



Aid Program Performance Report 2012–13 Tonga

Key messages

This Aid Program Performance Report summarises the Australian aid program's progress in Tonga from January 2012 to June 2013.

Key findings include:

- > Throughout 2012 and into 2013 Australian assistance significantly contributed to the important reform efforts underway in Tonga. Australian-led donor coordination around the Joint Policy Reform Matrix¹ has influenced good budgetary choices, alongside substantive assistance to enable the restructure of the public service.
- > Momentum increased across the program in 2012 (after some well-documented difficulties with parts of the program in 2011) and a solid basis is now established upon which to make significant achievements under the Partnership for Development² objectives. The health program is gaining traction, for example. Implementation on infrastructure is moving faster and the new interim facility for technical and vocational training is designed. A long-term program of support in the education sector is also designed and was agreed between the governments of Australia, Tonga and New Zealand in early 2013, helping to achieve better quality education for primary school-aged children. A new four-year framework for Australia's support to economic and public sector reform in Tonga was also developed. Risk management systems across the Tonga aid program were strengthened

Context

Economy

Although real economic growth in Tonga has been slow for the past decade, there has been some temporary improvement in the past four years, with an average of 2.6 per cent growth.³ The primary driver of growth has been donor-funded construction. This driver, however, has been a short-term panacea for Tonga's economy, which is expected to grow at a much slower rate. Contributing to this is the ongoing decline in the remittance flows that have traditionally propped up the economy.⁴ Falling levels of remittances, coupled with unfavourable exchange rates caused by the Tongan currency appreciating against the United States dollar, have seen remittances steadily decline.⁵ Growth prospects are limited, with a small private sector unlikely to grow in the short to medium term. Labour mobility is becoming an increasingly

¹ The donors who work with the Government of Tonga to progress the Joint Policy Reform Matrix through the Budget Support Committee are Australia, Asian Development Bank, European Union and World Bank.

² The *Australia–Tonga Partnership for Development* guides Australian aid to Tonga, establishing shared goals that aim to raise the standard of living and quality of life for the people of Tonga. The partnership was signed by the prime ministers of both countries in August 2009. <http://aid.dfat.gov.au/countries/pacific/partnership/Pages/tonga.aspx>.

³ Government of Tonga, Draft Budget Statement 2013–2014, *Continuing to create opportunities by building on inclusive sustainable growth*, June 2013, p. 42.

⁴ In 2008—the peak of remittance flows—remittances accounted for around 30 per cent of gross domestic product.

⁵ Government of Tonga, Budget Statement 2012–2013, *Creating Opportunity in Extraordinary Times*, June 2012, p. 47

important policy focus for the Government of Tonga given the challenges in the domestic economy and the decline in remittances. Tourism remains a potential growth sector, with the Government of Tonga identifying it as one of its priority sectors for strengthening collaboration between government and the private sector. The government remains realistic about the need to differentiate Tonga from other tourism destinations in the Pacific region and the infrastructure and service improvements required to support a vibrant tourism industry.⁶ The recently established Tonga Tourist Authority is expected to work closely with the private sector to undertake international marketing and promotional activities, and international donor funding is supporting the government in this endeavour.⁷

The project partners anticipate that Tonga's connection to the Southern Cross cable⁸, expected in August 2013, will mitigate some of the isolation and other constraints to economic development by improving access to and providing more affordable telecommunications, especially high-speed (broadband) Internet. This will enable Tonga to pursue new economic opportunities, domestically and internationally, and new avenues for service delivery. Affordable high-speed Internet services will also help Tongans maintain social connections with relatives living abroad, and facilitate cheaper, easier ways for those living abroad to remit money home. The high-speed Internet connection to Tonga builds on the country's successful telecommunications reform over the past decade, supported by Australia and World Bank assistance. This work has resulted in a six-fold increase in mobile phone coverage in the same period.⁹

Notwithstanding these areas of future promise for the economy, the Government of Tonga's fiscal difficulties limit its ability to fund service delivery to its people. Tonga's economy is highly centralised with a significant proportion of the national budget allocated to wages and salaries. This leaves little funding for maintenance and development. The government's tight fiscal position is exacerbated by pending payments to service its external debt. Tonga's external debt at 30 June 2013 was estimated at 39 per cent of gross domestic product¹⁰, down from 41 per cent at 30 June 2012.¹¹ This debt was largely used to fund the reconstruction of Nuku'alofa after the 2006 riots¹², during which much of the city was burnt down. In June 2013, the International Monetary Fund downgraded Tonga's debt distress rating to moderate, reflecting improvements in the policy environment and that no further debt had been taken on in recent years. Tonga continues to maintain its 'no new debt' policy, showing its commitment to fiscal responsibility and the effectiveness of policy discussion between the government and donors.

⁶ Ibid, p. 58.

⁷ New Zealand's aid program, through the Tonga Tourism Support Programme, is seeking to boost economic growth by increasing income and generating jobs. Jointly delivered by the public and private sector, the program includes: implementing a national destination marketing plan; raising accommodation standards; developing and managing key heritage and cultural sites; building research capacity; supporting local tourism initiatives; and supporting private sector coordination. <http://www.aid.govt.nz/where-we-work/pacific/tonga>. Accessed 15 May 2013.

⁸ The connection to the Southern Cross Cable, through an undersea fiber optic cable, is jointly funded by the Government of Tonga, the Asian Development Bank and the World Bank. <http://www.adb.org/projects/44172-022/details>. Accessed 15 May 2013.

⁹ Tonga was the first country in the Pacific to liberalise its telecommunications sector. Since 2002, access to basic telecommunications has increased significantly. Mobile teledensity, at about 60 per cent, is among the highest in the region; and local and international call tariffs are among the lowest in the Pacific. <http://www.adb.org/projects/44172-022/details>. Accessed 15 May 2013.

¹⁰ Government of Tonga, Draft Budget Statement 2013–2014, *Continuing to create opportunities by building on inclusive sustainable growth*, June 2013, p. 46.

¹¹ Government of Tonga, Budget Statement 2012–2013, *Creating Opportunity in Extraordinary Times*, June 2012, p. 123.

¹² International Monetary Fund 2012, *Staff Report for the 2012 Article IV consultation – debt sustainability analysis*. 1 May 2012. <http://www.imf.org/external/pubs/ft/dsa/pdf/2012/dsacr12166.pdf>, p. 2. Accessed 2 August 2013

The Government of Tonga is responding to its economic challenges by pursuing a policy of prudent fiscal management and sustainable financial and debt management, despite the challenging conditions it faces domestically and globally. A commitment to improving the quality of expenditure through more effective delivery of core services, while redirecting resources from non-priority to priority sectors to stimulate domestic economic activities and achieve more rapid sustainable inclusive growth, is at the heart of the government's 2012–13 Budget Statement. Budget support from development partners has helped maintain the desirable level of government expenditure and encourage productive reform. It is also helping Tonga set a course towards fiscal consolidation and ongoing macroeconomic stability so over the longer term the country can live within its fiscal means.

In this context Australia continues to assist Tonga to mitigate the fiscal gap in its national budget and ensure services are delivered. Aid also supports government reform objectives of fiscal consolidation, state-owned enterprise reform and private sector development. Australian funds are released only when Tonga achieves mutually agreed annual reform benchmarks. Budget support is earmarked to funding health and education worker salaries, expenditure that is appropriated in Tonga's budget. At the same time, Australia supports economic and public sector reforms to assist the government to realise its macroeconomic objectives.

Politics and public service

The restructure of the Tonga public service in July 2012 was a major reform outcome, resulting in a reduction from 26 to 13 ministries. The restructure was undertaken to develop an efficient, effective and affordable government service. Australia's aid program supported the restructure process and continues to provide ongoing support at individual ministry level, to effect positive changes in service delivery and improvements in people's lives. However, expectations about the performance of the newly restructured public service to deliver improved services need to remain realistic.

Tonga's nascent democratic processes continue to evolve. On 8 October 2012, its Parliament voted on its first-ever motion of no confidence in a Prime Minister.¹³ The parliamentary vote came after considerable consideration by the Legislative Assembly of the legal requirements for the vote of no confidence, since no precedent had been set. This is just one example of the telling problems Tonga will face as a new democracy.

In partnership with the United Nations Development Programme, the Australian Agency for International Development (AusAID), which was formerly the Australian Government's main agency for implementing its aid program, worked on developing a new program (the Tonga Governance Strengthening Program) to strengthen Tonga's fledgling democracy. This new program is: strengthening the Legislative Assembly's oversight, representative and legislative functions; increasing participation of civil society organisations, education providers and communities in governance and oversight processes; and enhancing the Tongan Electoral Commission's ability to conduct free and fair elections.

Development situation

Absolute poverty, as defined by global measures, is very low in Tonga. However, around one-quarter¹⁴ of Tongan households experience a level of poverty which makes it difficult to regularly meet the full range of basic needs. This hardship is most keenly felt among those

¹³ The motion against the Prime Minister, Lord Tu'ivakano, was defeated by a narrow margin of 13 to 11.

