



DEVELOPMENT COOPERATION POLICY

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Acronyms

DCC	Development Coordinating Committee
DFAT	Department of Foreign Affairs and Trade (Australia)
GoK	Government of Kiribati
KDP	Kiribati Development Plan
LDC	Least Developed Country
MCIC	Ministry of Commerce, Industry and Cooperatives
MCTTD	Ministry of Communications, Transport and Tourism Development
MDGs	Millennium Development Goals
M & E	Monitoring & Evaluation
MELAD	Ministry of Environment, Land and Agricultural Development
MFAI	Ministry of Foreign Affairs and Immigration
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
MFED	Ministry of Finance and Economic Development
MHMS	Ministry of Health and Medical Services
MOP	Ministry Operational Plan
MPWU	Ministry of Public Works and Utilities
NEPO	National Economic Planning Office
NGO	Non-Government Organisation
PIFS	Pacific Islands' Forum Secretariat
RBM	Results Based Management
SDGs	Sustainable Development Goals
SOE	State Owned Enterprise
SPC	Secretariat of the Pacific Community
UNDAF	UN Development Assistance Framework

Part I: Introduction

1.1 Background

Development Cooperation has played a vital part in the development of Kiribati since independence in 1979. Aid volumes have been increasing in recent years. Improving aid effectiveness to deliver expected results remains a key challenge. There is a need for continuous reform to ensure that best practice is applied in use of aid funds from development partners in an environment of mutual understanding. The Government of Kiribati has expressed its commitment to aid effectiveness at various international forums.

The Paris Declaration on Aid Effectiveness (2005) promoted five principles: ownership; alignment; harmonisation, results and mutual accountability. These principles required developing countries to set their strategies for poverty reduction and improve institutions; sought donor countries to align with these strategies and use local systems; required harmonisation of donor programs; improved aid transparency; and mutual accountability of donors and recipients.

The Accra Agenda for Action (2008) focused on three themes: strengthening country ownership; building more effective and inclusive partnerships to include the private sector and NGOs; and delivering and accounting for development results. Transparency and accountability were regarded as essential elements for development results, as well as drivers of progress. Developing countries committed to making their revenues, expenditures, budgets, procurements and audits public. Donors committed to disclosing regular and timely information on their aid flows.

Kiribati has committed to the Busan Partnership for Effective Development Cooperation (2011). The Busan Partnership stressed that sustainable development results were the end goal of commitments to effective cooperation. The Busan Partnership highlighted four principles for aid effectiveness: ownership of development priorities by developing countries; a focus on results; inclusive development partnerships; and transparency and accountability to each other.

As a Least Developed Country, Kiribati also supported the Istanbul Plan of Action (2011) which had a strong focus on developing productive capacities. The Istanbul Plan of Action specifically aims to enable half of the 48 LDCs to meet the criteria for graduation from LDC status by 2020.

The Cairns Compact on Strengthening Development Coordination is an initiative agreed by Pacific Leaders at the 2009 Pacific Islands Forum. It aims to strengthen Forum Island countries' leadership of their own development agenda and encourage development partners to work more effectively together. In April 2011, the Pacific Islands' Forum Secretariat (PIFS) announced that, as part of the Cairns Compact on Strengthening Development Coordination in the Pacific, peer reviews were underway on national planning, budgeting, financial and aid management systems and processes.

Through these forums, a clear international agenda for aid effectiveness has emerged.

This agenda focuses on selectivity of efforts, effective partnerships, a focus on results, promoting feedback, the need for transparency, and coordination across the whole-of-government.

As well, in the past decade, there have been dramatic changes in the aid environment. Emerging economies (including China and India), which are still receiving aid from western countries, have become donors themselves. Multinational corporations, philanthropists, international NGOs and civil society have become major players. Even though the rise of new development partners had the positive effect of bringing an increased variety of financing, knowledge and skills to the development community, at the same time the existing aid system has changed. For example, the partnering of the Bill and Melinda Gates Foundation with a range of public organisations has led to the Global Fund to Fight AIDS, Tuberculosis and Malaria. It has become a significant organisation in international health. A variety of new methods of funding are also emerging such as the Green Climate Fund and the Climate Investment Fund.

