

Proactive Release

Date: 1 March 2023

The following Cabinet paper has been proactively released by the Minister of Foreign Affairs

Title	Reference
Cabinet: Minute of Decision: Report of the Cabinet External Relations and Security Committee: Period Ended 16 December 2022	CAB-22-MIN-0586
Cabinet External Relations and Security Committee: Minute Decision: Aotearoa New Zealand's Core Funding for the University of the South Pacific under a New Partnership Framework Portfolio	ERS-22-MIN-0060
Aotearoa New Zealand's Core Funding for the University of the South Pacific under a New Partnership Framework	

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Key to redaction codes:

- 6(a): to avoid prejudicing the security or defence of New Zealand or the international relations of the New Zealand Government;
- 9(2)(ba)(i): to protect the supply of confidential information by another party;
- 9(2)(g)(i): to protect the free and frank expression of opinions by departments; and
- 9(2)(j): to avoid prejudice to negotiations.



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet External Relations and Security Committee: Period Ended 16 December 2022

On 19 December 2022, Cabinet made the following decisions on the work of the Cabinet External Relations and Security Committee for the period ended 16 December 2022:

ERS-22-MIN-0060 **Aotearoa New Zealand's Core Funding for the
University of the South Pacific Under a New
Partnership Framework**
Portfolio: Foreign Affairs

CONFIRMED

Rachel Hayward
Secretary of the Cabinet

Proactively Released by the Minister of Foreign Affairs



Cabinet External Relations and Security Committee

Minute of Decision

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Aotearoa New Zealand's Core Funding for the University of the South Pacific Under a New Partnership Framework Portfolio

Portfolio Foreign Affairs

On 13 December 2022, the Cabinet External Relations and Security Committee:

- 1 **noted** that the University of the South Pacific represents one of the early legacies of Aotearoa New Zealand's commitment to Pacific regionalism, and remains a critical institution to its Member Countries and the Pacific regional architecture;
- 2 **noted** the strategic importance of the University of the South Pacific both as a centre of excellence for, and kaitiaki of, Pacific knowledge systems and research, and in shaping the values, thinking, and future leadership of the Pacific;
- 3 **noted** that Aotearoa New Zealand and the University of the South Pacific have developed a values-based Partnership Framework that will underpin a new five-year core funding investment;
- 4 **agreed** that Aotearoa New Zealand's next financial commitment for core funding to the University of the South Pacific be up to NZ\$35.8 million over five years (2023–2028);
- 5 **noted** that funding for this initiative has been allocated within the existing International Development Cooperation appropriation and does not require re-prioritisation of funds.

Janine Harvey
Committee Secretary

Present:

Rt Hon Jacinda Ardern (Chair)
Hon Grant Robertson
Hon Kelvin Davis
Hon Chris Hipkins
Hon Andrew Little
Hon David Parker
Hon Nanaia Mahuta
Hon Damien O'Connor
Hon Stuart Nash
Hon Peeni Henare
Hon Michael Wood
Hon Dr David Clark
Hon Kieran McAnulty

Officials present from:

Office of the Prime Minister
Officials Committee for ERS

Restricted

Office of the Minister of Foreign Affairs

Cabinet External Relations and Security Committee

Aotearoa New Zealand's core funding for the University of the South Pacific under a new Partnership Framework

Proposal

- 1 This paper seeks approval to allocate up to NZ\$35.8 million over five years (2023–2028) from the existing International Development Cooperation (IDC) appropriation for core funding the University of the South Pacific (USP). The quantum of proposed expenditure requires Cabinet approval.
- 2 This paper proposes two key changes from the current funding arrangement with USP. It proposes extending the timeframe of Aotearoa New Zealand's core investment (NZ\$6.5 million per annum) from three years to five years to provide greater financial security to USP to deliver quality education, research, and training in the Pacific. It also proposes an increase in core funding of up to 9 percent over 2025–2028, dependant on a mid-term review. An increase in funding would support USP to have greater impact in line with their vision for the University and the wider Pacific region.

Relation to government priorities

- 3 The proposed funding aligns with the approach set out in the cabinet paper Pacific Resilience Approach, approved by the ERS on 28 September 2021 (CAB-21-MIN-0401, ERS-21-MIN-0031).
- 4 Aotearoa New Zealand has an enduring interest in a peaceful, stable, prosperous, and resilient Pacific, in which New Zealand operates as a reliable and genuine partner. Ensuring access to quality tertiary education and Pacific-led research, underpinned by Pacific values, is critical to the realisation of this. Education is also central to regional priorities including the *2050 Strategy for the Blue Pacific Continent* and the *2018 Pacific Regional Education Framework*. Aligning our development investments with Pacific priorities strengthens Aotearoa New Zealand's relationships with Pacific partners, and supports long-term resilience and prosperity of the region.

