



Australian Government

Department of Foreign Affairs and Trade



Aid Program Performance Report 2014-15

Tonga

November 2015

Key Messages

This report outlines progress made towards the objectives of the Australian Government's aid program to Tonga from July 2014 to June 2015 as articulated in the Partnership for Development 2009-2015. It also includes recommendations to improve overall program performance.

In 2014-15 key achievements included:

- implementation by Tonga, with assistance from Australia and other development partners, of economic and financial management reforms that helped achieve a balanced budget, manage debt, and increase revenue performance;
- a strong partnership between Australia and Tonga to implement an integrated health program that has contributed to a halt in the rise of obesity, a decrease in smoking rates, and a decrease in physical inactivity—all key risk factors in the development of non-communicable diseases (NCDs). Obesity risk factors and smoking rates are falling;
- outreach by NCD nurses trained with Australian support, medical specialists, local hospital and community-based medical and health care staff, which helped ensure NCD patients were detected, managed and supported in far greater numbers and to a far greater level than ever before;
- provision of 66 Australia Awards (scholarships and fellowships) to Tongans to study in Australia and the Pacific through the 2014 intake, increasing the number of skilled people in Tonga;
- support for 54 places for women in pilot horticulture courses through the Interim Skills Development Facility;
- access for 450 women survivors of violence to crisis support services, including counselling, and legal support;
- improvements in Tonga's environmental health infrastructure. The upgrade of the Nuku'alofa waste facility, finished in January 2015, has added an additional 8-10 years to the lifespan of the capital's waste management site, providing essential services to Nuku'alofa's urban areas.

Despite these strong achievements, there are opportunities for improvement in the basic education program, and progress on infrastructure programs was inconsistent. Overall, the program is well placed to deliver against the Australian and Tongan Governments' priorities. A new Aid Investment Plan developed by Australia will form the basis of the Aid Partnership to be negotiated with the Tongan Government in 2015-16. Further consolidation of the aid program—including through better alignment of bilateral, regional and global investments—will contribute to stronger economic and social outcomes. Additional work will be undertaken to further improve gender equity outcomes across the program.

Context

Tonga is a small Pacific Island country, with a population of approximately 102,000 dispersed across 120 islands. Ongoing challenges to development and economic growth include government debt sustainability, susceptibility to natural disasters, the impact of non-communicable diseases and gender inequality. The new Tongan Government has been developing a medium-term economic reform program to help address many of these challenges.

A significant trade deficit means Tonga relies on remittances from Tongans working overseas, foreign aid and a limited domestic production and export base. Agriculture and fisheries form the bulk of Tonga's home-grown economic activity and account for two thirds of Tonga's exports. Tonga's per capita GNP growth over the last several decades has been favourable relative to many other Pacific island countries but the recent slowdown in the US and OECD economies and oil and food price shocks have meant remittance and trade flows have become increasingly volatile.¹ Tonga's upper middle-income status masks considerable income variation and

¹ World Bank IDA/IFC. 2010. *Country Assistance Strategy for the Kingdom of Tonga, 2011-2014*. Pp. 1,4

deprivation between households. Approximately one quarter of Tongan households find it difficult to meet their basic needs, especially those on outer islands and not in receipt of overseas remittances.²

Following Tonga's debt burden climbing to 44 per cent of its GDP in 2014, the government has adopted a conservative borrowing policy and is considering ways to utilise non-debt financing for the 2019 Pacific Games. Tonga is now considered by the IMF as being at moderate risk of debt distress (an improvement on the previous assessment of high risk of debt distress).

With support from Australia and other development partners, in recent years Tonga has taken some steps towards creating a growth enabling environment, including regulatory reform, sale and reform of state-owned infrastructure and investments in roads, energy and communications infrastructure, but more can be done. A new Tongan Government was elected in December 2014 and over the first half of 2015 worked on developing a medium-term economic reform program.

In 2014, Tonga was considered to have the third highest risk of natural disaster globally (after Vanuatu and the Philippines) due to its exposure to natural hazards and its capacity to respond³. Tonga's January 2014 cyclone, one of the strongest ever to hit Tonga⁴, caused damage valued at approximately \$50 million and destroyed or damaged over 1,000 homes.⁵ The reconstruction effort is ongoing.

Non-communicable diseases (NCDs) are endemic in Tonga. They present an increasing economic drain, due to higher costs to the health sector, and lost labour productivity due to caring responsibilities and high rates of morbidity and premature mortality.

