



**Australian Government**  
**Department of Foreign Affairs and Trade**



# **AID PROGRAM PERFORMANCE REPORT 2015-16**

Tonga  
September 2016



# TONGA AID PROGRAM PERFORMANCE INFORMATION 2015-16

## SUMMARY

Tonga is a small Pacific Island country with a population of approximately 106,000 dispersed across more than 170 islands. Ongoing challenges to development and economic growth include Tonga’s high levels of government debt (total public debt projected at 55% of GDP), high susceptibility to natural disasters, the impact of non-communicable diseases and gender inequality.

Through our aid program, the Australian Government is helping to address these challenges, with a strong focus on investments to grow the economy and develop the private sector, improve health systems and develop skills to support economic opportunities for Tongan workers. Cross-cutting issues of disaster resilience and preparedness, gender equality and supporting the needs of people with a disability continue to feature prominently. Australia’s aid program is delivered under the *Tonga Aid Investment Plan 2015-19*, which deploys our resources to most effectively and efficiently achieve results in these areas, as discussed below. Australia and Tonga are currently negotiating an *Aid Partnership* arrangement, to reflect both the *Tonga Aid Investment Plan* and Tonga’s own development priorities, as articulated in the *Tonga Strategic Development Framework II*.

Australia is one of the largest donors of aid to Tonga. In 2015-16, Australia’s official development assistance (ODA) expenditure was \$28.8 million, equivalent to approximately five per cent of Tonga’s Gross Domestic Product.<sup>1</sup> Other significant bilateral donors include New Zealand, Japan and China. The World Bank and Asian Development Bank continue to play an important role in Tonga’s development activities, engaging in economic reform and infrastructure.

## PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1 Governance, economic and private sector development reforms	Green	Green
Objective 2 A more effective, efficient and equitable health system	Green	Green
Objective 3 Skills development in support of economic opportunities for Tongan workers	Amber	Green

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.

<sup>1</sup> In 2014 Tonga’s Gross Domestic Product was USD434 million: <http://data.worldbank.org/country/tonga>

## Objective 1: Governance, economic and private sector development reforms

Australia is supporting governance, economic and private sector development reforms in Tonga through the *Tonga Economic and Public Sector Governance Program Phase Three* (EPSG III), which supports a medium-term program of economic reform, known as the *Joint Policy Reform Matrix* (JPRM), agreed by the Government of Tonga and like-minded donors including Australia. Other bilateral investments that support Objective 1 include the *Outer Islands Renewable Energy Project* (co-financed with the Asian Development Bank); the *Tonga Energy Road Map* and the *Tonga Transport Consolidation Project* (both co-financed with the World Bank); and two private sector development pilot projects in Vava'u and 'Eua - aimed at strengthening the vanilla industry and the agricultural sector more broadly. Under the JPRM, DFAT and other development partners supported the Government of Tonga achieve its reform program, which delivered the following key achievements in 2015-16:

- Cabinet approval of a new Medium-Term Debt Management Strategy to assist in managing the Government's debt to ensure it is sustainable. The strategy has been made available to the public online;
- parliamentary approval of a new Communications Act and a Communications Commission Act that will establish an independent regulator, which will encourage communications providers to operate efficiently and ensure consumers face cost-reflective pricing;
- reform of state-owned infrastructure with assessments of Public Enterprises for privatization, public-private partnership, or to remain with the government. Assessments have been undertaken to explore opportunities for full or partial privatisation of government owned enterprises to promote more efficient operation and to enhance accountability and transparency. As a result, Tonga Forest Products Ltd will be managed by a New Zealand-owned company under a 50 year agreement and the Tonga Water Board will outsource asset maintenance and pipe-laying services to the private sector.

Australia also directly supported:

- the implementation of the Tonga Procurement Reform Strategy. DFAT-funded advisers supported improved procurement compliance in the public sector and increased engagement with the private sector by encouraging more local suppliers to bid; and
- the introduction of a new Revenue Management System within the Ministry of Revenue and Customs (MRC). In partnership with the Asian Development Bank the new system is supporting the MRC to collect and report on government revenue and boost domestic resource mobilisation.