Executive Summary

- 5 USP is the premier regional institution for higher learning in the Pacific, uniquely positioned to support and validate the development of Pacific knowledge. Established in 1968, USP is jointly owned by twelve Pacific Island Governments. Aotearoa New Zealand has supported USP throughout its 54-year history.
- 6 Over the past three years USP has been navigating a series of governance and financial challenges stemming from a breakdown in key relationships. These challenges should not be conflated with Aotearoa New Zealand's enduring

partnership with USP, and are best addressed separate to our funding commitment.
s6(a)

- 7 Aotearoa New Zealand's current funding arrangement has provided USP with NZ\$19.5 million over three years (NZ\$6.5 million per annum). This has supported USP's core operations over 2019–2022. The current arrangement concludes in December 2022.
- 8 I propose up to NZ\$35.8 million be allocated to USP's core operations over five years (2023–2028). This funding will support USP to continue to deliver quality education and learning to the Pacific. A breakdown of proposed core funding to USP would be:
 - 8.1 Maintaining a baseline of NZ\$6.5 million per annum in core funding for the next five years (up to NZ\$32.5 million over 2023–2028);
 - 8.2 Up to a 9 percent increase in core funding over 2025–2028 (up to NZ\$3 million) dependant on the findings of a mid-term review; and
 - 8.3 A robust monitoring and evaluation framework to assess and demonstrate impact (up to NZ\$0.3 million).
- 9 USP and MFAT have co-designed a new Partnership Framework based on agreed values and principles. This will guide Aotearoa New Zealand's engagement with USP for the next 10 years and underpin this five-year investment. The overarching vision is an enduring and thriving USP grounded in the values of Pacific regionalism, informed by Pacific knowledge and cultures, and led by Pacific peoples. This approach is anchored in supporting USP to be globally relevant and locally effective; uphold Pacific agency, cultures and values; train future leaders; and drive innovative thinking to shape the Pacific.
- 10 Core funding will be complemented by scholarships and additional project-based investments determined on need. These investments are outside the scope of this paper.

Background

Pacific regionalism and the role of CROP agencies

- 11 The Council of Regional Organisations in the Pacific (CROP) comprises nine regional intergovernmental agencies that exist as an extension of Pacific country capacity and capability. They are mandated by Pacific Leaders to provide policy, coordination, and technical services in support of Pacific countries' development goals, and to strengthen Pacific regionalism. In addition to its operations as a university, USP holds leadership responsibilities for the Human Resources Development and ICT Working Groups, and is the convening body for the Council of Pacific Education Ministers.
- 12 CROP agencies deliver economies of scale, providing expertise where it would be prohibitively expensive for each individual country to house that expertise or capability. Aotearoa New Zealand has long-standing relationships with CROP agencies as implementation partners, both through active governance engagement and

significant financial support. The agencies, including USP, are well regarded and their work fully aligns with Aotearoa New Zealand's Pacific priorities.

The value of the University of the South Pacific

- 13 The founding of USP was an important step towards the autonomy of Pacific nations. It symbolised the readiness and desire of nations to collectively invest in a higher learning institution to equip Pacific peoples with the skills and knowledge to manage and administer their own state affairs post-independence.
- 14 USP is a centre of excellence for, and kaitiaki of, Pacific knowledge systems and research. It is the only regional tertiary institution able to meet the higher learning and skills development needs of its 34,000 students in an effective manner. It is also an important institution for strengthening Pacific connections through cross student and staff representation at each of the campuses—creating connections that endure when students return to their home countries.
- 15 The University nurtures critical thinking, research, and leadership grounded in Pacific realities and lived experiences. This drives Pacific-owned and led responses to targets under the Sustainable Development Goals (SDGs) and the 2050 Strategy for the Blue Pacific Continent. Empowering Pacific-led development strengthens the autonomy, long-term resilience, and prosperity of the region.
- 16 USP is delivering for its students and the Pacific region, despite ongoing challenges (see below). USP was ranked in the top 10 percent of universities globally (1001–1200) in the 2023 Times Higher Education World University Rankings. This measures universities' performances across teaching, research, knowledge transfer, and international outlook. The 2022 Times Impact Rankings also rated USP in the top 401–600 universities with the highest impact in the delivery of the SDGs.
- 17 Education institutions are the main forum for developing and enhancing values systems that underpin societies, which can be used to transmit or block particular views. At a time of increasing geo-political tensions in the Pacific, there is interest from non-traditional partners to invest in USP. It is critical that USP is supported to uphold its agency and remain Pacific-led, guided by Pacific cultures and values. This will help ensure USP's graduates, many of whom have become leaders in their fields, continue to drive new thinking on issues and shape the Pacific region.

