

## Partnership Report August 2009 to August 2011

26 August 2011

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### EXPLANATORY NOTE

Australia's Partnerships for Development emphasise the importance of mutual accountability for development results focused on agreed priority outcomes. An important element of this accountability is the joint review of progress (the annual partnership talks) involving senior officials from both governments. The inaugural partnership talks were held between Australia and Tonga on 26 August 2011 and covered the two years since the partnership was signed (talks originally envisaged for August 2010 did not take place due to election preparations in Tonga).

This report summarises progress made under the Australia – Tonga Partnership for Development to date and key issues both governments have agreed need to be addressed.

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## Part I: Context

Two issues have dominated Tonga's domestic affairs throughout the time of the partnership: the country's constitutional reforms and transition from an absolute monarchy to a more representative form of parliamentary democracy and its ongoing economic and fiscal challenges. Two disasters in late 2009 also impacted heavily on Tongan society: the sinking of the ferry MV Princess Ashika and the tsunami on Niuatoputapu.

In 2010 Tonga was ranked 85th in the United Nations Human Development Index, a decline from 54th in 2005. The primary reason for the decline in ranking has been the faster rates of improvement made by other countries rather than a decline in human development in Tonga.

Tonga's second Millennium Development Goals (MDG) Report of 2010 rates all but one MDG national target as already achieved, or achievable if prevailing trends persist. Only MDG 6—Combat HIV/AIDS, Malaria and Other Diseases will not be met. The reason for this is the inclusion of a national target of halting the incidence of non-communicable diseases (NCDs), which Tonga's own reporting confirms will not be achieved by 2015 if prevailing trends persist.

Hardship in Tonga is increasing, with 23 per cent of the population in 2009 estimated to be living below the basic needs poverty line (a country-specific measure of relative hardship) compared to 16 per cent in 2001. The sharpest increase in hardship was experienced in the outer islands and the rural areas of Tongatapu. Hardship is also reported to be more severe than in 2001.

The Government of Tonga estimates that 77 per cent of Tongan households receive remittances from relatives overseas. In 2009–10 remittances represented only 22 per cent of gross domestic product (GDP) (a decline from 30 per cent prior to the global economic crisis). The reduction in remittances has had flow-on effects for the whole economy and ultimately on government revenue. Remittance flows are likely to remain at reduced levels for the medium term.

Throughout 2009 and 2010 Tonga's economy struggled with the after effects of the global economic crisis and continued weak domestic economic conditions. Economic growth was stagnant, private sector activity constrained and economic activity was dampened by a decline in tourism and a contraction in exports. The International Monetary Fund reports that the medium-term growth prospects for the economy are constrained and it will be challenging for Tonga to achieve medium-term growth rates even in the 1–2 per cent range. Tonga's ratio of public debt to GDP has more than doubled in the past three years and the International Monetary Fund and World Bank considers Tonga at high risk of debt distress. Two loans from the Export-Import Bank of China alone were equivalent to more than 30 per cent of GDP in 2010–11.

Australia remains one of Tonga's largest bilateral donors alongside New Zealand. China and Japan have significantly increased the scale of their official development assistance to Tonga in recent years, particularly in the infrastructure sector. China is one of Tonga's most significant development partners, particularly when both grant and loan financing is considered. The multilateral development banks and the European Union have also played a significantly increased role, particularly through pledging and providing general budget support.

## Part II: Progress

The Australia – Tonga Partnership for Development focuses Australia's bilateral aid to Tonga on four priority outcomes:

- a more efficient and effective public sector
- improved health
- improved technical and vocational skills
- develop infrastructure to improve the everyday lives of the people.

The partnership and implementation schedules for the first three priority outcomes were signed by the prime ministers of Australia and Tonga in August 2009. The remaining implementation schedule for infrastructure has yet to be agreed.

Progress to date under each partnership outcome is described in detail below. Since the partnership was signed in 2009, overall progress has been slower than what would be expected at this point.

Significant areas of additional support which sit outside the Partnership include Australia's support to Tonga's political reform program including the November 2010 election, and a joint program with New Zealand to support improvements in the operations of the Tonga Police Service.

