



Australian Government
AusAID

Annual program performance report: Tonga 2008–09

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Abbreviations

AusAID	Australian Agency for International Development
GDP	gross domestic product
MDGs	Millennium Development Goals
NZAID	New Zealand Agency for International Development
PACTAM	Pacific Technical Assistance Mechanism
SOPAC	Pacific Islands Applied Geoscience Commission
SPREP	Pacific Regional Environmental Programme
STI	sexually transmitted infections
TVET	technical and vocational education and training

Summary

This report outlines performance of the Australian aid program to the Kingdom of Tonga during 2008¹, based on the objectives identified in the draft Kingdom of Tonga – Australia Development Cooperation Strategy, developed in late 2007. This draft strategy will be superseded in 2009–10 by the Australia–Tonga Partnership for Development, which will guide the strategic directions of Australia’s program of aid to Tonga.

Overview

Tonga remains on track to meet the Millennium Development Goals. The Tongan community is homogenous and interrelated, with good education levels, high literacy rates and relatively good health outcomes. In the United Nations Human Development Index, Tonga ranks highest among the Pacific island countries. However, these indicators do not tell the full story. Non-communicable diseases threaten past health gains, and the quality of education needs to be improved. Although Tonga is a relatively peaceful country with few law and order problems, there were riots in November 2006. The country continues to operate under emergency powers, with the government yet to return full responsibility for internal security to the national police force.

During 2008 the Government of Tonga continued to make sound progress in improving expenditure management, public sector reform and revenue reform. Since the 2006 riots, which had a negative impact on the economy, the economy has been stagnant. The government forecast of economic growth in 2008–09 was 0.3 per cent. The global economic recession is likely to have a negative effect on growth prospects, with a fall in remittances (which in 2006 comprised approximately 45 per cent of gross domestic product) representing the biggest risk to the economy. Political reform remains one of the biggest challenges as Tonga moves towards a more representative form of government by 2010. Stimulating private sector development and local employment opportunities are other major challenges.

Tonga has a high level of government leadership and vision across most sectors. When considering the strengths of Tongan society, the basics are in place for aid to be effective and achieve significant impact.

¹ Although the report’s findings are based on achievements and results in the 2008 calendar year, the timing of the report aligns with the financial year budgeting cycles (July–June) of the governments of Tonga and Australia. This allows performance management information to better inform budget planning.

Ratings

The improvement in progress towards objective 1 of the draft strategy for development cooperation reflects the achievements of the Expenditure Review Committee, the Public Service Commission, the Revenue Services Department and, to a lesser extent, the Customs Service (Table 1). The ratings for the other two objectives reflect the fact that the Tonga aid program currently has some legacy projects that, while progressing well, contribute only partly to the objectives. Considerable work is under way to develop a portfolio of activities that will meet the priorities of the Australia–Tonga Partnership for Development.

Table 1: Ratings of the Tonga aid program's progress in 2008 towards the objectives of the draft Development Cooperation Strategy for 2007–12

Objective	Rating in 2008	Relative to previous rating
1. Strengthening governance and accountability through the strengthening of key institutions	Green	Improved
2. Accelerating broad-based economic growth, including for women and youth, and isolated communities	Amber	Unchanged
3. Investing in people through improved service delivery, particularly in education, technical and vocational training, and basic health care	Amber	Unchanged

Note:

Green	The objective will be fully achieved within the timeframe of the strategy.
Amber	The objective will be partly achieved within the timeframe of the strategy.
Red	The objective is unlikely to be achieved within the timeframe of the strategy.

Major results

- > The Government of Tonga met all benchmarks of the Tonga–Australia Performance Partnership Agreement. These included the following.
 - The Expenditure Review Committee, which was established in November 2007, has noticeably improved the focus on expenditure management and strengthened the links between government priorities and the budget. Government ministers and departmental heads have benefited from a more transparent budget process, including the opportunity to present their budget priorities to the committee for consideration.
 - The Revenue Services Department has substantially improved both taxation compliance and service delivery. A new *Guide to Tongan Income Tax* has been published and an internet tax return lodgement system is in the final stage of testing. Service standards have improved markedly, with all key standards consistently met or exceeded (for example, all consumption tax returns are processed within 42 days). Around 38 per cent of large businesses have been profiled and the Revenue Services Department is on track to meet its initial target of collecting 30 per cent of the tax arrears of large businesses. Tax audits contributed more than T\$9.4 million in additional revenue in 2007–08. This represents a marked improvement on the previous year's level.
- > Several key amendments to the Customs Act were passed, which have simplified custom transactions and created a more level playing field for business.
- > The Public Service Commission and the Expenditure Review Committee are exercising strong discipline in managing public sector staffing numbers—critical to maintaining budget stability and promoting public sector reform. The Public Service Commission has also demonstrated a commitment in dealing with performance management issues.

- > Fifty-six of 160 businesses have been able to restart their business with support from the joint AusAID–NZAID facility established to help businesses affected by the civil unrest in late 2006. The reconstruction of damaged infrastructure also began, with one new building completed and two others under way.²
- > A major new joint program in policing—the Tonga Police Development Program—commenced, with support from the Australian and New Zealand governments (including the Australian Federal Police, the New Zealand Police, NZAID and AusAID). Early achievements include wide-scale community consultations, the development of a new four-year strategic plan, greater police visibility as a result of providing uniforms for all police, and the establishment of a beat squad.
- > The Solid Waste Management Project continued to provide substantial benefits, including a cleaner environment and a local recycling business. The project serviced more than 12 000 households and 500 commercial businesses in Tongatapu.
- > The first privatisation of a state-owned enterprise in Tonga took place in 2008 with the successful sale of Leiola Duty Free stores. Four other state-owned enterprises were rationalised, with one being wound up and three restructured with the support of the Asian Development Bank's Private Sector Development Initiative (co-funded by AusAID). In early 2009, a new and more ambitious phase of rationalisation was announced.
- > The aid program continued to help meet critical human resource shortages in areas such as surgery, justice, economic assessment and customs.³ The support for the judiciary has helped to deal with the large increase in cases that resulted from the riots, while advisory support to the National Reserve Bank of Tonga has helped Tonga to manage during a critical economic period.
- > Thirteen students who had received Australian Development Scholarships and Australian Regional Development Scholarships returned to Tonga in 2008—a number of them taking up positions in government (for example, in statistics, finance and health).

Major challenges

Programming and scaling up support

The Tonga program is currently in transition. The Australia–Tonga Partnership for Development was in its final stage of negotiation in June 2008. This agreement will lead to several changes to the program portfolio. In 2009, several new activities linked to the priorities of the partnership (health, and technical and vocational education and training) will complete their design phases and commence implementation, while some elements of the existing program will be rationalised, particularly some of the small individual activities that are not well linked to the new priorities or ways of working. An existing challenge that will be further highlighted in the partnership is how the Government of Tonga, Australia and other donors will establish management arrangements to provide strategic oversight and to support decision making in the priority sectors in which AusAID will be working.

² This refers only to buildings constructed with funding support from the joint AusAID–NZAID facility. Other construction activities also commenced in the capital, with funding from other sources.

³ Support is provided through a range of measures, such as the Pacific Technical Assistance Mechanism, the Finance and Economic Management Project and salary top-ups.

Global economic recession

Tonga was largely insulated from the early fall-out of the global recession. However, the impact of rising unemployment on Tongans working abroad is likely to see a drop in remittances, which will directly affect Tonga's economy. The impacts of the recession on remittances and the wider economy are being monitored, and will be a source of regular policy dialogue with the Government of Tonga. The government and AusAID have already identified an initial response to the recession—support for road maintenance. Such support would closely align with Australia's priorities under the Partnership for Development, and has the potential to mitigate the impacts of the recession by creating local employment and income-generating activities.

Sustainability

The sustainability of the outcomes of support was identified as an area for improvement in the majority of reports on the performance of activities being implemented in 2008. High rates emigration and staff turnover can be a challenge for Tongan institutions and, in some cases, capacity substitution is a necessary form of assistance to Tonga. This is currently not well reflected in program assessments of sustainability and more will be done to communicate the rationale behind these types of assistance in the future.