Aotearoa New Zealand's enduring engagement with USP

- 18 Aotearoa New Zealand's long-term objective is for a regional tertiary education institution in the Pacific that is high quality, accessible, affordable, and well governed. An effective USP will deliver impact that supports the region's development ambitions. Aotearoa New Zealand is committed to this objective through supporting core funding, investments in research and projects, and scholarships through the Manaaki Scholarships programme.
- 19 The University represents one of the early legacies of Aotearoa New Zealand's contribution to Pacific regionalism through handing back the land for the main campus located at Laucala Bay in Suva, Fiji (formerly a New Zealand air force base).

Aotearoa New Zealand's relationship with USP is characterised by long standing cooperation aimed at ensuring the well-being, resilience, and prosperity of Pacific nations.

Governance challenges

20 Over the past three years, USP has faced a series of challenges. In 2019, Vice Chancellor Professor Pal Ahluwalia raised concerns about poor practice among USP senior management possibly amounting to fraudulent behaviour. s6(a)

21 s6(a)

Financial challenges

22 Fiji has not made its full funding contribution to USP since 2018. s6(a)

In 2022, Fiji should have contributed FJ\$34.3 million to USP. This is equivalent to approximately 18 percent of USP's total budget. In contrast, Aotearoa New Zealand's contribution of NZ\$6.5 million (approximately FJ\$9.6 million) for 2022 is about 5 percent of the budget. Australia contributed approximately 11 percent of the budget (FJ\$20.7 million). A breakdown of funding is included in Appendix 1, titled 'Breakdown of the University of the South Pacific's (USP) funding sources.'

23 It is important to distinguish between the contributions of Member Countries, and contributions from Australia and Aotearoa New Zealand. Member Countries contribute both a baseline of funding that is calculated relative to the size of their student population, and through subsidies for their fee-paying students. Fiji's contribution is significantly higher than other Member Countries as Fijian students account for approximately 64 percent of students at USP.

24 s9(2)(ba)(i)

s9(2)(g)(i)

A Pacific approach to these challenges

25 s9(2)(j)

s9(2)(j)

- 26 These are critical challenges that need to be addressed, but should not derail Aotearoa New Zealand's support and enduring partnership with USP. Through current funding and this proposed funding, Aotearoa New Zealand provides a level of financial certainty for USP. This predictability is critical for USP to deliver high quality education and learning for students. Aotearoa New Zealand also supports quality governance of USP through continuing to engage constructively within USP's governance structures. s6(a)
- 27 A sustainable solution must come from and be agreed by, all Member Countries. This will require political negotiation, likely at Leaders' level. s9(2)(j)

Analysis

Evolving Aotearoa New Zealand's partnership with USP

- 28 Aotearoa New Zealand's current three-year partnership with USP concludes in December 2022. This has provided funding to support delivery of USP's Strategic Plan and the recommended reforms agreed by Council. However, this outputs-focused approach has led to a power imbalance and caused senior USP management to question Aotearoa New Zealand's genuine partnership.
- 29 Universities, including USP, are critical for building and shaping economic, social, and cultural knowledge and values. Aotearoa New Zealand has a strategic interest in ensuring ongoing alignment between USP's values and New Zealand's. However, influencing these values requires trust, and open and honest communication. Recognising the shortcomings of the current partnership, the Ministry of Foreign Affairs and Trade commissioned an analysis on possible approaches for a new partnership that would enable such trusted relationships.
- 30 The analysis concluded a need to intentionally shift from an outputs-based arrangement, to a values-based partnership informed by and held to Aotearoa New Zealand's Pacific Resilience Approach and the values articulated in USP's Strategic Plan. The Ministry and USP agreed to co-develop (Tātou Tātou) an overarching Partnership Framework that would set a high-level vision, shared outcomes, and objectives over a 10-year horizon (Tātai Hono).