¹⁴ Government of Tonga, Department of Statistics (2009). Data presented in a 2009 social protection issues paper prepared for the government's Ministry of Finance and National Planning.

living in outer islands, in families with no or limited access to remittances, in families without a member who is regularly employed, by recent migrants to urban centres, and by people with disability. Stagnant economic growth over a number of years means employment options are very limited. The public service, the country's main employer, is subject to a recruitment freeze as part of efforts to control the public sector wage bill.¹⁵ The lack of employment, combined with declining remittances and increasing living costs, threatens to push even more families into poverty.

While Tonga has already achieved high standards against many Millennium Development Goals (MDGs) (Table 1), the quality of education remains a concern as does low employment prospects, particularly for young people. Tonga also faces serious health challenges. Non-communicable diseases (NCDs) have reached epidemic proportions over the last 20 years and are responsible for four of the five most common causes of mortality (diabetes, heart disease, stroke and lung disease). Hospitalisation related to NCDs accounts for around 20 per cent of health expenditure.¹⁶ The importance of addressing NCDs is reflected in Tonga's Strategic Development Framework and, in recognition of the seriousness of this development issue, Tonga created its own country-specific MDG sub-goal 6c: Have halted by 2015, and begun to reverse, the incidence of NCDs.

Table 1: Status of Millennium Development Goals progress in Tonga¹⁷




MDG	Status	Indicator	Status	Indicator	Status
1. Eradicate extreme poverty and hunger	Amber	Population below food poverty line: 2% (2009)	Green	Population below Tonga's basic needs poverty line: 22.5% (2009)	Red
2. Achieve universal primary education	Green	Net enrolment rate in primary education: 93% (2008)	Green	Literacy rate of 15 to 24 year olds: 99.4% (2006)	Green
3. Promote gender equality and empower women	Red	Ratio of girls-to-boys in primary education: 0.88 (2008); secondary education 0.97 (2009)	Green	Proportion of seats held by women in Parliament: 3.6% (2011)	Red
4. Reduce child mortality	Green	Under-five mortality per 1000 live births: 22.4 (2009)	Green	1-year-olds immunised against measles: 99.4% (2009)	Green
5. Improve maternal health	Green	Maternal mortality per 100 000 births: 37.1 (2010)	Green	Skilled birth attendance: 99.0% (2010)	Green
6. Combat HIV/AIDS, malaria and other diseases	Green	Condom use at last high-risk sex: 21.1% (2008)	Amber	Tuberculosis cure rate under Directly Observed Therapy: 83% (2009)	Green
7. Ensure environmental sustainability	Green	Percentage of population using an improved drinking water source: 98% (2006)	Green	Percentage of population using an improved sanitation facility: 82% (2006)	Green

¹⁵ However, high priority technical posts were able to be recruited subject to approval from central agencies.

¹⁶ AusAID, *Independent Progress Report of the Tonga Health Systems Support Program*, April 2013.

¹⁷ This table does not include information on MDG 8 which focuses on commitments at the global level to assist developing countries.

Note:

-  The MDG is on track (likely to meet the target).
-  The MDG is of concern (limited data/ progressing too slowly but could reach target with extra effort and resources)
-  The MDG is off track (highly unlikely to meet the target).

Source: Pacific Islands Forum Secretariat, 2012 *Pacific Regional MDG Tracking Report*, 2012.

The World Health Organization's 2004 STEPwise approach to surveillance (STEPS) survey found that women have higher rates of obesity than do men in Tonga, and have lower levels of physical activity. Tonga's 2006 Census report found that men experienced higher rates of smoking than did women. Youth unemployment (15 to 24 years of age) accounts for 54 per cent of male unemployment and 37.4 per cent of female underemployment.¹⁸ Given the youthful demographic of Tonga, this amounts to a large absolute number of unemployed young people in a context of high literacy and educational attainment by both sexes. However, the Ministry of Education and Training maintain that girls perform better than boys in early grades.

Women feature in moderate numbers in the formal sector, although they are clustered at lower and middle levels. Based on the 2003 Labour Force Survey¹⁹, the employment participation rate of women increased from 36.1 per cent in 1990 to 52.7 per cent in 2003. However, this lags behind the men with participation rates of 74.6 per cent in 2003. Official adult unemployment levels are high, with 3.6 per cent of men and 7.4 per cent of women unemployed. Women are concentrated in handicraft production, trade and education.

Women predominate the public sector, although with a low ratio at Executive Level 1 positions—the decision-making rank. Women are progressing much faster and to higher ranks in the private sector, including in leadership of large corporations such as the Reserve Bank of Tonga, Westpac Bank of Tonga, OSB Trading and Royco Amalgamated Company.²⁰ Women with disability in Tonga experience a broad spectrum of exclusions. A recent study, for example, highlighted their exclusion from village and church activities (intensified according to impairment types, especially intellectual) and the discriminatory treatment women receive when accessing medical services.²¹ Tonga has among the lowest level of female elected-representatives globally. The pervasiveness of violence against women and girls was confirmed in the 2012 National Study on Domestic Violence against Women in Tonga²², which reported that one in three ever-partnered women experienced physical violence and 68 per cent had experienced physical violence by a person other than their partner.

Program objectives and strategy

Australia's estimated \$32 million in total official development assistance²³ to Tonga in 2012–2013 represents approximately 22 per cent of Tonga's national budget.²⁴ Australia remains Tonga's largest grant aid donor.

¹⁸ Government of Tonga, Department of Statistics, data from the 2003 Labour Force Survey and 2009 Household Income and Expenditure Survey. Published by the Statistics for Development Division, Secretariat of the Pacific Community. www.spc.int/prism/tonga/index.php/population-censuses/population-census-2011, accessed 30 June 2013

¹⁹ Government of Tonga, Department of Statistics. Published by the Statistics for Development Division, Secretariat of the Pacific Community. <http://www.spc.int/prism/tonga/index.php/surveys/labour-force-survey>, accessed 30 June 2013

²⁰ O. Guttenbeil-Likiliki (2006), *Advancing Women's Representation in Tonga*, pp. 146–7.

²¹ D. Taylor (Ed.) (2006), *Tonga National Disability Identification Survey*. Nuku'alofa, Red Cross Society and Tonga Disability Action Committee. Cited in J. Spratt. (2013), *A Deeper Silence*. Suva, United Nations Populations Fund, pp. 175–83.

²² Ma'a Fafine moe Famili Inc, 2012.

²³ Australia's contribution was made up of \$16.914 million in bilateral programs and \$16.035 million in regional/other government departments projects.

The focus of Australia's aid program remains highly relevant. It is delivered under the Australia – Tonga Partnership for Development which includes support for four priority outcomes:

- 1 more efficient and effective public sector
- 2 improved health
- 3 improved technical and vocational skills
- 4 development of infrastructure to improve the everyday lives of the people.

The Partnership for Development priorities are closely aligned to Tonga's development priorities as articulated in the Tonga Strategic Development Framework which focuses on the country's key development challenges.

In supporting these priority outcomes, Australian assistance has been responsive to changes brought about by domestically driven reforms. It has also been proactive in considering ways of providing support when results are not being achieved. For example, at the October 2012 annual partnership talks, Australia and Tonga agreed to conclude the current phase of technical and vocational training support, which was not achieving intended results²⁵, and develop new options for supporting the achievement of this priority outcome.

Also at the annual talks, the two governments agreed on new partnership implementation schedules for 2012–13, setting annual targets for health and infrastructure outcomes. It was also agreed that implementation schedules for education and skills development, and public sector and economic reform would be developed for signing at the 2013 Partnership Talks.

Throughout 2012 and the first half of 2013, Australia worked closely with implementing agencies in Tonga to develop a new four-year road map (delivery strategy) to improve coherence and effectiveness of Australia's aid for economic and public sector reforms and improved governance.

A high proportion of the Australian-managed bilateral aid program to Tonga (approximately 62 per cent) is provided directly to the government to manage through its financial management and reporting systems, with additional fiduciary safeguards where required.

²⁴ Government of Tonga, Budget Statement 2012–2013, *Creating Opportunity in Extraordinary Times*, June 2012.

²⁵ AusAID, Tonga Annual Program Performance Report 2011 for more detail.

Table 2: Development partner funding Tonga in 2012–13

Bilateral	2012–13 A\$ million	Multilateral organisation	2012–13 A\$ million
Australia	32	World Bank	44.37
China	14.23	European Union	2.52
New Zealand	14.87	Asian Development Bank	23.25
Japan	11	United Nations agencies	1.09

Note: These figures include in-kind funding, grants and loans. Figures for the World Bank and Asian Development Bank include Australian funding.

Source: Budget Statement 2012–2013: Government of Tonga *Creating Opportunity in Extraordinary Times*, June 2012.

Donor coordination

Australia fosters good donor coordination to maximise development benefits for Tonga. Australia's promotion of such efforts is particularly important in Tonga where there is a limited donor presence and the Tongan public service's ability to coordinate donors is limited by capacity and human resource constraints. Donor coordination and harmonisation have been particularly successful in economic and public sector reform sectors.

