

JOINT TONGA/NEW ZEALAND COUNTRY PROGRAMME STRATEGY 2008-2018

Section 1: Executive Summary

Executive Summary

The joint Tonga/New Zealand Country Programme Strategy (TCPS) provides strategic direction for the NZAID programme to Tonga for the 2008-2018 period. The Strategy aims to support Tonga's own national development priorities set out in Strategic Development Plan Eight (SDP8) and NZAID policies and practice. The new joint Tonga/New Zealand Strategy seeks to reduce programme dispersal by focussing assistance on three Priority Areas, under which NZAID's work will seek to support six strategic objectives and the Strategy Goal. (The framework for the strategy is set out in Fig. 1 pg 5)

Context

Tonga's constitutional monarchy provided a stable political and economic environment for the country's development over much of the last 150 years. Tonga has made good progress towards the Millennium Development Goals (MDGs), and has the highest Human Development Index (HDI) score in the Pacific reflecting relatively high levels of life expectancy (72.4 years) and educational achievement (e.g. adult literacy rate of 99%). Tonga has made some progress towards gender equality in the areas of women's employment and educational achievement.

Seventy percent of Tonga's population of 102,000 people live on the main island of Tongatapu. The remainder are spread across the four island groups of Vava'u, Ha'apai, 'Eua and the two Niua. Tonga has 170 islands (36 inhabited), over 360,000 sq km of ocean, but a land area of about 748 sq km.

Despite a high birth rate, Tonga's population has remained relatively constant due to the opportunities to migrate to the United States, New Zealand and Australia. The large Tongan expatriate population send home remittances that equate to over 45% of GDP providing a significant boost to the incomes of the resident population.

Like most Pacific island nations, the Tongan economy is small, isolated from major world markets and vulnerable to natural disasters. It is reliant on a narrow production base and a limited, vulnerable set of exports (in 2006 imports were close to \$250m compared to exports of \$12m). Agriculture makes up 25% of GDP but is mainly on a subsistence basis. Long run growth rates have been modest and unemployment is emerging as one of Tonga's most pressing challenges particularly amongst youth.

There has been growing dissatisfaction within Tonga with the slow pace of change in the key institutions of Government (particularly popular representation in Parliament) leading to a major civil disturbance in 2006 that destroyed half of Nuku'alofa's business district. Tonga now faces a substantial agenda of reforms, covering political and constitutional issues, the public service, and economic and fiscal changes.

Despite some headline positive development indicators, nearly a quarter of the population is living below a basic needs poverty line. Increasing urbanisation and use of agricultural chemicals is putting pressure on a fragile environment. Tonga has a high degree of

vulnerability and is regularly affected by cyclones.¹ Reducing violence against women and increasing women's participation in Parliament remain major challenges.

Programme rationale

NZAID's policy statement, *Towards a Safe and Just World Free from Poverty, (2002)*, sets out a central NZAID focus on poverty elimination. NZAID recognises that poverty has different forms and highlights extreme poverty, poverty of opportunity, and vulnerability to poverty. There is evidence of poverty and hardship in Tonga², and of substantial inequities in access to core services and opportunities/choices. Therefore the overarching aim of the joint country strategy will be to:

Reduce hardship in Tonga through activities that promote good governance, equitable access to quality education and increased economic opportunities

This strategy goal reflects Tonga's national development priorities, as set out in SDP8, NZAID policy priorities, and the outcome of discussions initiated during a joint strategy mission in March 2007.

A key objective in developing the Strategy was reducing programme dispersal. Reflecting this, the Strategy focuses on three Priority Areas:

PRIORITY AREA 1: Governance & civil society

This area is a priority because:

- It is the first goal in Tonga's own Strategic Development Plan (SDP8) which was the result of extensive community consultations; and it is also a top priority in NZAID's Pacific Strategy;
- There is strong evidence of a link between the quality of a country's governance system and its development performance³: Statistical evidence suggests that the causality between growth and governance is two-way—implying that gains in either can give momentum to a virtuous spiral of development improvement;
- Tonga is facing major challenges in the area of governance – political reform, modernising the public service, improving the participation of women; and
- Tonga scores relatively poorly on governance indicators.

The Governance objectives and activities for the Tonga/New Zealand Country Programme Strategy are summarised in Figure 1 and outlined in more detail in Section 2 of this report.

PRIORITY AREA 2: Broad-based growth & sustainable livelihoods

This area is a priority because:

¹ Tonga suffered 16 natural disasters between 1950 and 2004, with economic losses averaging 14% of GDP during the disaster years.

² In 2001 an estimated 5% of the population were living below the "food poverty line" of NZ\$10 a week, 23% below the estimated basic needs poverty line of NZ\$20 a week

³ World Bank Global Monitoring Report 2006

- Two of the eight goals in SDP8 are directly focussed on promoting private sector development and equitable economic growth. Consultations with Government of Tonga during development of this Strategy emphasised the need to lift Tonga's economic growth rates; promoting growth and livelihoods is also a priority in NZAID's Pacific Strategy;
- There is a broad consensus amongst analysts and policy makers that per capita income growth is a major element of sustainable poverty reduction ⁴(although similar rates of growth can have very different impacts on income poverty hence the focus on 'broad based growth' or in SDP8 'equitable growth' i.e. growth with widely shared benefits);
- One of the most significant challenges facing Tonga is reducing unemployment particularly amongst young people under 20 who make up 50% of the population.

The growth and livelihood objectives and activities for the Tonga/New Zealand Country Programme Strategy are summarised in Figure 1 and outlined in more detail in Section 2 of this report.

PRIORITY AREA 3: Education

This area is a priority because:

- Education is a basic human right; it is important to Tonga (SDP8 Goal 5) and is a strong element in NZAID's Pacific Strategy (Focus Area 3);
- "Basic education is the fundamental building block for society. If this foundation is weak, then livelihoods are more difficult to pursue or students struggle in the higher reaches of education."⁵
- Despite high official rates of literacy and enrolment, achieving equitable access to quality education remains a challenge in Tonga. Considerable inequities exist between government and non-government schools, and between rural and urban areas.
- The highly academic nature of the Tongan education system and curriculum does not prepare the majority of school graduates, who are not going on to university study, for employment in Tonga.

The education objectives and activities for the Tonga/New Zealand Country Programme Strategy are summarised in Figure 1 and outlined in more detail in Section 2 of this report.

⁴ International Poverty Centre 2007 "Poverty in Focus"

⁵ Pacific Islands Forum Basic Education Action Plan (FBEAP) Vision for Education (2001)

**JOINT
TONGA/NZ
STRATEGY
GOAL**

Reduce hardship in Tonga through activities that promote good governance, equitable access to quality education & increased economic opportunities

Gender

**PRIORITY AREA 1
Governance & Civil Society**
SDP8 Goals 1 & 2
Pacific Strategy Focus area 1
Challenges

- Political reforms
- Public service reform
- Securing participatory decision-making at all levels
- Improving the position of women

HIV/Aids

**PRIORITY AREA 2
Broad-based growth & livelihoods**
SDP8 Goals 3 & 4
Pacific Strategy Focus Area 2
Challenges

- Modest growth rates
- Recovery from 16/11
- High unemployment, esp. youth
- Economic opportunities for rural/outer islands communities
- Ease of doing business

Environment

**PRIORITY AREA 3
Education**
SDP8 Goal 5
Pacific Strategy Focus Area 3
Challenges

- Inequitable access to quality education
- Quality variations between urban & rural schools, & government/non-govt schools
- Academic focus – few vocational options

Human Rihts

Governance

Conflict & Peace

Objectives and Activities

Objective 1 Peaceful transition to more representative government & participatory decision-making
Activities