Monitoring and evaluation and performance management

A significant number of program activities are small and not subject to the formal performance reporting system. The changes to the program portfolio driven by the Partnership for Development should result in fewer (but larger) activities, which will improve efficiencies in collecting information and reporting on program performance. Effectively monitoring and coordinating regional initiatives has been a particular challenge, and program managers will continue to work with regional program areas to ensure that regional initiatives are well linked to the overarching bilateral program objectives under the Partnership for Development.

The move to more closely engage with programs of the Government of Tonga will also see an increased focus on supporting the government to improve its monitoring and evaluation capacity. This will help to ensure that both the Government of Tonga and AusAID have credible and reliable evidence to assess the effectiveness of the government's programs and the contributions of Australian support. The Government of Tonga is also looking to improve its capacity to monitor the results of its new National Strategic Planning Framework, which is an area Australia will consider supporting either directly or via its sectoral work.

Main management consequences

Donor coordination

AusAID, NZAID, the Asian Development Bank, the World Bank and Tonga signed a Joint Declaration on Aid Harmonisation in 2007. AusAID and NZAID have taken practical steps to translate this into action. Scholarship programs are being jointly advertised, with recipients selected in partnership with the Government of Tonga. Joint funding of regional programs, such as the Pacific Judicial Development Program, has reduced the administrative burden on Tonga. Joint programs in policing and technical and vocational education are being designed with New Zealand, and there is generally a good division of labour between the two donors.

Options for delegating responsibilities are being considered for technical and vocational education and training, the Tonga Education Support Program and civil society support. AusAID and NZAID are also collaborating in the health sector, and there is considerable potential for further coordination with other donors, such as the Japan International Cooperation Agency, at the project level. Collectively, these efforts have helped to reduce transaction costs for Tonga and improve the coordination of assistance. Even so, wider aid coordination and harmonisation remain challenging.

The Government of Tonga recently established the Aid Management Division within the Ministry of Finance and Planning, and AusAID is funding an adviser on aid harmonisation to provide support in this area. The division has developed an aid management database and established reporting mechanisms that aim to better reflect donor resources in the national budget, although to date Australia is the only donor to provide the required information on quarterly budget expenditure. The division has yet to take on the lead role in facilitating donor coordination and there are currently few opportunities for donor dialogue. It is worth noting in this context that the 2008 program performance review meetings provided the first opportunity for several major donors, including the World Bank, the European Union, Japan and China, to collectively discuss their programs.

Use of partner government systems

Increased use of Tonga's government systems will be part of the Partnership for Development. Because of this, AusAID commissioned a procurement review in December 2008 as part of its fiduciary risk analysis. The review identified the need to finalise the legal and regulatory frameworks for procurement as a key priority. In the meantime, AusAID will support a procurement team within the Ministry of Finance and Planning to undertake AusAID procurement until the Government of Tonga has established its legal and regulatory frameworks and has the capacity to undertake procurement. Capacity building will be a focus of the team.

Country and regional programs

Coordination within AusAID, particularly between regional and bilateral programs, has been challenging and needs to be improved. There are up to 25 regional activities that are intended to benefit Tonga. The large number of regional initiatives makes it difficult to track progress, and reporting on outcomes has tended to be largely anecdotal. It can also be difficult to tie these initiatives to the broader strategic objectives of the Tonga aid program.

Global recession and potential implications for donor assistance

The gloomy outlook for global employment and economic growth means that the Government of Tonga and development partners are now looking to make investments that stimulate local employment opportunities and provide a cushion against adverse economic shocks. In practical terms, in the short term this may mean supporting labour-intensive infrastructure investments, including road maintenance. This will include short-term financial assistance from AusAID, as well as an ongoing focus with the partners of the Pacific Regional Infrastructure Initiative (the Asian Development Bank, the World Bank and NZAID) and the Government of Tonga on a sustainable road maintenance program.

Country performance

By most estimates, Tonga has met most of the **Millennium Development Goals**. Absolute poverty is limited. There is near universal primary education, and around two-thirds of Tongan children attend secondary school. Health outcomes are the best among Pacific island countries as a result of many years of investment in the sector. Child mortality is low and there is no evidence of child malnutrition. It is estimated that all Tongans have access to safe water and around 96 per cent to at least basic sanitation.

But such figures tell only a part of the story. Health gains are threatened by the rise in non-communicable diseases, and both the quality and the equality in education need to be improved. Tonga has experienced years of low economic growth, has a narrow economic base, and is vulnerable to economic and environmental shocks. Around a quarter of Tongan households experience hardship in some form, the greatest hardship being on the outer islands and among recent migrants to urban areas. The majority of the population (71 per cent of 101 000) live on the main island of Tongatapu. People with a disability face barriers to education and employment and are more likely to be living in poverty.

Like other Pacific island countries, **Tonga's vulnerability** arises from its small size, its high level of exposure to the international economy, its narrow economic base, its relative isolation from markets and resulting high costs of transport and communication, the risk of political instability, the difficulty of providing employment opportunities for a youthful population with high aspirations, and environmental threats, such as cyclones and the rising sea level. Tonga has a vibrant but small private sector and an active non-government sector but they are constrained by limited access to resources and capacity constraints.

Tonga's economy depends mainly on the export of labour and to a lesser extent on agriculture, fishing and tourism. Tonga has been able to reach a relatively strong position as a lower middle-income country in the Pacific in part because its high migration and remittance culture. About 50 per cent of all Tongans live in other countries and in 2006 their remittances represented approximately 45 per cent of gross domestic product (GDP).⁴ Although remittances remained steady in nominal terms from 2004–05 to 2006–07, they fell in real terms by 30 per cent because the consistently high inflation in the kingdom reduced their purchasing power.

Adverse external shocks led to fiscal deficits each year during the period 2003–04 to 2005–06. The growth in real GDP averaged 2.6 per cent a year from 1990–91 to 2002–03 and then was below 2 per cent until 2005–06, when it stalled following the riots.⁵ The economy has yet to recover fully from the impacts of the riots and may face challenges as the effects of the global financial crisis continue to ripple through the world economy. The government forecast of economic growth in 2008–09 was 0.3 per cent.

⁴ Tonga Ministry of Finance and Planning.

⁵ Briefing from the Hon. Minister of Finance, February 2007.

Somewhat paradoxically, the crisis provided Tonga with some initial benefits. The sharp drop in world oil prices allowed for a substantial reduction in the cost of electricity (down by around 30 per cent in early 2009) and contributed to a substantial drop in the rate of inflation (close to 0 per cent in 2009, down from more than 10 per cent in 2008). However, the global recession poses a major threat to remittances. Rapidly rising unemployment in developed economies—particularly in the United States where a large number of migrant workers are located—is likely to have reduced remittances in 2008–09. The recession is also likely to have had implications for exports. Some private sector commentators have indicated that exports are already weaker and that remittances are down 30–40 per cent, although these figures are yet to be reflected in official government statistics.⁶ Given Tonga's very high reliance on remittances, the impacts of the global financial crisis need to be monitored.

Stimulating private sector investment and generating employment represent major challenges and could become even more pressing if significant numbers of migrant workers are forced to return home due to unemployment in developed countries.

Tonga's challenges after it reaches the Millennium Development Goals are about promoting sustainable and broad-based economic growth to underpin service delivery, increasing the quality and duration of education, tackling non-communicable disease and environmental threats, and maintaining social cohesion, tradition and the rule of law. Progress on these issues is essential for Tonga to move ahead, build resilience and avoid reversals in the gains made during the past 50 years.

Political reform remains one of the biggest challenges facing the country, and has dominated the political context in Tonga in recent years. Tonga made progress in its political and electoral reform program in 2008. On 22 July 2008 Tonga's Legislative Assembly passed the Constitutional and Electoral Commission Bill. The main functions of the commission are to examine, inquire into and report to the executive on the relationship between the executive, the legislature and the electorate and on possible political and related reforms. The commission was established in November 2008 and given 10 months from January 2009 to report to the Privy Council and the Legislative Assembly on its examination (and recommendations) of almost all aspects of reform, including alternative electoral arrangements. As a result, the elections expected in 2010 are likely to bring about an increase in the number of parliamentarians directly elected by Tongan people. There remains much debate in Tonga about an appropriate model that can balance democratic representation with traditional ties to the monarchy.⁷

The Government of Tonga's overarching plan for **sustainable development** has been Strategic Development Plan Eight.⁸ It has eight goals: creating a better governance environment, ensuring macroeconomic stability, promoting sustained private sector led growth, reducing hardship, improving education standards, improving health standards, ensuring environmental sustainability, and promoting cultural development. The three-year plan, which ended in June 2008, supported the Government of Tonga's commitment to achieve the Millennium Development Goals and particularly goals 2–10 of the development plan, which related to basic education, health and environmental sustainability. Progress

⁶ Comments made by Chamber of Commerce members. A major fish exporter reported that exports to Japan and the United States had contracted by around 25 per cent, which had necessitated staff redundancies.

