



Government of Tuvalu



PACIFIC ISLANDS FORUM SECRETARIAT

Tuvalu Peer Review Report

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Prepared by
The Tuvalu Peer Review Team,
with assistance of the Pacific Islands Forum Secretariat

Approved by
The Government of Tuvalu,
in consultation with its development partners.

ACKNOWLEDGMENTS

At the invitation of the Government of Tuvalu, a peer review of Tuvalu's national development planning, budgeting, public financial and aid management systems and processes was undertaken in Tuvalu from 26 April to 2 May 2011, followed by a day of consultations with development partners in Suva on 3 May 2011.

The Government of Tuvalu invited representatives from two Forum Island Countries, Vanuatu (Mr Johnson Naviti) and Tonga (Ms Sinai Tui'tahi), and one development partner, UNESCAP (Mr David Smith) to make up their Peer Review Team. The Tuvalu Peer Review Team was supported by a team from the Pacific Islands Forum Secretariat.

The peer review would not have been possible without the efforts of a number of people and organisations to whom the peer view team would like to express their sincere gratitude:

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BACKGROUND

1. The Compact on Strengthening Development Coordination in the Pacific is a development compact agreed by Forum Leaders and endorsed by key development partners at the Pacific Islands Forum Leaders' annual meeting in Cairns in August 2009.
2. The development compact sets out collective actions by Forum member countries and development partners designed to strengthen coordination and use of development resources in the Pacific in line with international best practice as expressed in the Paris Declaration on Aid Effectiveness, the Accra Action Agenda and Pacific Principles on Aid Effectiveness.
3. Peer reviews are a key part of this package of development coordination initiatives. They review and focus action on the ways that FICs with support of development partners use their own money and the aid they receive to ensure a better life for their people and make progress towards achieving their national priorities including the Millennium Development Goals.
4. Peer reviews are based on the idea that if a FIC wants to make improvements in its development coordination efforts, it may be better to seek advice from Pacific neighbours who may be facing and could have found solutions to the same issues within similar contexts.
5. The Tuvalu peer review team¹ at the invitation of the Government of Tuvalu looked at how the government and people of Tuvalu formulate their national development priorities, turn these into budgets, implement plans and monitor and report on results; and just as importantly, how stakeholders including their development partners act collectively and individually to support those national priorities and processes.
6. Tuvalu has experienced low economic growth and reduction in its earnings as a result of the global economic crisis, which has reduced returns from its Trust Fund and the strength of the Australian dollar which has reduced income denominated in US dollars. The country has received increasing quantities of aid in recent years, with aid from all sources rising from US\$9.2 million in 2005 to US\$17.5 million in 2009. In such a small economy single projects can make total aid flows quite volatile: in the last ten years aid flows have equated to between 30% and 60% of GDP. While some has come as budget support and contributions to the Tuvalu Trust Fund, much has come in the form of projects which Tuvalu, with its extremely limited human resource base, has found difficult to manage.
7. The peer review team considered good practices in development coordination in Tuvalu as well as areas that needed more attention and actions to strengthen. The team provides recommendations to the government of Tuvalu and development partners on a set of practical actions in the short to medium term that could support existing work to strengthen development coordination in Tuvalu and ultimately improve the delivery of services to the people of Tuvalu. Some of the recommendations reaffirms and reflects some of the directions that the government and their development partners have been considering and starting to implement to strengthen development coordination in Tuvalu. The Peer Review Team's terms of reference are at [Annex 1](#).
8. In undertaking this review, the team met with stakeholders in Tuvalu and in Suva, Fiji. At the beginning of their visit the team were received by the Prime Minister of Tuvalu, Hon Willy Telavi. Substantive discussions were held with the Secretary and staff of the Ministry of Finance, the Ministries of Health, Education, Home Affairs, Foreign Affairs, Environment, Trade, Labour and Tourism, and Communications, Transport and Public Utilities, as well as the Department of

¹ Tuvalu Peer Review Team consisted of representatives from Vanuatu – Johnson Naviti, Tonga - Sinai Tuitahi, UNEPOC – David Smith, refer to Annex 5 for details

Personnel and Training, the Statistics Office and, Ministers and members of Parliament. Meetings were also held with Tuvalu's development partners based in Suva and in Funafuti, and local representatives of Suva based organisations. The team also met with representatives of the private sector and non-governmental organisations. Refer to Annex 4 for list of stakeholders met.

9. The report itself is aimed at the Government of Tuvalu and development partners who know Tuvalu well and have spent a number of years considering the problems addressed in it. It does not attempt to summarise the very large quantity of information on aid flows and aid management received by the team which has been subject to analysis elsewhere, notably in the Tuvalu Trust Fund Advisory Committee's (TTFAC) Annual Report for 2009. However, in recognition of the fact that the terms of reference overlapped to some extent with potential areas of investigation for the mid-term review of the national development plan, Annex 2 provides some more detailed reflection on planning, budgeting and monitoring issues as an input to the review for consideration of the government.

10. This report is structured in three parts; i) Background; ii) Findings along the 5 Paris Principles and 7 Pacific Principles of Aid Effectiveness – Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability; and iii) Conclusions, Recommendations for Action and Next Steps in the process. The report is accompanied by five Annexes which includes; the TOR for the Tuvalu Peer Review, the Recommendations for consideration during the Tuvalu TKII Mid Term Review, the Tuvalu Aid Effectiveness Declaration, the list of stakeholders consulted by the Tuvalu Peer Review Team, and the details of the Tuvalu Peer Review Team and Tuvalu focal points.

KEY FINDINGS

Ownership

11. There is a high level of recognition of Te Kakeega II among government departments, parliamentarians, civil society and development partners as the expression of Tuvalu's development directions. There is widespread satisfaction with the plan and the degree of consultation that went into its development resulting in strong nationwide ownership, including among politicians. It provides for action across a comprehensive range of economic and social activity. Some of it sets broad policy directions, but some of it covers specific policy commitments. Refer to Annex 2 for a detailed review of national planning and monitoring systems to assist the planned MTR of TKII.

12. Despite the significant national commitment to the preparation and intention of TK II, and the commendable efforts of the successive governments to date to implement and monitor progress, there are a number of factors related to government systems, public service capacity and the political environment that have affected the links between the top level strategy and annual activities:

- Whilst governance mechanisms for the implementation and monitoring of Te Kakeega II are clearly articulated in the plan (*this included the intention for developing an M&E framework, annual reports to parliament on achievement and results of TK II, and establishment of a nationally inclusive review committee – National Taskforce*), these have not been implemented as planned. In the absence of such reporting mechanisms, the government and development partners are currently using the annually updated TKII matrix detailing planned initiatives and projects to implement TKII and annual reporting on budgets. This matrix is comprehensive and provides regularly updated information on progress in the implementation of development partners' commitments and development projects. But it

does not on the whole measure development outcomes and progress towards goals and targets of TKII.

- Because externally funded development expenditure is so vital to public expenditure in Tuvalu, the availability of aid funds can significantly influence what Ministries actually do year by year as much as, or more than, TKII and ministry strategic and corporate plans where they exist.
- Expenditure directions arising from budget decisions mean that Ministries have difficulties in carrying out their top priorities even if they are clearly expressed in TK II and policy documents (*for example, although the policy of the Ministry of Health is strongly oriented towards preventive health, expenditure as determined by the Cabinet is still heavily weighted towards curative services*). Meeting strategic priorities will mean harder choices as recurrent budgets are squeezed in future years.
- The TKII relies heavily on the public sector and public servants for implementation, but there are currently inadequate systems and processes to prompt corporate or individual accountability for performance. This is despite planned public sector performance management programs articulated in TK II which have yet to be implemented.
- In the absence of systematic demands to reach targets or service levels, the public service has little incentive (or compulsion) to develop the sector and corporate plans that were envisaged in TK II as the means by which the areas of broad policy direction in TK II would be turned into budgets and activity plans. This is despite considerable effort from the Ministry of Finance to promote such plans, which has resulted in a number of draft sector and other strategic plans being prepared in line Ministries, but few finalised ones. There are some exceptions: for example, the decision to move to renewable energy sources by 2020 (which was introduced subsequent to the preparation of TK II) is influencing investment decisions and stimulating some demand for performance information. Some of those priorities of TK II which are specific and measurable (including fiscal commitments, contracts for senior levels of government, the Leadership Code for Parliamentarians, the establishment of governance institutions, and the leasing or privatisation of the Vaiaku Lagi Hotel) have not been carried out.
- As in other countries, there is mixed progress of sector and corporate planning across various sectors in Tuvalu. Issues of limited human resource capacity, varying levels of development partner commitment and support for specific sector programming and sector leadership can also determine the speed of development coordination progress in the various sectors. The health and education sectors, similar to other Pacific countries, appear to be more advanced in sector planning as well as managing their relationships with their development partners.

