



Australian Government

Department of Foreign Affairs and Trade



# Aid Investment Plan

Fiji

2015-16 to 2018-19

# Strategic priorities and rationale

This Aid Investment Plan (AIP) sets the strategic framework for the provision of Official Development Assistance (ODA) administered by the Department of Foreign Affairs and Trade (DFAT) with a focus on bilateral aid directly allocated to Fiji as well as a proportion of Australia's aid to Pacific regional organisations and initiatives that benefit Fiji. Other Australian Government agencies will provide strategic input to policy development and oversight programs in particular sectors in consultation with DFAT.

The purpose of this AIP is to inform discussions between the Government of Fiji and the Government of Australia to develop an Aid Partnership between Australia and Fiji. This AIP will be updated to reflect the finalisation and the signing of Aid Partnerships where appropriate.

Australia implements an integrated set of foreign, trade, security and development policies to advance our interests in Fiji. It is in Australia's interest to support sustainable and inclusive development in Fiji.

## Our partnership with Fiji

Australia and Fiji have an enduring bilateral relationship, underpinned by strong people to people links and longstanding trade and investment ties. Australia's national interest is in a stable and prosperous Fiji that is an active member of the Pacific community. A robust bilateral relationship and our shared historical connections enable Australia and Fiji to work together in areas of mutual interest including through business, trade, security and between government organisations. As the major transport and educational hub for the Pacific, Fiji is also an important partner for Australia in progressing regional development.

This Aid Investment Plan articulates Australia's commitment to promoting prosperity and reducing poverty in Fiji through inclusive economic growth. Following successful national elections in September 2014, Australia has strengthened its support for good governance in Fiji. We share the Fiji Government's interest in enhancing private sector growth and stimulating the economy in order to generate jobs and incomes for the poor. Following the release of Fiji's National Development Plan in late 2015, Australia and Fiji will identify jointly agreed priorities for development cooperation which will be reflected in an Aid Partnership.

## Fiji's development context

### Current context

Fiji has made progress against many of its development objectives despite a period of economic challenges over the past decade. Economic growth now sits at between three and four per cent, with two to three per cent growth projected for 2016 and 2017<sup>1</sup>. Fiji is on track to achieve Millennium Development Goals numbers 2 and 7 (education and environmental sustainability) and most school aged children are enrolled with equal numbers of girls and boys in primary and secondary education. Fiji has also increased access to safe water and sanitation, and decreased rates of maternal mortality. More women are assuming national leadership positions, with eight women elected as Members of Parliament (out of 50), the first female Speaker and four women appointed as Ministers or Assistant Ministers.

Australia has a strong interest in ensuring Fiji continues to prosper, and is committed to supporting Fiji to address its development challenges.

### Development challenges

Limited economic opportunities, particularly in rural Fiji, underpin poverty levels that remain a challenge. Urban drift is straining urban infrastructure and services, with more than 15 per cent of the population now living in informal settlements. Literacy and numeracy skills need to improve in school-age children and life expectancy has stagnated. Despite some recent progress in women's political leadership, female participation in the labour force is about half that of men<sup>2</sup> and rates of domestic violence remain unacceptably high<sup>3</sup>.

Fiji's macroeconomic and geographic circumstances constrain the Fiji government's ability to progress its development goals. Remoteness from major markets, a high regulatory environment and poor transport and energy infrastructure, pose challenges to achieving sustainable broad based growth. The sugar industry, which employs up to 200,000 people, faces an uncertain future with European Union price subsidies due to end in 2017. Fiji's economy needs a more productive and diversified agricultural sector and environment that supports business growth that will translate into jobs, particularly for rural populations.

### Looking forward

The Government of Fiji is committed to achieving strong, sustainable economic growth that is inclusive and equitable for all Fijians. Fiji plans to transition to do this by shifting from public to private expenditure and embracing longer term structural reforms, including state-owned enterprise reform, public sector reform and streamlining business regulations. Adopting sound, evidence-based policies and programs will support sustainable improvements to essential services such as

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<sup>1</sup> Government of Fiji, Economic and Fiscal update: Supplement to the 2015 Budget Address, November 2014; Standard and Poor's, 2015

<sup>2</sup> Fiji Bureau of Statistics, Employment and Unemployment Survey 2010-2011

<sup>3</sup> Fiji Women's Crisis Centre, Somebody's Life, Everybody's Business, 2013

health, education and infrastructure. Fiji has recognised the need for effective governance to underpin these goals. Good governance is also essential to provide transparent, fair and consistent rules for investors and protection of human rights for all Fijians including women and people living with disabilities.