1.2 Opportunities and Challenges

In Kiribati, progress towards meeting the Millennium Development Goals (MDGs), the internationally recognised benchmark of development progress over the period 1990 to 2015, has been mixed. Of the 8 goals, Kiribati is likely to achieve none outright. The goals to eradicate extreme hunger and poverty (Goal 1), to combat HIV/AIDS, malaria and other diseases (Goal 6), ensuring environmental stability (Goal 7) and developing a global partnership for development (Goal 8) are likely to be borderline. Nine targets within these goals are expected to be met including:

- Halving, between 1990 and 2015, the proportion of people who suffer from hunger
- Halting by 2015 and begun to reverse the spread of HIV/AIDS
- Achieving, by 2010, universal access to treatment for HIV/AIDS for all those who need it.
- Integrating the principles of sustainable development into country policies and programmes and reversing the loss of environmental resources
- Reducing biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
- In cooperation with the private sector, making available the benefits of new technologies, especially information and communications.

In the past, constraints have occurred with the effective adoption of the Principles of the Paris Declaration due to the limited capacity of Ministries and a lack of knowledge of the issues. These constraints include:

- Poor planning in identifying government priorities and formulation of programmes
- Poor and weak Financial Information Management Systems which have inhibited the proper recording of financial information.
- Poor linkages of the recurrent and development budgets with the KDP, sector plans and Ministries' Strategic Plans

- A lack of absorptive capacity in the utilisation of aid funds. Although there have been improvements in the process of aligning development cooperation with the country's priorities and systems, there are mixed results when it comes to implementation. A lack of human resources to implement ongoing programmes is one of the causes.
- A lack of consultation in the initial design and planning stage of the project often resulting in conflicting outcomes between line ministries or GOK and overseas institutions.
- Strict timelines and avoidance of the use of local systems by donors. This requires a need to harmonise donor processes and programming of their missions.
- Donor driven programmes. Aid effectiveness can only be realised if the ownership of aid funded projects lies with the recipient government.
- The small size of many projects has caused fragmentation with high transaction costs and additional burdens for both the Government and the development partners.
- Poor monitoring, evaluation and reporting of development projects
- Issues in delivery and disbursement of funds causing delays in implementing programmes
- Incomplete and often inaccurate data on aid flows

In view of these challenges, the Government has sought to initiate a new development cooperation policy based on the new agenda for aid effectiveness. As well, various development cooperation international forums, and peer group reports have stressed the need for a current development cooperation policy.

1.3 Vision

The vision of this policy is to build a prosperous nation with social safeguards through the effective mobilisation of funds from development cooperation.

1.4 Mission

The mission of this policy will be to achieve our national goals through the mobilisation of development cooperation in the most effective manner.

1.5 Objectives

The objectives of the policy are:

- (i) To help achieve the development goals stated in the Kiribati Development Plan through the mobilisation of external resources

- (ii) To achieve aid effectiveness through strengthened governance and management of aid, strengthened partnerships in the coordination and delivery of aid and ensuring the accountability of aid in achieving sustainable development results
- (iii) To maximise the impacts of development resources on the wellbeing of I-Kiribati by achieving medium and long term development cooperation commitment.

1.6 Guiding Principles

The following principles guide this policy:

- (i) To ensure that development cooperation is mobilised in line with the national policy and priorities set out in the Kiribati Development Plan in a way to achieve broad-based, inclusive, and sustainable economic growth, generating employment, reducing poverty, and providing social safety nets.
- (ii) Ensuring that the relevant targets made in the Sustainable Development Goals are achievable and met.
- (iii) Strengthening partnerships in the coordination and delivery of development assistance. This coordination must ensure community participation and ownership.
- (iv) Addressing development challenges can effectively be achieved through long-term planning which requires a long-term development cooperation commitment.
- (v) Strengthening governance and management of development assistance including strengthening financial management systems to ensure the accountability and transparency of financial assistance.
- (vi) Achieving sustainable economic growth by creating a conducive environment for private investment and trade in productive sectors, especially areas of comparative advantage such as fisheries, through effective utilisation of development cooperation.
- (vii) Channelling development cooperation in accordance with the high level global commitments for development effectiveness, including the Paris Declaration, the Accra Agenda for Action, the Busan Commitment, and the Istanbul Plan of Action
- (viii) Supporting the Framework for Pacific Regionalism as set out by the Pacific Islands Forum
- (ix) Contributing to the development of national capacity through training, skills development and technology transfer.
- (x) Disseminating aid information to the wider community. Enhancement of aid transparency assists in combating corruption through making information on aid quantities, sources and uses publicly available.