13. The private sector and NGOs were closely and comprehensively involved with the preparation of TK II. However, they are concerned that there have been few structured and systematic opportunities since then to discuss (for example through the budget process) an enhanced partnership with government over economic growth or service delivery.

14. There will be a review of TK II in the second half of 2011. It will provide an opportunity to

- bring together whatever monitoring information is available;
- stimulate a broad based discussion on the implications of performance to date;
- consider a more focused and measurable set of objectives, within the overall direction of TK II, to be achieved in the remainder of the plan period; and

- reconsider the assumptions in TK II about how many and what sort of indicators it would be possible to monitor annually.

15. Financial management and reporting systems are acknowledged to be in need of strengthening. The 2007 PEFA assessment noted that “the material weaknesses identified in Tuvalu’s current public financial management [which included variances in outturn, poor monitoring of public enterprises, low levels of reporting and control and out of date procurement regulations] are having a major impact on all three levels of budgetary outcomes, namely aggregate fiscal discipline, the strategic allocation of resources and efficient service delivery”.

16. A new PEFA assessment has been completed in mid 2011. The report was issued after the peer review visit, but the team understands that it showed a general improvement in overall performance, but still many areas of considerable concern. The fact that Tuvalu undertook a PEFA assessment is in itself evidence of commitment to strengthening public financial management. The implementation of a reform action plan based on the assessment could be the next logical step for the government.

17. The responsibilities for managing aid relationships are split between four government ministries and offices; the Ministry of Finance, the Ministry of Foreign Affairs, the Office of the Prime Minister and the Tuvalu High Commissioner’s Office in Suva.

- the Ministry of Finance and Economic Development (MFED) has formal responsibility for aid coordination. The Planning and Budgeting Department of the MFED is the focal point for some development partner relationships (e.g. AusAID, NZAID, EU, ADB) and is responsible for aid forecasts in the budget. The Treasury Department tracks aid expenditure passing through the Development Fund;
- the Ministry of Foreign Affairs is the formal focal point for a number of development partners;
- the Office of the Prime Minister hosts a Japanese expert who helps to manage the Japanese aid program; and
- the Tuvalu High Commission in Suva, which has tried in the past to provide a channel for aid coordination but has suffered from lack of a more formal role in aid coordination.

This is leading to incomplete information and role confusion internally and for development partners externally. Experience in the region suggests that some of the countries with advanced aid effectiveness systems and processes in the region are those who have made a strong push to solve the internal coordination problem, mainly by bringing aid and planning related functions together in one Ministry. For example, Cook Islands, Kiribati, Nauru, Palau, Samoa and Tonga have consolidated most of the aid and planning, budgeting functions in their Ministries of Finance.

18. The peer review team recommends:

By the end of 2011

- That the government of Tuvalu consider dividing the terms of reference for the forthcoming review of TKII into three main parts: i) a stocktake of results; ii) facilitation of a discussion with the National Task Force (to be constituted) on progress to date and a more focused set of policy actions for the remainder of the plan period along the lines of Vanuatu’s Planning Long, Acting Short (PLAS) matrix (which will be forwarded by the Forum Secretariat to the

Tuvalu authorities); and iii) simplification of and greater specificity in the monitoring and reporting arrangements for TK II. (*Recommendation 1*)

- That in the preparation of the 2012 budget, the Planning and Budget Department ask Ministries to explain how they have monitored progress against program descriptions in the 2011 budget and what results they have achieved; and concentrate on achieving realistic, measurable and up to date program descriptions linked to TK II for next year, as a way of emphasising accountability for results. (*Recommendation 2*)
- That as part of a wider understanding internally and with development partners about improving capacity for aid management, the government centralise all operational contacts with development partners in the Planning and Budgeting Department of the MFED. If aid coordination human and financial resources are located in other parts of Government, the government should consider the relocation to MFED and PBD to support this move, or for more systematic links and collaboration (*Recommendation 3*)

During 2012

- That the government consider obligating the Secretaries of Departments to sign off on program descriptions, make them the basis of their corporate plans and account for the achievement of associated performance indicators. These could then be integrated into their terms of reference and performance monitoring. The government is encouraged to initiate the implementation of a performance management system as planned in TK II (*Recommendation 4*); and
- That the Ministry of Finance and Economic Development try the more stringent approach to program descriptions described above as a way of getting officials to concentrate on performance and contribution to the TK II before continuing to invest in promoting sector plans. (*Recommendation 5*)

Alignment

19. Tuvalu faces significant aid management issues, partly due to institutional and human resource capacity issues. There is only one official managing aid coordination and one official managing national planning.

20. In 2009, the government's report on aid to Tuvalu 2001-2008 complained that "at the heart of ... failure, there lies a lack of accountability on the part of the donors for either the amount of aid they commit or the quality of aid. They continue to make excessive demands on Tuvalu for 'upward' accountability, financial benchmarks and restricting the ability of the country to design its programmes to its own path". Tuvalu's position paper for the 4th, 2011, High Level Forum on Aid Effectiveness in Busan Korea notes continuing duplication and lack of coordination.

21. In fact development partner approaches to Tuvalu's unique vulnerability and lack of capacity have contained some innovative as well as traditional practices. On the one hand development partners have provided flexible support through the establishment of the Tuvalu Trust Fund, payments direct to the Consolidated Investment Fund, and grants direct to the budget. These have been characterised by a reasonable degree of dialogue, although more experience on Tuvalu's side and more consistency and intensity of approach on the development partner side are needed in negotiating and implementing flexible policy based aid agreements. Both the current ADB country strategy and the Australia-Tuvalu Partnership for Development recognise Tuvalu's special circumstances and the need to keep the development relationship focused and supportive of a few key policies.

22. On the other hand, the most frequently used aid modality is the project. Tuvalu had 105 separate lines of development partner funded activity in the 2010 budget (and 87 in the 2011

budget) and government officials believe that they have little influence over the choice of modality, though they would like to promote the use of budget support.

23. The widespread incidence of projects is leading in Tuvalu to the problems often associated with this modality: preparation and reporting documentation is seen as being out of proportion to the value of the initiative and results; project implementation units and staff are distorting the labour market, both in terms of salaries relative to the public service and the national talent they absorb (there are more staff in projects supervised by the Environment Department than there are core staff in the Department); departments are having to patch together projects from various development partners/sources to make up an investment program such as for the conversion to solar energy initiatives; and project support is unpredictable and subject to shifts in development partner policy. There are exceptions: the Ministry of Health is managing to coordinate project support from a number of UN and regional sources, but relies on established personal relationships and frequent, managed contact with development partners.

24. Alongside the difficulty of managing multiple aid inputs are their effects on the business of government. Ministries which rely on activities they feel they do not fully control to carry out their development programs are less likely to develop medium term planning and reporting frameworks or to integrate external resources with their own recurrent budget. In circumstances of weak capacity, planning, monitoring and reporting can become centred on a project portfolio rather than a set of national objectives. Equally, aid management can become a matter of matching Tuvalu's needs to development partner programs and preferences rather than influencing development partners to adapt to Tuvalu's development needs and or programs.

25. Despite its careful and comprehensive monitoring of development partner inputs through the annually updated comprehensive TK II matrix, Tuvalu does not have a complete picture of the total value of aid it is receiving. Budget forecasts, including the Public Sector Investment Plan, are incomplete and subject to a high degree of uncertainty and sometimes over-optimism, except for items such as budget support from ROC/Taiwan. Other than money received in country through the Development Fund, which is tracked by the Treasury, Tuvalu does not ask for or receive regular reports on disbursements, eg for aid in kind, during or after the end of its financial year. The degree of unpredictability is illustrated by the fact that the 2010 budget estimates for Extra Budgetary Expenditure (ie aid) was \$27.4 million, while the revised estimate for 2010 at the time of passing the 2011 budget was \$9.5 million. One development partner notes that this is because some of the projects proposed in the Public Sector Investment Program (PSIP) were set up without proposals sent for donors' consideration.

26. The use of Tuvalu's national systems by development partners is not yet tracked by Tuvalu and reporting by development partners is incomplete. There are as yet no program based approaches in Tuvalu. If budget support (including payments to the CIF) and payments to the Tuvalu Trust Fund are taken into account, a substantial proportion of aid to Tuvalu has used national systems in recent years. However, there is no sustained dialogue over the increased use of national systems as an alternative to the long tail of stand-alone projects, particularly since there has not so far been a consistent commitment to public financial reform. The government hopes that the problem will be addressed through greater use of budget support; this may be a more manageable path for Tuvalu than addressing it sector by sector. But as noted below, it would take significant leadership and sustained action from government in strengthening its planning, budgeting, financial management and aid coordination systems to bring this about.