In delivering activities under this objective, Australia worked closely with multilateral and bilateral development partners including New Zealand, the World Bank, Asian Development Bank and the European Union. The JPRM, in particular, has proven to be an efficient and effective mechanism for donor harmonisation in Tonga.<sup>2</sup> The performance benchmark for this objective has been met, with the Government of Tonga having satisfactorily completed the agreed 2015-16 economic, public financial management and private sector reform actions under the JPRM. While the technical capacity and support of multilateral partners is important to achievements under this objective, there is an opportunity for deeper engagement and greater coordination of donor technical input.

One investment did not perform as expected. *The Tonga Energy Road Map* (TERM) is an overarching Tongan Government plan, developed with World Bank and Australian support, to improve access to 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. There have been significant delays in implementation throughout the life of this investment, and it has been identified as an Investment Requirement Improvement. However, following a 12 month extension, all activities under this investment are now on track to be completed by December 2016. World Bank communication and reporting to DFAT improved throughout 2015-16.

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<sup>2</sup> Further information available at <http://dfat.gov.au/geo/tonga/development-assistance/Pages/objective-1-governance-economic-and-private-sector-development.aspx>.



Overall performance under this objective has been enhanced by the achievements and contributions from a range of other complementary Australian-funded regional programs including: stimulating trade through the Pacific Horticultural and Agricultural Market Access program (e.g. a gender analysis to improve capacity to respond to the needs of women); engaging with the Tonga Chamber of Commerce and Industry and the Tonga National Youth Congress on coconut production enterprise development through the Pacific Leadership Program; and identifying alternative modalities to support access to finance, especially for women, through the Asian Development Bank's Private Sector Development Initiative.

### **Objective 2: A more effective, efficient and equitable health system**

Through the aid program, Australia is supporting a more effective, efficient and equitable health system in Tonga - primarily through the *Tonga Health System Support Program*. In 2015-16, the program successfully transitioned from the first phase (\$10.02 million, 2009-16) to the current phase (\$12.2 million, 2015-20) with strong buy-in from the Government of Tonga<sup>3</sup> and continued alignment with the Ministry of Health's Corporate Plan. In 2015-16, with DFAT technical and financial support, key results included:

- the launch of a new five year *National Non-Communicable Diseases Strategy* in February 2016 – the launch coincided with the signing of a five-year grant agreement (AUD2.1 million) with the Tonga Health Promotion Foundation to support the implementation of the strategy;
- successful delivery of *Tonga's National Zika Response* in February 2016. This included Australian financial assistance towards the Vaiola Hospital's clinical response, as well as the national community prevention and clean-up campaign;
- the introduction of higher excise duty on tobacco and unhealthy food in the 2015-16 national budget;
- the introduction of legislation for 'smoke free' areas in public places and establishment of the first national smoking Quit Line (as part of a national, six-week anti-smoking campaign);
- screening of rheumatic disease throughout Tonga for approximately 6,351 school children, with follow up treatment for 236 children;
- delivery of a health promotion anti-smoking media campaign (as part of the *Non-Communicable Diseases Strategy*);
- expanding diabetes outreach services to outer islands and remote communities; and
- exchanging skills and training through the twinning arrangement between Tonga's Vaiola Hospital and the St John of God Hospital in Ballarat.

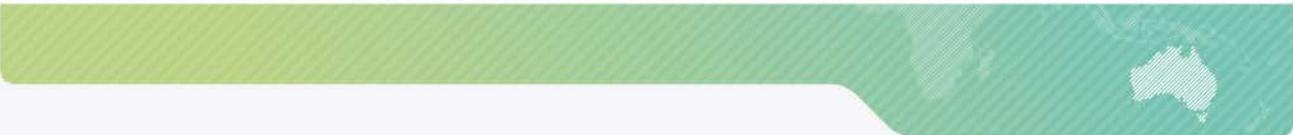
The performance benchmark for this objective has been met, with the Government of Tonga successfully completing its National Non-Communicable Diseases Strategy and media campaign. The Government has also maintained its own budgetary commitments to the health sector, partly as a result of positive donor influence.