- 31 The vision for the Framework is an enduring and thriving USP grounded in the values of Pacific regionalism, informed by Pacific knowledge and cultures, and led by Pacific peoples. Officials expect this approach to achieve four key outcomes:
- 31.1 Mutual understanding of what is driving Aotearoa New Zealand and USP, ambition, and expectations of the partnership. This will lay a foundation for greater trust, and open and honest communication.
 - 31.2 A shared vision for how Aotearoa New Zealand and USP can together deliver for Member Countries and the wider Pacific region.
 - 31.3 Permission space and trust to hold one another accountable. This includes accountability for commitments articulated in regional strategies such as the *2050 Strategy for the Blue Pacific Continent*. Commitment Four of the *Strategy* dedicates Leaders to “work together to strengthen national and regional efforts to ensure all Pacific peoples benefit from enhanced provision of education...”
 - 31.4 Inform one another’s thinking. As the preeminent training ground for future leaders and thinkers of the region, USP will help shape the future of the Pacific in line with democratic values. As the birth place of new ideas and research, USP will help inform Aotearoa New Zealand’s engagement in the Pacific.
- 32 In addition to articulating a vision, shared values and principles, the Partnership Framework is structured to enable USP to deliver its Strategic Plan in a flexible and responsive way. This is critical for responding to evolving needs and circumstances in order to deliver the best outcomes for students and the region.

Proposed funding commitment

- 33 Under the 10-year Partnership Framework, funding will be sought for two separate five-year tranches. Longer funding periods ensure greater predictability and opportunity to realise the vision of the Framework, and build rapport and trust. This aligns with Aotearoa New Zealand’s commitment to long-term predictable finance for Pacific partners, and recognises our 54-year history with USP.
- 34 I propose this five-year funding to USP to comprise of three elements: core funding; an optional increase in core funding pending a mid-term review; and funding to improve monitoring and evaluation to assess impact.

Implementation

Governance and monitoring

- 35 The Partnership Framework outlines a more engaged approach to governance and monitoring of Aotearoa New Zealand’s investment in USP. It proposes establishing a Steering Committee and a Governance Board. Officials expect this structure to build genuine trust and rapport with key stakeholders; enable greater influence across the breadth of the partnership; and help address risks and opportunities more effectively.

- 36 The Steering Committee will set the strategic direction and ambition of the 10-year partnership. The Committee will be comprised of the USP Vice Chancellor and senior MFAT officials. The Governance Board will support the Steering Committee and manage the day-to-day implementation of the partnership, including monitoring progress, and identifying and managing opportunities and risks. The Governance Board will be comprised of the USP Senior Management Team and MFAT officials. The Steering Committee and Governance Board will meet twice a year, ahead of USP Council sessions in April and November.
- 37 The principles of honest reflection and adaptation will underpin the monitoring and evaluation framework. A peer review process will strengthen monitoring, knowledge sharing, and peer-to-peer learning. This may draw on external expertise.
- 38 A mid-term review will assess the partnership's approach to achieving objectives, and consider the relevance, efficiency, effectiveness, and sustainability of the Partnership Framework. There will be an independent evaluation in 2028 to determine scope and scale of a second five-year funding arrangement. Following the evaluation, Cabinet approval will be sought for a further phase of funding.

Timing

- 39 The proposed funding would commence in Quarter 1 of 2023, and be delivered over five calendar years. The core funding payments will be delivered in annual tranches aligned with the start of the USP academic year.

Financial Implications

- 40 This proposal will cost up to NZ\$35.8 million, disbursed over 2023–2028. This funding will maintain the current level of core funding to USP for five years, and provide for an increase in funding, following a mid-term review. It also includes funding for a robust monitoring and evaluation framework to assess the partnership and its results.
- 41 Funding for this proposal has been earmarked within the existing IDC appropriation and does not require reprioritisation.

Legislative Implications

- 42 There are no legislative implications from this proposal.

Impact Analysis

- 43 There are no regulatory or climate implications arising from this proposal.

Population Implications

- 44 There are no population implications arising from this proposal.

