

Partnership Report August 2009 to August 2011

26 August 2011

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 provides a summary of progress made under the Tonga-Australia Partnership for Development to date and of key issues both Governments have agreed need to be addressed.

Part I: Context

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

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 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, which Tonga's own reporting confirms will not be achieved by 2015 if prevailing trends persist.

Over the time of the Partnership, the Tongan economy has struggled with the after effects of the Global Economic Crisis which hit Tonga hard because of weak domestic economic conditions. Economic growth has been stagnant, private sector activity constrained and economic activity was dampened by a decline in tourism and a contraction in exports.

Hardship in Tonga is increasing with 23% 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% 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% of Tongan households receive remittances from relatives overseas. In 2009-10 remittances represented only 22% of GDP (a decline from 30% 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 was 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 Tonga economy are constrained and it will be challenging for Tonga to achieve medium term growth rates even in the 1-2 percent 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 EXIM Bank of China alone were equivalent to over 30% of GDP in 2010/11.

Australia remains one of Tonga's largest bilateral donors alongside New Zealand. Japan and China have significantly increased the scale of their ODA 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 the pledging and provision of 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 of the Partnership areas 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 and 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

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 in the 2009-2010 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 Government's *Public Financial Management Act* (2002).

Improved efficiency of the Government financial management system.

Improved policy development and program delivery at the sectoral level, including by undertaking public expenditure reviews as identified.

The Partnership sets out specific targets around public financial management reform. The targets were designed to be achievable in the first year of the Partnership. These short-term targets 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 AUD\$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 health and education worker salaries in response to their fiscal difficulties.

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

- The establishment of a legal framework for public procurement in Tonga.
- Enhancing fiscal governance through improved economic forecasts, increasing the revenue stream through customs and tax reform, and coordinating donor funds through strengthened donor relationships and harmonization.
- Annual tax returns have increased by 20% and revenue services collected 10.2million (08/09) and 9.5million (09/10) Tongan Pa'anga in arrears. A new Guide to Tongan Income Tax has been published and an internet tax return lodgement system has been developed.

- The promulgation of financial regulations to accompany the Financial Management Act (2002), the development of corporate planning processes aligned with the performance management system of the National Strategic Planning Framework, and amendments to the Public Service Act and associated regulations and the trialling of a new public service performance management system.
- The Government of Tonga undertook a Public Expenditure Financial Accountability (PEFA) assessment in February 2010. The PEFA 2010 results indicate significant improvements since the previous PEFA in 2007.
- Two Public Expenditure Reviews in Health and Education have informed policy dialogue 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 achievements supported by Australia, in late 2010 the Government of Tonga adopted a new National Strategic Planning Framework¹, developed a monitoring framework for the National Strategic Planning Framework, developed and released comprehensive Treasury instructions which encompass controls on non-salary expenditure, and created an internal audit function within 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 agencies who are 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 achievement of the specific targets under the Partnership, Australia also funded the salary of the Public Service Commissioner and supported reforms within 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 on behalf of donors with the Government of Tonga.

Priority Outcome 2: Improved health

Table 3: Priority Outcome 2 Targets

Reduced prevalence of non-communicable disease risk factors including:
Tobacco Use: 2 per cent decrease in prevalence of smokers by 2015; and
Obesity: 2 per cent decrease in overall prevalence of obesity by 2015
Budget for preventative health care reaches 10 per cent of total health operational budget by 2015; and
Primary health care to all communities in Tonga to follow a common national standard including the utilisation of this service

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 non-communicable diseases (NCDs) and preventative and primary health care. Australian funding is managed within the same planning, monitoring and financing framework as Government of Tonga funding and enables funding 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, funding under this outcome also supports two discrete activities – (i) the twinning program between St John of God hospital in Ballarat and Vaiola Hospital to support skills development and training; and (ii) support to source skilled specialist medical positions through the Pacific Technical Assistance Mechanism (PACTAM) or through 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.

¹ The current Government of Tonga has revised the revised the National Strategic Development Framework and it is now Tonga Strategic Development Framework (2011-2014)

Delays in commencement 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 time frame of the partnership. As the program is still in its early stages of implementation, 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 to measure results of the program into the future is the lack of baseline data. A World Health Organisation STEPS survey currently underway will provide valuable baseline data around NCD risk factors.

