



# Kiribati Annual Program Performance Report 2011

September 2012



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## Summary

This report provides an overview of Australia’s development assistance to Kiribati in 2011. It updates the progress of the Kiribati–Australia Partnership for Development towards its targets and outlines opportunities and challenges for the coming year. In the next Annual Program Performance Report (2012), AusAID will include reporting of results on regional and global programs operating in Kiribati.



## Context

### Economic

Kiribati's economy grew during 2011 at 3 per cent, compared to 2 per cent in 2010 and following two years of contraction in 2008 and 2009 (Asian Development Bank Pacific Economic Monitor, December 2011). The public sector was the main driver with a number of public investment projects commencing, but private sector activity also increased, especially in retail. Demand for I-Kiribati seafarers picked up following a slump during the global downturn. With only 6000 regular wage jobs 'on shore', offshore employment provides a critical source of income for many households: in 2011, the number of employed seafarers reached 911, up from the low of 848 in 2010. Their remittances (which average around \$12 000 for each seafarer a year) are likely to be one of the reasons behind the growth in the retail sector.

The International Monetary Fund expects Kiribati's growth momentum to strengthen over the medium term. This is driven to a large extent by a number of large public infrastructure projects financed with external assistance, including South Tarawa Road, airport upgrades in South Tarawa and Christmas Island, water and sanitation projects, and port rehabilitation. However, a durable shift to higher growth hinges on deeper and broader structural reforms, including continuing the government's commendable efforts in reforming state-owned enterprises and liberalising key markets (including telecommunications) to drive competition and investment.

While Kiribati's economic performance was on a more solid footing in 2011 compared to previous years, the government's fiscal position deteriorated, largely due to revenue not materialising rather than increases in budget expenditure. Revenues were 20 per cent less than the previous year and 10 per cent below budget estimates, mostly because of declines in fishing revenue due to appreciation of the Australian dollar (fishing revenues are negotiated in US dollars) and a poor fishing season which reduced the demand for the number of vessel days that fishing companies wanted to buy. Although economic activity picked up, this was not captured in increased taxes due to continued weaknesses in tax administration and compliance. By end of 2011, the government's budget deficit had grown to \$25 million, significantly more than the previous year's \$6 million. Public concern over the government drawing down from the Revenue Equalisation Reserve Fund became an election issue, along with state-owned enterprise reform.

### Social

Kiribati continued to face difficult development challenges during 2011. Progress against the MDGs is mixed and currently Kiribati is not on track to meet any of the goals. While there have been some positive development outcomes in past years, such as a significant reduction in tuberculosis, there are limited opportunities for economic growth and development, and consequently job creation and government revenue.

The main constraints to growth and development include poor educational opportunities resulting in unrealised capacity potential within the population, limited revenue streams available to government and individuals, weak institutions, reliance on an inefficient public sector as the principal employer, and poorly maintained (or non-existent) infrastructure.



High population densities in parts of South Tarawa—where half of Kiribati’s population of 100 000 lives on just 15.7 square kilometres of land—together with little in the way of sanitation systems and the rapid depletion of clean water sources, have set the stage for a potential humanitarian or health crisis.

Given the size and vast distribution of the I-Kiribati population, the cost of service delivery is as high as it is complex: transport (either by sea or air) is costly, unreliable and unsafe, there are no economies of scale, telecommunications infrastructure and coverage is poor and expensive, and service delivery is fragmented across a range of ministries.

Furthermore, Kiribati’s relative isolation from its major trading partners—Australia, Japan and Fiji—combined with its poor transport links (for half of 2011, Kiribati was only serviced by one international airline), adds to the costs of importing goods and services.

### **Political**

The Government of Kiribati is a coalition which was re-elected in November 2011 under the same president, and has articulated a reform agenda for some years now. However, it relies heavily on development partners for its implementation capacity.

## **Program objectives and strategy**

The Kiribati–Australia Partnership for Development was signed on 27 January 2009 with 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: economic reforms, which aim to increase revenue and support, and better allocate resources to meet development challenges.

Australia also provides assistance on infrastructure, and water and sanitation, through the Pacific Region Infrastructure Facility. Further assistance is delivered in the areas of climate change, health, disability and gender.

In 2011–12 an additional \$4.8 million in AusAID regional and global funding was provided to Kiribati. This report does not assess the impact of regional and global funding in the country.

Australia is the largest donor in Kiribati, providing \$30.3 million in 2011–12 delivered primarily through a mix of managing contractors and multilateral partners.



**Table 1: Donor partner funding in Kiribati in 2011<sup>1</sup>**

<b>Bilateral</b>	<b>2011</b>	<b>Multilateral</b>	<b>2011</b>
Australia	\$15.23 million	World Bank	\$8.81 million
Taiwan	\$11.11 million	Asian Development Bank	\$1.17 million
European Union	\$5.64 million	Secretariat of the Pacific Community	\$0.085 million
New Zealand	\$5.02 million	World Health Organization	\$0.78 million

Source: Kiribati Government 2012 Budget.