- (xi) Mobilising development cooperation in a way that helps reduce imbalances between the islands of Kiribati.
- (xii) Undertaking regular monitoring and evaluation of development assistance to ensure the effectiveness and efficiency of the progress of projects and programs and to ensure that lessons learnt are disseminated.

Part II: Policy Framework

2.1 Alignment with the Kiribati Development Plan

According to the Paris Principles on aid effectiveness, alignment should be achieved through donor countries aligning with the recipient country's development priorities, policies, and strategies and donors using country systems to the fullest extent possible. To attain the alignment of development cooperation with the national policy, priority and the country system a robust Results Framework as appears in the Kiribati Development Plan needs to be constructed. A Results Framework sets out defined performance indicators, baseline data and targets. This serves as a platform for tracking achievements and results. There is also the need to obtain commitment from development partners to support the Government agencies for the alignment with the Results Framework. The following policies will be adopted to align development cooperation with national priorities:

- 2.1.1 The prioritisation and selection of development cooperation will be based on the Government's policies and strategies stipulated in the Kiribati Development Plan.
- 2.1.2 The Government will identify and prepare a list of projects to mobilise development cooperation based on its needs and priorities through recommendations of the Development Coordinating Committee and Cabinet approval.
- 2.1.3 The Government will ensure that community ownership and participation are well articulated in aid funded projects for sustainability.
- 2.1.4 The Government will consider and adopt counter fund arrangements where necessary, in such a way to demonstrate commitment and ownership.
- 2.1.5 Program approaches and sector wide approaches will be encouraged to address needs at the sectoral level. Development partners will be urged to provide development assistance on such a basis. In particular, adopting sector budget support is a favoured delivery modality.
- 2.1.6 Development partners are required to harmonise and coordinate their support to facilitate interaction with Government and reduce transactions costs. This should include common reporting, undertakings or conditions, monitoring and evaluation systems wherever possible.

- 2.1.7. Development partners are encouraged to use Government systems and procedures to the largest extent possible. This includes use of Government banking and accounting systems, procurement, financial and progress reporting frameworks and external audit using the Kiribati National Audit Office.
- 2.1.8. Development partners should ensure predictability and timely flow of information on annual commitments and disbursements to allow alignment with budget and planning processes.
- 2.1.9. Development partners are requested to use simplified, clear, and documented practices and procedures as closely aligned to Government systems as possible.
- 2.1.10. Development partners are requested to provide adequate advance warning of planned missions to Kiribati and to be prepared to make adjustments to the timeframe to ensure effective Government participation. Partners should be aware of the budget calendar, which can affect availability of personnel, particularly in the Ministry of Finance and Economic Development, in the period October to December.

2.2 Forms of Aid

The following forms of aid have been determined for the implementation of development cooperation:

2.2.1 Grants

All development cooperation through grants shall align with the national strategic priorities as set out in the KDP and will be directed to ensure sustainable and equitable economic growth by focusing on the productive capacity of the economy, supporting critical infrastructure needed to promote development and to building human capacity. Grant financing is preferred to loan financing from all development partners.

2.2.2 Budget Support

Kiribati first received budget support from donors in 2014. This support was contingent on the Government's economic reform program where a range of strategies were implemented to improve the economic and financial performance of the country. These strategies included a national fisheries policy to provide strategic planning and an integrated fisheries management approach; State Owned Enterprise reforms to make SOEs more commercially viable; the instigation of a debt management policy; and reforms to the telecommunications sector.

Budget support is a preferred medium for receiving development assistance because of the flexibility and predictability that it provides to the Government.

2.2.3 Loans

There are four key principles that the Government of Kiribati has adopted with regard to loans:

- (i) The Government will avoid the use of non-concessional debt for Central Government operations (including the use of bank overdraft facilities)
- (ii) All borrowing and issuance of guarantees should provide economic or social benefits to Kiribati and generate financial returns adequate to cover the cost of servicing debt
- (iii) Appropriate authority will be gained for all borrowing and issuance of guarantees
- (iv) Cabinet and decision-makers will receive appropriate advice before authorising any borrowing and guarantees.