### **Objective 3: Skills development in support of economic opportunities for Tongan workers**

Australia is an increasingly important labour market for Tongan workers. Australia supported training to improve economic opportunities for Tongan workers and to meet priority areas of industry demand. The *Interim Skills Development Facility* (\$2.24 million, 2014-16) made good progress against targets during the reporting period, which has including the following key results:

- 185 Tongans (99 male and 86 female) completed training in six different training programs developed in response to labour market demand;
- 98 Tongans received a qualification at certificate level 3-4 of the New Zealand Qualification Authority (NZQA) Units Standards – this is now formally recorded on the NZQA data base and formally recognised by the Tonga National Qualification and Accreditation Board;
- the development of collaborative partnerships between government, industry and communities, to identify needs and deliver demand driven, market-ready skills development.

<sup>3</sup> Further information available at <http://dfat.gov.au/geo/tonga/development-assistance/Pages/objective-2-more-effective-efficient-and-equitable-health-system.aspx>.



In 2016-17, key elements from this program will transition to a new consolidated program, *Skills for Inclusive Economic Growth*, which will include a stronger focus on women's economic empowerment and disability inclusion. The new program will continue to focus on ensuring skills development is targeted and responsive to labour market needs.

The *Australia Awards* continued to provide higher education opportunities for Tongans, with 27 university students graduating from Australia Awards (Australia and Pacific institutions) in 2015-16. A further 127 Tongans studied under long term scholarship and fellowship programs (65 per cent female). Tonga continues to demonstrate high rates of success in terms of numbers graduating and numbers returning to higher-level or better jobs. The *Seasonal Worker Programme* (SWP) continued its successful contribution to Tongan employment, remittance and development opportunities over the reporting period. In 2015-16, 2,624 Tongans (327 women and 2,297 men) participated in the SWP, representing more than 58 per cent of total SWP participants during that timeframe. There was negligible change in the number of women participating in the SWP compared to 2014-15 (a slight increase by 0.5 per cent to approximately 12.5 per cent). Efforts to improve female participation are continuing. Findings of ongoing research on the social impact of the SWP (expected in early 2017) will be used to refine pre-departure briefings; ongoing support for workers and their families; and processes on return.

The *Tonga Education Sector Program Phase 2* (TESP2, 2014-16), jointly funded by Australia (\$6.5 million) and New Zealand (NZD4.4 million), achieved positive outcomes in 2015-16 including the following:

- 1,100 Syllabus Books and 4,600 Resource Books distributed across all primary schools in Tonga;
- the Standardised Test of Achievements for Tonga (STAT) exercise completed, with the report finding that the STAT result for Tonga was both satisfactory and an improvement on the 2014 baseline;
- 377 teachers in Tongatapu, Vava'u & Ha'apai received professional development and training to upgrade their teaching skills;
- 167 (132 female, and 35 male) teachers completed their Diploma in Education program;
- construction of the new Kahoua Classroom was completed; and
- renovations to the Teacher Training College progressed as expected and on track to be completed by September 2016.

However, the TESP 2 has been identified as an Investment Requiring Improvement for two consecutive years (2014 and 2015 AQC reporting periods), and the investment has not achieved the outcomes expected over its duration. An independent evaluation finalised in September 2015 found that program objectives were too ambitious for the timeframes, and noted that program implementation had made poor progress and there were expenditure delays. The TESP2 investment concludes in September 2016 and will not be renewed. Australia and Tonga have agreed that Australia continue to support the school based grants program over two more years, as part of a transition strategy to exit the basic education sector and instead focus on vocational education and training.

The 2015-16 performance benchmark for this objective, of 60 students achieving vocational qualifications in line with labour market demand was exceeded significantly, with 185 students achieving qualifications under the Interim Skills Development Facility.

