



Aid Program Performance Report 2012–13 Kiribati

Key messages

This Aid Program Performance Report (APPR) summarises the Australian aid program's progress in Kiribati from January 2012 to June 2013 under the Kiribati–Australia Partnership for Development 2009–2015.

Key findings include:

- > Priority Outcome 1 (Basic education)—school rehabilitation pilots were completed, policy and legislative reform undertaken, teachers trained in English language proficiency and new grades 1 and 2 curricula developed. Australia and Kiribati are on track to achieve the partnership targets in education by the 2020 timeframe.
- > Priority Outcome 2 (Workforce skills)—more young people gained recognised and valued technical and vocational education and training (TVET) qualifications in areas of skill demand. However, Australia is concerned about the efficiency of the Kiribati–Australia Nursing Initiative and the findings of an independent review are being used to inform a decision about how to reshape Australia's support.
- > Priority Outcome 3 (Growth and economic management)—progress was made in reforming state-owned enterprises, improving public financial management and taxation, and strengthening fisheries management, but the Government of Kiribati still faces unsustainable budget deficits. Improved donor coordination is leading to more timely and effective donor assistance and Australia's program is on track to achieve targets.
- > Priority Outcome 4 (Infrastructure)—Australia's infrastructure investments have experienced significant delays and cost increases and are currently off track to meet targets. Delays are largely due to the Government of Kiribati's limited capacity to manage the large and relatively complex portfolio of infrastructure investments underway. Australia is addressing these issues and expects progress to improve in 2013–14 with close monitoring and ongoing support.

Despite these and other positive results, most of the partnership programs are still in their early stages and challenges remain in translating this work into improvements in the lives of i-Kiribati. Challenges include:

- > supporting the Government of Kiribati to lead, own and coordinate reforms by:
 - strengthening its National Economic Planning Office's capacity to coordinate aid
 - enhancing the effectiveness of steering committees to oversee program performance
 - providing high-quality progress reports to enable the government to fully understand and make informed decisions about the reform agenda
- > assisting Australia's development partners (particularly the multilateral development banks) to understand and tailor their activities to take into account the capacity of the Government of Kiribati, including by providing disproportionate levels of oversight and support than is typically provided for partner governments
- > maintaining political commitment for reforms, particularly unpopular economic reform.

Context

Economy

The potential for the Government of Kiribati to grow revenue to meet demand for services and public investments is constrained by limited opportunities for economic growth, high population growth and the threat of climate change. Total government expenditure has been declining in real terms since 2006¹ and fewer resources are available to deliver services that remain expensive due to the small size (103 038), vast distribution and isolation of the i-Kiribati population.

Growth in Kiribati's economy remained steady at 3 per cent in 2012.² This was bolstered by inflows of development partner assistance, the positive effect of the El Niño weather pattern on fish stocks in the country's exclusive economic zone, and the introduction of a new fishing licensing scheme (Parties to the Nauru Agreement Vessel Day Scheme) boosting government revenues.³ In 2012, fisheries revenue accounted for half of the Government of Kiribati's total revenue (\$92.3 million).⁴ However, political commitment to addressing some weaknesses in oceanic fisheries management (including compliance to regional agreements) remained weak. In 2012, the Government of Kiribati oversold its number of allocated fishing days by 65 per cent, which undermined the Parties to the Nauru Agreement.

Despite economic growth in 2012 the labour market continued to stagnate. Kiribati is a labour surplus economy with an employment-to-population ratio of 44 per cent.⁵ The private sector is weak, productivity low and the population very young (48 per cent under 24 years of age).⁶ The Government of Kiribati is concerned about the large and growing pool of unemployed young people (only 4 per cent of the formal workforce is 15 to 24 years of age).⁷ Young people, particularly women, have few employment prospects and limited post-school options.

In 2012, continuing declines in seafarers' employment, stemming from weak global trade, kept remittances down. The number of seafarers employed in 2012 was 865, slightly down from 879 in 2011. According to Government of Kiribati officials, seafarers are estimated to remit around \$10 to \$12 million a year and this is a significant source of revenue of i-Kiribati households.⁸ The opening of a tuna processing factory provided 124 jobs, offsetting losses from the rationalisation of state-owned enterprises. Kiribati has not yet implemented the Parties to the Nauru Agreement stipulation of 20 per cent local crewing on fishing vessels, although this will present employment opportunities once implemented.

Kiribati's economy is projected to continue to grow by 3.5 per cent in 2013 and 2014, driven by a number of large public infrastructure projects financed by development partners. Projects include the Kiribati Road Rehabilitation Project, airport upgrades in South Tarawa and Christmas Island, port rehabilitation, and water and sanitation projects.⁹ The construction and

¹ Ministry of Finance and Economic Development with World Bank technical assistance, *Kiribati Public Expenditure Analysis*, 2013.

² Compared to 3 per cent in 2011 and 2 per cent in 2010.

³ *Asian Development Bank Economic Outlook 2013*.

⁴ Government of Kiribati Financial Management Information System. Note this differs from the reported figure in the Government of Kiribati's 2013 Budget (\$70.8 million) which did not include all fishing revenues. All currency amounts in this report are expressed in Australian dollars unless otherwise indicated.

⁵ Pacific Islands Forum Secretariat, *Pacific Regional Millennium Development Goal (MDG) Tracking Report*, 2012.

⁶ 2010 Kiribati Census.

⁷ *Ibid.*

⁸ Pacific Islands Forum Secretariat, *Pacific Regional MDG Tracking Report*, 2012.

⁹ *Asian Development Bank Economic Outlook 2013*.

ongoing maintenance of these projects should provide local employment and contracting opportunities if managed well. In recent years, the appreciation of the Australian dollar against the United States dollar has effectively reduced the price of imports on average, keeping a lid on inflation.¹⁰ The Asian Development Bank expects the recent trend of low inflation to continue due to an expected decline in international food and fuel prices¹¹, however, a devaluation of the Australian dollar and recovery of global financial markets would place upward pressure on inflation.

Despite steady economic growth, the Government of Kiribati's fiscal position continued to deteriorate in 2012. The planned budget deficit for 2012 was \$32.1 million, a 20 per cent increase on 2011. The increase in the deficit was related to a modest (1.2 per cent) increase in expenditure on 2011 levels and a reduction in revenues. The government financed the full budget deficit from drawing down on the Kiribati Revenue Equalisation Reserve Fund rather than through using expensive commercial loans. While this made good financial sense, the size of fund drawdowns in recent years has been unsustainably high and cause for public concern. The Government of Kiribati has a commendable economic reform agenda which is expected to reduce the budget deficit to a manageable size (\$15 million)¹² over time.

In 2013–14, the Department of Foreign Affairs and Trade (DFAT), will deepen its understanding of the challenges facing Kiribati by examining, among other things, drivers of economic growth and household incomes, opportunities for i-Kiribati women and men in the domestic and international labour market and the impact of labour mobility.

Social development

Kiribati continued to face difficult social development challenges during 2012. Progress against the Millennium Development Goals is mixed and the country is not on track to meet any of them. According to the 2006 Household Income Expenditure Survey, around 22 per cent of the population were living below the basic needs poverty line, the poverty gap ratio was 7 per cent and the poorest quintile's share of consumption was 8 per cent.¹³ Kiribati also had one of the region's highest rates (23 per cent) of underweight children under 5 years of age and around 5 per cent of the general population fell below the basic food poverty line.¹⁴ Fish is the main source of protein; however, the impact of high population growth (2.2 per cent) and over exploitation of fishing ground is making it difficult for households to meet their daily needs.

High population growth poses other development and environmental challenges. Half of Kiribati's population of 103,038 live on overcrowded South Tarawa where the population growth rate (4.4 per cent) is double the national average.¹⁵ Overcrowding is a problem in households with low income or no access to land to build houses. The average household size on South Tarawa in 2010 was seven people with a range between four and 12 people. However, it is not uncommon for significantly more people (15 to 20) to use a household's facilities.¹⁶

¹⁰ In 2012, consumer prices in Kiribati were estimated to have fallen by 1.8 per cent, the second year of deflation in the past three years. *Asian Development Bank Economic Outlook 2013*.

¹¹ Ibid.

¹² The International Monetary Fund has reported that this is an appropriate drawdown of the Revenue Equalisation Reserve Fund. *International Monetary Fund Country Report No. 11/113; Kiribati: 2011 Staff Report for the 2011 Article IV Consultation*.

¹³ Pacific Islands Forum Secretariat, *Pacific Regional MDG Tracking Report*, 2012.

¹⁴ Ibid.

¹⁵ Government of Kiribati, *South Tarawa Island Report*, 2012.

¹⁶ Ibid.