## Expenditure

**Table 2: Total Australian expenditure in 2011–12**

	<b>2011–12</b>
<b>Total Australian ODA</b>	\$30.3 million
Country (bilateral) program	\$27.4 million
Regional/global program	\$2.1 million
Other government departments	\$0.7 million

<sup>1</sup> The estimates in this table differ from other funding tables because they are based on a calendar year—other expenditure is based on the Australian financial year. Also, some of Australia’s multilateral/regional funding has not been captured.



**Table 3: Estimated bilateral expenditure in 2011–12**

Objective	A\$ million	% of bilateral program
Priority Outcome 1: Basic education	\$7.68	27.99
Priority Outcome 2: Workforce development, including the Technical and Vocational Education and Training Sector Strengthening Program	\$3.41	12.43
Kiribati Australia Nursing Initiative	\$2.59	9.45
Scholarships	\$1.66	6.05
Priority Outcome 3: Growth and Economic Management	\$1.24	4.53
Climate change and infrastructure	\$9.20	33.52
Health	\$0.71	2.57
Gender	\$0.57	2.09
Disability	\$0.3	1.09
Other	\$0.07	0.28
<b>Total</b>	<b>\$27.4</b>	<b>100</b>

Source: AIDWORKS (internal AusAID finance system).

## Progress against objectives

**Table 3: Ratings of the program’s progress in 2011 towards the joint commitments under the Kiribati–Australia Partnership for Development**

Joint commitments	Rating in 2011	Relative to previous rating
1. Improved standards in <b>basic education</b> , in terms of both access and quality.	Amber	Decreased
2. Provide opportunities for people to develop their <b>workforce skills</b> in areas of industry demand both domestically and abroad.	Amber	Unchanged
3. Strengthen <b>economic management</b> in support of mutually agreed Kiribati-led economic reforms.	Red	Decreased

Note:

- Green – the commitment will be fully achieved within the timeframe of the programs
- Amber – the commitment will be partly achieved within the timeframe of the programs
- Red – the commitment is unlikely to be achieved within the timeframe of the programs

### Outcome 1: Improved basic education

**Commitment:** Support efforts to achieve improved standards in basic education, in terms of both access and quality (MDG 2).

**Indicators:** Improve functional literacy and numeracy of school-age children (partially on track).



Increase net enrolment rate for both boys and girls at all levels of the education system (off track).

Verify and analyse Kiribati education management information system data, reported annually to key stakeholders (on track).

**Rating:** Targets will be achieved by the 2020 timeframe of the Kiribati education improvement program. Kiribati is not expected to meet the education MDGs by 2015 and so this target is considered partially on track.

Quality of, and access to, basic education needs to be tackled in a much more concerted and targeted way to make progress towards MDG2 and the goals in Kiribati's Education Sector Strategic Plan 2012–2015. The results from the 2011 Standard Tests of Achievement for Kiribati (table 3) are still low despite some improvements.

**Table 4. Progress towards Education Sector Strategic Plan goals of increased enrolment and literacy and numeracy<sup>2</sup>**

Partnership performance indicators				
Indicator	Baseline 2009	Phase 1 target (2011)	Phase 1 result (2011)	Interim milestone (2013)
Net enrolment rate (primary school) (2008)	93%	91.3% <sup>3</sup>	82%	95.7%
Net enrolment rate (junior secondary school) (2008)	69%	80.7%	64%	90.3%
Grade 4 English literacy rate <sup>4</sup> (2009)	39%	43.3%	29%	47.7%
Grade 4 Kiribati literacy rate (2009)	61%	65.7%	62%	70.3%
Grade 4 numeracy rate (2009)	35%	36.7	37.5%	38.3%
Grade 6 English literacy rate (2009)	32.5%	38.7%	22.5%	44.8%
Grade 6 Kiribati literacy rate (2009)	55.5%	57.7%	61%	59.8%
Grade 6 numeracy rate (2009)	16%	19%	18%	22.0%

Australia's main assistance program, the Kiribati Education Improvement Program, is helping Kiribati improve learning environments in 115 primary and junior secondary schools, upgrade teacher training, and implement reformed curriculum and teaching

<sup>2</sup> Note that targets will be updated in the next partnership discussions to reflect the new phase of the education program.

<sup>3</sup> This target was set before the 2009 baseline was measured.

<sup>4</sup> Indicators are drawn from the 2009 Standard Tests of Achievement for Kiribati. It is reported on six levels, 0 to 5, with 5 being the highest. The student performance level indicates students who are achieving the learning outcomes at or above satisfactory (levels 3 to 5).



methodologies, including a language policy which ensures children are taught Te-Kiribati in their early years before moving onto English as the main language. There has been some debate on whether the targets measuring Grade 4 English literacy are accurate, given children are taught primarily in Te-Kiribati until Grade 3.

Strategies to address barriers preventing children from enrolling and attending school (reflected in declining enrolment rates) are yet to be clearly researched and articulated. Anecdotally, such barriers include economic and social hardship, families questioning the value of education, prevalence of diseases such as diarrhoea and respiratory infections, and poor learning environments in schools. Preliminary analysis in 2011 showed that out of 26 000 children enrolled in primary and junior secondary school, 1369 or 5.2 per cent are not attending regularly, and 58.4 per cent of these students are boys.