#### **Other Australian Government Departments**

In 2015-16, Tonga received \$3.26 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 2013-16) is focused on strengthening community level policing and on organisational development for Tonga Police. It also includes a strong focus on domestic violence victim support and supports 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 (August 2015) comprised nine female and 20 male graduates.

The Australian Centre for International Agricultural Research (ACIAR) 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. ACIAR continues to work regionally with the Pacific Community and its partners to build research and development capacity for high-value crops for domestic consumption and export.

### Regional and Global programs

During the reporting period, Tonga also benefited from Australian regional (\$7 million) and global (\$1 million) aid programs which aim to strengthen economic growth, education, health, climate change, risk resilience and gender equality outcomes. These included the *Pacific Horticultural and Agricultural Market Access (PHAMA) program*, the *ADB Private Sector Development Initiative*, community and regional fisheries development programs, the *Pacific Leadership Program*, the Australia Pacific Technical College, Pacific regional health programs, the *Pacific Risk Resilience Program*, the *Climate and Oceans Support Program* in the Pacific, the *Pacific Sports Partnerships Program* and *Australian Volunteers for International Development*. The Government of Tonga has requested greater information on the regional and global programs operating in Tonga. DFAT is working to address this need. We are also looking at ways to better align bilateral, regional and global expenditure. Program performance for these activities is assessed through the relevant Aid Program Performance Reports (for example, the [Pacific Regional Aid Program Performance Report](#)).

## PROGRESS TOWARDS PERFORMANCE BENCHMARKS IN 2015-16

Aid objective	2015-16 benchmark	Rating	Progress in 2015-16
Governance, economic and private sector development reforms	The Government of Tonga satisfactorily completes the agreed 2015-16 economic, PFM and private sector reform actions through the JPRM.	Achieved	The benchmark has been met. The World Bank Board's March 2016 meeting approved the Tonga budget support operation and verified that the reforms made to date have been achieved (as outlined in Tonga's JPRM for 2015-16). DFAT's AUD4 million performance linked aid to the budget support operation (under the EPSG III program) was delivered to the Government of Tonga in May 2016.
A more effective, efficient and equitable health system	Complete national NCD strategy and media campaign	Achieved	The benchmark has been met. The National NCD Strategy 2015-20 was finalised in December 2015 and launched in February 2016. The launch coincided with the signing of a five-year grant agreement (AUD2.1 million) with the Tonga Health Promotion Foundation to support implementation of the strategy. A national level anti-smoking campaign including media campaign was also launched under the Strategy.
Skills development in support of economic opportunities for Tongan workers	60 students achieve vocational qualifications in line with labour market demand	Achieved	The benchmark has been met. 185 (99 male and 86 female) persons received a vocational qualification in line with labour market demand, formally recognised in New Zealand and Tonga. Of the 185, 89 completed New Zealand Qualifications Authority-accredited training.

## Performance Benchmarks 2016-17 to 2018-19

*[Note: these benchmarks are subject to ongoing negotiation and agreement with the Government of Tonga as part of the Aid Partnership arrangement]*