27. The declaration on aid effectiveness agreed by Tuvalu and its development partners in 2009 (Annex 3) envisaged enhanced leadership by Tuvalu in setting budgets aligned to TK II and fiscal performance benchmarks, reporting annually on TK II, exercising greater discipline over procedures for aid requests, and leading regular dialogue. Development partners in turn were to support the aid management functions of government, move towards greater harmonisation, and use TK II

monitoring as the basis for their own performance assessments. There has been limited follow up (partly because there has been no donor round table meeting since 2008), and now as it appears limited recollection in government and by most development partners that the declaration exists.

28. Development partners could do more to respect international principles of alignment and particularly harmonisation (see below). But the fundamental problem, that Tuvalu is receiving much of its aid in forms that it cannot manage and which restrict the capacity for medium term planning, can only be dealt with if Tuvalu is determined to put itself in the driver's seat with the strong support of its development partners. The need is urgent; weaknesses in the budget and in public sector capacity may put at risk a proportion of the budget support that Tuvalu currently receives from ROC/Taiwan and reinforce the unsustainability of the way Tuvalu manages its aid now. Experience elsewhere in the region has been that significant changes in aid practice and relationships are always brought about by enhanced country leadership and capacity, not by spontaneous action by development partners; and that changed aid practice is dependent on and inseparable from improvements in planning, budgets and implementation in the partner country. For example, Vanuatu has set out a clear preference for sector support aligning with national sector objectives and using national systems, while having a strong fiscal policy and a well understood financial reform program. For Tuvalu, enhanced leadership could involve:

- Strengthening the Ministry of Finance and Economic Development (MFED) Planning and Budgeting Department and centralising aid management processes (see above);
- A short aid policy that defines the forms of aid (budget support, sector support, capital projects, technical assistance) that Tuvalu wishes to prioritise over the medium term (3-5 years);
- A credible program to deal with key financial management issues, including the structural budget deficit, to demonstrate that it is doing what lies within its power to follow the directions of TK II, as the basis for renewed dialogue with development partners;
- A public financial management reform program arising from the current PEFA; and
- Promoting medium term planning (eg through the medium term expenditure frameworks being developed for health and education) as the basis for more sustained and predictable development partner support.

29. None of the above are new suggestions and some of these have already been considered by the government and its development partners. The mid-term review of TK II and subsequent discussion with development partners including the planned 2011 donor round table provides an opportunity to signal the beginning of a change of direction.

30. Tuvalu received 93% of its aid in 2002-8 from just six development partners, four of whom (ADB, EU, Australia and New Zealand) are committed in principle to common approaches, while ROC/Taiwan is also interested in greater aid effectiveness. Some of these agencies could improve their commitment to reducing transaction costs through simplification of processes but in principle, the task of coordinating a small number of agencies who provide the bulk of assistance towards greater alignment, and enlisting their help with managing the rest, is not impossible.

Government leadership in Tonga

Tonga had a round table meeting with its donors in April 2011. A policy paper was presented and accepted by development partners on role of aid, and the range of aid modalities including budget support. Development partners have agreed to coordinate work on budget support in the future; the World Bank will lead the coordination effort. In the government's view, there should be a consensus on a single matrix of policy actions to which all development partners would link their budget support.

31. The peer review team recommends:

By the end of 2011

- That the government considers developing a short (5 page) development cooperation /aid policy summarising the direction in which they wish to take development aid, and how they intend to promote the institutional changes that will help to bring this about. There are existing examples in the region for peer learning and Forum Secretariat can facilitate this learning. (*Recommendation 6*)
- That the focused set of policy actions recommended above be discussed with development partners alongside the aid policy at the proposed 2011 donor round table (*Recommendation 7*)
- That the technical assistance Australia has undertaken to provide through UNDP for aid management be in place in time for the 2011 donor round table (*Recommendation 8*)

By the end of 2012

- That all development partners and government make use of expanded consultation mechanisms (see below) to review progress on an agreed set of policies which underlie development partner support (*Recommendation 9*)
- That the Planning and Budget Department be strengthened and that together with a strengthened aid management unit it establish a system for improved forecasting of aid in the 2013 budget and more comprehensive tracking of financial flows in the 2012 budget cycle. (*Recommendation 10*)

Harmonisation

32. There are good examples of development partner practice. The ADB, the EU, Australia and New Zealand adopt common policy positions over Tuvalu and aim in the long run to reduce transaction costs for the country, although this does not always result in reducing the burden of delivery in Tuvalu. All major development partners, other than ROC/Taiwan, meet regularly in Suva under the leadership of the Tuvalu High Commission. There are examples of joint missions and combined aid activities (for example the joint Australia/New Zealand scholarships program).

33. Nevertheless, Tuvalu faces challenges in managing development partners which reflect overall lack of capacity. The peer review team looked at three in particular: missions, development partner contacts, and project procedures.

34. The problem of multiple, overlapping and duplicative development related visits is well documented (though it is important to remember that development partners are accountable in particular for the number of missions as defined in the Paris monitoring survey, not for the totality of visits related in some way to development). There is particular pressure on MFED, which is a target for most visitors, but all senior levels of government bear the brunt to some extent. There has been some rapid appraisal of the pattern of arrivals, suggesting that there is duplication and that there are a large number of visitors connected with environmental activities or journalists reporting on the effects of climate change. More investigation would be needed to separate out missions from the general run of development related visits, and to get more specific information on which institutions are contributing most to the problems of the absolute number of visits and to uncoordinated missions so that appropriate action can be taken. The TTFAC report of October 2009 noted that senior officials believed that a considerable drain on their time came from dealing with UN and regional agencies, whose financial contribution, as noted above, has been small.

35. In the meantime the only effective short term control would be to declare a mission free period. There is already existing experience with the Ministry of Health in early 2011 informing its development partners of more manageable scheduling of missions. This can be replicated across the whole of government. However, development partners noted that one contributory factor to the

intensity in workloads and time spent by Ministers and senior officials on receiving visitors in Tuvalu was due to limited availability of government officials in Tuvalu because of significant overseas travel. This is something for further discussion with development partners; in principle travel can make a positive contribution to more frequent contacts if transit through Suva can be used more effectively.

36. On managing contacts, the peer review team concluded that despite Tuvalu's commendable efforts to use the High Commission in Suva and to call on development partners on the way through Suva, the government was not talking collectively to its development partners often enough. Tuvalu has since 2006 managed development partner contacts through an annual round table, but, as noted above, the last meeting was held in 2008. The TTFAC 2009 report noted that previous meetings had focused on pledges, with not enough time spent on substantive discussions on implementation progress and monitoring; and that pledges at such meetings were often followed by significant delays in following up on promises, in the absence of any consistent and systematic follow up. Round tables have a role (the one following the mid-term review of TK II should have substantial policy content) but they need to be supplemented. Depending on where the government decides to take its aid relationships, it may need to develop more trust and understanding than can be generated in annual meetings. The Tuvalu High Commission in Suva is willing and well placed in principle to play a more active and sustained part in promoting dialogue, but it is not well resourced for the task and is limited in influence in that it has formal links only to the Ministry of Foreign Affairs and not to the MFED which is the focal point for aid coordination.

37. On project procedures, the peer review team heard of frequent instances where specific and varying development partner requirements were causing problems for Ministries. Concerns centred on the documentation needed to get access to funds and undertake acquittals and reporting. The Global Fund and the regional response fund for HIV/AIDS were cited as examples of heavy procedures and slow responses, while the EU's 5 million Euro program for water tank provision is estimated to have generated 1500 pages of documents only up to the closing date for tenders. The Global Environment Facility was cited as an example of burdensome requests for reporting out of proportion to project benefits. In general development partners with local (ie Suva based) representation with a high level of delegation were seen as more responsive to Tuvalu's limited capacity, while international organisations with uniform global procedures were seen as less responsive. This experience, common to micro-states, deserves to be more widely recognised. At the same time, there is scope for Tuvalu to take a more strategic approach in maximising support from the most flexible funding sources; negotiating changing modalities where this is possible; and limiting its exposure to funding which it knows to be difficult to manage.