The Fijian Government has invested in major social initiatives such as fee-free primary and secondary education, free medicines for low income families, road infrastructure upgrades and, electricity and water subsidies for the poor. Fiji will produce five-year and twenty-year National Development Plans that will articulate medium and long term strategies for growth and sustainable development. Australia is well placed to support Fiji in achieving its development objectives and targets. We will build on our existing relationship with Fiji to shape a constructive partnership by investing in areas that align with Fiji's national development interest.

### Australia's development assistance

Australia is Fiji's largest bilateral donor. Development assistance constitutes a relatively minor proportion of Fiji's GNI at approximately five per cent. However, given Fiji's relatively high level of capacity, assistance from Australia and other donors can play a major role in leveraging the public or private sector to deliver meaningful results. By working in partnership, Australia will play a constructive role in support of Fiji's development.

Rising inequality in Fiji means that development assistance needs to focus on the disadvantaged and marginalised: the rural poor, women and people living with disabilities. Australia's aid program will complement those of other donors, such as the European Union's focus on agriculture and access to justice, New Zealand's focus on agriculture, disaster management and institutional strengthening, and the World Bank and Asian Development Bank's investments in infrastructure and economic governance.

Australia will continue to be the lead donor in health and education, where we have historically been the largest contributor and where major ongoing challenges continue to exist. In addition, Australia will also focus on private sector development, good governance and gender equality. These new areas of engagement reflect Fiji's major development challenges as well as Australia's development cooperation priorities as outlined in the Australian Aid policy.

With Fiji's focus on green growth and given its vulnerability to natural disasters, Australia will contribute to climate change and disaster risk reduction through regional and global initiatives. Australia will integrate climate change and disaster risk reduction considerations into all development investments in Fiji. This will not only protect our investments against adverse natural events but also enable business and service continuity when natural shocks inevitably occur. We will continue to stand ready to assist Fiji in the event of natural disasters.

## Australia's aid objectives

In order to support **inclusive economic growth to reduce poverty** in Fiji, Australian aid to Fiji from 2015-16 to 2018-19 will be organised under two strategic priorities:

1. Increased private sector development
2. Improved human development

### 1: Increased private sector development

To contribute to Fiji's development of the private sector, Australia will work with Fiji towards two objectives: supporting governance for growth and investing in the private sector.

Australia will provide technical assistance and funding for programs that support governance to stimulate economic growth and increase opportunities for employment and income generation, particularly in rural communities. Support through the Institutional Partnerships Program will focus on reforming the public sector, streamlining business regulations, facilitating trade and bolstering accountability institutions.

Australia will invest in the private sector to stimulate innovation and job creation. A major focus of this support will be providing people in rural areas, particularly women, with technical assistance for business development and improved livelihoods. We will build on our existing Market Development Facility that supports sectors such as tourism, horticulture and export processing and assistance through ACIAR will support agricultural research with a focus on agribusiness. Australia will also help Fiji to unlock more export markets for its goods. Australia will work with banking organisations to help rural households to access financial services, so they can more effectively utilise their land assets and diversify agricultural products.

Australia will contribute to the Government of Fiji's efforts to drive green growth and sustainable use of natural resources. Twenty per cent of Australia's aid program for Fiji will be for aid-for-trade investments by 2017-18 and Australia will look for opportunities for Fiji to fully benefit from the Pacific Agreement on Closer Economic Relations (PACER) Plus, when finalised.

