



Australian Government

Department of Foreign Affairs and Trade



Aid Investment Plan

Tuvalu

2016-17 to 2019-20

Strategic priorities and rationale

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

The purpose of this AIP is to inform discussions between the Government of Tuvalu and the Government of Australia as they develop an Aid Partnership between Australia and Tuvalu.

Tuvalu has a strong development plan, *Te Kakeega III: National Strategy for Sustainable Development 2016–2020*, which aligns with the United Nations' Sustainable Development Goals (SDGs) and the Small Island Developing States (SIDS) Accelerated Modalities of Action (SAMOA Pathway).

While Tuvalu's real GDP growth has fluctuated around one per cent over the past decade, it improved in 2015 (2.6 percent) and 2016 (4 percent) because of revenue from fishing licences and recovery spending in response to Tropical Cyclone Pam. However, the outlook over the medium term remains constrained by geographic isolation, limited natural resources and skilled labour, and vulnerability to economic shocks and natural disasters. The IMF has projected that the fiscal position will remain in deficit over the medium term.

Four consecutive years of budget surplus has boosted resilience and strengthened fiscal buffers. This improved fiscal stability provides a base from which the Government of Tuvalu and partners, including Australia, can advance economic and public enterprise reforms. These reforms are outlined in the Government of Tuvalu's Policy Reform Matrix.

Climate change impacts will exacerbate existing development challenges such as water shortages, maintenance of critical infrastructure, the rise in non-communicable diseases and population pressures on the limited natural resources, particularly for the capital Funafuti. Climate change is also expected to affect the movement of fish stocks in the Pacific from time to time, potentially changing the value of fishing licenses. This will require revenues to be balanced across multi-year periods through the use of cash reserves and management of the Tuvalu Trust Fund (TTF).

Australia has enduring interests in the ongoing stability and prosperity of Tuvalu and in strengthening its economic and environmental resilience. Australia's approach will contribute to the capacity of the Government of Tuvalu to use its revenue and human resources to improve standards of living and opportunities for its people. In line with *Te Kakeega III* (TKIII) and Australia's aid policy 'Promoting prosperity, reducing poverty and enhancing stability', Australia will work with the Government of Tuvalu and its other development partners to enable Tuvalu to strengthen its economic and environmental resilience and improve service delivery. This support will:

- strengthen economic and financial management systems;
- improve basic service delivery, particularly in the education and health sectors; and
- strengthen climate change adaptation and disaster preparedness and response.

Across all our investments Australia will seek to strengthen the Government of Tuvalu's capacity to improve gender equality and disability inclusion.

Implementation approaches

Australian aid will be delivered in partnership with the Government of Tuvalu through direct budget support based on agreed objectives. We will continue to channel the mainly majority of our assistance through the Government of Tuvalu, via the Tuvalu Trust Fund (TTF), targeted long term technical assistance and through the Policy Reform Matrix program. Our aid will increase Tuvalu's fiscal resilience and improve service delivery.

The Government of Tuvalu has demonstrated its capacity to manage and acquit Australian aid funds effectively. We will continue to support delivery of its Achieving Education for ALL in Tuvalu (AEfAT) program to improve basic education outcomes. The main objective of our support will be to improve the quality of primary and secondary education while the government maintains current school enrolment rates.

Our support for environmental and climate change resilience will focus on enhancing adaptation to climate change, improving coordination and strengthening preparedness and response to natural disasters.

Australia's aid to Tuvalu will be subject to periodic financial risk assessments and will be linked to the achievement of results. We will monitor these implementation approaches through Australia's oversight role on the TTF, coordinated support through the Policy Reform Matrix, and sector support through Education and Climate Change Resilience programs. The bilateral program will complement key regional initiatives such as through labour mobility options. Labour mobility initiatives contribute to the economic development of participating Pacific Island countries by providing access to work experience opportunities and income earning in Australian sectors such as agriculture, accommodation, aged care and tourism.

Collaboration with development partners

To maximise the impact of our aid, Australia will continue to work with Tuvalu's other development partners. Our collaboration will look at improving coordination with the Government of Tuvalu. This may include coordinating meetings and co-financing activities to achieve gains in the focus areas of our engagement in Tuvalu. Australia will continuously engage other development partners and the government to reduce the administrative burden on Tuvalu and set clear directions and expectations.