Delays in the commencement 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.

The program is now in its first year of implementation. 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.

Reduction of smoking and obesity requires profound behavioural and societal change and the Tonga Ministry of Health as the implementing agency is expected to deliver programs to bring about behavioural and societal change. To date the Ministry has been challenged in translating strategies and goals from a complex design into costed work programs without external assistance. The World Health Organisation and Secretariat of the Pacific Community supported the Ministry to develop an NCD strategic plan. AusAID, through a strategic health adviser, supported the Ministry to develop costed work plans in 2010 which are now being utilised by the Ministry 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.

Priority Outcome 3: Improved technical and vocational skills

Table 4: Priority Outcome 3 targets

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 (i.e. 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.
-

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 (MoTEYS), 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 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. The TSP1 experienced some initial delays. The focus for the TSP1 in 2010 was in establishing the program within MoTEYS 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 progress of the TSP1 in April 2011 found the way the program was designed did not take into account the challenges posed by the Ministry being new but being 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, the program achieved some strong progress in stakeholder engagement and communication, including establishment of 2 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 from the delegation experience with TVET into consideration in 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 a total of 178 Tongans (89 females and 89 males) had graduated from Australia Pacific Technical College (APTC) 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

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.

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 achievement of Partnership targets.

Implementation of 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 World Bank's 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 (Ministry of Transport and Ministry of 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 Nuiatou in the far north of Tonga, including the delivery of food and other essential supplies.

In 2010 Australia supported the development of Tonga's Energy Road Map (TERM), which sets out Tonga's plan to address its dependence on fossil fuels whilst expanding access to energy services. Tonga has an ambitious target of 50% of its grid-based electricity to be supplied by renewable sources by 2012. Australia is committed to supporting the implementation of the TERM 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 through a joint program to support political reform, implemented by the Governments of Tonga, Australia and New Zealand. This commenced 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 the 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.
- Australia deployed 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 turn out was high (90.7%) 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, provision of 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 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 program is established. Australia and New Zealand support under this program has helped deliver Tonga's first standardised curricula and training materials to all government primary schools and the design of improved in-service training for teachers. Australia has agreed to pursue a joint program with New Zealand to support basic education into the future. The details of that long term support are currently under discussion.

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 currently studying for undergraduate qualifications at regional institutions and a further ten are studying at Australian institutions at the postgraduate level. The Tonga Australia Alumni Association had its inaugural meeting in May 2010 with 132 registered members and 9 executive members. The association aims to provide a forum for ongoing productive relationships between Australia and Tongan alumni and to provide 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 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 an integrated assessment of coastal erosion in Lifuka Island to identify adaptation measures.
- Funding a regional project managed by the United Nations Development Program and the Secretariat of the Pacific Regional Environment Program 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, which allows the Government of Tonga to coordinate financing and the range of activities underway in this sector.
- During 2010 Australia funded 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 upon bore or reticulated water supplies which were often unreliable and unhealthy.

Part III: Outcomes of Partnership Talks and Required Actions

The first annual Partnership for Development Talks were held on 26 August 2011. The talks were led by Tonga's Minister for Finance, Hon. Sunia Fili, AusAID Minister Counsellor for the Pacific, Mr John Davidson, and 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. 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 A\$32.1 million in development cooperation assistance Australia will provide in 2011-2012. 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 also 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 has recently released a new Tonga Strategic Development Framework (2011 to 2014) which sets out the development goals for the current Tongan Government.
- A planned streamlining of the number of Ministries in Tonga including rearrangement of portfolio responsibilities that will impact Ministries implementing programs supporting through the aid program.
- The recent Independent Review of Australia's Aid Effectiveness and the Australian Government's Response to that review. 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. The assessment has not been finalised but initial indications are it will not result in major changes in way Australia delivers aid in Tonga. Australia is committed to use of Tongan Government systems but may need to work with Government of Tonga to strengthen some controls. Tonga welcomed the assessment and indicated it would assist Tonga to identify areas where systems could be strengthened, including through outside assistance.
- A joint review of Australian funded advisers and its implications for how advisers are used in the 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 Tongan Government). Future advisers would be focused on supporting priorities under the Partnership for Development and there would be an increased 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 efforts. It was agreed that AusAID will directly support a maximum of 10 advisers as recommended by the 2010 Adviser Review. Both Governments agreed to meet regularly to oversee the effectiveness of advisers. Both Governments noted the need for a greater suite of capacity development options beyond advisers to be considered. 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 providing further assistance to Tonga to consider capacity development alternatives to 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 to a multi-year single matrix of policy reforms. The Tongan Government has approved the matrix and a management committee (led by the Ministry of Finance and National Planning) has been formed to oversee implementation. Achievement of reform targets in the matrix are a focus of Government and early progress had been made. In particular actions have been taken around reducing the number of Government accounts and the establishment of a Public Accounts Committee of Parliament.