⁷ Department of Foreign Affairs and Trade, *Kingdom of Tonga country brief*, viewed November 2009, <http://www.dfat.gov.au/geo/tonga/tonga_brief.html>.

⁸ Kingdom of Tonga, *Strategic Development Plan Eight 2006/7–2008/9: looking to the future, building on the past*, viewed November 2009, <<https://www.pmo.gov.to/strategic-development-plan-eight-20067-20089-looking-to-the-future-building-on-the-past.html>>.

towards the plan's goals were measured against a series of tasks and high-level indicators. The Expenditure Review Committee regularly reviewed progress and found good advances in all areas of actions required of government (more than 80 per cent of tasks completed). The plan was replaced in July 2009 by the National Strategic Planning Framework, which will have a stronger focus on outcomes.

Tongan **leadership** across government, the private sector and civil society displays a high level of capability and vision. However, high staff turnover, emigration and a rigid system of hierarchy complicate efforts to reform the public sector.

The Government of Tonga has continued to give priority to **education**. The official adult literacy rate is 99 per cent⁹, and 95 per cent of children are enrolled in primary education. Despite Tonga's high literacy rate, Tonga's education system is focused on academic success and exporting labour rather than on developing the technical and life skills of young people who remain in Tonga so that they can be productively employed. This is creating inequality among Tongans¹⁰ and social problems, which were contributing factors to the riots of November 2006.

Tonga scores very well in terms of its basic **health** conditions, but other problems are becoming evident. Composite life expectancy is 71 years, infant mortality is 15.7 per 1000 births, and maternal mortality is 82.3 per 100 000 births.¹¹ The rate of improvement in health indicators is slowing, however, as the prevalence of non-communicable diseases increases. Diabetes, hypertension, cancer, diseases of the circulatory system and other non-communicable diseases now account for most deaths in Tonga, and place a heavy burden on the health system. The World Health Organization estimates that 56 per cent of the population is obese.¹² The recorded incidence of type-2 diabetes (now 18 per cent) has more than doubled in the past 25 years, and its onset occurs on average a decade earlier than was previously the case. The recent reduction in import tariffs for alcohol and tobacco products—from 40 per cent to 20 per cent—is unlikely to help matters.

Tonga's **gender**-related development index is 0.814, which puts it in the very high category of gender equality in the Pacific region. However, women's economic activity is only 63 per cent of men's and women earn up to 48 per cent of male earned income.¹³ As in other Pacific island countries, women are under-represented in the parliament. The only woman is the Minister for Justice and Attorney General.

Australia is Tonga's **largest grant donor**, providing an estimated A\$19.3 million in 2008–09, closely followed by New Zealand, and then the European Union, the multilaterals banks (the Asian Development Bank and the World Bank), Japan and China. Official development assistance contributes approximately TS\$67 million a year to the economy in the form of grant

⁹ This figure from the 1996 Census is questionable as there is no standard literacy test.

¹⁰ Tonga's Gini Coefficient—a measure of the inequality of income distribution within a country, which varies from zero (perfect equality, with every household earning exactly the same) to one (absolute inequality, with a single household earning a country's entire income)—is 0.42, which is average for the Pacific region. Tonga's income distribution is more equal than in Fiji and Papua New Guinea, although the methodologies quoted are not standardised for international comparison (Asian Development Bank, *Hardship and poverty in the Pacific: strengthening poverty analysis and strategies in the Pacific*, D Abbott & S Pollard, Pacific Study Series, ADB, Manila, 2004, pp. 30–2).

¹¹ Kingdom of Tonga, *Strategic Development Plan Eight 2006/7–2008/9*, pp. 117–22.

¹² World Health Organization, *WHO Global InfoBase: data for saving lives—Tonga*, viewed November 2009, <<http://www.who.int/infobase/reportviewer.aspx?rptcode=ALL&unicode=776&dm=5&surveycode=102157a1>>.

¹³ United Nations Development Programme, *Human Development Report 2007/2008—fighting climate change: human solidarity in a divided world*, UNDP, New York, Tables 28, 29 & 31, viewed November 2009, <<http://hdr.undp.org/en/reports/global/hdr2007-2008/chapters/>>.

aid, which is approximately 25 per cent of annual government expenditure and approximately 10 per cent of GDP.¹⁴ As the largest donor, Australia is in a good position to promote aid effectiveness and collective dialogue. A bilateral performance incentive scheme has promoted good policy dialogue and supported a number of reforms. Greater use is also being made of Tongan systems, a trend that is likely to continue with the move to sector-wide programs of support. Approximately 34 per cent Australia's aid was provided through national government systems in 2008.

¹⁴ Kingdom of Tonga, *Budget Paper No 1: review of the Tongan economy and outlook 2006/07*, budget statement for year ending 30th June 2007, viewed November 2009, <[www.finance.gov.to/.../Budget%20Statement%2006-07%20Paper%201\(English\).pdf](http://www.finance.gov.to/.../Budget%20Statement%2006-07%20Paper%201(English).pdf)>.

What are the results of the Tonga program of support?

Objective 1: Strengthening governance and accountability through the strengthening of key institutions

Australia's assistance to meet objective 1 is focused on supporting improved public expenditure management, public sector reform and taxation reform, and strengthening Customs and the justice sector. The Tonga Police Development Program—a joint program with support from the Australian Federal Police, AusAID, NZAID and New Zealand Police—was mobilised in 2008, and the Anti-Corruption Commission was established. It is noted that this objective is quite broad and the draft Australia–Tonga Partnership for Development focused on public sector management.

Rating

■ The objective is on track to be fully achieved within the timeframe of the strategy.

Achievements delivered under the Tonga–Australia Performance Partnership Agreement contributed most to the green rating.

Assessment of results and performance

The **Tonga–Australia Performance Partnership Agreement**, a reform incentive program, continued to be a major driver of reform in Tonga. The mechanism has helped the Government of Tonga to focus on key reforms, and provided an important focus for Australia's development assistance in the governance sector. The Government of Tonga was able to meet all milestones by the end of 2008. It also used a portion of the incentive fund to help reinforce reform efforts. Mutually agreed priorities included renewable energy, redundancies in the Department of Works, development of a new Customs management system, and support for a National Economic Development Committee. The Pacific Technical Assistance Mechanism (PACTAM) and the Finance and Economic Management Project also played a key role in supplementing capacity in key positions (for example, in revenue and customs) and progressing reform efforts.

Civil society has not been a particular focus of the AusAID program of support in Tonga. AusAID will be working closely with NZAID to determine whether there are any opportunities to complement its support for the Civil Society Forum of Tonga and build the capacity of civil society organisations, including through the Pacific Leadership Program.

The **Expenditure Review Committee** continues to perform well, resulting in a sharper focus on expenditure management and a more strategic approach to budget formulation (for example, ministers and departmental heads present their cases for funding as part of budget deliberations). The committee is now undertaking monthly reviews of expenditure and quarterly

reviews of the public sector staffing profile. It is also improving policy formulation by acting as a sounding board for policy proposals, ensuring that they are discussed and fine-tuned before submission to Cabinet. The committee is expected to lead to a better alignment between government policy priorities and the national budget—a crucial step towards shifting resources away from high labour costs towards service provision. Australia's support under the Tonga–Australia Performance Partnership Agreement was instrumental in delivering these outcomes.