The Kiribati Education Improvement Program began in early 2011 and has not been in place long enough to impact on the 2011 targets, which are a reflection on the ongoing decline in the Kiribati education system. As Australia's support through the program consolidates policy development and research, and translates these into implementation, we can anticipate a turnaround in indicators in future years, although substantial improvements are expected to take five to 10 years.

## **Key results**

### *Physical facilities*

- A pilot program involving the rehabilitation of six schools on six outer islands will provide data on the cost and feasibility of different materials and contracting models. Lessons learnt from this will inform the major school rehabilitation program to be rolled out in phases 2 and 3 of the Kiribati Education Improvement Program. This will improve learning environments across all 93 primary schools in Kiribati. The Ministry of Education's Facilities Management Unit has been strengthened to manage an increased rehabilitation program and ongoing maintenance. Community consultation precedes all infrastructure work to build community ownership – this will help maintain buildings in the future. In 2011–12, some 873 children benefited from six completed pilot schools.

### *Policy and legislation*

- Following review, a draft education Bill will go before Parliament in 2012 to make provision for an inclusive and quality education system.
- A new Kiribati Education Management Information System policy resulted in significant increases in compliance rates for data survey returns (from non-compliance of 56 schools in 2010 to four in 2011).

### *Workforce development*

- A teacher professional development framework incorporating English language competencies, teacher performance and service standards was developed in 2011 and will be implemented in 2012. This will serve as the basis for improved teacher quality and contribute to improved learning outcomes.



### *Curriculum and assessment*

- The Ministry of Education now has a National Curriculum and Assessment Framework ready for implementation. This substantially improves the quality of the syllabus and teaching materials to enhance learning experiences and quality learning outcomes.

A large part of the Kiribati Education Improvement Program is implemented by a managing contractor, however UNICEF and UNESCO are both key partners engaged in delivering components of the program. The AusAID-funded United Nations-implemented components have not progressed for a variety of reasons. For example, UNICEF has only spent US\$55 000 out of US\$418 835. While difficulties recruiting a Pacific's education specialist for its Tarawa office contributed to this, compounding factors include lack of clarity regarding the roles of its Suva and Tarawa offices. In the case of UNESCO, not having an in-country presence has limited its effectiveness. Adding to these issues is the United Nation's lack of engagement with the program oversight committee, the main governance mechanism where both the government and its development partners are accountable for the progress of education reform in Kiribati.

### **Outcome 2: Workforce skills development**

**Commitment:** Provide opportunities for people to develop workforce skills in areas of both domestic and international industry demand (MDG 1).

**Indicators:** Increase each year the number of people aged 16 to 24 enrolling in and completing technical and vocational education and training courses which have internationally recognised qualifications (on track).

Increase completion rates for I-Kiribati studying at tertiary education institutions (partially on track).

Increase the proportion of post-secondary graduates with English to an International English Language Testing System<sup>5</sup> level (or equivalent) appropriate to the vocation (on track).

Increase the number of I-Kiribati workers accessing employment opportunities overseas (too early to measure).

**Rating:** 2011 was a mixed in terms of progressing workforce skills development. There have been some promising developments through the Technical and Vocational Education and Training Sector Strengthening Program (TVETSSP), however progress under the Kiribati Australia Nursing Initiative has been limited. The outcome is partially on track to meet the joint commitments.

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<sup>5</sup> The International English Language Testing System is an international standardised test of English language proficiency. The system is accepted by most academic institutions and various professional organisations. It is also a requirement for certain categories of immigration to Australia.





original entrants, nine students graduated with a Bachelor of Nursing and registered with the Australian Health Practitioners Regulation Agency. Two of these are working in hospitals in Brisbane, four are working part-time in aged care, one has left to join her family in New Zealand and two have returned to Kiribati and are on clinical placements in the medical and surgical wards, and the emergency unit at the Nawerewere Hospital.

Thirteen have achieved either a certificate III in aged care or a diploma in nursing, six failed to complete their certificate courses, and 59 students are still studying. Two of the 13 that achieved a certificate III or diploma have returned to Kiribati and joined the second year students in Obstetrics course at the Kiribati School of Nursing. Five are still pursuing their Bachelor of Nursing at Griffith University as private students.

The subject failure rates are high and students are taking a much longer time to complete their studies than expected, contributing to high unit costs for the program. There is evidence that the program is not achieving its objectives and the best use of these resources needs to be reconsidered. A 2012 evaluation of the program is expected to examine its cost-effectiveness and the way forward.

The second component of the program is to upgrade nursing education in Kiribati to improve the quality of health care. However, due to difficulties in finding an implementing partner, this component has not yet commenced.