2.2.4 Technical Assistance

Technical assistance will be utilised selectively at the individual level (in terms of skills, knowledge, innovation,) and at the organisational level (in terms of systems, procedure, and technology) to assist with capacity development. The use of local consultants to enhance local knowledge for technical assistance teams is encouraged.

Technical assistance must be used for building institutional capacity through the transfer of expertise and knowledge wherever feasible. The government also encourages its development partners to share analytical studies in common interest areas and to seek government concurrence prior to the release and dissemination of study reports. All provision of technical assistance should be coordinated through the Ministry of Finance and Economic Development. No agency will directly accept technical assistance without the prior approval of the Ministry of Finance and Economic Development. Stand Alone Technical Assistance for capacity development requested by a concerned agencies should be in line with the KDP or Ministry Strategic Plan.

The project proposal for technical assistance should clearly spell out the objectives and ensure sustainability.

2.2.5 Overseas Volunteers

The Government will mobilise volunteers as technical assistance received from development partners and international volunteer organisations. These volunteers will be mobilised in different programs operated at local level according to their expertise and local needs. The following policies will be adopted to make such assistance effective and demand driven:

- (i) In order to mobilise volunteers, Government agencies will identify the priority areas, and request development partners and volunteer organisations to send volunteers in those areas.
- (ii) Volunteers will be involved with local counterpart organisations or individuals to ensure sustainability,

- (iii) The concerned Government agency will monitor the volunteer service and a project completion report will be sent to the concerned line Ministry, Ministry of Finance, and the Ministry of Foreign Affairs and Immigration (MFAI).
- (iv) MFAI will be the focal point for external volunteer mobilisation.

2.2.6 Humanitarian Aid

Because of Kiribati's geographical situation lying close to the equator, cyclones are not normally a problem. Neither are tsunamis which should not affect coral atolls. However, king tides combined with high winds and heavy rain can cause much destruction and erosion on the islands. Drought, particularly during La Nina events, can occur on some islands. Other potential problems are epidemics, maritime disaster (such as oil spills), fire and aircraft accidents. Humanitarian aid will be mobilised to respond to such incidences.

The Government through its National Disaster Risk Management Council will work closely with aid providers during the phases of preparation, reconstruction, and rehabilitation to prevent, mitigate, and respond to crises. A response to identified humanitarian emergencies may come from a range of organisations including governments, the United Nations system (in particular UNOCHA), and international and local NGOs (including the Kiribati Red Cross Society and International Federation of Red Cross and Red Crescent Societies). The National Emergency Operations Centre, the central command and control facility responsible for carrying out the principles of disaster management functions, will coordinate all response actions including the deployment of specialised humanitarian personnel and materials to support the provincial disaster committee's efforts on the ground.

2.2.7 South-South Cooperation

Kiribati strongly supports South-South cooperation, the mutual sharing and exchange of development solutions - knowledge, experiences and good practices, policies, technology and resources - among developing countries along with a third partner, typically a traditional resource partner and or multilateral organisation.

Kiribati has adopted South-South cooperation in exchanges of staff with other Pacific countries and through peer reviews. There is a firm belief that such solutions not only develop close collaboration with our Pacific neighbours but also can raise capacity development through providing answers to similar problems that afflict Pacific countries.

2.2.8 Aid for Trade

Kiribati traditionally has been a country of high imports and low exports, due to its isolation and the high cost of freight. Development cooperation will be mobilised to help trade promotion, especially to boost exports. Kiribati abolished Customs Duties on 1 April 2014 and most trade-related barriers have been removed. Kiribati will create an investment-friendly environment, including the construction of physical infrastructure, enhance the institutional capacity, removal of non-tariff barriers, and adopt other

measures of trade facilitation. Technical assistance may be mobilised for capacity development in trade related areas and to enhance import substitution methods.

Part III: Implementation and Coordination Mechanisms

3.1 Development Cooperation Policy Implementation

It is the responsibility of the Development Coordinating Committee to oversee the implementation of the Development Cooperation Policy. The DCC will interpret this policy to avoid any ambiguity that may arise during the policy implementation. The responsibility of mobilising development cooperation with donors lies with the Ministry of Foreign Affairs and Immigration. The responsibility for aid coordination however, rests with the National Economic Planning Office (NEPO) of MFED. NEPO also acts as Secretariat of the DCC. Both MFAI and MFED liaise closely to provide the maximum benefits from development assistance.