The Government of Tonga continued to be disciplined in managing staffing numbers and departmental resource requests through the **Public Service Commission**. The government recently endorsed a strategy that will see public service wages reviewed more regularly, with pay rises more closely linked to government performance and key economic indicators such as GDP and inflation. The more systematic review of wages is critical to public sector reform. To date wage reviews have been ad hoc and have tended to occur only when significant wage pressures had built up. This contributed to the strikes in 2005 and the substantial wage claim, which necessitated sharp cutbacks to staff numbers. The Government of Tonga has also adopted a much stronger approach to performance management, as evidenced by the non-renewal of contracts for senior public servants due to concerns about their performance. Collectively, these moves to improve professionalism within the public service are expected to deliver a higher level of performance.

There has been a substantial improvement in the performance of the **Revenue Services Department**. Technical advisers report that staff are demonstrating more confidence in their dealings with taxpayers and are better able to identify and deal with issues. A new guide to Tongan income tax has been published on the internet, and an internet tax return lodgement system has been developed and is in the final testing stage. Service standards have improved markedly, with all key standards consistently met or exceeded (for example, all consumption tax returns are processed within 42 days). Around 38 per cent of large businesses have been profiled and the department was on track to meet its initial target of collecting 30 per cent of outstanding tax arrears for large business by 30 June 2009. Tax audits resulted in an additional T\$9.4 million in revenue in 2007–08. Chamber of Commerce members have also commented positively on improved performance. PACTAM and the Tonga–Australia Performance Partnership Agreement have been instrumental in supporting these outcomes.

Following the introduction of the Customs Act in 2007, several amendments were passed in 2008. Communications within the **Tonga Customs Service** were improved and initial work was commenced to develop a new Customs Management System. Inspections and compliance were also improved. Chamber of Commerce members commented that processes have been streamlined and that there has been a substantial improvement in clearance times to get goods off the wharf, although further improvements are still needed (for example, clarity about the need for agents). The Customs Service also forged stronger links with the police force in the areas of investigation and border security. The Finance and Economic Management Project and PACTAM played a key role in supporting these outcomes.

Major groundwork was undertaken in 2008 to develop a trilateral program of support in **policing**. This included wide-scale community consultations, the development of a Community Perceptions Survey (to be administered in 2009), and the development of a four-year strategic plan. The trilateral arrangement among New Zealand, Australia and Tonga represents a strong partnership and will improve collaboration and coordination in the policing sector.

Interim support that provided uniforms for all police and established a beat squad led to increased police visibility. Some minor capital investments (for example, in cars and building refurbishments) were also supported in 2008. The new Police Commander (a New Zealander)

is helping to inject greater discipline in the police force and has instituted a 'zero tolerance' policy on domestic violence. Anecdotal evidence suggests that there has been an improvement in police behaviour, with fewer human rights abuses.¹⁵

The Pacific Regional Policing Initiative made an important contribution to developing police capacity in Tonga. A new curriculum for recruit training was developed, and eight staff are now certified trainers. The head of training reported that staff have increased confidence in delivering training.

Australia provides selected support to the **justice** sector, which includes a salary top-up for one of the three judges and support via regional activities such as the Pacific Judicial Development Program and Pacific Governance Support Program. Australia's support for the judiciary has been instrumental in helping to deal with the large spike in cases (more than 500) generated by the 2006 riots; more than 80 per cent of cases have been successfully resolved. Feedback from the judiciary indicates that Australia's regional support has also delivered positive outcomes. Particular mention was made of the Pacific Judicial Development Program, which has supported training and attachments for court staff and enabled two judicial officers to become accredited trainers, and the Law Library Twinning Project (part of the Pacific Governance Support Program). The Pacific Judicial Development Program was highlighted as a good example of donors working together to reduce the administrative burden on the Government of Tonga. (AusAID and NZAID provide joint funding and do not require the government to report separately.) Support from the Federal Court of Australia has also been highly valued. Australia, both through direct support to the judiciary and mediation training under the Pacific Governance Support Program, continued the support that contributed to the Tonga Supreme Court receiving a World Bank award for Best Reformer in 2007. The court continued to cut the average time to enforce contracts (from 510 to 210 days), established a court case management program, computerised court records, and introduced mediation as an alternative dispute resolution mechanism. This in turn increased confidence within the business sector. The Government of Tonga also instituted some positive reforms in the justice sector, such as abandoning the rotation of clerks, which was having negative impacts on capacity development.

The aid program is helping to fill critical gaps in **capacity** through support for a number of line positions including the following.

- > The Deputy Governor of the National Reserve Bank of Tonga, who was seconded from the Reserve Bank of Fiji, has been critical in helping the Reserve Bank maintain stability and confidence in the financial system. This assistance is also playing an important role in helping the Reserve Bank to monitor the potential impacts of the global financial crisis.
- > The Economics Adviser, whose position is funded through PACTAM, has helped to improve debt management, economic analysis and monitoring, and enhance communication between the Ministry of Finance and Planning and the International Monetary Fund.
- > The Aid Harmonisation Adviser, whose position is also funded through PACTAM, has helped the recently established Aid Management Division within the Ministry of Finance and Planning to establish an aid management database and commenced efforts to better reflect donor funding in the national budget—key strategies in progressing the Paris agenda to improve aid effectiveness.

¹⁵ While there are no hard data, one of the judges noted that there appears to have been fewer cases coming to the courts where police officers had used coercive tactics to elicit confessions.

There are numerous Australian-supported **regional programs** that benefit Tonga, including the annual Australia and New Zealand School of Government's Pacific Executive Scholarship Program and the Pacific Islands Scholarship for Governance Program. Middle-level managers reported that they have benefited from leadership and management training provided via these programs.

Challenges

The Government of Tonga remains committed to **political reform** with the aim of introducing a more representative form of government by 2010. This will be a major change for Tonga, which has had the same constitution for almost 140 years. Australia and New Zealand have committed to a joint support program to assist the Constitutional and Electoral Commission to undertake its work and manage the 2010 election.

Improving the effectiveness and efficiency of the **public service** is sometimes hindered by the rigid culture of hierarchy within the public service. Although middle-level managers have benefited from leadership and management training provided via AusAID-funded programs, they have found it difficult to use their new skills without the support of senior managers.

A nation the size of Tonga has few resources to carry out the functions of government. This limits progress in improving and maintaining service levels. The public sector's leave conditions are some of the most generous in the Pacific—equating to around one day for every three productive days. This places a significant strain on resources. The Public Service Commission is planning to review leave conditions in 2009 with a view to rationalising them.

High levels of staff turnover in the **Revenue Services Department** continued in 2008, resulting in technical advisers providing in-line assistance—around 90 per cent of their focus. This has implications for the sustainability of assistance in this area.

In contrast to gains reported from the 2007–08 performance review of the Tonga aid program, revenue from **customs** excise declined in 2008 for numerous reasons and is being monitored closely.

The **Anti-Corruption Commission** was established in June 2008 and an interim commissioner appointed in July 2008 for three months while the government recruited a commissioner. To date, there has been no progress with the recruitment.

In **policing** support, some challenges have been identified in the transition from the Pacific Regional Policing Initiative to the Pacific Policing Development Program. Specifically, the Government of Tonga is keen to see the Heads of Training Steering Committee established under the initiative continue, as it has been an effective mechanism for coordinating training.

The Chief Justice, also the Registrar-General of Births, Deaths and Marriages, has noted that the registry functions requires further support, although these are currently not eligible to receive support under the Pacific Judicial Development Program. Accordingly, consideration may need to be given to broadening the eligibility criteria for this program.

Estimated expenditure

Australian support for strengthening governance and accountability accounts a growing share of Australia's development assistance to Tonga. The estimated expenditure for this objective in 2008 is A\$4.51 million, which is 36 per cent of the 2007–08 and 2008–09 bilateral allocations for Tonga.

Objective 2:

Accelerating broad-based economic growth, including for women and youth, and isolated communities

Objective 2 in the 2007 draft Development Cooperation Strategy is too broad for Australia to have a significant impact. AusAID has not pursued this objective through activities specifically designed to meet it. Support has instead been ad hoc and in response to demand by government. This is largely a result of the program operating under the draft strategy and awaiting the development of the Australia–Tonga Partnership for Development. This objective will change under the partnership to focus on technical and vocational education and training (TVET) and infrastructure. Significant work is still needed to identify a future program of activities, the direction of support is being negotiated as part of the new partnership.

