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PACIFIC REGIONAL WORKSHOP ON AID EFFECTIVENESS

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TUVALU AID MANAGEMENT AND COORDINATION CASE STUDY

Purpose

The following paper documents the system employed in management and coordination of development assistance in Tuvalu. Discussion is made of the roles and responsibilities of the various components comprising the mechanism, how they are linked in the overall process, and where appropriate, the challenges or issues faced by parties involved in the performance of these functions. The paper specifically discusses Tuvalu's aid management process in its two major dimensions: (i) development assistance funding toward projects and initiatives within the Public Sector Investment Programme (PSIP); and (ii) development assistance toward other stand-alone initiatives.

2. Further, the paper seeks to document implementation of the key underlying themes of the *Pacific Principles on Aid Effectiveness*, as well as challenges faced in implementation, and plans to further progress implementation in future.

National Development Plan: Te Kakeega II

3. Tuvalu's current national development plan, *Te Kakeega II: National Strategy for Sustainable Development 2005 - 2015*; produced out of wide consultations that culminated in the National Summit on Sustainable Development (NSSD) held from 28 June – 9 July, 2004, identifies the following eight broad priority areas in addressing national development issues. These are:

- i Good Governance
- ii Macroeconomic Growth and Stability
- iii Social Development: Health, Welfare, Youth, Gender, Housing, and Poverty Alleviation

- iv Outer Island and Falekaupule Development
 - v Employment and Private Sector Development
 - vi Human Resource Development
 - vii Natural Resources: Agriculture, Fisheries, Tourism, and Environmental Management
 - viii Infrastructure and Support Services
4. To ensure that relatively scarce budget and donor funding resources are utilised in the most effective way, all development projects and initiatives must be aligned to, and seek to address these priorities.

Aid Management Department (AMD)

5. Prior to October 2007, all aid management and coordination functions in Tuvalu fell under the responsibility of the then named Aid Management Department (AMD). In June 2004 the AMD was formally established out of a Cabinet endorsed decision as a result of a consultancy review. The review recommended for the reposition of AMD as a stand-alone department within MoF, exercising a greater degree of autonomy and control over aid management and coordination.

6. AMD functions included consultation and liaison with donors, ensuring the smooth inflow and disbursement of assistance funding, oversight and evaluation to implementation of aid projects, and as secretariat to the Project Review Committee (PRC).

7. These functions, as of October 2007, have been split between two separate sections of the Ministry of Finance. Coordination of development assistance initiatives now come under the responsibility of the Aid Coordination Section (ACS) (established in November 2007) of the Planning and Budget Department (PBD), while aid funding management has now been integrated into the work of the Accounts Section of the Treasury Department.

Lessons Learnt

8. Since its establishment, the AMD had continuously experienced a considerable level of staff turnover, which affected many aspects of its service, including notably the loss of continuity of institutional information within the unit. Rather than working to build on existing practices and guidelines (where applicable), staff were having to “learn from scratch” on an extremely steep learning curve.

9. The split of former AMD functions facilitates closer integration of development assistance into the national planning and budgeting process, and greater central control over funds management as part of the main government finance system. While the idea is geared towards enhancing coordination of development assistance as well as prudent management of aid funding, it may lead to a significant disconnect between the knowledge of planned initiatives and their objectives, and the actual implementation of

activities through the use of allocated funds. This disadvantage can be further exacerbated by the fact that communication between both portions of the aid management and coordination function is now interdepartmental, affecting aspects such as the timeliness with which information is exchanged, both between departments, and to donors. However, the view is that the benefits of having assistance coordinated by Government's central planning expertise, and facilitated through its central funds management expertise, will outweigh any downsides.

10. Having donor funds sit with the Treasury Department enhances the process through the extensive accounting and financial management expertise housed therein, an important factor lacking with the former set-up, as observed by personnel of the former AMD. Enhancements will also be made to monitoring and evaluation, closely ensuring that funding is used in the most efficient manner possible, through the most effective oversight possible, and freeing up the Planning side of the process to concentrate efforts on the coordination of assistance.

Planning and Budget Department (PBD)

11. The Planning and Budget Department (PBD) of the Ministry of Finance is centrally responsible for Tuvalu's medium and long-term economic policy planning, development, budget formulation and monitoring. Its three broad objectives are therefore to: (i) promote national development through effective planning; (ii) ensure optimum and sustainable utilization of available resources; and (iii) enhance its staff productivity and efficiency.

12. PBD's wide range of work responsibilities include:

- Coordination and preparation of a medium and long-term economic framework programme (MTEFP) in consultation with the Development Coordinating Committee (DCC), line Ministry officials, and community representatives – the current long-term economic framework is *Te Kakeega II*;
- Coordinating and facilitating implementation of *Te Kakeega II* through the Annual Tuvalu Donor Round Table Meeting (RTM) discussing issues surrounding the implementation of prioritized development initiatives specified within the *Te Kakeega II Matrix*;
- Assisting MoF, line Ministries, and DCC to appraise and evaluate economic and financial policy instruments, providing quantitative analysis and estimates of their economic effects;
- Assisting the aforementioned parties to monitor economic and financial outcomes and Government initiatives by providing regular reporting of their economic effects;
- Assisting the aforementioned parties to review and reformulate economic and financial policies; and
- Appraise and evaluate the effects on the economy of any new policy proposals, spending programs, or projects.

13. The ACS, in its capacity as the PBD and MoF main aid coordinating arm, has absorbed the functions of Secretariat to the Project Review Committee (PRC), formerly the responsibility of the AMD. ACS must therefore, in addition to facilitating appraisals around the national budgeting process, which heavily involves the Public Sector Investment Programme (PSIP), assess all project submissions falling within the jurisdiction of the PRC.

Project Review Committee (PRC)

14. The Project Review Committee (PRC) is comprised of:
- i. Secretary of Finance (Chairman);
 - ii. Senior Aid Adviser (ACS);
 - iii. Director PBD;
 - iv. Director PWD;
 - v. Director Environment;
 - vi. Director Rural Development;
 - vii. Representatives of Ministry of Foreign Affairs; and
 - viii. Government Accountant

15. Its main purpose is to appraise development project proposals for donor or budget funding, that have already been outlined within the *Te Kakeega II Matrix*; and amount to between AUD 10,000.00 and AUD 100,000.00. All other projects, which are therefore deemed to have greater implications on national development, must be forwarded to the DCC for its higher level of consideration.

16. PRC appraisals are made through consideration of screening assessments made by the Aid Coordination Section (ACS) as PRC Secretariat. The relevance of PRC therefore lies in drawing on the membership expertise intrinsic to the Committee, to closely scrutinise submissions, facilitated by ACS assessments, making accurate recommendations for appropriate decisions to be made by the DCC.

Lessons Learnt

17. While the intention has been that PRC consider projects which because of their characteristics mean that they are more common and routine in nature (freeing up the DCC's focus for more outstanding proposals and issues), PRC has been observed to be meeting less frequently in the past. It is the intent that with this new integration of former AMD functions into PBD and the Treasury Department, PRC will be scheduled to meet more often. All projects should ensure PRC's screening and assessment before submission to the Department of Foreign Affairs for on-forwarding to donors.

18. Issue had also been taken in the past with the fact that PRC was previously not very representative of all government interests, being comprised mainly of MoF officials. The inclusion therefore, of officials from line Ministries more commonly involved in development assistance, allowing their valuable inputs to discussions, has therefore been seen as a step in the right direction.