As in other parts of the world, gender inequality in Tonga undermines economic growth, human development and poverty reduction. Women in the Pacific continue to be under-represented in Parliament – Tonga has no female parliamentarians compared to the global average of 21.7 per cent⁶. Rates of domestic violence are particularly concerning⁷.

Australia is Tonga's largest bilateral donor. Australia's development assistance to Tonga in 2014-15 was \$31.2 million. New Zealand, Japan, the European Union and China are other key bilateral donors. The World Bank and Asian Development Bank (ADB) also play an important role in Tonga's development activities.

Expenditure

Table 1—Total ODA Expenditure in FY 2014-15

Objective	A\$ million	% of total ODA
<i>Bilateral</i>		
Objective 1 – more efficient and effective public sector	7.0	22.5
Objective 2 – improved technical and vocational skills	4.6	14.8
Objective 3 – improved health	2.4	7.7
Objective 4 - infrastructure to improve the everyday lives of the people	1.5	4.8
Other bilateral	0.8	2.6
Sub-Total Bilateral	16.3	52.4
Regional and Global	11.0	35.4
Other Government Departments	3.8	12.2
Total ODA Expenditure	31.2	100

² Tonga Department of Statistics Data (2009) in the Social Protection Issues Paper prepared for the Government of Tonga's Ministry of Finance and National Planning, cited in AusAID (June 2013). Tonga Annual Performance Report 2012-13, 3.

³ <http://i.unu.edu/media/ehs.unu.edu/news/4070/11896.pdf>. The World Risk Index consists of indicators in four components: (a) exposure towards natural hazards such as earthquakes, cyclones, flooding, drought and sea level rise, (b) susceptibility depending on infrastructure, food, housing and economic framework conditions, (c) coping capacities depending on governance, risk reduction, early warning, healthcare, social and material coverage and (d) adaptive capacities related to future natural hazards and the impacts of climate change. Source: <http://i.unu.edu/media/ehs.unu.edu/news/4070/11895.pdf>

⁴ World Bank. 2014. *Tonga: Survivors Get Back on Their Feet after Tropical Cyclone Ian*. Feature Story, December 17, 2014

⁵ Aon Benfield January 2014 Global Catastrophe Recap. Pp 7

⁶ Inter-parliamentary Union, Women in National Parliaments – World Average.

⁷ 79 per cent of 634 respondents, National Study on Domestic Violence against Women in Tonga, 2009 (published 2012)

Progress towards Objectives

Table 2—Rating of the Program's Progress towards Australia's Aid Objectives

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

Note:

 **Green.** Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

 **Amber.** Progress is somewhat less than expected at this stage of implementation 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 at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period: 2014-15

Objective 1: More efficient and effective public sector

Australia has committed through the Partnership for Development to work with Tonga to develop a more efficient public sector, by supporting partner government reforms to promote fiscal sustainability and improve public expenditure management. Through a joint donor mechanism, Tonga, Australia and other donors cooperated effectively to progress key economic and public sector reforms and achieved satisfactory progress against targets. Tonga has improved its budget and debt situation and introduced reforms to encourage foreign investment.

Australia's strategic contribution through both technical assistance and performance linked aid continued to prove successful. Maintaining a close dialogue with multilateral partners was a critical component of maintaining reform momentum, particularly through the change of government.

Specifically, in 2014-15, Australian support:

- enabled Tonga to strengthen public financial management. An Australian-supported review of *Procurement Regulations 2010* undertaken in September 2014 made a number of reform recommendations which were approved by Cabinet in May 2015. Tonga is now undertaking work to implement these reforms, which will provide better value-for-money and more timely procurement of goods and services. Australia also supported development and ongoing implementation of a Public Financial Management Reform Roadmap which was approved by Tonga's Cabinet in October 2014;
- helped Tonga strengthen fiscal policy by improving tax compliance and revenue collection. The Ministry of Revenue increased its revenue collection in 2014-15 by 1.8 per cent. Incentives for healthier living included an increase in customs and excise duty rates on the consumption of unhealthy goods linked to NCDs. A framework for standardised and transparent investment incentives in priority economic sectors received Tongan Government approval;
- helped enhance the business enabling environment through the introduction of a policy framework for foreign investment in the fisheries, agriculture and tourism sectors. Tonga also maintained sound debt-management policies over the reporting period.