	2016-17	2017-18	2018-19	
<b>Priority 1: Governance, economic and private sector development reforms, including support of aid for trade and infrastructure</b>				
A	To progress economic reform priorities	Achievement of actions under Joint Policy Reform Matrix (to improve Tonga's Public Financial Management) triggers release of donor funding	Achievement of actions under Joint Policy Reform Matrix (to improve Tonga's Public Financial Management) triggers release of donor funding	TBC
B	To improve economic benefits through targeted renewable energy and trade enhancing infrastructure	750kWp of solar generation and 660kWh of energy storage installed in 2 outer islands – contributing to a reduction of annual diesel imports for power generation of 325,000 litres per annum, and increased access to reliable electricity for 10,000 people (10% of population)	An additional 220kWp of solar generation and 1,100kWh of energy storage installed in 3 outer islands – contributing to a reduction of annual diesel imports for power generation of at least 90,000 litres per annum, and increased access to reliable electricity for an additional 1,200 people	A further 220kWp of solar generation and 1,100kWh of energy storage installed in 3 more outer islands – contributing to a reduction of annual diesel imports for power generation of at least 90,000 litres per annum, and increased access to reliable electricity for an additional 1,200 people
<b>Priority 2: A more effective, efficient and equitable health system</b>				
C	To improve health system effectiveness, efficiency and equity	Ministry of Health and TongaHealth budgets (separately considered and excluding donor funds) as a percentage of the total government budget do not decrease against the 2015 baseline, and launch of the Essential Package of Services for Ministry of Health and the digitalisation of Public Health information through the pilot of the Digital Health Information Software Phase2	Ministry of Health and TongaHealth budgets (separately considered and excluding donor funds) as a percentage of the total government budget do not decrease against the 2015 baseline, and the proportion of the 2017-18 Ministry of Health budget (excluding donor funds) allocated to the Public Health Division, has continued to increase from the 2016-17 level	Ministry of Health and TongaHealth budgets (separately considered and excluding donor funds) as a percentage of the total government budget do not decrease against the 2015 baseline, and the proportion of the 2018-19 Ministry of Health budget (excluding donor funds) allocated to the Public Health Division, has continued to increase from the 2017-18 level
D	To reduce the health and economic burden of non-communicable diseases (NCDs)	Multi-sectoral, quality annual reporting against the National Strategy for NCD Prevention and Control 2015-2020's Monitoring and Evaluation framework, and a decrease in the prevalence of tobacco use (against the baseline 2016 Tobacco campaign pre-survey)	Introduction of universal screening for gestational diabetes and implementation of related clinical care and lifestyle education for pregnant mothers. An increase overall in the number of babies exclusively breastfed until 6 months (compared to 2014 baseline)	Launch of a multi-year, national scale, healthy eating public awareness campaign that improves healthy eating behaviours. Decrease in the rates of premature deaths and preventable disability related to NCDs in men and in women
<b>Priority 3: Education and skills development in support of economic opportunities for Tongan workers</b>				
E	To increase the number of Tongans, especially women and those with disability, that are skilled to meet priority areas of labour demand	80% S4IEG and scholarship students complete quality education, training and skills development opportunities aligned with labour market needs. 5% increase in the numbers of female students in non-traditional (male dominated) field of area	85% S4IEG and scholarship students complete quality education, training and skills development opportunities aligned with labour market needs. 7% increase in the numbers of female students in non-traditional (male dominated) field of area	90% S4IEG and scholarship students complete quality education, training and skills development opportunities aligned with labour market needs. 10% increase in the numbers of female students in non-traditional (male dominated) field of area



## MUTUAL OBLIGATIONS

Australia and Tonga continued to work to meet the mutual obligations and shared goals outlined in Australia's Aid Investment Plan for Tonga. Australia continues to deliver effective and predictable development assistance, with a substantial proportion being delivered through Tongan Government systems and aligning with Tonga's own development and sector plans. Tonga continues to implement economic, public financial management and private sector development reforms under the multi-year Joint Policy Reform Matrix. Tonga has also maintained its total government health budget against the 2015 baseline.

Australia and Tonga were actively involved in monitoring and reviewing programs using mutually agreed development and governance indicators. Tonga continues to improve its procurement and financial systems, to ensure that aid funds are disbursed effectively and efficiently to strengthen transparency, provide the greatest possible value for money and improve the lives of people in Tonga. Tonga approved a revised set of procurement regulations in May 2015 and, with assistance from Australia's aid program, has implemented the new regulations and built capacity across the Tongan public service. Australia and Tonga maintained a zero-tolerance approach to fraudulent and corrupt actions against Australia's aid program in Tonga and applied environmental and child protection safeguards.

The *Tonga Assessment of National Systems Update 2015* was a review of the original assessment approved in December 2011. The update suggested Australia could continue to use partner government financial systems as one of the modalities for delivering the bilateral aid program. It suggested, however, that use of partner government financial systems required existing and additional risk mitigation measures, including the use of procurement advisers and an independent auditor to increase accountability around expenditure of Australian grant funding.