38. The peer review team recommends:

By the end of 2011

- That Tuvalu experiment with a mission free period, and that development partners respect this decision (*Recommendation 11*)
- That the government and at least the core Suva-based development partners agree a pattern of collective quarterly meetings in Suva to be managed around the presence of the Minister or Secretary of Finance for transit or other purposes. The High Commission in Suva should be associated with these meetings and able to chair them in the absence of officials from home and report back to the MFED and Ministry of Foreign Affairs. Development partners should consider offering secretariat services for these meetings. Alternatively or in addition, meetings should be held in Tuvalu during joint missions with telephone links to absent development partners. (*Recommendation 12*)

During 2012

- That the Planning and Budgeting Department through its aid coordination unit undertake further analysis of the burden of missions and develop appropriate rules or other action with

- development partners; and that development partners if requested by the government coordinate a forward mission schedule to help planning on both sides. *(Recommendation 13)*
- That the Tuvalu High Commission's role as a supplement to the resources of the aid coordination section be clarified between Ministries and appropriate reporting lines to the Ministry of Finance (MFED) be established and that this be articulated in Tuvalu's development cooperation or aid policy and communicated to development partners. *(Recommendation 14)*

Managing for results

39. Neither the performance monitoring nor the reporting structures and patterns envisaged in TK II have been implemented as expected. This does not mean that there has been no monitoring information – reporting on the MDGs has remained strong, with the support of the UN system, and officials are well aware of progress on specific measures contained in TK II though the TK II matrix which records planned initiatives and projects to implement TKII. However, there has been no concerted attempt to collect outcome information across the whole of TK II and to examine policy implications. The planned mid-term review of TKII will therefore be a good opportunity to do this. As recommended above, this should also be an opportunity to consider what monitoring and reporting is practical given low capacity in data gathering and the experience of the first five years; and to consider how to improve performance orientation in the public service.

40. The Tuvalu Trust Fund Advisory Committee provides a mechanism for reviewing performance against selected key targets. Some of these targets are used as benchmarks against which Australia and New Zealand can make payments into the Consolidated Investment Fund. However, it is not clear what use the government makes of these reports to review its own progress.

41. The main monitoring activity by the government has been the maintenance of the TK II matrix. This records progress on activity against TK II priorities and strategies, mostly but not exclusively activity that is aid financed. There are some divergences between the priorities tracked in the matrix and those of the original TK II, suggesting that the matrix has become the living document recording policy change (although the processes for doing this have not been clear). The maintenance of the matrix requires considerable effort, and it is not clear as yet that the returns are worth it. It is useful in providing a picture of activity against TK II, and for holding development partners to their commitments, although it is not easy to extract information specific to a development partner from it. Except in the sense that it records no progress against some items, it does not track TK II outcomes, and it can reinforce the view that development is about externally financed projects. MFED may want to consider delegating the detail of project progress to line Ministries (from whom it largely comes) and to concentrate resources on outcome monitoring.

42. The Development Coordination Committee was intended to carry the main responsibility for TK II monitoring. Whilst it does meet regularly, it has not overall effectively fulfilled this role because there has been little monitoring information on outcomes. Focus has been on project and activity monitoring. But it has also not been a mechanism for promoting the importance of monitoring or accountability for results. Furthermore, participation by Secretaries varies and there could be improvement in efficiency of documentation for the meetings. There are already government considerations for reshaping the DCC's role and the peer review team notes this as a positive step forward.

43. The peer review team recommends:

By the end of 2011

- That the government use the mid-term review of TK II to establish a revised monitoring structure for the remainder of the TK II period *(Recommendation 15)*

During 2012

- That MFED revise its monitoring role in line with the conclusions of the mid-term review (*Recommendation 16*)
- That the government revise any or all of the composition, role and procedures of the DCC to make it a more effective forum for monitoring and reporting progress to Cabinet (*Recommendation 17*)

Mutual Accountability

44. Much of the above is concerned with establishing a better understanding between Tuvalu and its development partners about what each can expect from the other under overarching government leadership.

45. Tuvalu is fortunate in having in the TTFAC a body set up to make objective assessments on specific issues which are accepted not only by the two development partners involved but also by others. The meetings of the management board are open to development partners as observers. The TTFAC has already investigated a number of issues relevant to overall effective use of resources and should continue to underpin the dialogue. There is further scope to ask it, within its terms of reference, to investigate issues as they arise.

46. The 2009 Tuvalu declaration on aid effectiveness is a good starting point for resuming discussion on, and tracking, mutual commitments.

47. The peer review team recommends:

By the end of 2011

- That the government and development partners revisit the 2009 declaration at the round table and agree a new set of priority actions to implement it. (*Recommendation 18*)

RECOMMENDATIONS

48. The following are a set of short to medium term actions recommended to the Government of Tuvalu and its development partners to consider in their ongoing efforts to strengthen development coordination in Tuvalu. The recommendations are framed along the 5 principles² of the Paris Declaration on Aid Effectiveness

Ownership

[By the end of 2011]

- That the government of Tuvalu consider dividing the terms of reference for the forthcoming review of TKII into three main parts: i) a stocktake of results; ii) facilitation of a discussion with the National Task Force (to be constituted) on progress to date and a more focused set of policy actions for the remainder of the plan period along the lines of Vanuatu's Planning Long, Acting Short (PLAS) matrix (which will be forwarded by the Forum Secretariat to the Tuvalu authorities); and iii) simplification of and greater specificity in the monitoring and reporting arrangements for TK II. (*Recommendation 1*)
- That in the preparation of the 2012 budget, the Planning and Budget Department ask Ministries to explain how they have monitored progress against program descriptions in the 2011 budget and what results they have achieved; and concentrate on achieving realistic, measurable and up to date program descriptions linked to TK II for next year, as a way of emphasising accountability for results. (*Recommendation 2*)

² Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability.

- That as part of a wider understanding internally and with development partners about improving capacity for aid management, the government centralise all operational contacts with development partners in the Planning and Budgeting Department of the MFED. If aid coordination human and financial resources are located in other parts of Government, the government should consider the relocation to MFED and PBD to support this move. *(Recommendation 3)*

During 2012

- That Secretaries should be obligated to sign off on program descriptions, make them the basis of their corporate plans and account for the achievement of associated performance indicators. These could then be integrated into their terms of reference and performance monitoring. The government is encouraged to initiate the implementation of a performance management system as planned in TK II *(Recommendation 4)*; and
- That the Ministry of Finance and Economic Development try the more stringent approach to program descriptions described above as a way of getting officials to concentrate on performance and contribution to the TK II before continuing to invest in promoting sector plans. *(Recommendation 5)*

Alignment

By the end of 2011

- That the government develop a short (5 page) development cooperation /aid policy summarising the direction in which they wish to take development aid, and how they intend to promote the institutional changes that will help to bring this about. There are existing examples in the region for peer learning and Forum Secretariat can facilitate this learning. *(Recommendation 6)*
- That the focused set of policy actions recommended above be discussed with development partners alongside the aid policy at the proposed 2011 donor round table *(Recommendation 7)*
- That the technical assistance Australia has undertaken to provide through UNDP for aid management be in place in time for the 2011 donor round table *(Recommendation 8)*

By the end of 2012

- That all development partners and government make use of expanded consultation mechanisms (see below) to review progress on an agreed set of policies which underlie development partner support *(Recommendation 9)*
- That the Planning and Budget Department be strengthened and that together with a strengthened aid management unit it establish a system for improved forecasting of aid in the 2013 budget and more comprehensive tracking of financial flows in the 2012 budget cycle. *(Recommendation 10)*

Harmonisation

By the end of 2011

- That Tuvalu experiment with a mission free period, and that development partners respect this decision *(Recommendation 11)*
- That the government and at least the core Suva-based development partners agree a pattern of collective quarterly meetings in Suva to be managed around the presence of the Minister or Secretary of Finance for transit or other purposes. The High Commission in Suva should be associated with these meetings and able to chair them in the absence of officials from home and report back to the MFED and Ministry of Foreign Affairs. Development partners should consider offering secretariat services for these meetings. Alternatively or in addition, meetings should be held in Tuvalu during joint missions with telephone links to absent development partners. *(Recommendation 12)*

During 2012

- That the Planning and Budgeting Department through its aid coordination unit undertake further analysis of the burden of missions and develop appropriate rules or other action with

development partners; and that development partners if requested by the government coordinate a forward mission schedule to help planning on both sides. *(Recommendation 13)*

- That the Tuvalu High Commission's role as a supplement to the resources of the aid coordination section be clarified between Ministries and appropriate reporting lines to the Ministry of Finance be established and that this be articulated in Tuvalu's development cooperation or aid policy and communicated to development partners. *(Recommendation 14)*

Managing for Results

By the end of 2011

- That the government use the mid-term review of TK II to establish a revised monitoring structure for the remainder of the TK II period *(Recommendation 15)*

During 2012

- That MFED revise its monitoring role in line with the conclusions of the mid-term review *(Recommendation 16)*
- That the government revise any or all of the composition, role and procedures of the DCC to make it a more effective forum for monitoring and reporting progress to Cabinet *(Recommendation 17)*

Mutual Accountability

By the end of 2011

- That the government and development partners revisit the 2009 declaration at the round table and agree a new set of priority actions to implement it. *(Recommendation 18)*

NEXT STEPS

49. **Based on the preference of the Government of Tuvalu**, it is proposed that there be a follow up visit or discussion by the PIFS and development partners to Tuvalu to discuss concrete work plan/actions and resource framework/division of labor for implementing the recommendations of the Peer Review Report. This visit is proposed to happen **within and no more than six months** after the completion of the Peer Review in country. Key development partners in country can consider supporting the implementation of the peer review recommendations in addition to other government identified priority development coordination priorities.