Australia also commenced an innovative private sector pilot project to support the vanilla industry in Tonga, which aims to benefit smallholder vanilla farmers. The project design focused on infrastructure development and training for farmers in Vava'u; a multi-purpose pack house in Eua to improve agricultural and processing practices; and promotion of linkages to export markets. Successful project implementation will provide access to Fairtrade Australia-New Zealand certified markets.

Objective 2: Improved Technical and Vocational Education and Training (TVET) skills

Australia has committed to help Tonga build a more highly skilled workforce linked to industry demand. Two key investments that support this objective, the *Interim Skills Development Facility* and *Australia Awards*, made good progress against targets during the reporting period. However, despite some positive progress, many of the ambitious targets set for a program focussed on improving basic education, the *Tonga Education Sector Program*, were not met.

In 2015, the *Interim Skills Development Facility* supported 54 places for women in new horticulture courses and a further 25 places for women and men in agriculture courses. The managing contractor commenced delivery of accredited TVET courses and established a Facility Management Group which includes private sector, Tongan and Australian government participation to oversight the facility's strategy and operations.

Australia Awards continued to be a successful conduit to higher education for Tongans. In 2014, 66 Australia Awards (scholarships and fellowships, 60 per cent female) were provided to develop Tonga's leadership and management capacity across priority areas, through study in Australia and the Pacific. A 2014 study⁸ found that over the period 2009-2013 there was a 100 per cent completion rate for Australia Awards Scholarship students but only a 63 per cent completion rate for the Australia Awards Pacific Scholarships. In 2014-15, DFAT continued to work with Pacific institutions and the Tonga Scholarship Committee to improve student support and selection processes, with a view to increasing completion rates for the current cohort of Pacific scholarships students.

The *Seasonal Worker Programme* continued its successful contribution to Tongan employment, remittance and skills development opportunities over the reporting period. In 2014-15 (to May 2015), 1,883 Tongans participated in the Seasonal Worker Programme, an increase of almost 26 per cent over 2013-14. A 2011 analysis of the development impact of the *Pacific Seasonal Worker Pilot Scheme* (the pre-cursor program to the *Seasonal Worker Programme*) found that, on average, workers remitted around AU\$5000 over a six-month period, increasing incomes for their households by almost 40 per cent⁹. However, further, more nuanced data is required to better inform assessment of the impact of the program in Tonga. Basic gender analysis which shows just 12 per cent of Tongan participants in the last three financial years have been women, suggests greater attention on improving female participation is also necessary.

Australia and New Zealand jointly fund the *Tonga Education Sector Program (TESP2)*. A July 2015 independent evaluation found that there have been some positive outcomes achieved through this program. For example, school grants which fund learning materials and equipment, and are tied to proven results, are providing a good foundation to lift educational outcomes. However, the evaluation also suggested that program objectives were too ambitious for the timeframes, which was reflected in poor progress in program implementation and expenditure delays. Consequently, neither Australia nor New Zealand disbursed funding to TESP2 in 2014. In consultation with the Government of Tonga, Australia's overall funding commitment to TESP2 was reduced to reflect actual expenditure.

Objective 3: Improved health

Australia has committed to work with Tonga to reduce the prevalence of non-communicable disease risk factors such as smoking and obesity and to strengthen Tonga's focus on primary health care. For 2014-15, targets for Australia's aid to the health sector included:

- halt the increase in overall prevalence of obesity;
- primary health care provided to all communities in Tonga to follow a common national standard; and
- carry out a review of NCD financing in Tonga and agree targets with Government of Tonga on the appropriate increases in expenditure over the medium term on health promotion, primary and secondary prevention.

⁸ Study of DFAT's Australia Awards in Tonga (2014)

⁹ <http://dfat.gov.au/about-us/publications/Pages/australia-s-pacific-seasonal-worker-pilot-scheme-pswps-development-impacts-in-the-first-two-years.aspx>

A strong partnership between Australia and Tonga to implement an integrated health program (*Tonga Health Systems Strengthening Program (THSSP) Phase 1*) contributed to successful achievement of all three program targets. A 2014 World Health Organisation survey indicated approximately 1,000 Tongans reduced their risk of obesity over the last three years; and that smoking rates are gradually decreasing, particularly amongst women. Tongans are becoming more active, with close to one-quarter of women (22 per cent) increasing their levels of physical activity.