## Priority outcome 1: A more efficient and effective public sector

**Table 2: Priority outcome 1 targets**

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- Adoption and implementation of Tonga's forthcoming National Strategic Planning Framework (NSPF) which encompasses the objectives and principles of the partnership, and effective monitoring of implementation of the NSPF.
  - Improved budgetary management, including through the introduction of the Medium Term Budgetary Framework (MTBF) in the 2009–10 Budget, which incorporates forward projections of aggregate expenditure and revenue, and sectoral allocations in the 2010–11 Budget that demonstrate the government's commitment to increasing the share of expenditure to NSPF priorities.
  - Improved public sector procurement practices.
  - Improved internal expenditure controls to reflect the Tonga Government's *Public Financial Management Act* (2002).
  - Improved efficiency of the government's financial management system.
  - Improved policy development and program delivery at sectoral level, including by undertaking public expenditure reviews as identified.
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The partnership sets out specific, short-term targets around public financial management reform. These were designed to be achievable in the first year of the partnership and have predominantly been achieved.

Australian assistance in this sector has been through technical assistance to support Tonga to undertake the reforms agreed in the partnership. The availability of incentive funding of \$2 million annually (as performance-linked aid) also played a key role as it was linked directly to the achievement of the partnership targets. Tonga used the incentive funding it received predominantly for the salaries of those working in health and education, in response to their fiscal difficulties.

Some key achievements under the Australia – Tonga Partnership for Development include:

- The establishment of a legal framework for public procurement in Tonga.
- The enhancement of fiscal governance through improving economic forecasts, increasing the revenue stream through customs and tax reform, and coordinating donor funds better by strengthening donor relationships and harmonisation.
- The increase of annual tax returns by 20 per cent and the collection by revenue services of 10.2 million (2008–09) and 9.5 million (2009–10) Tongan Pa'anga in arrears. A new Guide to Tongan Income Tax was published and an internet-based tax return lodgement system developed.
- The promulgation of financial regulations to accompany the Tonga Government's Financial Management Act (2002), the development of corporate planning processes aligned with the performance management system of the NSPF, amendments to Tonga's Public Service Act and associated regulations, and the trial of a new public service performance management system.
- The assessment of the Public Expenditure Financial Accountability (PEFA) by the Government of Tonga in February 2010. The PEFA 2010 results indicated significant improvements over the previous one conducted in 2007.

- The release of two Public Expenditure Reviews—one in health and one in education—which have informed policy discussion about key social sector expenditure priorities and the importance of maintaining levels of health and education expenditure despite a constrained fiscal and economic environment.

In addition to these key achievements, supported by Australia, in late 2010 the Government of Tonga adopted a new NSPF<sup>1</sup>, developed a monitoring framework for the NSPF, developed and released comprehensive Treasury instructions encompassing controls on non-salary expenditure, and created an internal audit function in the Ministry of Finance and National Planning.

A key outstanding target under the partnership is the incorporation of a Medium Term Budgetary Framework (MTBF) into the Tongan budget. The development of the MTBF is ongoing with Australian-funded advisers supporting the Government of Tonga, together with technical advisers from the Asian Development Bank and the Pacific Financial Technical Assistance Centre. The multilateral organisations leading this work have advised there is still considerable work required for the MTF to develop into a MTBF, but steady progress is being made.

In addition to supporting the achievement of the specific targets under priority outcome 1 of the partnership, Australia funded the salary of the Public Service Commissioner and supported reforms in the public service.

Australia is working with other donors towards a single matrix of reform actions with the Government of Tonga. The Ministry of Finance and National Planning is in the driving seat. The World Bank is leading negotiations with the Government of Tonga on behalf of donors.

## Priority outcome 2: Improved health

**Table 3: Priority outcome 2 targets**

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Reduced prevalence of non-communicable disease risk factors, including:
<ul style="list-style-type: none"> <li>• Tobacco use: 2 per cent decrease in prevalence of smokers by 2015</li> <li>• Obesity: 2 per cent decrease in overall prevalence of obesity by 2015</li> <li>• Budget for preventative health care reaches 10 per cent of total health operational budget by 2015</li> <li>• Primary health care to all communities in Tonga: to follow a common national standard including the utilisation of this service</li> </ul>

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<sup>1</sup> The current Government of Tonga has revised the revised the National Strategic Development Framework and it is now Tonga Strategic Development Framework (2011–14)

Australia's support to the health sector is through the Tonga Health Systems Support Program. The program provides budget support to the Ministry of Health to implement its corporate plan, with a particular emphasis on NCDs and preventative and primary health care. Australian funding is managed within the same planning, monitoring and financing framework as Government of Tonga funding, which enables it to be monitored through a single Ministry of Health monitoring framework. It is a deliberate strategy to improve Tonga's systems by using those systems.