Development Coordinating Committee (DCC)

19. The DCC is comprised of all Government Permanent Secretaries, the Director of Planning and Budget, the Director of Public Works, and the Police Commissioner. The Assistant Secretary General in the Office of the Prime Minister performs the functions of DCC Secretariat. Through the involvement of all Permanent Secretaries in the DCC process, scrutinising all projects and initiatives with funding implications; a “whole-of-government” multi-sectoral approach to national development is ensured. The task of DCC Chair is then the responsibility of the Secretary to Government.

20. The overall objective of the DCC is “*to assist in improving Government policy reflecting the will of Cabinet and Parliament while ensuring better service delivery from efficient implementation of these policies (the civil service)*”.

21. DCC must directly consider all submissions for development assistance which: are not included within the *Te Kakeega II Matrix*, amount to over AUD 100,000.00, or have been included as part of submissions under the national budget (notably including the PSIP); thereby deemed to have great and wide-spread implications for national development, deserving the full focus of DCC deliberations.

22. DCC must also pay attention to any submissions forwarded after the prior scrutiny of the PRC, providing a “rubber stamp of approval” to more common assistance requests. In its role in ensuring that all development efforts address the priorities of the nation, DCC is often called upon to scrutinise all policy matters, and other pressing issues which must be considered by Cabinet, providing recommendations for their endorsement and approval. The DCC therefore must also make consideration of projects and development initiatives which have been advocated by regional interests (e.g. SPREP, SOPAC), handed down for its attention through Cabinet direction, making recommendations for decisions to be made, and where appropriate advising of necessary follow-up action.

23. While meetings are intended to be scheduled monthly, the pressure of business often necessitates more frequent seatings. Decisions are made through the consensus of all members present; with the Chair deciding if there is a need for a vote.

Lessons Learnt

24. Direct liaison between line implementing Ministries and donors to acquire funding assistance, bypasses the essential control provided by the DCC process in ensuring that all development efforts take into account the broader national interest (as opposed to a sectoral one).

25. Moves to solidify the DCC in ensuring that the aid coordination and management system operates as effectively as possible have been greatly assisted through the approval in 2007 by both DCC and Cabinet of a set of DCC Terms of Reference. The ToR now equips DCC with all necessary authority to advocate its vital participation in the development planning and approval process, and that line Ministries and outside

applicants go through the prescribed system in ensuring central control to the utilisation of limited donor and budget resources.

26. The newly established DCC ToR also outlines the vital linkages between the DCC, Cabinet, and Parliamentary decision making infrastructure in a manner more conducive to the efficient consideration, and therefore implementation, of activities addressing national development priorities.

27. A recurring issue for DCC has been the lack of consistent attendance of all its membership. At successive DCC meetings, a number of different Officers will represent their respective line Ministries, leading to the problem of discontinuity of discussions, especially where previous meeting agendae and outcomes have not been communicated effectively within Ministries, furthering delaying any progress reached by DCC.

Planning and Formulation

28. All development initiatives must be aligned to, and address national priorities as set out in the current national development plan; *Te Kakeega II*, applicable sectoral development plans, and where it is intended that funding assistance be requested from development partners, the information and activity design requirements of the most suitable donor. During formulation, implementing agencies specify all relevant aspects of development initiatives including the proposed activities, objectives, outcomes, and indicators.

29. PBD through its ACS plays a major role in advising line Ministries and other applicants of the most appropriate donor to approach for the particular type of assistance required in the sector concerned, all information that will be required of the applicant, the proper proposal format, and other project specifications specific to donor. This information is acquired through regular interaction with donor agencies via: (i) information gathered from the Ministry of Foreign Affairs (MFA); (ii) working with donor agencies in establishing their programmes of assistance; and (iii) experience gained in submissions to donors over time; and is compiled into a Donor Matrix, maintained by ACS, and regularly updated by MFA through the interactions of the Bilateral and Multilateral Affairs Officers with their respective donors.

30. Applicants are also encouraged to ensure beforehand that some level of informal agreement has been reached with the donor toward indication of their intent to fund a particular initiative. This is especially important where proposals are being submitted outside of the PSIP process (for PSIP funding, donors may already provide funding support directly toward the national budget, or have set funding programmes for various areas under extra budgetary funding); thereby ensuring that submission of an initiative to a certain extent is a formality.

31. The PBD through its ACS is responsible for coordinating all development efforts through the national budget, Public Sector Investment Programme (PSIP), Cabinet

mandated development projects, regionally coordinated initiatives, and all other ad-hoc requests for donor assistance.

Lessons Learnt

32. An issue of significant concern is the lack of coordination between line Ministries prior to project formulation and submission to PBD, which has noted instances where multiple Ministries vie for assistance of the same donor in related fields. Possible coordination, formulating joint-submissions of cross-sectoral initiatives (and joint-implementation) could be explored in an effort to avoid administrative burdens on the planning process, and harmonise assistance from the recipient end, reducing duplication.

33. A large portion of budget submissions are received late or past set deadlines, and even after the national budget has been finalised; at times necessitating the call for a “Mini-Budget”. While such projects are included in ad-hoc submissions to development partners, a more proactive approach in identifying development needs for the year (responsibilities for implementation against *Te Kakeega II* and its *Matrix*), and fulfilling all proposal requirements is needed if the development planning system is to be effective.

34. Additionally, the management of the PSIP process under the ACS is still in its infancy. As such, the Unit will require time and experience, before enhancements can be made to the management of a process vital to national development.

Screening

35. Upon receipt of all submissions, ACS screens against the manner in which they will address the following issues:

- National development priorities as articulated under *Te Kakeega II*;
- Positive impacts on the economy (such as improvement of welfare, employment creation, export oriented, etc);
- Economic, environmental, social, financial, and sustainability issues analyses;
- Potential for sustainable revenue generation; and
- Contribution to poverty alleviation.

36. Additionally, ACS makes assessment against the requirements of the most suitable donor to fund the particular initiative. Once it is satisfied that all pre-requisites have been met, proposals are handled along separate streams of the aid coordination process depending on whether they are considered under the Public Sector Investment Programme (PSIP), or as ad-hoc submissions to donors.

Public Sector Investment Programme (PSIP)

37. In April of each year, a Budget Circular is issued to line Ministries informing them of the commencement of the annual budget process, and inviting their submissions for funding; encouraging that all are received by June or July. Where the intention is that

an initiative be considered under the PSIP, submission must be made in time, and particularly, must be directly related to, or come out of activities outlined in the *Te Kakeega II Matrix* (rather than simply alignment to the priorities of the national development plan).

38. Following ACS preliminary screening, all PSIP submissions are forwarded to the Core Budget Team (CBT) for their prioritisation exercise with line Ministries, and deliberations during budget rounds.

Budget Rounds

39. The Core Budget Team is comprised of the:

- i. Senior Budget Adviser;
- ii. Senior Economic Adviser;
- iii. Director PBD;
- iv. Government Accountant;
- v. Senior Aid Adviser;
- vi. Senior Assistant Secretary of Finance
- vii. Secretary Finance as Vice Chair;
- viii. and Secretary to Government as Chair

40. With the multitude of projects received, and the limited donor resources which are allocated toward implementation of the national budget in general (and the PSIP), the comments and recommendations made by ACS during preliminary screening of PSIP-intended projects are then brought before the consideration of the Core Budget Team (CBT); whose major task will be; during Budget Rounds, the undertaking of extensive consultations with the various line Ministries individually, usually involving the Heads of Departments, Permanent Secretaries, and other key Officers, over their submissions.