High population growth combined with the threat of climate change is exacerbating the already serious problem of water and sanitation in South Tarawa, where ground water is limited (and mostly contaminated). Two-thirds of South Tarawa's households are supplied with piped water for two to three hours every two days, but only 33 per cent of treated water reaches households due to leakage, wastage or unlawful connections.¹⁷ Only 40 per cent of the population is connected to the sewerage system which discharges untreated waste directly into the ocean.¹⁸

The water and sanitation situation is having an impact on health outcomes. Child mortality under five years of age is 47 per 1000 live births, the highest in the Pacific after Papua New Guinea.¹⁹ The number of cases of dysentery and diarrhoea reported to the Ministry of Health in 2012 was 18 500, representing an increase of 5000 over the previous year.²⁰ Typhoid incidence rates also increased in 2012 and a cholera outbreak is a real possibility.

Violence against women is prevalent in Kiribati. A 2010 study found that 68 per cent of women aged 18 to 49 years who had ever had an intimate partner reported experiencing physical or sexual violence, or both, by that partner.²¹ The capacity of Kiribati civil society organisations to provide effective, human rights-based support to victims and survivors and act as powerful advocates for the elimination of sexual and gender based violence is weak.²²

The quality of education in Kiribati is poor. The Government of Kiribati's education budget has been static for most of the period since 2002 with only around 2 per cent (\$360,000 a year) allocated to non-teacher expenditure.²³ This is in the context of the government's entire budget declining in real terms, and education expenditure accounting for a high proportion (around 25 per cent) of the government's entire budget.²⁴ Nevertheless, the limited operational funds severely limit improvements in education service delivery and constrain sector development. This situation is exacerbated by the increasing number of children under five years of age in South Tarawa.²⁵

Net enrolment rates for primary and junior secondary school decreased from 93 per cent in 2008 to 82 per cent in 2011.²⁶ Australia is supporting research to explore reasons for student absenteeism, and preliminary reports suggest important factors include transportation, household poverty and families questioning the value of education. Anecdotally, other reasons include the prevalence of diseases, such as diarrhoea and respiratory infections, and poor learning environments in schools.

Overall fewer boys are at school than girls. Total enrolments comprise 6,479 females (53 per cent) and 5,716 (47 per cent) males. In senior secondary years, significantly more girls (1,469 or 56 per cent) are at school than boys (1,141 or 44 per cent).²⁷ Australia is also

¹⁷ Government of Kiribati, *South Tarawa Sanitation Improvement Sector Project Report* 2012.

¹⁸ Ibid.

¹⁹ World Health Organization, *Global Health Observatory Data Repository, Child health: Under-five mortality by country, Kiribati, 2011*.

²⁰ Government of Kiribati, *South Tarawa Sanitation Improvement Sector Project Report* 2012.

²¹ Secretariat of the Pacific Community, *Kiribati Family Health and Support Study—A study on violence against women and children*, 2010.

²² H. Palmqvist, *Eliminating Sexual and Gender Based Violence Organisational Capacity Assessment*, 2013.

²³ AusAID, *Education Cost of Service Delivery Analysis*, 2013.

²⁴ Ministry of Finance and Economic Development with World Bank technical assistance, *Kiribati Public Expenditure Analysis*, 2013.

²⁵ 6,934 children under 5 years of age live on South Tarawa, representing almost 14 per cent of the population. Government of Kiribati, *South Tarawa Island Report*, 2012.

²⁶ Government of Kiribati, *Kiribati Education Management Information System Digest* 2012.

²⁷ Government of Kiribati, *South Tarawa Island Report*, 2012.

supporting research to examine what factors are contributing to these inequalities and what strategies can be put in place to address them.

The Standard Testing Assessment System for Kiribati reveals that grades 4 and 6 primary school students are not performing well in English and Te-Kiribati literacy and numeracy. Most alarming is the decline in the English literacy rate between 2009 and 2011 as observed in table 1 below.

Table 1: Results from the 2009 and 2011 Standard Tests of Achievement for Kiribati

Grade 4	2009	2011	Grade 6	2009	2011
	%	%		%	%
English literacy rate	39	29	English literacy rate	32.5	22.5
Kiribati literacy rate	62	62	Kiribati literacy rate	55.5	60.5
Numeracy rate	35	37.5	Numeracy rate	16	18

The Government of Kiribati's policy for 'migration with dignity' aims to improve language, workplace skills and qualifications to make Kiribati citizens competitive in international labour markets, with options for labour mobility developed over time.²⁸ This is a proactive, long-term response to climate change challenges and constraints to growth and development. However, DFAT expects there to be social costs to the dependents and communities left behind. DFAT will analyse these costs as part of its analytic work in 2013–14.

Political and administrative

The Government of Kiribati is politically stable. President Tong was re-elected for a third and final term in November 2011 and the government is relatively reformed-minded. Four parliamentarians are women, representing nine per cent of the total Parliament.

Australia has a strong working relationship with most Government of Kiribati ministries, particularly those involved in its major programs. In addition to annual partnership talks, regular and effective policy discussion occurs on all of Australia's programs, especially on economic reform. A significant number of Australia Awards Scholarship Alumni occupy prominent positions in the Government of Kiribati, including the Minister of Education, Minister for Commerce, Secretary for Finance and Secretary for Public Service Office. This strengthens Australia's working relationship.

Despite some highly skilled individuals, the Government of Kiribati's overall implementation and absorptive capacity is very limited. In 2012–13, the partnership's progress was constrained by a high turnover of leadership in government ministries. Further, several key specialised positions cannot be filled from the local labour market (for example, a telecoms regulator and a Public Utilities Board operations manager). The onus often falls on Australia, as the major development partner, to fill these gaps. DFAT monitors the use of international adviser positions carefully and ensure decisions to supplement rather than build capacity are backed by careful market testing.

Although capacity is limited across the Government of Kiribati, particular challenges exist for the Ministry of Public Works and Utilities in implementing large infrastructure investments. Development partners expect that the Ministry of Public Works and Utilities will drive these investments. However, the Ministry does not have the technical skills required to manage

²⁸ At present, data on international employment outcomes for Kiribati graduates is limited. Australian support to the Ministry of Labour and Human Resource Development is assisting the Ministry collect this data.

large, complex projects or oversee consultants' work. Lack of capacity in the Public Utilities Board (the government-owned corporation responsible for water supply, sewerage and electricity services) and Kiribati Fiduciary Services Unit (within the Ministry of Finance and Economic Development) also constrains the effective implementation and maintenance of infrastructure investments.

The Ministry of Fisheries and Marine Resources Development faces significant institutional weaknesses. This contributes to a lack of transparency and accountability in the management of oceanic fisheries, as well as a lack of independent technical advice in access negotiations.

Government of Kiribati public financial systems are weak. In 2012, the Australian aid program conducted an assessment of national systems. The assessment concluded that the program should avoid channelling funds through these national systems or adopt strong risk mitigation measures. DFAT is working with the Ministry of Finance and Economic Development to improve these systems. In the interim, the vast majority of Australian funds continue to be channelled through managing contractors and multilateral development partners.

Key program objectives

The fundamental purpose of the Australian aid program to Kiribati is to reduce poverty. To achieve this, Kiribati and Australia signed a Partnership for Development on 27 January 2009 committing to three priority outcomes:

- > Outcome 1: improved standards in basic education, in terms of access and quality and literacy and numeracy.
- > Outcome 2: increased opportunities for people to develop internationally recognised workforce skills in areas of industry demand, both domestically and overseas.
- > Outcome 3: improved growth and economic management, which aim to increase revenue and support, and better allocate resources to meet, development challenges.

In September 2012, Kiribati and Australia agreed to add a fourth priority outcome:

- > Outcome 4: improved infrastructure services through increasing access to telecommunications and sanitation services and improving the main road network.

Australia also provides assistance in the areas of climate change, health, disability and gender. Australia's program is appropriately targeted to Kiribati's development needs, the Government of Kiribati's priorities (as articulated in the Kiribati Development Plan 2012-2015), and Australia's comparative advantages. Specifically:

- > There is strong political will to improve basic education, workplace skills and qualifications to increase the competitiveness of i-Kiribati in international labour markets. Australia has considerable expertise in these areas and is well placed to support the Government of Kiribati.
- > Australia's support for improved growth and economic management in Kiribati is important for all other priority outcome areas under the partnership. Expanding the government's revenue base will enable more money to be spent on national development priorities and improving public financial management systems will enable money to be efficiently expensed and accounted for by line ministries. There is political will to progress some difficult economic reforms, including the sale of under-performing, state-owned enterprises and introduction of new taxes to increase revenue. In the current conducive political environment, there remains a strong business case for Australia to fund international financial institutions to provide assistance to the Government of Kiribati, while engaging in policy discussion and oversight of funded programs.

- > Infrastructure is a priority outcome due to the size of Australia's investment in the sector (more than \$40 million) and its relevance to the other priority outcomes, particularly economic growth and management. Australia's support for the sector will save lives and improve resilience against the future impacts of climate change by improving the dire water and sanitation situation in South Tarawa. It will also address other significant impediments to Kiribati's development by improving the current road system (which is in extremely poor condition and has received no major maintenance for more than 20 years), improving access to telecommunications and reducing reliance on expensive imported diesel for energy generation.