### **Australia-Pacific Technical College**

I-Kiribati students continue to access the Australia-Pacific Technical College and from 2007 to December 2011, 86 students (47 women and 39 men) have graduated. Of these, 66 students graduated from the School of Hospitality and Community Services (popular courses were in training and assessment, children's services, hospitality operations and hospitality supervision) and 23 students graduated from the School of Trades and Technology (where the most popular courses were automotive mechanics and carpentry). Low English language proficiency and lack of technical skills are barriers to applicants meeting the college's entry requirements. This will be addressed by strengthening the Kiribati Institute of Technology through TVETSSP.

### **Australia Awards**

The Australia Awards program helps Kiribati citizens pursue long-term training at tertiary training institutions in Australia and the Pacific region. In 2011, eight Australian Development Scholarships and 20 Australian Regional Development Scholarships were provided. Given the scholarships involve a three to five year program of study, short-term outputs can be difficult to measure. Over the long-term however, many successful awardees are now populating the senior echelons of Kiribati's public service, or working with international agencies such as the World Bank, Asian Development Bank and the United Nations.

Of concern is the less than optimal award completion rates (86 per cent of Australian Development Scholarships students and 72 per cent of Australian Regional Development Scholarships students between 2005–2011), as well as the relatively high levels of subject failure rates (23 per cent in Australian Development Scholarships and 20 per cent in



Australian Regional Development Scholarships) requiring multiple extensions and variations to awards. In 2011, five Australian Regional Development Scholarships were terminated, six were extended and seven varied their course.

In May 2011, an internal AusAID audit raised concerns around the transparency of Kiribati's scholarships selection process, which includes little AusAID participation. AusAID and New Zealand have been working closely with the Government of Kiribati to ensure transparency and have been invited to participate in the government's selection processes in 2012.

### Outcome 3: Improved growth and economic management

**Commitment:** Strengthen economic management to support mutually agreed Kiribati-led economic reforms (MDG 1 and 8).

**Indicators:** Decrease the gap between current government expenditure and non-external grant revenue<sup>6</sup> (off track).

Increase and sustain revenue flows from fisheries (off track).

Improve the efficiency and effectiveness of public expenditure to promote Kiribati development (partially on track).

Reduce general public expenditure as a percentage of GDP (off track).

**Rating:** Off track due to a number of factors,<sup>7</sup> however foundations laid in 2011 have the potential to make a significant impact on economic management. The indicators under this outcome will be revised in 2012 to ensure that they accurately reflect the commitment under the partnership and the work Australia is doing.

AusAID has continued to work with International Financing Institutions on growth and economic management. In 2011, Australia helped Kiribati to improve donor coordination and engagement in the economic governance sector by facilitating World Bank leadership in this area. Building on efforts to establish a public financial management reform plan, AusAID and the World Bank worked with the Ministry of Finance and Economic Development to establish a broader economic reform plan which captures priority public financial management reforms but also includes broader structural reforms within the economy. The plan will bring development partners and Kiribati together in regular policy dialogue, mobilise support and technical assistance to priority reform areas, and monitor changes to the economy. In the short to medium term, it will also serve as a platform for multi-donor budget support.

In May 2011 Kiribati's Cabinet endorsed the public financial management reform plan, which addresses key weaknesses identified through the 2010 Public Expenditure and Financial Accountability assessment and the 2010 Cairns Compact Peer Review. Partners have been

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<sup>6</sup> As a percentage of GDP and based on data compiled by the International Monetary Fund 2011 Article IV consultation.

<sup>7</sup> For example, fishery revenue decreased, however this is mainly due to the El Nino and La Nina effects which affected fish stocks from migrating through Kiribati waters.



working with the Government of Kiribati to design programs to implement the plan, and these will commence in 2012.

Progress under this outcome has required significant resources, including policy dialogue and engagement with development partners, to ensure timely and effective implementation of programs by multilateral partners. Having the strategic engagement of the Minister Counsellor and Canberra has been necessary to ensure responses by these organisations.

Australia is supporting three economic reform programs, only one of which had begun in 2011:

- In 2011, the Asian Development Bank-led and AusAID funded state-owned enterprise reform program commenced. Key results included facilitating the sale of one enterprise and supporting the government to identify reform objectives and business improvement plans for a further 11. The program also started reviewing regulations and governance structures which impact on enterprise performance and accountability. This has resulted in draft legislation to go before Parliament in August 2012 which includes establishing a state-owned enterprise monitoring and advisory unit within the Ministry of Finance and Economic Development. The program provides support to treasury functions and in 2011 helped develop the 2012 budget as well as the medium-term fiscal framework. However, this support will be transferred across to the public financial management reform program in 2012 (see below).
- Kiribati and the Pacific Financial Technical Assistance Centre designed a tax improvement program and AusAID is funding implementation of this. The program will commence in 2012 and will enable the Tax Commissioner's office to modernise tax administration and compliance. With tax revenue at \$13 million in 2011, improvements are expected to increase taxes to \$20 million by 2015. Once the tax administration functions are working smoothly, which could take about two years, the intention is to examine options for reforming the tax system.
- The Asian Development Bank, funded by AusAID and working with Kiribati's government, designed a public financial management reform program to commence in 2012. This will upgrade expenditure management in the Ministry of Finance and Economic Development, including the Attache accounting system, provide associated training, and review the ministry's human resource management practices.

