Cook Islands Core Sector Support (CSS) Evaluation

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COOK ISLANDS
CORE SECTOR SUPPORT (CSS) EVALUATION

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NEW ZEALAND
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Aid Programme

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1. Executive summary

The Core Sector Support (CSS) arrangement between New Zealand and the Cook Islands is, broadly, fit-for-purpose. It allows the Cook Islands Government (CIG) to take ownership of the Cook Islands' national development aspirations and key budgetary decisions, while also utilising various attributes that New Zealand has to offer as the Cook Islands' foremost development partner.

The CSS – both its model of operation and the core budget support that it provides to CIG – is valued by both New Zealand and the Cook Islands, on the whole. This evaluation found that this modality of support is appropriate for the relationship between the two countries, and offers a constructive approach to jointly tackling critical development challenges faced in the Cook Islands.

The current CSS model appears to be generally preferable to both countries compared to previous models of support of a similar nature. While some stakeholders may prefer separate sector-by-sector support (which used to exist), and others may prefer a more performance-based approach (which was in place immediately prior to the current CSS), the consensus across the two Governments is that the current model of core support without 'strict' performance-based criteria is the most appropriate at this time.

The stated goal of the CSS is 'enhanced economic self-reliance in the Cook Islands', though arguably the CSS is in effect more focused on a slightly narrower goal of strengthening public sector effectiveness. The tourism sector component of the CSS relates most closely to the 'economic self-reliance' goal, while the other components relate more closely to social outcomes (health and education) and public sector strengthening ('Output 4'). A more explicit overall objective of public sector effectiveness would be closer to the scope of other budget support programmes seen globally, and would generally include 'strategic policy dialogue' as an integral component in addition to the current informal dialogue.

Predictability and flexibility of budget support is critical from the Cook Islands' perspective, but so is accountability and light-touch oversight of the CSS from New Zealand's perspective. There may be slight tensions between these various characteristics of the CSS, but through effective communication between both Governments – which already exists to a large extent – these have been and can continue to be resolved.

For transparency and accountability, the Grant Funding Arrangement (GFA) is an important document, as it sets out shared expectations for CSS. When signed, it should be circulated to stakeholders and used to inform CIG budget allocations.

The successes and challenges of the CSS are partly a reflection of the way that the CSS 'model' has been designed and managed between New Zealand and CIG, but they cannot be disentangled from the successes and challenges of the CIG itself. For example, it cannot be determined with certainty whether any success or challenge in the health, education, or tourism sectors is because of, in spite of, or unrelated to the CSS.

Nevertheless, it is clear that the CSS has the potential to positively affect the Cook Islands' development aspirations as evidenced through data across various sectors and indicators.

In terms of future CSS-type programming, several key findings emerge. The first is the complicated role of strategic policy dialogue between New Zealand's Ministry of Foreign Affairs and Trade (MFAT) and the CIG. While returning to a performance-based model does not appear feasible, there is scope to further enhance the role that systematic dialogue[1] plays in enabling the CSS to be as effective as possible both at the 'strategic oversight' level and at the individual sector levels. The term 'systematic' is used here because there is very frequent, ad hoc dialogue on a range of CSS issues between the two Governments at present, but there is limited 'strategic' dialogue where strategic issues can be raised at the highest levels in order to be resolved or taken forward. The informal dialogue has been invaluable in addressing operational matters but does not cover strategic challenges. Globally, such dialogue is found to be a critically important aspect of budget support. However, it is clear that there is no simple fix on how to enhance the dialogue arrangements in a satisfactory way for both parties.

There is also a need to reflect on how non-MFAT New Zealand stakeholders (e.g. other government agencies) can be better integrated into relevant dialogues that relate to the CSS. This reflects the dynamic and extensive links between Cook Islands and New Zealand institutional and governance systems. Cook Islands stakeholders are already well engaged through the NSDC. Systematic dialogue would be able to bring in these other stakeholders in a coordinated way and 'sooner rather than later'.

The fungibility of budget support is another area for free and frank discussions between New Zealand and the Cook Islands looking ahead. The 'soft-tagging' approach to selected sectors (health, education, and tourism) comes with downsides, for example on CIG budget decision-making. In a high-trust environment with other forms of accountability available, there may be better ways to describe how budget support is used.

The Cook Islands' health sector faces an array of complex challenges. Many of these challenges require significant financial investment to overcome, and some simply result from the harsh reality of being a remote micro-state. This evaluation found a strong case for the health sector to remain a priority area of focus.

The education sector appears to have a brighter outlook. Education indicators are impressive, and key stakeholders in the sector appear to be optimistic about the future of the sector, notwithstanding various challenges that exist.

Tourism is obviously the driving force of the Cook Islands economy, and CSS-related funding has contributed towards a well-managed and innovative sectoral approach from CIG. Prior to confirming the level of CSS funding for future years, it is timely to re-evaluate the financial support that the tourism sector receives and the associated opportunity costs – both in an overall sense vis-à-vis other sectors, and also whether destination marketing is the most cost-effective activity to devote significant resources to vis-à-vis other

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[1] There is an extensive body of evidence in the literature on international budget support which highlights the importance of the quality of 'policy dialogue' for the overall success (or otherwise) of the programme

tourism-related investments. The incentives for private sector co-funding should also be considered as part of a strategy to increase value-added for the economy.

'Output 4' – dedicated funding for technical assistance and public sector strengthening – generates a mixture of strong views among stakeholders as to its effectiveness. This evaluation found that it plays an important function, but could be tweaked in future to be even more effective. In particular, ensuring that Output 4 investments are well prioritised is a particular challenge, and there is also scope to make it more 'streamlined' and less burdensome for both Governments.

The rest of this report explores the evaluation of the CSS in greater depth. Here is a **summary list of the recommendations** that are made in the body of the report:

Overall CSS model:

1. A new GFA should include an agreed schedule of planned bilateral discussions as part of the strategic policy dialogue arrangements to review CSS progress including strategic policy choice related to CSS objectives. These would use updates on performance measures and short-term outcomes to enable a shared view to be formed and updated on the CSS progress, including areas requiring further inputs by NZ or CI.

2. A new Grant Funding Arrangement should be for up to four years (over the New Zealand funding 'triennium') with the objective of enhancing public sector capability and effectiveness and provision for re-evaluation and renewal decisions within this period.

3. NZ to consider a condition of future CSS disbursements to be publication of fully audited cross-CIG accounts within a specified time after the end of the financial year.

4. As part of the design of the next phase of CSS, a free and frank discussion between MFAT and CIG should take place about the fungibility of budget support, and, relatedly, how to use the CSS to best focus CIG 'efforts' on a small number of critical sectors (whether or not health, education, and tourism) that are CIG priority areas.

5. Consider, as a possible alternative to 'soft-tagging' CSS funds to certain sectors, removing the soft-tagging and counting CSS funds as untagged external revenue, but having an explicit condition, built into the next GFA, that a minimum of $X (to be determined) be spent by CIG on a select few (2-4) sectors as prioritised by CIG.

6. Update CSS outcome statements and indicators to ensure these reflect the core purposes of the fund.

Health sector:

7. Explore CI access to Pharmac procurement and advice, noting that Pharmac has established its Pacific Responsiveness Strategy.

8. Consider annual bilateral CSS discussions to review progress in the CI health sector. Periodically, the dialogue could reconfirm the arrangements for referring patients to NZ, so that a better balance is struck between referrals to NZ and increased specialist service capabilities in the Cook Islands.

Education sector:

9. Delivery of education is expected to reflect the Cook Islands context and values. The Ministry of Education has suggested a change to Indicator 1 which should be taken into account; more ambitious targets would motivate them to strive for better results.

Tourism sector:

10. Consider regular policy dialogue with the New Zealand government on tourism issues of importance such as aircraft registration, incentives for private sector co-funding, and how to support infrastructure and employment capacity for sustainable tourism growth. Facilitate dialogue with New Zealand Tourism counterparts, such as Ministry of Business, Innovation and Employment and Tourism New Zealand to develop understanding of shared goals and linkages.

Technical assistance / public sector strengthening:

11. The NSDC should be supported with performance feedback on Output 4. OPM might wish to consider making copies of this evaluation, once agreed, available to the NSDC. In addition when the current Output 4 projects are largely completed a summary of results to date should be presented.

12. Consider whether there is scope to further consult with NZ prior to the NSDC process of deciding on Output 4 activities, so as to bring NZ into the Output 4 activity selection process earlier rather than as an approval function later in the process.

13. On the CIG side, consider a leaner priority-setting function for central agencies, for example an 'NSDC sub-group' of central CIG agencies, to lead cross-government prioritisation on Output 4 activities.

14. Consider strengthening the Office of the Prime Minister (OPM)'s role in supporting Output 4 so that the role has senior expertise across diverse areas of work in framing TA terms of reference and, where needed, reviewing and helping strengthen business cases.

15. Investigate ways to streamline Output 4 administrative requirements for NZ and the Cook Island Government.

16. Output 4 funding should allow for external peer review of selected TA activities prioritised by NSDC, where relevant.

17. Consider options for more systematic dialogue between relevant CIG agencies and NZ about priority areas for public sector strengthening.

18. Consider establishing a second tier pipeline of possible priorities for Output 4 funding to enable a more informed assessment of future funding level needs.

The Evaluation team proposes the following level of priority for the above recommendations:
- *High*: Recommendations **1, 2, 3, 6**
- *Medium*: Recommendations **8, 10, 11, 13, 14, 15, 17**
- *Less urgent*: Recommendations **4, 5, 7, 9, 12, 16, 18**

List of acronyms

CIG – Cook Islands Government
CITC – Cook Islands Tourism Corporation
CSS – Core Sector Support
GFA – Grant Funding Arrangement
MOE – Ministry of Education (Cook Islands)
MOH – Ministry of Health (Cook Islands)
NSDC – National Sustainable Development Commission (Cook Islands)
ODA – Official Development Assistance
OECD – Organisation for Economic Co-operation and Development
OPM – Office of the Prime Minister (OPM)

2. Introduction and background

2.1 Purpose of the report and evaluation methods

This report covers an evaluation of Core Sector Support (CSS) between New Zealand's Ministry of Foreign Affairs and Trade (MFAT) and the Cook Islands Government (CIG). It focuses on the period from the signing of the Grant Funding Arrangement (11 November 2016) to 31 March 2018.

The evaluation was asked to:
- Identify improvements that can be made to managing, implementing, and achieving results through CSS, with a specific focus on identifying how the delivery model for the public sector strengthening aspects of the activity can be improved;
- Inform decisions on the best future delivery model for core sector support, with a particular focus on the best model for maximising the impact of funding available for public sector strengthening; and
- Provide accountability to the CSS including its achievements, constraints, and value for money.

The evaluation is by a joint Cook Islands-New Zealand team with technical input from an outside expert (Johannes Wolff). It is a process evaluation[2] using a set of evaluation questions (taken from the evaluation plan) and Utilisation Focused Evaluation principals. The evaluation is also guided by the OECD Development Assistance Committee budget support evaluation framework[3].

Evaluation interviews took place in the Cook Islands and New Zealand with CSS stakeholders. This data was triangulated with literature reviews, quantitative analysis, and follow-up questions by email to ascertain further information.

2.2 The Cook Islands people and economy

The Cook Islands resident population is 14,900, predominately Cook Islanders but includes temporary workers in the tourist industry. About 62,000 people who identify themselves as Cook Islanders live in New Zealand (NZ)[4] and there are close relationships between the two countries on many areas of mutual interest. NZ Māori research indicates that there are early historical links in the form of migration from the Cook Islands and its neighbours[5] to NZ around 900 years ago. The Cook Islands Māori language is related to New Zealand Māori.

Cook Islands' gross domestic product (GDP) in 2016 was estimated to be NZ$ 416 million[6]. Economic growth reflected continued growth in inbound tourism as well as public sector

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[2] The evaluation looks at whether activities have been implemented as intended to result in outputs and outcomes outlined in the results framework

[3] www.oecd.org/dac/evaluation/dcdndep/Methodological%20approach%20BS%20evaluations%20Sept%202012%20_with%20cover%20Thi.pdf

[4] http://archive.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-culture-identity/pacific-peoples.aspx;

[5] Anderson, Binney and Harris (2016) *Tangata Whenua: An Illustrated History*

[6] MFEM indicators www.mfem.gov.ck/statistics/economic-statistics/key-economic-indicators;

capital expenditure projects, although growth slowed in 2017/18 due to some delays in capital expenditure projects[7]. The CIG estimates economic growth over the medium term will be about 2.5 percent annually[8].