- Police
- Civil society
- Support for political reform

Objective 2 Better resourced public service with greater focus on service delivery to poor communities
Activities

- Govt agencies: Customs, Tax, Procurement & Audit, PSC, Justice
- Strengthen service delivery in the outer islands

Objective 3 Increasing the tourism sector's contribution to Tonga's economic growth & reducing youth unemployment
Activities

- Tourism sector support Ministry of Training, Employment, Youth and Sport Strategic Framework for short term training

Objective 4 Promote economic recovery following 16/11
Activities

- Business Recovery Facility/Private Sector Reconstruction Facility

Objective 5 Improved access to better quality education
Activities

- Tonga Education Support Programme

Objective 6 Better alignment between scholarships & training, and overall Strategy plus Tongan's HRD needs
Activities

- Scholarships
- In-country training
- Short-term training awards

ALIGNMENT BETWEEN JOINT TONGA/NZ COUNTRY PROGRAMME STRATEGY 2008-2018 AND SDP8, OTHER NZAID STRATEGIES AND PROGRAMMES AND ACTIVITIES OF OTHER DONORS OPERATING IN TONGA

Tonga Strategic Development Plan SDP8 Goals	NZAID Pacific Strategy Focus Areas	Tonga NZAID Country Strategy Priority Areas	Joint Tonga/NZ Country Strategy Activities 2008 - 2018	NZAID Regional Funding to Other Agencies Also Benefits Tonga	Other Donors Operating in Tonga
<u>SDP8 Goals 1/2:</u> Better Governance , macro stability	<u>Focus Area 1:</u> Good leadership; Participatory decision making; Improved Government	<u>Focus Area 1:</u> Governance, civil society	Support Tongan Govt Depts, Political reform, Civil Society capacity building, strengthen service delivery in the outer islands	IMF Pacific Technical Assistance Centre (PFTAC) NZAID Pacific Regional Governance Programme	Australia, World Bank, ADB, UNDP, EU
<u>SDP8 Goals 3/4:</u> Equitable Private Sector led growth	<u>Focus Area 2:</u> Broad based growth and livelihoods	<u>Focus Area 2:</u> Broad based growth and livelihoods	Support business recovery, tourism sector, TVET Training programmes	Foreign Investment Advisory Service (FIAS), PEP Pacific, FFA Pacific Islands Trade and Investment Commission,	Australia (fisheries, agriculture, business recovery), ADB, World Bank (Transport), UNDP (Financial sector)
<u>SDP8 Goals 5/6:</u> Education, Health	<u>Focus Area 3:</u> Basic Education for all; Increased opportunities through training	<u>Focus Area 3:</u> Education	TESP, Scholarships, Training programmes Medical Treatment Scheme (MTS)	SPC, USP, NZAID Regional Health Programme	Australia (Health, education), Japan (Health, education), EU
<u>SDP8 Goal 7:</u> Environment, disaster mitigation	<u>Focus Area 4:</u> Reducing vulnerability			South Pacific Regional Environment Programme, Global Environment Fund (GEF) Small Grants Programme	GEF (US\$100m to spend in the Pacific); World Bank (disaster management), EU (environment and renewable energy), ADB (water, sanitation),
<u>SDP8 Goal 8:</u> Law and order, culture		<u>Focus Area 1:</u> Governance, civil society	Police Justice	Pacific Judicial Development Programme, Pacific Regional Policing Initiative	Australia (police, justice)

Section 2: The Proposed Programme

Strategy Goal

New Zealand is a signatory to the Paris Declaration on Aid Effectiveness. One of the five principles of the Paris Declaration is alignment which means that development agencies like NZAID have committed to base their programme strategies on partner countries' own national development strategies and to use or strengthen partner countries' own processes and systems.

The overall vision in Tonga's Strategic Development Plan, SDP8 is:

To create a society in which all Tongans enjoy higher living standards and a better quality of life through good governance, equitable and environmentally sustainable private sector led economic growth, improved education and health standards, and cultural development.

The Joint Tonga/NZAID programme strategy takes the SDP8 vision as a starting point. However, SDP8 is a very comprehensive document so the Tonga/NZAID programme strategy goal needs to be more limited because we cannot do everything. NZAID also has a central focus on poverty elimination as set out in our 2002 policy statement, *Towards a Safe and Just World Free from Poverty*. NZAID recognises that poverty has different forms and highlights extreme poverty, poverty of opportunity, and vulnerability to poverty. There is evidence of poverty and hardship in Tonga⁶, and of substantial inequities in access to core services and opportunities/choices. Therefore the overarching aim of the joint country strategy will be to:

Reduce hardship in Tonga through activities that promote good governance, equitable access to quality education and increased economic opportunities

Priority areas for Joint Tonga/New Zealand Programme Strategy 2008-2018

A key objective in developing this Strategy was reducing programme dispersal and achieving a more targeted approach, aligned to the Government of Tonga's development planning and NZAID policy.

In the last few years, New Zealand has significantly increased the level of funding available for development assistance in Tonga. The bilateral programme for 2008/09 is forecast to be \$12m, up from \$5.6m in 2004/05 (see budget scenario table at the end of this section). To ensure this funding makes a real difference, the Strategy focuses on three Priority Areas.

⁶ In 2001 an estimated 5% of the population were living below the "food poverty line" of NZ\$10 a week, 23% below the estimated basic needs poverty line of NZ\$20 a week

PRIORITY AREA 1 Governance & civil society

PRIORITY AREA 2 Broad-based growth & sustainable livelihoods

PRIORITY AREA 3 Education

Priority Area 1 - Governance & Civil Society

SDP8 Goal 1: Create a better governance environment

SDP8 Goal 2: Ensure macroeconomic stability

NZAID Pacific Strategy Focus Area 1: Good leadership; Stronger and broader participation in decision making; and Improved Government

Key Governance Challenges Facing Tonga

1. Securing the peaceful introduction of broadly-supported political reforms and managing ongoing work to develop supporting structures for the new political system
2. Producing an efficient and effective public service which has a focus on results and delivery of quality services especially to poor and remote communities
3. Securing more participatory decision-making processes at all levels of society, including more consultative Government decision-making informed by a more active civil society that is able to raise awareness and engage in dialogue on issues of national significance
4. Improving the position of women, through reducing domestic violence and increasing their role in decision making.

NZAID Response

Objective (1) A peaceful transition to more representative government and participatory decision-making

Support for Political Reform (addresses key governance challenges 1, 3, 4)

NZAID, in conjunction with AusAID, provided funding support for major consultations with Tongans throughout the Kingdom and abroad, on political and constitutional reform in 2005. NZAID will favourably consider further requests for assistance, particularly with regard to elections under a new electoral system, civic education, activities that address women's participation as both potential candidates and voters, and wider constitutional reform.

Support to Tongan Police (contributes to addressing key governance challenges 1, 2, 4)

Prior to the events of 16 November 2006, the Government of Tonga had requested police related assistance from Australia and New Zealand. Following the civil unrest of 16 November and the subsequent criticisms regarding the unsatisfactory response of the Tonga

Police Force (TPF), the Government of Tonga invited the Governments of Australia and New Zealand to undertake a joint assessment mission.

The mission identified a number of impediments affecting the TPF's capacity to manage its functional responsibilities. These include poor training facilities, dilapidated buildings and lack of accommodation at rural stations, obsolete/unreliable vehicles and communication equipment, absence of basic forensic capability and lack of operational funding.

In conjunction with the Government of Tonga, Australia and New Zealand are preparing a five year package of assistance designed to address the above issues. NZAID's support will cover capacity building, institutional strengthening and the equipment needs of the TPF. The commitment (including in financial terms) of the Government of Tonga to the TPF programme will be essential to its long-term sustainability.