An ongoing challenge for the aid program is to meet emerging government priorities on both sides of the bilateral relationship, while also seeking to consolidate our investments into a smaller number of sectors.

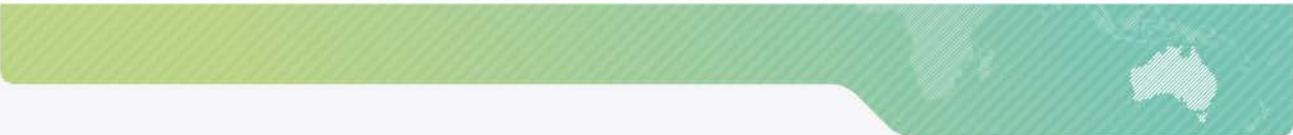
## PROGRAM QUALITY

Currently DFAT assesses each aid investment against objectives set out during the investment design phase. This year there was a stronger focus on monitoring and evaluation. Work has begun to develop an Aid Partnership arrangement, to complement the Tonga Aid Investment Plan, setting three-year performance benchmarks across the aid program and joint processes to measure performance. This is expected to be finalised in September 2016. Australia and Tonga remain committed to continuing to independently evaluate investments. Evaluations undertaken during the reporting period are listed at Annex B.

DFAT's Aid Quality Checks (AQC) for the 2015 reporting period demonstrated most investments are performing satisfactorily or better overall, in terms of effectiveness and efficiency. However, two investments were rated as requiring improvement in both the 2014 and 2015 reporting periods. In response, Australia will not extend the *Tonga Education Sector Program Phase II* following its conclusion in September 2016. Instead Australia intends to support Tonga's school based grants program over two more years, as part of a transition strategy to exit the basic education sector as discussed above. Improvements to the *Tonga Energy Road Map* were made in 2016, however, Australia will not extend the program beyond December 2016 and all activities under this investment are now on track to be completed by this time.

Gender equity has improved over the reporting period. Positive achievements have been made under the *Pacific Women Shaping Pacific Development Initiative*. For example, 257 women, girls and boys sought help from the one stop Women and Children's Crisis centre to end violence in their lives. Support to the Division of Women has assisted with the development of an implementation plan and M&E framework for the Tongan Gender and Development Policy. DFAT funding for the mainstreaming officer will end in June 2016 and the Government of Tonga will absorb the cost for this officer in its recurrent budget from 2016/17.





Australia continues to work with its partners strengthen gender equality across all programs. As a result, we have seen improvement in our gender rankings through the AQC process in projects such as the Outer Island Renewable Energy Project (OIREP). Through negotiations with the Government of Tonga and key implementing partner, the Asian Development Bank (ADB), the project has reviewed and strengthened its gender action plan resulting in achieving targets such as 50 per cent female workers employed during aspects of project construction and equal representation of women on electricity committees across five of the six small outer islands. This kind of advocacy with implementing partners consistently contributed to significant improvements towards the Australian aid program's key performance target of empowering women and girls (80 per cent of investments effectively addressing gender equality). In the 2015 quality reporting period, six out of nine (66 per cent) investments that underwent an Aid Quality Check or Final Aid Quality Check were assessed as effectively addressing gender equality (with a score of 4 or above). This is an improvement on the 2014 reporting period (where five out of nine, or 55 per cent of investments scored 4 or above). A summary of AQC and FAQC ratings is included at Annex C. Nevertheless, there is further work to be done to improve gender equality outcomes through the aid program. A gender adviser at Australia's High Commission will actively work with each sector to improve gender analysis and response. In addition, the Australian High Commissioner to Tonga is a 'gender advocate', influencing a stronger integration of gender equality principles through across the High Commission's operations and policy dialogue.

Work has been done to strengthen disability inclusion in the aid program throughout 2015-16. For example, the *Tonga Health Sector Support Program* is seeking to reduce preventable disabilities associated with NCDs, and will strengthen its focus on disability inclusive health services. The *Interim Skills Development Facility*, in partnership with the *Australian Pacific Technical College*, provided training on disability awareness and inclusion in vocational training. There is, however, scope for greater inclusion of disability and we will continue to address this in 2016-17. For example, the Health Program will receive additional funding for disability inclusion, and the new *Skills for Inclusive Economic Growth* program will target skills development opportunities for people with a disability.