Australia congratulated Tonga for developing the matrix and noted that the leadership shown by Tonga in developing a matrix with donors has 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 amongst donors and predictability of aid was also noted.

Australia announced it will provide AUD\$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 to sustain reforms into the future.

Both Governments agreed on the need to develop medium term economic and public sector targets under the Partnership that reflect the objectives of the policy reform matrix. Both Governments agreed to work together to develop those targets before the end of the year.

Both Governments noted the importance of a planned review of revenue being undertaken with the support of the Pacific Financial Technical Assistance Centre. That review would inform both Governments on the ways Tonga can best strengthen its revenue collection and will guide both Governments on capacity development needs and the best options available to address those 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 a particular interest in improving its internal audit function with the assistance 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 was being considered within Government.

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 also reiterated a request to support the establishment of an Ombudsman and Anti Corruption Commission. Australia provided support to this initiative three years ago however, it was suspended and never established under the former government. Australia emphasised its support for core accountability mechanisms and that in the short term it 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 a new institution.

Health

Both Governments agreed to revise the targets for obesity. The current partnership target of reducing the obesity rate by 2% will be revised to a more realistic target of halting the rise in obesity. This target 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 collection of baseline data was vital to measuring progress under the Partnership. The STEPS survey due to commence shortly will provide valuable baseline data. The Ministry of Health was considering establishing a number of pilot sites to measure impact of interventions more regularly than the 5 years between formal STEPS surveys.

Both Governments, together with the World Health Organisation, will reach agreement on how to measure the budget allocation for preventative health (in order to assess progress towards the Partnership target of 10% of health budget for preventative health). Tonga committed to protect the health budget from any future budget cuts and the Ministry of Health would continue to advocate for hypothecated taxes as suggested under the Partnership. Australia also offered assistance if GoT 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 obstacles to the recruitment of approximately 20 NCD nurses and to work towards their inclusion on the Ministry of Health establishment.

Technical and vocational skills

Both Governments acknowledged the early challenges the Australia-New Zealand-Tonga Technical Vocational Education and Training Support Program (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 any changes to the current program of support.

Both Governments also discussed the importance of the Pacific Seasonal Workers Scheme to Tonga and Australia noted that an evaluation is currently underway but the scheme is expected to be an important part of the bilateral relationship into the future.

Infrastructure

Both Governments acknowledged the lack of progress under the Transport Sector Consolidation Project (TSCP). Tonga has recognised the problems which caused the delays and noted that action had been 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 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 that it will not be providing further funds this year 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 ADB's project proposal on water and waste (the Nuku'alofa Urban Development Project), and Australia indicated its willingness to support the Tonga Energy Roadmap, 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 and undertook to discuss this with the World Bank, as it should be core to the TSCP.

Both Governments noted the importance of maintenance of Government assets. Tonga noted the need to develop an asset maintenance plan and to allocate funds for maintenance in the future. Australia suggested successful experience from the region would be useful for Tonga. Australia also stated that unspent Private Sector Reconstruction Fund (PSRF) funds 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 the 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 further the best way to provide that 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 the year to define the ways in which Australia can best assist Tonga.

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 current Partnership schedule for TVET to include targets in basic education in the event that basic education and TVET come together under one education policy framework and come together under a single responsible Ministry under the Government restructure.