Since 2011, Australia has provided technical support to, and actively engaged in economic reform policy dialogue around, a Joint Policy Reform Matrix program negotiated on behalf of donor partners by the World Bank with the Government of Tonga. With the matrix, Australia is working alongside the Asian Development Bank, World Bank and the International Monetary Fund's Pacific Financial Technical Assistance Centre to support Tonga to strengthen its management of public finances and help it maximise the effectiveness of all of its development resources.

Throughout 2012 and continuing throughout 2013, the Joint Policy Reform Matrix has provided strategic direction for Australian engagement in the economic and financial sector and the opportunity to engage in policy discussion with the Government of Tonga. Coordination of donor support around the matrix has helped ensure momentum of the government's reform efforts.

In the infrastructure sector, Australia funds programs managed by the Asian Development Bank and World Bank. This approach allows Australia to take advantage of the knowledge and expertise of these development partners in delivering infrastructure programs across the Pacific, and recognises their good global performance as a development partner. Donor coordination has been weaker in this sector, where development partners have very different accountability and delivery methods and where Tonga has not pressed donors to coordinate effectively, particularly in the road sub-sector.

Australia is working closely with New Zealand on a joint program supporting its education system. The two countries have harmonised their scholarship programs and work together to strengthen the performance of Tongan Police through the Tonga Police Development Program.

Opportunities for coordination with China are limited for several reasons. China has a markedly different approach to development cooperation. The Government of Tonga has not maximised opportunities to promote coordination and harmonisation between China and other development partners. China is not a party to the Joint Policy Reform Matrix and appears open to further concessional loans to Tonga, which is at odds with other donor efforts to persuade Tonga to rein in its high levels of debt.

Expenditure

Financial expenditure from January 2012 through to June 2013 is reported in the tables below.

Table 3A Expenditure

Official development assistance	January– June 2012 A\$ million	June 2012–June 2013 A\$ million
Australian bilateral aid programs	10.44	17.17
Australian regional and global aid programs	12.56	11.68
Other Australian government departments	1.74 ²⁶	3.10

Source: AidWorks and annual reporting

Table 3B Expenditure 01 January 2012 to 30 June 2012

Partnership objective	A\$ million	% of bilateral program
More efficient and effective public sector	1.03	6.34
Improved health	1.91	11.75
Improved technical and vocational skills	0.05	0.28
Development of infrastructure to improve the everyday lives of the people	1.13	6.96
Major bilateral expenditure outside the partnership		
Scholarships programs	0.99	6.08
Interim education program	1.07	6.59
Performance linked aid (budget support)	5.00	30.72

Source: AidWorks

Table 3C Estimated expenditure in 2012–13

Partnership objective	A\$ million	% of bilateral program
A more efficient and effective public sector	2.61	15.69
Improved health	2.26	13.57
Improved technical and vocational skills	0.16	1.00
Development of infrastructure to improve the everyday lives of the people	2.03	12.21
Major bilateral expenditure outside the partnership		
Scholarships programs	1.56	9.37
Performance linked aid (budget support)	5.00	30.00
Interim education program—Tonga Education Support Package	1.57	9.45
Governance	1.12	6.73

Source: AidWorks

²⁶ This figure represents 50 per cent of the actual 2011–12 funding figure for other government departments.

Progress towards objectives

Overall progress toward the mutually agreed objectives of the Partnership for Development improved in 2012–13. Australia worked with the World Bank and Government of Tonga to reinvigorate progress on a major transport infrastructure program and restructured its support for technical and vocational education and training in Tonga.

Table 4 Rating of the program's progress towards the objectives

Objective	Current rating	Previous rating
More efficient and effective public sector	Green	Green
Improved health	Green	Green
Improved technical and vocational skills	Amber	Red
Development of infrastructure to improve the everyday lives of the people	Amber	Red

Note:

■ Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

■ Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

■ Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Gender equality

At the 2012 Pacific Islands Forum, Australia announced the Pacific Women Shaping Pacific Development Initiative, a 10-year commitment to increase:

- > women's participation in leadership and decision-making roles
- > economic opportunities for women through improved access to financial services and markets
- > safety for women through better services for survivors of violence, access to justice and preventing violence.

Over the reporting period, the Tonga aid program posted some substantial achievements to advance gender equality. One significant event was the national consultation on the review of the government's gender and development policy in August 2012. Another was Australia's assistance to the Regional Resource Right's Team of the Secretariat of the Pacific Community, which enabled the drafting of the proposed Family Protection Bill. The Bill, which sets out important legislative protections for women and children, is scheduled to be tabled in Tonga's Parliament in June 2013.

The country work plan for Tonga to participate in the Pacific Women Shaping Pacific Development Initiative has been developed and is awaiting endorsement by the Government of Tonga soon. As part of developing the country work plan, the Australian aid program undertook gender analysis across the Tonga program. This identified the need for a more consistent and articulated approach to ensure gender equality and women's empowerment opportunities are consistently pursued across Australia's aid program. The analysis also identified opportunities for people living with disability to more effectively participate in and benefit from Australia's aid program in Tonga. The Gender Country Plan will set targets for activities in each of the aid program's sectors. It will also provide specialist technical assistance to improve gender and disability outcomes across the program.

Priority outcome 1: More efficient and effective public sector

Rating and assessment


 Green: The objective will be fully achieved within the timeframe of the partnership.

Table 5: Partnership for Development—a more efficient and effective public sector

Aim: To support the Government of Tonga to ensure that policies and programs are fiscally sustainable, strategically targeted on core development priorities, and implemented in the most cost-effective manner. This is pursued through the strengthening of the public sector in policy formulation and implementation, and public financial and economic management.

Partnership targets for 2015	Progress
Not specifically defined beyond the first year of the Partnership for Development. Targets to be updated at the 2013 Partnership for Development Talks.	N/A

Strengthening the public sector

Australian technical assistance for public and economic reform contributed to the successful restructure of the Government of Tonga's public service (July 2012). Australia's support provided stability and guidance through the transition and specific assistance to the Ministry of Finance and National Planning, and the Public Service Commission, to lead reform during this critical time. For example, support for the Joint Policy Reform Matrix (by providing incentivised performance-linked aid in the form of sector-based budget support) ensured the Government of Tonga imposed a hiring freeze before implementing the restructure and centralised control over hiring during the restructure. This contributed to effective human resource reallocation, without unnecessary recourse to additional hiring. Australian assistance also supported line ministries prepare for organisational change through consistent training in human resource management, leadership and good governance.

The systems and processes underpinning central agencies have improved. For example a new corporate planning template was rolled out across all agencies, and ministries are supported to improve human resource service efficiency. Public access to government procurement regulations, guidelines, tender documents and procurement tools is available through the Ministry of Finance and National Planning's website.

However, the sustainability of these substantial public service changes will be challenged in the coming years by: revenue limitations resulting from Tonga's ongoing economic difficulties; Tonga's very high emigration rates; the relatively small number of public servants available to provide a vast range of services; and the lack of long-term, human resources planning in the public service. More support is needed in these areas to consolidate gains.

Economic and fiscal reform

Australia's assistance in this area focused on support for the Joint Policy Reform Matrix of economic and fiscal reform initiatives, agreed between the Government of Tonga and donor partners in 2011. In 2012–2013, long-term, Australian-funded technical assistance and funding directly supported Tonga to achieve a number of the priority reforms identified in the matrix. Notable achievements include:

- > improved budget reporting and transparency
- > introduced Treasury Single Account
- > strengthened management of the wage bill
- > improved transparency of the costs of tax exemptions

- > policy decisions implemented for a new natural resource tax regime and presumptive tax for small business
- > strengthened petroleum sector regulations
- > implemented policy decisions to undertake an electricity tariff review
- > conducted legislative reforms to streamline the business licensing process.

Tonga also maintained its ‘no new debt’ policy leading to the downgrading of its debt distress rating. Australia supported all of the reforms under the matrix through conditional budget support and provided technical assistance to the Ministry of Revenue, Ministry of Finance, Department of Statistics, Public Service Commission and Audit Office to progress relevant reforms.

Australia links the disbursement of budget support to the Joint Policy Reform Matrix reforms. Under the more efficient and effective public sector priority outcome, this involves reforms that contribute to longer-term macroeconomic stability, which enables the government to increase and improve the quality of expenditure on essential service delivery, including in other partnership for development priority sectors—education, health and infrastructure maintenance.

In early 2012, based on Tonga achieving its reform benchmarks, Australia disbursed \$5 million of performance-linked aid as sector budget support for health and education worker salaries.²⁷ The Australian Government linked this disbursement to a World Bank economic recovery operation (US\$9 million), drawing on the World Bank’s expertise and analysis of Tonga’s macro-economic circumstances and assessment of reform achievement. The combined budget support—much-needed to close Tonga’s fiscal gap—provided Tonga with the impetus and incentive for undertaking reforms. Another \$5 million in performance-linked aid was disbursed in April 2013 for reform actions completed by the government in 2012. Australia’s budget support continues to be used to pay budgeted salaries of teachers and health workers, helping to ensure that basic services are maintained.