Rating

- The objective will be partly achieved within the timeframe of the strategy.

Assessment of results and performance

Current support for broad-based **economic growth** is provided via a number of activities. Following the riots in 2006, several funds were established to help re-establish and rebuild affected and destroyed businesses in Nuku'alofa. The Business Hardship Fund was considered a successful initiative for aiding **business recovery** after the riots, but the Business Recovery Facility and the Private Sector Reconstruction Facility have experienced delays and slow uptake of loans. The Business Recovery Facility was designed to enable the commercial banks to lend on more favourable terms to businesses physically damaged during the civil unrest in November 2006. The short-term subsidised lending was capped at T\$300 000 per business and was aimed at working capital requirements, such as restocking, and promoting investment vital to the recovery of the Tongan economy in the short and longer term. The joint AusAID–NZAID Private Sector Reconstruction Facility was established to assist in the reconstruction. This facility was expected to be operational by January 2008; however, delays in establishing the administrative arrangements meant the first applications were not received until 30 April 2008.

The slow uptake of loans under Business Recovery Facility was partly a function of the funding cap (many businesses needed higher levels of funding), but it was also due to the fact that many businesses cannot re-establish until new buildings are constructed. Some businesses have also held back from applying for assistance until they are more certain that they will return to the central business district of Nuku'alofa. The funding cap on the Private Sector Reconstruction Facility may have also limited the uptake of loans, with some businesses considering taking up loans from the People's Republic of China, which are not subject to a funding cap.

Recognising that effective transport networks are a requirement for broad-based economic growth, Australia contributes to the World Bank Transport Sector Support Program, which is helping to support the government's major reform of the transport sector. Assistance in this sector is also linked to Australia's broader support for public sector reform (objective 1).

Australia also contributes to the Asian Development Bank's Private Sector Development Initiative. It is a good example of a partnership between the Asian Development Bank, which manages the initiative, and AusAID, which is engaged in policy dialogue and setting the direction of the program. The initiative is flexible and able to respond to the priorities. In Tonga this initiative has focused on reforming state-owned enterprises, increasing participation in the private sector, reforming the commercial law framework and increasing access to finance.

The Prime Minister of Tonga wrote a letter of thanks to AusAID for the ongoing support of the Private Sector Development Initiative, noting it has been an effective mechanism.

At the **community level**, the Tonga Community Development Scheme and the Vulnerability and Adaptation Initiative support a range of activities to assist vulnerable communities. The Tonga Community Development Scheme has acted largely as a de facto water supply program, as more than 60 per cent of assistance in 2007–08 was directed to providing water tanks—approximately \$1.1 million out of a total of \$1.5 million. The targeting and sustainability of this assistance have been identified as key issues. The scheme is intended to focus on income-generating activities and opportunities for youth employment (50 per cent of activities), but this has not been the case.

The establishment of the AusAID-funded **Australian–Pacific Technical College** also contributed to economic growth, and is expected to have an increasing role (discussed in more detail under objective 3). Thirty-three students from Tonga participated in the program in 2008, primarily undertaking training in commercial cookery and tourism. Twelve students graduated in 2008 and 21 graduated in March 2009. Of these 33 students, 30 gained employment in Tonga, one student is still looking for a job and two have migrated to New Zealand.

Key results

- > In 2008 the Private Sector Reconstruction Facility enabled loans in excess of T\$29 million to re-establish businesses destroyed during the 2006 civil unrest. As at December 2008, one new building had been constructed and two more were being constructed with the facility's support.
- > With support from the Business Hardship Fund in 2008, 83 businesses had their urgent and short-term needs met, such as utilities, loan repayments and staff salaries.
- > Support for the Chamber of Commerce had been the catalyst for substantial improvements in its operations and outreach. The Chamber of Commerce was able to increase its visibility and effectively lobbied government on a number of issues (for example, reducing electricity prices and Customs import duties). The increase in visibility in turn led to an increase in membership of more than 10 per cent and contributed to a stronger and more active private sector.
- > The installation of about 215 water tanks provided vulnerable communities with access to clean water. The Tonga Community Development Scheme also provided support for a range of community activities in areas such as income generation, basic infrastructure, agriculture, and vocational training.
- > Fifty Tongan seasonal workers arrived in Australia in February 2008. AusAID was part of an interdepartmental team that organised the pre-departure briefing and training for workers participating in the Seasonal Workers Scheme. The briefing and training is expected to contribute to the productivity of the workers in Australia and on return to Tonga.
- > The Private Sector Development Initiative supplemented a technical assistance project funded by the Asian Development Bank to rationalise the Tongan state-owned enterprises. It resulted in the first ever privatisation of a state enterprise in Tonga, with the sale of Leiola Duty Free stores. Four other such enterprises were rationalised—one wound up and three restructured. In early 2009 a new and more ambitious phase of rationalising state-owned enterprises was launched. The Private Sector Development Initiative also reviewed the possibility of outsourcing road maintenance, which will result in the private sector being invited to tender for road maintenance work.

Challenges

Tonga Community Development Scheme

Previous evaluations of the Tonga Community Development Scheme identified problems with both the targeting and sustainability of its assistance. The capacity of community groups is limited, and projects often lacked a strategic approach and community support, which limits sustainability. As already noted, the program is essentially operating as a de facto water supply program, which is also a feature of the Vulnerability and Adaptation Initiative (discussed next).

While the water supply activities have been welcomed by communities, there have been implementation problems. For example, some of the most vulnerable families were not able to meet the required 10 per cent upfront contribution to acquire a water tank, which acted as a barrier to entry (although the fee can be waived in cases of extreme hardship), and inadequate areas for catching water (such as traditional roofing) have also limited uptake by the most vulnerable. These issues have reduced the benefits of assistance for the most vulnerable groups. Given the challenges experienced and apparent community demand for water supply, there may be merit in exploring a discrete activity to provide water supplies on a more strategic and cost-effective basis.

The Tonga Community Development Scheme and the Vulnerability and Adaptation Initiative are administered by the Ministry of Finance and Planning. An identified problem is that their activities have not been well linked to the priorities and programs of relevant government departments. This has had implications for both coordinating and targeting the funding.

Vulnerability and Adaptation Initiative

The Ministry of Environment has identified adaptation measures, particularly coastal protection and rehabilitation, as priorities. In practice, the Vulnerability and Adaptation Initiative has focused on providing water tanks to vulnerable communities—effectively delivered as an adjunct to the Tonga Community Development Scheme. Partly as a result of weak coordination with the Ministry of Environment, relatively little funding has been directed to the ministry's identified priorities. Even so, available funding is unlikely to be of a sufficient scale to address some of the priorities, as coastal landfill and reclamation, for example, can involve substantial engineering costs. Consideration should be given to including the Ministry of Environment in decisions on grant allocations to help ensure better targeting.

Estimated expenditure

The estimated expenditure for accelerating broad-based economic growth in 2008 is A\$1.554 million, which is around 12 per cent of the 2007–08 and 2008–09 bilateral allocations for Tonga.

Objective 3: Investing in people through improved service delivery, particularly in education, technical and vocational training, and basic health care

Australia's support in the **education** sector is currently provided through a range of scholarship programs. The overarching aim of these programs is to assist Tonga to meet its human resource development needs by providing people with qualifications and skills

necessary for the country's development in both the private and the public sectors. AusAID is planning to expand its investment in education, with a focus on technical and vocation training, under the Partnership for Development. Assistance for TVET aims to complement the elite–academic focus of scholarships by providing training in practical skills. Assistance for basic education is planned through the existing NZAID – World Bank Tonga Education Support Program, which has a focus on in-service teacher training. AusAID is also working with NZAID to design a joint TVET program. The expanded focus on education will help to address the continuum from basic education to more advanced TVET and scholarship studies.

Australia's main program assistance to the **health** sector—the Health Sector Planning and Management Project—concluded in November 2007 and its achievements and outcomes were reported in the 2007–08 program performance report. AusAID and the Government of Tonga are now designing a major new sector-wide program of health assistance. In 2008 several small activities supported the health sector. These included the provision of surgeons and an anaesthetist under PACTAM, the Pacific Regional HIV Program and the Pacific Regional Non-Communicable Disease Program.