The outline of the Project Cycle and the role of the Development Coordinating Committee are at Annex A and Annex B respectively.

An annual review of implementation of the policy will be provided by NEPO to the DCC.

3.2 Development Partners' Forum

The Development Partners' Forum is a forum for high-level dialogue between the Government of Kiribati and development partners on issues such as progress on the KDP, development strategies, and priorities for the Government and ODA. This forum reviews the policies and action plan for development jointly put forward by the Government and development partners. The forum also discusses the effectiveness of development cooperation and resource estimation. The forum holds discussions between the Government and development partners regarding the development cooperation policy and announces initiatives to drive reforms in the implementation of projects and programs. The meetings of the Development Partners' Forum are held every two years in Kiribati. The actions and deliberations of the Forum are published on the MFED website.

3.3 Other Partnerships

Civil society organisations will be involved in policy dialogue, as appropriate, to ensure a participatory and inclusive development process. Emphasis will be given on the need for such organisations that receive development assistance from bilateral and multilateral aid agencies and international organisations, to implement practices that strengthen their accountability and to enhance transparency in order to increase development cooperation effectiveness. The Government encourages development partners to support capacity building to strengthen appropriate governance, accountability and transparency standards

of civil society organisations so as to enhance their contribution to the development process.

When NGOs propose a project in which development assistance is to be sought by the Government of Kiribati directly from an international organisation, then the project proposal as well as the approved financial details will have to be first approved by the Ministry of Internal Affairs before proceeding through the normal channels of MFED, the DCC and Cabinet. Donors should respect the desire of the Government of Kiribati for all funds for projects to be channelled through the correct processes.

The Busan partnership for development effectiveness has acknowledged the private sector as a partner of development. The Government has already developed a Public Private Partnership (PPP) through a concession contract for the private operation of the Otintaai Hotel. The Government will continue to explore other avenues for PPPs in the context of partnering with private sector. The Government will utilise development cooperation for the development of the private sector in Kiribati through infrastructure development, creation of an investment friendly environment, and supply of public services.

The Government will also explore the provision of a platform to seek greater private and philanthropic funding, focusing on three pillars:

- People including education, training, health, and maintaining cultural heritage.
- Technology, including adaptation technologies, renewable energy and better internet access.
- Green enterprise, including partnerships for prosperous and sustainable business initiatives at local and national scales.

3.4 Monitoring and Evaluation

The monitoring and evaluation of individual projects is the responsibility of the concerned Ministry. Ministries should use standard monitoring and evaluation tools and templates.

NEPO will compile an analytical summary report of the national KDP performance on a bi-annual basis. This KDP Progress Report will be quality assured by the DCC and the performance information presented, discussed and decisions made, are taken by the DCC to Cabinet. NEPO will also compile an annual summary report of the national performance of the post 2015 Sustainable Development Goals (SDGs). This report will also be assessed by the DCC before being taken to Cabinet.

The Government will also strengthen statistical systems and databases, analysis and reporting systems for the thorough collation of relevant data for the measurement of the KDP and SDGs progress.

The Government will promote continuous learning, collective responsibility, advocacy and awareness on M&E functions and responsibilities across government and key partner

and stakeholders. The Government will ensure that M&E support from development partners is well coordinated and delivered in a joint and harmonised manner that not only supports enhancement of existing government structures and templates but also ensures consistency, avoids duplication and promotes national ownership.

The Government of Kiribati and UN agencies hold reviews of program cooperation and progress against key results. The planning process is based on the approved UN Development Assistance Framework (UNDAF) new cycle cooperation and the UNDAF country matrix. The review is a biennial event which should be held around the time of the Development Partners' Forum. The main objective of the biennial review exercise is to institutionalise a review and planning mechanism through which the Kiribati Government and UN agencies can monitor progress towards the Kiribati Development Plan, UNDAF and Country Programme outcome targets and agree to further programme support. UN reviews should be held at the same time as the Development Partners' Forum.

The UNDAF biennial review is normally organised in three steps:

- Sector Working Group meetings followed by bilateral communications of their own programme support in Kiribati
- A joint technical consultation meeting on Key Priority Areas of the KDP and key priority support of KDP with implementing partners
- A joint strategy meeting at high level between officials of GoK and UN agencies.