Expenditure on areas outside of partnership priorities already accounts for approximately 20 per cent of Australia's program expenditure (tables 3A and B). There is some pressure on Australia, as lead donor, to invest in other areas outside of partnership priorities, leading to further fragmentation. In particular, the Government of Kiribati wants Australia to play a stronger, more direct bilateral role in the health sector given that no other development partner is willing to take the lead. The health sector receives significantly less donor assistance than other sectors in Kiribati even though there is a clear need to improve health service standards. Australia currently provides modest support for the sector (predominately through regional and international partners). DFAT is reviewing Australia's capacity to provide further support. In doing so, however, DFAT needs to manage the risk of further fragmentation, which has an impact on results, imposes significant transaction costs on Australia and partner governments and is against the fundamental purpose of the aid program (to help people overcome poverty).

Subject to funding and consideration of program fragmentation, there is opportunity to better engage community organisations, including by supporting Australian or international non-government organisations to establish long-term programs in Kiribati and develop local civil society capacity.

Development partners

Australia is the largest donor in Kiribati, providing an estimated \$26.9 million in 2012–13. This represents almost 30 per cent of the Government of Kiribati's expenditure in 2012.²⁹ DFAT administers approximately 98 per cent of Australia's official development assistance to Kiribati. Other Australian Government partners include the Australia Centre for International Agricultural Research, which provided \$380 000 for fisheries assistance in 2012 under the Pacific Agribusiness Research for Development Initiative. The Department of Defence supported defence co-operation activities (\$288 000), including:

- > Pacific Patrol Boat Program (which undertook maritime surveillance and fisheries protection)
- > capacity building for Kiribati's police force (with the assistance of the Australian Federal Police).

A significant number of other bilateral and multilateral donors support Kiribati and Australia works closely with them in delivering Australia's aid program. Key Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) partners are listed in Table 2.

²⁹ Government of Kiribati Budget 2013.

Table 2: OECD DAC partner funding to Kiribati in 2011

Donor	2011 (million)	Donor	2011 (million)
Australia	\$39.5	Asian Development Bank	\$0.7
New Zealand	\$12.5	World Bank (International Bank for Reconstruction and Development, International Development Association and International Finance Architecture)	\$0.3
Japan	\$3.7	World Health Organization	\$0.3
European Union	\$3.5		

Source: OECD DAC data using the 2011 yearly average exchange rate of 1USD = 1.035AUD (2012 data not yet available).

Note: Taiwan is a significant non-DAC donor to Taiwan.

The large number of development partners and number of activities (including missions) relative to Kiribati's size results in high transaction costs for the government. Australia takes opportunities to discuss this with development partners to maintain focus on adhering to the principles of the Forum Compact on Strengthening Development Coordination in the Pacific, including the need to coordinate activities and align investments behind national government priorities. Australia is helping to strengthen the Government of Kiribati's aid coordination function by funding a new director position in its National Economic and Planning Office.

The World Bank and Asian Development Bank are increasingly involved in the Kiribati program, particularly in infrastructure and economic reform, bringing essential expertise to Australia's efforts. However, the Government of Kiribati lacks the capacity to implement projects under the banks' standard approaches. Negotiating these issues takes time and resources from Australia's program. In 2013–14, DFAT will encourage both banks, through the Pacific Region Infrastructure Facility, to maintain the disproportionate levels of program oversight required to provide the Government of Kiribati with adequate support for implementing activities and donor coordination. DFAT will also urge the banks to engage a new in-country representative for their joint Development Corporation Office in Kiribati as a matter of priority. The position has been vacant since May 2013 and the absence of a strong and effective in-country presence in Kiribati adversely impacts project implementation.

Australia also partners with United Nations (UN) agencies, including United Nations Children's Fund (UNICEF) and United Nations Educational, Scientific and Cultural Organization (UNESCO) on education and UN Women on gender equality. However, the UN agencies have a very limited in-country presence and DFAT continues to encourage them to strengthen their engagement in Kiribati.

Expenditure

A summary of financial expenditure of Australia's aid program to Kiribati for this APPR is provided in two periods—one for January 2012 to June 2012 and one for 2012–13 (Table 3A and Table 3B). Information on both reporting periods is included because APPR reporting requirements have changed from calendar-year reporting to financial-year reporting.

Table 3A Expenditure 01 Jan 2012–30 Jun 2012

Outcomes	A\$ million	% of program
Outcome 1: Improved standards in basic education	3.9	24
Outcome 2: Increased opportunities to develop internationally recognised workforce skills	5.1	31
Outcome 3: Improved growth and economic management	1.2	8
Outcome 4: Improved infrastructure services	2.9	18
Other*	3.4	20

Source: AidWorks

Table 3B Estimated expenditure in 2012–13**

Objective	A\$ million	% of program
Outcome 1: Improved standards in basic education	5.5	20
Outcome 2: Increased opportunities to develop internationally recognised workforce skills	7.3	27
Outcome 3: Improved growth and economic management	0.9	3
Outcome 4: Improved infrastructure services	7.5	28
Other*	3.0	11

Source: AidWorks

* Other includes expenditure on climate change, health, disability, gender, volunteers and programs administered by other Australian Government partners.

** At the time of writing it was only possible to breakdown \$24.3 of the \$26.9 estimated expenditure in 2012–13. It is likely that the majority of the remaining \$2.7 million (10 per cent) will fall under the 'other' category.

Progress towards outcomes

Table 4 Rating of the program's progress towards partnership outcomes

Partnerships outcomes	Current rating	Previous rating
Outcome 1: Improved standards in basic education	Green	Amber
Outcome 2: Increased opportunities to develop internationally recognised workforce skills	Amber	Amber
Outcome 3: Improved growth and economic management	Green	Red
Outcome 4: Improved infrastructure services	Amber	N/A
Other	Green	N/A

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Outcome 1: Improved standards in basic education

Commitment	Support efforts to achieve improved standards in basic education, in terms of both access and quality.
Targets	Improved functional literacy and numeracy of school-age children (on track). Increased net enrolment rate for boys and girls at all levels of the education system (on track). Kiribati Education Management Information System data reported annually to key stakeholders (on track).
Rating	Green: Kiribati is not expected to meet the education MDGs by 2015. However, Kiribati and Australia are on track to achieve the partnership targets.

To address the poor quality of education in Kiribati, Australia has partnered with the Government of Kiribati, UNICEF and UNESCO to deliver the Kiribati Education Improvement Program, which aims to give all children in Kiribati access to quality education by 2020. The program started in 2011 and the first of three phases finished on 28 February 2013.

Progress against targets

Improved literacy, numeracy and enrolment rates (on track)

The 2011 literacy, numeracy and enrolment rates for Kiribati primary school students reflected ongoing decline in the education system. The program's design significantly underestimated the rate of decline in English literacy. Consequently, at the Australia – Kiribati Partnership Talks in September 2012, the targets for 2013 were updated (Table 5).

Grade four	Original 2013 target (%)	Updated 2013 target (%)	Grade six	Original 2013 target (%)	Updated 2013 target (%)
English literacy rate	47.7	33.5	English literacy rate	44.8	26
Kiribati literacy rate	70.3	71.3	Kiribati literacy rate	59.8	70
Numeracy rate	38.3	48	Numeracy rate	22	21

Table 5: Updated literacy and numeracy targets for 2013

DFAT expects that program efforts to improve school facilities, teachers' professional development and the national curriculum will improve all rates beginning with the 2013 results. The department also anticipates reaching the program's (unadjusted) 2020 targets despite adjustments made to the 2013 targets.

In 2014, DFAT will organise an independent evaluation of the program, including an assessment of progress against 2013 targets and whether educational approaches and resourcing in the early years of schooling are appropriately targeted. Given the long-term nature of the program objectives, DFAT will also explore options to improve how it assess the program's intermediate objectives.

In 2012–13, the following activities were implemented to support the program's target of improved literacy, numeracy and enrolment rates.

(a) Improvements to school facilities

In 2012, Australia supported the rehabilitation of six schools, enabling 870 children to learn in 49 improved school facilities, including 33 newly rehabilitated classrooms. However, delays in rehabilitating another 36 schools occurred in 2013 due to the delay in agreeing whether these schools should be rehabilitated using permanent materials or a hybrid of permanent and traditional materials. Should the Government of Kiribati decide to rehabilitate the remaining schools with permanent materials only, Australia is likely to restrict its funding to rehabilitating schools in urban areas or where schools are already built (or predominately built) in permanent materials to better assure the sustainability of Australia's investment.³⁰

The program's school rehabilitation component has focused on gender and social inclusion, including ensuring access to appropriate toilet facilities and improved access for children with disability. Attention has also been paid to the composition of community consultation teams to balance male and female team members. Careful consideration of the venue for consultations also proved effective with more women actively participating when discussions were held in churches rather than in traditional *maneabas*.