Rating

- The objective will be partly achieved within the timeframe of the strategy.

Key results

Scholarships

- > AusAID and NZAID have successfully harmonised their respective scholarship programs, which has significantly reduced transaction costs for the Government of Tonga. Scholarships are now jointly advertised and recipients are jointly selected with the government.
- > An alumni association was established with more than 100 members, mainly in senior levels of government and the private sector. The first annual meeting of the association was scheduled for February 2009.
- > Four scholars who received Australian Development Scholarships returned to Tonga in 2008–09, having completed studies in applied statistics, transnational crime prevention, development studies and tourism. These scholars took up relevant positions in the Statistics Department, the Ministry of Health, the Tonga Development Bank and the Ports Authority. Two new scholarships were awarded for 2009.
- > Nine scholars who received Australian Regional Development Scholarships returned to Tonga in 2008–09, after completing their studies. Two had their scholarships terminated. There are 33 continuing and 18 new students on regional scholarships in the 2009 academic year, pursuing studies in medicine, law, business, arts, science and education.
- > A tracer study of the recipients of Australian Development Scholarships and Australian Regional Development Scholarships was completed in December 2008. The study concluded that scholarships have contributed to the development of human resources, which contributes to Tonga's long-term development, particularly in the initial years following their completion of studies. Key findings from the study follow.
 - Each year around 10–14 tertiary-trained Tongans return to their home country on the completion of their scholarships.

- Eighty per cent of the scholarship alumni surveyed indicated that their fields of study were highly relevant to Tonga's development needs.
- Eighty-seven per cent indicated their studies was highly relevant to their jobs, with the majority of those surveyed having had their skills recognised through promotions, increased responsibility or finding work.
- About 92 per cent of those surveyed had no difficulties in finding work after completing their award studies.
- Nine per cent of those surveyed were working in private sector organisations supporting economic growth and 40 per cent were in the public sector providing services to the community, especially in education and health. Almost 80 per cent are employed in middle management, professional or more senior roles.
- A significant proportion of the surveyed alumni had used their skills and knowledge to the benefit of civic society, predominantly in church-related activities.
- > A pilot Distance Education Scholarship Program offered scholarships to 12 students in 2008. However, overall program outcomes have been less than satisfactory. Only four students had successfully completed their studies since the program began—representing a completion rate of only 19 per cent.
- > Thirty-three trainees successfully completed training under the Australia–Pacific Technical College program in 2008, with the majority of trainees undertaking studies in commercial cookery and tourism.

Health

- > The surgeons and anaesthetist provided under **PACTAM** continue to play a key role in providing essential surgical services as well as preventive and curative health services. The surgical program also provided an essential training for Tongan surgical registrars.
- > The **Pacific Regional HIV Program** has built the capacity of a number of civil society organisations in Tonga to raise awareness on HIV and sexually transmitted infections (STI) and helped Tonga to finalise its second National HIV and STI Strategy. The transition of the program to management by the Secretariat of the Pacific Community was welcomed. The regional **sexual and reproductive health program** also provides funding to the Family Health Association of Tonga through the International Planned Parenthood Federation. The association is well respected in Tonga for delivering confidential family planning and STI services. Work in this area is seen as important, given the reported high prevalence of STI in Tonga.¹⁶
- > The **Pacific Regional Non-Communicable Disease Program**, which is being jointly implemented by the Secretariat of the Pacific Community and the World Health Organization, aims to tackle the growing challenge of lifestyle diseases, such as diabetes and heart disease, which place a significant strain on the health system. The program experienced some substantial start-up delays in 2008. But Tonga has now selected a chief executive officer for the Health Promotion Foundation, which should greatly improve progress. The Government of Tonga is contributing TS\$300 000 a year to the program. Given the priority the Partnership for Development will place on preventing non-communicable diseases, it is important that Australian support is commensurate with Tonga's own emphasis in this area.

¹⁶ For example, a study in 2005 found that approximately 1 on 7 post-natal mothers had Chlamydia.

This is likely to require substantially greater funding than is presently available to Tonga through the regional non-communicable diseases initiative.

- > The **Solid Waste Management Project**, which ended in December 2008, contributed to better service delivery to more than 12 000 households and 500 commercial businesses in Tongatapu. The project delivered benefits for health, the environment, tourism and private businesses. It built a waste management site, developed a universal waste collection system, provided public bins in the main Nuku'alofa business and tourist areas, and increased recycling and composting. The result is a cleaner environment, with less leachate entering the sea and lagoon areas, and less air pollution as households no longer need to burn rubbish. However, further assistance is required to ensure that the services can be sustained. What is needed is a viable use-pays system, and better revenue collection and management. AusAID is continuing to provide support through an extension of the project to 2010 with the aim of building a sustainable business model.

Challenges

Education sector

Technical and vocational education will be a priority of the Australia–Tonga Partnership for Development. AusAID and NZAID are jointly developing a TVET program, which will help to strengthen practical training to better prepare graduates for employment. To reduce the administrative burden for Tonga, options for delegating responsibilities are being considered by the donors.

While **primary school** enrolment rates in Tonga are relatively high, the quality and affordability of primary education continue to be two of the biggest constraints in the education sector. Considerable inequities also exist between government and non-government schools, and between rural and urban areas. Accordingly, AusAID plans to work across the sector to ensure that these issues are addressed at the sectoral level.

A key challenge for the **scholarship programs** is ensuring that there is better alignment of the overall priorities of the Government of Tonga, the AusAID program and the scholarship awards. It is hoped that this will be addressed in the next round of awards, with earlier agreement with the Government of Tonga on priorities.

The pilot **Distance Education Scholarship Program** aims to overcome some of the challenges faced by students when they study overseas (for example, being separated from family). While the program is relatively low cost compared with other scholarship programs, very low completion rates (19 per cent to date) call into question the efficacy of the program. Reasons for the high drop-out rate include work, family commitments, and the lack of support, motivation and learning associated with distance learning. The program will be reviewed in 2009 to determine whether it should be continued.

A mid-term review found that in a short space of time the **Australia–Pacific Technical College** had found a unique and respected niche at the middle-to-top end of the regional vocational skills supply chain by providing quality-assured Australian training that meets productivity demands and bridges the gap between national and international standards. The Tongan representative on the college's advisory group is keen to see greater access to the college for Tongans, preferably through training in Tonga. A joint venture with the government-owned Dateline Hotel was suggested. Tonga (along with Kiribati and Vanuatu) has the highest proportion of female applicants to the college (37 per cent or more).

The mid-term review, while noting the enthusiasm for the Australia–Pacific Technical College from a wide range of stakeholders, also noted the concerns of key employer groups in Tonga about the need for better trainee selection processes that ensured employers are well informed. Employers also advised that more funding should be invested in improving the local Ahopanilolo Technical College. The training schools of the Australia–Pacific Technical College are discussing improved recruitment practices with employers and recognise that careful management is required to ensure that local partners feel they, as well as individual students, are benefiting from the partnership. AusAID also recognises that more work is required to articulate the connections between the Australia–Pacific Technical College and the broader program of support for TVET regionally and in Tonga specifically.

Health sector

The Government of Tonga remains committed to providing a high level of health services for Tonga. However, high staff turnover remains an enormous challenge, with many doctors, nurses, health technicians and health administrators leaving for overseas job opportunities. As a result, the capacity of the sector needs to be supplemented. PACTAM is continuing to play a key role in helping to overcome the critical human resource shortages. However, the mechanism can sometimes work against its own objectives. For example, the only trained Tonga anaesthetist recently accepted a PACTAM contract in Nauru, which meant a replacement needed to be identified for Tonga. The new AusAID-supported health program being developed is expected to assist Tonga in analysing its workforce issues, but it is recognised that there will continue to be high labour mobility in the sector. Australia's support through scholarships and technical and vocational education will play a key role in addressing this challenge.

As in much of the Pacific and Australia, **non-communicable diseases** are the most serious and growing health problem. There will continue to be a bulge in the incidence of these diseases until the prevention and health-promotion activities take effect. Progress in this area has been very slow, and innovative approaches will be required to address this growing challenge. It will be important for bilateral and regional programs to be closely integrated in this area.