Open dialogue with the Tongan Government and a coordinated approach with other donors continue to be vital to the success of the program. Overall, donor partners – Australia, Tonga, European Union, World Bank, New Zealand and ADB – worked well together on the Joint Policy Reform Matrix. Australia, the World Health Organisation, the ADB and the Pacific Community (SPC) have increased their collaboration in the health sector over the reporting period, resulting in integrated approaches to systems strengthening and the use of innovative technologies to tackle health challenges (such as the use of remote technologies to better manage gestational diabetes). In support of Tonga and Australia's climate change commitments, the ADB continued to better resource programs resulting in improved performance outcomes on the renewable energy project. Through this project ADB and Australia are working closely to support the Government of Tonga to address climate change, including through a potential application to the Green Climate Fund. Increasing the integration of climate change considerations through the aid program is an important emerging priority for both governments. The World Bank continued to provide access to critical technical expertise, and improved its communication and reporting regarding projects funded by Australia. We continue to engage technical advice (including a gender adviser for the aid program) and engage with partners through policy dialogue.





## MANAGEMENT RESPONSES

Following an assessment of programs, the following management responses have been identified to address challenges and risks associated with the program:

- Building on the High Level talks between Australia and Tonga in April 2016, develop an Aid Partnership to reflect development priorities for both Australia and Tonga (aligning with the Tonga Strategic Development Framework and Australia's Aid Investment Plan). The Aid Partnership will provide predictability and a strategic focus for Australia's aid investments over the next three years, including performance benchmarks and mutual obligations on both parties.
  - Develop a Performance Assessment Framework to underpin the Tonga Aid Partnership, to more clearly set out performance benchmarks and strengthen monitoring and evaluation processes across the aid program. This work began in the latter part of 2015-16.
  - Continue to explore innovative approaches and relationships, to assist in addressing gender equality across the work we do. This will include facilitating dialogue with multilateral partners and the Government of Tonga for better gender analysis, data collection and monitoring of targets. In addition, the continued engagement of a gender adviser will allow DFAT to explore opportunities to strengthen our work under *Pacific Women Shaping Pacific Development* to eliminate violence against women and girls through avenues such as participation in DFAT's Ideas Challenge 2.0/ Gender Equity Funding Round.
  - Develop an approach to ensure climate change priorities of both Australia and Tonga are better addressed through the Australian aid program
  - Mobilise the new *Skills for Inclusive Economic Growth* program, with a strengthened focus on gender equality and disability inclusion.
  - 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.
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## ANNEX A - PROGRESS IN ADDRESSING MANAGEMENT RESPONSES

### Management responses identified in 2014-15 APPR

DFAT to address weaknesses in integrating gender quality issues across investments.

#### Rating

#### Progress made in 2015-16

Partly achieved

Although the program has not yet met the aid program's Key Target for Empowering Women and Girls, the number of investments addressing gender equality effectively increased over the reporting period (from 55 to 66 per cent). In October 2015, DFAT commissioned a review of the Tonga Pacific Women Country Plan. The review, found the focus of the Country Plan was sound and recommended additional activities for 2016-2019. DFAT is currently following up on these proposals. DFAT has also maintained access to gender equality advice (though a contracted gender adviser) to better mainstream gender equality across all investments.

Conduct a joint Australia/New Zealand/Tonga independent evaluation of the *Tonga Education Support Program II*.

Achieved

The evaluation commenced in July 2015 with the report and management response published on the DFAT internet in September 2015.

DFAT will work with World Bank to improve communication regarding the *Tonga Energy Road Map (TERM) Institutional and Regulatory Framework Strengthening Project* and the *Transport Sector Consolidation Project*.