41. Budget Rounds facilitate deliberation around the content, scope, and size of budgetary submissions. If necessitated, budgets can be downsized, or whole items or activities removed, should sufficient justification to their contribution to achieving national and sectoral objectives, and implementation of other broad Government policies where applicable, not be provided. These joint prioritisation exercises are intended to ensure that the foremost national development needs are addressed first.

42. CBT then convenes as a committee to finalise the outcomes of consultations, deliberating over budget submissions and preliminary assessments of the ACS, before submission for the consideration of DCC. Line departments are informed if CBT believes that a budget item must be altered or removed, especially where adequate discussion was not made during budget rounds. Line Ministries can then agree to CBT's proposal, in which case modifications are immediately made. Where disagreements arise, DCC is informed, and must take this into consideration during deliberations.

43. The PSIP is then presented to the DCC in its Final Draft format. The PSIP itself is a government investment programme comprised of special extra-budgetary development

projects, especially designed to seek assistance for implementation of the national development plan in an itemised manner.

44. Through the national budgeting process, funding is allocated to the various sectors, including activities under the PSIP. A number of donors, in addition to providing (i) extra-budgetary funding for implementation of activities under the PSIP (XB-Section), for which donor assistance must be sought for each individual project, also provide (ii) assistance toward the core-budget for implementation of national priorities, in specific sectors or areas of concern (SDE-section). Activities included in the PSIP for special development expenditure funding (SDE-section) therefore access donor funds based on the sectors in which they have been granted.

45. During Budget Rounds, prioritising the submission of all line Ministries under the budget and PSIP, clarification is sought on projects of the highest priority for implementation by line Ministries. This is therefore taken into account, heavily incorporating also the consideration of whether funding constraints (the ceiling allocated to each Department under the PSIP) allow for the inclusion of higher cost projects, when making the determination for inclusion of projects in the SDE-Section versus the XB-Section; the latter of which, though being shopped to donors for their assistance, is not a “wish list” in the traditional sense, as information on the willingness to fund particular initiatives in various areas of assistance is regularly updated.

Lessons Learnt

46. Concerns had been raised over CBT previously being fully comprised of MoF officials while line Ministries were excluded from the final screening process, post budget rounds. The inclusion of the Secretary to Government has been a move to improve on this aspect in representing broader Government interests whilst not sacrificing on the need for maintaining the presence of considerable budgetary process, and economic knowledge and experience; as both the current and former Secretaries to Government (both of whom served as Chairs to CBT) had previously been CEOs to the Ministry of Finance.

47. Because of the limited funding available under both the core budget and donor sources, it is the task of the CBT to prioritise all submissions from various Ministries through budget rounds, meaning that inevitably not all submissions will be considered for funding. Line Ministries have however continued to push forward projects for consideration, even after finalisation of the PSIP and budget, aided through the voicing of political will. Whilst this to a certain degree cannot be avoided, heavy disruptions to the overall process are caused. For an effective budgetary process, a level of autonomy from political will must be granted, at least prior to consideration by Cabinet.

48. A significant problem commonly faced through the budget process has been difficulty in identifying donors to fund each individual PSIP XB-project. MFA is responsible for both submission of projects to donors, and communicating feedback and other vital information on project status to all concerned stakeholders. To this end the

Donor Matrix, containing all information on which areas of assistance donors are most suitable for, was developed, ensuring that the ACS knows exactly where to direct its requests for assistance.

Non-PSIP Project Submissions

49. Throughout the year, ad-hoc submissions are also made for donor assistance. These are comprised of projects not included in the PSIP for reasons including: the outcomes of the prioritisation budget-round process, delays in the submission of requests, initiatives driven out of Cabinet directives handed down to the DCC and line Ministries to explore certain development projects, regionally driven initiatives, or other aspects of their nature for which inclusion was not made.

50. The majority of these projects, where meeting the requirements of PRC jurisdiction are then considered by the Committee, prior to submission to the DCC.

PRC Appraisal

51. PRC must consider all project proposals screened by ACS that relate to the following:

- i. Are not included in submissions for assistance through the PSIP process;
- ii. Are outlined within the *Te Kakeega II Matrix*; or
- iii. Amount to between AUD 10,000.00 and AUD 100,000.00

52. PRC also appraises all other projects submitted to PBD, which have not been included in the PSIP, so long as aspects of the project match the PRC's jurisdiction of consideration. The PRC considers all aforementioned development initiatives and proposals against their addressing of national development priorities; providing recommendations against these for the attention and endorsement of DCC. The inclusion of PRC in the aid management process therefore eases the administrative burden on DCC of considering projects which (in meeting PRC requirements) are deemed to have lesser impact on Tuvalu's development. DCC endorsement of PRC recommendations is therefore seen as a "stamp of approval" prior to forwarding to MFA and then to donors.

53. PRC assesses the merit of project proposals against the appraisal comments made by ACS, and according to the recommendations made by the various components of its membership makeup.

DCC Appraisal

54. The DCC must consider all project proposals relating to the following:

- i. Are submissions under the PSIP;
- ii. Are not included in the *Te Kakeega II Matrix* or outlined in the NDP document (unless significant changes have been made to the structure or implementation strategy); or
- iii. Amount to above AUD 100,000.00.

55. In addition to these, DCC must also consider all submissions forwarded by the PRC for its endorsement. PRC submitted proposals, if deemed to be of sound content in addressing priorities, are forwarded to the Secretary of Finance for final endorsement, and then submitted to donors for their consideration, through MFA.

56. Projects considered by DCC are seen as having a higher potential for effects on the economic wellbeing and welfare of Tuvalu, and its national development. DCC will therefore call on the expertise and authority of its membership for significant technical input. It at times may for instance request for Environmental or Cultural Impact Assessments (EIAs or CIAs) where necessary; made by the appropriate government offices or other appointed parties; adding to the relevance and accuracy of any decisions made. DCC acknowledges all potential trade-offs (including consideration of all costs-benefits) during its appraisals, recommending the most appropriate action to be taken.

57. To facilitate the DCC's work (pre-dominantly consideration of the budget and PSIP) ACS prepares Quarterly DCC Papers outlining expected budget out-turns. Recommendations to DCC are assisted with the analysis of figures available from Treasury, enabling the preparation of revenue and expenditure settings, consistent with the broad policy settings, strategies and objectives laid in the National Development Plan.

58. DCC is seen as the highest ranking Government committee in Tuvalu, second only to Cabinet in scope and authority.

Approval

59. Once both DCC and PRC have provided their assessments and related recommendations, approval and endorsement is handled as such:

- The Secretary of Finance has the authority to endorse all recommendations for approval which amount to under AUD 100,000.00.
- For all recommendations for approval exceeding AUD 100,000.00, the endorsement of the Minister of Finance is required.

60. Where projects have been considered by the PRC prior to DCC endorsement, they are forwarded directly to donors through the Ministry of Foreign Affairs. All projects not included in the PSIP process also proceed in this manner.

61. All development projects considered by the DCC as part of the budget process must be deliberated over by Cabinet, through the recommendations made by both ACS, and DCC through its endorsement. Parliament then provides final approval to the national budget, and hence the PSIP, prior to submission to donors, again through MFA.

Funding Consideration

Ministry of Foreign Affairs (MFA)

62. MFA is responsible for the initial submission of all development projects seeking funding assistance, both (i) PSIP, and (ii) Non-PSIP, to the most suitable development partners concerned (more often than not identification has been made of this prior to proposal submission), and must regularly communicate with donors to ensure that all relevant stakeholders are kept informed on the status of project proposals (approval or decline). It is also responsible for referring to PBD and implementing agencies, the information requests and concerns of donors, for their provision of clarification and responses to questions asked, and whence the lead role in financial and technical aspects of liaison become the responsibility of PBD.