The **Solid Waste Management Project** was intended to establish a self-funding waste authority based on a user-pays system. However, Waste Authority Limited is not yet raising sufficient revenue to cover basic operating costs. Even if the authority meets current revenue targets, this is projected to cover only around half of its operational costs. A further complication is that the 15 per cent consumption tax is levied on invoices, yet only 10 per cent of invoice payments have been received to date. The payment defaults have created serious cash flow problems, which could expose the project to failure. AusAID has been discussing with the Government of Tonga the option of the government providing the program with tax breaks until the authority is making a profit. This is needed to prevent future aid funds from effectively subsidising Tonga's taxation.

Estimated expenditure

The estimated expenditure for investing in people through improved service delivery in 2008 is A\$3.253 million, which represents around 26 per cent of the 2007–08 and 2008–09 bilateral allocations for Tonga.

Other regional activities

Australia supports several regional activities that do not directly contribute to the draft strategy's objectives, but do make an important contribution to Tonga's development.

The **Sea Level Climate Change and Monitoring Project** of the Pacific Islands Applied Geoscience Commission (SOPAC) and the **Climate Prediction Project** of the Pacific Regional Environment Programme (SPREP) have provided the Government of Tonga with good data on the extent of climatic problems, which are being used to prioritise its response. AusAID's **Pacific Regional Persistent Organic Pollutants Project** has contributed to a cleaner environment by helping Tonga to effectively identify and safely dispose of all such pollutants. The support of both SOPAC and SPREP in the areas of climate change and environment has been welcomed by the Ministry of Environment. Adaptation activities are a high priority for the Government of Tonga. However, limited funding and the substantial cost of mitigating coastal erosion (particularly landfill) represent major constraints.

Renewable energy is another priority area, given Tonga's substantial reliance on oil. Other donors, including the Japan International Cooperation Agency and the European Union, are providing support in this area.

The **National Action Plan Implementation Facility** and the Pacific-focused **Integrated Disaster Risk Management Project** (which commenced in 2008) are helping Tonga to better plan for and respond to disasters at the national and community levels.

The **Regional Statistics Program** has provided technical assistance to support Tonga's Household Income and Expenditure Survey and to develop the national census. According to the Statistics Department, the support from the Secretariat of the Pacific Community has been both timely and effective.

What is the quality of AusAID activities?

Overview

AusAID requires each program to rate the progress of selected initiatives against four quality-at-implementation criteria—implementation progress, achieving objectives, monitoring and evaluation, and sustainability. AusAID aims to have an overall quality rating of ‘satisfactory’ for 75 per cent of initiatives.

In broad terms, in 2008 six of the seven assessed initiatives were rated as making satisfactory progress in implementation and towards their objectives—some performed very well (Table 2). Five of the initiatives were rated as satisfactory for their monitoring and evaluation and for their likelihood of producing sustainable outcomes. Four initiatives had an unsatisfactory rating in at least one of the quality-at-implementation criteria and all needed work in some aspect.

Some of the crosscutting issues evident from the quality-at-implementation review are now considered.

Table 2: Quality at implementation of 7 initiatives in the Tonga aid program in 2008

Initiative	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability
Pacific Technical Assistance Mechanism	5	5	4	3
Tonga–Australia Performance Partnership Agreement	4	6	4	5
Business Recovery Facility	4	4	4	5
Australian Development Scholarships	5	4	5	4
Australian Regional Development Scholarships	4	5	3	4
Distance Education Scholarship Program	3	2	3	4
Tonga Community Development Scheme	4	4	4	3
Total no. of initiatives rated	7	7	7	7
No. of initiatives rated satisfactory (rated 4, 5 or 6)	6	6	5	5
Proportion of total	86%	86%	71%	71%
No. of initiatives needing work (rated 1–4)	5	4	6	5
Proportion of total	71%	57%	86%	71%
Number of high-performing activities (rated 5 or 6)	2	3	1	2
Proportion of total	29%	43%	14%	29%

Definitions of rating scale

Satisfactory (4, 5 and 6)

6	Very high quality
5	Good quality
4	Adequate quality; needs some work to improve

Less than satisfactory (1, 2 and 3)

3	Less than adequate quality; needs significant work
2	Poor quality; needs major work to improve
1	Very poor quality; needs major overhaul

Monitoring and evaluation

Monitoring and evaluation is an area that continues to need improvement across the Tonga program of assistance. For some activities, the links between reported results and their objectives are weak. This makes it difficult to conduct a robust assessment of their contribution to Tonga's strategic objectives. Few assessments are made of the extent to which technical assistance is used in line positions or to build capacity (although it is recognised that some in-line assistance is necessary). It was noted that the Government of Tonga plans to introduce more rigorous performance management of technical assistance. Performance information was generally better where recent evaluations had been conducted (for example, the tracer study of recipients of Australian Development Scholarships). As initiatives are mobilised in line with the Australia–Tonga Partnership for Development, they will benefit from regular and independent evaluations of their outcomes.

AusAID will ensure that the designs of new activities in health and in technical and vocational education will include monitoring and evaluation as essential elements. AusAID is also actively engaged with other donors to improve management oversight and the monitoring and evaluation of economic and public sector management activities. Tonga's Expenditure Review Committee, with its role in budget development and quarterly reporting linked to annual work plans, provides a good mechanism to link donor monitoring and evaluation to Tongan systems. Tonga's new National Strategic Planning Framework (which replaced Strategic Development Plan Eight) also plans to link corporate plans more closely to development plans. Changes to the portfolio of assistance under the Partnership for Development will provide an opportunity to foster a greater focus on performance management from the Government of Tonga. This will also be a challenge as it will mean working to strengthen national performance management systems but will ultimately result in improved monitoring and evaluation in Tonga.

Sustainability

The quality-at-implementation ratings identified the sustainability of results and outcomes as one of the key problems of the existing program of support. Both high staff turnover and funding constraints were identified as major sustainability issues in some projects. With respect to staffing, emigration is a major reason for the high turnover, and capacity building is difficult when talented personnel take up better paid positions overseas. To address funding constraints, the Government of Tonga is increasing revenue, but salary increases in the 2002 budget and the 70 per cent average increase in 2006 (despite resulting redundancies) continue to constrain the government's budget.

In some cases, sustainability is not an explicit aim of assistance (for example, in-line technical advisers). In these cases, the benefits of supplementing capacity should be identified. For example, the Government of Tonga has a very longstanding tradition (dating back to the 1800s) of engaging international in-line judges to help ensure independence of the judiciary. The government has also effectively used international in-line technical assistance to achieve reforms that would otherwise be difficult to progress due to strong social and political hierarchies. The quality-at-implementation ratings on sustainability prospects need to be viewed within the wider context.

Donor harmonisation and the Paris agenda

The 2007 Joint Declaration on Aid Effectiveness between the Government of Tonga and development partners (Australia, New Zealand, the Asian Development Bank and the World Bank) established an implementation strategy for development assistance based on the Paris Principles on Aid Effectiveness. In 2008 AusAID and NZAID took significant steps to effect the agreement. The two agencies now work closely in the areas of scholarships, education, technical and vocational training, civil society, justice and police, developing joint programs in many of these areas. The Japan International Cooperation Agency has also been coordinating well at the project level. A Donor Harmonisation Coordinator, funded with AusAID assistance, supports the Aid Management Division within the Ministry of Finance and Planning in strengthening donor coordination.

What management actions are required based on this assessment?

Focus of the Partnership for Development

The objectives of the draft cooperation strategy are very broad and there is a need for more realistic and measurable performance indicators. Attention also needs to be given to scaling up support and strengthening links with regional programs. These issues are being addressed in the Australia–Tonga Partnership for Development. The Partnership for Development will focus on fewer areas of support and give more attention to managing for results.

Suitability of the activities to meet the objectives of the agreed priority areas in the Partnership for Development

Work is already under way to introduce new assistance, phase out some activities, and reshape the existing program of assistance to Tonga in order to better align it with the objectives identified in the Partnership for Development. The overarching aim is to improve the targeting and effectiveness of the aid program. The following areas will receive the core of AusAID support.