High Level Development Partners Talks are organised individually on an annual or biennial basis between the major donors, Australia and New Zealand, and the Government of Kiribati. The purpose of these talks are to review progress against development program targets and outline future directions based on the priorities of the Kiribati Development Plan. These talks should be held around the same time as the Development Partners' Forum.

Local Development Partners Meetings are organised quarterly. This mechanism serves as a platform for regular dialogue and coordination between the Government and the development partners working at local level regarding the implementation of development cooperation policy and the problems associated with aid mobilisation.

As well, development partners are consulted at regular meetings with regard to Sectoral Strategies particularly for health, education, water and sanitation, economic reform and infrastructure.

3.5 Responsibilities of Development Partners

Development partners should align aid with national priorities, existing legal and policy frameworks such as labour laws and strengthen capacity development in accordance with the principles of national ownership and leadership.

Country systems should be used as the first option for aid programmes in support of activities managed by the public sector. Should donors choose to use another option and rely on aid delivery mechanisms outside country systems (including parallel project implementation units), they will transparently state the rationale for this and will review their positions at regular intervals. Where the use of country systems is not feasible, donors will establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.

The quality of aid should be enhanced by strengthening national ownership, alignment, harmonisation, predictability, mutual accountability and transparency, and results management, in line with the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action.

Donor coordination and harmonisation should be improved to avoid fragmentation and duplication.

Any changes to agreed bilateral allocations of funding by development partners should only be made in consultation with the Government of Kiribati.

Development partners should ensure the fulfilment of all development aid commitments.

3.6 Government Commitment towards Development Cooperation Effectiveness and Reform

The Government will integrate and align development assistance within national plans and priorities.

While mobilising development cooperation, the Government will give due importance to inclusive growth, aid transparency, south-south cooperation, engagement of the civil society, gender equality, climate change, disaster mitigation, and best practice.

The Government will adopt the policy of good governance and zero tolerance against corruption while mobilising development cooperation.

The Government will implement programs for institutional reform and capacity development when and as needed.

The Government of Kiribati is committed to enhancing the effectiveness of development cooperation.

The Government will initiate programs to minimise possible fiduciary risks and improve public financial management systems.

The Government is committed to reduce the transaction costs of projects and programs and maintain sustainability through enhancing national capacity and ownership.

Reform in development cooperation mobilisation will be carried out in collaboration with development partners.

The Government is committed to implement the recommendations of the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, the Busan Partnership for Effective Development Cooperation and the Cairns Compact with regard to the Peer Review Exercise on national planning, budgeting, financial and aid management systems and processes.

The Government is committed to simplify the procedure of public service delivery and improve the quality of expenditure.

The Government is committed to develop necessary long-term maintenance plans for aid funded infrastructure and ready to adopt user charges to raise maintenance counter-fund revenue for costly infrastructure.

The Government will ensure public access to aid information available in order to enhance transparency and accountability.

3.7 Indicators of Progress

The following table shows the key performance indicators which will be monitored on an annual basis and presented to the DCC by NEPO.

OWNERSHIP	TARGET FOR 2020
<i>Partners have operational development strategies</i> – Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.

ALIGNMENT	TARGET FOR 2020
<i>Aid flows are aligned on national priorities</i> – Percent of aid flows to the government sector that is reported on GoK National budgets.	Halve the gap – halve the proportion of aid flows to government sector not reported on government’s budget(s) (with at least 90% reported on budget).
<i>Strengthen capacity by co-ordinated support</i> – Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners’ national development strategies	100% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.
<i>Use of country public financial management systems</i> – Percent of donors and of aid flows that use public financial management systems in GoK, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Percentage of Donors
	(a) 90% of donors use partner countries’ PFM systems
	Percentage of Aid Flows (b) A one-third reduction in the % of aid to the public sector not using GoK PFM systems.
<i>Use of country procurement systems</i> – Percent of donors and of aid flows that use GoK procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform program in place to achieve these.	Percentage of Donors
	90% of donors use GoK procurement systems.
	Percentage of Aid Flows A one-third reduction in the % of aid to the public sector not using GoK procurement systems.
<i>Strengthen capacity by avoiding parallel implementation structures</i> – Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation
<i>Aid is more predictable</i> – Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks	Halve the proportion of aid not disbursed within the fiscal year for which it was scheduled
<i>Aid is untied</i> – Percent of bilateral aid that is untied.	Continued progress over time.