The Cook Islands may soon, on the basis of its estimated increasing GDP per capita, graduate from the OECD DAC's list of countries eligible to receive Official Development Assistance (ODA). An ODA impact assessment concluded that this will have 'very limited implications for the Cook Islands' provided there is a continuation in aid, soft loan finance, and further growth in tourism.[9]' Nevertheless there remain legitimate concerns about the possible long-term impacts of graduation.

2.3 Overview of Core Sector Support (CSS)

History
In February 2015, the Cook Islands Government asked New Zealand to deliver a greater portion of its ODA via budget support. This request aligned with recommendations made by the Forum Compact Peer Review (2014) and a country programme evaluation (2015)[10]. A pilot performance-based budget support (PBBS) arrangement operated for one year in 2015/16. PBBS concluded in June 2016 with mixed results and CSS was designed following this experience.

What is CSS?
CSS was proposed as a form of budget support to the CIG with a technical assistance component. Budget support cash transfers from New Zealand to the Cook Islands are earmarked (or 'soft-tagged') for particular sectors. The funds are allocated by the CIG through its budget process to the government agencies that provide services in those sectors (primarily the Tourism Corporation, the Ministry of Health, and Ministry of Education).

The Grant Funding Arrangement signed in November 2016 between NZ and CI[11] set out the CSS goal and a set of desired outcomes. This document is a formal bilateral agreement[12] as it was signed by the representatives of the two countries and includes undertakings made by both parties.

The CSS goal is 'enhanced economic self-reliance in the Cook Islands'. There are five outputs (see Figure 1 below), which form the core of the CSS budget support. The intended outcomes are discussed throughout the report below.

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[7] CIG (Aperil 2018) *Pre-election Economic and Fiscal Update*
[8] Page 45 of Cook Islands Government *Budget Estimates* 2016/17 Book 1,
[9] www.mfem.gov.ck/images/documents/DCD_Docs/Development-Resources/Implications_of_the_CKI_Graduation_from_DAC_Eligibility.pdf;
[1010]www.mfat.govt.nz/assets/Aid-Prog-docs/Evaluations/2015/Dec-2015/Evaluation-CPE-Cook-Islands-Report-Final-Dec2015.pdf;
[11] Grant Funding Arrangement- Cook Islands Core Sector Support, November 2016
[12] www.instituteforgovernment.org.uk/explainers/bilateral-agreements;

Figure 1 – CSS Outputs

Output 1: **Health** services in accordance with the Cook Islands Health Strategy, including specialist health visits (up to $1.2m per annum).

Output 2: **Education** services in accordance with the Cook Islands Education Masterplan, including tertiary scholarships to NZ universities (up to $4m per annum).

Output 3: **Destination and market development** activities in accordance with the Cook Islands **Tourism** Strategy, including for sector (re)investment activities and long haul airline routes (up to $2.4m per annum).

Output 4: Procure **technical assistance** and other support for economic governance and public sector strengthening (up to $2.8m per annum) with a focus on:
- Public financial management (including but not limited to improving financial management system, audits, and procurement);
- Institutional strengthening (including but not limited to the transport and infrastructure sectors);
- Other activities required to support the implementation of the Cook Islands Public Sector Strategy; and
- The online companies' registry.

Output 5: Annual **high level policy dialogue** with New Zealand officials to:
- Present and account for progress against the activity results measurement table and related indicators; and
- Discuss and identify priority policy reforms.

MFAT provided up to $21m towards CSS over the final two years of the MFAT 'triennium' funding period (2016/17 - 2017/18).

Across the world, including in the Pacific, budget support has been widely used as an ODA instrument: *"By using recipient governments' own systems for planning, budgeting, implementation and control to channel these resources to fund public goods and services, budget support is intended to contribute to the promotion of government ownership and accountability, the reduction of transaction costs in aid delivery, the overall harmonisation of donor procedures and to more aid predictability and thus improved planning and allocation of resources*[13]*"*

The Grant Funding Arrangement states that CSS will:
- Provide predictable funding for quality health and education services to New Zealand citizens;
- Provide predictable funding to the tourism sector to maintain economic growth; and
- Make available greater technical assistance to build and or supplement CIG capacity/capability gaps, focusing on improved public financial management, key policy reforms, and institutional strengthening of underperforming sectors including infrastructure, justice, and transport.

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[13] OECD briefing www.oecd.org/dac/evaluation/dcdndep/50036948.pdf;

How are CSS funds managed?

CSS sector funds (outputs 1-3) are managed by CIG through its annual budget, through which resources are allocated to government ministries and agencies. The budget is developed by the Ministry of Finance and Economic Management (MFEM) under the direction of ministers and in consultation with officials, and is approved, in accordance with legislation, by parliament.

Output 4 on technical assistance is also managed by CIG with payments made by MFAT as individual contracts are implemented. CIG priorities are articulated in its National Sustainable Development Plan (NSDP), with ongoing oversight by an inter-departmental commission, the NSDC.

3. The CSS model and evaluation insights

3.1 Key Points

- The CSS is broadly fit-for-purpose. The CIG associated budget process is comprehensive and well supported, with the CSS component used as core budget rather than discretionary funds. The evaluation recommends a new Grant Funding Arrangement for a four year period.
- There is room for more structured policy dialogue around CSS progress, performance measures, and short-term outcomes.
- Revisiting CSS outcome statements and indicators would ensure these reflect the core purpose of the fund as this evolves.
- There would be value in a free and frank discussion between MFAT and CIG about the fungibility of budget support and, relatedly, how to use the CSS to best focus CIG 'efforts' on a small number of critical sectors (whether or not health, education, and tourism).

3.2 Overview

A key feature of the CSS model is the CIG taking responsibility for funds allocation, management, and use – though broadly within the parameters outlined in the Grant Funding Arrangement (GFA) – with opportunity for policy dialogue with NZ on results and challenges. The dotted lines in the diagram below signal uncertainty about when results might emerge. The evaluation found that, due to gaps in communication CSS funds had not been entirely allocated as the agreement intended. This slip in communications will be addressed by MFEM process in the coming period. The model is described in more detail in the CSS Results Framework.

Figure 2 – Model of Core Sector Support
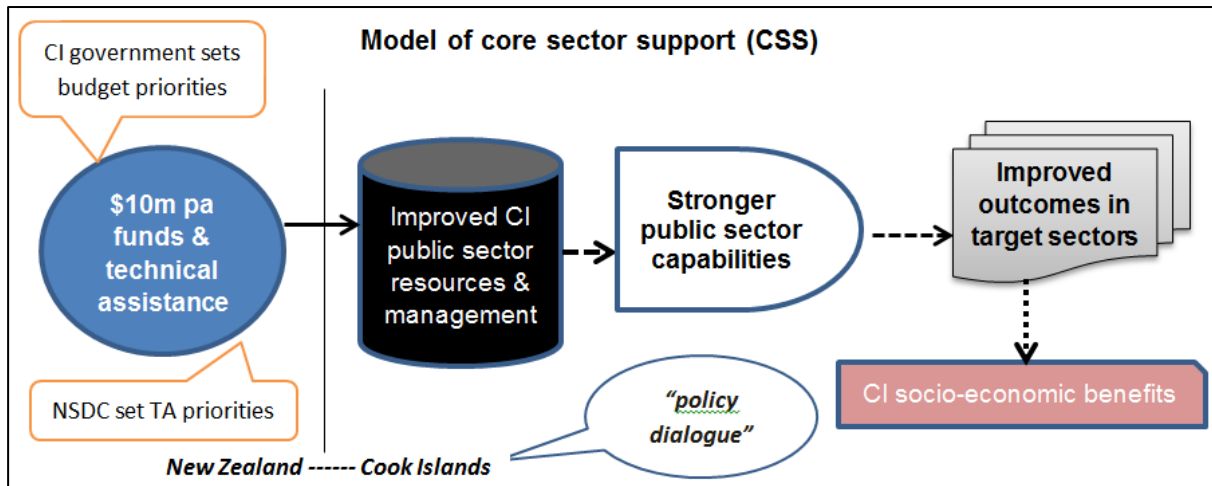
Budget support models of this type are widely used in other countries. Other country insights[14] from years of experience with budget support that are relevant to thinking about CSS performance include:

- There is no substantial difference between the economic effects of the funds from different programme aid modalities (of which budget support is one);
- Budget support can have an impact on financial management development through systemic effects from the flow-of-funds; and direct effects from technical assistance;
- Other elements of budget support can have impacts on the institutional and policy environments, possibly not achieved through other programme aid modalities;
- If the donor and the government have similar preferences, fungibility is probably not a problem. The more relevant issue may be how spending plans are implemented.

The evaluation has considered these points including the role of policy dialogue in CSS, fungibility[15], and additionality[16].

3.3 Key evaluation insights

Does the CSS provide a useful basis for bilateral dialogue on shared objectives?

Output 5: holding annual 'high level' policy dialogue with NZ officials, has proven to be a challenging component of the CSS. Systematic and structured dialogue has not been a prominent feature of the CSS, although there is frequent informal dialogue. While NZ officials felt there would be more value to add from such a systematic process, evaluation interviews found senior CIG staff see little value in CSS policy dialogue as provided for in the CSS agreement. They did not regard this as a fruitful opportunity and felt it might place a disproportionate demand on time of a small public service. There was also a sense of inequality in aspects of the relationship that was seen as having the potential to deliver an unhelpful result. The interviews show that perceptions are changing with a stronger sense of partnership emerging.

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[14] Nilsson M (2004) Effects of budget support, https://www.oecd.org/dac/evaluation/dcdndep/35031496.pdf
[15] the interchangeability of money between difference uses
[16] the difference made by CSS to meeting CI needs beyond what would otherwise occur

CIG officials appear to prefer a pragmatic set of discussions linked to CSS performance[17]. The CSS has an agreed shortlist of indictors selected from existing NSDP measures. The evaluation found that stakeholders were pleased to explain good performance as well as challenges faced. Further regular discussion of the measures might be helpful. Currently there is good informal dialogue, particularly with the New Zealand High Commission (NZHC) in Rarotonga, mostly to provide practical support and resolution of issues.

> **Recommendation 1**: A new GFA should include an agreed schedule of planned bilateral discussions as part of the strategic policy dialogue arrangements to review CSS progress including strategic policy choice related to the CSS objectives. These would use updates on performance measures and short-term outcomes to enable a shared view to be formed and updated on the CSS progress, including areas requiring further inputs by NZ or CI.

Does CSS offer value for money?
The evaluation has examined the overall budget structure, value of funding, CSS stakeholder perceptions, and related evidence. The CIG budget shows planned government revenues and the allocations to individual ministries and agencies with the net financial position being reported for the budget year and out-years. Planned expenditures are broken down by sector, function (e.g. showing the cost of primary, secondary, and tertiary education), and by type (showing personnel other costs).

Specific points by CIG stakeholders were diverse and included the following:
- Having CSS with the budget means that it is within CIG's prioritisation process;
- Levels of CSS sector funding is 'a major consideration in setting priorities'; and
- The funding helps leverage other funding sources.

The CSS model can give aid predictability because there is provision for multi-year payment milestones and little conditionality. Interviews indicated that this predictability is valuable to budgeting. Lack of predictability is seen as significantly constraining ODA effectiveness, particularly in small Pacific countries like Cook Islands[18]. Decisions on possible CSS renewal going forward have not been taken and this adds uncertainty to CIG's budget decisions.

> **Recommendation 2**: A new Grant Funding Arrangement should be for up to four years (over the New Zealand funding 'triennium') with the objective of further enhancing public sector capability and effectiveness and provision for re-evaluation and renewal decisions within this period.

Are CSS funds used as intended?
The model gives CIG responsibility for prioritising CSS funds, although there is an element of complexity around the extent to which funds are earmarked for sectors and activities within a sector (e.g. destination and market development within tourism). Funds for outputs 1-3 are managed through the CIG annual budget system which allocates funds to ministries and agencies. The money is fungible so that there is not a line of sight from funds transferred

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[17] An evaluation of policy dialogue describe it as "a mechanism to incorporate information and ideas and bridge points of view" Peebles D et al (2015) Evaluation of policy dialogue as an instrument: the case of gender equality https://www.sida.se/contentassets/2cc79ae3539040f5aec165812b9021f4/15933.pdf
[18] An academic study found that aid was less predictable in the South Pacific that some other regions. Dornan M and Pryke J (2017) Foreign aid to the Pacific: Trends and developments in the twenty-first century

from NZ through to particular sector outputs. Accountability relies on the robustness of CIG's financial management. The evaluation noted that the financial management system is robust but there has been a continued backlog in some audits and annual financial reporting. For both NZ and CIG, it is critical for the credibility of the CSS that good accountability is sustained through audited financial reporting of results achieved.