Programme of Support to Civil society (Addresses all four key governance challenges)

Vibrant, aware, and responsible societies require a meaningful partnership between governments and civil society organisations (CSOs). This new joint country strategy will see greater emphasis on the promotion of this partnership. Activities will include strengthening the capacity of CSOs to inform citizens about national issues, engage with the Government of Tonga in dialogue on progress towards the objectives of SDP8, and deliver services where comparative advantage exists.

At present, less than 4% of the NZAID Tonga programme is spent directly through CSOs. The majority of this support is through the Community Development Fund (CDF) which supports grass roots community projects and the National Centre for Women and Children. In recognition of the vital role of CSOs and NZAID's policy to promote leadership and broad popular participation in decision-making, NZAID proposes to increase support for CSOs over the next ten years and beyond. Increases are likely to be in the vicinity of \$50,000 annually over the next few years. A demonstration of results and capacity to deliver could mean even larger increases in allocations for civil society.

Further design work is required to determine the exact nature of expanded NZAID assistance to civil society. This design work will be commissioned in 2008 and will include a review of the criteria and operations of the current Community Development Fund (CDF). It is expected redesigned support to CSOs will focus on capacity-building as well as funding project proposals.

Based on lessons learned to date, options being considered are core funding for the Civil Society Forum of Tonga (CSFT), in the form of support for a salaried position likely focussing on research, monitoring and evaluation, and the facilitation/coordination of training for civil society organisations. This Capacity Building Officer (CBO) within CSFT could also have responsibility for an annual work plan of relevant training courses funded by NZAID (using funding for civil society previously allocated through the Ministry of Training, Employment, Youth and Sports under the In-Country Training Scheme). Another option being considered is that the CSFT act as secretariat for a redesigned CDF.

The CDF currently has an emphasis on providing funding to small community groups for income generating projects. An enlarged project fund will continue under the new programme strategy but the actual focus for the project funding still needs to be determined (review scheduled for early 2008). The future design for NZAID support to CSOs (including a re-designed CDF) will have to factor in:

- the focus areas of this programme strategy (governance and civil society, growth and livelihoods and education);
- the recent trend in other NZAID programmes towards more substantive multi-year funding arrangements with larger CSOs that are compatible with NZAID's core focus on poverty alleviation (an example in the Tonga programme is our support for the National Centre for Women and Children, see below);
- consideration of NZAID cross-cutting issues, including support for gender equality and sustainable development;
- the potential for complementary assistance from other NZAID avenues including the Pacific Leadership Development Strategy; and
- the focus areas of other donor's small grants schemes so that we avoid inefficient duplication.

National Centre for Women and Children (Addresses key governance challenge 4)

The National Centre for Women and Children (NCWC) was established in 2000 to provide assistance to the victims of family violence, for example counselling, advisory, training and other services. A safe house was established in 2005. NZAID provided funding for an initial three year period, on a pilot project basis, and after a review in November 2002 recommended continuing funding support for a further 3-5 years. Although it is NZAID's intention to provide on-going funding stability, a review of the policies and operations of the NCWC will be undertaken in mid 2008.

The Government of Tonga has confirmed its support for the NCWC and its desire to see NZAID continue its direct funding support. The Tonga Government continues to pay the rent of the Centre and for the safe-house. The NCWC also receives support from the New Zealand Police's NZAID funded regional Pacific Prevention of Domestic Violence Programme.

Objective (2) A better resourced public service with a greater focus on service delivery to poor communities

To achieve this objective will require the Government of Tonga to:

1. *Collect more revenue⁷ (NZAID focus on tax and customs)*

Government of Tonga fiscal constraints and a high ratio of salary to operating costs means that government departments have limited funding for operational or capital expenses and limited ability to provide services to outer islands. Therefore one of the first steps for improving government service delivery to poorer communities is to increase Government of Tonga revenue.

NZAID, in conjunction with AusAID, has been supporting the Minister of Finance's programme of revenue reforms. Much of this assistance has been provided through the secondment of New Zealand officials from the Inland Revenue Department (IRD) and Customs Service to the relevant divisions of the Revenue Services Department of Tonga.

A consumption tax was successfully introduced in April 2005, income tax changes are being implemented in 2007 and customs and excise duties have been reformed in light of Tonga's

⁷ Recent assessments of tax compliance in Tonga indicate room to improve revenue collection.

accession to the World Trade Organisation in 2007. NZAID has also funded several components of the introduction of information technology and a comprehensive revenue management system. While NZAID stands ready to provide further assistance, greater coordination between the Government of Tonga and donors is necessary and a longer-term work plan and proposed budget needs to be prepared and owned by the Tongan Government.

Early in 2005 the Minister of Finance sought urgent NZAID and AusAID assistance for the Tongan Customs Service. This led to a twelve-month interim support arrangement with New Zealand and Australia providing in-line staff in leadership positions and also providing funding for equipment needs. A review in late 2006 stated that further assistance was required to “bed-in” reforms. AusAID has agreed to fund the salary top-up for the Head of Customs for five years from early 2008 and NZAID has provided funding for short-term TA assistance during 2007. In addition, New Zealand Customs Service wishes to continue its support to its Tongan counterparts where possible. However, further assistance will be dependent upon the Government of Tonga providing clear direction and demonstrating commitment to on-going customs reform.

2. *Allocate more resources to service delivery for poor communities (NZAID will support the Government of Tonga to improve service delivery in the outer islands and develop and maintain an effective justice system. We will focus on supporting Government and civil society groups to collect feedback on Government service delivery and discuss ways to improve performance)*

Communities in Tonga's outer islands are particularly disadvantaged when it comes to provision of basic services. NZAID's efforts to improve outer island access to services will continue under the new strategy, with consideration to be given over the course of the joint country strategy to a new approach to supporting service delivery. For nearly the last ten years NZAID has been taking a "lead donor" role in two of Tonga's outer island groups: 'Eua and the Niuas. In recent years the major part of this role has been funding large infrastructure projects such as an island wide water supply project and roads in 'Eua, solar electrification in Niuafo'ou, and school construction in Niuatoputapu.

The review of our last five year strategy identified some major problems with the current model of operating in the outer islands:

- Having one major donor for each of the outer island groups has reduced the incentive for the Government of Tonga to play its part in investing in outer islands development. The major role played by donors has meant that the dialogue between the Government and its citizens has not been developed.
- The EU has decided to establish a nationwide programme themed around water and environmental issues. The EU will no longer take a lead role in Vava'u forcing a rethink of the current allocation of geographic responsibility to donors.
- Overseeing the implementation of large, one off discrete projects is difficult for a small NZAID management team in-country.

For these reasons NZAID wishes to explore a new approach over the course of the next ten year joint country strategy which looks at options such as:

- Strengthening government systems for service delivery in the outer islands
- providing funding directly to the Government of Tonga to supplement its own funding for outer islands service provision;

- expecting the Government to take a greater role in delivery of services in outer islands;
- working with the Government and community groups to undertake needs assessments and establish priorities for funding basic services in the outer islands; and
- encouraging the Government to increase its own spending on outer islands and to seek direct feedback on its performance in service delivery.

Further discussions will be needed with the Government to explore the above options and develop a more effective approach to the challenges of outer islands service delivery.

Enhanced Dialogue with Government of Tonga and Civil Society on Whether the Government is Meeting its Commitments in SDP8 to Improve Service Delivery to the Poor.

Almost all of NZAID's technical assistance and grant funding under the Tonga programme has been directly to Government of Tonga agencies. We have prioritised support for strengthening key institutions of government, particularly in the revenue area, in order to enhance the Government of Tonga's ability (through better revenue resources) to make a difference in the lives of Tongans experiencing hardship. This gives us a shared interest in jointly monitoring the effectiveness of government spending in reaching the poorer members of society.