Through its engagement with the Joint Policy Reform Matrix process and performance-linked budget support, the Australian Government gained a seat at the policy discussion table with the Government of Tonga to help maintain policy reform momentum and ensure policies and expenditure are moving in a pro-poor direction. Macro policy reforms of this kind also help ensure the effectiveness of Australia’s broader aid program to Tonga. Policy discussion is all the more important at this critical juncture to encourage consistent adherence across all levels of the Government of Tonga to its reform objectives.

Improved statistics and revenue collection

Australian technical assistance improved the accuracy of economic reporting by the Government of Tonga through improved methodology and accessibility of national accounts statistics and reinstatement of the migration statistics publication. Australian funding for the Head of Tonga’s Customs agency strengthened operational relationships between Customs, industry stakeholders and law enforcement bodies as well as increased the revenue capacity of Customs.²⁸

²⁷ AusAID, Tonga APPR 2011–12.

²⁸ With Australian support, the Government of Tonga strengthened its relatively weak revenue collection and contributed to a return to surplus (excluding debt repayments). In 2011–12, Customs realised a surplus of TOP\$6 785 084.

Training and human resource development

Between January 2012 and June 2013, 868 public servants (28.5 per cent²⁹ of all public servants) were trained through the Australian Government's regional and bilateral programs, a substantial increase to the 255 public servants trained in 2011. This training was key to the success of the public service restructure and a major focus of the Australian aid program's work. Training courses covered topics such as: public service induction; public service policy; time management, change management; customer service; and leadership excellence through awareness and practice for chief executive officers and staff from three ministries and the Public Service Commission. These courses formed part of the human resource capacity building, development and training project implemented under the reform of Tonga's Public Service Commission. A suite of specialised training courses were delivered to health personnel.

Political reform and governance

Over 2012–13, Australia continued to provide funding to the Government of Tonga to support its program of political reform and bring about greater democracy. The Australian Government worked with the United Nations Development Programme and Government of Tonga to design the Tongan Governance Strengthening Program, formally agreed in April 2013. The program will work with the Tongan Parliament, Electoral Commission and civil society to increase their effectiveness and build community understanding of their roles and responsibilities. The Australian Electoral Commission was also selected to provide ongoing support to the Tongan Electoral Commission for the administration of national and local-level elections.

Forward priorities

Linking aid to achieving policy reforms is now a cornerstone of Australia's support for Tonga's economic and public sector governance reforms. Australia provides technical assistance for economic and public sector governance to four core public sector line agencies: Ministry of Finance and National Planning, Ministry of Revenue, Public Service Commission and Department of Statistics.

In 2013, a delivery strategy was developed to define where and how Australia will provide assistance in this sector. In 2013–14, the Department of Foreign Affairs and Trade (DFAT) will focus efforts on implementing agreed areas of the delivery strategy. This includes:

- > supporting the Government of Tonga's own reform plans through the Joint Policy Reform Matrix
- > offering capacity building and advisory support
- > seeking to better integrate the Government of Tonga's own planning and monitoring and evaluation processes into program management.

A key forward priority will be to support further reforms to Tonga's public procurement system through the Joint Policy Reform Matrix and technical assistance. In the coming financial year DFAT will work closely with its multilateral development bank partners to negotiate new reforms. These will be included in the next iteration of the matrix. DFAT will also agree with the Government of Tonga on new targets for the Partnership for Development based on what was agreed in the new delivery strategy.

²⁹ The Government of Tonga's Public Service Commission indicates there were 3029 public servants in April 2013 (1671 female and 1358 male).

Priority Outcome 2: Improved health

Rating and assessment

■ Green: The objective will be fully achieved within the timeframe of the partnership.

Table 6

Aim: The partnership will support progress towards poverty reduction and improvement in living standards for Tongans through improved health outcomes, with a particular focus on reducing the impact of NCDs.	
Partnership targets for 2015	Progress
Reduced prevalence of NCDs risk factors including: Tobacco use: 2 per cent decrease in prevalence of smokers by 2015 Obesity: halt the increase in overall prevalence of obesity by 2015.	Amber
Budget for preventive health care to reach 10 per cent of total public health operational budget by 2015.	Green
Primary health care provided to all communities in Tonga to follow a common national standard.	Green

At the 2012 Partnership Talks, a new schedule outlining annual targets for improved health was agreed. This supports better tracking of progress towards the 2015 health outcomes expected under the Partnership for Development.

The key intermediate outputs stipulated in the schedule for 2012–13 are:

- > finalising STEP and Knowledge Attitude Practices surveys (a surveillance survey for chronic disease risk factors, coupled with a survey on behaviours and attitudes on NCD risk factors)
- > drafting legislation to increase tax on tobacco and earmark funds for disease prevention and health promotion submitted to Parliament
- > establishing a twinning arrangement between the Ministry of Health and the Australian Nossal Institute to help develop the capacity of the Ministry's Health Promotion Unit and implementation of key activities as outlined in the work plan
- > developing the first draft of National Standards for Primary Health Care and establishing and approving the NCD nursing division by the Tonga National Qualification and Accreditation Board
- > progressing the jointly agreed 10 per cent target for the Ministry of Health budget for preventative health (8 per cent of total public health operational budget now reached)
- > finalising the strategic health communication campaign and community mobilisation strategy on the four NCD risk factors—smoking, lack of physical exercise, alcohol consumption and unhealthy eating
- > implementing a targeted strategic health communication campaign to increase physical activity levels among women and girls through the Australian Sports Outreach Program.

Reduced prevalence of non-communicable disease risk factors

Through the Tonga Health Systems Support Program, Australia directly funds the Ministry of Health to improve community services and preventative health measures, with a particular focus on halting and reducing the prevalence of NCD risk factors. The program also supports hospital care through funding human resource development (clinical positions, mentoring and

training), a twinning arrangement, and clinical staffing positions to directly deliver health services.

Implementation over this reporting period built on the marked improvements made in 2011 in supporting delivery of Tonga's health programs, with many intermediate targets for 2012–13 being met, or well underway.

An independent progress review instigated by Australia and undertaken in early 2013 noted it is too early to see tangible outcome-level results in reducing NCD risk factors.³⁰ However, other partnership targets on preventative health care budgeting and a national standard for primary health care are likely to be achieved.

The independent review found that the program's NCD component is highly relevant to Tonga's needs and has made a broadly promising start. An NCD nursing division—a key output under the health schedule for 2012–13—was established, representing a significant sector reform. The nursing division comprises a supervising sister, tutor and up to 20 nurses placed in community health centres across Tonga. The Ministry of Health has also developed an Advanced Diploma in Nursing (Prevention and Management of Non-Communicable Diseases) with the assistance of the Dean of the Nursing School, University of Sydney. This professional qualification will provide NCD nurses with the skill and expertise to undertake their nursing position and provide community confidence. The qualification is currently with the Tonga National Qualifications and Accreditation Board for approval, with a decision expected in July 2013. The first 20 nurses will undertake the diploma course in 2013 and will then be able to identify, monitor and treat NCDs in a community setting.

The health program also facilitated a review of Tongan laws and policies relating to tobacco, alcohol, physical activity and food intake in 2012–13. Proposed legislative amendments will be presented to Parliament in October to November 2013. They include increases in tax on tobacco and a ban on locally grown tobacco. While the proposed legislation does not aim to earmark funds raised from taxes to preventative health measures, it does propose that funds collected through enforcement (fines) be directed to the health sector. The proposed changes are being translated so they will be available in English and Tongan.

Health promotion activities around healthy eating, physical exercise, alcohol consumption and smoking are largely at the planning stage. More work is required to affect behaviour change (further discussed under 'factors affecting progress'). A strategic health communication strategy was developed in 2013, although it is yet to be implemented (this will be a key output for next financial year). The twinning arrangement between the Ministry of Health and the Nossal Institute for Global Health at the University of Melbourne was signed and is providing one-year capacity development opportunities for the Health Promotion Unit. Implementation of these opportunities will be reviewed late 2013.

The Australian Sports Outreach Program, implemented by the Australian Sports Commission, also supports the partnership objective of halting the increase in overall prevalence of obesity by 2015, by recognising sport as a tool for health. Between 2011 and 2014, the Australian Government committed \$1.26 million for development through sport activities in Tonga.

Focusing on behaviour change, the program uses targeted mass media and community outreach activities to encourage women and girls aged 15 to 45 years (given obesity is a bigger problem among women) to improve their health through physical activity, in particular through participation in netball. The program does this through a partnership between the Tongan ministries responsible for health and sport, in collaboration with the Tonga Netball Association. It also encourages families and communities to support women to be active. In

³⁰ Independent Progress Report of the Tonga Health Systems Support Program, draft report, March 2013.