### 2: Improved human development

To help ensure the benefits of economic growth are shared by all Fijians, Australia will focus on improving access to quality health and education services, particularly for disadvantaged segments of the population, including the rural poor, women and people living with disabilities. Australia will work with the Government of Fiji and the private sector to strengthen the key systems, policies and capacities that underpin quality services and ensure value for money. Fiji values Australia's assistance in the health sector, and we will work with the Fijian Government to increase the capacity and efficiency of the current health system. We will support Fiji to respond to its emerging epidemic of non-communicable diseases with a focus on cost-effective primary care and prevention. Australia will also help address Fiji's skills gap by

supporting quality education, providing tertiary scholarships and supporting vocational skills development.

### Cross cutting issues

Australia will work to expand opportunities for women and girls to participate in economic, social and political spheres, by ensuring that all programs contribute to improving gender equality. Through the Pacific Women Shaping Pacific Development program in Fiji, Australia will support initiatives that increase women's economic empowerment, strengthen women's roles in leadership and decision-making, and address gender-based violence.

Australia will engage with Fiji's Disabled People's Organisations to ensure people living with disabilities can benefit from development initiatives. Australia will take a twin-track approach for both gender and disability inclusion: ensuring all programs include these objectives but also supporting specific initiatives in these areas. At least 10 per cent of the Fiji Bilateral program will be allocated to gender equality and disability inclusion initiatives in each year of this AIP.

Fiji is one of four countries participating in our regional Pacific Risk Resilience Program that strengthens resilience to the impacts of climate change and natural disasters. We will work with the Government of Fiji to help prepare and respond effectively to natural disasters at both the national and community levels.



# Implementation approaches

## Implementing partners

Australia will work with the Government of Fiji, regional organisations, private sector and civil society in delivering the aid program.

### Partner Government

Australian development cooperation will align with the priorities of the Government of Fiji. We will support government-led reform initiatives and help strengthen government policies, processes and systems. We will use government financial systems to deliver Australian aid funds, where these would create efficiencies and result in better development outcomes.

### Australian institutions and people-to-people links

There are many Australian institutions with longstanding relationships with Fijian institutions. We will support these, as well as foster new relationships. We will also continue to foster stronger people-to-people linkages in support of development outcomes, including through the Australian Volunteers for International Development program and the Australia Awards Scholarships.

### Civil society

Civil society organisations (CSOs) remain an important development partner for Australia. Where CSOs have a comparative advantage in helping achieve Australia's aid program objectives for Fiji – such as in governance, health or education – we will work with them. We will encourage collaboration between CSOs and Government. We will also support Australian organisations to work with Fijian CSOs through the Australian Non-Government Organisation Cooperation Program. Australia will develop a Civil Society Engagement Strategy to guide our work with CSOs across the Aid Investment Plan.

### Private sector

Australia will engage closely with the private sector and identify opportunities for collaboration. This will help foster innovation and ensure that the aid program is shaped by both public and private sector perspectives. Australia will develop a Private Sector Development Strategy and convene a Fiji Private Sector Consultative Group on Development Cooperation, which will be used to test and develop innovative ideas and obtain private sector input into program development.

## Policy dialogue

Australia will engage with the Government of Fiji in policy dialogue in areas of joint priority, particularly health, education, governance, gender and trade. Australia's support to strengthen government policies, systems and processes will produce advice and evidence to inform the Government of Fiji's future policy choices. Ongoing policy dialogue at multiple levels will ensure a constant exchange of information, ensuring a strong partnership towards mutual objectives.

## Fiji Program Support Facility

Australia will work more efficiently by consolidating its implementation arrangements. Australia will develop one facility – the Fiji Program Support Facility – that will provide flexible support services to multiple programs. The Facility will be established to provide technical assistance, manage funds and provide logistical and administrative services for programs across the breadth of the Aid Investment Plan.



# Performance management

## Performance benchmarks

Australia has identified the following performance benchmarks to assess progress towards the strategic objectives of the Aid Investment Plan. Australia will report on progress against these benchmarks through annual Aid Program Performance Reports (APPRs). Future year performance benchmarks will be determined following the review and analysis of the APPRs.