NZAID would like to reinstate regular high-level consultations with the Government of Tonga, to exchange information on the effectiveness of joint efforts to address poverty and hardship. Over time, we would like to see this dialogue broadened to include Tongan community groups to provide a forum for feedback from communities receiving government services.

Justice sector

To date NZAID's assistance has been mostly limited to funding permanent or temporary senior positions in the judiciary, currently the Chief Justice. Following the events of 16 November 2006, NZAID provided assistance to fund prosecution and defence services and a successful pilot youth justice diversion scheme. NZAID would like to see its assistance to this important sector be better targeted towards supporting access to judicial services for poor and disadvantaged communities.

NZAID therefore wishes to discuss options with the Tongan Government and other development partners working in this sector. It is recognised that further dialogue and design work needs to take place to guide future investment.

3. Efficiently deliver services and ensure value for money (NZAID focus on audit and procurement and support to Public Service Commission)

Audit

NZAID acknowledges the importance of the Audit function in terms of improving Government transparency, providing a monitoring role for public sector organisations, and ensuring that solid controls, procedures, and compliance systems are in place and working properly.

In 2003 the Government of Tonga embarked upon an audit/review of the operations and structure of the Tonga Audit Department and the preparation of new legislation amongst other measures to ensure the statutory independence of the Auditor-General. NZAID has

provided technical assistance for this process. NZAID will provide funding to Audit New Zealand to assist the Tonga Audit Department with advice and staff training to help improve the standard of public auditing in Tonga.

Procurement

In 2003 the World Bank identified the weak capacity of Government officials in managing public procurement as a major constraint on ensuring value for money in the management of government expenditure.

With World Bank assistance the Government passed a new Procurement Act, established a Procurement Committee and a new Central Procurement Unit in the Ministry of Finance and is producing a Public Procurement Manual, in line with the new Act and regulations.

NZAID has agreed to fund a long-term procurement adviser to ensure the necessary training and capacity building to ensure the successful implementation of these reforms.

Public Service Commission

Between 2001 and 2004, the ADB-supported Economic and Public Sector Reform Programme (EPSRP) achieved some modest success in modernising the public service, for example, a Public Service Commission (PSC) was established, heads of department were put on contracts and the appointment of heads of department was delegated from Cabinet to the PSC. The fact that many challenges remain was highlighted during the public sector strike and pay settlement in 2005 and the voluntary redundancy and public sector restructuring programmes of mid 2006.

Early in 2006 the PSC embarked upon an ambitious programme to reform the public sector in Tonga. It is well recognised that it will take a number of years to fully implement the proposed programme. The Tongan public service is predominantly low-skilled and faces a significant challenge to achieve a more merit-based performance management system.

NZAID, in conjunction with AusAID, has provided funding for technical advice around the implementation of public sector human resource reforms. NZAID will favourably consider further support to help the PSC improve and modernise the service focus of the public service.

Short-Term Training Awards (STTA)

NZAID would like to achieve a more targeted approach to its STTA and In-Country Training (ICT) schemes under the new TCPS, with a view to focussing them both more closely on the three Priority Areas of the joint country strategy and providing more support to Tonga-based training institutions.

A priority (but not necessarily the sole focus) for the STTA awards under the next ten year programme strategy will be to provide targeted support to the institutional strengthening programmes we are developing with key Government Departments. STTA awards could potentially be used to support the work planned in the TVET sector to help improve the standard of training in Tonga (see priority area 2 of this strategy). Development of a national HRD plan will also help provide guidance for training assistance provided by NZAID. An agency wide review of the STTA and ICTA schemes over the next twelve months will provide an opportunity for further assessing how effectively these mechanisms contribute to the overall objectives of the Tonga programme.

Priority Area 2 – Growth And Livelihoods

SDP8 Goal 3: Promote sustained private sector-led growth

SDP8 Goal 4: Ensure equitable distribution of the benefits of growth

NZAID Pacific Strategy Focus Area 2: An enabling environment for growth; markets that work for the poor; strengthened rural livelihoods and food security

Key Economic Challenges Facing Tonga

1. Lifting Tonga's modest long run growth rates.
2. Addressing high unemployment rates particularly amongst youth.
3. Stimulating and maintaining economic recovery following the significant destruction to the central business district in the riots of November 2006.
4. Increasing economic opportunities for rural and outer island communities including improved transport (roads, wharves and shipping) to allow access to agricultural plots and markets.
5. Reducing the legal and regulatory barriers to starting and operating businesses.

NZAID Response

Under the last five year country programme strategy NZAID has provided support to different private sector development initiatives including:

- A forestry project in 'Eua.
- Tourism projects in 'Eua and Vava'u.
- Provision of infrastructure in outer islands (roads, water and electricity).
- A heat treatment facility at Fuamotu airport to allow the export of fresh produce to New Zealand.
- A large number of small scale income generating initiatives such as gardens through the community development fund.
- Provision of training or market research grants to local businesses.

Some of these initiatives have had positive ongoing impacts but have suffered from a lack of consistent focus by NZAID and lack of an agreed Government of Tonga strategy for private sector development as well as a lack of commitment to implementation at times. The effect has been that none of the activities listed above have been part of a longer term programme and so the sustainable impact on growth is uncertain. NZAID has limited funds available for work in this area and therefore under the new joint country programme strategy plans to concentrate on one major platform of activities rather than a number of small projects.

While in Tonga in March 2007 the strategy team met with Government agencies such as the Ministries of Commerce, Agriculture, Finance and Planning as well as private sector representatives. There were a range of options presented by stakeholders in Tonga to improve Tonga's economic growth performance including proposals to promote agricultural

exports, investment in tourism infrastructure, and promoting dialogue between the public and private sectors. The key challenge for NZAID in this area is determining what specific assistance, from a long list of potential options, could have the greatest impact on employment generation, improving the incomes of the poor, and promoting Tonga's long term growth rate.

A survey of small states that have attained high levels of income (up to OECD standards) has revealed that successful economic models for very small states are based on:

1. Earning economic rents from natural resources (e.g. mining, phosphate),
2. Tourism economies (in the Pacific region Cook Islands is most successful); or
3. Service based economies (e.g. financial sector in places like Cayman Islands).

Of the three models above, Tonga is most likely to be able to replicate the model of tourism led growth. To date, Tonga has not made a substantial effort to grow its tourism industry but despite this, air arrivals doubled between 1990 and 2003. During the same period agriculture in dollar terms showed no growth. Only 2% of those involved in agriculture are engaged on a commercial basis. While there are certainly niche agricultural export opportunities to be exploited, Tonga's very low export to GDP ratio means that even strong growth in exports of primary products will not make a significant difference to the overall rate of growth. However, growth in tourism could stimulate local agricultural production if it increases the demand for local food supply. Similarly, investment in tourism can stimulate other local industries such as construction or transport.

For this reason, the joint Tonga/New Zealand Country Programme Strategy sees most potential for economic growth in Tonga coming from tourism and related industries (hotels and restaurants, recreation services, construction, local food supply, and transport). The tourism sector could therefore provide a lens through which to prioritise activities under this focus area of the strategy.

Development cooperation activities in the tourism sector need to recognise the potential negative impacts of tourism, as well as its benefits. Negative impacts can include increased pressure on natural resources and waste disposal systems, and unwanted cultural change.⁸ Access to the benefits of tourism may also be restricted, depending on the nature of ownership of tourism resources and the strength of links between the sector and the national economy. Expansion of the sector needs to proceed at a sustainable pace, having regard to resourcing of the services needed (including government services such as border control).