Fisheries are critical to Kiribati for food security, income generation and government revenue. In 2011, fisheries revenues comprised 43 per cent of Kiribati's annual revenue (approximately \$30 million). The fisheries sector also sustains employment for 20 to 25 per cent of the population, mostly through small-scale coastal fishing. Despite its economic and social value, fisheries management is weak:

- population pressures in South Tarawa hamper sustainable coastal fisheries management
- the lack of technical expertise and resources within the Government of Kiribati limits effective data collection and administration of the 3.5 million square kilometre exclusive economic zone

- the lack of sound legal advice and cost benefit analysis limits revenue flows to Kiribati from oceanic fisheries—its richest natural resource.

Kiribati has started to develop a fisheries policy as well as an institutional strengthening strategy, which is being supported by AusAID and will continue through to 2012. This includes technical assistance with the drafting process, broad-based community consultation, as well as joint donor consultations on fisheries policy and programming to improve coordination in design and delivery across a range of donors. The policy will:

- provide a mandate to improve management of oceanic fisheries, particularly relating to issues of transparency and accountability and sustainable coastal fisheries management
- build demand for better governance in the fisheries sector
- link fisheries to economic reform priorities and donor resources through the Kiribati economic reform plan
- encourage greater collaboration and coordination amongst donors and regional partners to provide more technical and financial assistance against priorities identified in the Institutional Strengthening Strategy.

## Support for other sectors

### Climate change adaption and infrastructure

While not in a priority outcome area, funding to climate change and infrastructure increased significantly in 2011. In 2011–12 AusAID contributed \$9.2 million to these sectors representing some 33 per cent of our bilateral program.

Our support to climate change adaptation is through funding to the World Bank-led Kiribati Adaptation Program (KAP). AusAID supported KAP II from 2004–05 to 2010–11 and is now supporting KAP III. Kiribati's government continues to express frustration with the slow progress of implementation (KAP II commitments and disbursements were well behind schedule) as well as World Bank decision-making processes, which it sees as challenging the government's leadership.

There have been a number of contributing factors towards KAP II's unsatisfactory progress:

- the lack of resourcing, direction and coordination from the Office of the President, where policy for climate change resides
- complex project design including a large number of individual contracts that placed a heavy load on an inexperienced project team
- failure by the World Bank to adequately support project implementation
- an over estimation by the World Bank of Kiribati's implementation capacity, particularly in agencies such as Ministry of Public Works and Utilities and the Ministry of Environment, Lands and Agricultural Development.

Despite the difficulties associated with KAP II implementation, several important outcomes will help Kiribati reduce the detrimental impacts of climate change on the fragile atoll ecosystem. These include:

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- increasing government capacity for climate risk assessments and adaptation planning in the coastal sector, data collection techniques for water resource assessment, and climate resilient construction techniques for coastal protection measures
  - designing and constructing four coastal protection works (seawalls) and one water infiltration gallery
  - developing a National Water Policy and Strategy (including a master plan for South Tarawa) which was adopted and is now reflected in the operational plans of the Ministry of Public Works and Utilities, and Public Utilities Board
  - producing rainwater harvesting and storage guidelines and installing facilities at four sites on public buildings
  - undertaking water resource assessments on South and North Tarawa, and Tabiteuea North and Tamana (outer islands)
  - monitoring boreholes installed in nine locations in North and South Tarawa
  - undertaking mangrove restoration on South Tarawa and four outer islands.

2011 was the first year that Kiribati received funding through the Pacific Region Infrastructure Facility. While there is no doubt about the benefit of these large infrastructure programs, the nature of the facility's funding has meant several large infrastructure projects were designed and implemented simultaneously, which required strong coordination by the Government of Kiribati as well as the World Bank and Asian Development Bank. This is clearly overwhelming the government's implementation capacities.

In 2011, funding was provided for the World Bank Assistance on Telecoms Policy and Regulations Project (ICT), the Asian Development Bank/World Bank Road Rehabilitation Project and the Asian Development Bank South Tarawa Sanitation Improvement Project. The ICT project achieved positive results in preparing the legislative environment for reform and forecasts are for a possible opening of the telecommunications market as early as 2014. The Road Rehabilitation Project is well behind schedule. Challenges remain in coordinating the management systems of all of the key interlocutors resulting in delays in implementation. Funding for the South Tarawa Sanitation Improvement Project was provided at the end of 2011 and inception work began in 2012. This new sanitation program will be crucial to addressing the concerns around high population density and lack of sanitation options in South Tarawa. Associated work through KAPIII on improving ground water capture should help address this critical situation.

The management of both the climate change and infrastructure projects uses a significant amount of Post's resources. AusAID's comparative advantage—its permanent office in Kiribati, its relationships with key counterparts and strong understanding of the context—means that Kiribati looks to Post to fill the gap in that misalignment. However, Post is not resourced to engage in policy dialogue, coordination, management and monitoring for these projects. It is hoped that the recent establishment of the new World Bank/Asian Development Bank liaison office in Kiribati will improve coordination and responsiveness. However, there remains a real risk that these programs will not obtain the desired outcomes if ownership, leadership and coordination do not come from Kiribati.