HARMONISATION	TARGET FOR 2020
<i>Use of common arrangements or procedures</i> – Percent of aid provided as program-based approaches	60% of aid flows are provided in the context of program-based approaches
<i>Encourage shared analysis</i> - country analytic work, including diagnostic reviews that are joint.	(a) 40% of donor missions are joint (b) 66% of country analytic work is joint
MANAGING FOR RESULTS	TARGET FOR 2020
<i>Results-oriented frameworks</i> - Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	Reduce the gap by one-third – Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
MUTUAL ACCOUNTABILITY	TARGET FOR 2020
<i>Mutual accountability</i> – Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	All partner countries have mutual assessment reviews in place.

Part IV: Provisions Related to Tax Exemption and Visas

Funds from development cooperation will not be used for the purpose of tax payments.

The amount required for tax payments due to the exemption provision in a project or program agreement, will be managed by the Government of Kiribati through MFED.

In the event of a tax exemption granted in an Agreement and for those projects where the expenses for exemption could not be met by internal resources, tax exemption can be granted as per the prevailing laws.

Foreign workers, employees, and their dependents working in the projects under development cooperation will be provided with gratis working visas

Foreign volunteers working under a separate Agreement will be provided with gratis working visas.

Annex A: The Project Cycle in Kiribati

Identification

The first stage of the project cycle is the identification of the project idea and initial consideration of how it may be done with relevance to Government policies.

Preparation

This stage involves the drawing up of the project document and essential factors are identified including objectives, outputs, activities and inputs required. This is the responsibility of the ministry tasked with the advancement of the project, and where outer island councils and other government and non-government organisations are the proponents, the respective parent ministry is responsible for drawing up the project document (prodoc). In other cases the prodoc is prepared by the implementing ministry.

When completed and depending on the activities included, the concerned ministry submits the prodoc as follows

- Projects over \$50,000 should be sent to MFED at least one month before the DCC meeting for which it is intended. Projects less than and equal to \$50,000 can be sent to MFED at any time with copies to relevant Ministries. Short Term Technical Assistance should be copied to the Secretary PSO.
- Projects less than \$5,000 are usually tied to a source or donor and can include items such as books, equipment, and furniture and are at the discretion of the proposing ministry.
- Projects containing long term technical assistance for new posts, or delocalised existing posts, training and employment of local staff should be submitted to PSO and MFED at least one month before the DCC meeting for which it is intended.

Where a project is prepared by a body outside of the Government, the organisation must submit the project through the relevant Ministry.

Appraisal

This stage involves checking the project document for internal consistency and completeness and to determine whether the project can be successfully implemented and objectives attainable with the given physical resources. Initial appraisal is the responsibility of the proposing ministry before submission to MFED where appraisal for determining financial and economic viability is carried out by NEPO staff. Where a project involves training, short-term or long term technical assistance, then it is submitted to PSO to check for consistency and to make necessary modifications. Thereafter, such projects are then submitted to MFED for further appraisal. Where it involves technical input, the relevant Ministry should oversight and give approval to the appraisal.

Validation of project costing should occur through the scrutiny of costings breakdowns with reference to a schedule of costings provided by NEPO.

Approval

This refers to the appropriate authorities giving permission for the project to go ahead.

In the context of Kiribati, Cabinet is the ultimate authority to approve or reject projects greater than \$50,000 which are put up for DCC recommendation. No other authority can reject such projects, though DCC can recommend a project for rejection. After a DCC session, MFED submits a Cabinet paper on DCC's recommendations for all projects and then Cabinet will then decide whether to approve a project or return it to the concerned ministry for additional information.

On the other hand, approval for projects with costs less than and equal to \$50,000 rests with the Honourable Minister of Finance (HMFED).

In the case of projects with costs less than \$5,000, where all funds received as cash or cheques from donors, these are deposited with MFED for warranting.

It is important to note that for projects in the latter two categories, the DCC Secretariat will compile a list of such projects and submit it to Cabinet for their monitoring.

Projects that are approved for funding but remain dormant for three years due to lack of development partner funds should have its costs and design revised and then be resubmitted to the DCC for review.

Funding

This stage involves the provision of the funds needed to carry out the project and achieve project objectives.