Following the successful development of an innovative *Diploma in NCD Nursing Practice* and the training of 20 registered specialist NCD nurses in 2013-14, the *NCD Outreach Program* was rolled out over the reporting period. This program facilitates outreach to village health centres by the NCD nurses, medical specialists, local hospital and community-based medical and health care staff. Through this work NCD patients were detected, managed and supported in far greater numbers and to a far greater level than ever before. The work of the NCD nurses is an innovative model that could be replicated across the region. It is proving to be a successful platform for improving and expanding NCD primary and secondary prevention services including the potential use of mobile technologies.

Ongoing operational support was provided to Tonga's major hospital, Vaiola, through the provision of long-term specialist medical staff, who filled a gap in critical services. An anaesthetist, surgeon and a biomedical engineer mentored and helped build local staff and systems capacity, for example by maintaining essential clinical equipment and by identifying local health staff as candidates for further training. The work of the long-term specialists was complemented by the Royal Australian College of Surgeons Pacific Islands Program. Under this investment, seven specialised surgical groups visited Tonga and performed 963 consultations (443 males and 513 females, and seven persons of unrecorded gender) and 207 operations (109 males and 98 females).

In terms of broader health system improvement, procurement and supply chain issues identified through earlier program audits are improving, but challenges remain in embedding new procurement and supply chain management processes. Budget and financial management also require ongoing strengthening and monitoring.

Over the reporting period, the new design was completed for the 5-year, \$12 million health investment, THSSP Phase 2. The design process of Phase 2 incorporated many lessons learned from Phase 1 reviews. It was developed through a series of design workshops, in close collaboration with the Ministry of Health, which has a high level of ownership of the program. Through these processes it was agreed that Australia will continue its support to Tonga's health sector to improve health service delivery, particularly preventative health services; and the strong focus on halting a rise in the prevalence of NCDs and its risk factors will be continued.

In 2014-15, Australian Sports for Development programs were aligned with NCD-related objectives of the THSSP. For example, the *Kau Mai Tonga Netipolo (C'mon Tonga Let's Play Netball)*, a successful behavioural change program undertaken through the Australia Sports Outreach Program, worked to increase physical activity rates of women and girls aged 15-45. The increase in physical activity by 22 per cent of women (mentioned above) is a positive indication that Tonga's and Australia's collaborative approach is working.

Objective 4: Development of infrastructure to improve the everyday lives of people

Australia has committed through the Partnership for Development to work with Tonga to improve infrastructure to increase the proportion of Tonga's population with reliable and affordable links to markets and services. For the portfolio of current investments in this sector, there was solid progress in the *Nuku'alofa Urban Development Program* and the *Outer Islands Renewable Energy Project*, but many activities under the *Tonga Energy Roadmap Institutional and Regulatory Framework Strengthening Project* and the *Transport Sector Consolidation Project* were delayed.

With Australian and ADB support through the *Nuku'alofa Urban Development Program*, Tonga constructed a new cell 2 at the Tapuhia waste facility and procured essential machinery (including a replacement compactor). This is expected to add an additional 8-10 years to the lifespan of the waste management site, and will enable efficient operations of the facility to provide essential services to Nuku'alofa's urban areas. The project also

helped improve waste collection and management services in the capital. The project successfully tendered for three initiatives that will improve the quality, reliability and sustainability of the urban waste supply services. A trial of waste collection options for outer villages was also undertaken. Overall, this project has delivered on schedule against its objectives.

The World Bank-led *Transport Sector Consolidation Project* (TSCP) was designed to strengthen policy, planning and institutional arrangements for the transport sector, improve safety and security for air, land and sea transport, and build domestic private sector capacity to undertake road maintenance activities. During the reporting period, TSCP built on previous important change management achievements, whereby core government infrastructure functions were merged into one Ministry and a divestment plan was implemented for non-core functions. Australia co-financed with the World Bank a road maintenance component that helped create a locally-owned, private road contracting industry by tendering work in small packages and providing training and business advice to small contractors. Between April 2014 and March 2015, eleven of the 12 companies that bid for and undertook these road maintenance activities were Tongan. During 2014-15, approximately 468kms of road corridor were maintained by these companies and through the efforts of the project some 200 jobs were created for the local private sector. Despite these achievements, towards the end of the reporting period there was a shift in Government of Tonga policy from this successful outsourcing of work to the private sector, towards re-engaging Ministry of Infrastructure day labour staff for road maintenance activities. Overall project implementation was also behind schedule. As the lead partner for this project, in 2016 the World Bank plans to work with the Ministry of Infrastructure to commission an analysis of the benefits and risks of privatisation of non-core functions, to help better inform government policy.