2012–13, there was a massive increase in team registrations with 378 teams registering for the annual national tournament, compared with only 27 teams the previous year. A national quantitative survey to assess the impact of the first mass media campaign found that 90 per cent of respondents were aware of the campaign, and 94.6 per cent of women who were aware thought about being more active as a result. This program won a World Health Organization best practice award for its contribution to improving the physical activity of women.

The health program also progressed the development of key health statistics. Fieldwork for the World Health Organization's STEP survey—a surveillance tool for chronic disease risk factors—and a survey on behaviours and attitudes on NCD risk factors were completed in 2012, and analysis of data is underway. This is providing much-needed baseline data from which progress in improving health outcomes can be measured. Data will also inform implementation of targeted health promotion activities.

Budget for preventative health care

At the 2012 Partnership Talks, Australia and Tonga agreed on a definition for expenditure on preventative health to assess progress towards the goal of 10 per cent of the health budget being used for preventative health in 2015. The budgeted percentage for 2012–13, according to the agreed definition, was 8 per cent. The recent independent review of Australia's assistance in the health sector³¹ suggested some modifications to the definition for expenditure on preventative health. These are being discussed with the Government of Tonga.

Primary health care to all communities in Tonga to follow common national standards

The development of common national standards for health care is being pursued through the preparation of a standard health centre operations manual. Work began in 2011 and continued into 2013. The manual will include information on staffing, building standards and equipment, drugs and medical supplies, infection control, patient care, clinical guidelines, and operational guidelines. The national standards will be approved and implemented in at least 10 of Tonga's 14 health centres by 2015. A draft is expected by the end 2013, to coincide with the graduation of NCD nurses.

Some work has already started to improve health to all communities and bring health centres up to standard. Two community health outreach centres are being renovated and attaching nursing quarters to them is underway. This is in addition to the three health centres renovated in 2011 which, along with the provision of equipment, furniture and drugs, have improved health facilities for more 2200 households.

The Ministry of Health approved recommendations from a scoping study for a custom-made medical boat for the outer islands of Ha'apai and procurement has started. As the single largest expense of the health program, this represents a significant investment in improving access to primary health care services for people living in some of the remotest islands.

In addition to these results, other important progress was made under the program in 2012–13, including:

- > Routine annual screening of primary-school aged children for rheumatic heart disease undertaken in September 2012 (90 per cent of targeted children screened) and again in March 2013 (92 per cent of targeted children screened). The numbers of congenital heart

³¹ AusAID, *Independent Progress Report of the Tonga Health Systems Support Program*, April 2013.

disease continue to decline—from 1.2 per cent in 2008 to 0.5 per cent in 2012 and 0.2 per cent in March 2013. Regular screening is the most likely explanation.³²

- > 252 specialist consultations and 135 operations were conducted for Tongan patients by the Royal Australasian College of Surgeons volunteer medical teams.

Factors affecting progress

The biggest factor affecting progress towards partnership targets is around effective health promotion activities which change behaviour. Tonga needs successful health promotion activities to tackle the rise in NCDs, and it is unlikely that targets around reducing smoking and obesity will be achieved without such activities.

In recognition that a response to the NCD challenge requires a multi-sectoral approach, in May 2013 the Ministry of Health, supported by an independent health adviser engaged by the Australian Government in Tonga, brought together the stakeholders involved in addressing NCDs. These stakeholders identified alternative arrangements for health promotion efforts and DFAT will discuss these with the Ministry of Health.

While Australian assistance is intended to use Government of Tonga systems where possible, in practice the use is patchy. In particular, planning processes are not fully aligned, nor are financial management systems. This reduces efficiency and risks program efforts not being fully aligned with the broader work of the health sector. Australia's aid program uses the Ministry of Health's health information system together with existing survey instruments to monitor progress. A system has been established to collect and process data from NCD nurses and integrate this into the existing hospital information system. This is the first, and a significant, step in computerising and integrating data from health centres. Combined with other monitoring information, this will give Tonga a sense of the combined impact of all health promotion activities.³³

Forward priorities

Australia and Tonga have agreed to extend the current program to 2015 to allow for critical activities to be completed in the timeframe of the Partnership for Development. Key recommendations from the recent independent review of Australia's assistance in the health sector will be actioned to 2015, including preparations for a further phase of support beyond 2015.

³² Government of Tonga, Ministry of Health (2013), unpublished internal report, *Report of Phase 1 Primary School RHD Screening Project 2013*.

³³ All information in this paragraph is taken from the *Independent Progress Report of the Tonga Health Systems Support Program*, April 2013.

Priority Outcome 3: Improved technical and vocational skills

Rating and assessment

 Amber: The objective will be partially achieved within the timeframe of the partnership.

Table 7: Partnership for Development—Improved technical and vocational skills

Aim: The partnership will develop and support opportunities to increase the number of Tongans with technical and vocational skills in areas of industry demand, both domestically and overseas.

Partnership targets for 2015

Progress

Increased number of Tongans completing locally or internationally accredited technical and vocational education and training (TVET) courses, including a focus on equal opportunities for all.

Amber

Increased number of accredited technical and vocational qualifications available in Tonga.

Amber

An independent review of the Australia – New Zealand – Tonga Technical Vocational Education and Training Support Program (TSP1) in 2012 confirmed concerns noted in AusAID's 2011–12 Annual Program Performance Report³⁴ that the program was progressing unsatisfactorily and not delivering expected results.³⁵ Fundamental reasons for unsatisfactory progress were lack of common vision and policy for TVET in Tonga and lack of labour market needs' data to ensure courses responded to industry demand. Following the review, AusAID agreed with the Government of Tonga and New Zealand that the TSP1 would not continue beyond 30 April 2013. Instead, efforts would be devoted to completing a labour market analysis and supporting the development of a national policy and vision for TVET in Tonga.

In March 2013, the Government of Tonga, through its Ministry of Education and Training, released its Draft National TVET Policy Framework 2013–2017. The policy, developed with support from Australia, will change direction from a training system driven by supply to one driven by industry demand. This important re-focus will seek to ensure Tonga's TVET system provides qualifications and training outcomes to internationally accredited standards. This, in turn, will lead to increased employment and migration opportunities for Tongan citizens.

To ensure Tongans have access to quality TVET training while the new policy is finalised, DFAT will fund 1100 students to undertake training courses through an interim facility arrangement, with the explicit objective of getting youth into jobs nationally, regionally and internationally. The facility will be operational before the end of 2013 and will buy courses from accredited providers based on demand. The labour market analysis undertaken as the final output of the TSP1 will be used to select courses to ensure training is relevant to labour market needs and maximises job opportunities. The interim facility will operate for two years and during that time DFAT will develop a long-term program of support for TVET to start in 2015. The lessons learned during the life of the interim facility will help inform design.

In 2011, Australia and Tonga agreed to include education as a priority area under the Partnership for Development once a program of support is developed. Education and TVET

³⁴ Prior to 2012–13 Aid Program Performance Reports were called Annual Program Performance Reports

³⁵ Independent Progress Review Tonga TVET Support Program, 1 July 2012. <http://www.ausaid.gov.au/Publications/Pages/tonga-tsp1.aspx> , Accessed 30 June 2013

would form a single pillar of the partnership. In 2012–13, Australia worked with Tonga and New Zealand to define areas of future support in the sector. A new program was agreed and implementation started in 2012–13. The new program focuses on improving access to basic education, student learning outcomes, teacher quality, learning environment, delivery of resources and services, plus improving the Ministry of Education and Training's performance. A key early priority is to develop a performance assessment framework so the new program can be monitored and evaluated effectively. The framework is expected to be completed by August 2013.

Throughout 2012–13, while detailed design work for the longer-term program was underway, Australia supported an interim program delivered through Tonga's Ministry of Education and Training focusing on improving education quality by improving minimum service standards, school-based management and the financing of a school improvement plan. The interim program also supported curriculum reform, improved literacy and strengthened assessment systems and teacher quality.

Key achievements from the interim support in 2012–13 included:

- > providing revised primary school curriculum and school readers to all primary schools
- > providing grants to 150 schools (all primary and middle schools) to improve classroom resources and facilities
- > providing grants to 86 early childhood education providers for operational costs
- > implementing a comprehensive professional development program for untrained teachers in the non-government school system, which has seen 48 receive formal teaching qualifications, out of 50 teachers planned to be trained in 2012
- > maintaining and rehabilitating 55 schools to improve classroom facilities throughout the Tonga Island groups, representing 48 per cent of total planned renovation and maintenance activities for schools.

Australia's scholarships programs help develop Tonga's leadership and management capacity across all priority areas under the partnership. In 2012, Australia awarded 12 (58 per cent female) Australia Awards Scholarships. Nine (56 per cent female) out of 26 ongoing students in 2012 successfully completed their studies and returned to Tonga. Also in 2012, Australia awarded 18 (56 per cent female) Australia Awards Pacific Scholarships and nine (78 per cent female) out of 82 ongoing students successfully completed their studies and returned to Tonga.