## Performance benchmarks 2015-16

|                              |  | 2015-16   |
|------------------------------|--|---|
| <b>Objective</b>             | <i>Improved access to quality education</i>  |   |
| <b>Performance benchmark</b> | <i>Reduction in the percentage of students in the Access to Quality Education program targeted schools achieving in the national bottom quartile in Class 4 literacy and numeracy assessments.</i> | Reduction to 50 per cent (from approximately 66 per cent) |
| <b>Objective</b>             | <i>Improved health outcomes</i>  |   |
| <b>Performance benchmark</b> | <i>Reduction in common childhood illnesses resulting from introduction of rotavirus and, pneumococcal vaccines</i>   | Reduction from 2011 levels                                |
| <b>Objective</b>             | <i>Increased incomes for poor households</i>   |   |
| <b>Performance benchmark</b> | <i>New formal sector jobs created for the poor</i>   | 260   |
| <b>Objective</b>             | <i>Consistent and long term funding for gender equality and disability inclusion initiatives</i>   |   |
| <b>Performance benchmark</b> | 10% or more of the Fiji Bilateral Program allocated to gender equality or disability inclusion initiatives   | 10%   |
| <b>Objective</b>             | <i>Improved trade capacity in Fiji</i>   |   |
| <b>Performance benchmark</b> | 20% of the Fiji Program allocated to aid-for-trade initiatives by 2017-18  | 8%  |

## Mutual obligations

Australia will deliver development assistance in support of the aid objectives and performance benchmarks identified in this AIP. We propose Australia and Fiji agree a set of mutual obligations for the aid program, to be confirmed through discussions

on a future Aid Partnership. These mutual obligations will be updated in Fiji's Aid Investment Plan once agreed.

Australia's aid program to Fiji is designed to factor in the changing political and economic context. Australia commits to supporting ongoing reform efforts, led by the Fijian Government. This will include working with the government to progress development priorities identified in its new National Development Plan.

Australia and Fiji will discuss the Aid Partnership on an annual basis, to review progress against performance benchmarks and determine performance benchmarks for the following year.

### Monitoring, review and evaluation

Each initiative under the AIP will have a monitoring and evaluation framework and will report against this framework on an annual or bi-annual basis. All programs will be subjected to independent mid-term reviews and end-of-program evaluations. These reports and reviews will be shared and discussed with the Government of Fiji.

On an annual basis, Australia will assess the AIP as a whole, through the Aid Program Performance Report (APPR). The APPR will assess all initiatives and analyse their performance, identifying any issues or areas of under-performance. The APPR will also assess performance against the AIP's performance benchmarks. The APPR will be shared and discussed with the Government of Fiji.

# Program management

## Governance and resource management

Australia's aid to Fiji will be principally managed by the Department of Foreign Affairs and Trade (DFAT) staff in the Australian High Commission in Fiji and Canberra. Overall responsibility for the strategy and the Pacific aid budget will lie with DFAT's First Assistant Secretary, Pacific Division. Australia's High Commissioner to Fiji will have responsibility for in-country leadership and delivery of the bilateral aid program against the objectives of this AIP.

DFAT in Canberra is responsible for policy development and guidance, drawing on the expertise of thematic specialists, as well as the Fiji Section and Post. Other agencies, including the Australian Centre for International Agricultural Research (ACIAR), Austrade, the Australian Federal Police (AFP), the Department of Agriculture, the Treasury, will provide strategic input to policy development and oversight programs in particular sectors in consultation with DFAT.

Designing, implementing and evaluating aid investments requires highly skilled staff. We will maximise our capability through innovative and flexible use of resources and by investing in staff training and development. Where appropriate we will procure specialist expertise to assist with our changing program.

## Risk management

DFAT staff in Canberra and Fiji will monitor and manage risks at the implementing country level. DFAT staff in Canberra and Fiji will be responsible for identifying and managing risks and elevating risks to the attention of senior management when appropriate. The governments of Fiji and Australia will maintain a zero-tolerance approach to fraudulent and corrupt actions against Australia's development program with Fiji. Key risks over the period 2015-2018. Key risks over the period 2015-2018 are outlined in Annex D.

| Process  | Frequency |
|--|-----------|
| Update of program-level risk register  | Quarterly |
| Update of sector-level risk registers  | Quarterly |
| Mission senior management team discussion on progress of risk treatments, escalation of country aid risks and any new risks    | Monthly   |
| Country program senior management team discussion on progress of risk treatments, escalation of sector risks and any new risks | Monthly   |