(b) Stronger legislative framework

The program has developed a draft education bill covering legislative provision for an inclusive and quality education system. Gender and social inclusion considerations underpin the draft bill, with key sections focusing on disability inclusion, school safety, mandatory reporting of child abuse and neglect, and protection against discrimination on the grounds of pregnancy or status as a parent. The bill was due to be tabled in parliament in 2012, but was delayed due to the need to obtain technical advice from Kiribati's Office of the Attorney-General. It is now expected to be tabled in 2013–14.

(c) Workforce development

A teacher professional development framework incorporating English language competencies, teacher performance and service standards was developed in 2011 and implemented in 2012. Australian support to this program component enabled 771 of Kiribati's 1,002 primary and junior secondary teachers to be trained (590 female and 181 male).³¹ Of these, 382 completed Kiribati English Language Proficiency training with 75 per cent achieving the required competency standards (benchmarked against international standards for language programs). Teachers who failed to meet the competency standards have been supported with self-study kits and will be re-tested over the coming year. 389 teachers were also trained in the new grades 1 and 2 curricula.

The provision of professional development is resource intensive, as it involves temporarily removing teachers from schools to attend training in South Tarawa and recruiting supplementary teachers to replace them. The program is working towards decentralising teacher training to improve efficiency, and removing barriers to male and female teachers from the outer-islands accessing these opportunities. The impact of these professional development opportunities on teaching and learning outcomes will be measured through annual teacher service standard appraisals and an impact study to be undertaken by the program in 2014.

³⁰ Australia has strongly advocated that the Government of Kiribati agree to a hybrid approach because it provides greater benefits for local communities, including ongoing maintenance revenue and more timely rehabilitation of schools. This approach is also consistent with the Kiribati Facilities Management Plan (2009) which limits permanent structures to urban centres.

³¹ Government of Kiribati Ministry of Education, *Kiribati English Language Program Eighth Quarterly Report*, 2013.

(d) Curriculum and assessment

2013 was the first year of implementation of the National Curriculum and Assessment Framework. The framework aims to substantially improve the quality of the syllabus and teaching materials to enhance learning experiences and quality learning outcomes. Additional teaching resources for grades 1 and 2 have been developed and are being introduced to all schools.

Kiribati Education Management Information System data reported annually to key stakeholders (on track)

The Ministry of Education uses the Kiribati Education Management Information System to collect and store valuable performance information on the sector, including data about pupils, teachers, facilities and resources at each school. The data is then used to produce an annual education digest. The 2012 Education Digest will be made available to all stakeholders in June 2013 as scheduled.

In 2012, the program reviewed the capacity of the Kiribati Education Management Information System to collect and report against the Monitoring and Evaluation Framework for the Education Sector Strategic Plan (2012–15). The review outcome included revisions to the framework and plans for upgrading the information technology operating environment in the Ministry of Education.

Delivery effectiveness

The program uses a number of delivery methods to support the Ministry of Education. Most of Australia's support is being implemented by a managing contractor. Australia is also providing grant funding to UNESCO and UNICEF, technical support through the Pacific Technical Assistance Mechanism and DFAT's Education Resource Facility and accountable cash grants to the Ministry of Education.

UN partners completed prescribed activities by the end of the program's first phase of the program, thereby alleviating DFAT's initial concerns about their slow performance.

In 2012:

- > UNESCO supported the Ministry of Education to develop a Monitoring and Evaluation Framework for its Education Sector Strategic Plan. The framework indicators have been designed to enhance gender and social inclusion monitoring.³² UNESCO also supported the implementation of the Teacher Service Standards and Teacher Appraisal System and incorporation of climate change, culture and disaster response into the new grades 1 and 2 curriculum.
- > UNICEF improved access to water and sanitation facilities for 2458 students at four South Tarawa schools and supported the Ministry of Education in conducting early grade literacy training workshops, reviewing school improvement standards and facilitating a learning mission on community-based school reconstruction to Solomon Islands.

The use of multiple ways to deliver aid has enabled DFAT to be responsive and flexible to Ministry of Education requests. Aside from delays in rehabilitating school facilities, most deliverables have been provided in a timely and efficient manner underscoring the program's ongoing value for money. However, the use of multiple methods is challenging for DFAT since it requires the department to manage various resource-intensive inputs and agreements. This challenge will likely increase when the program's school grants component is

³² Including percentage of schools with mixed (male and female) parents committee membership; percentage of schools accessible to students with disability; and percentage of children with disability accessing school.

implemented. It has also affected the Ministry of Education, which struggles at times to understand the roles and contributions of players. Australia may need to provide more assistance to address the Ministry's capacity constraints.

Australia supports the gradual transition of the program to a sector-wide approach. Moving toward this approach over time will enable the program to strengthen key government machinery (procurement, policy, planning and budget management systems), which is critical to ensuring benefits are sustained beyond the life of the program. Phase Two will focus on establishing some basic components, such as better donor coordination and alignment behind a Government of Kiribati-led sector strategy.

Outcome 2: Workforce Skills Development

Commitment Provide opportunities for people to develop workforce skills in areas of domestic and international industry demand.

Targets Increase each year the number of people aged 16 to 24 years enrolling in and completing TVET courses which have internationally recognised qualifications (on track).

Increase completion rates for i-Kiribati studying at tertiary education institutions (on track for domestic students and off track for international students).

Increase the number of i-Kiribati workers accessing employment opportunities overseas (off track).

Rating Amber: Results for the workforce skills development outcome continued to be mixed in 2012–13. Australia's support to strengthen the TVET sector is performing satisfactorily, however, DFAT has serious concerns about the efficiency of the Kiribati-Australia Nursing Initiative and the findings of an independent review are being used to inform a decision about Australia's future support to this area. Overall, the outcome is partially on track to meet joint commitments.

Australia is supporting the partnership commitment of providing opportunities for i-Kiribati women and men to develop workforce skills in domestic and international industry demand through bilateral and regional programs. The long-term Kiribati TVET Sector Strengthening Program strengthens the Ministry of Labour and Human Resource Development's (MLHRD) capacity to oversee and manage TVET institutions, including the Kiribati Institute of Technology, Maritime Training College and Fisheries Training College. The program is also working directly with the Kiribati Institute of Technology to expand and improve the quality of courses it offers. Other programs that support access to training and employment opportunities in the region include scholarships (Australia Awards Scholarships and Kiribati-Australia Nursing Initiative Scholarships), the Australia-Pacific Technical College (APTC) and the Pacific Seasonal Worker Scheme.

Progress against targets

Stronger technical and vocational education and training sector

In 2012–13, activities to strengthen MLHRD capacity to oversee and manage TVET institutions included:

- > drafting a sector-wide policy and strategic framework, a MLHRD strategic plan and a position paper on modernising the apprenticeship and trade-testing system
- > preparing labour mobility strategies

- > establishing stronger sectoral advisory mechanisms, including a new TVET Board and industry training advisory committees.

It is too early to gauge the effectiveness of these activities, however, overall progress in 2012-13 was slow. The primary reason was leadership and staffing constraints within the MLHRD. In late 2012, the MLHRD secured strong capable leadership and progress subsequently improved. DFAT is examining whether directing more of existing program resources (including adviser inputs) to MLHRD activities would help to improve progress.

Progress to improve the quality, quantity, scope and equity of training delivered at the Kiribati Institute of Technology was more successful. Results include adopting the Australian Quality Training Framework standards and improvements in staff technical capacity. In 2012, 240 full-time students enrolled compared to 249 in 2011, but 20 per cent more graduated than in 2011. Adopting more flexible delivery options, sharing facilities with the Maritime Training College, and using workplaces for delivery are all expected to contribute to increased enrolments in 2013. However, delays in facility and equipment upgrades at the Kiribati Institute of Technology have hampered the quality of course delivery and slowed efforts to increase the amount and scope of training delivered.

Although DFAT is confident that Australia's support is strengthening the capacity of the MLHRD and the Kiribati Institute of Technology, it needs to underpin viable pathways to employment. TVET programs cannot themselves create jobs, and the reasons for low employment outcomes are complex and multi-faceted. The program is supporting the Kiribati Institute of Technology to increase the labour market relevance of its course offerings, thereby maximising graduate employment opportunities. For example, the institute is working closely with major international contractors to identify demand for skilled labour on key domestic infrastructure projects that could be met by i-Kiribati.

Female enrolment decreased from 88 in 2011 to 75 in 2012 and female participation in apprenticeships remained low (24 females compared to 138 males, a ratio of approximately 1:6). The 2012 Annual Kiribati TVET Sector Strengthening Program Assessment (April 2012) found the program had given insufficient priority to gender access, including with course participation and completion. The managing contractor, MLHRD and Kiribati Institute of Technology have taken these findings seriously and made considerable progress to address the issues in 2012-13, including by drafting sectoral and institutional policies and delivering training on gender equality. Changes to the types of courses offered (from male-dominated trade courses towards non-trade courses) and providing more flexible course delivery arrangements are expected to increase female enrolment. There is good gender representation in leadership and decision making at MLHRD and the Kiribati Institute of Technology.³³

Australia Awards Scholarships

The Australia Awards Scholarships program helps i-Kiribati pursue long-term training at tertiary institutions in Australia, while the Australia Awards Pacific Scholarships help i-Kiribati access education in the Pacific region. Kiribati does not have a national university-level institution so scholarships are important to human resource development needs. Scholarship recipients are selected to study programs prioritised in the Kiribati National Human Resource Development Plan. The current focus of Australia Awards is commerce, engineering, marine science, teaching, technology information and management.