In addition to providing on-budget support, Australian funding under this outcome also supports two discrete activities—(i) the twinning program between St John of God hospital in Ballarat and Vaiola Hospital in Tonga to support skills development and training; and (ii) support to source skilled specialist medical positions through the Pacific Technical Assistance Mechanism or Government of Tonga procurement processes. The skilled medical positions Australia has funded have been in surgery and anaesthesiology, specialist skills sets which are in short supply in Tonga and where retirement or migration of senior surgeons and anaesthetists has left a gap.

Delays in the start of the Tonga Health Systems Support Program and the highly ambitious nature of the smoking and obesity reduction targets make this priority outcome a difficult one to achieve in the timeframe of the partnership. Achievement of targets relies on the Ministry of Health having the capacity to implement the program and achieve the health targets outlined in its corporate plan and the partnership. The program is still in its early stages of implementation and it is not yet possible to report progress towards achievement of partnership targets for NCDs and a common standard for primary health care. A challenge in measuring program results is the lack of baseline data. A World Health Organization (WHO) STEPwise approach to Surveillance (STEPS) survey underway will provide valuable baseline data around NCD risk factors.

Delays in the start of the Tonga Health Systems Support Program were largely due to difficulties in recruiting the project management team and a senior adviser position. This has, in turn, resulted in delays in implementation and spending. A full team has been in place since January 2011 and program implementation is now underway.

Reduction of smoking and obesity requires profound behavioural and societal change and the Tonga Ministry of Health—as implementing agency—is expected to deliver programs to bring about this change. To date the Ministry was challenged in translating strategies and goals from a complex design into costed work programs without external assistance. The WHO and Secretariat of the Pacific Community supported the Ministry to develop an NCD strategic plan. The Australian Agency for International Development (AusAID), through a strategic health adviser, supported the Ministry to develop costed work plans in 2010, which are now being used to implement the program.

The target under this outcome of increased budget allocations by the Government of Tonga for preventative health has yet to be addressed because the focus to date has been on starting the Tonga Health Systems Support Program.

### Priority outcome 3: Improved technical and vocational skills

**Table 4: Priority outcome 3 targets**

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

The Tonga New Zealand Australia TVET Support Program (TSP1) has the following higher-level measures for performance and progress:

- A sustained 50 per cent increase in the number of TVET course participants by the fourth year of TSP1 as compared to 2009 baseline
  - 80 per cent of all graduates from Tongan TVET courses of registered training providers in 2012 qualifying with an internationally benchmarked qualification
  - A reduction in the dropout rate (that is, ratio of graduates to enrolments increases) from both local and regional courses.
  - (Long Term) An increase in the number of Tongans gaining employment in their chosen fields of study.
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The joint Australia – New Zealand – Tonga Technical Vocational Education and Training Support Program (TSP1) is the primary means by which Australia is supporting Tonga to develop its TVET system. This program is implemented by the Ministry of Training, Employment, Youth and Sports, entirely through Government of Tonga systems. Australia manages the joint funding on behalf of New Zealand under a delegated cooperation arrangement. The TSP1 is strengthening the national training system in Tonga to provide training that is responsive to the demands of industry, by introducing internationally benchmarked skills standards, supporting the registration and accreditation of TVET providers and strengthening the capacity of local providers to deliver internationally recognised training.

It is too early to measure progress towards achievement of the partnership targets for this priority outcome. The TSP1 experienced some initial delays. The focus for the TSP1 until the end of 2010 was in establishing the program within the Ministry of Training, Employment, Youth and Sports and for this reason there are no significant results relevant to partnership targets to this point. A key challenge in measuring future progress is the lack of a baseline. The Ministry, only established in 2007, also needs to develop a monitoring and evaluation system.