50. Alternatively and/or additionally, and again based on the preference of the Government of Tuvalu, the government can integrate the Peer Review Recommendations into their ongoing national development planning, budgeting and aid coordination/management development strategy/plan and processes. The planned Mid Term Review of TKII in late 2011 is a good opportunity to hold discussions with development partners on the findings of the peer review process and discuss collective support for priority actions to strengthen development coordination in Tuvalu within the next 12 to 18 months.

51. It is proposed that a simple **Monitoring and Evaluation Framework/indicators agreed between the Government, development partners and PIFS be developed and used to track** the implementation of the Peer Review Recommendations (recommendations to both Government and Development partners).

Annex 1: Tuvalu Peer Review Terms of Reference

1.0 Purpose

This note sets out Terms of Reference for a peer review of **Tuvalu's** national development planning and related processes under the Cairns Compact on Strengthening Development Coordination in the Pacific.

These Terms of Reference draw on a concept note on the peer review process that was circulated by the Pacific Islands Forum Secretariat (PIFS) on 20 October 2009 and discussed at a regional workshop on 26-28 November 2009.

2.0 Background

Through the Cairns Compact, Forum Leaders agreed in August 2009 that the Pacific Islands Forum Secretariat (PIFS) should establish and report annually to the Post-Forum Dialogue on a process of regular peer review of Forum Island Countries' (FICs') national development plans to:

- a) promote international best practice in key sectors;
- b) improve effective budget allocation processes; and
- c) guide support from development partners.

The objective of the peer review process is also to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

Peer reviews are an opportunity for mutual learning between FICs on the one hand and their peers in other FICs and development partners (donors) on the other about how best to address development challenges. The peer review process is intended to contribute to reinforcing country leadership over the establishment of national priorities, and enhance the capacity of countries to guide the use of development resources – both government and development partner funded resources.

3.0 Issues for review

The Peer Review process will consider the following issues in line with globally (Paris, Accra) and regionally (Pacific Principles of Aid Effectiveness) accepted principles for development effectiveness:

Ownership: Pacific Aid Effectiveness Principles 1, 3

- Processes for preparing and reviewing well developed and costed national and sectoral development plans/strategies ;
- Links between the national and sector development plan/strategies and budgets;

Alignment: Pacific Aid Effectiveness Principles, 2,5,6

- Alignment of development partners plans/programmes and funding to the national and sector development plans/strategies and national/sector budgets and financial management systems;

Harmonisation: Pacific Aid Effectiveness Principle 4

- Harmonisation of and amongst development partners' development assistance, programming, monitoring processes to reduce transaction costs on government systems and resources;

Managing for Results: Pacific Aid Effectiveness Principle 7

- Mechanisms, processes and frameworks for monitoring the implementation of the national development plans/strategies focused on results and outcomes;

Mutual Accountability: Pacific Aid Effectiveness Principle 7

- Mechanisms, processes and systems for collective (government and development partners) assessment, monitoring and review of development programmes/resources to improve the effectiveness of development assistance.

Following are the detailed considerations for the Peer Review:

Ownership:

Processes for preparing and reviewing national and sector development plans, including:

- whether the national and sector plans define a clear set of development results and set realistic timeframes for achieving these;
- how domestic stakeholders are consulted in the preparation and review of national and sector plans;
- the extent to which the Government has communicated national and sector plans within Government and to other domestic stakeholders;
- the extent to which the Government has established and implemented an effective review process for national and sector plans; and
- how evidence (including statistics) was used to develop national and sector plans, set budgets and monitor progress.

Links between the national plan, sector plans and budgets, including:

- the extent to which the plans included above are supported by realistic and appropriately costed annual budgets and sector plans; and
- whether the processes for developing and reviewing national plans, sector plans and annual budgets are integrated with each other.

Alignment and Harmonisation

Relationship of development partners to national and sector development plans, including

- the extent to which development partners align their assistance to the priorities articulated in national and sector plans in a coordinated manner;
- the extent to which development partners harmonise among themselves to ensure coherent and collective assistance to the government. e.g. joint missions, joint assessments, joint country strategies, joint programmes;
- the adequacy of national and sector plans to provide clear guidance to development partners on how aid can complement national resources; and
- the extent to which development partners deploy aid resources through national (government and other domestic stakeholder) systems.

Managing for Results and Mutual Accountability

Monitoring the implementation of national and sector development plans, including

- Processes and frameworks for tracking and reporting progress against outcomes in national and sector plans, and for drawing policy conclusions from progress reporting.

4.0 Outputs

The key output from the peer review process will be a report prepared by the review team and agreed by the Government that will summarise the available evidence, based on existing documents and in-country consultations, to draw conclusions on the above issues as the basis for:

- Recommendations to the Government on how it can improve:
 - processes for preparing and reviewing its national and sector plans, including consultation mechanisms with domestic stakeholders
 - processes for linking these plans to the annual budget
 - coordination of development partners assistance, including by providing appropriate guidance through national and sector plans
 - budget allocation and monitoring systems
- Recommendations for development partners on how they can improve:
 - processes for aligning their assistance to the priorities articulated in the national / sector plans
 - processes for coordinating assistance between development partners
 - efforts to support and strengthen Government monitoring and implementation systems.
- Broader lessons on the above issues for other FICs and development partners to consider through the Post Forum Dialogue and other regional meetings.

5.0 Peer Review Team

The review team will consist of two representatives from Tonga and Vanuatu and one representative from a development partner, UNESCAP. Tuvalu, in the true spirit of Peer Learning and sharing amongst PICs, drew its peer review team from the PIFS established Peer Reviewers Database consisting of government and development partner nominated officials. Tuvalu is grateful that the Peer Review Team will be supported by the Regional Planning Adviser and an international consultant engaged by PIFS.

6.0 Stages of review process

6.1 Pre-Analytical review

With support of the Regional Planning Adviser, the consultant engaged by PIFS will consider the Government's self assessment (2010 Cairns Compact report, Paris Monitoring Survey Report if available) against the agreed format for annual reporting by all FICs on their national development plans, and any reflections by, or commissioned by, the Government on the implications of the self assessment, as well as any other recent reporting on implementation of plans, progress against the MDGs, and the economic and financial situation.

6.2 In-country review

The in-country peer review process will take no more than 7 working days. The in country review consultations with relevant national and development partner stakeholders should take no more than 5 working days

Prior to the consultations, the **Peer Review Team will hold an Initial Briefing with the Peer Review Focal Point/Agency** to confirm the objectives and focus of the Peer Review and the stakeholders to be consulted.

The peer review team would then meet with relevant stakeholders. A list of stakeholders will be agreed between the Government and the review team. It is anticipated that consultations will include:

- Ministers and officials in central planning and financial management agencies and key service delivery agencies (e.g. education and health).
- Representatives of key development partners
- Representatives of non-government organisations and the private sector.

The Peer Review Team will consult with the Government on the best way of getting a range of non-Governmental opinion and will if appropriate request that Government convene a consultative meeting with wide community representation.

A **Peer Review Debrief** will be held on the last day of the Peer Review in country where **the Peer Review team will provide some very preliminary findings from the peer review consultations. Stakeholders from both government and non-government sectors and development partners will be invited to attend.**

6.3 Post Peer Review Process

1. Preliminary Report by Peer Review Team

Within two weeks of the completion of the in country peer review visit, the Peer Review Team with support of the PIFS and consultant will produce and submit a **preliminary** Peer Review Report to the government for review and comment.

2. Government approval of the Peer Review Report

The host country will be asked to respond to the draft report **within two weeks** of receiving the draft and asked to approve a **final Peer Review Report within six weeks** of completion of the peer review visit.

3. Dissemination of the Peer Review Report

Within two weeks of host country approval of final peer review reports, Peer Review Reports will be disseminated widely by the PIFS to all Forum members and development partners via PIFS Circular and on the PIFS website.