³³ The MLHRD's Secretary is male, but half of its senior positions are held by women. At the Kiribati Institute of Technology, the acting Principal is male, but one Deputy Principal and two Heads of School are women. Young women are well represented on student representative groups and alumni.

In 2013, eight Australia Awards Scholarships and 19 Australia Awards Pacific Scholarships were provided (14 females and 13 males). Short-term outputs can be difficult to measure given these scholarships involve three to five years of study. In 2013, an Australian Government joint tracer study for microstates, including Kiribati, will assess the impact and relevance of Australia Awards to Kiribati's development.

A database has been developed to monitor the whereabouts of i-Kiribati Australia Awards alumni. As well as occupying prominent positions in government, alumni are working within international agencies such as the Asian Development Bank, UN and World Bank. In particular, the program has helped women to achieve leadership and decision-making positions. One female Parliamentarian and four female secretaries are alumni.

Australia Awards Scholarship completion rates remain a concern. Between 2005 and 2012, 83 per cent of i-Kiribati students completed their studies compared to 97 per cent globally. Sixty-nine per cent of i-Kiribati Australia Awards Pacific Scholarships students completed their studies compared to 81 per cent across the Pacific. Over time, DFAT expects that the efforts to increase English literacy rates in Kiribati under the Kiribati Education Improvement Program will help improve these rates. However this is a long-term solution. Other factors affecting completion rates may include acculturation and other socialisation issues. DFAT will investigate these further in 2013–14.

The Government of Kiribati (Public Service Office and Ministry of Education) conducts the Australia Awards Scholarship selection process with DFAT involvement. For the 2014 intake, DFAT will need to ensure even greater involvement to ensure that minimum standards for selecting Australia Awards Scholarships are complied with. The department will also examine options for outsourcing the administration of the selection process to a managing contractor to reduce the burden on DFAT's Tarawa Post.

Kiribati-Australia Nursing Initiative scholarships

The Kiribati-Australia Nursing Initiative provides scholarships to i-Kiribati to undertake a nursing degree in Australia (through Griffith University) with the explicit purpose of enabling graduates to find employment in Australia.³⁴ This is distinct from the Australia Awards that aim to develop individual capacity and leadership skills to enable participants to better contribute to development on return to their home country. The Kiribati-Australia Nursing Initiative began in 2007 and is a unique and innovative model of supporting skilled migration from a small, remote and environmentally fragile Pacific island country.

In 2012–13, the Australian Government had the initiative independently reviewed. The review rated the effectiveness as 'adequate quality'. It found that educational outputs were largely achieved, with 68 students (82 per cent)³⁵ expected to graduate as registered nurses. This result was similar to the completion rates of i-Kiribati Australia Awards participants (83 per cent), which are concerning (when compared to the Australia Awards completion rate of 97 per cent globally) but not dire. However, the Australian aid program has been disappointed in the time it has taken for international employment outcomes to emerge. By February 2012, 17 per cent (5 out of 29) of participants who had exited had gained full-time employment in the health sector and another 31 per cent (9 out of 29) had gained part-time employment.³⁶ By June 2013, 24 per cent (13 out of 54) had gained full-time employment and another 46 per cent part-time employment (25 out of 54). Although specific employment targets were not

³⁴ The initiative originally included a second component involving upgrading nursing education in Kiribati. This component is being implemented through the bilateral health program and focuses solely on providing nursing-sector scholarships.

³⁵ Sixteen students did not complete to Registered Nurse level but five of these exited with Diplomas of Nursing and another five with a Certificate III in Aged Care. Only six students exited with no qualification.

³⁶ Three full-time as Registered Nurses in Australia or New Zealand; and nine part-time in the aged care sector. Note: two students had been employed in Kiribati's domestic health sector.

identified in the initiative's design, this rate is lower than what the Australian Government expected.

The Government of Kiribati is pleased with the initiative's achievements. The 68 young people expected to graduate have worked hard to position themselves and their families for a better future. This is certainly a good outcome although the Australian Government remains concerned about the scale and efficiency of the initiative. Providing labour migration scholarships to 83 people out of population of 103,038 raises questions of scale. The review found the initiative would need to continue over many years before remittances from nurses trained under it would have any significant economic or social impact on Kiribati. This finding is also pertinent. The review's cost-benefit analysis showed only marginally positive net benefits on realistic scenarios, and would have shown a negative net benefit had private salaries of individuals not been counted as 'benefits'.

The review found that the Kiribati-Australia Nursing Initiative's concept remained highly relevant to country priorities. Supporting citizens to migrate with dignity is a key priority for the Government of Kiribati. Australia's support for the initiative adds weight to the government's calls for other donors to support labour migration programs. However, there have been changes to the operating context since inception, and these have influenced implementation and achievement of results. Changes include a depressed local nursing market in Queensland³⁷, Queensland Health's policy of employing domestic graduates first, an increase in the score required for an English for Skilled Graduate (Temporary 485) visa application³⁸, and increased costs in providing living allowances and visas for scholarship students. Other factors influencing implementation include the high rate of student pregnancies (almost half of female students) leading to increased extensions, repetition and a generally more lenient attitude to academic failures. The review found that other social and cultural issues relating to gender roles also had an impact and recommended that a comprehensive gender strategy be developed for any future phase.³⁹

The program is scheduled to end in mid-2014. The review's findings and recommendations will contribute to a management decision on how to reshape the program. Alternative options to address rising youth unemployment in Kiribati include increasing the Australia Awards program, increasing places at APTC, the Kiribati Institute of Technology and/or the Kiribati School of Nursing, and strengthening the transition to work and migration within these programs. The review noted that further support to the education sector, particularly in secondary school English language teaching, would be a sound investment in labour mobility for young i-Kiribati. DFAT will work with the Government of Kiribati in 2013–14 to explore all options.

Australia-Pacific Technical College

APTC awards internationally recognised Australian qualifications in targeted industry sectors in the Pacific region, including in the automotive, construction, electrical, health, manufacturing, tourism and hospitality sectors.

Since June 2007, 124 i-Kiribati have graduated from APTC (70 female or 56 per cent). In 2013, APTC provided a pathway for 16 Certificate II carpentry graduates from the Kiribati Institute of Technology to undertake an accelerated program of training at APTC, leading to

³⁷ This is a result of major cutbacks to public sector health services and it contrasts with the Australia-wide and global nursing shortage.

³⁸ This has meant that some students have required extra time and tuition to reach the required level.

³⁹ The review found that increasing numbers of males were participating in the program (3 or 11 per cent in the first cohort; 7 or 21 per cent in the second cohort; and 9 or 35 per cent in the third cohort). Given the lack of education and employment opportunities in Kiribati for females, the review recommended that if the program continues, consideration be given to maintaining male student numbers at the same ratio as male to female nurses in Australia (10 per cent).

the award of a Certificate III in carpentry. All 16 students successfully completed this program.

Seasonal Workers Program

Australia's Seasonal Worker Program is creating opportunities for Pacific islanders to access additional income by obtaining seasonal employment in Australia. In 2012, 12 visas were granted for workers from Kiribati. The average worker remits around \$5,000 to \$6,000 a year which provides a valuable source of income for workers' dependants and communities. More than 2,000 workers across the Pacific and Timor-Leste have now participated in this small but successful scheme. DFAT will explore options in 2013–14 for increasing Kiribati's participation, including women.⁴⁰

Outcome 3: Improved growth and economic management

Commitment	Strengthen economic management to support mutually agreed Kiribati-led economic reforms.
Targets	<p>Strengthened expenditure control to reflect better planning and financial discipline (on track).</p> <p>Increased revenue through an expanded revenue base and improved compliance, including through fishing revenues (on track).</p> <p>Improved state-owned enterprise oversight, management and service delivery and reduced costs (on track).</p> <p>Improved aid effectiveness and alignment (on track).</p>
Rating	Green: Australia's support for improved growth and economic management is on track, having improved from an uncertain beginning in 2011.

There is a pressing need to improve growth and economic management in Kiribati. With gross national income per capita of approximately \$2,000 and government revenues per capita of \$700, Kiribati is one of the poorest countries in the region. There is political will to improve public financial management and implement difficult economic reforms. Australia is supporting this by engaging in policy discussions with the Government of Kiribati and other development partners on economic reform, in addition to funding programs to reform state-owned enterprises, improve taxation and administration, enhance accounting and budgeting practices, and strengthen fisheries management.

