

Management Response to the Independent Evaluation of DFAT's Economic and Public Sector Governance Reform Program (EPSG III) to the Kingdom of Tonga 2015/16 – 2017/18

DFAT has agreed to all recommendations in the evaluation report, and intends to continue to invest in economic governance and private sector reform in Tonga over the medium term, subject to the negotiation of a new Tonga-Australia Aid Partnership Agreement in mid-2019.

DFAT will commence the design of a new economic governance program immediately. The design will explore:

- determining a balance of Australian funding for budget support, technical assistance (TA), and programmatic support;
- current public financial management risk through an update to DFAT's assessment of national systems in early 2019, and
- determining an appropriate spread of TA/programmatic interventions across public financial management, achieving policy reforms, and supporting accountability institutions.

Throughout the design, DFAT will focus on enhancing issues identified in the evaluation report, including coordination, monitoring, evaluation, communications and political engagement. The program will be designed as sufficiently flexible to enable the balance of budget support and technical assistance to be adjusted as needed.

DFAT will take the following specific measures:

1. Develop a cohesive overarching design framework for Australia's economic governance and reform support in Tonga
 - a. Post will develop a concept and investment design document for a future phase of economic governance support – **by June 2019**.
 - b. Design will be progressed in parallel with the development of a new Tonga-Australia aid investment plan and partnership agreement to cover the period 2019-2022.
2. Focus of Australia's interests
 - a. In addition to Australia's interest in macroeconomic fiscal anchors and public financial management, Australia's economic sector design to focus on reforms to achieve climate and disaster resilience, private sector growth and gender equality.
 - b. Design an appropriate funding split between budget support and technical support within the overall economic sector envelope
 - c. DFAT to consider a mix of focus on due diligence for donor budget support contributions, achieving reforms, donor coordination, program performance and supporting accountability institutions.
 - d. DFAT to update Assessment of National Systems as part of the risk management for budget support – **by February 2019**
 - e. At a minimum, Australia to retain its support for the central procurement unit of the Ministry of Finance. A short term adviser has already been

mobilised (Aug 2018-Jan 2019), and a longer term position will be advertised in **November 2018**.

3. Enhancing public dialogue and communications
 - a. Develop internal communications, and consider support for the GoT public diplomacy on economic reforms and government priorities – **by June 2019**
 - b. Post to develop an economic governance communications strategy to better explain the outcomes of Australia's investment – **by December 2018**.
4. Enhancing coordination among JPRM partners
 - a. Work with the World Bank (WB) to amend the JPRM monitoring tool to include decisions to alter triggers and measure the quality of reform implementation – **by December 2019**, in line with the development of the next phase of the WB's Development Policy Operations (DPO).
 - b. Encourage WB to coordinate informal donor partner catch-ups quarterly, between budget support missions – **done**
 - c. Work with the WB and other donors to align disbursement timeframes and triggers – in line with next phase of the DPO – **by December 2019**
5. Enhanced monitoring and reporting on outcomes
 - a. Monitoring and Evaluation built into both the design of the next phase of an economic governance program – **by June 2019**
 - b. Assist the WB as needed to develop a Performance Assessment Framework (PAF) for the next DPO – **by December 2019**
 - c. Investigate possible support for the Tonga statistics office to produce better analysis to support monitoring the impact of policy reforms.