The rate of increase in funding to infrastructure, as well as the importance of the sector, indicates that this should become an additional priority outcome under the Partnership for Development. This will be discussed at the 2012 Partnership Talks.



## Health

Australia's funding of health programs in 2011 was mainly through regional and international institutions, including UNICEF, the Secretariat of the Pacific Community and the International Planned Parenthood Foundation. Funding through the secretariat's Tuberculosis Epidemic Control Program continues to help reduce cases from 375 in 2006 to 294 in 2010.<sup>8</sup> AusAID funding to UNICEF's Pacific Immunization Programme has helped make substantial gains in immunisation coverage in Kiribati. From 2008 to 2011, polio immunisation coverage rose from 74 per cent to 95 per cent and DPT3<sup>9</sup> rose from 82 per cent to 99 per cent. While these are significant outcomes, there is a need to ensure that immunisation continues to provide consistent coverage of the population.

In 2011, negotiations with the World Health Organization continued in relation to designing support for the Kiribati School of Nursing. To complement this work, two AusAID funded health infrastructure programs will begin—rehabilitation and refurbishment of the school and construction of the Betio Maternity Ward.

The health sector in Kiribati remains with limited and fragmented donor support. In 2011, it received around \$8 million in official development assistance. The development of the government's 2012–2015 Health Sector Strategy (alongside a Health Coordinating Committee made up of Kiribati and development partners) was to be the first step towards ensuring a coordinated approach to assistance, however after initial consultations and drafting a strategy (partly funded by AusAID and supported by the World Health Organization), this stalled. In 2012, AusAID will conduct further analysis on their role in health in Kiribati.

## Gender

The Government of Kiribati, with AusAID support, developed a national approach to eliminating sexual and gender based violence and a policy and strategic plan were endorsed by Cabinet in April 2011. Throughout the rest of the year, AusAID worked with the Government of Kiribati and UNWOMEN to develop a process which will result in a comprehensive five-year work program to implement the action plan and build capacity within government and non-government agencies for its implementation. The program will strengthen the legal frameworks, the social welfare support services, and institutional and community capacity to deal with victims of violence. It will respond to demand from government and civil society to bring about lasting change to progress gender equality and empowerment of women in ways that will benefit all of the country's citizens, families and communities.

## Disability

AusAID continues to support the School and Centre for Children with Special Needs. This is the only institution in Kiribati that provides for the needs of children with disability and their families. Australian funding has enabled the school to expand access to education from 80 children in 2010, to 101 in 2011. In 2012, the Ministry of Education is developing an inclusive education policy that will help to address access for children with disability, and also help create better linkages between the school and the formal education system.

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<sup>8</sup> Secretariat of the Pacific Community Tuberculosis Epidemic Control Program Phase II Mid-Term-Review.

<sup>9</sup> Diphtheria, Typhoid and Pertussis third dose.

## Program quality

Table 3: 2011 Quality at Implementation data<sup>10</sup>

Quality at Implementation	Financial approval	Relevance	Effectiveness	Efficiency	Monitoring & evaluation	Sustainability	Gender equality	2011 average	2010 average
Outcome 1: Basic education	\$10.5 million	5	4	4	3	4	5	4.1	4.5
Outcome 2: Workforce skills development	\$6.5 million	5	4	6	3	4	3	4.1	4.5
Australian Development Scholarships and Australian Regional Development Scholarships	\$11.2 million	5	4	3	3	4	4	3.8	3.1
Kiribati-Australia Nursing Initiative	\$19.9 million	5 <sup>11</sup>	3	2	2	2	5	3.1	3.8
Outcome 3: Growth and economic management	\$4 million	6	4	3	3	5	4	4.1	2.6
Climate change and infrastructure <sup>12</sup>	\$19.5 million	6	4	4	4	5	4	4.5	4.1

### 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
- = 1 = Very poor quality; needs major overhaul

Overall, the QAI ratings improved from 2010 to 2011. There were some small decreases in ratings in outcomes 1 and 2, however as 2011 was the first year for both new programs, this reflects the fact that new programs tend to have lower QAI ratings in the early years. The ratings for the Kiribati Australia Nursing Initiative decreased significantly, particularly in effectiveness and efficiency. As discussed in the progress against objectives section, in 2012 there will be an evaluation of the effectiveness of the initiative to address these concerns.

The ratings for scholarships, climate change, infrastructure, and Outcome 3 all improved. In particular, Outcome 3 showed significant improvement reflecting a steady change in the economic reform process.<sup>13</sup>

The Kiribati program continues to grow in terms of scope and funding. It has doubled in the last five years (\$15 million total official development assistance in 2007–08 to \$27.45 million in 2011–12) but staffing levels at Post have not increased accordingly. The pipeline for Kiribati continues to grow, particularly in infrastructure and climate change. The ability of

<sup>10</sup> QAIs are undertaken for significant activities under the partnership priority outcomes and for significant funding provided to other sectors through other donor and government activities. Financial information is at February 2012 when QAIs were prepared.