Progress against targets

Overall Australia's support is on track to meet most objectives by 2015. Key results in 2012-13 were:

- > participating in regular policy discussion between development partners and the Government of Kiribati on economic reform (led effectively by the World Bank), which has improved the coherence and prioritisation of economic reform in Kiribati
- > drafting new state-owned enterprise reform legislation (passed by Parliament in April 2013), establishing a Monitoring and Advisory Unit in the Ministry of Finance and

⁴⁰ Only about 13 per cent of workers across the Pacific and Timor-Leste who participated in the program were female. Recruitment of workers under the initiative is demand-led by employers. A barrier to female participation could potentially be the perception by employers that males are better suited to the work required.

Economic Development to oversee state-owned enterprises (although resourcing remains a concern) and implementing reforms to key state-owned enterprises

- > providing technical assistance to support the Government of Kiribati introduce a proposed Value Added Tax, including analysis on the potential social impacts that will inform policy deliberations on the need for compensatory measures to poor households
- > commencing activities to assist the Ministry of Finance and Economic Development to improve accounting practices across government and budget management (including better alignment between the development budget and the recurrent budget)
- > supporting the Ministry for Fisheries and Marine Resources Development to develop the National Fisheries Policy and the Institutional Strengthening Strategy for endorsement by Cabinet in 2013, which will mandate improvements in fisheries management (particularly relating to issues of transparency, accountability and sustainability) and encourage greater donor coordination of identified priorities.

Delivery effectiveness

Australia primarily supports growth and economic management by funding the multilateral development banks to provide assistance to the Government of Kiribati. DFAT remains heavily involved in policy discussion and oversight of funded programs. This approach supports Kiribati's longer-term interests in developing effective partnerships with the banks. However, it is not necessarily less resource intensive than other delivery methods. In 2012-13, Australia shifted to a blended approach, financing the banks to manage projects while implementing projects directly (for example, the Tax Improvement Program). This approach responded to the banks' delivery constraints (namely limitations to their ability to respond to Government of Kiribati priorities). DFAT expects to maintain this blended approach until the banks improve their performance in Kiribati.

To date, gender issues have not been comprehensively integrated into the program. In 2013-14, DFAT will consider what more can be done to effectively incorporate women's economic empowerment.

Public support towards state-owned enterprise and taxation reform is not strong given the likely short-term negative impacts perceived by the public. To date, the program has not focused sufficiently on building public awareness of long-term benefits and the opportunity cost of continuing the status quo. In 2013-14, DFAT will consider adopting a public diplomacy and communication strategy to support Australia's assistance to this sector.

The first phase of the Asian Development Bank-led Economic Management and Public Sector Reform Program will be completed in September 2013 and a second phase will start shortly after. It is important to maintain momentum for reforms, as a gap in assistance could potentially jeopardise the Government of Kiribati's commitment to them. The Asian Development Bank and DFAT will need to review lessons learned from the first phase, particularly on the political economy of decision making, if they are to successfully engage with the government in the next phase.

Although Australia's focus on fisheries remains very relevant to Kiribati's development, its ability to effect change is untested. In 2013-14, Australia will fund a fisheries specialist to supplement the Ministry for Fisheries and Marine Resources Development to support the government's implementation of the National Fisheries Policy and adherence to regional initiatives. Australia will also urge the government to maintain agreed limits under the Parties to the Nauru Agreement. Adherence to this scheme is important given the impact of projected climate change scenarios on the distribution of tuna stocks.

In 2013, Australia will complement its portfolio with a targeted budget support program led by the World Bank. The program will provide incentives for the Government of Kiribati to

maintain its reforms for improving its fiscal situation. It should also ease the need for the government to draw down on the Kiribati Revenue Equalisation Reserve Fund to meet the budget deficit over the short term.

DFAT will make sure that Australia's approach to budget support is pragmatic and aligns with the approach of other development partners operating in Kiribati. DFAT will also need to manage the risks associated with using weak partner government systems, including the potential for poor transparency, accountability and misuse. DFAT will be informed by its assessment of national systems (completed in 2012) in this regard.

Outcome 4: Improved infrastructure services

Commitment	Improved infrastructure services through increasing access to telecommunications and sanitation services and improving the main road network.
Targets	<p>Increased access to telecommunication services (off track).</p> <p>Improved health of South Tarawa's population through enhancing access to sanitation services (too early to measure).</p> <p>Improved main road network on South Tarawa and strengthened road finance and maintenance capacity (off track).</p> <p>Reduced dependence on imported diesel for power generation (too early to measure).</p> <p>Coordinated infrastructure investments (off track).</p>
Rating	Amber: Australia's infrastructure investments experienced significant delays and cost blow outs in 2012–13 and are off track to meet targets.

Australia's support for infrastructure has been a major growth area with programs in the telecommunications, sanitation, transport and energy sectors. Australia's support is provided in partnership with the multilateral development banks and is coordinated through the Pacific Region Infrastructure Facility.

Progress against targets

Increased access to telecommunication services (off track)

In 2012–13, the World Bank-led Telecommunications and ICT Development Project achieved some results, including the presentation of new telecommunications legislation to Parliament to encourage competition. However, reforms to the government-owned operator (Telecom Services Kiribati Limited—TSKL) are not on track. The Ministry of Communication's initial shortlisting process for a consultant to undertake the reforms was not consistent with World Bank guidelines. Consequently, the process had to be repeated and was not completed until the end of 2012. In the absence of advisory assistance, TSKL's performance continued to deteriorate throughout 2012. This is an example of misalignment between World Bank expectations and the reality of implementation capacity in Kiribati.

DFAT has other concerns with the project's efficiency, including the decision to link the timeframe for selecting a private operator to TSKL reforms. In 2013–14, the department will work with the World Bank and Government of Kiribati to explore options for fast tracking private sector engagement.

Improved sanitation services (too early to measure)

The South Tarawa Sanitation Improvement Sector Project, led by the Asian Development Bank, is still in the early design phase so it is not possible to measure effectiveness. Hygiene

promotion activities are underway but their effectiveness will remain limited while open defecation remains common practice. DFAT is urging the Government of Kiribati and Asian Development Bank to fast track sub-projects involving communal toilets to allow alternatives to open defecation for people not serviced by the sewerage system. Finalising the design for core sub-projects was delayed. However, recent experience with the Kiribati Road Rehabilitation Program (where bid prices significantly exceeded cost estimates for work) has reinforced the importance of taking the time to get designs and cost estimates right. DFAT will continue to engage with the Asian Development Bank to manage project risks effectively.

Improved road network (off track)

In 2012–13, Australia significantly expanded investment in the Kiribati Road Rehabilitation Project, in response to a Government of Kiribati request for reprioritisation of its aid. The project is jointly led by the Asian Development Bank and World Bank—the first of its kind world-wide. The objective is to reconstruct 40 kilometres of road pavement and drainage to improve the condition of South Tarawa's main road network and help strengthen road financing and maintenance capacity. The three main components are: infrastructure improvements, road sector reform and project support.

The project is now 15 months behind schedule due to procurement problems and bids for construction work coming in 30 per cent over project budget. The key risk that has emerged is the Government of Kiribati's weak capacity to manage project implementation consultants. To date the adopted risk mitigation measures of establishing a Kiribati Fiduciary Services Unit and engaging a design and supervision consultant to help the government with implementation have not been effective. Donor partners recognise this weakness, which has led to many delays. Further support measures, including more intense project monitoring and discussion with senior government officials, are underway.

Despite difficulties to date, this is a transformational project for South Tarawa's population and Australia has agreed to provide additional financing of \$15 million (taking the total commitment to \$21 million). Additional funding is, however, contingent on the Government of Kiribati meeting key performance milestones. In addition, DFAT has increased its level of participation in quarterly supervision missions led by the banks and has contracted an infrastructure specialist to advise on project progress and risk management.

Reduced dependence on imported diesel (too early to measure)

In 2012–13, Australia supported the South Tarawa Solar Project, led by the World Bank, to install solar photovoltaic at four selected sites on South Tarawa. Draft bid documents for the physical works have been prepared and the project is awaiting procurement of a project management consultant. Although it is too early to assess overall effectiveness, some useful work was completed by the Pacific Infrastructure Advisory Centre's energy specialist in 2012–13 with the Public Utilities Board to establish clear baseline data on South Tarawa grid operations. This data will help assess the progress of this project and other assistance to the Public Utilities Board.

Effectively coordination of infrastructure investments (off track)

Australia's infrastructure investments are coordinated through the Pacific Region Infrastructure Facility, which operates at regional level to focus development partner support on the highest priority infrastructure investments, eliminate duplication between donor programs and reduce the burden on Pacific island governments of dealing with multiple donor projects. However, coordinating infrastructure program implementation in Kiribati is not yet effective.

The Government of Kiribati has established the National Infrastructure Development Steering Committee, although it rarely meets and does not have terms of reference. In 2013–14, DFAT will work with the government to strengthen the committee's effectiveness. Another priority

is to properly resource the poorly-functioning Kiribati Fiduciary Services Unit, established to coordinate procurement and financial requirements for infrastructure projects funded by the banks. In 2012–13, however, the unit was not fully staffed, support for it was intermittent (using a fly-in, fly-out model) and the size of the portfolio was insufficient. The under-resourcing of the unit contributed to delays in infrastructure programs and needs to be redressed as a matter of priority.