Achieved

DFAT has worked closely with World Bank on this issue, with the World Bank improving the level of communication and reporting against project milestones and financials. The *Transport Sector Consolidation Project* is now complete, and the *Tonga Energy Road Map (TERM) Institutional and Regulatory Framework Strengthening Project* will be completed in December 2016.

DFAT will develop a formal Private Sector Development and Trade Facilitation Strategy to better inform future investment decisions and Aid Partnership discussions.

Partly achieved

Strategy has been drafted and close to completion

DFAT will contract specialist expertise to review risks and update mitigation strategies annually, to better manage the risks of working through partner government systems.

Achieved

DFAT finalised the Assessment of National Systems in 2015, which identified risk mitigation measures. DFAT finalised a management response in early 2016. In April 2016 DFAT conducted a procurement strategy review which recommended ongoing technical assistance to Tonga's Central Procurement Unit to mitigate risks of working through partner government systems. DFAT PFM specialist has also provided ongoing advice and expertise, including on acquittal and audit requirements for working in partner government systems.

In 2015-16, DFAT will develop a Performance Assessment Framework to underpin the Tonga Aid Investment Plans, setting out performance benchmarks and joint processes to measure performance.

Partly achieved

Implementation schedules are being developed to help guide the development of benchmarks for an Aid Partnership arrangement for Tonga. An M&E adviser has been contracted to develop a program wide Performance Assessment Framework and strengthen ongoing M&E activities.

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.

Achieved

DFAT has sought to consolidate the number of investments, including through the Aid Partnership talks with Government of Tonga in April 2016. We have reduced the number of investments from 26 to 23 over 2010 to 2016 with three more investments to be completed by 31 Dec 2016. There is difficulty in consolidating scholarships investments because an investment is created every year for every regional and Australia intake. The regional scholarships investments will last up to 7 years.

#### 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 - EVALUATION PLANNING

### List of evaluations completed in the reporting period

Investment number and name	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
<i>INK888 Tonga Education Support Program II.</i>	Independent Progress Review: Tonga Education Support Program	September 2015	3 February 2016	3 February 2016	January 2016

### List of program prioritised evaluations planned for the next 12 months

There are no independent evaluations planned for the Tonga program in 2016-17

## ANNEX C - AID QUALITY CHECK RATINGS

### AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings.

Investment name	Approved budget and duration	Year on year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Nuku'alofa Urban Development Project	\$6.4m 2011-17	2015 AQC	5	5	4	5	5	4	4
		2014 AQC	5	4	4	4	4	4	4
Tonga – Scholarships	\$2.5m 2015	2015 AQC	5	4	4	4	4	4	5
		2014 AQC	4	4	4	4	4	4	5
Tonga Health Systems Support Program II	\$12m 2015-20	2015 AQC	6	5	5	4	5	4	5
		2014 AQC	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Outer Island Renewable Energy Project	\$5.7m 2013-2020	2015 AQC	5	5	4	4	4	4	4
		2014 AQC	4	3	3	2	4	3	3
Tonga Energy Roadmap Implementation Unit (TERM IU)	\$1.2m 2012-2017	2015 AQC	4	3	3	3	4	2	3
		2014 AQC	4	3	3	2	4	3	3
Economic and Public Sector Reform	\$20m 2012-16	2015 AQC	6	5	5	5	5	3	5
		2014 AQC	6	5	5	5	5	2	5

## FAQC RATINGS

Final AQC's assess performance over the lifetime of the investment (ratings are not compared to previous years).

Investment name	Approved budget and duration	Overall rating	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Tonga Health Systems Support Program	\$10m 2009-16	5	5	5	5	5	5	5	5
Tonga Education Support Program 2 (TESP2)	\$6.6m 2013-16	3	4	3	3	3	3	4	5
Transport Sector Consolidation Project	\$6m 2009-16	4	4	4	3	3	3	3	4

### Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all areas. 5 = Good; satisfies criteria in almost all areas.

4 = Adequate; on balance, satisfies criteria; does not fail in any major area.

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria and/or fails in at least one major area.

2 = Poor; does not satisfy criteria in major areas. 1 = Very poor; does not satisfy criteria in many major area.