<sup>11</sup> APPR peer reviewers have disputed the rating of 5 for relevance and feel that this rating should have been much lower in the QAI. This would therefore mean a much lower average rating.

<sup>12</sup> Note last year this QAI just assessed climate change funding.

<sup>13</sup> Note that this differs from the ratings under the Progress against Objectives section which measure progress against the partnership indicators.



AusAID staff to engage in meaningful policy dialogue, strategically influence program directions, monitor progress and generate performance information is becoming increasingly limited by resourcing constraints.

After a significant review of the program in 2009, the three outcome areas became the focus. However, due to both Australian and Kiribati government priorities, the program is again being stretched to cover many different sectors. Climate change and infrastructure (as mentioned above) are the sectors with the most significant funding resources attached to them, but health, disability and gender programs are also being funded outside the partnership outcomes.

The *Independent review of aid effectiveness 2011* highlighted the need for increased, long-term involvement in the Microstates particularly Kiribati.<sup>14</sup> If the Kiribati program is to continue increasing, a review must be undertaken to determine where funding needs to be directed and the capacity of all of the partners. Kiribati has limited capacity to continue scale up, and the large amount of infrastructure and climate change investment is already putting a strain on its government systems. In 2012–13, an update of the Kiribati country situation analysis will examine these issues.

During 2011, AusAID continued work with Kiribati's government and other donor partners to improve aid effectiveness in line with the recommendations under the Cairns Compact Review in 2010. AusAID programs aligned with sector strategies (such as the education sector support plan and the economic reform plan) and encouraged other donors to do the same. In 2011, donors continued to harmonise efforts. The core economic working group approach to the economic reform plan is an example of Kiribati leading donors to align with its reform agenda.

### *Risks*

A key risk of the Kiribati program is that the rapid expansion will lead to a reduction in quality. The Kiribati team will work to mitigate this risk by ensuring projects are targeted to Government of Kiribati priorities, and that AusAID (and implementing partners) has the appropriate staff and expertise to manage them.

Absorptive capacity of Government of Kiribati along with the capacity to coordinate the large number of donor programs in Kiribati is a large risk for AusAID, both currently and if the program continues to expand. AusAID will need to analyse this issue and determine the optimal funding amount for Kiribati given these issues.

Poor financial management within Kiribati is also a risk. The Assessment of National Systems<sup>15</sup> concludes that the use of partner government systems in Kiribati should be restricted to the current limited use of the Kiribati Government Development Fund, but subject to a more detailed assessment of AusAID's recent experiences in using the fund, and the efficacy of the existing mitigation measures, as outlined in the Accountable Cash Grant funding agreement.<sup>16</sup> It recommends that AusAID work with other development partners to help the government refine and implement its comprehensive public financial management program, ensuring that it is owned by the Government of Kiribati and that it is realistic in its strategies, sequencing and timeframes.

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<sup>14</sup> And Tuvalu and Nauru.

<sup>15</sup> Finalised June 2012.

<sup>16</sup> This assessment will be conducted by Post with the support of Canberra-based officers if required.





### *Multilateral performance assessment*

Multilateral agencies are now increasingly involved in the Kiribati program, particularly in infrastructure, economic reform and climate change.

While there are significant advantages to having the multilateral agencies involved in Kiribati—including increased access to technical advice, broader expertise and an increased donor funding base—there are also some resource implications. The resource constraints for Post to doing business in areas where it may not have expertise is significant, as is the constant pressure to keep the international financial institutions engaged. In 2011, there were several delays in implementing key programs causing increased levels of frustration from Kiribati's government. Due to AusAID's continued presence on the ground, there has been an increased brokerage role for staff. It is hoped that the Asian Development Bank/World Bank office in Kiribati, as well as regular management level talks, will alleviate some of these issues.

AusAID has had small programs with UNICEF and UNESCO and has been developing a program with the World Health Organization. In all three cases there has been some difficulty in engaging with these agencies and working in a collaborative way to meet the demands of the relevant sectors (education and health). AusAID needs to look at the core work of these three agencies in Kiribati and how we can best work together.

## **Management consequences**

### *Management consequences from 2011 review:*

- AusAID to discuss with the Government of Kiribati in 2012 partnership talks:
  - making infrastructure/climate change a separate priority outcome under the Partnership for Development considering the increased funding in this sector
  - updating the partnership schedules for Outcomes 1 to 3 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.
- 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.
- AusAID to review the Kiribati Australia Nursing Initiative including its cost-effectiveness.
- AusAID to support the Kiribati Government to audit all AusAID's accountable cash grants and recommend, where necessary, ways to improve expenditure through this mechanism.

## Annex A:

### Headline results summary: country/regional program

Headline result indicator	2011 result	How Australia contributes (type of aid)	Method of calculation	Data source
Kiribati	10. Number (x) of teachers trained*	113 (85 women and 28 men)	AusAID works through a managing contractor (Coffey) within the framework of the Kiribati Education Improvement Program, which identifies and provides support to the Ministry of Education.	Calculated through completion records of the courses.
Kiribati	11. Number (x) of school officials trained*	149 (111 women and 38 men)	AusAID works through a managing contractor within the framework of the Kiribati Education Improvement Program, which identifies and provides support to the Ministry of Education.	Calculated through completion records of the courses.