The *Tonga Energy Road Map (TERM)* is an overarching Tongan government plan, developed with World Bank and Australian support, to improve access, efficiency and the cost of energy for all of Tonga's people. The World Bank-led *TERM Institutional and Regulatory Framework Strengthening Project*, which Australia co-finances, was designed to meet early TERM goals. During the reporting period assistance was provided through this project to strengthen the core institutions and regulatory framework for the TERM, a key precursor for operations and investments. This project has the potential to create genuine benefits for Tonga but there have been significant delays in implementation.

Through the ADB-led *Outer Islands Renewable Energy Project (OIREP)*, Australia supported on and off-grid solar installations for nine outer islands, to increase energy access and energy efficiency. Given the significant differences between existing energy infrastructure on the different outer islands, in 2014-15 OIREP was split into an on-grid component and a mini-grid and off-grid component. The re-designed on-grid component project is now progressing well against the revised targets. Tender submissions have been received and assessed for the three on-grid installations. However, significant challenges remain around the implementation of the off-grid component. DFAT funded the design of an appropriate model for the operation and maintenance of the smaller mini-grid solar plants and solar home systems in the more remote outer islands, to inform Government of Tonga decisions on this project.

Gender equality

Australian support helped the Women and Children's Crisis Centre and the Tongan National Women's Centre provide expanded support services. Four hundred and fifty survivors of violence were able to access crisis support services, including counselling and legal support. Australia provided direct support to the Ministry of Internal Affairs Division of Women and better integrated gender considerations into sectoral programs working with Tongan Ministries. DFAT also supported opportunities for women's economic empowerment. For example, a pilot training course for women in horticulture through the Interim Skills Development Facility provided 54 places for Tongan women.

While some important steps to better integrate consideration of gender equality issues into the Tongan aid program were taken in 2014-15, four investments nevertheless were still rated as 'less than adequate quality' or below on this criterion (refer [Annex D](#)). This means the Tonga program has not yet met the strategic target

for the Australian aid program that more than 80 per cent of investments, regardless of their objectives, will effectively address gender issues.

Regional and Global Programs

During the reporting period, Tonga benefited from Australian regional and global aid programs which aim to strengthen economic growth, education, health, climate change, risk resilience and gender equality outcomes. For example, Pacific Horticultural and Agricultural Market Access (PHAMA), ADB Private Sector Development Initiative, community and regional fisheries development, Australia Awards, Pacific Leadership Program, Australia Pacific Technical College, Pacific regional health programs, Pacific Risk Resilience Program, Climate and Oceans Support Program, Sports for Development, volunteers, and Pacific Women Shaping Pacific Development.

Program performance for these activities is assessed through the relevant Aid Program Performance Reports (see for example [Pacific Regional Aid Program Performance Report](#)).

Other Australian Government Departments

In 2014-15, Tonga received \$3.8 million direct and indirect support through activities delivered largely through the Australian Federal Police and the Australian Centre for International Agricultural Research.

The Australian Federal Police (AFP) works in partnership with New Zealand to deliver the *Tonga Police Development Program* (TPDP). The current phase of assistance (a commitment of \$12m over the period 2013-2016) is focused on strengthening community level policing and on organisational development for Tonga Police.

Key achievements in 2014-15 included enhancement of capability to meet international search and rescue obligations for all search and rescue responses coordinated by the Tonga Police Operations Group; construction of Community Police Stations at Mu'a, Nukunuku and Nomuka, Ha'apai; and construction of new barracks at Longolongo. TPDP supported development of a robust professional standards reporting mechanism for the Tonga Police including a Professional Standards Policy and Tonga Police Code of Conduct. TPDP also developed and delivered a supervisors' leadership course, as well as a Basic Investigation Program, victim support and domestic violence victim support and close personal protection training. The registration of Tonga Police College as an accredited training institute by the Tonga National Qualifications and Accreditation Board and accreditation of the Tonga Police College recruit training Diploma of General Policing Level 5, in March 2015, was a significant milestone for TPDP.

AFP has supported proactive recruitment and professional development of female police officers in Tonga - evidenced by the consistently high level of recruitment of women by Tonga Police. The most recent recruit course (19 September 2015) comprised nine female and 20 male graduates.