4. Host Country and PIFS Report on Peer Reviews to PIC-Partners and PPAC meetings

The host country and the PIFS will present the peer review report and a consolidated report summarising the peer reviews undertaken in 2011 at the Pacific Island Countries – Development partners meeting and the Pacific Plan Action Committee (PPAC) meeting. The conclusions of the peer reviews will be reported to the Forum Leaders meeting as part of the PPAC Chair's Letter to the Chair of the Forum.

5. Host Country and PIFS Report on Peer Reviews to Leaders and Post Forum Dialogue – September 2011

PIFS will present [a summary of] the peer review report and a consolidated report summarising the peer reviews undertaken in 2011 to Forum Leaders and the Post-Forum Dialogue to inform discussions on development coordination.

The Host country can also consider a high level report potentially through their leader's address to the Forum Leaders on their peer review process and follow up.

6. **Development Coordination Action Planning, Resourcing and Implementation:**

Based on the preference of the host Government, it is proposed that there be a follow up visit by the PIFS and development partners to the host country to **discuss concrete work plan/actions and resource framework/division of labor** for implementing the recommendations of the Peer Review Report. This visit is proposed to happen **within and no more than three months** after the completion of the Peer Review in country. Key development partners in country can consider a pooled fund to support the implementation of the peer review recommendations in addition to other government identified priority development coordination priorities.

Alternatively and/or additionally, and again based on the preference of the host Government, the government can integrate the Peer Review Recommendations into their ongoing national development planning, budgeting and aid coordination/management development strategy/plan and processes.

It is proposed that a simple Monitoring and Evaluation Framework/indicators agreed between the Government, development partners and PIFS will be developed and used to track the implementation of the Peer Review Recommendations (recommendations to both Government and Development partners). Attached is a Draft Work plan and Report Template for consideration.

7.0 Administrative and funding arrangements

In addition to the consultant, PIFS will provide logistical and administrative support to the peer review process coordinated by the Regional Planning Adviser.

The major costs of the peer review process will be met by PIFS. These costs include the consultant and administrative support provided by PIFS, travel by the peer review team and incidental costs incurred by the Government such as hiring meeting facilities and catering. The only significant costs to the Government will be the time of officials consulted. It is proposed that the development partner participating in the review team will cover their own costs.

The Government will nominate a designated focal point to set up and manage the consultation process in close coordination with PIFS.

Annex 2: Tuvalu's planning, budgeting and monitoring systems

Planning and budgets

TK II is understood to set some broad directions for development. Its 144 strategies and priorities, however, vary in their scope and nature. Some are high level targets (the limit on debt), others describe an intent (implement structural changes, promote innovation and initiate economic reforms), others call for reviews, policies or assessments, while some are specific and actionable (establish Leadership Code). In turning the less well defined priorities into actions that specify how, who and when, Ministries will have had to interpret them and break them down into tasks, and in some cases look beyond the immediate achievement if the achievement is a review or a plan. TK II itself recognised this need and envisaged a set of subsidiary plans as follows:

- Sector master plans detailing initiatives and their links to the annual budget, its multi-year framework, and the Public Sector Investment Plan
- Departmental corporate three year plans
- The Public Sector Investment Plan, which would cost and prioritise capital investments financed from domestic and external resources.

The Ministry of Finance invested significant effort in training and promoting sector plans in 2006. The result has been that sector plans exist for education and health, and in draft form in a number of other Ministries. Instability in the configuration of Ministries, with the diversity of the subjects they cover, has not helped the bedding down of the concept of sector plans. Not all departments have corporate plans. On the other hand, strategies are emerging across government responding to political or other demands, for example the energy strategy leading to full use of renewables by 2020, or instituted by management decision, such as a civil aviation strategic plan, a fisheries master plan and departmental action plans in the Ministry of Natural Resources.³ These do not draw directly from the TK II priorities, nor is it clear that their approval by the Development Coordination Committee (DCC), where this happens, includes scrutiny of their alignment with TK II.

The one statement of intent and performance benchmark that is common across all Ministries is the set of program descriptions which each Ministry provides alongside its budget bid. These form the second volume of the budget. There has been some tendency to cut and paste these from one year to the next. However, the Ministry of Finance in the 2011 budget round spent time with Ministries discussing their program descriptions before they were approved and reinforcing the links to TK II priorities. This was felt to be a helpful process and one which has some legitimacy with the rest of government.

The Public Sector Investment Plan exists as an annex to the budget and contains lists of capital expenditure proposals intended for Special Development Expenditure by Government (typically outer island projects) or Extra Budgetary Expenditure financed by development partners. To be included in the Plan a proposal should have been submitted as part of the budget bid if it is over \$100,000, subjected to economic analysis by the Planning and Budgeting Department (PBD) and approved by the DCC. The aim of using the process to prioritise is made more difficult by the fact that Tuvalu does not know what investment funds it will receive. The incentive is to put items into the Plan even if there is no funding available, although the PBD tries to keep these to a minimum. Moreover, the sequence of identification of priority, scrutiny, identification of funding is not followed; Ministries will frequently come to an understanding with a development partner about a project before it is submitted, so making it more likely that it will be included in the Plan. The Ministry of Finance also report problems with out of cycle submissions and proposals which bypass the scrutiny and approval process completely.

³ Source: interviews with Ministries. The peer review team did not examine any of these except the health sector strategy

Medium Term Expenditure Frameworks are being developed for education and health with AusAID assistance. Although supported in principle by Ministers, it is not yet clear that the government as a whole will be prepared to accept the limitation on its discretion to direct funds that this will imply.

Although TK II is the umbrella under which development takes place, and despite the existence of other plans at various levels, the transmission mechanism between intent at national levels and the formulation of annual budgets is acknowledged to be weak. Reasons include:

- limited recurrent funds mean that Ministries only receive enough to cover fixed costs, with little left for transformative expenditure; this leads to budgets “having their own momentum” and being difficult for central agencies to challenge
- the aid flows on which Ministries depend for transformative expenditure are unpredictable and hard to manage
- with limited budgets Ministries are not always able to meet even their top priorities because of unpredictable decisions in the budget process
- mechanisms to enforce accountability for outcomes are weak, despite some senior staff feeling the personal obligation to be accountable.

In general, incentives to plan, and to link plans to budgets and accountability for outcomes come about when Ministries have predictable and programmable funds, and when accountability for results is integrated into the budget process. These factors are not present in Tuvalu, and it is not surprising that compliance with the systems envisaged in TK II has been patchy. The peer review recognises that development partners and government have a role in better budget formulation and implementation. It also believes that enforcing a system of sector and corporate plans may be too complex in Tuvalu’s current circumstances. Concentrating on one existing system which everybody has to participate in, namely the formulation and annual review of program descriptions (which can be essentially identical to the annual corporate plan) may be a more effective use of the time of central agencies. The existence of other plans which respond to particular needs, including the need to exercise leadership with development partners, is a bonus and can be built on over time.

Aid management

Because aid plays such an important role in the implementation of TK II, the mechanisms which Tuvalu has in place to manage and coordinate aid are essential elements in success. The peer review report suggests a more strategic approach to overall aid management based on Tuvalu putting itself in the driver’s seat. But this will not happen unless there is strong internal coordination and capacity building in the Planning and Budgeting Department

In 2007 the functions of the Aid Management Department in the Ministry of Finance were split, with aid coordination and integration with national planning being merged with Planning and Budgeting Department and financial monitoring going to Treasury. This is thought to have contributed to a better integration with national systems, although it has some disadvantages. At the same time, the Ministry of Foreign Affairs retains responsibility for bilateral contacts and helps to match aid on offer to national needs. The High Commission in Suva, which in principle is best placed to carry out discussions with development partners based in Suva, reports to Foreign Affairs. The Office of the Prime Minister houses a Japanese adviser who helps to manage Japanese aid, though why this position is located as it is is not clear. The Ministry of Finance is the focal point for the ADB and the World Bank.

The present arrangements are open to confusion. In practice the Ministry of Finance has direct contact with development partners, and the flow of information between Ministries is not as good as it should be. Moreover, Tuvalu’s concept of aid management is based on the need to develop understanding of development partner programs and practices and matching them to emerging requirements; whereas better practice in the region is tending towards a focus on country plans and priorities and inviting development partners to adapt to them. While recognising the legitimate role of Foreign Affairs in

managing bilateral relationships and accepting that the formal channel of communication might remain with them, the peer review team considered that a parallel operational channel should be established with the Planning and Budgeting Department.