- > A significant new **health** program will build on the successes of the previous program in health management and administration, but have an expanded focus on service delivery. Health assistance will also have a particular focus on non-communicable diseases and improving community health services. The Pacific Regional Non-Communicable Disease Program (with support from the Secretariat of the Pacific Community and the World Health Organization) will be monitored closely to ensure that it is the most effective means of delivering support to fight these diseases.
- > A new **technical and vocational education and training program** to increase employment opportunities and meet workforce demands is expected to begin implementation in August 2009. It has been recognised that, to improve human capacity and employment outcomes, the whole education sector must be improved. As a result AusAID will remain engaged with the Tonga Education Support Program, and initially focus on teacher in-service training. This program will continue to be supported by other donors to reduce the administrative burden on AusAID and Tonga, with AusAID maintaining engagement at the policy level.
- > **Infrastructure** is a new priority area for AusAID. Through the Pacific Regional Infrastructure Facility, AusAID intends to become a financing partner with the Asian Development Bank and the World Bank. Although both banks have programs in Tonga, AusAID must ensure they are in a position to scale up support. In response to the global recession, road maintenance features as an early priority (and will focus on helping the Government of Tonga to maintain its own program, which is experiencing budget shortfalls due to the recession).

- > Building on the success of the Tonga–Australia Performance Partnership Agreement, a program will be retained to improve the efficiency and effectiveness of the **public sector**. The Partnership for Development dialogue will assist in setting the strategic objectives for this assistance. The Asian Development Bank, NZAID and AusAID will continue to work with the Government of Tonga to improve coordination, management arrangements and monitoring and evaluation in the sector. The Regional Pacific Public Sector Capacity Building Program will need to be integrated into the bilateral program of support.

In addition, there will be a continuation of some crosscutting programs.

- > The objectives of the **scholarships programs** will be more tightly defined to support the objectives of the Partnership for Development.
- > **Political reform** will continue to require support, and Australia will remain actively engaged and provide support as required.
- > The strengthening of **civil society** complements the agendas for political reform and governance. AusAID will continue to work with NZAID to build the capacity of civil society organisations through the Civil Society Forum of Tonga.

The **law and justice sector** was recognised in the partnership as a possible future outcomes area. Australia will continue to support the judiciary and maintain its commitment to the Anti-Corruption Commission. The relatively new tripartite program in policing represents a major investment in the law and justice sector.

The **Solid Waste Management Project** could also be built on to address solid waste management on the outer islands and develop a sewage management system, including septic tanks. AusAID will look to the World Bank and the Asian Development Bank as key implementing partners in this area. Irrespective of the expansion to outer islands, the focus in the short to medium term will remain on making the new waste authority in Tongatapu sustainable.

To ensure that sufficient resources are allocated to the priority sectors in the Partnership for Development, there are some programs that will need to be wound down or that will not be renewed when they end, such as the Business Recovery Facility and the Private Sector Reconstruction Facility (both scheduled to end in 2009). The review of both facilities in April 2009 will provide the information for making decisions.

Forms of aid

More than a quarter of the Tonga aid program is in the form of technical assistance or top-up salaries to bring in change agents or to maintain the integrity of institutions (such as the judiciary). The solid waste project, police support and health activities, for example, also include components of technical assistance. This reflects the critical limits to staffing capacity in Tonga as a result of the high staff turnover, as well as the need to bring in external drivers of reform, and is considered a reasonable proportion of the aid program. An ongoing challenge is ensuring that technical assistance continues to support, and is well linked to, broader program objectives.

In the future the Tonga program will provide more sector-wide support and cooperate more closely with other donors. As much as possible, future assistance to the health and education sectors will use government planning and financial systems, while ensuring adequate accountability.

Scaling up support

Opportunities

There are opportunities for scaling up support in the priority areas of the Australia–Tonga Partnership for Development (Table 3). In 2008 effort was put into developing new program approaches that can be scaled up easily, depending on performance and available funding. The priority areas include:

- > the public sector's efficiency and effectiveness
- > health, where the newly designed program can easily be expanded and respond to emerging priorities, particularly in relation to non-communicable diseases
- > education, where the focus is on TVET but with acknowledgement that its success depends on the feeder education system, which will lead AusAID to engage with the education sector on issues such as whole-of-sector financing and to fund some design work with the potential to expand into basic education in 2010–11
- > infrastructure, where AusAID will become a financing partner with the World Bank and the Asian Development Bank through the Pacific Regional Infrastructure Facility and an increase in support will depend on performance and the capacity of the implementing partners.

In addition, other regional initiatives in, for example, leadership, climate change, and water supply and sanitation provide opportunities for increasing support outside of the partnership's priorities.

Table 3: Expectations of progress towards the objectives of the Australia–Tonga Partnership for Development in 2009–10

Objective	Expectations
Objective 1: Improved public sector efficiency and effectiveness	<p>Closely monitor potential impacts of the global financial crisis on the economy and remittances.</p> <p>Work with donor partners and the Government of Tonga to establish a realistic work plan with indicators for improved economic and public sector management, and the mechanism for monitoring and evaluation.</p> <p>Continue to use the incentive program to promote reform.</p> <p>Improve public awareness of the Anti-Corruption Commission and its role in reducing corruption and increasing integrity.</p>
Objective 2: Technical and vocational education	<p>Finalise the design and mobilise a new program of support for technical and vocational education, including moving delegated responsibility from NZAID to AusAID.</p> <p>Work with Tonga and other donors to develop policy dialogue on the whole of education—from basic education to post-secondary education.</p> <p>Sponsor a public expenditure review of the education sector.</p> <p>Work with the World Bank and NZAID to develop arrangements to join the Tonga Education Support Program with minimal resource costs to both AusAID and Tonga.</p>
Objective 3: Improving health	<p>Finalise the design and mobilise a new program of support in the health sector.</p> <p>Ensure there is a sufficient level of policy dialogue and input from AusAID to meet the objectives and targets.</p> <p>Monitor the Regional Non-Communicable Disease Program to ensure that it is an effective delivery mechanism.</p> <p>Continue to encourage donor coordination in the health sector.</p> <p>Align the scholarship programs to the Ministry of Health's workforce plans.</p>
Objective 4: Infrastructure—improving access to markets and services	<p>Through the Pacific Regional Infrastructure Facility, develop financing arrangements with the Asian Development Bank and the World Bank to meet the facility's objectives.</p> <p>Develop an engagement mechanism in Tonga to discuss overall policy directions.</p> <p>Work with the Asian Development Bank and Tonga to develop a road maintenance program as a response to the global recession.</p>

Challenges

AusAID's Nuku'alofa Post is a small office and cannot manage a wide range of initiatives. The initiatives being mobilised in 2009 will require a greater focus on policy engagement. Continued investments are needed to build the skills of overseas-based staff to support the transition to greater interaction with the Government of Tonga on policy. Support from the AusAID's thematic areas or other policy advisers will also be essential. The staff at Nuku'alofa Post require policy mentors in the program sectors and long-term advisers in order to maintain consistent policy dialogue and engagement with the Government of Tonga. The long-term nature of this engagement must be stressed, as policy dialogue improves only as trust is built and this takes time. AusAID's Pacific Branch recently engaged an education adviser, who has already proved to be a valuable resource, as has the public expenditure management adviser. The team in Canberra that is working with the Pacific Regional Infrastructure Facility is also providing strong support. The next priority for the post is to develop a team of support for the health program.

Reviews and evaluations

To continue to improve the quality of the Tonga aid program, the following reviews will take place in 2009:

- > six-monthly reviews of the early stages of the health and TVET programs
- > a review of in-line technical assistance to assess its effectiveness and whether it is well linked to program objectives
- > a review of the Business Recovery Facility and the Private Sector Reconstruction Facility in April 2009.

Response to the global recession

AusAID will continue to work with the Department of Foreign Affairs and Trade, donor partners and Tonga to monitor the impacts of the global economic recession. AusAID has placed advisers in the Ministry of Finance and Planning and the National Reserve Bank of Tonga to assist Tonga to monitor and analyse the impacts.

To mitigate the impacts of the global recession, AusAID intends to finance a new road maintenance program, which is being developed by the Government of Tonga with the assistance of the Asian Development Bank through the Private Sector Development Initiative. AusAID financing will provide certainty of funds, which will allow private sector participation and increases in road maintenance and provide local employment opportunities. There are also options in the basic education and health sectors that can be explored later in 2009–10 if required.