Recommendation 3: NZ to consider a condition of future CSS disbursements to be publication of fully audited cross-CIG accounts within a specified time after the end of the financial year.

This evaluation has found CIG's budget to be comprehensive and well supported by a small team of MFEM staff. There are, however, opportunities to improve performance reporting such as giving greater priority to bringing audited consolidated accounts fully up to date.

Crucially, the evaluation found there to be a mixture of interpretations, particularly among CIG officials, of how 'strictly' CSS funding is ring-fenced for use in the three sectors (health, education, tourism). This has considerable knock-on effects for CIG's budget process. The evaluation also found a lack of consistency between the Grant Funding Arrangement and figures in the CIG budgets regarding how much CSS finance was ring-fenced for each of the three targeted sectors.

Recommendation 4: As part of the design of the next phase of CSS, a free and frank discussion between MFAT and CIG should take place about the fungibility of budget support, and, relatedly, how to use the CSS to best focus CIG 'efforts' on a small number of critical sectors (whether or not health, education, and tourism) that are CIG priority areas.

Recommendation 5: Consider, as a possible alternative to 'soft-tagging' CSS funds to certain sectors, removing the soft-tagging and counting CSS funds as untagged external revenue, but having an explicit condition, built into the next GFA, that a minimum of $X (to be determined) be spent by CIG on a select few (2-4) critical sectors prioritised by CIG.

How successful do stakeholders think CSS currently is in achieving its objectives?
A key aspect of budget support is the opportunity to enhance CIG's ownership of resources, consequent investment choices, and service enhancement. The evidence from other countries points to this as perhaps the most valuable contribution of budget support[19]. Evaluation feedback from interviews with both central department staff responsible for advising CIG on budget allocation and staff at sector agencies (health, education, and tourism) were positive about the greater sense of ownership and prioritisation responsibility from CSS over previous arrangements.

Budget baseline funding has been partly compensated for by aid. Total grant aid for 2017/18 was estimated at $69m, of which $41m is for capital projects and $28m for operating expenditure items. However, the timing, appropriateness, and integration of aid projects into CI systems have often been difficult and sometimes had hidden costs. CSS currently offers stable and predictable funding alongside these other revenue sources.

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[19] OECD (2011) Multi-donor budget support: only halfway to effective coordination, https://www.oecd.org/dac/evaluation/dcdndep/50036948.pdf

Is CSS used as core budget or discretionary funds?

CSS contributes to the core budget, consistent with the original rationale. The 2016 CSS funding document states that without such assistance the CIG would 'find it hard to maintain the quality of current core services and tourism growth activities'. The evaluation shows that CSS contributions of cash into the recurrent expenditure budget are recognised as a useful core funding contribution. The evidence highlights the value to public sector efficiency of the wide ranging use of CSS technical assistance, including provision of systems, external expertise and some limited salary support.

The CIG budget system is performance-based, a recognised best-practice approach[20]. The budget is managed alongside the National Sustainable Development Plan (NSDP) which includes targets and measures. The evaluation found that CIG financial and budgetary management appears to address national priorities and meet international reporting standards.

The evaluation examination of current budget arrangements reconfirmed that it is transparent on the allocation of funds and that it aligns with NSDP expressed priorities. Financial management developments currently underway include establishing a whole-of-government financial management information system (FMIS) that will allow for better control of procurement, centralised payments, and timely financial reporting.

Does CSS reduce public sector constraints or otherwise improve effectiveness?

Without strategic policy dialogue, the CSS model is constrained in helping address systemic public sector challenges and enhancement opportunities. Challenges currently appear to include the complexity of the public sector, substantial support for tourism potentially putting pressure on other areas such as the health sector, and staff recruitment and retention.

As shown in Figure 3 below, the CIG budget allocates funds to each of 27 ministries and departments and to each of the outer islands. These allocations include tourism $9.6m, health $12.7m, and education $19.6m.

Figure 3 – CIG Budget Appropriation 2017/18[21]

CIG Budget Appropriation 2017/18 (total $132m, net of $6m direct income, includes PBOC $25m but not capex $45m)
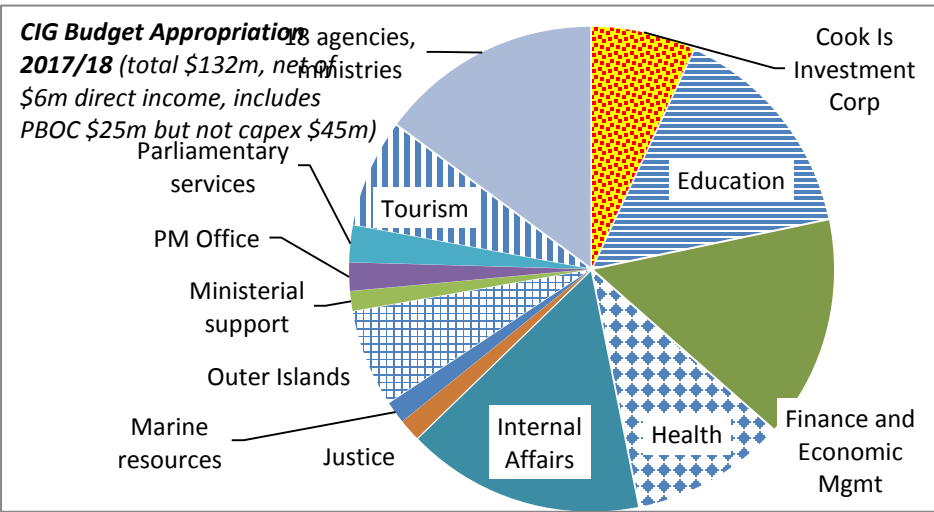
[20] 2016 OECD Performance budgeting survey http://www.oecd.org/gov/budgeting/Performance-Budgeting-Survey-Highlights.pdf

[21] Source: Agency Budget Appropriations, page 7 CIG Budget Estimates 2017/18 Book 1, Appropriation Bill

The public sector budget is large, relative to the size of the economy. Government expenditure is about 34% of GDP. High level strategic prioritisation across the public sector to make it as effective as possible remains an ongoing challenge. The Public Service Commission reported that: *'In 2015, the country faces a situation similar to that of 1995, just prior to the crisis. The cost of running the government is rising partly due to the number of public sector agencies having risen again to 52, and debt levels rising due to significant investments in infrastructure.'*

Economic dependence on tourism has resulted in the government allocating about 18% of its total recurrent 2017/18 budget to tourism. But there are other pressures including recent salary increases and a $4m increase in the recurrent allocation to Cook Islands Investment Corporation. There has been steady growth in annual government operating expenditure. Budget composition has changed over this period. For example, education and health have a reduced percent of the total allocation.

Figure 4 – CIG annual operating expenditure
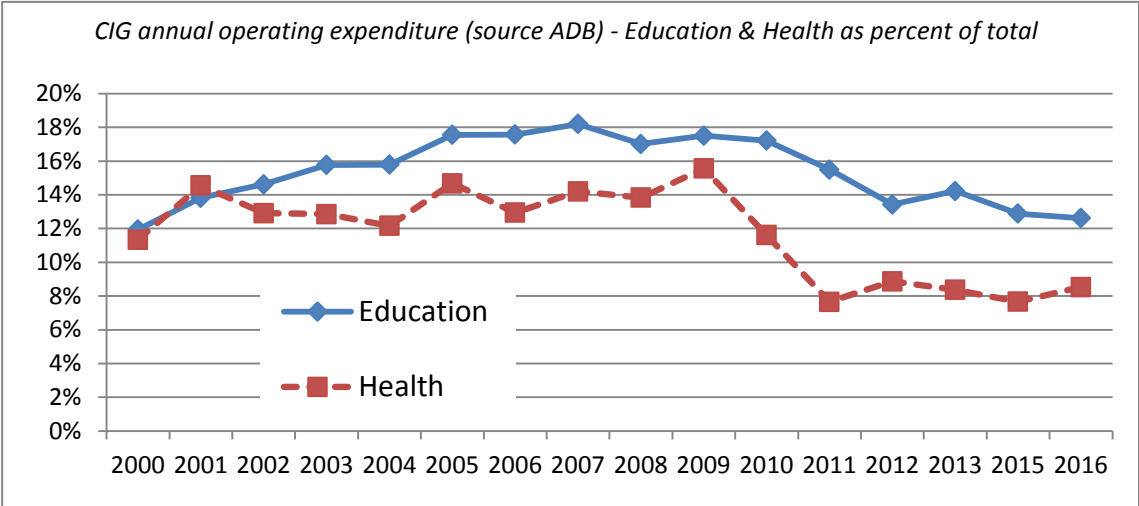
Major capital projects in the pipeline to improve water and waste water will benefit tourism. These infrastructure investments have positive economic value, but have substantial operating costs[22].

Low salary levels for professionals constrain performance in some areas. Difficulties experienced in recruiting and retaining qualified accountants is one example. Insufficient accountancy work has delayed financial reporting which can affect financial accountability.

More broadly, evaluation interviews revealed challenges in retaining well-performing staff in core departments and the ability to support their work with investments in systems, training and modern office spaces appear to continue to constrain public service development.

How effectively does CSS contribute to CIG's national sustainable development plan?
The evaluation discussed progress towards short-term outcomes and the relevance of the outcome statements in the GFA to the NSDP. The plan is a long-term strategy and it is too

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[22] OPSC (2016) Performance Management Framework for the Cook Islands issues
http://thecommonwealth.org/project/performance-management-framework-cook-islands

early to begin analysis of the CSS contribution. However, the evaluation has used the CSS performance indicators to discuss and analyse early progress.

Analysis of the CSS outcomes and indicators
The evaluation examined the relevance of the CSS outcome statements to the CSS objective and to needs identified in the NSDP. It found that several aspects are no longer relevant and merit modification.

The evaluation also examined the list of indicators for outputs 1-4 and progress against each indicator. Results were discussed by the evaluation team with stakeholders through focus group meetings. Several of these indicators need updating to reflect changes in tourism, health, education sectors, and to ensure that the TA indicators remain relevant.

> **Recommendation 6:** Update CSS outcome statements and CSS indicators to ensure these reflect the core purpose of the fund (see Annex C).

4. Health sector ('output 1')

4.1 Key points

- The desired short-term health outcome ('access to health services improved') is financially constrained. CSS's contribution to health, as defined in the GFA, is relatively small and less than planned[23].
- Budget constraints appear to be beginning to affect health service effectiveness. Some primary health tests are becoming unaffordable, specialist visits have been unable to be commissioned, and low salary levels are affecting recruitment and retention.
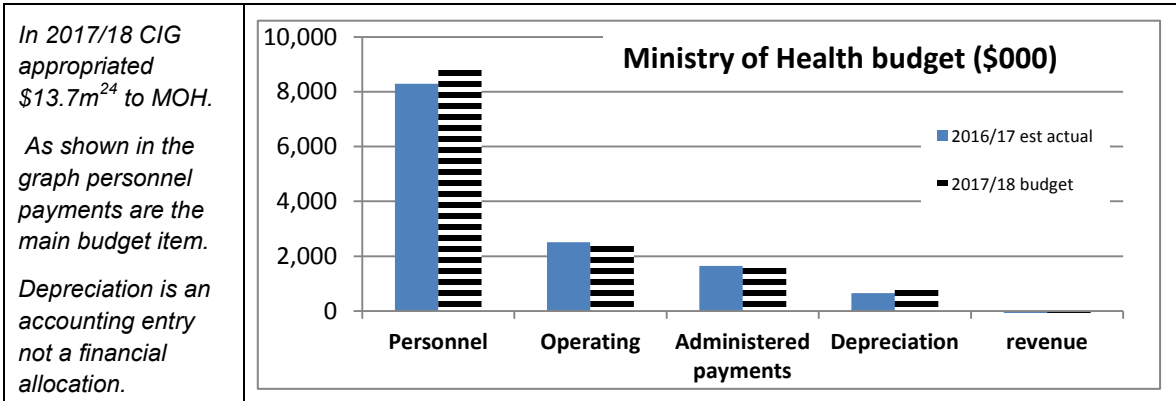- CI/NZ dialogue on stronger links and support from NZ institutions could help enhance health services.