A technical evaluation of TSP1 progress, conducted in April 2011, found the way the program was designed did not take into account the challenges posed by the Ministry being new but expected to implement the program. The Ministry did not have sufficient guidance to assist it in developing a sensible implementation plan. The program relied heavily on an international technical manager placed within the Ministry who resigned in late 2010, leaving a gap in senior program management and TVET experience. The position is currently being recruited.

Despite delays and the limited time it has been operating, TSP1 achieved some strong progress in stakeholder engagement and communication, including establishment of two industry training advisory councils, and progress in applying quality assurance processes to providers and courses. The program also arranged study tours for TVET stakeholders in Tonga to countries in the region with well-functioning TVET sectors.

Delegated cooperation arrangements are intended to increase efficiency and reduce transaction costs by allowing the Government of Tonga to engage with only one donor rather than two. The experience to date is that delegated arrangements between Australia and New Zealand have not increased efficiency as planned. Australia, Tonga and New Zealand will take lessons learned from the delegation experience with TVET into consideration when designing joint Australian and New Zealand support for basic education.

The Australian Pacific Technical College and Australian scholarships also contributed towards this partnership outcome. Between 2008 and June 2011, 178 Tongans (89 females and 89 males) had graduated from Australia Pacific Technical College campuses in the region with Australian recognised qualifications in tourism and hospitality, trades, community services and health.

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

**Table 1: Priority outcome 4 targets**

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- An increase in the proportion of the population with reliable and affordable transport links to markets and services.
  - Increased domestic private sector participation in the provision and operation of infrastructure.
  - Regular and adequate budgetary provision for infrastructure maintenance.
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AusAID is co-funding the World Bank's Transport Sector Consolidation Project (TSCP) to focus on establishing domestic capacity for road maintenance. To date very little activity has taken place under the project and there has been no progress towards achieving partnership targets.

Implementation of the TSCP started slowly, mainly due to challenges in filling key staffing positions (including the Chief Executive Officer of the Ministry of Transport—the key counterpart agency for the project), and the significant strain upon the Ministry of Transport following the sinking of the MV Princess Ashika passenger ferry in August 2009. Other reasons for slow implementation have been program restructuring to meet increased project financing from AusAID and moves by the new Government of Tonga to merge the two key infrastructure ministries (Transport and Works).

In addition to the World Bank's project, Australia funded (jointly with New Zealand) the costs associated with chartering a new inter-island ferry between April 2010 and April 2011 after the sinking of the MV Princess Ashika. The ferry service provided a vital lifeline for remote communities, particularly to Nuiatoputapu and Nuaifo'ou in the far north of Tonga, including for the delivery of food and other essential supplies.

In 2010 Australia supported the development of Tonga's Energy Road Map 2010–20, which sets out Tonga's plan to address its dependence on fossil fuels while expanding access to energy services. Tonga has an ambitious target of 50 per cent of its grid-based electricity to be supplied by renewable sources by 2012. Australia is committed to supporting the implementation of the energy road map and is working closely with the World Bank on mapping out possible areas of joint support.

### Support for other key sectors outside the partnership

Australia supported Tonga to transition from an absolute monarchy to a more representative form of democracy through a program to support political reform jointly funded by the government of Tonga, Australia and New Zealand. The program, the majority of which was implemented by the Government of Tonga, started in 2009 and culminated in the 25 November 2010 elections. Australian funding supported:

- the establishment of the Constitutional and Electoral Commission that reported on and provided recommendations to the Government on reform options (November 2009)
- a Royal Boundaries Commission that determined electoral boundaries (May 2010)
- the formation of the Electoral Commission (May 2010) that formulated an election plan, policies, procedures and processes, and executed the elections
- the development of standing orders and legislation to support political reforms; and a public awareness program to inform citizens of the changes
- targeted assistance to the Tongan Electoral Commission in the lead up to and during the election, through the provision of in-country advisers employed by the Australian Electoral Commission
- the deployment of an official Australian delegation to observe the elections. The delegation released a joint statement with New Zealand congratulating the Government of Tonga and its people on a genuine, free and fair election. Voter turnout was high (90.7 per cent) and the election ran smoothly and without incident.