63. MFA's role in this regard is greatly assisted through the work of its own (i) Multilateral and (ii) Bilateral Affairs Officers, each specifically dealing with communication and relations between development partners under each respective category, and maintaining a databases of the various types of assistance available.

Aid Coordination Section (ACS)

64. PBD in general, and the ACS in particular, are then directed to negotiate and liaise on behalf of line Ministries and other applicant agencies with development partners, in seeking funding assistance to PSIP and Non-PSIP development initiatives. Where donors require further information relating to proposals being considered, or related initiatives currently being implemented, ACS will coordinate information exchange and follow-up. And as mentioned previously, the informal agreements reached between donors and applicants during the design phase greatly streamline the operation of this process.

65. Upon acquiring approval from donors, funds receipt and disbursement (aid management functions) are handled by the Accounts Section of the Treasury Department.

Lessons Learnt

66. While more enhanced usage of MFA Multilateral and Bilateral Affairs Officers would facilitate effective liaison on behalf of Ministries with donors (N.B. the Aid Coordination Unit was formerly within the ERPD when the latter was a component of MFA - during that time a much larger portion of national budgets were donor funded), especially since diplomatic relations and negotiation expertise lie with MFA, MFA has observed that the current aid management system does not fully utilise its abilities, and the strong relations it has built with development partners.

67. This is also reflected in the fact that, in being at the forefront of all communication with donors, and its involvement in most consultative processes, MFA's role of MFA in terms of aid coordination is rather limited. MFA has suggested that it

could play a more active role in assisting applicants with their submissions, or liaison on behalf of GoT to ensure that development efforts align to national priorities. MFA further stated that the relative separation of liaison with donors from the actual point of first contact may result in significant delays in disseminating information on particular assistance various donors can provide.

Implementation

Funds Disbursement

68. The main task of the Accounts Section, in terms of aid management, lies in ensuring that all development assistance inflow is smooth, and is disbursed according to preset arrangements, as agreed to by the implementing agency and the donor concerned.

69. The majority of donor funding to Tuvalu, pre-dominantly for project-based assistance, is deposited within the Tuvalu Development Fund (TDF) administered by the Treasury Department. Funding toward more direct support to the core budget, or allocated under this toward sectoral budget support, is instead deposited within the Consolidated Fund (CF).

70. With the finalisation of the national budget and PSIP, and the approval of projects contained therein by various donors, funding supporting of the core budget is released to the CF. The exact amount relating to the SDE-section of the PSIP is then released to the TDF as per the projects contained therein.

71. To access allocated funding, line Ministries (and outside applicants going through the line Ministries concerned), must act in accordance with the procedures and financial controls of the MoF. The Accounts Section screens all expenditure against correct internal procedures, and project documents, ensuring that disbursements match against specific activities and items listed under each donor funded initiative. The funds disbursement system is outlined below.

72. When new funding is received, the source and appropriate destinations of funding are identified, and as per the following process, funding is disbursed to line Ministries for the implementation of development initiatives:

- i Line Ministries provides invoices or quotes (3) to the Accounts Section (in the case of outside applicants, relevant documentation is submitted through the Ministry concerned)
- ii Ministries prepare payment vouchers (PV) for submission to Accounts Section, against specific activities under each project
- iii Treasury facilitates the use of Development Fund Warrants (DFW) and Accounting Development Fund Warrants (DFW) for the draw down of funding related to the Tuvalu Development Fund and Consolidated Fund respectively; for all XB funds

- iv All expenditure is recorded in the vote ledger through the use of Payment Vouchers and so forth
- v Cheques are then issued relating to project funds, and all transactions are recorded in their appropriate ledgers, one separate for each XB project
- vi All payments must be in line with activities proposed in the original project proposal
- vii The status of project funds is closely monitored to avoid over expenditure
- viii Should this occur the aid recipient is advised on over expenditure in project vote
- ix Treasury updates its project fund passbook, General Ledger, database and all other records of financial receipt and disbursement related to aid funded development initiatives

73. Separate ledgers are kept for each XB project, used to record total amounts of funding received, and track all disbursements. All PVs are measured against actual funding for each XB project, enabling the determination at any point in time of funding balances (with advice provided to line Ministries when funding has been fully utilised). An important element of monitoring aid funding usage also lies in the requirement that each line Ministry individually track its own receipt and utilisation, in addition to implementation progress, to facilitate the acquittal process, and accurate bank reconciliations.

PBD Oversight

74. PBD's role in oversight of NDP and budget implementation is in ensuring the maintenance of a balanced budget; with deficits only accommodated for viable investment projects, and in such cases, in ensuring that the overall deficit be maintained to a sustainable 2-3% of GDP.

75. DCC will, where appropriate, and through the suggestion of Cabinet or as a result of its own deliberations, set-up Taskforces to oversee implementation of crucial elements of *Te Kakeega II*, which will report regularly to DCC on implementation progress. As such, all donor information and other requirements will be met and reported on through these Taskforces, to both the DCC and PBD.

Lessons Learnt

76. The incorporation of aid management functions into the Treasury Department has been sighted as an effort by the Government of Tuvalu to enhance the integration of development assistance into national systems and the budget process.

77. The inaugural annual auditing of development assistance funding to be performed in 2008 (against 2007 finances), auditing all transactions involved with the TDF, is a move to more closely monitor the effectiveness of aid management, especially in light of the recent split of AMD functions.

78. Prior to aid coming under Treasury, an accounting software package had been in use that assisted Officers with the more repetitive tasks of funds management and disbursement, records keeping, and so forth. After the incorporation to Treasury, the Aid Management Database has been integrated into the accounting system, making further improvement to an effective aid management tool.

79. On a separate matter; significant delays can at times be experienced when waiting for follow-on funding toward development projects. More often than not, these delays (and delays to funding for other projects by the same donor) are the result of incomplete or late acquittal submissions. This can and has at times resulted in implementing agencies requesting an advance from the Treasury Department, to be reimbursed once funding becomes available. While this approach is discouraged from the point of view of adequate funding control, and for auditing purposes, a level of political interference in the aid management process, has proven to be unavoidable.

Monitoring and Evaluation (M&E)

80. Monitoring and evaluation of all development initiatives, including the national budget, PSIP, and individual projects and programmes for donor assistance, is undertaken on a number of levels.

Role of Ministry of Foreign Affairs in M&E

81. While the responsibility of communicating with donors on acquittals sits with MFA, the actual coordination of the process is the responsibility of PBD, through information gathered from Treasury and line Ministries. MFA has however seen the need for its own increased involvement in the acquittal process, to communicate directly to the parties concerned on donor issues, and avoid the delays often associated with going through the extensive channel of communications.

Role of Treasury Department (Accounts Section) in M&E

82. Thus far the Treasury Department has not actively engaged in the monitoring of the achievement of development results, keeping its attention with monitoring all financial aspects of development projects. For the former, acquittal statements are heavily relied on for Treasury's purposes (coordinated by ACS), with the statement's requirements that reporting be done against the project's stated objectives.