As a leading donor to the Policy Reform Matrix, Australia will support the Government of Tuvalu to improve coordination among development partners on reforms, development policies and programs to progress TKIII priorities including gender and disability inclusive development. We will continue to encourage multilateral and bilateral partners and regional organisations to increase their presence in Tuvalu.

Performance benchmarks

Performance benchmarks provide Australia and Tuvalu with a means to measure progress against the strategic objectives of Australia's engagement in Tuvalu. Benchmarking allows both countries to assess the development situation at a particular time and targets key investments and initiatives that will bring about positive changes by defining what success could look like at

the end of the Plan. Australia proposes the performance benchmarks in **Annex A** to be used to assess progress towards the strategic objectives of the AIP. We will report progress against these benchmarks through annual assessments.

Mutual obligations

Australia and Tuvalu will agree on a set of mutual obligations for the aid program, to be confirmed through discussions on an Aid Partnership. Subject to agreement through Aid Partnership discussions, the Government of Tuvalu will:

- maintain or exceed the current expenditure in education as a proportion of its total budget
- implement reforms agreed under the Government of Tuvalu's Policy Reform Matrix, and
- improve gender equality indicators as committed to in the Pacific Islands Forum Leaders' Gender Equality Declaration.

Australia will deliver effective and predictable development assistance in line with the strategic objectives of this AIP.

Australia and Tuvalu jointly commit to maintaining a zero-tolerance approach to fraudulent and corrupt actions against Australia's aid program to Tuvalu. Both countries also commit to continue improvements to Tuvalu's procurement and financial systems to ensure that aid funds are disbursed effectively, efficiently, economically and ethically providing the greatest possible value for money and improving the lives of people in Tuvalu. This includes people with disability, children, youth and women. Both countries will meet obligations set out in funding arrangements.

Monitoring, review and evaluation

Australia has included a high level performance assessment framework as an annex to this AIP to assess progress towards the strategic objectives of the AIP. A more detailed performance assessment framework for bilateral aid to Tuvalu for the next five years may be set up as appropriate. Progress towards results will be monitored against performance benchmarks through independent evaluations, internal annual reviews and regular dialogue, as agreed with government and development partners.

Annex A: Aid Investment Plan: Tuvalu – Performance Benchmarks

Strategic Objective	2016/17-2020/21 Benchmark	Means of Verification	Resourcing	Leading Agency Responsible for Implementation, Monitoring and Reporting on Progress	
				GoT and DFAT	Annual Progress
SUPPORT A SECURE AND PROSPEROUS TUVALU					
Improve governance and fiscal resilience					
Strengthened governance and public financial management	<p>Annually agreed priority actions under the Policy Reform Matrix (PRM) are achieved. Donor payments are made on schedule.</p> <p>Independent audit of the annual financial statements of the Tuvalu Government (including national budget data) meets international auditing standards.</p> <p>Contribution of Australian-funded technical assistance to progressing economic and climate change adaptation/disaster risk reduction reform priorities is assessed by stakeholders annually as effective.</p>	<p>Minutes of the PRM Annual Review Meetings</p> <p>Independent audit report and reports from the PACTAM Audit Adviser</p> <p>PACTAM Annual Assignment Performance Assessment</p>	<p>Budget Management TA PRM TA</p> <p>Audit TA</p> <p>Other PACTAM TAs including Public Sector TA, Tax TA, Climate Change and Disaster Risk Reduction TA, Education TA and Health TA</p>	<p>Planning, Budget and Aid Coordination Unit, Ministry of Finance, DFAT economist</p> <p>Tuvalu Aid Program staff at the Australian High Commission (AHC) in Suva</p>	