Monitoring and reporting

TK II envisaged the refinement of a set of performance measures, tracking against those through an annual report to Parliament, and the convening every two years of a National Task Force comprising island leaders, government officials, and representatives from civil society to review progress and set future directions, with interim monitoring being carried out by the DCC. In practice, for a number of reasons related to shortage of personnel and funding, reporting has been limited, there has been no consolidated progress report against TK II, and the Task Force has not been convened yet. The main outcome monitoring activity has been tracking progress against the MDGs, which has been supported by the UN and provides some proxy measures of success on the national plan, but with a greater lag than the specific policies of TK II.

Tracking of progress is often understood in Tuvalu as being synonymous with tracking progress of projects. The Aid Coordination Unit has invested heavily in the preparation and annual updating of successive TK II matrices. Originally conceived as a means of “bringing order to the chaos”, the matrix has served the dual role of tracking progress against projects contributing to TK II priorities, and being a record of changes in those priorities. In the former role it consists mainly of recording which external partner has done what, and what remains to be done. Except in the sense that it records no progress against some TK II priorities, it does not report on outcomes.

There is a requirement for Departments to produce an annual report. Not every Department does so, and those reports which are produced are heavily oriented towards activity reporting. It does not seem practical to strengthen performance reporting through annual reports in the short term so that they could be synthesised into a national monitoring and reporting system.

The mid-term review of TK II provides the first opportunity to carry out its monitoring provisions and to consult on the implications of data on progress. In retrospect the arrangements described in TK II, requiring tracking of progress over a wide range of indicators and a potentially expensive consultative mechanism, can be seen as resource intensive and demanding even to a better resourced administration. The mid-term review is a chance to revise the requirements, perhaps around a smaller set of indicators which can be expected to change in line with policy implementation every 1-3 years, and to allocate responsibility for collecting and reporting on this set, and just as importantly, analyse the policy implications.

Annex 3: Tuvalu Aid Coordination and Effectiveness Declaration

Declaration by the Government of Tuvalu and Development Partners on Improving Aid Coordination and Effectiveness

The Government of Tuvalu and Tuvalu's Development Partners declare their willingness to build partnerships in an environment of cooperation, mutual trust and accountability to improve ODA effectiveness and maximise benefits for the people and nation of Tuvalu. The objective of this declaration is to commit the Government of Tuvalu and development partners to an ongoing process of effective coordination in the implementation of ODA for Tuvalu, in line with Tuvalu's National Sustainable Development Strategy 2005-15 (Te Kakeega II), promulgated by the Government of Tuvalu in November 2005 and endorsed by Development partners at the May 2006 Government/Donor Roundtable held in Suva, Fiji Islands.. While the Government of Tuvalu and some Development Partners are not signatories to the Paris Declaration on Aid Effectiveness, all concur that it is relevant in the Tuvalu context and so subscribe to the guidance the Declaration provides.

The five key principles of this Declaration are:

1. **Ownership:** Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions;
2. **Alignment:** Donors base their overall support on partner countries' national development strategies, institutions and procedures;
3. **Harmonisation:** Donors' actions are more harmonised, transparent and collectively effective;
4. **Managing for Results:** Managing resources and improving decision-making for results; and
5. **Mutual Accountability:** Donors and partners are accountable for development results.

Although this declaration does not constitute a legally binding instrument, it represents a shared recognition between the Government of Tuvalu and the Development Partners on enhancing aid effectiveness in Tuvalu.

To implement our respective partnership commitments as outlined above, the Government of Tuvalu and the Development partners commit to:

Ownership

The Government of Tuvalu exercises full ownership and leadership over its policies, and strategies and development actions.

The Government of Tuvalu commits to:

- Annual progress reports of Te Kakeega II implementation as committed to in Chapter 13 of Te Kakeega II;
- Align the national budget to support agreed priorities for the implementation of the Government fiscal benchmarks and Te Kakeega II; and
- Further strengthen its ownership and leadership role in coordinating aid at all levels with development partners, civil society and the private sector.

Development Partners commit to:

- Respect Government of Tuvalu ownership and leadership of its development management processes, and as part of the implementation of their aid activities, support the strengthening of the institutional and human capacity of ministries and line agencies, to manage the development process towards the targets set in Te Kakeega II.

Alignment

Development Partners will base their overall support on Government of Tuvalu strategies, institutions and procedures.

Government of Tuvalu commits to:

- Continue to work on Te Kakeega II, identifying medium term priorities for development partners and the Government to work together and where agreed align development programmes and projects with the Public Sector Investment Programme (PSIP), as per Section 13.1 pp46 of the TKII document;
- Continue to work to strengthen institutional arrangements for the enhancement of aid effectiveness and delivery of results.
- Continue to improve relevant public financial management systems that are periodically reviewed according to the performance benchmarks as promulgated by Cabinet on xxxx 2008; and
- Lead efforts to promote long-term capacity development through the development of strategies and actions at the sector level.

Development partners commit to:

- Base their overall support on the priorities outlined in Te Kakeega II and where agreed align their development programmes and projects with the Public Sector Investment Programme (PSIP) as per Section 13.1 pp46 of the Te Kakeega II document.
- Use the monitoring and evaluation framework of Te Kakeega II as the basis for monitoring progress in and impact of their programmes
- Ensuring their development assistance, where necessary, provides coordinated support to strengthen Government of Tuvalu institutions, systems and procedures.
- Make increasing use of the Government of Tuvalu's institutions, systems and procedures, as they attain mutually agreed standards, for administering development assistance.
- Avoid the creation of new parallel structures (eg PIU, PMUs) for day to day management and implementation of ODA financed activity.

Harmonisation**Development Partners' actions are more harmonised, transparent and collectively effective.****The Government of Tuvalu commits to:**

- Continue to work with the development partner offices in Suva and Funafuti to identify improved mechanisms for achieving harmonisation and alignment issues in the Tuvalu context in such ways as arranging coordination meetings, encouraging joint missions and meetings, shared research and analysis etc.

Development Partners commit to:

- Cooperating with shared analyses and monitoring frameworks, reduced separate and duplicative missions, diagnostic reviews and studies;
- Simplified procedures for programme/project management, including reporting and auditing;
- Where feasible, increase the proportion of development cooperation managed through Sector and/or thematic programmes, and other programme based approaches that provide for enhanced Development Partner cooperation; and
- Make increasing use of delegated cooperation arrangements where possible and appropriate.

Managing for results**Managing resources and improving decision-making for results.****The Government of Tuvalu commits to:**

- Develop a monitoring and evaluation framework for Te Kakeega II based on Section 13.2 pp47 of the Te Kakeega II document and incorporating key performance indicators that have resulted from this process e.g. fiscal benchmarks promulgated by Cabinet on xxxx 2008;
- Prepare annual progress reports on Te Kakeega II ensuring that the findings contribute to the National sector strategies as promulgated by Parliament, as per Section 13.2 pp47 of the Te Kakeega II document; and
- Regularly reprioritising and reviewing the Te Kakeega II targets, and reallocating available development resources accordingly, and linking priorities to budget processes to achieve targeted development results, as per Section 13.2 pp47 of the Te Kakeega II document.

Development Partners commit to:

- Support the monitoring and evaluation framework for Te Kakeega II to ensure the ongoing alignment and scope of their future development assistance to Government of Tuvalu priorities; and
- Support the role of the government’s National Task Force in coordinating, monitoring and reviewing the Te Kakeega II implementation as per Section 13.2 pp47 of the Te Kakeega II document.

Mutual Accountability

The Government of Tuvalu and Development Partners are accountable for development results.

The Government of Tuvalu commits to:

- Strengthening the role of all stakeholders including civil society and private sector in the planning and implementation of development cooperation programmes; and
- Making available to all stakeholders information on the use of ODA resources to enhance transparency and accountability
- Undertake the necessary ongoing reforms to enhance transparency and accountability in the use of available development cooperation resources.

Development Partners commit to:

- Provide timely, transparent, and comprehensive information on ODA flows to improve transparency and accountability in the use of ODA resources; and
- Make planning and delivery of their assistance more transparent to all stakeholders in order to improve effectiveness and to maximise the benefits for the people of Tuvalu.

THE WAY FORWARD

We, the Government of Tuvalu and the Development Partners of Tuvalu, express our willingness to give our utmost effort in working towards the effective implementation of the Government of Tuvalu’s National Strategy for Sustainable Development 2005 - 2015, Te Kakeega II. We will monitor progress in implementing the strategy, which will be reported in the government’s annual progress reports and through the Suva based Government/Donor Working Group and periodic Government/Donor Roundtables.

We the undersigned, hereby confirm our wiliness to jointly work on enhancing aid effectiveness and efficiency in Tuvalu.