The Australian Centre for International Agricultural Research supported continued development of the cultured pearl industry in Tonga, with the *Pearl Industry Development in the Western Pacific* project resulting in significant expansion of the pearl farming industry. Due to the success of the existing project, a new "pearl industry based livelihoods" project commenced in FY14-15. This project will develop post-harvest, marketing and value-adding options for Tonga's pearl industry and maximise the benefits that the Tongan community realise from pearl farming. ACIAR continues to work regionally with the Secretariat of the Pacific Community and its partners to build research and development capacity for high-value crops for domestic consumption and export; as well as support for the export of sea cucumbers (the second most valuable marine export in the Pacific region after tuna).

Performance Benchmarks

Good progress was achieved against the mutually agreed aid program benchmarks identified in DFAT's 2013-14 Aid Program Performance Report - four of the five benchmarks were completed. While the fifth benchmark (development of a formal private sector development and trade facilitation strategy) was not completed, good

progress was made, including a stocktake of investments by Australian and other donors in this area, and initial analysis of areas where Australia can add value. Important work was undertaken to stimulate economic growth and private sector development, including through our investments (such as in skills development, agriculture pilots and policy reforms) and through policy dialogue on economic reform.

Detail on progress against each performance benchmark is described in [Annex B](#).

Mutual Obligations

Australia and Tonga continued to work to meet the mutual obligations and shared goals outlined in the *Australia Tonga Partnership for Development*. Australia cooperated closely both with the Tongan Government and other development partners to deliver its development assistance. Aid investments aligned well with the objectives of Tonga's *National Strategic Development Framework*, as well as the Government of Tonga's sector plans. Both Australia and Tonga were actively involved in monitoring and reviewing programs using mutually determined development and governance indicators. Tonga maintained leadership of its policies for improved governance and economic and social development as articulated in the *National Strategic Development Framework*. Australia and Tonga also maintained a zero-tolerance approach to fraudulent and corrupt actions against Australia's aid program to Tonga and applied environmental and child protection safeguards.

During the reporting period DFAT conducted an assessment of Tonga's public financial management and procurement systems. The draft report concluded the risks for DFAT to continue to use Tonga systems are low in all aspects other than in public procurement and audit, where risks were rated as moderate. The assessment included specific actions to mitigate these risks and support Tonga to strengthen its own systems further.

Program Quality and Partner Performance

Overview

Currently DFAT assesses each aid investment against objectives set out during the design phase. Going forward a Performance Assessment Framework will be developed to underpin the Tonga Aid Investment Plan, to more clearly set out performance benchmarks across the aid program and joint processes to measure performance. Australia and Tonga both remain committed to continuing to independently evaluate investments. Evaluations undertaken during the reporting period are listed at [Annex C](#).

Analysis of Aid Quality Checks (AQC)

DFAT's 2015 Aid Quality Checks (AQC) demonstrated most investments are performing satisfactorily or better overall, in terms of effectiveness and efficiency. As noted earlier, two exceptions are the *Tonga Energy Road Map (TERM) Institutional and Regulatory Framework Strengthening Project* and *Tonga Education Support Program 2 (TESP2)*, due to slow progress. Gender equity considerations across all programs require further work. Australia will continue to work with its partners to address concerns, as described in the Management Response section below. A summary of AQC ratings is included at [Annex D](#).

Performance of key delivery partners

Open dialogue with the Tongan Government and a coordinated approach with other donors were vital to the success of the program in 2014-15. Overall, all parties - Australia, Tonga, European Union, World Bank and Asian Development Bank - worked well together on the *Joint Policy Reform Matrix*. Australia and the TVET Managing Contractor (University of Queensland) successfully partnered to establish and implement the *Interim Skills Development Facility*. Australia worked with Pacific tertiary institutions to improve timely reporting on student scholarship issues, although challenges remain. In the health sector, DFAT and Tonga's Ministry of Health share a collaborative and highly productive partnership. In the infrastructure sector, ADB continued to work constructively with DFAT to improve program performance. The World Bank continued to provide access to critical technical expertise, however communication regarding projects funded by Australia during the reporting period was unsatisfactory in some instances. Work was also undertaken to resolve concerns with UNDP not fully meeting requirements to deliver the *Tonga Governance Strengthening Program* (a management response identified in the 2013-14 Aid Program Performance Report).