Since the establishment in June 2007 of the Australia-Pacific Technical College (APTC), a regionally funded college with campuses in all Pacific island countries except Tonga and Kiribati, 222 Tongans have graduated—191 (65 per cent female) from the School of Hospitality and Community Services and 31 (19 per cent female) from the School of Trades and Technology.³⁶ Placements are linked to an APTC labour market study; however, training opportunities for Tongans will be provided in priority areas identified in the more recent labour market analysis undertaken as part of the TSP1.

³⁶ Figures as at April 2013. APTC (2013), *Quarterly Activity Report Quarter 1 (January – March) 2013*, p. 48. http://aptc.edu.au/images/Publications/APTC_Quarterly_Report_January-March_2013.pdf accessed 30 June 2013

Priority Outcome 4: Develop infrastructure to improve the everyday lives of the people

Rating and assessment

 The objective will be partially achieved within the timeframe of the partnership.

Table 8: Partnership for Development—development of infrastructure to improve the everyday lives of the people

Aim: The partnership will plan and put in place transport and other infrastructure to reduce business costs and facilitate access to market and services.	
Partnership targets for 2015	Progress
Nuku'alofa residents have improved access to water and waste management services. <i>Continuous water supply to the entire network to increase from less than 50 per cent in 2011 to 99.9 per cent by 2017; and access to solid waste management services to increase from 50 per cent in 2011 to 80 per cent in 2017</i>	Amber
Management and condition of Tonga's road network improved with increased private sector participation <i>130 km of roads maintenance under regularised term contracts and 48 000 person days of employment generated by 2013</i>	Green
Strengthened institutional and regulatory environment for the Tonga Energy Roadmap <i>Tonga Energy Road Map (TERM): institutional arrangements established and providing strong leadership, coordination and oversight of energy sector activities; and the policy and regulatory framework under TERM is in place</i>	Amber
<i>Tonga Power Limited better able to accept energy supply from intermittent sources</i>	Amber

All Australian assistance in the infrastructure sector is implemented through co-financing agreements with multilateral development banks, given their comparative advantage in this area, and are implemented through the Pacific Region Infrastructure Facility. At the 2012 Partnership Talks a new schedule outlining annual targets was agreed to better support tracking of progress towards the 2015 infrastructure outcomes expected under the partnership.

The initiatives progressed in 2012–13 are listed here.

World Bank-led Transport Sector Consolidation Project

The Transport Sector Consolidation Project strengthens policy, planning and institutional arrangements for the transport sector, improves safety and security for air and sea transport, and builds domestic capacity to undertake road maintenance activities.

Intermediate outputs for 2012–13 identified under the infrastructure schedule include:

- > 65 km of roads maintained under term maintenance contracts
- > 24 000 person days of employment generated through outsourced road maintenance
- > Ministry of Infrastructure functional restructure assessed and change management plan reviewed and considered by government.

Progress in the road sector has improved dramatically. A total of 171 kilometres of road was rehabilitated or maintained by eight domestic contractors between January 2012 and June 2013, generating approximately 19 360 person days of employment. This is significantly more road maintenance activity than specified in partnership targets, and a great deal of this work was completed from 1 January 2013 to 30 June 2013.³⁷ Strong interest from domestic contractors to build their capability to bid for road maintenance contracts, backed by their previous work experience, will lead to further improvements in the amount of maintenance undertaken. The program's approach of building domestic capacity for road maintenance activities, which increased the number of domestic contractors undertaking maintenance from zero to eight, is a unique, sustainable approach compared with other donor-funded roads programs in Tonga.

Improvements in works supervision have resulted from the merger of the ministries of transport and works on 1 July 2012 to form the Ministry of Infrastructure. An Australian Government-funded change management specialist has been working with the integrated ministry since early July 2012 to determine the most effective organisational structure for it. In December 2012, the Tongan Cabinet approved more changes to the Ministry of Infrastructure to help it focus on its core business activities.

The Ministry of Infrastructure is considering alternative treatments for road re-surfacing and the Australian Government has had discussions with the World Bank on re-solving contracting issues around greater community involvement in the program.

Good progress was also made in the maritime sector under the Transport Sector Consolidation Project. A new acting Director for the Maritime and Ports Division has been recruited and a maritime adviser position is in place. The division has been promoting safe operations, and has issued notices to five domestic passenger vessels to stop operating due to concerns of seaworthiness. Navigational aids have been delivered and a tender for installation opened in April 2013. A barge for Niua was delivered in early 2013. Fire fighting equipment and a life boat davit were procured, with delivery expected in by the end of 2013. The procurement of a coastal watch radio system has been slower than planned and, as a result, the system will be re-scoped to deal with its overly complex specifications. The procurement for the re-design of the system has been awarded.

Asian Development Bank-led Nuku'alofa Urban Development Project

The Nuku'alofa Urban Development Project (NUDP) improves the policy environment for urban planning, improves availability of water supply and increases consumer access to waste management services in Nuku'alofa. The NUDP works with the state-owned enterprises that oversee these services to ensure full cost recovery.

Intermediate outputs for 2012–13 identified for the NUDP under the infrastructure schedule include:

- > the National Spatial Planning Authority Act promulgated by October 2012
- > the National Spatial Planning Authority Advisory Committee established (comprising 40 per cent women)
- > that 20 per cent of senior urban planning and managing positions in the Planning and Urban Management Agency are held by women

³⁷ The key reason that this target is rated 'on track', despite its low effectiveness rating in the last QAI report described in annex C (the QAI report covered the period 1 January 2012 to 31 December 2012).

- > that the Tonga Water Board finances 100 per cent of its operation and maintenance costs from water sales
- > that the Waste Authority Limited finances 40 per cent of its operation and maintenance costs from waste collection fees and levies.

The project mobilised in late 2012 and, following a slow start, is making good progress on key start-up activities. The program management unit is in place, and implementation of key activities is underway. A National Spatial Planning Authority Act, required by the Asian Development Bank so the program could be implemented across a number of government agency jurisdictions, was promulgated, and recruitment of the Planning Authority and senior urban planning and management positions is underway. The program management unit is in place, and community awareness of municipal services has started. An accounting package to assist Waste Authority Limited to finance its operational and management costs has been procured, and positions for a revenue generation specialist and accounting and financial management specialist to assist the Waste Authority Limited and Tonga Water Board advertised.

World Bank-led Tonga Energy Road Map (TERM) Institutional and Regulatory Framework Strengthening Project

The TERM project strengthens institutions and regulatory frameworks related to the energy road map, as a precursor for ongoing and planned operations and investments under the road map.

Intermediate outputs for 2012–13 identified under the infrastructure schedule include:

- > TERM Implementation Unit and scheduled staff in place
- > draft petroleum risk management framework completed
- > tariff review completed
- > network control and management hardware procurement documentation completed.

The project started in August 2012 and progress is in line with expectations to this point. Key positions within the TERM Implementation Unit have been filled, with recruitment ongoing. Procurement processes for key studies related to renewable energy supply have started, and a review of electricity tariffs across Tonga undertaken. The drafts for the petroleum risk management framework and tariff review are being considered by the Government of Tonga.

The Forum Compact Peer Review Report for Tonga 2012³⁸ heralded TERM as a good model for how a government can manage a sector with a large number of stakeholders, including public sector agencies, private sector organisations, communities and development partners.

In 2012–13, Australia worked with the Asian Development Bank on arrangements for a \$4.5 million project over three years, starting 2013–14, that will install solar power on-grid and off-grid in nine outer islands, to help reduce Tonga's dependency on imported fuel. The project was approved by the Asian Development Bank's Board on 27 June 2013. Intermediate targets will be included in the next iteration of the infrastructure schedule.

³⁸Tonga Peer Review Team and Pacific Islands Forum Secretariat 2012, *Forum Compact Peer Review Report Kingdom of Tonga*, 24 October 2012. http://www.forumsec.org/resources/uploads/attachments/documents/Tonga%20_Peer_Review_Report.pdf, accessed 30 June 2013

Programs outside the Partnership for Development framework

In addition to bilateral aid programs directly covered by the Partnership for Development, Tonga benefits from a large number of regional and global programs funded by the Government of Australia. The most visible and important of these in Tonga are listed here.

Pacific Seasonal Workers Pilot Scheme

The Pacific Seasonal Workers Pilot Scheme, first announced in August 2008, allocated up to 2500 visas for employment in Australia in the horticulture sector. Kiribati, Papua New Guinea, Tonga and Vanuatu were invited to participate in the pilot scheme. Tonga has had the largest representation, with 1331 of the 1633 visas issued between 2009 and 2012 going to participants from Tonga.³⁹

Through the pilot scheme, Australian assistance is countering Tonga's limited domestic employment options and increasing its remittance base. During a recent review of the pilot scheme, Tongan officials acknowledged that the scheme strongly aligns with national priorities by directly contributing to the goal of poverty alleviation through employment opportunities and remittances. As such it is highly valued.⁴⁰

Pacific Horticultural and Agricultural Market Access program

An Australian-supported regional program, the Pacific Horticultural and Agricultural Market Access program focuses on addressing challenges with the regulatory processes associated with market access for high-quality primary products from Pacific island countries and territories. The program's rationale lies in realising the export potential of high-value, non-commodity products from these countries and territories, thereby generating national revenue and stimulating their economic growth. With agriculture representing one of the three key sectors supporting its economy, Tonga has a vested interest in diversifying its agricultural base. As such, Tonga has been an active participant in and beneficiary of the program.