Objective (3) Increasing the Tourism Sector's Contribution to Tonga's Economic Growth, and Reducing Youth Unemployment

Support to the Tourism Sector (Addresses key economic challenges 1, 2)

A starting point for NZAID work in the tourism sector in Tonga under the new country strategy would be analysis in conjunction with the Government of Tonga and other interested stakeholders of the whole tourism value chain⁹. This work would identify employment

⁸ Marra, S (2007). Livelihoods Assessment of the Impact of Tourism on 'Eua – With a focus on the NZAID Tonga Nature Tourism Programme 2001-2004.

⁹ Value chain analysis would involve looking at all areas required to support tourism from marketing, international air links, airports, domestic transport, accommodation, recreation opportunities, local food supply, supporting infrastructure such as water, and Government policies and regulation.

opportunities and identify constraints or bottle necks to be addressed, focussing on ways in which poorer communities in Tonga could be enabled to benefit from growth in the tourism sector. NZAID could then support activities that address key constraints on the growth of the tourism sector whether they be:

- National policies and regulations.
- Working with the national tourism agency or industry umbrella groups.
- Partnering with large resorts to promote employment and economic linkages for local communities.
- Increasing the supply of skills in the relevant industries (see TVET section below) or knowledge dissemination.
- Playing a catalytic role in developing infrastructure or transport links.
- Improving access to finance.

NZAID's ability to support major investments in the tourism sector will be subject to the availability of funding and to the elaboration of a national policy on tourism development. The programme will make an indicative allocation of up to \$20m over the next ten years and if there are sufficient high-value investment opportunities it may be possible to direct any growth in the overall programme into this area.

Support the MTEYS Strategic Framework for Short Term Training (Addresses key economic challenge 2)

Tonga's Ministry of Training Employment Youth and Sport (MTEYS) has prepared a Strategic Framework for Short Term Training that addresses the issue of youth unemployment which is one of the key challenges facing Tonga

The MTEYS approach is aligned with the emerging priorities of the joint Tonga country strategy team and also includes consideration of key issues for NZAID such as women's participation, recognising the contribution of the informal sector, highlighting equity issues around access to education (e.g. the need for second chance education or bridging courses, and the need to broaden the vocational training opportunities beyond the current focus on young males) and working with civil society and the private sector.

Accordingly, NZAID intends to help MTEYS to implement the Strategic Framework for Short Term Training which focuses on training opportunities for young people and linkages to employment.

As a first step, a **training needs analysis** is to be carried out under TESP, in cooperation with the MTEYS. Information from this analysis will inform further support from NZAID to improve standards in the TVET sector through the Tonga Education Standards Accreditation Board.

As well as working with MTEYS to improve the TVET sector in Tonga, the next ten year programme strategy will focus on ensuring high quality training is available for tourism and related industries such as hospitality, construction, food processing and fresh produce supply.

In-Country Awards (ICA) and In-Country Training (ICT)

The ICA scheme offers students reimbursement of a percentage of their fees for in-Tonga study at post-secondary institutions (good marks receive a higher reimbursement). The ICA will continue under the new TCPS and be integrated with support to the TVET sector.

The ICT scheme currently deploys New Zealand-based trainers to run stand-alone courses in Tonga which do not necessarily fit with Tongan qualification process or the curricula of local training institutions. NZAID reviewed the ICT scheme in late 2007, with a view to targeting its funding in support of TCPS priorities, such as civil society capacity-building and/or training to improve the standard of TVET in Tonga. The review also assessed whether ICT criteria were fully aligned to NZAID's cross-cutting issues. Following the review, the ICT scheme is in the process of being revised to support efforts to strengthen Tonga's own training providers (see activities under priority 2, objective 1).

Objective (4) Promote economic recovery following the riots of November 2006¹⁰

Business Recovery Facility/Private Sector Reconstruction Facility (Addresses key Economic Challenge 3)

NZAID, in conjunction with AusAID and the Government of Tonga, responded to the events of 16 November 2006 by establishing a Business Recovery Facility (BRF) designed to provide short-term subsidised lending, loan guarantees and business advisory services, for small to medium sized businesses that suffered physical damage during the civil unrest. While uptake of this initiative by smaller businesses has been good, larger businesses have not managed to rebuild nearly one year after the riots, and the smaller businesses have found it difficult to re-establish without access to commercial rental space. The Tongan Government therefore approached Australia and New Zealand to assist with addressing the liquidity constraints which had been identified as the main reason behind the lack of progress on reconstruction.

NZAID, again in conjunction with AusAID, has contributed to a \$5 million Private Sector Reconstruction Facility (PSRF) that will provide low cost loans for business reconstruction through the local banks in Tonga. Restoring commercial rental space will allow businesses for all sizes to get up and running again, and this will stimulate economic recovery and provide employment opportunities.

Both facilities have independent monitors to review and confirm applications. A review in August 2007 of the BRF led to the design of the PSRF, as the new facility was designed to address issues limiting the further uptake of the BRF. A review of the impact of both schemes is scheduled for early 2009.

\$5 million has been provided to the PSRF as a loan. As the funds are repaid NZAID and AusAID will discuss ways to use these funds for the development of proposals in Tonga consistent with our respective strategies.

Addressing Key Economic Challenges 4 and 5 (Increasing economic opportunities for rural and outer island communities and reducing the legal and regulatory barriers to starting and operating businesses)

¹⁰ This objective is expected to be particularly relevant for the first few years of the strategy but ongoing relevance will be re-visited at the time of the mid-term strategy review

The planned activities in the tourism sector are likely to benefit people in the outer islands in Tonga because Tonga's tourism potential is mostly in the outer islands such as Vava'u, Ha'apai, and 'Eua, rather than Tongatapu. As well as direct participation in tourism ventures there may also be expanded demand generated by increased tourism for outer island communities to supply agricultural products and handicrafts.

Planned support to the TVET sector will also include a specific focus on access to opportunities for those living in outer islands.

There are also a number of donors active in promoting income generating opportunities in outer islands for example the FAO "MORDI" programme.

NZAID has taken a decision to support the World Bank's efforts to improve the business regulatory environment in the Pacific due to the Bank's global expertise in this area. NZAID is contributing \$0.5m per year for the next three years to the World Bank's Foreign Investment Advisory Service (FIAS) which intends placing a long term advisor in Tonga to continue efforts to reduce business red tape and make Tonga an easier place to invest.

Priority Area 3 – Education

SDP8 Goal 5: Improve education standards

NZAID Pacific Strategy Focus Area 3: Basic education for all; Increased opportunities and choices through skills and training

Key Education Challenges Facing Tonga

1. Inequitable access to quality education due to considerable resourcing differences between of government versus non-government schools and between urban and rural schools and negative impact that has on numeracy and literacy levels, drop-out rates, repeaters and overall performance outcomes.
2. Highly academic nature of the education system and curriculum and its impact on the readiness of school graduates for employment in a market economy.

NZAID response

Objective (5) Improved access to better quality education

TESP (Addresses both of the key education challenges facing Tonga)

In 2004 the Ministry of Education developed an "Education Policy Framework (EPF), 2004-2019", which was approved by Cabinet. In 2005 NZAID and the World Bank announced a \$14m funding and design package to implement certain components for the EPF over the first five years, under the Tonga Education Support Programme (TESP). Primary education in Tonga is predominantly provided by the government, whereas secondary education is predominantly provided by the poorly-resourced non-government or "church" sector. TESP's initial focus is on the quality of primary education and the lower levels of secondary

education as it is logical to initiate reforms and improvement that will address equity issues at the earlier stages of the education system.