Risks

Table 3 Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	For emerging/ongoing risks provide a Risk Rating (low, medium, high, very high)
Australian aid funds channelled through partner government systems are misused, under-utilised or misappropriated	<p>Conducted Australian Aid Assessment of National Systems (ANS) for Tonga.</p> <p>DFAT audit of aid program completed.</p> <p>Independent audit of all program payments completed.</p> <p>Support for Central procurement Unit includes particular oversight of any Australian aid program-funded procurement.</p> <p>Revised thresholds for procurement by the Central Procurement Unit and procurement planning have been implemented.</p> <p>THSSP systems strengthening support includes procurement and audit components.</p>	<p>ANS report will be finalised and recommendations implemented.</p> <p>Contract specialist expertise to review risks and update mitigation strategies annually.</p> <p>Continue support for Central Procurement Unit.</p> <p>Ensure THSSP systems strengthening support continues to include procurement and audit aspects.</p>	Medium

Management Responses

Following an assessment of programs in 2014-15, DFAT will undertake the following responses.

- DFAT will continue to proactively address weaknesses in the integration of gender equality issues in most investments. A gender adviser has been contracted and a review of Tonga's Pacific Women country plan, its implementation to date, and proposed next steps was undertaken in October 2015.
- A joint Australia, New Zealand and Tonga independent evaluation of TESP2 (the basic education program) commenced in July 2015, following poor progress in program implementation and expenditure delays. The report and management response are expected to be published by the end of 2015.
- DFAT will work with World Bank to improve communication regarding two projects funded by Australia (*Tonga Energy Road Map (TERM) Institutional and Regulatory Framework Strengthening Project* and *Transport Sector Consolidation Project*).
- DFAT will complete development of a formal private sector development and trade facilitation strategy to better inform future investment decisions and Tonga Aid Partnership discussions.
- DFAT will contract specialist expertise to review risks and update mitigation strategies annually, to better manage the risks of working through partner government systems.
- In 2015-16, DFAT will develop a Performance Assessment Framework to underpin the Tonga Aid Investment Plan, to more clearly set out performance benchmarks across the aid program and joint processes to measure performance.
- To improve effectiveness and better harness the resources available to this small post, DFAT will seek to consolidate its portfolio of investments in consultation with Government of Tonga, and better align bilateral, regional and global expenditure.

Annex A - Progress in Addressing Management Responses

Management responses identified in 2013-14 APPR	Rating	Progress made in 2014-5
Australia will work closely with Tonga to particularly encourage prudent management of the economy with a focus on maintaining Tonga's 'no new debt' policy. In particular Australia will work with other donors and Tonga to further develop Tonga's ability to analyse offers of financial assistance. This will help ensure fiscally responsible approaches are pursued including better planning for economic shocks.	Achieved	Tonga maintained its 'no new debt' policy. Government is considering a range of options to manage the costs associated with hosting the upcoming 2019 Pacific Games.
In June 2014 the Australian Government released a new aid policy and framework for performance management. This policy provides an opportunity for Australia, in consultation with Tonga and other development partners to review the Tonga aid program objectives and supporting initiatives. The new aid arrangement will be based on sound evidence, a clear articulation of interests and developed in the spirit of partnership. It will need to better consider the role of the private sector and civil society, and include provisions to improve gender equity and disability outcomes.	Achieved	Ongoing review of objectives and investments informed completion of Aid Investment Plan and will shape the Aid Partnership discussions.
In the meantime, the Gender Adviser will continue to work with the Tongan aid program to improve gender equity across the program and boost the capacity of staff manage this issue on an ongoing basis. The program will also accelerate work to incorporate disability inclusiveness within the program.	Partly achieved	Gender adviser worked with Tongan aid program staff to improve consideration of gender issues across all investments. However, as AQC ratings demonstrate, more work is required. An Inclusive Education Study was completed in 14-15 which found the basic education sector was not in a position to take on additional reforms at this stage. Further action on this item postponed.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