Several key market access challenges were resolved in 2012–2013. These included opening new market access pathways, notably through a trial shipment of sweet yams sent to New Zealand in late 2012, reopening previous market access pathways (taro to Australia, frozen root vegetables to New Zealand and watermelons to Samoa). The program has also ensured that the export of watermelon to New Zealand remained viable by dealing with the quarantine issues that arose in 2011.⁴¹ The value of additional agricultural production in 2012–13 enabled by Australian assistance is estimated at US\$230 000; with likely benefits in 2013–14 from work already in hand estimated at up to US\$1 000 000.⁴²

Disaster preparedness

Although not a partnership priority, Tonga's vulnerability to disasters makes this an area of increasing importance in the Australia – Tonga relationship. In October 2012, Australia launched its Pacific Regional Disaster Risk Management program. The Pacific Risk Resilience component, implemented by the United Nations Development Programme's

³⁹ These figures represent the number of visas issued to workers from 2009 to 30 June 2012. Some seasonal workers have participated in the scheme more than once.

⁴⁰ AusAID (2013), *Labour Mobility Initiative in the Pacific Independent Progress Report*, March 2013. <http://www.ausaid.gov.au/publications/Pages/labour-mobility-pacific-independent-progress-report.aspx> accessed 30 June 2013

⁴¹ Independent Review of the Pacific Horticultural and Agricultural Market Access Program, draft report, March 2013.

⁴² Information derived by the Pacific Horticultural and Agricultural Market Access project team from Government of Tonga agricultural export volume information and export pricing from exporters directly.

Pacific Centre, undertook a situational analysis in Tonga and developed a work plan in early 2013 to support mainstreaming disaster risk management and climate change activities into development planning and budgeting at all levels of government, and to strengthen community resilience through targeted and inclusive community based disaster risk and climate change activities. The work plan will be submitted for the Government of Tonga to approve in August 2013 and then implementation will begin. Further assistance to Tonga is anticipated, such as support for the twinning arrangement between the South Australian Fire Service and Tonga Fire Service being set up as part of a regional program focusing on twinning arrangements between Australian, New Zealand and Pacific country fire services.

Law and order

The Australian Federal Police (AFP) is part of a trilateral Tonga Police Development Program. The program, conducted in partnership with Tonga and New Zealand, helps improve the performance of Tonga's police force. Annex A has more details of the Tonga – Australia Police Partnership managed by the AFP.

Quality at implementation ratings

Gender equality ratings continue to be of greatest concern in Quality at Implementation (QAI) reporting. Very limited or no consideration of gender in earlier designs or in partner government programs has made significant progress within the current portfolio of initiatives difficult. Greater focus on gender equality, including measuring impacts of programs on women, men, boys and girls, has been incorporated into new program designs for education and TVET and a delivery strategy for economic and public sector reform was developed. A new work plan, to be developed under the Pacific Women Shaping Pacific Development Initiative, will identify opportunities to achieve greater gender equality outcomes in Tonga through new and existing initiatives.

All current initiatives in the Tonga program remain highly relevant to the country's development priorities. The effectiveness of most initiatives across the program remains adequate and efficiency continues to be less than adequate. This mirrors assessments in previous years relating to the challenges of working through partner systems. Improvements in the pace of program delivery should gradually increase these scores over time.

Measuring outcomes and impacts remains challenging despite slight improvement in monitoring and evaluation ratings across program initiatives in 2012. The reliance on Government of Tonga systems for measuring results for many of Australia's programs continues to generate inadequate information. New program designs in education and TVET, and a delivery strategy in economic and public sector reform, focus on performance monitoring. QAI ratings across the program are expected to improve.

Substantial work is needed on the country strategy architecture through to 2015. A country situational analysis and three more delivery strategies will be completed in 2013–14 to lead program decisions and inform negotiation of a new Partnership for Development in 2015.

Australia will involve the Government of Tonga in developing the country situation analysis and delivery strategies and country situational analysis. The two countries will work together to improve the ability to track performance and put in place better monitoring and evaluation measures. For example, a formal program-wide performance assessment framework will be developed in 2013–14 building on the delivery strategies when they are developed.

Management consequences

The Tonga program will table the new delivery strategy for economic and public sector reform for formal approval by the Government of Tonga at the October 2013 Partnership for

Development Talks. Focus will then shift to implementing new programs highlighted in the delivery strategy, particularly support for procurement reform and negotiating new reform targets under the Joint Policy Reform Matrix.

In the education and skills area the priority will be on implementing new programs designed in 2012–13. With basic education the priority will be developing a performance assessment framework, completing baseline studies and monitoring to ensure program impact can be measured. The program will mobilise the new interim TVET facility so Tongans have access to courses relevant to the country's labour market needs. The program will begin the detailed design of a new TVET program to start in 2015.

In the health sector the focus will be on implementing the recommendations of the mid-term review of the current health program, particularly improving the pace of delivery of health-promotion activities and supporting Tonga to take a whole-of-government policy response to the challenge posed by NCDs. The current health program will be extended by two years so momentum continues to the end of the partnership. Key analytical work will begin to inform Australia's future support to the sector. In particular, a study of broad health challenges and Tonga's own plans will allow DFAT to decide where Australia can make the greatest difference. Detailed public financial management system analysis will help identify risks and inform consideration of a sector budget support approach.

Delivery strategies will be completed in health and infrastructure to provide direction to program areas moving forward. Implementation schedules for economic and public sector management (drawing on the work completed as part of the delivery strategy), education and TVET will be agreed at partnership for development talks.

The Tonga program will begin program-wide analysis to inform a new country situational analysis which will inform Australian priorities to be discussed as part of the next generation of the Partnership for Development after 2015. Also, DFAT will develop a program-wide performance assessment framework, including specific ways to supplement the Government of Tonga's monitoring and evaluation systems where these are not able to provide the performance information DFAT requires.

The Tonga program will begin implementing a country gender work plan under the Pacific Women Shaping Pacific Development Initiative. Given already stretched resources for DFAT in Nuku'alofa and the complexity of starting this new work, the success of the work plan will require direct and ongoing support from DFAT's Pacific Division gender specialists and dedicated resources at the regional support hub in Suva to ensure effective implementation.

The Tonga program will work with DFAT's Pacific Division's regional team to take forward the findings of the review of the Pacific Seasonal Workers Scheme, given the importance of labour mobility to Tonga's economic outlook. A priority will be strengthening the program to develop the Government of Tonga's capacity to manage program responsibilities and maximise the benefits of the program.

Major risks and approach to managing risks

Working in partner government systems remains the key risk the program needs to manage in the immediate future. A number of risks have the potential to significantly impact on program performance. These include program delays due to lack of planning and capacity in the Government of Tonga through to poor public financial management practice within the government. These delays have meant that programs are not achieving value for money.

Efforts are underway to improve acquittal and auditing of Australian Government aid funds. A schedule of independent audits of major programs began in 2012 and is continuing. A joint statement of fraud and corruption will be negotiated in 2013. Efforts are also underway to strengthen and streamline how the program manages risk. A procurement review in March 2013 and a program-wide 'risk stocktake' exercise in early May 2013 identified the risk

treatment strategies needed and informed the program's risk and fraud management plan update.

The Head of Post will drive a positive risk management culture at Post, including regularly updating risk documentation with partners and program managers. Formal and regular discussions on risk will be held with the Government of Tonga around incorporating outcomes from recent reviews and audits into its risk management approach.

Visibility of Australia's aid program in Tonga

The Tonga program developed an in-country communications strategy for 2012–13 which will be updated annually. The strategy provides the blueprint for DFAT in Tonga to undertake public diplomacy and communications of Australia's aid program and build greater awareness within both countries of the program and its effectiveness.

Branding has become a core part of program management and a branding clause is now incorporated into all partner agreements. New health centres, renovated classrooms, vocational studies equipment and rehabilitated and maintained roads are all branded with the Australian Aid identifier. Fourteen press releases on Australian Government-funded activities in Tonga were distributed in the reporting year, locally and regionally. The new Australian aid Tonga website was launched in June 2012. All relevant information on DFAT's work in Tonga has been posted and is updated regularly, with staff at Post and in the Canberra office working together.

Staff at Post will continue to work with partners on branding opportunities and public diplomacy, in collaboration with staff in Canberra. DFAT expects to achieve even greater visibility of Australia's aid program in 2013–14.

Annex A

Tonga Police Development Program

In September 2006, the Government of Tonga asked the governments of Australia and New Zealand to develop Tonga Police.

The AFP deployed to Tonga in 2008 as part of a trilateral Tonga Police Development Program being conducted in partnership with Tonga and New Zealand. Three AFP members, together with two New Zealand police members, have supported the Police Commander and contributed to making Tonga Police more professional.