83. Treasury has however sighted that a greater part can be played in ensuring that a project's objectives and goals are reached, suggesting: (i) its involvement in undertaking project-site visits, (ii) closely assessing the final report compiled by implementing agencies against finances and the initial project paper; and (iii) regular meetings with ACS for discussions around progress and outcomes of development projects; facilitating a closer linkage between funds management and project coordination to ensure that a holistic view of utilisation and implementation of assistance is gained, particular against

agreed objectives and purpose; noting that the recent split of aid functions may mean increased difficulty in this regard.

84. The Accounts Section maintains separate books of account (expenditure ledgers) for each XB project, updating information against tracking of all project DFW and ADFW registers, the General Ledger, Cash Book, monthly accounts, and the project fund passbook.

85. National Bank of Tuvalu (NBT) bank statements are collected regularly to facilitate monthly bank reconciliations, allowing for necessary adjustments to be made. From this, monthly account reports are produced (including a Trial Balance Statement and Trial Balance Reports).

86. Additionally, Treasury prepares and issues periodic statements of accounts of all capital development and XB projects every quarter.

87. All information acquired through regular account keeping and records go toward the compilation and updating of a statistical database on aid spending programs and projects, with all produced Financial Reports then dispatched to the relevant authorities for their information and scrutiny.

88. The Accounts Section has noted its own increased interaction with donors in advice provided on project finances. Where initiatives have been successfully completed with a positive funding balance, information is communicated to the relevant donor for advice on further usage of the balance. Regular communication of the status of project funding will trigger the enhancement of positive relations with donors, allowing for more readily given assistance in the near future.

89. This is especially important with the somewhat negative image placed on certain line Ministries because of significant delays experienced prior to donor receipt of funding information, or even acquittal reports.

90. It should be noted however that while all aid receipt, disbursement, and funding usage data, is the responsibility of the Accounts Section, with its extensive accounting expertise and financial management tools, the actual coordination of acquittals and reporting back to donors remains the responsibility of the ACS.

Role of Planning and Budget Department (and ACS) in M&E

91. ACS facilitates the collection of M&E information on implementation progress and completion of donor funded initiatives, particularly at donor request. This is however conducted in conjunction with its own M&E of the PSIP, and budget funded activities. Information is then combined with the financial and accounts information updated and maintained regularly by the Accounts Section, in confirming and preparing acquittal statements for submission to donors, and provision of updates on progress.

92. All the above information is also incorporated into the preparation of Quarterly Project Progress Reports. This process is further facilitated by actions undertaken by ACS to directly measure progress against implementation of the *Te Kakeega II Matrix*, for the purposes of submission to donors at each Annual Tuvalu Donor Roundtable Meeting.

93. PBD's annual review of National Development Plan implementation would then include a brief outline of the entire year's DCC meetings, combining information including departmental reports to DCC, and measures against indicators specified under the national budget, as well as the broad performance measures of *Te Kakeega II*. This document therefore ideally includes recommendations for policy changes, functioning as a starting point for each following year's budget process; and would be scrutinised and commented on by DCC before final Cabinet approval and submission to Parliament for information.

Role of Development Coordinating Committee (DCC) in M&E

94. DCC, as alluded above, is responsible for ultimately overseeing the monitoring and review of *Te Kakeega II* implementation, advising Cabinet of any necessary changes that need to be made in policy or approach.

95. In this capacity, DCC may invite the attendance of Heads of Departments and Statutory Corporations to report on relevant sections of *Te Kakeega II* implementation progress, with the same possibly being extended to any civil servant where appropriate.

96. Additionally, where matters have arisen out of Cabinet discussions, issues may be referred to DCC for comment and recommendations. To action matters of particular national development concern, DCC Taskforces may be called on to report regularly to the progress of implementation of particular initiatives; investigating issues and challenges faced delaying or hampering progress. DCC is at times heavily reliant on these Taskforces for its purposes in monitoring for development results, particularly since the initiatives for which Taskforces are responsible are rather broad in scope, and therefore tax considerably the capacity of ordinary line Ministry personnel.

97. The DCC may, at its discretion, recommend the auditing of development projects towards the end of each financial year, as per donor requirements. With the poor experience in the past in completing donor acquittals in a timely manner, the continuous monitoring of projects through Taskforces and auditing has assisted in encouraging implementing agencies to be more proactive in their reporting. The DCC Secretariat notes however that with its limited actual decision making power (DCC's main role is in providing advice and recommendations to Cabinet), the effectiveness of any moves to "push" implementing agencies will be limited.

Implementing Agency role in M&E

98. While implementing agencies have been required to fulfil the information requests of PBD and donors, this has in practice proved to not be very forthcoming. ACS has therefore had to (i) engage in visits to project sites, (ii) “chase up” on acquittal reports with implementing agencies, and (iii) follow up on project finances with the Treasury Department.

99. Accessing information across these Departmental lines, due to the split of aid management and coordination functions, has proven rather difficult. Additionally, because of the limited personnel within the ACS itself, having to prompt for the fulfilling of reporting requirements has taxed its existing capacity considerably, and is a significant departure from its core functions; warranting that concerns be brought to DCC’s attention, particularly where continued delays in reporting can detrimentally affect future assistance.

Lessons Learnt

100. ACS has suggested the development of a more suitable reporting template, for measuring against implementation progress of XB funded PSIP projects, whereby allowance is made for flexibility in catering for the information needs of multiple donors, and according to each specific type of project or area of assistance. The generic reporting template, used for the better part of the last 5-10 years, has allowed for little variation regarding the fulfilling of different information requirements.

101. ACS has also sighted the need for improvements in the PSIP reporting mechanism, particular with regard to the structure, content and maintenance of the related project database. Efforts in this direction are currently being undertaken, to enable the recording of information on all new proposals, status of approval, implementation progress, achievements, financial tracking, and other key aspects; which will greatly assist not only the M&E needs of PBD and development partners, but also information requests from applicants.

102. The issue has been raised at past Annual Tuvalu Donor Roundtable Meetings of the need to incorporate measurable, achievable, and challenging indicators against items outlined in the *Te Kakeega II Matrix*. While corresponding priorities contained within the actual development plan document have assigned to them, achievable and measurable objectives, these are very broad, needing to be expanded on to be more quantifiable. A possible way forward would be in encouraging that line Ministries, during the exercise of establishing indicators for annual budget submissions, do the same with regard to their respective responsibilities under the *Te Kakeega II Matrix*, in line with the now planned quarterly progress report visits by ACS.

Donor Liaison and Relations

103. Prior to the finalisation of assistance to various areas, sectors and development initiatives, relationships between the Government of Tuvalu and various donors must be managed in all aspects. At a number of levels, a mechanism must be established to better facilitate the delivery of development assistance addressing national priorities.

Tuvalu Donor Roundtable Meetings

104. Annual Tuvalu Donor Roundtable Meetings (RTMs) are held to facilitate information exchange on the progress of national development between donors, GoT, the community, and NGOs and other NSAs. RTMs provide a forum where donors are made aware of the nation's broad development priorities (i.e. *Te Kakeega II*) in the case of initial meetings, and through successive RTMs, are kept abreast of implementation progress, and all issues faced therein. Government representatives are given the opportunity to present suggestions by which donors can contribute to addressing development priorities, and donors are provided with the opportunity to present their own areas of interest.

105. Tuvalu RTMs have been successfully held for the last two years beginning in 2006. Since then, the *Te Kakeega II Matrix* has developed into a listing of various development projects and programs aligned to the National Development Plan, and changing over time through the incorporation of implementation progress info, and assistance already received, as a tool for presentation of development needs to donors; giving them the opportunity to pledge assistance where relevant in a harmonised and coordinated manner, all in one seating.