4.2 Introduction

The 2016 bilateral GFA states that the scope of CSS is to 'provide predictable funding for health and education to ensure the quality of core services delivered to New Zealand citizens.' Services are provided through a Ministry of Health (MOH) system of child welfare clinics, health centres, dental clinics, and small general hospitals on Rarotonga and Aitutaki. CI residents are asked to pay a nominal fee and tourists are charged a fee reflecting actual costs. Cook Islanders, as NZ citizens, also have access to NZ public health services and many take up this opportunity. The CI Government is able to use the CSS grant to help fund the health appropriation.

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[23] According to an analysis of CIG budget figures compared to the specified funding amounts in the Grant Funding Arrangement

Figure 5 – CIG Health Sector Appropriation

In 2017/18 CIG appropriated $13.7m[24] to MOH.	
As shown in the graph personnel payments are the main budget item.	
Depreciation is an accounting entry not a financial allocation.	

4.3 Are CIG health priorities being efficiently addressed?

CIG's National Health Strategic Plan 2017-21 highlights several major health challenges.
For example, a high incidence rate of 2.7% and prevalence of 37.2% was noted for non-communicable diseases (NCDs) (cardiovascular diseases, diabetes, cancer and chronic respiratory disease). Causal risk factors are high and have increased: the prevalence rate of obesity was 72.2%; raised blood pressure 32.9%; raised blood sugar 26.8%; and elevated blood cholesterol 50.9% (STEPS survey analysis)

The challenge from NCDs is reiterated in the National Sustainable Development Plan:
'NCD's are our largest health challenge with high rates of heart disease, diabetes and other lifestyle diseases affecting the lives of many Cook Islanders every year and putting a strain on our health system .'

Budget constraints to service effectiveness

CIG's health budgeted expenditure in 2017/18 is 8% of total recurrent expenditure budget. This level of funding has risen slowly, and at 3 percent of GDP is low compared with comparable countries. The level of funding has been the subject of public debate but as there was no funding analysis in the National Health Strategic Plan, discussion of effects is anecdotal.
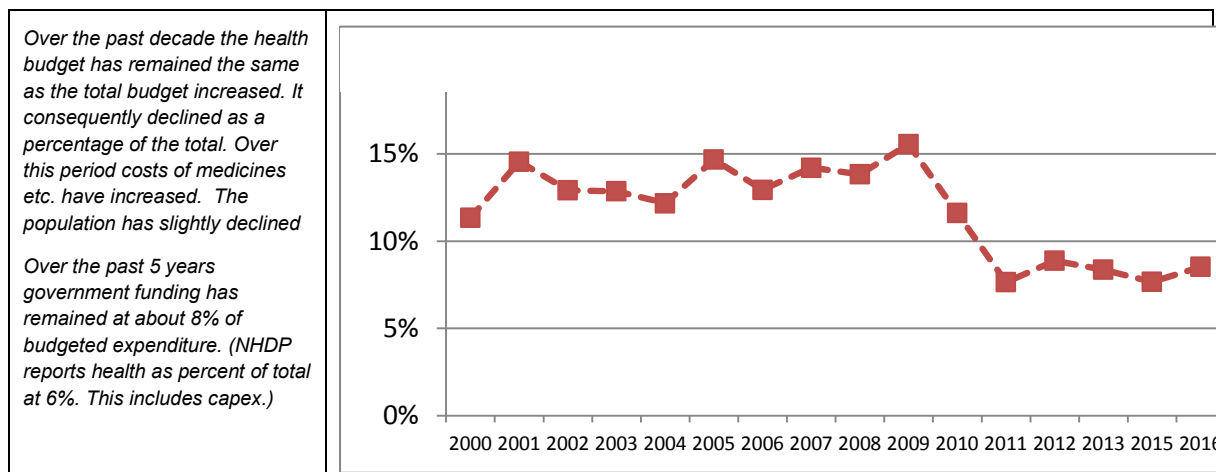
This evaluation discussed the effects of funding levels on service effectiveness in order to better understand the CSS contribution. The following were the main points raised.
- The Ministry of Health has satisfactory staffing by nurses and doctors in primary and low-level secondary care, supported by in-country training. Secondary care is limited and relies on referral to NZ and occasional specialist visits to the Cook Islands.
- Specialist visits have become difficult to arrange, in part due to insufficient funding.
- In addition, retaining medical and surgical specialist and other senior staff has become more difficult. Salaries for key professional positions, already significantly lower than those for salaries for similar positions in NZ, are falling further behind.

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[24] CIG Budget estimates 2017/18 Book 1 Appropriation Bill Schedule 1

Stakeholders highlighted the difficultly in improving preventive care without new funds to cover some of the expanding range of basic tests and vaccines that are becoming available. They also noted future health challenges on the horizon that may bring further financial pressure, particularly relating to aged care.

Figure 6 – Health as a % of total annual CIG operation expenditure (source: ADB)

Over the past decade the health budget has remained the same as the total budget increased. It consequently declined as a percentage of the total. Over this period costs of medicines etc. have increased. The population has slightly declined

Over the past 5 years government funding has remained at about 8% of budgeted expenditure. (NHDP reports health as percent of total at 6%. This includes capex.)

Is engagement with NZ government agencies effective?

Engagement between MOH and NZ health agencies could be strengthened, to the benefit of both CI and NZ. There is excellent interaction with Middlemore Hospital, but some central agency engagements are found to be difficult. MOH would like direct access to Pharmac's procurement, as this would save money and could also help MOH improve services as more affordable treatments become available.

Recommendation 7: Explore CI access to Pharmac procurement and advice, noting that Pharmac has established its Pacific Responsiveness Strategy.

4.4 What specific outcomes relate to this output?

How does the Ministry of Health regard CSS?
The evaluation interviews showed that the Ministry sees CSS as being an 'essential' part of their overall budget, but would like a greater share of the total CSS funding amount to contribute to improving health outcomes. They reported that currently they use the funds on certain programs to help with management and reporting.

CSS expected outcomes are defined in the 2016 Grant Funding Arrangement as follows:
- Short-term outcomes: access to health services is improved.
- Medium-term outcomes: improved health and education outcomes (primary healthcare and education services comparable to New Zealand standards).

The CSS contribution to these outcomes has been limited:
- The amount paid is too small to have a discernible effect on the health service.
- Relevant health treatment costs appear to be rising faster than budget.

- Health sector improvements rely on clarity of strategy, quality of management and other factors. CSS high-level bilateral talks which could potentially contribute to strategy have not yet been convened.

The evidence available to the evaluation points to little progress towards the short-term outcomes. For example, as noted above the incidence of most NCDs has remained static or declined and improved quality of health care is financially constrained. Annual talks could also be used to strengthen NZ-based supporting linkages.

> **Recommendation 8**: Consider annual bilateral CSS discussions to review progress in the CI health sector. Periodically, the dialogue could reconfirm the arrangements for referring patients to NZ, so that a better balance is struck between referrals to NZ and increased specialist service capabilities in the Cook Islands.

5. Education sector ('output 2')

5.1 Key points

- CSS's contribution to Education is valued. The Ministry regards CSS as an essential part of their overall budget.
- The Ministry of Education has in place institutional tools to effectively utilise its budget, including CSS, and to deliver results.
- CCS indicators, should be reworded to reflect the Cook Islands context, and more ambitious targets should be made.
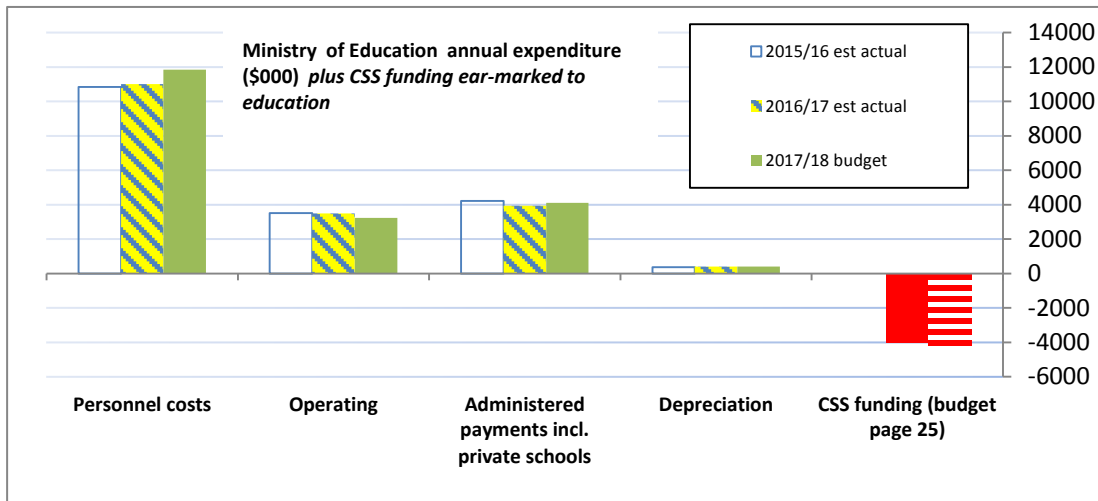
5.2 Introduction

CSS earmarks up to $4 million per annum for 'Education services in accordance with Cook Islands Education Masterplan, including tertiary scholarships to New Zealand universities.' It is envisaged that this would result in improved access to education services and the medium-term outcome of improved health and education outcomes (comparable to New Zealand standards).

Funding is provided to the Ministry of Education (MOE) as part of its overall budget for a range of activities including the governance, management, and provision of educational services, training, and housing services to the Cook Islands National Commission for UNESCO. Education is mainly provided by Government Institutions. There are 31 providers, including 1 standalone Early Childhood Education (ECE) Centre, 11 Primary Schools (10 of which have ECE Centres attached), 4 Secondary Schools, 14 Area Schools (all with ECE Centres)[25], and a Tertiary Institute. There are 8 private schools, 5 Church and 3 Independent Schools. CIG uses the CSS Output 2 grant to help fund this appropriation.

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[25] An Area school is a school that provides education from Early Childhood to Secondary level on one site and under one management structure.

Figure 7 – CIG education sector appropriation

Ministry of Education annual expenditure ($000) *plus CSS funding ear-marked to education*

Legend: 2015/16 est actual, 2016/17 est actual, 2017/18 budget

Categories: Personnel costs, Operating, Administered payments incl. private schools, Depreciation, CSS funding (budget page 25)

Stakeholders at the Focus group discussion questioned the comparison to delivery standards of education 'comparable to 'New Zealand', noting the Cook Islands context and needs. It is their opinion that the delivery of education in the Cook Islands should take into account the country's context and values.

> **Recommendation 9**: Delivery of education is expected to reflect the Cook Islands context and values. The Ministry of Education has suggested a change to Indicator 1 which should be taken into account (See Annex C). MOE commented that they would like to set more ambitious targets to motivate them to strive for better results. In this light, MOE felt that a new more challenging indicator can be included to measure the CSS contribution and the performance of the sector in general.

5.3 Are CIG education priorities being efficiently addressed?

CIG education priorities are clearly defined in the MOE Statement of Intent, the Annual Business Plan, and the Curriculum frameworks. There are linkages between these key documents to the Learning for Life Education Master Plan 2008-2023 and its 4 focus areas of Taku Ipukarea Kia Rangatira, Learning and Teaching, Learning and the Community, and Infrastructure and Support, which are reflected in all documentation and plans.

Taku Ipukarea Kia Rangatira is intended to strengthen a learner's identity as a Cook Islander. Grounded in the reo, culture, thinking, visions and aspirations of the people and has a sense of belonging and pride, to build a future that is vibrant and fulfilling. Learning and Teaching and Learning and the Community in particular, look to create opportunities for success across a range of contexts for learners.[26]

Informed decision making
Better use of data at all levels of education to inform decision making is a priority for the MOE – from next learning steps for a student in the classroom through to changes in policy and funding mechanisms. The Ministry provides annual statistics report on its website[27], with

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[26] Learning for Life Education Master Plan 2008-2023
[27] www.education.gov.ck

data covering ECE; Primary and Secondary Schools; NCEA achievement; Inclusive Education; Scholarships; Teacher Student Ratios and Teacher Qualifications.

Although there some specific issues related to performance of males compared to females, where girls are generally achieving better results and retention rates, there is clear quantitative data demonstrating that education in the Cook Islands is generally performing well and identifying areas to target going forward[28].

In relation to the CSS indicators, the majority of targets have been achieved. NCEA Levels 1, 2, 3 achievement targets were exceeded. Rates of Primary literacy in Cook Islands Maori and numeracy have been achieved, while literacy in English is lagging, particularly in the Pa Enua, where Cook Islands Maori is the dominant language. Secondary school retention target for Years 11-12 and Years 12-13 target is achieved. Targets on net-enrolment at ECE, Primary and Junior Secondary levels, have all been achieved, as was the target on tertiary education.