The trilateral program has also been supported by short-term AFP and New Zealand staff working on specific projects such as the Police Regulations Project, Major Incident Response Project, Road Safety Project, and Sexual Offences and Child Abuse Workshop. Further reform within the Information and Communications Technology Project and Human Resources Reform Project was also supported.

Australia and New Zealand are working with Tonga to support the Police Act. Australia and New Zealand are providing funding along with the Government of Tonga.

Achievements under the trilateral program in 2012–13 include:

- > implementing a new organisational structure for the Tonga Police
- > adopting a standardised performance appraisal process and subsequent rollout
- > installing a closed-circuit television system in Central Police Station, Nuku'alofa, and developing policies surrounding new and improved custodial practices
- > issuing new uniforms for all police members and specialist team members
- > developing and extending traffic infringement notices to include a wider range of common offences
- > equipping nine Police Community Posts with bicycles, vests and torches
- > developing a Tonga Police Strategic Plan for 2013–16 with accompanying corporate and business plans that link directly to the government's strategic plan
- > submitting the 2011 and 2012 annual reports to government
- > implementing a self-development fund for Tonga Police members to apply for sponsored education opportunities
- > implementing recommendations from the Tonga Police Review of Communication Centres, including expanding communications across the kingdom through a high frequency radio network
- > developing and uploading a Tonga Police website
- > developing and delivering a prosecution course—the first in 10 years
- > developing and delivering a basic investigations course
- > delivering a sexual offences and child abuse workshop for investigators and first responders
- > conducting a joint major discussion exercise with Tonga Defence, Tonga Police, government and non-government organisations on major natural disasters
- > conducting senior first aid training to all first responders

- > continuing with advanced English and computer classes to further develop policies and procedures for domestic violence, victim support, use of force and early case closure
- > starting a community perception survey through contractors from the Australian National University (beginning in May 2013 and due to be completed by June 2013).

The Tonga Police still face a number of challenges. Of particular importance is the need to:

- > establish a tight organisational budget
- > accept the new Organisational Structure and Performance Appraisal system.

Annex B

Progress in addressing 2011 management consequences

Management consequences identified in 2011 APPR	Rating	Progress made in 2012–13
Analysis of effectiveness and efficiency of continuing to use Tonga's public financial management systems.	Green	Analysis progressed by improving risk management and will be considered further through delivery strategies. A review of Tonga's public procurement system and a broader risk stocktake mission recommended risk mitigation treatments which the program will implement to improve the effectiveness and efficiency of continuing to use Tonga's systems. Program reviews informed the broader question of effectiveness and efficiency. New designs explicitly considered the technical assistance required to ensure partner systems will deliver results.
Develop delivery strategy for economic and public sector reform underpinned by analytical work to better prioritise areas of support.	Green	Delivery strategy completed based on a review of previous assistance and incorporated a theory of change developed in consultation with key Government of Tonga counterparts.
Develop implementation plan for economic and public sector reform and explore the design of an economic and public sector facility.	Amber	Implementation plan to be agreed at the next Partnership for Development talks and draw on targets in the delivery strategy. Facility will be considered in the design of a forward program coming out of the delivery strategy.
Rethink approach to vocational and technical skills development.	Green	Rethink underway. A two-year interim facility has been designed and will be procured and mobilised in 2013–14. The facility will provide training courses in areas of industry demand while a longer-term approach is being developed (to be operational in 2015).
Review of partnership priorities in infrastructure and education.	Amber	Review underway. To be completed before tabling at partnership talks in August 2013. This will include development of implementation schedules.
Work with Tonga and New Zealand to develop integrated support for education and training.	Green	Integrated support completed. New program began.
Strengthen reporting of activities in Tonga funded by regional programs, particularly for priority sectors under the partnership.	Amber	Strengthened reporting underway. Focus across the Pacific has been to report on the 10 largest regional programs. Where relevant, these have been reported on in this Annual Program Performance Report along with regional programs of high importance to Tonga—particularly the Pacific Horticultural and Agricultural Market Access Program and the Pacific Seasonal Workers Pilot Scheme.
Provide ongoing technical and advisory support to further enhance program strategy, management and policy discussion with Tonga.	Green	Support provided by a number of specialist advisers, particularly around designs, reviews and evaluations. The program actively engaged specialists through direct contracts or through facilities such as the Education Resource Facility and Health Resource Facility when AusAID advisers were unavailable.

Note:

- Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.
- Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.
- Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Annex C

Quality at implementation ratings

Initiative	Calendar year	Approved budget	Duration	QAI relevance	QAI effectiveness	QAI efficiency	QAI monitoring and evaluation	QAI Sustainability	QAI gender equality	Risk management
Financial and Economic Management Program	2011	\$4 829 717.00	9 years	6	4	3	3	4	3	I
	2012	\$4 829 717.00		5	4	3	4	3	3	I
Tonga Pacific Technical Assistance Mechanism	2011	\$4 007 948.93	9 years	6	4	3	3	4	3	I
	2012	\$4 007 948.93		5	4	3	4	3	3	I
Tonga Business Recovery Facility ⁴³	2012	\$5 979 012.52	15 years	3	3	3	3	3	4	I
Economic and Public Sector Management	2011	\$4 245 590.01	5 years	6	4	3	3	4	3	I
	2012	\$4 245 590.01		5	4	3	4	3	3	I
Australia – New Zealand – Tonga Technical Vocational Education and Training Support Program 1	2011	\$7 420 000.00	4 years	5	3	3	2	3	3	I
	2012	\$7 420 000.00		Program closed so not monitored in 2012						
Tonga Health Systems Support Program	2011	\$7 500 000.00	4 years	6	4	4	3	4	3	I
	2012	\$7 500 000.00		6	5	4	4	4	4	I
Transport Sector Consolidation Project	2011	\$6 000 000.00	5 years	4	4	3	4	4	2	B
	2012	\$6 000 000.00		5	3	4	5	3	3	I
Scholarships Tonga ADS—Initial	2012	\$224 500.34	3 years	5	5	5	3	4	4	I
Tonga—Australian Development Scholarships II	2012	\$333 999.00	5 years	5	5	5	3	4	4	I
Tonga—Australian Regional Development Scholarships II	2012	\$168 174.68	6 years	5	5	2	3	4	4	I

⁴³ Information derived by Pacific Horticultural and Agricultural Market Access project team from Government of Tonga agricultural export volume information and export pricing from exporters directly.

⁴³ Ibid.

Initiative	Calendar year	Approved budget	Duration	QAI relevance	QAI effectiveness	QAI efficiency	QAI monitoring and evaluation	QAI Sustainability	QAI gender equality	Risk management
Tonga Education Support Program	2011	\$4 900 000.00	3 years	6	4	3	2	4	4	I
	2012	\$4 900 000.00		5	5	4	3	4	4	I
Nuku'alofa Urban Development Project	2012	\$6 100 000.00	4 years	5	5	4	4	4	4	I
Tonga performance-linked aid 2011–12 to 2012–13	2012	\$10 000 000.00	2 years	6	5	5	5	5	4	I
Economic and Public Sector Reform II	2012	\$2 100 000.00	2 years	5	4	3	4	3	3	I
Tonga Energy Roadmap	2012	\$5 899 258.00	4 years	5	4	3	4	4	2	I

Definitions of rating scale:

Satisfactory (4, 5 and 6)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

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

Risk Management scale:

■ Mature (M). Indicates the initiative manager conducts risk discussions on at least a monthly basis with all stakeholders and updates the risk registry quarterly.

■ Intermediate (I). Indicates the initiative manager conducts ad-hoc risk discussion and updates the risk register occasionally.

■ Basic (B). Indicates there are limited or few risk discussions and the risk register has not been updated in the past 12 months.

Annex D

Evaluation and review pipeline planning

List of evaluations completed⁴⁴ in the reporting period

Name of Initiative	AidWorks number	Type of evaluation ⁴⁵	Date evaluation report received	Date evaluation report uploaded into AidWorks	Date management response uploaded into AidWorks	Published on website
Australia – New Zealand – Tonga Technical Vocational Education and Training Support Program	INI954	Independent progress review	July 2012	August 2012	January 2013	Yes
Tonga Health Systems Support Program	INI960	Independent progress review	April 2013	April 2013	Not uploaded	No

List of evaluations planned in the next 12 months

Name of Initiative	AidWorks number	Type of evaluation	Purpose of evaluation ⁴⁶	Expected completion date
Economic and Public Sector Management Program	INI190	Completion report	Inform a future phase and verify program outcomes	July 2013
Financial and Economic Management Program	ING000	Completion report	Inform a future phase and verify program outcomes	July 2013
Tonga Pacific technical assistance mechanism	ING994	Independent progress review	Inform a future phase and verify program outcomes	July 2013

⁴⁴ ‘Completed’ means the final version of the report has been received.

⁴⁵ Mid-term review, completion report, partner-led evaluation, joint evaluation.

⁴⁶ To inform a future phase of program, to improve existing program; to verify program outcomes.