Annex B - Progress towards Performance Benchmarks in 2014 -15

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
Support partner government reforms to promote fiscal sustainability and improve public expenditure management	Economic and Public Sector Governance Program - Ministry of Revenue will increase revenue collection by between 1-2 per cent this year.	Achieved	Tonga increased revenues by 1.8 per cent as a percentage of GDP – from 20 per cent in 13-14, to 21.8 per cent in 14-15 (Source: Government of Tonga Budget Statement 2014-15).
Improve health outcomes with a particular focus on reducing the impact of non-communicable diseases (NCDs).	Health Program - Halt the increase in overall prevalence of obesity. Primary health care provided to all communities in Tonga to follow a common national standard and to carry out a review of NCD financing in Tonga and agree targets with government of Tonga on the appropriate level of increases in expenditure over the medium term on health promotion, and primary and secondary prevention.	Achieved	A strong partnership between Australia and Tonga to implement an integrated health program has contributed to successful completion of all four program targets. A 2014 World Health Organisation survey indicated approximately one thousand Tongans have reduced their risk of obesity over the last three years; and smoking rates are gradually decreasing, particularly amongst women. Tongans are becoming more active, with close to one-quarter of women (22 per cent) increasing their levels of physical activity.
To stimulate economic growth and private sector development by investing in economic infrastructure	Private Sector Development - Complete a Private Sector Development and Trade Facilitation strategy to inform appropriate entry points and investment choices. This work will be done in coordination with ADB's Private Sector Development Initiative; Pacific Trade and Invest and the Suva-based Market Development Facility and will draw on and help update existing trade diagnostic studies.	Partly achieved	While the defined benchmark (a formal facilitation strategy) was not completed, a stocktake of investments by Australian and other donors in this area, and initial analysis of areas where Australia can add value, was completed. Through the bilateral relationship, important work was undertaken to stimulate economic growth and private sector development, including through our investments (such as in skills development, agriculture pilots and policy reforms) and policy dialogue.

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
	Infrastructure Program- Through the Nuku'alofa Urban Development Program, complete the up grading of the waste facility including completion of cell 2 and the procurement of the essential machinery (including a replacement compactor).	Achieved.	Through the Nuku'alofa Urban Development Program, upgrading of the waste facility including completion of cell 2 and the procurement of the essential machinery (including a replacement compactor) was completed.
To increase the numbers of children with a disability that have access to quality learning opportunities.	Education Program – An Inclusive Education scoping report completed with baseline data identified.	Achieved	Inclusive Education scoping report completed. The report found that the basic education sector was struggling to manage the existing level of donor reform requirements, and it was decided that adding Inclusive Education reforms to the mix at this point in time was not appropriate. Further action in this area has been postponed.

Note:

- **Achieved.** Significant progress has been made and the performance benchmark was achieved
- **Partly achieved.** Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- **Not achieved.** Progress towards the performance benchmark has been significantly below expectations

Annex C - Evaluation and Review Pipeline Planning

List of evaluations commenced in the reporting period

Name of Investment	AidWorks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
ALL	ALL	Assessment of National Systems – Tonga March 2015 update	TBC	TBC	TBC	TBC

List of evaluations planned in the next 12 months

Name of Investment	AidWorks number	Type of evaluation	Purpose of evaluation	Expected completion date
Tonga Education Support Program 2	INK888	Independent Progress Report (joint evaluation with New Zealand and Government of Tonga)	Assess successes, lessons learned and provide recommendations on future funding options	September 2015

Annex D - Aid Quality Check ratings

The previous investment level performance assessment system utilised Quality at Implementation (QAI) reports. Two criteria, Risks and Safeguards and Innovation and Private sector were not assessed in QAI reports and there have been significant changes in AQC reporting this year. Innovation and Private Sector is not a quality standard.

AQC ratings

Investment name	Approved budget and duration	AQC/QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Economic and Public Sector Reform Program and Performance Linked Aid ¹⁰	\$13.1 million 2004-2014	2014 AQC	6	5	5	5	5	2	5
Tonga Business Recovery Facility		2014 AQC	4	4	3	3	3	1	3
Tonga Health Systems Support Program		2014 AQC	5	5	5	5	4	4	5
Interim Skill Development Program		2014 AQC	5	5	5	5	5	5	5
Australia Awards ¹¹		2014 AQC	4	4	4	4	4	4	5
Tonga Education Support Program II		2014 AQC	5	3	3	3	4	4	4
Tonga Energy Roadmap		2014 AQC	4	3	3	2	4	3	3
Transport Sector Consolidation Project		2014 AQC	5	4	4	4	4	3	4
Nuku'alofa Urban Development Project		2014 AQC	5	4	4	4	4	4	4

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

¹⁰ The AQC for the Economic and Public Sector Reform program cluster totalling \$13, 083, 255.93 covers: *Financial Economic Management Program* (\$4,829,717 over 2004-2013), *Economic and Public Sector Management* (\$4,245,590 over 2008-2013), *Tonga Pacific Technical Assistance Mission* (\$4,007,949 over 2006-2014)

¹¹ Cluster AQC covering Australia Award Scholarships and Australia Award Pacific Scholarships funded through the bilateral program.