Human Rights

- 45 International human rights law guarantees the right to education. This right is enshrined in the Universal Declaration on Human Rights, and widely recognised by a

number of international normative instruments to which Aotearoa New Zealand is a party. This includes the UNESCO Convention against Discrimination in Education 1960; International Covenant on Economic, Social and Cultural Rights 1966; and the Convention on the Rights of the Child 1989. The right to education has also been reaffirmed in other treaties covering specific groups (women and girls, persons with disabilities, migrants, refugees, Indigenous Peoples, etc.).

- 46 This proposal is aligned with Aotearoa New Zealand's Strategic Action Plan for Human Rights. It will contribute to the realisation of the right to education, and SDG4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all, for the 12 Pacific member countries that are currently members of USP.

Consultation

- 47 Education New Zealand, the Ministry of Education, Ministry of Pacific Peoples, and the Treasury have been consulted and are comfortable with the proposed approach.

Communications

- 48 Following approvals and agreement with USP, I propose to make an announcement on this support, in line with a communications plan developed by officials.

Proactive Release

- 49 I intend to proactively release this Cabinet Paper following Cabinet consideration, subject to necessary redactions, including any sensitive information that has been shared with Aotearoa New Zealand.

Recommendations

The Minister for Foreign Affairs recommends that the Committee:

- 1 **Note** the University of the South Pacific represents one of the early legacies of Aotearoa New Zealand's commitment to Pacific regionalism, and remains a critical institution to its Member Countries and the Pacific regional architecture.
- 2 **Note** the strategic importance of the University of the South Pacific both as a centre of excellence for, and kaitiaki of, Pacific knowledge systems and research, and in shaping the values, thinking, and future leadership of the Pacific.
- 3 **Note** Aotearoa New Zealand and the University of the South Pacific have developed a values-based Partnership Framework that will underpin this five-year core funding investment.
- 4 **Agree** Aotearoa New Zealand's next financial commitment for core funding to the University of the South Pacific be up to NZ\$35.8 million over five years (2023–2028).
- 5 **Note** funding for this initiative has been allocated within the existing International Development Cooperation appropriation and does not require re-prioritisation of funds.

~~RESTRICTED~~

Authorised for lodgement

Hon Nanaia Mahuta

Minister for Foreign Affairs

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Appendix 1: Breakdown of the University of the South Pacific’s (USP) funding sources

- Similar to most universities, the largest contributor to USP’s income is student fees. USP also receives grants from Member Countries based on a formula comprised of the relative size of their student population and the costs of maintaining the in-country campuses. The formula is reviewed on a triennial basis by the University Grants Committee (UGC) and agreed by Members’ Ministers of Finance.
- Using this formula, Fiji’s grant contribution would make them the highest individual funding partner at USP. s9(2)(j)
- USP also receives development assistance from a range of partners. This includes the contributions by Aotearoa New Zealand and Australia. It also includes a loan from the Asian Development Bank to fund the development of new regional campuses. USP is currently exploring new funding partners to support the implementation of their strategic plan.
- The following table breaks down the University of the South Pacific’s (USP) income into its various sources.

Annex 1: Table 1.1 A Breakdown of USP’s Funding, 2020–21

Income Source	2020 (FJD)	2021 (FJD)
Government Assistance – Grants (of which)	25,148,000	10,914,000
• Cook Islands	• 155,849	• 147,779
• Fiji	• 14,336,709	• 0
• Kiribati	• 978,718	• 1,132,658
• Nauru	• 127,259	• 123,492
• Niue	• 53,652	• 60,776
• Republic of Marshall Islands	• 288,345	• 268,455
• Samoa	• 1,429,780	• 1,407,511
• Solomon Islands	• 3,261,386	• 3,068,272
• Tokelau	• 48,094	• 42,030
• Tonga	• 1,364,346	• 1,382,780
• Tuvalu	• 449,485	• 420,226
• Vanuatu	• 2,654,131	• 2,860,468
Tuition Fees	80,085,000	85,180,000
Development Assistance – Core funding ¹	38,278,000	32,571,000
• Aotearoa New Zealand	• 7,187,177	• 11,861,114

¹ The fluctuation in annual recurrent totals is due to the timing of payments.

• Australia	• 31,091,019	• 21,384,525
• Other	• 0	• 0
Development Assistance – Project (of which)	15,881,000	10,478,000
• Aotearoa New Zealand	• 1,045,818	• 314,991
• Australia	• 3,807,255	• 3,172,112
• Other	• 11,027,927	• 0
Other income (e.g. commercial, interest, exchange rate, etc.)	28,966,000	26,248,000
TOTAL	188,358,000	165,391,000

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