Crosscutting issues

The Australian Government's infrastructure investments have been designed to promote social safeguards, local employment and disability inclusiveness. For example, the Kiribati Road Rehabilitation Project was designed in accordance with the Australian aid program's universal access guidelines⁴¹, which cover guidance for providing elevated bus shelters, segregating footpaths in appropriate areas, as well as installing road side kerbing and crossings. Measures are being implemented to mitigate against a number of the project's potentially adverse social impacts, including those affecting the livelihoods of i-Kiribati families who rely on the beach mining of coral aggregates used in construction. Activities have been planned to minimise income loss by sourcing aggregates for the project through sea dredging.

Women in Kiribati shoulder most home care responsibilities and their roles as caregivers, nurturers and providers for the family means they are particularly affected by the availability of water and sanitation, and access to health, information and communications technology and energy services. Improving access in these areas will benefit women and help them access markets as well as health and other services. DFAT will collect data on the number of women benefiting from improved infrastructure services, however, it is too early to assess the impact of investment yet.

Support for other sectors

Climate change

Australia provides assistance to Kiribati to adapt to the impacts of climate change through the Kiribati Adaptation Program led by the World Bank. In 2012, Australia invested \$5.1 million in the program's third phase. Previous phases were not entirely successful in achieving stated outcomes. However, the Australian Government was satisfied that key lessons were learned and are incorporated into the design of the third phase—specifically, increased engagement and ownership of the program by the Office of the President, as well the provision of additional external advisers to improve the government's capacity. The program is linked to assistance Australia provides to Kiribati's water and sanitation sector. In 2012–13, Australia funding was used to map water network assets and complete design and procurement documents for improvements to the distribution system. However, procurement was delayed by capacity weakness in the Kiribati Fiduciary Services Unit. DFAT will continue to monitor the program carefully to ensure the World Bank delivers visible outcomes and maintains realistic expectations about the Government of Kiribati's capacity.

In 2012–13, Australia's climate change adaption funding also supported the:

⁴¹ AusAID, *Accessibility Design Guide: Universal design principles for Australia's aid program*, 2013.

- > Kiribati Meteorological Service to extend its capacity in essential meteorological and climate services
- > Kiribati Climate Action Network to implement a food security project to deliver low-cost and community-based adaptation practices based on innovative farm technologies.

At the partnership talks held in September 2012 Australia urged the Government of Kiribati to endorse its draft climate change policy framework, which it did in January 2013. The government is also receiving support from the Secretariat of the Pacific Community, Secretariat of the Pacific Regional Environment Programme and United Nations Development Programme to finalise the Joint National Action Plan on Climate Change and Disaster Risk Reduction. This work will guide and coordinate climate change adaptation activities.

Health

In addition to the South Tarawa Sanitation Improvement Sector Program, which will save lives by improving access to better sanitation services, Australia supports other programs to improve health in Kiribati. In 2012–13, progress in this area included:

- > Drafting architectural plans to refurbish facilities at the Kiribati School of Nursing.
- > Deciding to commence, in early 2014, a detailed design to support the School of Nursing, to improve the quality of teaching and learning for nurses. This work stalled in 2012 when the World Health Organization withdrew from the program.
- > Commencing the third phase of AusAID funding (October 2012) to support the Secretariat of the Pacific Community's work in eliminating tuberculosis through early case detection, effective treatment programs and provision of equitable and accessible tuberculosis services to the community, especially the isolated and the poor.
- > Constructing the new maternity facility at Betio Hospital, as planned. Completion is expected by October 2013 and approximately 2500 births will be accommodated each year.
- > Providing small grants to the Australian Sport Outreach Program and Rheumatic Heart Disease Program to help reduce and treat non-communicable diseases.
- > Holding a joint Australia – Cuba scoping mission in April 2012 to identify potential areas of partnership between Australia and Cuba, including support for re-integrating i-Kiribati doctors trained in Cuba.

Despite some good achievements, the health sector faces significant challenges, including the need for development partner support to be better coordinated. DFAT is reviewing its support to the health sector.

Gender equality

In 2012–13, the Australian Government continued to work with the Government of Kiribati and UN Women to implement a National Action Plan for Eliminating Sexual and Gender Based Violence. Australia provided \$570,000 to a Preparatory Assistance Project which will lead to a comprehensive five-year work program to implement the plan and build capacity within the government and non-government organisations to implement it. DFAT expects the program to strengthen Kiribati's legal frameworks, social welfare support services, and institutional and community capacity to support survivors of violence. However, the department has been disappointed at the initial pace of implementation and has worked closely with UN Women to address delays. Progress is now being made.

At the 2012 Pacific Islands Forum, Pacific Leaders (including Kiribati President Tong) committed to a Gender Equality Declaration that set out domestic policy actions to improve

gender equality. Australia also announced funding of \$320 million over 10 years to improve gender equality in the Pacific through its Pacific Women Shaping Pacific Development Initiative. In 2013, the Australian Government started work with the Government of Kiribati on developing a country plan to guide Australia's investment under the initiative (\$9 million in Kiribati). The country plan is expected to be completed by August 2013.

Disability

Australia has supported the School and Centre for Children with Special Needs since 2009. This is the only institution in Kiribati that provides for the needs of children and young people with disability and their families. Australian funding enabled the school to expand access to education from 101 children and young people in 2012 to 125 in 2013.

Australia's assistance to date has primarily supported operational costs to enable the school to offer essential services for young people with disability. In 2012, AusAID, through its partnership with CBM-Nossal, assisted the school to develop its first four-year strategic plan (2012–15). This is reducing the need for the centre to rely on ad hoc donor assistance and providing a comprehensive framework against which DFAT can assess the impact of Australia's assistance.

Australia is also supporting disability-inclusive development efforts in Kiribati through regional partnerships with the Pacific Islands Forum Secretariat, Pacific Disability Forum, Disability Rights Fund, Secretariat of Pacific Communities and World Health Organization.

In April 2013, Kiribati was Australia's first Pacific bilateral program to undertake a specialised training program on disability-inclusive development. 77 participants were trained over a series of five workshops, including Government of Kiribati officials, representatives from non-government organisations and Australian Government officials based in Tarawa. Training provided participants with a basic overview of disability-inclusive development and assisted them to understand and identify the barriers people with disability experience.

Volunteers program

In 2012–13, Australia supported 20 volunteers to contribute their skills and human resource capacity to the Government of Kiribati and other public and private organisations. An example of the impact volunteers are having includes a volunteer boat builder who worked with vocational students to build a boat now used to earn income for young people in the village. All vocational students involved have since secured paid employment with the private sector.

Volunteers are also making an impact in addressing gender equality. One volunteer is building capacity in the Kiribati's Women's Development Division. Another is working with Aia Maea Ainen Kiribati (an umbrella body for women's organisations in Kiribati) and has analysed the organisational capacity of most civil society organisations in Kiribati that advocate to eliminate sexual and gender based violence, empower women and support victims and survivors. This analysis will inform DFAT's country plan for Kiribati under the Pacific Women Shaping Pacific Development Initiative.

Visibility of the Australian aid program in Kiribati

In 2013–14, the Kiribati program will update its communication strategy for engaging with Kiribati stakeholders, development partners and an Australian audience. The strategy will look for new opportunities to promote the aid program, including through project branding and media releases.

Quality at implementation ratings

Quality at implementation ratings for all active Kiribati initiatives are in Annex B. Trends in 2012 ratings were similar to 2011. The efficiency of the Kiribati-Australia Nursing Initiative, Australia Awards Initiative and infrastructure outcome remain a concern. The efficiency of the growth and economic management outcome improved⁴², reflecting the World Bank's success in bringing development partners and the Government of Kiribati together in regular policy discussion.

Monitoring and evaluating programs continued to be poor in 2012, with all but the Basic Education Program rated as 'less than adequate quality'. The performance assessment framework for the TVET Sector Strengthening Program was revised, and now focuses on obtaining information on outputs rather than inputs and activities. The growth and economic management outcome has a monitoring framework covering its individual activities. However the sector as a whole has been poorly monitored and evaluated. Regular policy discussion is expected to improve DFAT's ability to measure change and annual (instead of bi-annual) International Monetary Fund monitoring visits in 2013 are also expected to help. It is not clear that information gathered from the Asian Development Bank and World Bank monitoring missions has been used to improve effectiveness of infrastructure projects and DFAT has already allocated extra resources to monitor projects and ensure issues identified are addressed. DFAT will examine options for improving monitoring and evaluation across the Kiribati program, including through the development of a performance assessment framework and engaging more technical support through the Quality, Performance and Results Branch.

Overall, the sustainability of Australia's investments is satisfactory, bearing in mind that Kiribati has very few options to generate the revenue required to sustain most investments. As discussed throughout this APR, all programs (with the exception of growth and economic management) focus on gender equality.