Attachments form part of this Declaration:

- *Annex 1 – Concrete Actions to be taken to Improve Aid Effectiveness*
- *Annex 2 – Te Kakeega II Matrix (Reloaded)*

**Signed this day, the 26th of June 2008 in Suva,
For the Government of Tuvalu**

.....
Hon Lotoala Metia
Minister Finance and National Planning
(on behalf of the Government of Tuvalu)

For the Development Partners

.....
Judith Robinson
AusAID

.....
Ms Ritva Sallmén
European Commission

.....
Insert Name
Embassy of Japan

.....
Insert Name
Asian Development Bank

.....
Kirk Yates
NZAID

.....
Insert Name
World Bank

.....
Mr Richard Dictus
United Nations

.....
Dr Daniel Liao
Embassy of the People's Republic of China

Annex 4: Stakeholders Consulted for the Tuvalu Peer Review (26 April-4 May 2011)

| Organization | Representatives | Time |
|---|--|-------------|
| Tuesday 26 April, 2011 (Initial Briefing and Consultations with key government counterparts) | | |
| Office of the Prime Minister | <ul style="list-style-type: none"> Honorable Mr. Willy Telavi (Prime Minister) Mr. Panapasi Nelesone (Secretary to Government) Ms Simalua Enele (Economic Adviser) | 2:30pm |
| Ministry of Finance & Economic Development | <ul style="list-style-type: none"> Mr. Minute Alapati Taupo (Permanent Secretary for Finance & Economic Development) Mr. Letasi Iulai (Director of Planning & Budget) Ms. Lototasi Morikao (Senior Aid Adviser) Mr. Amosa Tau (Senior Budget Adviser) Mr. Niuatui Niuatui (MDG Project Manager) Ms. Simalua Enele (Economic Adviser) Mr Stephen Boland (Budget Management Specialist) | 3:15pm |
| Wednesday 27 April, 2011 | | |
| Tuvalu National Private Sector Organization | <ul style="list-style-type: none"> Mr. Saufatu Sopoaga (President) Mr Piitia Elisara (Secretary) | 2pm |
| EU Representative | <ul style="list-style-type: none"> Mr. James Conway (TA-NAO) | 11am |
| Ministry of Home Affairs & Rural Development | <ul style="list-style-type: none"> Mr. Pusineli Laafai (Permanent Secretary) | 2pm |
| Thursday 28 April, 2011 | | |
| Ministry of Health | <ul style="list-style-type: none"> Mr. Uale Taleni (Permanent Secretary) Dr. Stephen Homasi (Director of Health) | 9am |
| Ministry of Foreign Affairs, Environment, Trade, Labour, & Tourism | <ul style="list-style-type: none"> Mr. Pasuna Tuaga (Assistant Secretary/Acting Permanent Secretary) | 11am |
| Department of Personnel & Training | <ul style="list-style-type: none"> Mrs. Misalaima Nelesone (Permanent Secretary) | 3pm |
| National Statistics Office | <ul style="list-style-type: none"> Ms Grace Alapati (Assistant Statistical Officer) | |
| Friday 29 April, 2011 | | |
| Planning and Budget Department | <ul style="list-style-type: none"> Mr Letasi Iulai ((Director of Planning & Budget) Ms Simalua Enele (Economic Adviser) | |
| Office of the Prime Minister | <ul style="list-style-type: none"> Mr. Panapasi Nelesone (Secretary to Government) | 2pm |
| Ministry of Transport & Communications and Ministry of Public Utilities | <ul style="list-style-type: none"> Mr. Tepaukie Sotaga (Assistant Secretary/Acting Permanent Secretary) Hilia Vavae (Communications and Transport) Vitoli F Iosefa (Cival Aviation) Olioliga Iosua (Permanenet Secretary Public Utilities) Molipi Tausi (Department of Energy) Elekana Tafiufoa (Public Works Department) Mafau Lotolua (Tuvalu Electricity Corporation) | 11am |
| ROC/Taiwan | <ul style="list-style-type: none"> H.E Larry R.L.Tseng (Ambassador, Embassy of the Republic of China (Taiwan) to Tuvalu) Mr Charles C.J.Lee (Counsellor, Embassy of the Republic of China (Taiwan) to Tuvalu) | |
| Monday 2 May, 2011 | | |
| Ministry of Natural Resources | <ul style="list-style-type: none"> Mr. Kakee Kaitu (Permanent Secretary) Mr.Nikolasi Apinelu (Deputy Director of Fisheries) Mr Kulene Sokotia Kulene (Land Registrar) Mr Iete Avantele (Deputy Secretary Natural Resources) Mr Itaia Lausaveve (Director of Agriculture) | 9am |
| Parliamentarians | <ul style="list-style-type: none"> Honorable Monise Laafai (Member of Parliament) Honorable Maatia Toafa (Member of Parliament) | |
| NGOs | <ul style="list-style-type: none"> Mrs. Pula Toafa (President of the Tuvalu National Council of Women) Mrs. Annie Homasi (Coordinator of the Tuvalu Association of NGOs) Mr. Lono Leneuoti (Tuvalu Family Health Association) | |

| Organization | Representatives | Time |
|--|---|-------------|
| Aid Management Department | <ul style="list-style-type: none"> Ms Lototasi Morikao (Senior Aid Adviser) Mr. Niuatui Niuatui (MDG Project Manager) Ms Simalua Enele (Economic Adviser) | |
| Ministry of Education, Youth & Sports | <ul style="list-style-type: none"> Mr. Paulson Panapa (Permanent Secretary) Ms. Katalina Taloka (Director) | 11am |
| Acting Prime Minister and Acting Minister of Finance/ Minister of Transport and Communications | <ul style="list-style-type: none"> Honorable Mr. Kausea Natano (Minister of Transport and Communications) | |
| UNDP and NZAID | <ul style="list-style-type: none"> Ms. Esita Morikao (UN Country Development Manager) Ms Pasemeta Talapa (NZAID Coordinator) | |
| Tuesday 3 May, 2011 (De-briefing with Government) | | |
| Ministry of Finance & Economic Development | <ul style="list-style-type: none"> Mr. Minute Alapati Taupo (Permanent Secretary for Finance & Economic Development) Mr. Letasi Iulai (Director of Planning & Budget) Ms. Simalua Enele (Economic Adviser) | 8:30am |
| Wednesday 4 May, 2011 (Development Partner consultations in Suva, Fiji) | | |
| ADB | <ul style="list-style-type: none"> Mr Lai Tora (Economist, Public Finance, ADB Suva) Mr Malie Lototele (Economist, Structural Reforms, ADB Suva) | 9.00am |
| New Zealand | <ul style="list-style-type: none"> Ms Louisa Gault (Second Secretary, Regional and Political, New Zealand HC, Suva) Mr Leonard Chan (Development Manager, International and Development Group-MFAT, NZ) | 10.15am |
| Tuvalu HC, Suva | <ul style="list-style-type: none"> Avafoa Irata (Deputy HC, Suva) Ms Sunema Simati (First Secretary, Tuvalu HC, Suva) | |
| Japan | <ul style="list-style-type: none"> Mr Takeshi Tanabe (Counsellor and Deputy Chief of Mission, Suva) Mr Takato Maki (First Secretary Economic Cooperation, Suva) | |
| EU | <ul style="list-style-type: none"> Ms Fiona Ramsey (EU focal point for Tuvalu) | |
| Australia | <ul style="list-style-type: none"> Ms Sarah Goulding (Counsellor, Australian HC, Suva) Noa Seru, Programme Manager, Tuvalu Aid Programme, AusAID | |

Annex 5 Peer Review Team, Support Team and Tuvalu Government focal points

Tuvalu Government Official focal points and contacts for the Peer Review

- Mr Minute Alapati Taupo – Permanent Secretary for Finance and Economic Development (MFED)
- Mr Letasi Iulai – Director of Planning and Budget – Tuvalu MFED
- Ms Simalua Enele - Economic Adviser – Tuvalu MFED

Tuvalu Peer Review Team

- Mr Johnson Naviti – Head, Vanuatu Aid Coordination, Department of Strategic Sector Planning and Aid Coordination (DSSPAC) PM's Office
- Ms Sinai Tuitahi – Former Economist for the Tonga Central Planning Department, Manager of the Tonga Development Bank Economic and Research Division, Senior Manager of the TDB Corporate Services and currently co-managing Director of S & K Performance Solutions Consultancy Firm
- Mr David Smith – Deputy Head, UNESCAP Pacific Operations Centre

PIFS Tuvalu Peer Review Support Team

- Ms Charmina Saili, Regional Planning Adviser, Pacific Island Forum Secretariat
- Mr John Winter, Consultant, Pacific Islands Forum Secretariat
- Mr Johnson Honimae – Public Affairs Officer, Pacific Islands Forum Secretariat