Scholarships were not addressed in depth by the evaluation, however it is noted that when carefully managed, scholarships can encourage Cook Islanders to return to start in country careers after gaining high level qualifications abroad. The 2017 changes to the scholarship system in the Cook Islands is a positive step in encouraging return to the Cook Islands after studies, spreading support to more students through different types of awards and targeting of key priority skills development to meet the needs of the country.

The CSS contribution to the education budget makes a difference
Discussions indicated that the shift to a budget support modality has reduced administrative burden in comparison to previous New Zealand assistance delivery. The CSS is assisting to deliver education across the entire education budget as opposed to targeted programs. This is more conducive to a greater ownership approach and allows the Ministry to target funding in areas where most needed.

Senior government officials and the stakeholders interviewed indicated that the CSS makes a positive difference towards the Ministry budget and its ability to deliver its outputs. Some comments received in this regard, were:

"Without the support, our recruitment will definitely be impacted. Our scholarship program will be at risk. Some of these funds are tagged for scholarships. We allocate the funds to areas where they are most needed."[29]

"We are able to go out to outer islands to provide services due to the support received, which helps with bringing about some equity for our Pa Enua students and teachers. We definitely need the funds and the continuation of the funds."[30]

"The funds that we get allow us to deliver our programs. The total amount we get basically covers our operations budget. Without it, we wouldn't be able to deliver our programs in the way that we are able to now. Any reduction in budget will really affect the results that we will get."

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28 Education in the Cook Island's at a glance, EMTS, 2017.
29 Interview with the Secretary of Education, Tuesday 10 April 2018.
30 Interview with the Education Stakeholder Group, Wednesday 11 April 2018

Case Study 1: Apii Tamariki Potiki Ei Mua – ECE Moving Forward

Photograph courtesy of Takitumu School ECE Centre

Context

- Early Childhood Education (ECE) known as Te Apii Tamariki Potiki, in the Cook Islands is a success story of education delivery. Despite the Education Act 2012 defining ECE as commencing at 3 years old, the Te Apii Potiki Curriculum (ECE) covers children from birth to school entry age (5 years). ECE is not compulsory, but the Ministry actively campaigns for parents to bring their young ones to school. As a result, there are usually a number of children under 3 years participating in ECE Centres. Despite this, classes are manageable with the help of parent attending with their young ones.

- The ECE Curriculum draws and builds upon the language and cultural experiences of the child and reflects the nature, values and aspirations of the family and community as it prepares the child for lifelong learning. There is a significant difference in the learning abilities of children that have attended a formal ECE centre and those that have not. Children that have attended ECE centres are far better prepared for primary school.

- Families and communities are very supportive of ECE. The Centres rely on parent helpers and this is sometimes a challenge as more parents need to work full time. On the other hand, ECE provision allows parents to attend work while children are at school.

- The Ministry continues to focus on developing quality teaching practices and professionalism of the ECE workforce. Tertiary level qualifications are financially supported in ECE specific studies for teachers and the ECE teacher cohort continues to be actively involved in professional development and qualification upgrade.

- The evaluation only touched on early childhood education receiving support through the Ministry of Education budget, which is relevant to the CSS. There are a number of child care facilities that are unregulated and which the Ministry of Education has no oversight over learning delivery.

Relevance to CSS

- The funding provided through the CSS is seen to contribute to the positive development in ECE. The Ministry endeavours to ensure that significant resourcing budget (including CSS support), specific to the requirements of ECE needs, with a focus on personnel and resources is provided for all centres and schools. The Ministry, parents and community should be commended on the excellent uptake of ECE despite it not being compulsory.

Key Lessons Learnt

- The Cook Islands experience of high enrolment rates is not by making ECE compulsory, but by working together with parents and communities so they see the value in their child's participation in ECE.
- Engaging with parents and communities is fundamental for success in education.

Is engagement with NZ government agencies effective?

The MOE has established good relationships with New Zealand counterparts, for example with New Zealand Qualifications Authority, New Zealand Teachers Council, Education Review Office, and New Zealand Correspondence School. Increased engagement with NZMOE is planned. A number of Cook Islands schools have formed sister school relationships with New Zealand.

5.4 What specific outcomes relate to this output?

How does the Ministry of Education regard CSS?

The interviews showed that MOE sees CSS as being an important part of their overall budget. The CSS allows for diversification, improvement and innovation in education. CSS is seen to contribute to education outcomes, which are tracking well overall.

Delivering education

CSS expected outcomes are defined in the 2016 Grant Funding Arrangement as follows:
- Short-term outcomes: access to education services is improved.
- Medium-term outcomes: improved health and education outcomes (primary healthcare and education services comparable to New Zealand standards).

Education appears to be performing well. According to the discussions held with the education sector stakeholders, this is due to the focus on learners and teachers. Overall the indicators show that literacy is tracking well, with numeracy lagging behind. Programs are being redefined to improve numeracy. Secondary school performance and NCEA is tracking better than anticipated. The Education Act 2012 changed the minimum school leaving age from 15 to 16 years, which has contributed to the improved secondary retention rates. Pastoral care is viewed as essential. The Ministry has expanded the national scholarship program, to better suit Cook Islanders needs, and offer more opportunities for students.

Recruitment of teachers is a major challenge. There is a preference for Cook Islanders, however the Cook Islands teachers' cohort is small. To add to the challenge, it is difficult to find and recruit teachers of Cook Islands descent, particularly at the secondary level, who have Cook Islands Maori competency, and at the same time, have the ability to teach English as a second language. MOE recruits specialist teachers on 3 year contracts from predominantly New Zealand. New Zealand teacher registration and lower pay hinders applications to these jobs.

6. Tourism sector ('output 3')

6.1 Key points

- CSS funding is seen as valuable to the success of the Cook Island Tourism Corporation (CITC) as well as tourism marketing, destination development, and the Air New Zealand underwrite. The short-term outcome 'tourism yield grows' is on a positive trajectory[31]. Evidence shows CITC are delivering well against CSS short term outcomes.
- The government has led tourism growth in partnership with the private sector, particularly destination marketing. There is clear evidence of growth in tourism but also reported evidence of emerging capacity and capability constraints. A stronger focus on net economic value-added is likely to be needed. There also needs to be more policy dialogue on development of key tourism infrastructure.
- There would be value in strategic dialogue between CITC and New Zealand tourism experts, and between CITC and the NSDC. We recommend discussion on key issues such as infrastructure development, tourism employment and airport compliance issues, and strategic coordination between New Zealand tourism and counterpart CIG agencies.

6.2 Introduction

This chapter reflects analysis of evidence and reporting from private and public sector stakeholders.

CSS includes grants to CIG that are earmarked for the Cook Islands tourism sector. The Grant Funding Arrangement includes the following output: destination and market development activities in accordance with the Cook Islands Tourism Strategy, including for sector (re)investment activities and long haul airline routes.

Tourism is the Cook Island's main industry[32]. There were 155,230 international visitors in the 2015/16 financial year, with the majority of these from New Zealand, Australia and North America. The number of visitors is growing steadily.

CITC focuses on destination marketing and development. CIG also underwrites Air New Zealand flights to Los Angeles and Australia, at approximately $12m per annum.

6.3 Are CIG tourism priorities being efficiently addressed?

The Cook Island Tourism strategy is aligned to in the Cook Islands Sustainable Tourism Development Policy Framework and Goals[33]. The targeted CSS support is benefiting the operations of the CITC[34]. Evidence shows that the CITC is performing well against its strategy.

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[31] A standard measure of tourism yield is expenditure per visitor night. CI tourism indicators (See Annex C) shows that this has been increasing
[32] There are no official statistics available on its contribution to GDP
[33] Cook Islands Sustainable Tourism Development Policy Framework and Goals, 2016, 6.
[34] Cook Islands Tourism Corporation Annual Report, 1016-17, 8.

Interviews highlight that CSS support allows CITC to focus on 'a lot of things not previously able to achieve'. CITC administration has been indirectly improved by the CSS, part of the overall improvements to CITC administration, given problematic administration of funds by CITC in the late 1990s. The CI Government is able to use the CSS Output 3 grant to help fund the tourism appropriation.

Figure 8 – CIG tourism sector appropriation
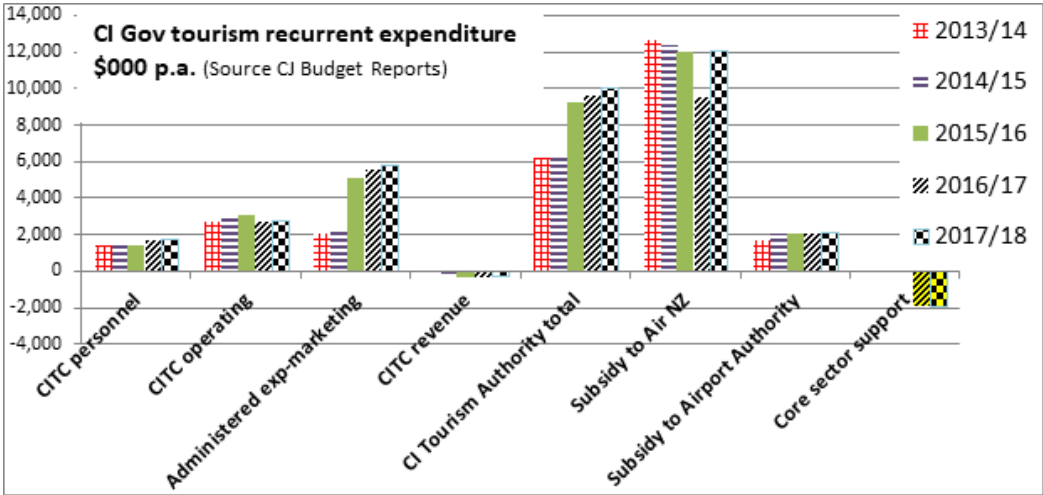
CITC has a key role in all of the Cook Island Tourism Strategy actions. Key activities[35] under the Destination Development Strategy stream include a focus on tourism related infrastructure, events, tourism enterprise development and industry standards and strategic planning.

The second stream is marketing. Destination marketing is targeted at New Zealand, Australia, North America, Europe, UK, China and Japan. CITC also funds an Air New Zealand under write agreement for Los Angeles and Sydney flights (up to $12m per annum). The purpose of the Underwrite is to develop more medium to long haul routes, and to diversify source markets. A 2016 Cost Benefit Analysis on the underwrite suggested that the service would have a positive effect on the Cook Islands economy, with the Los Angeles flight with the subsidy expected to be offset by additional net revenues and taxes[36].

The underwrite agreement is due to expire November 2018, and 15 airlines were invited to submit at EOI in this arrangement[37]. Five applied, with Air New Zealand emerging as the only true contender. As discussed in interviews, this has led to a lack of competiveness in the underwrite agreement and less ability for the Cook Islands Government to negotiate on price. The CITC 2016/17 annual report states: '*In the absence of this funding, the activities of the Corporation will be downsized and will include the closing of certain offices internationally.*[38]'

Core services, infrastructure development, and tourism employment
The CITC is performing well, however it is concerned about aspects of tourism outside its scope. It is able to engage on these issues, however lacks direct influence. A key concern is

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[35] CITCs Grant Funding Arrangement Report, 2011-2015.
[36] Evaluation Services: Air New Zealand Underwrite, Market Economics, 2016.
[37] Cook Island Tourism Corporation, Annual Report, 2016/17, 6.11.
[38] [38] Cook Island Tourism Corporation, Annual Report, 2016/17, 8.

the slow development of infrastructure (waste, water, roads) and its impact on a sustainable tourism industry. The Chairman of CITC states '*The public debate on whether current infrastructure and environment can handle the growth of the tourism industry is becoming a frequent discussion[39].*' Another issue for consideration is incentives for private sector co-funding as part of a strategy to increase tourism value-add for the economy. This would allow the sector to be more private-sector driven and hence less reliant on public finance support ('subsidisation').