106. Individual line Ministries are responsible for preparing briefings for DCC, which convenes before RTMs and other consultative meetings, to agree on the stance to be taken with particular donors. Briefings are then presented to Cabinet for its endorsement.

107. However, as per the suggestion of the DCC Secretariat, and as discussed in the paper prepared by the Director PBD, "A New Role for DCC", the DCC should play a more active role in determining the direction of discussions at each RTM, recommending priority issues, and strategies for discussions.

108. All GoT departments, in having a vested interest in the outcomes of RTM discussions, are represented therein, along with all resident and operating development partners. Meeting discussions proceed in parallel to successive development projects and programs outline within the *Matrix*, with each line Ministry concerned leading discussions on respective items.

109. ACS is responsible for coordinating RTMs, with MFA playing a facilitative role in interactions, communication and liaison with donors prior to the meeting. ACS must work to ensure that at least 40% of all projects and programs presented at the RTM are

approved by donors for implementation, through direct discussion of prioritised programmes and projects contained in the *Te Kakeega II Matrix*.

110. It has been noted that MFA would wish to play a more active role in RTMs, as the expertise in international negotiations and relations are housed within MFA. ACS has however always maintained the need for its direct communication with donors, with its in-house expertise in economic planning, and the ability to discuss extensively on the implementation of various national development priorities. A compromise between the two parties may however be inevitable in order to increase the effectiveness of RTM discussions along both dimensions.

Lessons Learnt

111. PBD has observed at previous RTMs the willingness of donors to commit to assistance toward a particular area of interest, followed by significant difficulties or delays faced in following-up on these promises, compromising the effectiveness of discussions.

112. Interests within the MoF have noted that the effectiveness of the RTM process could be enhanced through alternating the meeting venue between Suva and Funafuti. Holding alternate meetings in Suva would ease the administrative burden on the Government of Tuvalu. Further, as most development partners have their main regional offices located there, the RTM could then be spread over a number of days, facilitating more in-depth consultations with each donor, reporting back on implementation progress, and allowing for more in-depth discussions on areas for assistance.

Bilateral Consultations

113. Additionally, informal consultations are held between GoT and development partners on a regular basis, around the implementation and other aspects of specific development initiatives, as well as toward the establishment of specific facets of national or sectoral programmes of assistance. Regular consultations are vital to keeping track of what is going on or is to be undertaken, and ensuring that the interests of all stakeholders are met.

Donor Programmes

114. DCC is charged with oversight to the establishment of all donor programmes of assistance (e.g. through High Level Consultations). In this capacity it seeks to ensure that these are consistent with government policies and the National Development Plan (*Te Kakeega II*). DCC members are required to attend discussions, to be made aware of the overall programmes with specific reference to their areas of responsibility.

115. The process for coordination of the consultative process is however the responsibility of PBD, with the involvement of MFA and all line Ministries concerned.

Lessons Learnt

116. Whilst many donors follow set protocols in liaising with PBD, and all line Ministries concerned, others have opted on occasion to liaise directly and exclusively with the line Ministries receiving the assistance. For the sake of greater control and coordination of development efforts, the aid management system in Tuvalu stresses the need for inclusion of the PBD, centrally responsible for development efforts, in all such consultations.

Aid Related Workshops and Meetings

117. ACS provides the representation of GoT at all regional and international workshops, meetings, and seminars that are aid related, and where applicable, in addition to the involvement of other related MoF offices. This is a simple method of ensuring that the development concerns of Tuvalu and areas in which donor assistance toward this can be explored, are matched in a preliminary setting prior to an official RTM. They also provide the opportunity for enhancement of the aid effectiveness agenda in-country, and the manner in which this is addressed through existing systems.

118. Further, the move of aid coordination functions to PBD through the ACS will mean increased benefits reaped by the central development planning arm of Government, the PBD, through developments made in the regional and international aid effectiveness agenda.

Pacific Principles on Aid Effectiveness

119. The following section discusses Tuvalu's implementation of the *Pacific Principles*, illustrating the incorporation of the underlying themes of the *Principles* into the aid management and coordination system. Discussion is also made to the challenges faced in implementation, and toward furthering implementation in future.

Challenges of Implementation & Tuvalu's Aid Management and Coordination System

Country Ownership of Development Assistance

120. Through the establishment of *Te Kakeega II*, specifying national development priorities, the translation of these into the ever evolving *Te Kakeega II Matrix* outlining specific initiatives to address priorities, and establishment of a development planning framework, incorporated with a transparent aid coordination and management system, GoT has worked to encourage that all development partner assistance closely aligns with articulated national interests. In practice, assistance tends to be limited in its tie-in, with respect to partners pre-conceived notions of what the nature of assistance should be, mandates received to "push" a development agenda, and the resulting requirements placed on implementing agencies in terms of the manner in which their priorities are addressed (including the procurement of materials and expertise, the specific nature of

activities to be undertaken, and so forth); out of which, there is little scope for dictating the terms of assistance to large donors. While effective nationally driven aid coordination is the ideal, in-country capacity, and the extent to which donors fully disclose the extent of their directives as handed down by the headquarter bureaucracies, may hamper the extent to which assistance and needs can really be aligned.

121. A possible way forward to a more acceptable compromise between donor and country interests, as suggested by the MoF, could be reached on: (i) actual national priorities and how the nation wants these to be addressed; and (ii) donor interests in so far as what they can assist in, and how they are willing to address priorities. This will most definitely prove a challenge, when keeping in mind that many development partners are part of larger bureaucracies with their own interests and myriads of other issues.

Donor Assistance Programmes

122. The Ministry of Finance, particularly the PBD, plays a very active role in consultations around the establishment of Donor Assistance Programmes. In this effort, the *Te Kakeega II Matrix* plays a large part. PBD, as well as MFA, and other concerned line Ministries, during consultations, strive to ensure that activities of their respective programmes under the *Matrix*, and key sectoral progress, are furthered. In actioning *Te Kakeega II*, which has a term of 10 years, MoF employs shorter medium-term 4 year action plans, integrated into the *Matrix*, toward addressing the broader development agenda. In more recent times, observation has been made to increasing donor willingness and cooperation to directly align their programmes, however limited in scope as alluded above. Through consultations PBD updates its Donor Matrix, as well as the *Te Kakeega II Matrix*, on the details of various assistance programmes with their related strategies, sectors already receiving assistance, and identifying gaps where possible further assistance is needed.

Reporting and M&E

123. An issue needing to be urgently addressed is the timeliness with which reporting on implementation to both donors and the PBD is handled. While line Ministries can prove quite vocal in voicing their needs, a less than desirable attitude has been observed with respect to provision of information on project status and progress to all relevant stakeholders. This will prove to have implications on the level of, and willingness to deliver, future development assistance.

124. One area for possible improvement is through the Quarterly Project Progress Reports coordinated by ACS, whereby these will be used as a significant tool for incorporating in-house M&E to track progress against implementation of the *Te Kakeega II Matrix*, to better equip ACS in its role of coordination of discussions with donors at each RTM; by further enhancing the process through engaging in direct discussions and in-house visits with each Ministry. This practice of regular face-to-face follow-up may encourage increased urgency with the manner in which line Ministries communicate information (including acquittals) to donors, and address implementation.

Aid Management and Coordination

125. The separation of aid coordination and management functions to the Planning and Budget Department, and Treasury Department respectively, had emerged from recommendations following an audit of the aid system. It was noted that while AMD was responsible for coordination of development assistance, and management of implementation, it did not have the adequate accounting and financial expertise; nor did the Treasury Department have the proper information required; to efficiently track the details of implementation against the objectives of projects and other assisted initiatives. While the move has meant that ACS is slightly out of touch with day-to-day implementation, it is a simple matter of follow-up with line Ministries and the Treasury Department to ensure that development results are being achieved, and matching these against the usage of donor funding.

