADB, the World Bank, the European Commission and the United Nations. Importantly, many organisations are taking steps to actually resource this move; for example, the establishment of a permanent WHO presence in Kiribati is already having a positive impact on collaboration and coordination between WHO, GoK and donors such as Australia. The partnership also provides potential for greater partnering with non-government organisations and individuals active in civil society.

The Australia–Kiribati Partnership for Development will further strengthen Australia's commitment to the Paris Declaration and Accra principles, enabling increasing alignment with Kiribati's decision-making, financial and procurement systems, and further facilitating common approaches and partnerships among donors under Kiribati's leadership. AusAID is already adopting these principles in a number of the partnership's sector outcomes; for example, using MOE systems for the Facilities Management Unit component of the education

program. However, as noted earlier, AusAID will need to take care to ensure that moves towards greater use of GoK systems take place in a measured and supported manner, in recognition of the weakness of some of those systems. Under the partnership, AusAID will support GoK in improving its own planning and financial systems to support more complete use of program-based approaches in the future.

What are the management consequences of this assessment?

Transitioning of Australia's aid program

With the signing of the Australia–Kiribati Partnership for Development in early 2009, there is now a clear and mutually agreed set of priorities which will guide the aid program. The priority areas of 'improved basic education' and 'workforce skills development' predominantly build on existing bilateral programs or programs currently in design. The priority area of 'improved growth and economic management', while building on existing bilateral and regional programs, will require the implementation of new approaches to assist GoK-led economic reforms.

Progressing this partnership will still require changes to the structure and approach of the current program's portfolio of activities. For example, better alignment of aid funding with GoK's financial management, monitoring and reporting systems will require more targeted support and commitment if the transition to using those systems is to be made. AusAID will also need to reduce the number of individual aid activities it currently manages (and improve the responsiveness of decision-making and administrative processes), if it is to support the transition to more policy-based engagement. The move to establish Suva as a regional support hub for the Kiribati program is already having a positive impact in this regard.

In relation to the partnership, the following approaches are being proposed to implement strategies for priority areas.

- > **Improved basic education** – AusAID is working closely with GoK in developing a long-term strategic program in the sector, which will include NZAID and UNICEF. The proposed framework for implementation will be phased to ensure realistic deliverables are identified in appropriate timeframes.
- > **Workforce skills development** – This priority outcome will primarily build on existing support; in particular, strengthening TVET institutions in Kiribati and improving training standards at the Kiribati Institute of Technology. Assistance will be in line with AusAID's overall approach to education and training, which acknowledges that quality basic education is foundational to post-secondary education and training, that internationally benchmarked technical training is important for labour mobility and that all donors who support the sector will seek to strengthen and work within government systems.
- > **Improved growth and economic management** – As agreed in the partnership, a sustainability study is proposed in 2009. The study, which will be undertaken in close cooperation with GoK and other donors such as the World Bank, will analyse the costs of

long-term sustainable delivery of government functions in Kiribati and the role of the private sector to establish a baseline for determining the level of support required.

Ongoing programs, particularly those in partnership with multilateral donors in the health and environment sectors, will continue. Donors will continue to work closely with GoK to ensure that these programs remain relevant and align with development priorities, and that the administrative burden on GoK is minimised.

Scaling up

The partnership recognises Australia's intention to commit long-term, predictable and increased development assistance, taking into account progress against partnership commitments, targets and progress indicators. In working with GoK, ongoing challenges in scaling up will include:

- > **The absorptive capacity of GoK** — This remains a constraint in most sectors. Under the partnership, Australia and GoK will articulate more explicit short-term and long-term targets and objectives, recognising immediate capacity constraints but with a clear strategy to address those in parallel with short term options, which may include higher levels of technical assistance. Diversifying the forms of aid Australia uses will be a priority.
- > **The use of partner systems** — Partner systems are often weak and incompatible with Australian fiduciary requirements. Again, this will require that GoK and Australia jointly understand what is working well and what needs improvement. The agreement to undertake a public expenditure and financial accountability analysis (in collaboration with the World Bank and/or ADB) will be an important first step.
- > **The lack of flexibility of some GoK processes** — Some processes will need to be more flexible to meet changing needs (for example, the current centralisation of financial and HRD processes is a limitation).
- > **Recurrent budget limitations** — There is often uncertainty as to whether future funding for development priorities will be available from GoK.

Management challenges

GoK's capacity to effectively manage the collaboration between donors is stretched. As a major donor to Kiribati, AusAID needs to assume a greater leadership role in promoting improved donor collaboration, despite the extra burden that this will entail. For example, although other donors are willing to be engaged, the success of the education program design will be largely contingent on the quality of AusAID's engagement, including the input from key technical resources such as AusAID's Pacific Education Adviser.

The capacity of GoK staff at lower levels in government remains low, affecting service delivery, financial management and GoK capacity to direct and manage development assistance. GoK senior management have significant workloads, frequently working at operational level and leaving little space for strategic dialogue on development priorities or for engaging with donors. The Public Sector Capacity Building Initiative could be used to provide targeted assistance to address these concerns, but the relevant issues must be factored into all design and implementation considerations for programs in Kiribati.

Following full program devolution, the Post was restructured in late 2008. The revised structure has two senior program managers and one development program specialist (DPS) leading teams for each of the partnership priority outcomes. Managerial/operational support for the Post is provided from Suva by the Minister Counsellor, supported by a Counsellor (and a DPS, who assigns 30% of her working week to the Kiribati program). The new structure has enabled the First Secretary to engage in more strategic planning and policy dialogue with GoK and donors, which are critical as the strategies for delivering on the outcomes of the partnership are implemented. The human resources available at Post continue to be constrained, and mechanisms for supplementing the current expertise at Post may include increasing advisory and operational support in Suva to support both Kiribati and Tuvalu. It should be acknowledged that the Australian Head of Mission continues to play a very positive policy and advocacy role for the aid program to Kiribati.

The ongoing implementation of the partnership will promote increased rigour in developing the monitoring and evaluation processes needed for measuring and reporting on progress in the nominated priority sectors. However, the lack of appropriate skills in partner government staff, and the lack of appropriate systems for producing and analysing the necessary data, will be challenging.

Attempts to move towards program-based approaches will need to be accompanied by ongoing assessment or benchmarking of GoK capacity in key areas, and then be supported by targeted assistance to improve any shortcomings. AusAID should commit to greater use of GoK systems as those systems improve against agreed criteria. Improvements in GoK systems will also provide the basis for other donors to make greater use of GoK processes.

Response to the global recession

Like many other Pacific island countries, Kiribati is starting to experience more significant impacts due to the slowdown in the global economy. Being highly dependent on imports (food, oil, manufactured goods), and reliant on remittances and the economic performance of the RERF as sources of revenue, Kiribati is heavily exposed to increasing macroeconomic difficulties such as an increased fiscal deficit. These problems are exacerbated by underlying structural weaknesses, which were already creating fiscal management difficulties before the global recession.

AusAID is working with the Department of Foreign Affairs and Trade, other donors and GoK in monitoring the impacts of the global recession, and will respond to Kiribati's approaches for support. AusAID's existing support to customs, taxation, fisheries and tourism, and planned activities to support improved management of the RERF and state-owned enterprise reforms through the partnership's priority outcome 'improved growth and economic management', will all contribute to reducing government expenditure and increasing government revenue. Monitoring the economic impacts on vulnerable groups and service delivery in critical sectors, such as health and education, will also shape any potential response from the aid program to GoK-identified needs.