These issues were highlighted across interviews and focus group discussions. If growth in numbers were to be the main focus, the ability of the Cook Islands to keep up with infrastructure and environmental needs could become compromised as has happened in some other small island countries. A 2014 Evaluation on the New Zealand Cook Islands Tourism Industry Sector Support also raised this question. '*The evaluation finds the tourism support programme to align closely with the tourism sector priorities of the Cook Islands government and industry. Relevance could be improved with more attention in the sector support programme to improving the investment climate and environmental performance of accommodation businesses, solving the constraints associated with the land tenure system and better monitoring of social and environmental impacts.[40]*'

Evaluation focus groups and interviews highlighted that the local community is not always supportive of tourism growth. Increased growth comes with environmental, access and crowding costs. CITC focus on yield versus growth in numbers partially addresses this. The Pacific Possible Futures highlights the need to focus on yield and sustainability '*This is especially important in PICs where limited resources and sensitive environments make mass tourism unsustainable[41]*'. Research on tourism in Small Island States also noted '*the added importance of sustainability-oriented tourism development for islands, given the fact that they face geographic, environmental, structural, and political limitations[42]*'.

Interviews, focus groups and the document review showed that another key issue is low wages in the tourism industry and a lack of clear training pathways[43]. There was concern about low numbers of Cook Islanders willing to be involved in the tourism industry; often vacancies are filled by immigrants who send remittances overseas. There are plans to collect indicators on employment to help the industry to understand these issues more clearly. CITC is actively working towards addressing these issues under their tourism enterprise development and industry standards strategy stream, through initiatives such as a customer service refresher course and guide training programme developed in conjunction with the ministry of Education, and a Kia Orana Service course in conjunction with the Tertiary Training Institute.

Is engagement with NZ Government Agencies effective?
Interagency engagement could be strengthened, to the benefit of both CI and NZ. Focus groups and interviews suggested that the sector would like more direct dialogue on tourism

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[39] Cook Island Tourism Corporation, Annual Report, 2016/17, 4.
[40] Evaluation Report for Cook Islands Tourism Sector Support, Craig Wilson, Ross Corbett, David Lanham, 4.
[41] Pacific Possible Tourism, The World Bank, 2017.
[42] An evaluation of the relative importance of tourism for Islands, Bojanic, Warnick, musante, pg 4
[43] Cook Island Sustainable Tourism Goals, 2016, 8.

strategy with New Zealand. Dialogue is currently on ODA related matters through MFEM. Previous dialogue under the funding model before CSS created several benefits for CITC, including introduction of a score card matrix to measure the impact of marketing.

The sector would also like stronger linkages. For instance, airport and aircraft registration is an ongoing issue that needs policy resolution. Focus groups and interviews highlight that the relationship with Tourism New Zealand has deteriorated, as CITC are seen as a competitor.

Recommendation 10: Consider regular policy dialogue with the New Zealand government on tourism issues of importance such as aircraft registration, incentives for private sector co-funding, and how to support infrastructure and employment capacity for sustainable tourism growth. Facilitate dialogue with New Zealand Tourism counterparts, such as Ministry of Business, Innovation and Employment and Tourism New Zealand to develop understanding of shared goals and linkages.

6.4 What specific outcomes relate to this output?

How does the CITC regard CSS?
The CITC considers financial support tothe tourism sector as providing important opportunities to innovative and creative ways of building a profitable and sustainable industry, and to achieve their goals.

Short term outcomes
CSS expected outcomes are defined in the 2016 Grant Funding Arrangement as follows:
- Short-term outcome: tourism yield grows.
- Medium-term outcome: Government revenue is increased.

CSS is contributing to short term outcomes. The substantial CSS funding earmarked for tourism enables CITC to undertake marketing and development that contribute to the short term outcome and is well aligned to the medium term outcome. For this progress to be maintained a greater focus may need to be on yield (rather than numbers), infrastructure growth, employment, and education. See annex C for more information on indicators and progress.

7. Technical assistance / public sector strengthening ('output 4')

7.1 Key points

- Output 4 is proving to be responsive to CIG capability development priorities and has the flexibility to offer innovative solutions to difficult problems. This has included specialist technical support, staffing support, and major systems development.
- Stakeholders consider Output 4 projects to be valuable; however, there are mixed views on the Output 4 modality. Its effectiveness should be further evaluated after projects are completed. The evaluation recommends reporting Output 4 results to provide performance feedback to NSDC.
- Organisational ownership, project design, appropriate expertise, and management are identified as critical Output 4 success factors. To support this process, the Office of the Prime Minister (OPM)'s role in supporting Output 4 should be strengthened. Support from NZ agencies should also be a feature of more systematic NZ-CI discussions in this area.
- The administrative burden for Output 4 for NZ and CIG is substantial. Effort should be made to streamline these processes.

7.2 Introduction

Output 4 is required to "procure technical assistance and other support for economic governance and public sector strengthening:" It comprises projects that have been identified as priorities by CIG. They are commissioned through a joint NZ-CIG arrangement and are funded from CSS. The expected outcome is for public sector capacity and capability to be enhanced. The National Sustainable Development Commission[44] (NSDC) whose membership comprises departmental heads has developed a TA priority schedule for the use of Output 4.

Output 4 aims to provide technical assistance to build and or supplement CIG capacity and capability gaps. It focuses on improved public financial management, key policy reforms, and institutional strengthening of underperforming sectors including infrastructure, justice, and transport[45].

An underlying rationale of Output 4 is the ability of the CSS partnership between CIG and NZ to provide a flexible response to needs through a process with clear CIG ownership. Evaluations of TA experience[46] have shown that TA tends to have short-term technical benefits and only sustainable benefits for capability development when there is strong ownership taken by the recipient agencies and government.

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[44] The Agreement incorrectly calls it a committee. The Commission was established in 2008. http://www.mfem.gov.ck/development/national-systems?id=206;
[45] MFAT (2016) NZAID AMS - Programme Activity Authority - Crown Expenditure
[46] http://researcharchive.vuw.ac.nz/xmlui/bitstream/handle/10063/4667/thesis.pdf?sequence=1

It is worth noting that this TA component is a fairly unique aspect of the overall CSS model compared to budget support operations seen elsewhere. This evaluation considered the hypothetical alternative of public sector strengthening activities being funded entirely by core budget support, as with Outputs 1-3 of the CSS, rather than through a separate pot of money with different procedures in place; but crucially Output 4 as it is currently designed gives New Zealand a more active role in this area, and from New Zealand's perspective at least, it is unlikely that this role would be easily given up entirely.

The Office of the Prime Minister's (OPM) Central Policy and Planning Office is NSDC's secretariat. Working with the MFEM's Development Coordination Division (DCD) they developed a schedule of priority projects. Once the schedule is been agreed by NSDC, ministries elaborate their projects using CIG's Te Tarai Vaka concept design template. Project elaboration is assisted by staff at OPM, DCD/MFEM, and the NZHC.

Two dedicated roles to support the process have been established with Output 4 funding. One role is in OPM and the second role is in DCD. These two roles have proven vital to output 4. This is because of the considerable work required to scope-out, design and commission each project assignment and also support NSDC's ongoing prioritisation of the resources.

7.3 Are CIG priorities being efficiently addressed?

### What do stakeholders expect Output 4 to achieve?
CIG and NZ stakeholders have described the Output 4 model as having built-in flexibility to target priority areas and address diverse opportunities related to the objective. The objective of *strengthening public service capacity* and capability is seen as particularly important. Some funded projects, such as the baseline expenditure review, address the *support for economic governance* objective. It was acknowledged that the money has an opportunity cost as CIG faces a range of other major priorities such as substantial infrastructure renewal and development.

Some stakeholders found the Output 4 project process to be labour intensive. Nevertheless a project definition and plan (which includes establishing term of reference for technical assignments or specifications for new systems) is arguably an integral part of its value. Investment of time and careful thought by those seeking results from the proposed project is needed. There were also concerns raised over sustainability of results, such as: *"What is there to sustain results after the project is completed?"*

What has Output 4 produced?
Output 4 has produced a diverse portfolio of project work as shown in the graph. The three red lines are whole of government projects; two are systems developments and one is a baseline expenditure review by consultants. Each project is managed by a CIG ministry.

Figure 9 – Output 4 allocations to date

Output 4 Allocations to date (completed and in-progess projects)
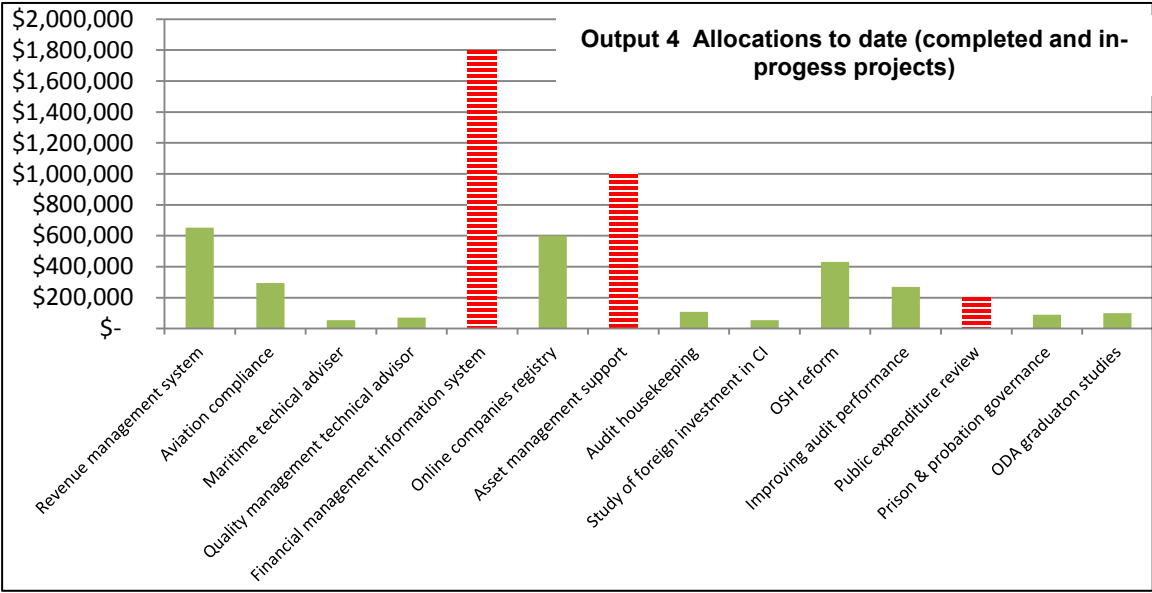
Does NSDC set TA priorities effectively?

Interviews found central agencies mostly believe that NSDC is best placed to set Output 4 priorities. One suggestion was that the Public Service Commission could take a bigger role, particularly on TA; however, the evaluation understanding is that the PSC has a specialist lead role, and if PSC coordinated Output 4 there would be a greatly reduced opportunity for overall prioritisation across project types.

Comments made on NSDC's key role in setting Output 4 priories included: '*It's right forum.*' '*There is flexibility for the range of different TA options, and would like to retain this flexibility*'. '*We also need ownership from ministries to manage this process.*' The NSDC involvement clearly allows for this.

The effectiveness of NSDC in priority setting will depend on it having good quality information and administrative support. Individual ministries are accountable for results of their Output 4 projects, many of which affect the overall public service and it would be helpful for NSDC to be able to jointly review key results.

The evaluation also observed the 'trade-off' from New Zealand's perspective that a less burdensome process of NZ signing off on Output 4 activities, without a 'compensatory' role in the NSDC priority setting process, would leave New Zealand without a formal ability to 'agree' on Output 4 project choices and with less oversight on how funds are utilised. CIG should therefore consider whether there is merit in incorporating NZ into the NSDC process of deciding on Output 4 activities, so as to bring NZ into the Output 4 activity selection process earlier. Initial indications in the evaluation were that this may need to be 'quid pro quo' for some other change to the CSS, as it is not something that would be inherently attractive from a CIG perspective.

Moreover, CIG staff also raised the challenge of using NSDC as the Output 4 priority setting forum when 'line' Ministries represented have a tendency to lobby for their specific issues to be 'top priority'. Therefore, a leaner priority-setting function for central agencies on the CIG

side (e.g. just OPM, MFEM, and possibly PSC), for example in an 'NSDC sub-group', may be required to allow for an overall cross-government prioritisation once other CIG Ministries and Agencies have made their case for Output 4 projects in their sector.

Recommendation 11: The NSDC should be supported with performance feedback on Output 4. OPM might wish to consider making copies of this evaluation, once agreed, available to the NSDC. In addition when the current Output 4 projects are largely completed a summary of results to date should be presented.

Recommendation 12: Consider whether there is scope to further consult with NZ prior to the NSDC process of deciding on Output 4 activities, so as to bring NZ into the Output 4 activity selection process earlier rather than as an approval function later in the process.

Recommendation 13: On the CIG side, consider a leaner priority-setting function for central agencies, for example an 'NSDC sub-group' of central CIG agencies, to lead cross-government prioritisation on Output 4 activities.

Has CSS helped improve administration?