126. Expression has been made of the need for an Aid Coordination Manual to be developed. This would explain to both line Ministries, and more importantly, NGOs and other outside applicants the various aspects of the aid management and coordination process, the importance of each component to the effective functioning of the whole, issues and challenges faced, reporting requirements, and finally stressing the importance of and need to adhere to the set process in ensuring adequate control is placed over the utilisation of scarce donor and budget resources toward addressing priorities, avoiding benefits to some objectives through the detriment of others.

Development Coordinating Committee (DCC) Process

127. One possibility for enhancing the effectiveness of the DCC process has been the suggestion of restructuring through establishment of various DCC Sub-Committees looking at all aspects of national development from a more technical viewpoint. Sub-Committees would then be set-up for consideration of implementation and affecting issues related to the Environment, Health, Infrastructure, and others.

128. The PRC could then be re-labelled the DCC Sub-Committee for Aid Coordination, while serving in its present functions, facilitating for the greater DCC, project proposals and other development initiatives. The involvement of Sub-Committees in all relevant areas of interest to development would provide a steady mechanism for reporting against progress reached in each sector, and through reporting back to DCC, provide more technical information from which to appraise submissions forwarded by the CBT, and PRC.

129. While having all Permanent Secretaries on the DCC contributes to a holistic approach to development, regular attendance at meetings, and the level of replacement representation at meetings, remains an issue. Further, the technical personnel of each Ministry are more actively involved in regional workshops, consultations, and implementation, thereby equipping them with an in-depth perspective on all relevant issues. Permanently established DCC Sub-Committees would ensure that there are

always a set group of technical officers to look into any issues that arise, and that vital institutional memory is built-up.

Non-State Actor Perspective

130. Certain NGOs present in Tuvalu have raised their frustrations with regard to dealings with the current aid management process, which it has been noted, has not been fully conducive to facilitating the implementation of their development priorities in a timely manner. The major concern sighted has been that the current process advocated by MoF is overly time consuming. NGOs lodge proposals with the line Ministry concerned, after having first liaised with the appropriate donors, and gaining informal agreement to assistance to be received. After awaiting the outcomes of the lengthy development planning process, and upon receipt of funds with GoT, NGOs have noted the need for their constant follow-up in order to receive funding and undertake implementation. Where funding cannot be released in time from GoT, implementation suffers from considerable back-logging, with a resultant decline in donor confidence in the capabilities of the respective NGOs to implement; any future development assistance therefore suffering.

131. The recommendation has been put forward to a review of the current aid management system, granting significant autonomy to the larger umbrella NGOs. Here, non-Government applicants that, through the outcomes of a review, are seen to be equipped with the adequate expertise and tools to manage all aspects of liaison and negotiation with donors, implementation and achievement of objectives, and fulfilling all monitoring and acquittal requirements; will be granted the authority to interact directly with donors, and on the behalf of smaller and less capable NSAs. This approach, allowing more efficient implementation of assistance and NGO priorities; through a more streamlined system with increased control exercised by implementing agencies, may however face difficulties in practice, taking into account the high probability for duplication of efforts; and the difficulty with which the need to report back to MoF in maintaining their central coordination over all development assistance (paramount to ensuring all national development is undertaken in a holistic manner through the most optimum usage of external and internal resources) will be undertaken. However, the concerns of NGOs in implementation should be noted for the adding of value to any current efforts.

Donor-Led Harmonisation

132. A challenge in ensuring effectiveness of development assistance has been the need for a more coordinated approach from donors. Donors need to approach harmonisation of assistance from their own end, in a way that avoids duplication of efforts, both in terms of assistance, as well as the strain on local capacity in interacting with multiple development partners on similar areas of development at any given time. Thus far, the approach taken by several donors in developing joint country strategies with Tuvalu has been favoured in encouraging country ownership of development. This would be further enhanced with joint-country strategies incorporating the assistance

programmes of multiple development partners. The United Nations Development Assistance Framework (UNDAF) has been sighted as one such effort that has eased the burden on GoT capacity.

Principle 1

133. “Country leadership and ownership of development through an accountable and transparent national development planning and financial management system/mechanism which is adequately resourced from the national budget - including longer term operation and maintenance of donor sponsored development” (*Paris Declaration Section 14, 19; Indicator 1, 2*).

Discussion

134. Establishment of *Te Kakeega II* and its *Matrix*, the development planning process, and the incorporation to this of the aid management and coordination system, ensures GoT’s lead role in coordinating development assistance. All project proposals, whether intended for consideration under the PSIP, or direct to donors outside of the budget process, are first appraised by ACS, CBT, PRC, and finally DCC in relation to their alignment with, and addressing of national development priorities.

135. The involvement of DCC in the development planning and aid coordination process; second highest GoT decision making authority after Cabinet, and comprised of all Permanent Secretaries; and making recommendations to all major Cabinet decisions, demonstrates commitment at the highest level to established processes.

136. To ensure aid disbursement functions are handled in the most transparent and efficient manner, the Accounts Section, with its experience and expertise in funds management, has been delegated this responsibility (formerly handled by AMD). The detailed funds disbursement process, closely monitored by the Accounts Section’s, ensures that all reporting requirements are fulfilled in a timely fashion.

137. All development projects (particularly infrastructure and other physical development initiatives) must go through a tendering process supervised by the MoF. All proposals must therefore be accompanied with three expense quotes for whatever labour, technical assistance (consultancy), or materials are to be procured. Where procurement can be feasibly done locally (especially labour and materials), this is encouraged.

138. The split of aid functions has meant that work of the Senior Aid Adviser has had to progress up a steep learning curve. It is hoped that through participation at regional aid workshops and aid effectiveness meetings, as well as supplementary Technical Assistance to aid management and coordination through the funding of willing donors, ACS capacity in managing development assistance will be further enhanced.

139. To further support ACS capacity, the need has been voiced with Cabinet for additional staff members to supplement and support its work functions. It is envisaged

that with supplementary budget resources toward this, the effectiveness of aid coordination in Tuvalu will continue to progress from strength to strength.

Principle 2

140. “Multi-year commitments by development partners and countries aligned nationally identified priorities as articulated in national sustainable development strategies, or the like, with agreement on performance indicators and monitoring and evaluation mechanisms” (*Paris Declaration Section 16, 26; Indicators 3, 5, 7*).

Discussion

141. All donor assistance is required to be channelled through existing GoT systems. Together with the current aid management system; the level of adherence to which will be further strengthened through current efforts, this ensures that development assistance uses existing systems to the maximum degree possible. Where aspects of the mechanism lack strength, development partners are encouraged to support for capacity building efforts

142. The majority of Tuvalu’s development partners have embraced the need to align assistance to national development priorities, displayed through their extensive consultations involving MFA, MoF, and PBD in particular prior to establishing assistance programmes, and in working in line with the country’s aid process.

143. The establishment of programmes of assistance is undertaken in a widely consultative process, as insisted by PBD and coordinated by ACS. The UNDAF has been sighted as a step in the right direction, where PBD became heavily involved in consultations, taking into account *Te Kakeega II*. The Tuvalu-ADB Joint Country Strategy has also been quite comprehensive in its coverage, assisted by ADB’s long history in providing assistance in Tuvalu, and the experienced gained therein.