Once a project is approved, it is then MFED's responsibility to identify a funding source from the pool of existing donors. Having done that and or if a donor is not identified by MFED, the project is then submitted to MFAI who makes official contact with potential donors. The donor may then send their approval or rejection to MFAI and where approved, any payments should be included in the copy to MFED, or sent by telegraphic transfer to MFED.

MFED is then responsible for the warranting of all funds or the release of funds, but subject to approval of HMFED to do so.

Implementation

The purpose of implementation is to deliver the agreed outputs and planned development results of the activity design to meet the objectives of the project or program. Activity implementation involves both activity mobilisation and ongoing activity management. Activity management includes managing risk, building sustainability, managing the delivery agreement, and monitoring the activity.

The responsibility at this stage rests with the implementing ministry as identified in the prodoc to carry out activities needed and MFED warrants the funds needed for carrying out these activities.

The implementation phase should align with work-plans and the availability of resources to avoid delays, and overspending. Specific attention should be given by Ministries to ensure that the necessary equipment is made available. Coordination with the organisations involved and the beneficiaries of the project is important as is the production of operational and maintenance manuals.

Reliance on tools such as a project implementation schedule or plan outlining the activities, their sequence, timeframe and those responsible for the operation of the activity are useful. Attention should be given to the financial management of the project including regular financial reports. Supervision needs to take into account whether the schedule is being maintained. Swift remedial action is required if the implementation plan goes off track. The responsibility and accountability for the achievement of the objectives of the project rests with the implementing agency.

Monitoring

This is to ensure that the project is on track and making corrections as needed. The implementing ministry in consultation with NEPO is responsible for monitoring and completing all accounting and other reports required. Monitoring should be carried out on a regular basis (quarterly, biannually or annually depending on the project) through the use of standard monitoring and evaluation tools and templates. If supplementary funds are required, a request is submitted to MFED in the format of a Project Supplementary Project Document.

Evaluation

This refers to assessing the successes or failures of the project in terms of the objectives and outcomes of the project and to use the assessment as a means of improving future projects. Evaluation is normally done after the completion of a project and is carried out by the proposing and implementing ministries and NEPO

Acquittal

The last stage of the project cycle is the accounting to donor as to how funds have been used. Upon completion of a project, the implementing ministry is responsible for completing acquittal reports that shows among other things information concerning the project such as the total cash approved by donor, total expenditure, whether project funds is overspent or not, when did the project start and when was it completed. The acquittal along with a Project Completion Report is submitted to MFED for certification and then resubmitted to the donor.

Annex B: The Role of the Development Coordinating Committee

The Development Coordinating Committee (DCC) is made up of all Senior Responsible Officers (SRO) and is chaired by the Cabinet Secretary while the Secretary of MFED acts as Vice-Chair. The Director of the National Economic Planning Office and Director of Engineering Services, MPWU attend all meetings as non-Members to give required briefing and advice. Other Technical Advisers may attend the meeting as and when required by the Committee or individual Secretaries. The secretarial work and other support services is provided by the National Economic Planning Office. The role of the DCC is:

- (i) To propose, consider and coordinate development objectives, policies, strategies, programs and projects for inclusion in the Kiribati Development Plan and to make recommendations to Cabinet for final approval.
- (ii) To review the progress and direction of the Kiribati Development Plan while in implementation, updates to the Kiribati Development Plan and make recommendations for any changes it considers necessary to Cabinet for approval.
- (iii) To review sectoral development objectives, policies, strategies and programs; recommendations to Cabinet for final approval.
- (iv) To coordinate national development efforts and ensure the cooperation and free-flow of information between Ministries, offices and other departments of Government
- (v) To link sectoral and ministerial planning with National Development Planning and ensure consistency.
- (vi) To generally consider new projects and programs and assign national priorities for approval by Cabinet
- (vii) To receive quarterly reports from Ministries and Departments and monitor the progress of on-going projects for funding of new projects and keep Cabinet informed.
- (viii) To review and re-appraise policies and strategies with a view to extending Kiribati's capacity for planning, implementing and sustaining developmental efforts
- (ix) To promote a better understanding of Kiribati's developmental needs and problems within Government and Kiribati as a whole.
- (x) To review the annual Development Budget and make recommendations to Cabinet for final approval.