The evaluation encountered some criticism of Output 4 administrative requirements, such as 'burdensome' and 'labour intensive.' It found that the system appears to have improved substantially after the two administrative roles within Output 4 were filled. These staff members have done a lot of behind the scenes work, including helping government departments develop TA terms of reference, helping with commissioning and providing monitoring and reporting. CIG have developed processes and templates for output 4 which are designed to be appropriate to their needs. Feedback to the evaluation suggests that some administrative streamlining might be helpful. This could include use of pre-application explanatory briefings or workshops; white-board sessions to help staff further define and clarify assignment needs; on-line access to forms; further early dialogue with NZHC on project specifications; and inviting NSDC to reinforce their expectations for deadlines and other commitments to be met.

Some stakeholders think that more senior expertise – people who have considerable experience and expertise, but also critically influence across CIG – may now be needed in order to better expedite project definition, planning (including terms of reference), and selection. This reflects the need for specialist expertise and experience. Most of the projects are complex, with the potential for substantial impact and risk. Sometimes an enquiry is needed into exactly what is required including context, technical, and personnel considerations and management of work to ensure desired outcomes.

Key issues that may be constraining outcomes in this area include a perceived lack of willingness by some department heads to address underlying capability issues, bureaucratic application processes, and the capability of agencies to go through the application process – stakeholders commended that they require *'a lot of handholding'* to complete tasks.

Recommendation 14: Consideration should be given to strengthening the Office of the Prime Minister (OPM)'s role in supporting Output 4 so that the role has senior expertise across diverse areas of work in framing TA terms of reference and, where needed, reviewing

and helping strengthen business cases.

Recommendation 15: Investigate ways to streamline Output 4 administrative requirements for NZ and the Cook Island Government.

Is engagement with New Zealand Government agencies effective?

The level of engagement between CI and NZ on Output 4 projects has been somewhat patchy and not always effective. This is despite the fact that Output 4 projects have involved procurement from NZ, although this is not a requirement. Several of the projects have contributed to further discussion on strengthening of relationships with counterpart agencies in NZ. Examples include Statistics NZ and the NZ Civil Aviation Authority. Some projects have to date been less productive in building useful collaboration. The Cook Islands Audit Office (AO) report that they have for several years sought to engage with Audit NZ but that it has not been feasible to arrange anything productive. Conversely the Office of the Auditor General has sent staff on short term secondments. The seconded staff usefully helped mentor AO staff on the specialist task of auditing performance measures.

On projects with high risks for achieving desired results, such as the major IT systems projects, Financial Management Information System (FMIS) and Asset Management, it could be beneficial to engage NZ agencies with relevant experience in managing these risks to provide peer review and best practice advice during the project.

Recommendation 16: Output 4 funding should allow for external peer review of selected TA activities prioritised by NSDC, where relevant.

Would policy dialogue help Output 4 achieve its objectives?

Engagement with NZ agencies on building CIG public sector capability has been infrequent. Output 4 has not substantially strengthened linkages. The potential benefits of bilateral dialogue in relation to the dual Output 4 objectives of support for economic governance and public sector strengthening include:

- Building a shared view of what can be achieved in strategic areas of capability development. This would extend beyond the period of CSS funding and reflect that some key developments are necessarily long-term. For example, the current FMIS project has had a six year gestation and will take at least three years to fully implement.
- Ensuring useful ongoing connections for work initiated through CSS Output 4 that have implications of national importance. An example here is the International Civil Aviation Compliance project where both ongoing sharing of specific technical expertise is sought and periodic discussion of civil aviation safety strategies may also be required.
- Updating the scope of Output 4. One senior CIG stakeholder thinks it is too project orientated and should focus only on TA. A challenge for TA sustainability is staff retention and CIG is currently considering the remuneration levels of professional staff where rates may be too far below the international market. CIG and NZ partners may wish to explore a range of possible options for addressing this challenge over the longer term.

Recommendation 17: Consider options for more systematic dialogue between relevant CIG agencies and NZ about priority areas for public sector strengthening.

7.4 What specific outcomes relate to this output?

Outcome 4 projects are currently mostly incomplete but it is clear from evaluation interviews that they are meeting well-recognised priorities. Assessment provided to the evaluation by CIG executives is positive, for example on the ICAO issue (see case study 3 below), and the audit housekeeping, and FMIS (see case study 2 below).

Case study 2: Cook Islands financial reporting and auditing

Context
- The government's annual budget is reported in detail, tabled in parliament and published. Actual expenditures by government are less comprehensively reported. This is due to a substantial backlog in the reporting of annual financial statements. Each of the 44 government agencies is legally required to complete annual financial statements and have them audited by the Cook Islands Audit Office, a statutory authority.
- Reasons for the backlog includes scarcity of qualified accountants across the public sector; incomplete data; and unreliable accounting systems leading to practical difficulties and considerable time demands for preparing financial statements and undertaking audits. The consequence is that departmental and agency heads have lacked reliable information on their expenditures, making it very difficult to hold them to account for their expenditure and revenue management.

Relevance to CCS
- CCS has had the flexibility to help address this problem through three complementary initiatives. Firstly, the Audit Housekeeping project has provided an accountant to assist ministries and agencies to get their accounts in order and ready for audit. As this work has progressed it has found that there are challenges to get financial reporting up to date right across the public sector.
- Secondly the Audit Backlogs project has helped strengthen the Audit Office through support for staff members who are training to become qualified auditors. To ensure value from this investment it will be necessary for qualified professionals to be paid salaries that encourage them to stay in the CI public service. This remains a major issue.
- Thirdly the *Financial Management Information Systems* project will provide an integrated accounting systems platform. It will, when fully implemented, make it much easier to prepare financial statements and allow other cost saving functions such as centralised procurement and payments. This multiyear project has the potential to strengthen public service integration as well as allowing for better reporting and accountability.
- Individual staff and managers in the Audit Office and Ministry of Finance and Economic Management have shown professional leadership and commitment in endeavouring to fix the problems and to establish a sound basis for quality financial reporting into the future. Their work will require continued support from the government and from CSS.

Lessons learned
- Underinvestment in accounting and auditing has created a substantial task to rectify. In the interim it puts at risk the achievement of effective financial management and accountability.
- Several key staff members are taking the lead to try to address the problem. They are using three CCS projects, each with a key role but also with valuable complementarity.
- Their combined work has a significance that goes beyond improved financial reporting. It will lead to a powerful and accessible accounting system across all of government.

How effective overall is this output?

The evaluation finds that funding arrangements are broadly effective. International experience suggests that capacity development support requires a diverse response:
- Policy expert advice: often short term, limited in scope and technical;
- Technical implementation: where there is limited capacity to fully manage the implementation of urgent service delivery programmes;
- Facilitation of cooperation: where expertise is required to help design a programme[47].

In addition, TA can make a direct contribution to addressing a technical requirement where it would be inefficient for small governments, such as CIG, to retain in-country expertise.

Output 4 is already fulfilling all of these functions. CSS funding for Output 4 projects appear effective particularly due to three factors:
- The involvement of the NSDC in establishing priorities and organisational ownership, which are key factors for success;
- The rule flexibility for use of Output 4 funds means that projects can be appropriately designed to meet a specific need; and
- Certain procedures that are required to be followed in setting up the projects. The support by the two specialist roles in CIG and NZHC peer review is also invaluable.

Recommendation 18: Consider establishing a second tier pipeline of possible priorities for Output 4 funding to enable a more informed assessment of future funding level needs.

Is significant change feasible or desirable?

The evaluation evidence does not point to a need for *major* change to Output 4. Public sector strengthening is being led by the three central agencies (OPM, MFEM and PSC). They have ambitious plans for sector enhancement. It would be useful to periodically check with them (e.g. through annual discussions) on a possible future need to modify Output 4 to help better respond to these plans as they further evolve.

Evaluation interviews found central agencies appear confident in departmental capabilities. This is reflected by the PSC annual reviews of government agencies, for example which stated that: *"Of the 13 ministries, two ministries [ministries of education and health] were assessed as performing above expectations, with five ministries meeting expectations and six in development."*

Are outputs generated in a way that can maximise organisational ownership?

Strong organisational ownership of Output 4 projects is likely to be critical to their success. The most successful activities reviewed were marked by high levels of CIG ownership and consensus between partners on the priorities and approach[48].

It is too early for this evaluation to consider the question of organisational ownership because Output 4 projects are still being implemented and overall value needs time to confirm. A meta

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[47] European Commission (2009), Making technical cooperation more effective

[48] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/67827/ev667.pdf;

evaluation of technical assistance projects concluded: *'Only in a minority of the activities evaluated has a sustained impact on capacity been achieved. These have been where the mandate of the organisation supported is clear and issues of management, staff retention and incentives have been satisfactorily addressed.'*

A second question relates to the types of activities supported. Some recent evaluations of TA have highlighted their potential to contribute to organisational development outputs such as enhanced service delivery models[49]. One study sees this as drawing distinction between transactional and transformational capacity development. Output 4 is sufficiently large to be able to support such 'transformational' projects, should CIG chose to prioritise them[50].

Case study 3: Aviation – ICAO Compliance

Context
- The International Civil Aviation Organization (ICAO) assesses the compliance of countries' aviation sectors, including airports. Achieving satisfactory ICAO compliance scores is critical for international aviation. Low compliance scores could lead to airlines refusing to fly to an airport.
- Following the decision by the New Zealand Civil Aviation Authority (CAA) in 2005 to devolve aviation regulatory responsibility to the Cook Islands, its ICAO compliance rating fell, from 95% in 1999 to 5% in 2013. This was identified as being caused by both institutional capacity constraints and weak leadership.
- For the Cook Islands, with its economic dependence on tourism, the socio-economic risks of low ICAO compliance scores and airlines pulling out of the country are enormous.

Relevance of CSS
- The urgent need to improve regulatory oversight in the aviation sector in order to increase ICAO compliance scores was identified through informal consultations between the New Zealand High Commission and CIG.
- Although aviation was not listed by the NSDC as being a priority in terms of public sector strengthening, officials explored using the technical assistance (TA) component of the CSS to partially fund for a temporary period, the salary of a new Director of Civil Aviation. The person identified by both New Zealand and the Cook Islands was a trusted and experienced individual who is unlikely to have accepted the role without an 'international' salary package, paid for by the TA fund, to undertake tasks that were considered 'over and above' the normal responsibilities for the Director role.
- Cook Islands' ICAO compliance has steadily improved and is estimated to be approximately 30% thereby rebuilding confidence in Cook Islands' ability to properly manage and regulate its airports and aviation sector.

Key lessons learnt
- The TA fund was seen to be a useful instrument to fill a specific and vital capacity gap.
- Capacity *building* was a secondary driver in this case, and most interviewees commented that there may still be a leadership need. However in the Cook Islands there is a view that capacity substitution can be as worthwhile as capacity building for the CSS's TA fund.
- The flexibility to identify an urgent need that fell outside of the original NSDC priorities was seen as a funding strength– i.e. its flexible setup was seen as sensible.

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[49] https://www.oecd.org/derec/denmark/42215057.pdf;
[50] Oxford Policy Management Technical Cooperation for Economic Management: Synthesis Report

- It is possible – though impossible to know for sure – that a more structured process of CI-NZ dialogue might have this issue up before it became as urgent as it eventually did. However, finding a suitably qualified and available individual proved critical to subsequent actions.

Annex A: Summary of Evaluation Approach

The CSS evaluation examines performance of the CSS from signing the Grant Funding Arrangement (11 November 2016) to March 2018. This evaluation is a process evaluation[51]and is guided by the evaluation's purpose, objectives, key evaluation questions, and Utilisation Focused Evaluation (UFE)[52] principals. UFE evaluations generate findings that are utility-focused, credible, timely and relevant. The evaluation was also be guided by the OECD-DAC budget support evaluation framework[53].

The New Zealand Aid Programme's approach to evaluation is founded on the principles of impartiality and independence, credibility, usefulness, partnership and participation, forward planning, and donor cooperation.[54]

Evaluating budget support
This evaluation was guided by the 'Evaluating Budget Support Framework' outlined by the OECD DAC network on development evaluation. This framework has two stages.
1. Develop a Comprehensive Evaluation Framework (CEF) which sets out the sequence of effects of the CSS programme across four analytical levels (budget support inputs, direct outputs, induced outputs and intermediate outcomes) included in – and interacting with – the overall national context within which budget support is provided.
2. Follow a three step approach:
    i. Step One assesses the inputs, direct outputs and induced outputs of budget support (levels 1, 2 and 3 of the CEF) including analysis of the causal relationships between these three levels.
    ii. Step Two assesses the outcomes that the CSS promoted, and identifies the main factors determining these outcomes.
    iii. Step Three explores the contribution of the CSS to the outcomes identified in Step Two.