144. While the budgeting of both multi-lateral and bilateral donors is more commonly undertaken annually, partner programmes of assistance in many cases are based on multi-year timeframes. Together with aligning to the development priorities of *Te Kakeega II*, a multi-year document, and through the *Te Kakeega II Matrix*, partners ensure that their assistance frameworks address priorities in the medium to long term.

145. The PSIP was in previous years a multi-year (2-3 year) programme. Though PSIP programming is currently undertaken annually, the Budget Framework on which both the budget and PSIP are based is a multi-year framework; and initiatives out of the SDE and XB sections of the PSIP have multi-year elements. Further, the presentation of, and reporting to *Te Kakeega II Matrix* initiatives to donors in seeking assistance for medium to long-term development objectives is in essence a multi-year commitment to aligned assistance, driven by the recipient.

146. Regular interaction of line Ministries with their traditional donors, coupled with regular liaison by MFA and consultations by PBD, feed into financial information on donor assistance maintained by both ACS and Treasury; ensuring that up-to-date information on the level of assistance to be provided is readily available in a timely manner, for incorporation to the national budget (particularly the PSIP XB-section).

147. For reporting purposes, *Te Kakeega II* has proven to be rather broad in the measurability of objectives, though for internal reporting it has sufficed to a certain extent thus far. Additionally, the *Te Kakeega II Matrix* which specifies activities toward addressing these priorities, has not had detailed performance indicators developed. The development of more detailed indicators is however to be undertaken in the near future in line with similar exercises undertaken for annual budgeting.

Principle 3

148. “Greater Pacific ownership of regional development, Development Partners’ Pacific Regional Strategies designed and formulated with the Pacific Plan and other Regional Policies as their corner stone” (*Paris Declaration 14, 15; Indicator 1*).

Discussion

149. As previously mentioned, all development initiatives including those driven regionally are incorporated into the system through the consideration of the DCC, and where needed, pushed out of Cabinet deliberations. Oversight over matters pertaining to the Pacific Plan is provided through the Ministry of Foreign Affairs, aided by the work of the Tuvalu SIS Desk Officer.

150. Furthermore, the incorporation of regional interests into the strategies of various development partners through regional and international aid related meetings; enhance the aspect of Pacific ownership of regional development.

Principle 4

151. “Pacific Development Partners and Countries pursue a coordinated approach in the delivery of assistance. Encouraging harmonization will be a priority for both” (*Paris Declaration 32 – 42; Indicators 9, 10*).

Discussion

152. GoT, has strived to encourage the harmonisation of assistance from the recipient country side of things.

153. All resident and operating donors are expected to attend Tuvalu’s Annual Donor Round Table Meetings with the intention that the presence of all donors interests will contribute to the harmonisation (in a broader sense) of their development assistance for the upcoming year through one seating. Attendance at the past few RTMs has been

favourable, with donors acknowledging their support for such a useful consultative mechanism. At RTMs, reporting to *Te Kakeega II Matrix* implementation assists the enhancement of efforts by PBD in coordinating development assistance. In the lead-up to these meetings all line Ministries are requested to provide updates of progress on activities identified in the *Matrix* for which they are responsible. Their presence at RTMs then facilitates the provision of background information on possible areas of assistance to their particular sector, negotiations around this, and response to donor requests for clarification on related issues.

154. In addition to RTMs, regular bilateral consultations are held on an as-needs basis between GoT and development partners, when required for discussions around the implementation progress of assisted initiatives, and toward the establishment of areas and programmes of assistance.

155. To encourage harmonisation from the donor side of things, sentiment has been raised on wishes to encourage the establishment of Multi-Partner Assistance Programmes; something which to some extent has been undertaken through the UNDAF with various UN agencies' assistance.

156. While donors do not traditionally hold regular inter-donor dialogue to determine how best they can deliver programmes jointly at the national level, a select few have been proactive in lodging queries on the areas of assistance other partners are currently engaged; to identify and fill assistance gaps. This however presents many issues around confidentiality of donor-sensitive information, and must therefore be dealt with delicately in the appropriate manner.

Principle 5

157. Strengthened institutional mechanisms and capacity in countries to enable increased use of local systems by development partners (*Paris Declaration 17, 21, 22-24, 31; Indicator 4, 6, 8*).

Discussion

158. Donors have proven willing to provide assistance using local systems, and seldom dealing directly with the implementing agency (even in the case of NSAs). GoT will continue to strive to ensure that all dealings with donors are channelled through the Government system, maintaining that all development efforts must be centrally coordinated in addressing national priorities, in a holistic view that does not cannibalise the effects on one or more sectors for the benefit of another.

159. The majority of development partners must refer the approval of assistance programmes and initiatives (and to a certain extent individual development projects) to Head Quarters. Much of the discretion exercised by in-country offices revolves around the monitoring of implementation progress to satisfy acquittal and reporting requirements prior to the release of further funding.

160. Certain donors may opt to provide assistance through Direct Budget Support (DBS), Sectoral Budget Support, Non-Project Grants, and Aid-In-Kind. However the majority of assistance received is project based. The choice of funding modality, while usually the result of extensive consultations, is more prevalently pushed by donor interests. GoT however encourages increased usage of budget support, which it feels, is more effective in achieving development goals, with GoT able to exercise a considerably higher degree of control over funding. Currently, budget support is being delivered to various sectors of the core budget, whereby under the PSIP, apart from XB projects, a degree of discretion is given to GoT over allocation to SDE projects. Other forms of assistance have proven more costly in terms of the administrative effort required on GoT's part to access funding.

161. The majority of development partners have proven quite receptive to requests for training and capacity building in various areas. Of particular interest to aid management and coordination is the matrix produced for the UNDAF which stipulated the need for capacity building toward this purpose.

162. While a large portion of development assistance received is untied, certain projects necessitate the use of materials and technical expertise procured overseas (and in some cases the most cost effective source is the donor country). As mentioned however, where adequate technical expertise, materials, and more prominently unskilled labour can be sourced from within Tuvalu, this is heavily encouraged by GoT.

Principle 6

163. (i) Provision of technical assistance (TA), including in aid coordination/management, in such a way that ensures that capacity is built with tangible benefits to the country to support national ownership. Provision of an appropriate level of counterpart resources through established procedures and mechanisms.

164. (ii) Short term TA that address local skills gaps to conduct studies, are culturally sensitive.

165. (*Paris Declaration 22-24; Indicator 4*).

Discussion

166. The inclusion of elements of capacity building requirements, and projects, are commonly made in submissions for donor, budget, or PSIP funding.

167. The various restructurings of the aid management system over the years have come out of the recommendations of Permanent Secretaries in an attempt to enhance the effectiveness of the process. Prior to the current set-up, the recommendation that AMD sit as a stand-alone department within the Ministry of Finance; thereby exercising a

significant degree of autonomy, was the outcome of recommendations of a consultancy report.

Principle 7

168. Use of an agreed monitoring and evaluation framework that will ensure joint assessments of the implementation of agreed commitments on aid effectiveness (*Paris Declaration 43-46; Indicator 11*).

Discussion

169. Although the *Te Kakeega II* indicators are rather broad, and cannot therefore be track the progress of initiatives under the *Te Kakeega II Matrix* in adequate detail, the progress of implementation of the initiatives themselves can be measured. Indicators against initiatives in the *Matrix* will however need to be developed with more quantifiable objectives and results for more effective monitoring. As previously stated work along these lines is currently being planned, with the result being a framework against which donors can coordinate their own monitoring.