The Tonga Police Development Program Phase 1 reached its halfway point at the end of 2010. The program is jointly funded with New Zealand. Its key achievements were to: support the Tonga Police Service to establish new police posts; provide key operational materials, including new vehicles and improvements to the radio communications network; and training and mentoring for new recruits and existing police, including in ethics and integrity. The program also supported the development of a plan to strengthen leadership in all levels of the Tonga Police, improved forensics services and criminal investigations, increased major incident response capability (including mobilisation during the November election period) and increased enforcement of road safety, including through new drink driving legislation.

In late 2010 Australia began funding the Tonga Education Support Program, which assists the Government of Tonga to implement its education policy and its focus on basic education. The program focuses on improved school quality, the achievement of universal basic education and improved Tongan Education Ministry management. It is a long-standing program funded by New Zealand and, until 2010, the World Bank. AusAID is supporting this program in the interim until a longer-term one is established. Australian and New Zealand support has helped deliver Tonga's first standardised curricula and training materials to all government primary schools and design improved in-service training for teachers. Australia has agreed to pursue a joint program with New Zealand to support basic education over the long term.

Scholarships remain a central component of Australian assistance to Tonga. In the two years of the partnership, 19 students have completed undergraduate qualifications in regional institutions and three have completed postgraduate studies in Australian institutions. Thirty-nine students are studying for undergraduate qualifications at regional institutions and a further 10 at Australian institutions at postgraduate level. The Tonga Australia Alumni Association held its inaugural meeting in May 2010 with 132 registered members and nine executive members. The association aims to provide a forum for ongoing productive relationships between Australia and Tongan alumni and a forum for alumni to network.

Australia is supporting Tonga to plan for and adapt to the likely impacts of climate change, including through:

- Working with the Tonga Meteorological Service and related agencies to build capacity in climate change science through the Pacific Climate Change Science Program.
- High-quality mapping of the islands of Tongatapu and Lifuka, to inform coastal inundation modelling, and to provide an integrated assessment of coastal erosion in Lifuka Island, to identify adaptation measures.
- Funding a regional project managed by the United Nations Development Programme and the Secretariat of the Pacific Regional Environment Programme to trial adaptation activities in Tonga with a focus on water and coastal areas.
- Agreeing to fund secretariat support for Tonga's Joint National Action Plan on Climate Change and Disaster Risk Reduction, to allow the Government of Tonga to coordinate financing and the range of activities underway in this sector.
- Funding, in 2010, the installation of 162 water tanks which improved access to safer and more secure water resources for rural and outer-island communities. These communities had previously relied on bore or reticulated water supplies, often unreliable and unhealthy.

### Part III: Outcomes of partnership talks and required actions

The first annual partnership for development talks was held on 26 August 2011. They were led by Tonga's Minister for Finance, Hon. Sunia Fili, AusAID's Minister Counsellor for the Pacific, Mr John Davidson, and the Australian High Commissioner to Tonga, Mr Thomas Roth. Tonga and Australia discussed progress, targets and results under the partnership. Both governments agreed there has been good progress under the partnership and reaffirmed their commitment to working together to improve the lives of the people of Tonga. They agreed that the priorities under the partnership remain relevant to Tonga's needs. The strong bilateral relationship generally was also noted.

Both governments discussed the priorities for the estimated \$32.1 million in development cooperation assistance Australia will provide in 2011–12. Tonga and Australia reaffirmed the priority areas under the partnership, including reforming Tonga's public sector, improving Tonga's health services, strengthening technical and vocational skills, and developing infrastructure to improve the everyday lives of Tonga's people. Both governments agreed to include basic education as a priority area under the partnership.

The two governments discussed key developments relevant to the future delivery of Australia's aid program, including:

- Tonga's recently released Tonga Strategic Development Framework (2011 to 2014), which sets out the development goals for the current Tongan Government.
- The planned streamlining of a number of ministries in Tonga, including rearranging portfolio responsibilities that impact on ministries implementing programs supported through the aid program.
- The Independent Review of Australia's Aid Effectiveness and the Australian Government's response to the review both released on 6 July 2011. Any increase in Australia's aid program to Tonga over the next few years is likely to be modest and will be subject to demonstrated development results.
- An Australian fiduciary risk assessment of Tonga's public financial management system. This has not been finalised but initial indications are it will not result in major changes in the way Australia delivers aid in Tonga. Australia is committed to use Tongan Government systems but may need to work with the Government to strengthen some controls. Tonga welcomed the assessment, indicating it would help Tonga identify areas where systems could be strengthened, including through outside assistance.
- A joint review of Australian-funded advisers completed in November 2010 and its implications for how advisers are to be used in future. Both governments agreed advisers have been providing vital support in Tonga. Australia's new Adviser Remuneration Framework will be applied to all Australian-funded advisers in Tonga (whether engaged by Australia or by Tonga). Advisers engaged in future will focus on supporting priorities under the partnership and there will be a sharper focus on capacity development over in-line positions. Australia will only fund in-line positions after the Government of Tonga can demonstrate it has been unable to fill positions through local recruitment. It was agreed that AusAID will directly support a maximum of 10 advisers. Both governments agreed to meet regularly to oversee the effectiveness of advisers. Tonga suggested consideration be given to greater access to short-term training attachments and twinning programs with Australian institutions (at state or federal level) as well as regional approaches (including supporting Pacific public servants to work on specific projects in other countries). Australia committed to help Tonga to consider a range of approaches to capacity development which they could consider as alternatives to the use of advisers.

The agreed outcomes and required actions under individual outcome areas of the partnership are described below.

### Priority outcome 1: a more efficient and effective public sector

Both governments reiterated their commitment focus efforts on achievement of a multi-year, single matrix of policy reforms. The Tongan Government has approved the reforms which make up the matrix and has formed a management committee (led by the Ministry of Finance and National Planning) to oversee implementation. Achievement of reform targets in the matrix are a focus of Government and early progress had been made. Actions have been taken to reduce the number of Government accounts and a Public Accounts Committee of Parliament has been established.

Australia congratulated Tonga for developing the policy reform matrix and noted that the leadership shown by Tonga in developing it with donors generated considerable interest in the region as a model for other countries. The matrix will frame Australia's development assistance for the next few years and will be a priority for both governments. The value of the joint matrix in fostering greater coordination among donors and predictability of aid was also noted.

Australia announced it will provide \$5 million in budget support over each of the next two financial years if Tonga achieves the targets under the matrix. The budget support for 2011–12 would be directed to support health and education salaries and provide much needed cash reserves. The disbursement of Australia's budget support will be linked to the assessment process and disbursement schedule for the World Bank's budget support.

Australia also offered to focus future technical assistance to support Tonga to achieve the reforms under the matrix but would await Government of Tonga advice on areas where outside support is required. Both governments noted the importance of sustaining reforms and that ongoing assistance may be required for this.

Both governments agreed on the need to develop medium-term economic and public sector targets under the partnership that reflect matrix objectives. Both governments agreed to work together to develop the targets before the end of the 2011.

Both governments noted the importance of the planned review of revenue being undertaken with the support of the Pacific Financial Technical Assistance Centre. That review will inform both governments on the ways Tonga can best strengthen its revenue collection and on the best options for addressing capacity development needs.

Tonga committed to timely and accurate acquittal and reporting of funds provided by Australia through accountable cash grants and to undertake a procurement review in late 2011 with support from the World Bank and AusAID to assess the implementation of recent procurement system reforms.

Australia offered to continue support (together with other donors) Tonga's efforts to strengthen its public financial management system and to broaden capacity in public financial management and audit in line ministries. The Ministry of Health expressed interest in improving its internal audit function with the help of the Ministry of Finance and National Planning.

The Tongan Government welcomed Australia's commitment of up to \$350 000 to support the national census in 2011. A plan from the Department of Statistics for undertaking the census is being considered.

Australia offered further support to strengthen Tonga's oversight institutions, such as the Auditor General and internal audit capacity in the Ministry of Finance and National Planning. Tonga reiterated its support for the establishment of an Ombudsman and Anti Corruption Commission. Australia provided support for this initiative in 2009, however work was suspended and the commission never established under the former government. Australia emphasised its support for core accountability mechanisms and in the short term will provide assistance to strengthen audit capacity (that also may include parliamentary oversight through the new Public Accounts Committee of the Legislative Assembly) before further support is provided to establish the new commission.