A School Grants Programme (SGP) is designed to provide schools with much needed funds to undertake minor repairs and maintenance and to provide resources, e.g. books, stationary. A pilot SGP in June 2007 totalling TOP\$1m to 167 schools was very well received. The SGP aims to address equity issues by providing additional funding to outer island schools, and in future will better target those schools to bring them up to agreed basic minimum standards. An exciting component of the SGP is that schools and their communities are being given a say in how to spend their grant. This will also lead to a stronger accountability relationship between schools and their communities.

The TESP covers schools up to years 7 and 8, therefore all schools that have students at this level, whether government or non-government, benefit. However, for the most part, the resourcing of "secondary education" in an equitable manner is not yet being addressed by TESP. This could be an area for future NZAID or other development partner involvement. However, a Government of Tonga decision to double the per-capita contribution to non-government schools, from TOP100 to TOP200 from 2007 is an encouraging sign.

A major component of the TESP is the curriculum reform project and it is specifically designed to address the relevance of the curriculum to the needs of Tonga. It is acknowledged that further work will be required to prepare teachers for teaching the new curriculum and to establish a comprehensive in-service teacher development programme to improve the quality of teaching throughout the system.

TESP also includes emphasis and funding to increase the overall management capacity of the Ministry of Education and to improve the policy and regulatory environment for education in Tonga.

A mid-term review of the TESP will be undertaken in 2008 and its findings and recommendations will be taken into account as NZAID and other development partners consider future funding commitments.

Objective (6) Better alignment between the scholarships and training programmes, and the overall Country Programme Strategy and Tonga's national human resource development needs

Tertiary scholarships

Tertiary scholarships will also remain an important part of the programme, with funding levels remaining stable (additional programme funding is being directed to TESP and other Priority Areas). NZAID intends to discuss with the Tongan Government options to align tertiary scholarships more closely to TCPS priorities, with the aim of achieving a more targeted, effective scholarships scheme.

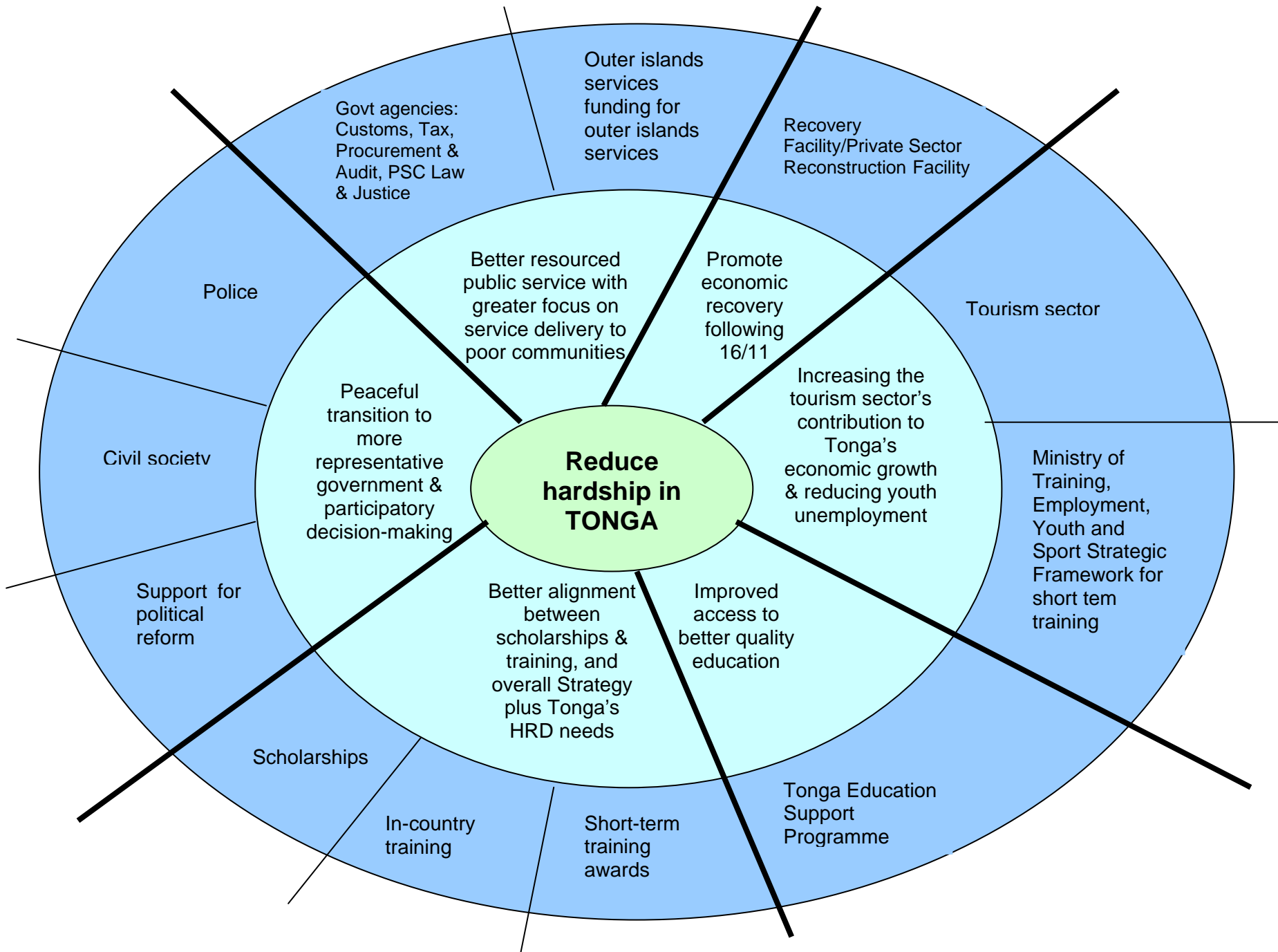
NZAID is seeking to making Pacific scholarships programmes more demand-driven, so that the needs of the partner government inform the number and nature of scholarship awards. NZAID education policy emphasises work to be done on increasing the effectiveness and development impact of scholarships programmes.¹¹ The Pacific Strategy emphasises use of targeted scholarships programmes which addresses priority human resource development (HRD) needs.

¹¹ NZAID, 2005. Achieving Education For All. NZAID, Wellington (page 20).

There are a number of processes already underway which can inform bilateral discussions on strengthening the scholarships programme. The programme should be responsive to HRD needs identified in Tonga's public sector reform programme. A possible national HRD plan, which may be developed by the Tongan Public Service Commission, could offer more specific guidance for the allocation of scholarships. The Training Needs Analysis work to be done under the auspices of TESP will also provide guidance on ways to strengthen targeting and prioritisation of scholarships, and options for ensuring Tonga's vocational training needs are being met.

Any scholarships review work will also consider NZAID's cross-cutting issues, particularly gender equity, and also opportunities for outer island-based students. (Options for outreach work to inform remote schools of scholarships opportunities and requirements are to be considered.)

NZAID's Pacific Leadership Development Programme also stresses the potential of the scholarships programme, and short-term training schemes, to be used for leadership development (for example, through work-based attachments or leadership training courses). These opportunities are to be examined under the TCPS, as NZAID looks to target the scholarships more closely to TCPS priorities.