Management consequences

Management consequences of the 2012–13 APPR are:

- > DFAT to undertake analytical work on:
 - drivers of economic growth and household incomes
 - opportunities for i-Kiribati women and men in the domestic and international labour market and the likely benefits and costs of increased labour mobility
 - political economy of decision making on economic and state-owned enterprise reform
 - demographic trends and the likely impacts of population growth, including impacts on the cost of education and health delivery
 - health services and the need for additional donor assistance
 - extent to which the overall country program has an impact on the poor
 - opportunities to better engage community organisations, including by supporting Australian or international non-government organisations to establish long-term programs in-country and develop local civil society organisation capacity.
- > DFAT to continue policy discussion with the Government of Kiribati on all programs and specifically discuss at the 2013 partnership talks:

⁴² From '3—Less than adequate' in 2011 to '4—Adequate' in 2012.

- the government’s progress in taking leadership, ownership and coordination of reforms, particularly through strengthening the National Infrastructure Development Steering Committee
 - the design and coordination of possible future Australian assistance to the health sector.
- > DFAT to:
- be more involved in the selection of Australia Awards Scholarships for the 2014 intake to comply with minimum DFAT standards
 - examine options for outsourcing the administrative aspects of the Australia Awards Scholarships selection process to a managing contractor to reduce the burden on DFAT’s Tarawa Post
 - investigate the high non-completion rates for i-Kiribati Australia Awards students.
- > DFAT to use the findings of the independent review of the Kiribati-Australia Nursing Initiative to inform a decision about how to reshape support to this sector.
- > DFAT to encourage the multilateral development banks to:
- maintain the disproportionate levels of program oversight required to ensure the Government of Kiribati has adequate support for implementation activities and donor coordination
 - engage a new in-country representative for the joint Development Corporation Office in Kiribati as a matter of priority.
- > DFAT to examine options for improving monitoring and evaluation across the Kiribati program including through the development of a performance assessment framework and engaging more technical support through the Quality, Performance and Results Branch.

Table 6 lists the most significant risks associated with the program and the management actions to be taken in response.

Table 6 Risks associated with the program and management actions

Most significant risks	Management response—What? Who? How? When?
Government of Kiribati will lack the capacity to lead, own and coordinate reform	DFAT Counsellor in Tarawa and Minister Counsellor in Suva to use 2013–14 discussion opportunities to explore specific ways for the government to improve leadership, ownership and coordination of reforms. At program level, Counsellor to monitor effectiveness of steering committees to oversee program performance and the government’s capacity to make informed decisions about the reform agenda.
Development partners, particularly the multilateral development banks, will have unrealistic expectations of the Government of Kiribati’s implementation capacity and this will affect the achievement of results	DFAT Director Microstates in Canberra, Counsellor in Tarawa and Minister Counsellor in Suva to use 2013–14 discussion opportunities with development partners at program, country and regional levels to promote the need to understand, and tailor activities to take into account, Government of Kiribati capacity.
Political commitment for reforms, particularly unpopular economic reforms, will not be maintained	DFAT Counsellor in Tarawa and Minister Counsellor in Suva to use 2013–14 discussion opportunities to urge the Government of Kiribati to maintain momentum. If reform targets are not met, incentive funding will not to be paid.
Provision of budget support will result in poor transparency, accountability and misuse	Kiribati program to only provide budget support where there are strong incentives to do so and adopt sound risk mitigation measures as informed by DFAT’s assessment of national systems and other development partner approaches.

Most significant risks	Management response—What? Who? How? When?
Limited staff resources at Post will impact on achievement of results	DFAT Director Microstates in Canberra and Counsellor in Tarawa to explore options in 2013–14 to improve staff resourcing at DFAT Tarawa Post, including creating new positions, providing more incentives for postings to Kiribati to attract high-quality staff, and improving systems to enhance efficiency.
Competing priorities will impact on the quality and timeliness of the Kiribati country situational analysis	DFAT Director Microstates in Canberra to manage competing priorities and resources in 2013–14, including options for dedicating resources to complete the country situational analysis, such as taking staff offline from other duties.

Annex A

Progress in addressing 2011 management consequences

Management consequences Identified in 2011 APPR ⁴³	Rating	Progress made in 2012–13
<p>AusAID to discuss with the Government of Kiribati in 2012 partnership talks:</p> <ul style="list-style-type: none"> > making infrastructure a separate priority outcome under the Partnership for Development considering the increased funding in this sector > updating the partnership schedules for outcomes one, two and three to make them more relevant to AusAID – Kiribati programs and priorities > issues surrounding the health sector > ensuring government ownership, leadership and engagement with programs > Kiribati coordination of the infrastructure program and where AusAID can add value. 	Green	<p>The partnership talks were held in September 2012 in Tarawa. The partnership:</p> <ul style="list-style-type: none"> > agreed to make infrastructure the fourth priority outcome under the Partnership for Development > updated the partnership schedules for outcomes one, two and three to make them more relevant to programs and priorities > agreed that once the Kiribati National Health Strategic Plan 2012–15 was completed, Australia would consider options for further engagement in the health sector > agreed to focus efforts on strengthening government leadership of aid program management and coordination, including by preparing an aid coordination policy and improving the operations of the National Economic Planning Office > discussed the need for the government to take greater leadership of the National Infrastructure Development Committee and for the World Bank to support the establishment of a Public Works Infrastructure Unit.
<p>AusAID will revise its country situational analysis to include analysis on absorptive capacity, priority areas for engagement and resource constraints. This will inform the development of a new Partnership for Development for endorsement at the 2014 partnership talks. It will also examine the current sectors of focus and if these are the right areas.</p>	Amber	<p>AusAID undertook preparation work for drafting a new country situation analysis in 2012–13, including by commissioning a poverty assessment of Kiribati. The development of a new Partnership for Development is partially off track, as it is unlikely to be endorsed until the 2015 partnership talks.</p>
<p>AusAID to review the Kiribati-Australia Nursing Initiative, including its cost-effectiveness.</p>	Green	<p>An independent review of the Kiribati-Australia Nursing Initiative was completed in May 2013, and the findings and recommendations will be used to inform a management decision on how to reshape the program.</p>

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

⁴³ Prior to 2012-13 Aid Program Performance Reports were called Annual Program Performance Reports


Annex B


Quality at implementation ratings


Initiative name	Approved budget and duration	Qal year	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality	Risk management
Outcome 1: Basic education	\$43 220 855 1 July 2009–31 December 2015	2012	6	4	4	4	4	5	Mature
		2011	5	4	4	3	4	5	Mature
Outcome 2: Workforce skills development	\$26 755 460 15 February 2010–30 June 2016	2012	5	4	4	3	4	4	Mature
		2011	5	4	6	3	4	3	Mature
Outcome 2: Kiribati- Australia Nursing Initiative	\$20 651 293 21 March 2006–30 June 2016	2012	5	3	2	3	3	4	Intermediate
		2011	5	3	2	2	2	5	Intermediate
Outcome 2: Australia Awards	\$2 875 576 1 March 2010–30 June 2017	2012	5	3	2	3	4	4	Mature
		2011	5	4	3	3	4	4	Mature
Outcome 3: Growth and economic management	\$13 188 647 28 May 2010–30 June 2020	2012	6	4	4	3	4	3	Intermediate
		2011	6	4	3	3	5	4	Intermediate
Outcome 4: Infrastructure	\$34 375 000 1 June 2011–30 June 2016	2012	5	5	2	3	4	4	Intermediate
		2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Definitions of rating scale:


Satisfactory (4, 5 and 6)


 = 6 = Very high quality


 = 5 = Good quality

 = 4 = Adequate quality, needs some work


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

Risk Management scale:

 Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

 Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

 Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

Annex C

Evaluation and review pipeline planning

List of evaluations completed⁴⁴ in the reporting period

Name of Initiative	AidWorks number	Type of evaluation ⁴⁵	Date evaluation report received	Date evaluation report uploaded into AidWorks	Date management response uploaded into AidWorks	Published on website
Kiribati-Australia Nursing Initiative	ING466	Independent completion report	May 2013	No	No	No
TVET Sector Support Program	INJ197	Annual progress assessment	April 2012	March 2013	March 2013	Yes
Kiribati Climate Change	INJ569	Partner-led re-occurring assessment	November 2012	November 2012	November 2012 (as part of evaluation)	Yes

List of evaluations planned in the next 12 months

Name of Initiative	AidWorks number	Type of evaluation	Purpose of evaluation ⁴⁶	Expected completion date
Kiribati Health	INI894	Independent completion report	Verify outcomes and inform future phase	To be confirmed
Growth and economic management	INJ383	Independent completion report	Verify outcomes and inform future phase	To be confirmed
TVET Sector Support Program	INJ197	Annual progress assessment	Verify outcomes	June 2013
Kiribati Education Improvement Program	INI620	Annual progress assessment	Verify outcomes	August 2013

⁴⁴ 'Completed' means the final version of the report has been received.

⁴⁵ Mid-term review, Completion report, partner-led evaluation, joint evaluation.

⁴⁶ To inform a future phase of program, improve existing program; verify program outcomes.