Mixed Method Approach
The evaluation used a mixed method approach, and data sources were triangulated to ensure consistency of findings. The key evaluation questions were used as the organising framework for the data analysis. The following data collection methods were used:
- Document Review of New Zealand and CIG documents, and a wider literature review[55]
- Review of CSS indicator results and related quantitative performance data plus qualitative interpretation with stakeholders of how and why these results have occurred
- Short focus group discussions covering each of the four outputs examining in each case the change mechanisms
- Stakeholder Interviews of CIG and New Zealand Government officials and health care, tourism and education providers
- Macro-economic, social and political analysis of Cook Islands key trend data as it provides context for CSS sustainability
- Workshop with CIG and NZ Government officials to review draft findings.

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[51] the evaluation looks at whether activities have been implemented as intended to result in outputs and outcomes outlined in the results framework (Annex B)
[52] Patton, Michael Quinn (2008) Utilization-Focused Evaluation: 4th edition. Thousand Oaks, Ca: Sage Publications.
[53] Evaluating Budget Support Methodological Approach, OECD DAC, 2012.
[54] MFAT (2014), Evaluation Policy for the New Zealand Aid Programme, https://www.mfat.govt.nz/assets/Aid-Prog-docs/Tools-and-guides/Evaluation-Policy.pdf
[55] See Appendix B for details of documents

Key evaluation questions

The evaluation addressed the following Key Evaluation Questions derived from the evaluation terms of reference and issues raised by stakeholders as part of in the evaluation planning process. Relevance and efficiency were addressed in Step One of the Budget Support Framework and effectiveness was addressed in Step Two and Three. The evaluation question**s** focus on health, education, tourism and TA outputs, where relevant across all KEQs. The evaluation team provided lighter touch analysis on education, health and tourism outputs and a fuller exploration in regards to output 4: TA.

Efficiency

1. How efficient is CSS: To what extent has the CSS delivered its inputs and outputs, and can achieve its short term outcomes (see the results framework)?
    a. How should value for money of CSS be determined (including the extent to which the model enables efficiency gains via greater flexibility for CIG) and what do current indicators reveal on this question?
    b. What changes could be made to enhance efficiency of implementation/delivery in future support?
    c. What possible changes could be made to the provision of technical assistance aspects of the activity in order to enhance efficiency and likely effectiveness?
2. Where is CSS making its greatest/least contribution to CIG plans and objectives and why?
    a. By which mechanisms and organisational context does CSS work best?

Effectiveness

1. How effective is the CSS model?
    a. Does it provide a useful basis for bilateral dialogue on shared objectives? does it offer value for money in terms of stable funding and effective targeting of priority areas including public sector development?
    b. To what extent has the model of providing technical assistance funding for the public sector strengthening initiatives achieved enhanced public sector capacity and capability, and a more efficient and effective public sector?
    c. To what extent has access to health and education services improved as a result of funding through the CSS?
    d. To what extent has tourism yield grown and government revenue increased as a result of budget support for tourism?

Relevance

1. What key changes if any are needed to deliver sustainable outcomes for a potential second phase of the CSS, particularly for public sector strengthening?
    a. Comment on whether the CSS is the best way to achieve specified outcomes, or whether a different model could potentially achieve results more effectively and with greater efficiency.
    b. Comment on the extent to which cross-cutting issues of gender, human rights and environment, have been reflected in CSS, and on what could be done to improve the approach to cross-cutting issues.
    c. What evidence supports recommendations?

Annex B: Intervention Logic Model

Final Outcomes	Health and education outcomes of comparable Standards to New Zealand	Improved competitiveness of the economy	Increased business confidence, private sector investment and production	Sustained growth of tourism	

Intermediate Outcomes	Investments in infrastructure are protected	Improved CI confidence in the public sector performance	Sustained development of public health and of education services	Internationally competitive investments in tourism capabilities	Strengthened CIG budget	Improved public sector performance

Induced Outputs	Access/ quality of health services and education improved through effective implementation of business plans	Tourism yield improved through effective implementation of CIG agreed business plan	Strengthened PFM systems	Public sector capability enhanced through effective TA	Improved public policy formulation and execution processes	Strengthened links between Government and oversight bodies in policy formulation and, financial and non-financial accountability	CCSS reporting processes are more useful to CIG

Direct Outputs	Increased share and size of external assistance funds made available through the national budget	Increased size and share of health, tourism and education budgets available for discretionary spending	Increased policy dialogue on tourism, education, health with the New Zealand Government	Increased policy dialogue through TA assistance	External assistance as a whole better harmonised and aligned to government processes and systems	Reduced transaction costs of providing aid	CIG procures TAs following approval from NSDC

Inputs	Transfer of funds to Government of Cook Islands National treasury for technical assistance, tourism, health and education support	Policy dialogue and performance indicators	Capacity building activities including technical assistance

Annex C: CSS Outcomes and Indicators

Analysis of CSS outcomes		
CSS outcomes	**Analysis**	**Suggested wording change**
Long-Term Outcomes • Cook Islanders enjoy a higher quality of life • New Zealand's investments are protected	The CSS goal of economic self-reliance requires a link to sustainable income growth to enable a standard of living that is sought by CI communities	Sustained, environmentally sound income growth within Cook Islands communities with universal access to quality healthcare and education
Medium-Term Outcomes • Improved health and education outcomes (Primary healthcare and education services comparable to New Zealand standards) • Government revenue is increased • Public sector is more efficient and effective	Education and health aspire to Cook Islands priorities. Government revenue is determined by tax and other revenue policies outside of CSS scope. It should be replacing by an MT outcome related directly to tourism	• Primary health and education outcomes are fully comparable to NZ • Growth in tourism value per visitor[56] • The public sector efficiently serves all Cook Islanders
Short-Term Outcomes • Access to health services is improved • Access to education services is improved • Tourism yield grows • Public sector capacity and capability is enhanced	These ST outcomes were found by the evaluation to be relevant to both CIG and sector specific objectives. Access to education in CI is very good. The challenge is to raise retention and sustain relevant standards (including CI Maori).	• Efficient and effective health services • Sustained high quality education • Improved tourism yield • Enhanced public sector capability

Health Indicators

Indicator 1 - Rate of premature deaths from non-communicable disease

NCD recorded premature deaths ages are from 30-69 as per WHO standard. The percent of non-communicable related premature deaths is

- 2015 – 23.1
- 2016 – 23.9
- 2017 – 22.0

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[56]

http://whc.unesco.org/sustainabletourismtoolkit/sites/default/files/UNESCO%20toolkit%20PDFs%20guide%207C.pdf

"As per the NCD December 2017 quarterly report, almost half of the Cook Islands adult population (49%) are diagnosed and living with NCDs. If we are able to manage them well, we should be able to prevent premature deaths. There are our public health nurses out there in the community following up on patients discharged from hospital, following up on non-compliance patients, community driven programs, counselling etc. All these community health services contribute to the management of NCD patients to avoid premature deaths."

Indicator 2- Annual patient readmission rate for the same ailment (respiratory, asthma and diabetic control) within 28 days of discharge

The readmission data recorded from MedTech admission was

- 2016 – 2 (asthma), 2 (diabetic)
- 2017 – 3 (asthma), 1 (Diabetic)

Indicator 3 - Number of papers and residential attachments completed per year (that contributes to the GP Fellowship)

As at 2016, 1 local doctor has graduated in the GP programme and 3 local doctors were on the GP training programmes.

- 2017 – 1 local doctor has graduated in the GP programme and 6 local doctors are on the GP Program

Indicator 4 - People who have accessed the Health Specialist Visits Program (reporting M/F by program)

The baseline data for people that have accessed the Health Specialist Visits programme for July – December 2015 and Jan to June 2016 was 3317. The target going forward is to increase this to anything above of 3317. The number of people who have accessed the HSV programme for

- July – December 2016 and Jan- May 2017 is 5,389.
- Jan – June 2017 - 6,227 (includes the Ophthalmology program and includes the Northern Group Outreach Program.
- July – December 2017 – 631. This is due to 3 programs (Adult & Paediatric Neurology and General Medicine) cancelled due to the unavailability of specialists from NZ.

Indicator 5 - Health Professionals trained to prioritised CPD training

The current baseline data for Health professionals trained to prioritise CPD training as at 2015/16 is 20 participants. The target going forward is to increase this to anything above 20 participants. To date, at least 4 video conferences per month and 3 CPD trainings are carried out. The CPD's are carried out through workshops, in country training attachments and video conferencing.
For the 2016/17 period, there have been 133 participants.

Education Indicators

Indicator 1: NCEA Level 1, 2, 3 achievement by cohort

The following table outlines the data related to this indicator:

	Target	2015 (baseline year)	2016
Level 1	72.5%	70.45%	83%
Level 2	75%	73%	84%
Level 3	70%	67%	75%

The Ministry of Education would like this indicator changed. Students participate in NCEA at different levels. The cohort tracking is a measure of the efficiency of the system and does not show all assessment results, which would in fact increase each of these outcomes. It is proposed that the indicator should be changed to NCEA Level 1 to Level 3 National Results by Participation. It is also proposed that the targets be changed to Level 1 – 72.5%, Level 2 – 67.5% and Level 3 – 70%. This can be complemented by measuring Achievement by Progress at each level.

Indicator 2: Rate of Primary Literacy and Numeracy Achievements

The following table summarises the performance against this indicator:

	Target	2015 (baseline year)	2016
Year 4 English	77%	70%	74%
Year 4 Maori	75%	75%	76%
Year 3 Numeracy	74%	74%	79%

Indicator 3: Secondary Retention from Years 11-12 and 12-13

The following table summarises the performance against this indicator:

	Target	2015 (baseline year)	2016
Year 11-12 Total	78.5%	71%	74%
Year 11-12 Female		78%	82%
Year 11-12 Male		65%	66%
Year 12-13 Total	73%	74%	77%
year 12-13 Female		75%	81%
year 12-13 Male		65%	77%

Indicator 4: Children supported in Primary and Secondary education by Sector Support

This indicator is calculated by taking the total and sex disaggregated number of Primary and Secondary school students receiving sector support. The target set for this indicator is total student receiving sector support greater than or equal to 3543 of which is equally split between male and female at 1749, which has been derived from 2015 data as the baseline. In 2016, total number of students equalled 3582, of which 1843 were females and 1744 were males.

Indicator 5: Net enrolment rate by subsector for compulsory education

The following table demonstrates the improved rates of enrolment in all subsectors over a two year period, exceeding targets in 2016:

	Target	**2015** (Baseline Year)	**2016**
ECE	90%	80%	97%
Primary	98%	96%	100%
Junior Secondary	90%	87%	93%

Indicator 6: Tertiary or Vocational education via CITTI and government scholarships (excluding Nursing School)

This indicator takes into account total full time equivalent enrolments at the CITTI Trades and Technology; Hospitality Services; and Hair and Beauty schools. This does not include graduates within 2016.

The target set for this indicator was to have greater or equal to 65 full time equivalent enrolments at the CITTI. In 2015, the total related to the target was 57. This increased in 2016 to 73.9. It should also be noted that in 2016, 29 Government scholarships were awarded to 5 males and 24 females. It is anticipated that with the changes in the Scholarship program in 2016, data on awards will be maintained and analysed going forward.

Tourism Indicators

Indicators show that the tourism industry is growing. Monitoring and CSS indicators appear to capture relevant information and these are useful to CITC. A key issue at present is training and employment pathways in tourism, to ensure the industry continues to be supported by a sustainable workforce. Inclusion of indicators on these issues should be investigated.

Indicator 1: Average daily value of tourism spend
Information source Tourism Corporation International Visitor Survey (AUT)
- 2016- $112
- 2017- $147
- Target $130 by 2018

Indicator 2: Growth in Tourism – total visitor numbers, average length of stay
Information Source: Cook Islands Statistical Bulletin, Migration Statistics, NSO-MFEM
- 2014/15- Total Visitor Nights:121,772; Average Length of Stay: 10 days
- 2015/16- Total Visitor Nights: 135,134; Average Length of Stay: 10 days
- 2016/17- Total Visitor Nights: 155,230; Average length of Stay: 11 Days
- Target to be confirmed

Indicator 3: Tourism growth activities delivered
Information Source: CIG Budget, MFEM
- 2016/17 6%
- 2017/18 8.9%
- Target 6-7% budget appropriation.