BUDGET SCENARIOS FOR NEW TONGA COUNTRY PROGRAMME STRATEGY

		Per annum NZ\$
1 Governance and Civil Society	<ul style="list-style-type: none"> - Public sector reform (e.g. audit, tax, customs) - Tonga Police Development Programme - Judicial support - Political reform - Civil society institutional strengthening and programme fund - National Centre for Women and Children - Strengthening service delivery in Outer Islands 	\$5,000,000 (approx 42% of total programme)
2 Broad-based growth and sustainable livelihoods	<ul style="list-style-type: none"> - Business Recovery (post 16/11) - Support vocational training sector through Ministry of Training, Employment, Youth and Sport and in-country training programmes - Tourism 	\$2,000,000 (approx 17.7% of total programme)
3 Education	<ul style="list-style-type: none"> - NZ Development Scholarships - Regional Development Scholarships - Tonga Education Support Programme 	\$4,650,000 (approx 40% of total programme)
4 Other	<ul style="list-style-type: none"> - Medical Treatment Scheme 	\$350,000 (approx 0.3% of total programme)
TOTAL	TOTAL	\$12,000,000

Section 3: Monitoring and Evaluation

This section outlines plans for monitoring progress against the overall goal of the TCPS and the Objectives set out for its three Priority Areas. It also describes how NZAID and the Government of Tonga, as joint partners in the implementation of the strategy, will monitor how effectively we are working together.

Activity level monitoring and specific evaluations planned will be set out in more detail in the annual programme plan which is reported against twice a year.

OVERALL PROGRAMME GOAL:

Reduce hardship in Tonga through activities that promote good governance, equitable access to quality education and increased economic opportunities

Relevant SDP8 Target

“Reducing income inequality in Tonga with a target of reducing the Gini Coefficient from 2001 level of 0.42 for income and 0.36 for expenditure.”

Additional Targets

- Significant reduction in the percentage of the population living below a “food poverty line” of TOP13.52 per person per week (2002 ADB estimated in 2002, 5% of households below the food poverty line)
- Significant reduction in the percentage of the population below an estimated basic needs poverty line (BNPL) of TOP\$28.20 per person per week (2002 ADB estimate 23% of households below the BNPL).

NZAID would like to see by the end of the ten year strategy period the percentage of people living in these two categories at least halved.

Data Sources

Progress in reducing hardship in Tonga will be verified through analysis of Household Income and Expenditure Surveys, National Census data at the beginning and end of the period and Tonga’s reports against the MDGs as well as internationally comparable studies such as the Human Development Index.

NZAID would be willing to support poverty analysis work in Tonga either through the bilateral programme or through our regional programmes such as our support to the South Pacific Commission and the United Nations Development Programme based in Suva.

Priority Area 1 - Governance & Civil Society

Relevant SDP8 Target

“The public sees an improvement in the transparency, accountability and predictability of Government decision making”

Some further work is needed to turn this target into measurable indicators by strengthening Tonga’s own accountability systems such as Annual Reports and also using external benchmarking such as World Bank Governance assessments. The Asian Development Bank is sponsoring a project beginning in 2008 that will focus on strengthening data collection and reporting against

Objective (1) A peaceful transition to more representative government and participatory decision-making

How will we know we have been successful in achieving this objective?

A positive outcome that NZAID could contribute to around political reform in Tonga would be:

- widespread agreement in Tonga to democratic reform without any further outbreaks of violence;
- democratic elections held in 2010 that are declared free and fair by external independent observers;
- election results in 2010 and in future result in increasing representation of women in Parliament using 2007 as a base year; and
- greater levels of consultation and transparency by Government of Tonga in general policy making.

Objective (2) A better resourced public service with a greater focus on service delivery to poor communities

How will we know we have been successful in achieving this objective?

Relevant SDP8 Target

“Monitoring systems for identifying and measuring problems faced by vulnerable groups are in place and being used by Governments to target resources”

Additional Indicators

- Improvements in Tonga’s ratio of domestic Government (non-grant) revenue to GDP from 2007 base year
- Increase in Tonga’s Budget available for (non-salary) operating expenses
- Improvements in Tonga’s scores against internationally accepted public financial management indicators (using the 2007 PEFA as a baseline)

- Regular High-level Consultations between Government Representatives of Tonga and NZAID include discussion on GoT's pro-poor service delivery.
- Community groups equipped to collect feedback on Government performance as well as participating in discussions.

NZAID has developed a proposal for a joint development partner/Government of Tonga Public Service Coordinating Committee (PSCC), which would enable Government of Tonga representatives and donors supporting public sector reform to meet on a regular (perhaps six-monthly) basis to monitor progress being made in existing technical assistance activities and discuss how to respond to new priorities that arise.

Priority Area 2 – Growth And Livelihoods

Objective (3) Increasing the Tourism Sector's Contribution to Tonga's Economic Growth, and Reducing Youth Unemployment

How will we know we have been successful in achieving this objective?

Relevant SDP8 Targets

"The real average growth rate reaches 3-4%"

"Total visitor numbers grow to 75,000 and holiday air arrivals grow to 35,000 by 2008/09, moving towards the long term target of 300,000 visitors annually"

Additional Indicators

- Increasing the number of employment and training opportunities available for the more than 1000 school leavers each year using 2007 as a base year.
- Increasing the ability of poor people to take advantage of opportunities for income-generation & employment from the tourism sector.

Objective (4) Promote economic recovery following the riots of November 2006

How will we know we have been successful in achieving this objective?

- Economic growth rates in Tonga over the period 2008-2010 pick up from the 3.5% contraction in growth experienced in 2007.
- Positive uptake by Tongan businesses of the assistance offered under the BRF and PSRF.
- Between 20,000 – 30,000 square meters of destroyed buildings rebuilt with resulting increase in employment by re-established businesses

Priority Area 3 – Education

Objective (5) Improved access to better quality education

How will we know we have been successful in achieving this objective?

Relevant SDP8 Targets

“Reduce year 6 repeaters from 19.8% in 2004”

“Reduce the drop-out rate in non-Government schools from 7.9% in 2004 towards the rate for Government schools (2.3% in 2004)”

Additional Targets

- Government of Tonga progressively increases its contribution to school grants

Under the Tonga Education Support Programme, Tonga and NZAID are investing in an improved Education Management Information System which will help track outcomes in the Education sector.

Objective (6) Better alignment between the scholarships and training programmes, and the overall Country Programme Strategy and Tonga’s national Human resource development needs

How will we know we have been successful in achieving this objective?

STTA and ICTA

NZAID is reviewing its STTA and ICTA schemes across the region over the next twelve months. We will measure the percentage of STTA awards that are directly linked to the key activities agreed under this strategy. After it is reviewed the ICT scheme will also be retargeted towards the key priorities of the strategy or the scheme will be wound up and funding redirected to supporting Tonga’s own training needs.

Tertiary Scholarships

NZAID is currently preparing a monitoring and evaluation framework for the Agency around tertiary scholarships and this will be used to monitor spending in the Tonga bilateral programme on scholarships.

Monitoring Improvements In How Government Of Tonga And NZAID Work Together Towards More Effective Aid Delivery

Policy Dialogue

It is envisaged that regular, high-level policy talks will be held between Tonga and New Zealand, approximately every two years, in order to consider the effectiveness of joint efforts to address poverty and hardship, progress in implementing the Strategy, and any significant issues arising in the course of that implementation. High-level talks would include discussion

of the SDP8 joint monitoring framework and progress against the Declaration on Aid Effectiveness signed by Tonga and development partners in 2007.

Over time, NZAID would like to see this dialogue broadened to include Tongan community groups, in order to provide a forum for feedback from communities on government service delivery and the effectiveness of the aid programme.

In addition to the high-level policy dialogue, regular, officials-level programme talks, will happen on an annual basis.

NZAID will prepare an Annual Programme Performance Report (APPR) which will be distributed in advance and inform these discussions. The report will include summary information and analysis on:

- the best information available on the six objectives, using the indicators outlined in the strategy or substitute reporting if necessary
- the best information available from evaluations, reviews and monitoring reports from the past year on the contribution of NZAID activities towards each of those objectives
- the best information available on aid effectiveness (see next section); the key management objective of reducing programme dispersal; and other relevant aspects of management such as the success of the partnership approach; and
- analysis of emerging or possible risks that could threaten the programme strategy objectives

Measuring NZAID's Progress on Aid Effectiveness

During the joint strategy mission NZAID proposed the preparation of a Joint Declaration on Aid Effectiveness between the Government of Tonga and its major development partners (NZAID, ADB, AusAID and the World Bank). This was signed in October 2007 and implementation will be monitored on an annual basis.