### Health

Both governments agreed to revise the targets for obesity, a major problem in Tonga. The target will be to halt the rise in obesity by 2015 rather than to reduce it by 2 per cent. The revised target is more realistic and aligns better with internationally accepted targets and the Government of Tonga's own MDG target. The implementation schedule will be revised accordingly.

Both governments agreed that collecting baseline data remains vital to measuring partnership progress. The STEPS survey, due to start shortly, will provide valuable baseline data. The Ministry of Health was considering establishing pilot sites to measure intervention impact more regularly than the current five years between formal surveys.

Both governments, together with the WHO, will agree on how to measure the budget allocation for preventative health (to assess progress towards the partnership target of 10 per cent of the health budget for this area). Tonga committed to protect the health budget from future budget cuts and the Ministry of Health would continue to advocate for hypothecated taxes as suggested under the partnership. Australia also offered to source technical assistance if Government of Tonga wished to commission a review on health financing options.

Australia urged the Ministry of Health to work with the Ministry of Finance and National Planning and the Public Service Commission to find a solution to the obstacles in the way of recruiting approximately 20 NCD nurses and to work towards including them in the Ministry of Health's staffing establishment.

### Technical and vocational skills

Both governments acknowledged the early challenges the Australia – New Zealand – Tonga TSP1 faced but also noted its successes to date. Australia reinforced its commitment to support TVET in Tonga, to provide options for students not pursuing academic pathways. The importance of TVET as a regional priority was also noted. Australia will await resolution of TVET responsibility following the current reorganisation of Government before considering changes to the current program of support.

Both governments discussed the importance of the Pacific Seasonal Workers Scheme to Tonga. Australia noted that although an evaluation of the scheme is underway, it is expected to remain an important part of the bilateral relationship.

### Infrastructure

Both governments acknowledged the lack of progress under the TSCP. Tonga has recognised the problems which caused the delays and noted that action has been taken at the political level. There is a new commitment to increase the pace of implementation. Tonga expects significant progress over the coming months. Australia acknowledged Tonga's reassurance that the project will progress but noted that a significant amount of Australian funds have already been forwarded to the World Bank for the project. Australia foreshadowed it will not be providing further funds in 2011 as there is sufficient funding available for the project at present.

The governments of Australia and Tonga agreed to expand the infrastructure priority outcome area to include investments in water, waste and energy. The Government of Tonga indicated its support for Australia to co-finance the Asian Development Bank's project proposal on water and waste (the Nuku'alofa Urban Development Project), and Australia indicated its willingness to support Tonga's Energy Road Map 2010–20, through the World Bank.

Tonga advised Australia that the merger of the Ministry of Transport and the Ministry of Works is underway and requested support for this. Australia offered assistance with organisational development to support the merger—as this should be core to TSCP—and undertook to discuss this with the World Bank.

Both governments noted the importance of maintaining Government of Tonga assets. Tonga noted the need to develop an asset maintenance plan and to allocate funds for maintenance in the future. Australia suggested Tonga rely on successful experience already achieved in the region on asset maintenance. Australia also stated that unspent funds under the Private Sector Reconstruction Fund could usefully be directed to asset maintenance once a plan is developed. Tonga advised that the Cabinet had agreed to establish revolving funds for roads infrastructure based on a fuel levy.

Both governments agreed to develop an implementation schedule for infrastructure once Australian investments in urban development and energy are agreed and the implementation constraints to TSCP are resolved.

### Agreement to include basic education as a priority outcome under the partnership

The Minister of Education presented the latest iteration of its draft education policy framework, including an indication of the priority targets in the sector. It was noted that basic education and TVET were likely to be included under one education policy framework. Australia committed to working closely with Tonga in basic education and TVET and to discussing the best way to provide the support once Tonga finalises its policy framework and plans. Australia will continue to work closely with New Zealand and both donors will hold further discussions with Tonga later in 2011 to define the ways in which Australia can best help.

Both governments discussed the long-term goal for Tonga to redevelop its training institutions, including the Teacher Training Institute and the Maritime College—both of which have potential to provide training for participants from smaller Pacific nations.

Both governments agreed to revise the partnership schedule for TVET in the event that responsibility for basic education and TVET come together under the Government of Tonga's restructure, and for the partnership to include basic education.