## Annex B:

**Table 6: Status of 2010 APPR management consequences**

Management consequence	Status	Next steps
<b>Priority Outcome 1 – Education</b>		
<p>Respond to declining enrolment rates by:</p> <ul style="list-style-type: none"> <li>Engaging with Ministry of Education and managing contractor for the Kiribati Education Improvement Program to improve data quality from the education information management system, and to better measure enrolment and retention rates in schools.</li> <li>Confirming Kiribati's participation in AusAID's rapid review of Pacific Education Management Information System (as part of Pacific Education and Skills Development Agenda).</li> <li>Engaging with the managing contractor to analyse the factors impacting on enrolment rates. Build consensus between Kiribati and AusAID on reasons for low enrolment and retention rates, and how these can be improved. This analysis will inform the design of the Kiribati Education Improvement Program Phase II.</li> </ul>	Partly achieved	<ul style="list-style-type: none"> <li>Improving the Kiribati Education Management Information System and data quality will be ongoing throughout the Kiribati Education Improvement Program.</li> <li>Further research will be undertaken in 2012 to identify specific reasons impacting on enrolment and attendance rates.</li> </ul>
<b>Priority Outcome 2 – Technical and Vocational Education and Training Sector Strengthening Program and Kiribati Australia Nursing Initiative</b>		
<ul style="list-style-type: none"> <li>Support Kiribati's desire to increase the number of I-Kiribati accessing overseas employment opportunities.</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>The technical and vocational education and training program is ongoing. Phase II will emphasise domestic and international labour market research.</li> <li>Pacific Seasonal Worker Pilot Scheme converts to the Seasonal Worker Program on 1 July 2012 and expands sectors of employment.</li> </ul>
<ul style="list-style-type: none"> <li>Decide whether to continue the Kiribati Australia Nursing Initiative Component 1 – international undergraduate nursing scholarships.</li> </ul>	Partly achieved	<ul style="list-style-type: none"> <li>The review will take place from July to December 2012.</li> </ul>
<ul style="list-style-type: none"> <li>Improve data for tertiary and technical and vocational education and training institutions, including enrolment rates, completion and performance rates, and pathways to employment.</li> </ul>	Partly achieved	<ul style="list-style-type: none"> <li>Institutionalisation of data collection and use for policy development will be a focus of phase II of the program.</li> </ul>
<b>Priority Outcomes 3 – Growth and economic management</b>		
<ul style="list-style-type: none"> <li>Rethink engagement in fisheries.</li> </ul>	Fully achieved	<ul style="list-style-type: none"> <li>Australia continues to support Kiribati in its fisheries policy development.</li> <li>New Australian funded fisheries programs start in 2012.</li> </ul>
<b>Support to non-priority outcome areas: climate change, health, ending violence against women, infrastructure</b>		
<ul style="list-style-type: none"> <li>Ensure support is not spread too thinly and we have capacity to appropriately engage with Kiribati and delivery partners in these sectors.</li> </ul>	Not achieved	<ul style="list-style-type: none"> <li>Seek additional resourcing.</li> </ul>
<b>General</b>		



Management consequence	Status	Next steps
<ul style="list-style-type: none"> <li>Strengthen mutual understanding and accountability, as well as the effectiveness of the partnership.</li> </ul>	Partly achieved	<ul style="list-style-type: none"> <li>2012 partnership talks provide further opportunities to discuss these issues.</li> </ul>
<ul style="list-style-type: none"> <li>Identify with Kiribati new opportunities for using performance-linked aid in the future, and as efforts to improve public financial management systems progress.</li> </ul>	Achieved	<ul style="list-style-type: none"> <li>Further opportunities are being pursued in collaboration with the proposed World Bank budget support program.</li> </ul>
<ul style="list-style-type: none"> <li>Increase staff resources for the Kiribati program to enhance capacity for policy dialogue, analysis and monitoring, as well as to deliver on existing and new commitments.</li> <li>Increase the engagement of senior management in policy dialogue with Kiribati and other donors.</li> </ul>	Partly achieved	<ul style="list-style-type: none"> <li>Corporate senior project manager position has freed up First Secretary, although this has been negated by the amount of ongoing scope creep of the program.</li> </ul>
<ul style="list-style-type: none"> <li>Strengthen Kiribati's public financial management systems. This will enable the proportion of donor programs working with Kiribati's systems to increase.</li> </ul>	Partly achieved	<ul style="list-style-type: none"> <li>Public financial management reform program is ongoing.</li> </ul>
<ul style="list-style-type: none"> <li>Manage corporate reporting requirements.</li> </ul>	Fully achieved	<ul style="list-style-type: none"> <li>Ongoing.</li> </ul>
<b>2009 Management consequences</b>		
<ul style="list-style-type: none"> <li>Broaden policy engagement on Kiribati through involvement of relevant whole-of-government partners.</li> </ul>	Partly achieved	