The Joint Declaration on Aid Effectiveness underlines the importance of the Paris Principles to development cooperation in Tonga. It emphasises the importance of: leadership by the Government of Tonga; alignment of donor support to partner government policy and procedures; harmonisation between specific donor activities; and joint monitoring of and accountability for outcomes.

The Declaration includes a set of concrete actions that will be taken by parties to the agreement to improve aid effectiveness. Progress against the actions will be reviewed annually during consultations between Government of Tonga and development partners. Over the course of the ten year strategy we are planning to achieve improvements against New Zealand's commitments under the Paris Declaration on aid effectiveness in the following areas:

- Strengthening Tonga's financial management systems (improving procurement, audit, follow-up on the PEFA assessment);
- Increasing use of Government of Tonga systems (Budget support through the TESP and increasing funding for services in outer islands);
- Implementing a greater percentage of technical assistance through a coordinated programme (the proposed Public Sector Coordinating Committee);

- Reducing the number of separate donor visits made to Tonga (Tonga has agreed to track the number of visits and publish a forward schedule of visits to identify opportunities for coordination); and
- Increasing the use of joint analytical work.

As part of NZAID's annual programme reporting system we will report against the following aid effectiveness indicators drawn from the Paris Declaration:

1. Partner's CPIA (or PEFA) rating for public financial management
2. Partner's rating on 4 point scale for procurement systems
3. % of NZ ODA to govt sector that is reported in partner national budget
4. % of NZ technical cooperation that is coordinated
5. % of NZ ODA to govt sector that uses partner financial management systems
6. % of NZ ODA to govt sector that uses partner procurement systems
7. Number of NZ-supported (including multi-donor) Project Implementation Units
8. % of NZ ODA released according to agreed schedule
9. % of NZ ODA that is untied
10. % of aid delivered in programme context
11. % of missions that are joint
12. % of country analysis that is joint
13. Participation with Tonga in a mutual assessment of progress

Annex: NZAID Regional Programmes of Relevance to Tonga

In addition to bilateral country programmes, New Zealand provides regionally focussed assistance to the Pacific in the areas of governance, economics and trade, education and health, and environment. Many of these programmes provide regional assistance to national governments or organisations so Tonga will also be able to access some of these programmes.¹²

Total expenditure on regional programmes in the Pacific for 2006/07 was \$50.7 million. NZAID also funds a number of regional agencies and organisations such as the Pacific Islands Forum Secretariat and UNICEF Pacific.

NZAID Pacific Regional Governance Programme 2007/2008 allocation: \$12 million

Overview

Governance covers a very broad range of activities, and is an essential part of NZAID's poverty reduction efforts. In line with NZAID's geographic focus on the Pacific, our regional good governance and regional law and justice programmes have been restructured into one comprehensive Pacific Programme for Strengthening Governance.

Activities

- Pacific Judicial Development Programme
- Pacific Legal Information Institute
- Regional Rights and Resources Trust (RRRT)
- Pacific Islands Chiefs of Police (PICP) Secretariat
- Pacific Regional Policing Initiative (PRPI)
- Pacific Prevention of Domestic Violence Programme
- Pacific Islands Law Officers Litigation Skills Training
- Pacific Islands Association of NGOs (PIANGO)
- Commonwealth Local Government Programme
- UNDP Pacific Centre

NZAID Regional Economic Growth and Trade Programme

Overview

NZAID supports sustainable economic growth and trade at the regional level by funding a number of agencies and programmes that provide advice on economic reform and the management of public finances, and promote the development of trade in the Pacific.

Activities

- The Regional Trade Facilitation Programme (RTFP)

The Regional Trade Facilitation Programme which was set up under the Pacific Agreement for Closer Economic Relations. The programme focuses on three areas: customs procedures, standards and conformance, and sanitary/phyto-sanitary (animal and plant hygiene) requirements.

¹² Further detail on NZAID's regional programmes can be found at www.nzaid.govt.nz

- Pacific Islands Trade and Investment Commitment (PITIC)

New Zealand provides funding to the Auckland Pacific Islands Trade and Investment Commission (PITIC). PITIC promotes trade, investment and tourism for Pacific countries and forms part of the wider Pacific Islands Forum Secretariat (ForSec) trade programme, which NZAID also supports through its core funding of ForSec.
- Other Trade Support

Statistics NZ is supported to provide a helpdesk supporting trade software used by several Pacific countries to monitor trade statistics.
- Pacific Private Enterprise Partnership

Pacific PEP supports the development of Small and Medium Enterprises (SMEs) in a number of Pacific countries. A major focus of its work has been improving the access of SMEs to financial services, through working with commercial banks, credit unions and helping to establish the Pacific's first funds manager in Samoa.
- The Foreign Investment Advisory Service (FIAS)

FIAS advises government on improving the environment for investment and business development. An example is the preparation of amendments to investment legislation in the Solomon Islands which are likely to improve the climate for private sector development.
- Pacific Financial Technical Assistance Centre (PFTAC).

PFTAC assists countries to enhance skills and establish institutional capacity for the effective management of their economies. PFTAC provides technical advice and capacity building to 15 Pacific Island countries in four key areas: tax and customs policy; public financial management; financial sector supervision and regulation; and economic and financial statistics.
- The Pacific Islands Forum Secretariat (ForSec)

ForSec is also involved in providing economic advice and policy development assistance through regional mechanisms such as the Forum Economic Ministers' Meeting (FEMM) and Forum Trade Ministers' Meeting (FTMM).
- Pacific Regional Fisheries Programme

New Zealand provides \$3 million per year to the Forum Fisheries Association (FFA), a Pacific regional agency tasked with managing fishing conservation and economic development of fishing stocks. It aims to bring about effective management and conservation of the western and central Pacific tuna fishery.

Pacific Regional Environment & Vulnerability **2007/2008 allocation: \$6.5 million**

Overview

The Pacific Regional Environment and Vulnerability Programme currently allocates NZ\$4 million a year to regional programmes designed to protect and enhance the Pacific region's natural resource base for sustainable development and poverty elimination. NZAID supports two key environmental agencies - the South Pacific Applied Geoscience Commission (SOPAC) and the Pacific Regional Environment Programme (SPREP). A further NZ\$2.5m is allocated to preparing for, and responding to, natural disasters.

NZAID's Pacific Regional Health Programme **2007/2008 allocation: \$8 million**

Overview

The regional health programme aims to support the development of more efficient quality primary and public health care regional services in the Pacific through improved planning, delivery and management.

The programme is designed to work in partnership with key stakeholders in the Pacific (including governments, regional agencies, non-governmental organisation and communities) to develop, implement and evaluate primary health prevention and care.

Activities

NZAID funds a range of initiatives that are in line with the priorities articulated by key partners in the Pacific. This includes:

- communicable diseases (sexually transmitted infections including HIV/AIDS, surveillance and outbreak, immunisation)
- non communicable diseases (healthy lifestyles, blindness prevention, disabilities, mental health and tobacco control)
- human resources for health (strengthening workforce capacity).

While the provision of primary health is the focus of NZAID's support, the agency also contributes to secondary and tertiary health care through the provision of specialist medical treatment either in New Zealand (Medical Treatment Scheme) or in-country (Visiting Medical Treatment Scheme). The Pacific Regional Health programme funds coordination costs, with treatment costs coming out of the relevant bilateral programmes.