Strategic Objective	2016/17-2020/21 Benchmark	Means of Verification	Resourcing	Leading Agency Responsible for Implementation, Monitoring and Reporting on Progress	
				GoT and DFAT	Annual Progress
Building resilience to environmental and climate change impacts					
Strengthened resilience to climate change (including disaster risk management)	<p>Climate Change and Disaster Coordination Unit effectively coordinates the National Advisory Committee (NAC) activities¹ on climate change</p> <p>Standard operating procedures (SOPs) in place, and updated as required, for coordinated disaster preparedness, response and recovery.</p> <p>Seasonal weather / climate forecasts publicised regularly by radio and television through regional meteorology programs.</p>	<p>Annual Report of the Climate Change and Disaster Coordination Unit</p> <p>Cabinet endorsement of the developed SOPs</p> <p>Reports from Tuvalu Meteorological Office</p>	Climate Change and Disaster Risk Reduction TA	<p>Tuvalu Director of Climate Change and Disaster Coordination, Office of the Prime Minister.</p> <p>Head of Tuvalu MET office</p> <p>Tuvalu Aid Program staff at the AHC in Suva</p>	

¹ NAC members include: Tuvalu Red Cross, Tuvalu Meteorological Service, Ministries of Home Affairs and Rural Development, Natural Resources, Energy and Environment, and Works, Communications and Transport

Strategic Objective	2016/17-2020/21 Benchmark	Means of Verification	Resourcing	Leading Agency Responsible for Implementation, Monitoring and Reporting on Progress	
				GoT and DFAT	Annual Progress
Improve Education and Human Resources Development					
Improve <u>quality</u> of basic education outcomes	<p>Increased percentage of boys and girls achieving a 70% (Tuvalu Ministry of Education target) pass rate in primary and secondary years and reduced percentage of Year 8 repeaters (from 10% (2015) to 5% (2021)).</p> <p>Increased percentage of boys and girls transitioning from primary to secondary level (from an average of 61.7% (2015) to 70% (2020)).</p> <p>All schools meet at least 10/25 of their Core Minimum Quality Service Standards e.g. water, sanitation and hygiene facilities standards.</p> <p>Increased percentage of qualified and approved relieving teachers, reaching 70% by 2020.</p> <p>Increased percentage of teachers benefiting from continuous professional development to meet the criteria of the Tuvalu Teacher Competency Framework, reaching 70% by 2020.</p>	<p>Ministry of Education Annual Statistical Digest</p> <p>Ministry of Education annual reports</p>	<p>Education Planning TA</p> <p>Sector Support</p>	<p>PS and Director Ministry of Education, Youth and Sports and the DFAT education adviser</p> <p>Tuvalu Aid Program staff at the AHC in Suva</p>	

Strategic Objective	2016/17-2020/21 Benchmark	Means of Verification	Resourcing	Leading Agency Responsible for Implementation, Monitoring and Reporting on Progress	
				GoT and DFAT	Annual Progress
Increase skilled and educated workforce	<p>Appropriate number of external scholarships are provided to target the identified Tuvalu human resource development needs aligned with business continuity.</p> <p>Increased completion rate of scholarships annually from 75% (2015) to 90% (2021).</p>	<p>Tuvalu pre-service and in-service annual reports / Tuvalu Human Resource Management Annual Report on Scholarships</p> <p>DFAT Scholarships Tracer Study</p>	Provision of Scholarships annually, subject to budget appropriation	<p>PS and team of Human Resource Management</p> <p>Tuvalu Aid Program staff at the AHC in Suva</p>	
Cross Cutting: Promoting Gender Equality and Disability Inclusive Development					
Improve gender equality and social inclusion services	<p>Ten per cent or more of the Tuvalu bilateral program allocated to support gender equality and disability inclusive activities as per the Tuvalu Gender Country Plan.</p> <p>Gender Affairs Department is strengthened to mainstream gender policy as per the TKIII.</p> <p>Increased people-to-people linkages and strengthened roles of non-government organisations through Australian Volunteers.</p>	<p>DFAT breakdown of budget allocation on bilateral support for Tuvalu</p> <p>Quarterly Reports from Gender and Social Inclusion Adviser / Quarterly Reports from Volunteers</p> <p>Newsletter from Tuvalu Gender Affairs Department</p>	<p>Gender and Social Inclusion Adviser TA</p> <p>Psychosocial Counsellor TA</p> <p>Support on Gender Disability Study</p> <p>Up to five volunteers placed at NGOs and relevant institutions</p>	<p>Director and Team of Gender Affairs Department</p> <p>Disability Persons Organisation – Fusi Alofa Association</p> <p>Directors of relevant Tuvalu NGOs/ Gender & Social Inclusion Adviser</p> <p>Tuvalu Aid Program staff at the AHC in Suva</p>	