TONGA ECONOMIC GOVERNANCE SUPPORT PROGRAM

DESIGN DOCUMENT – VOLUME 2 - APPENDICES

September, 2019

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| Delegate approving design at desk/in Canberra: Fleur Davies, Assistant Secretary, New Zealand, Polynesia and Micronesia Branch |
| Investment Design approved by Aid Governance Board : N/A Date: |

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acronyms

|  |  |
| --- | --- |
| AAP | Annual Action Plan |
| ACD | Contracting and Aid Management Division |
| ADB | Asian Development Bank |
| AG | Auditor General |
| AHC | Australian High Commission |
| AIP | Aid Investment Plan |
| ANS | Assessment of National Systems |
| BSMC | Budget Support Management Committee |
| CEDAW | Convention on the Elimination of All Forms of Discrimination against Women |
| CEO | Chief Executive Officer |
| CSOs | Civil Society Organisations |
| CSU | Central Services Unit |
| DFAT | Australian Department of Foreign Affairs and Trade |
| DH-FFD | Divisional Head of FFD |
| DHOM | Deputy Head of Mission |
| DPO | Development Policy Operation |
| DPs | Development Partners |
| EPSG | Economic and Public Sector Governance |
| EPSG III | Economic and Public Sector Reform Program |
| EU | European Union |
| FFD | Financial Framework Division |
| GBS | General Budget Support |
| GDP | Gross Domestic Product |
| GoA | Government of Australia |
| GoT | Government of Tonga |
| HOM | Head of Mission |
| ICN | Investment Concept Note |
| ICR | Implementation Completion Report |
| IEG | Independent Evaluation Group (WB) |
| IMF | International Monetary Fund |

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| --- | --- |
| IO | Intermediate Outcomes |
| JPRM | Joint Policy Reform Matrix |
| KPIs | Key Performance Indicators |
| LES | Locally Engaged Staff |
| LTAs | Long Term Advisors |
| M&E | Monitoring and Evaluation |
| MDAs | Ministries, Departments and Agencies |
| MDD | Multilateral Development and Finance Division (DFAT) |
| MFAT | Ministry of Foreign Affairs and Trade (NZ) |
| MoET | Ministry of Education and Training |
| MoF | Ministry of Finance |
| MoH | Ministry of Health |
| NPD/PMO | National Planning Division, Prime Minister’s Office |
| PAC | Parliamentary Standing Committee on Public Accounts |
| PASAI | Pacific Association of Supreme Audit Institutions |
| PEFA | Public Expenditure and Financial Accountability |
| PEs | Public Enterprises |
| PFM | Public Financial Management |
| PFMRR | PFM Reform Roadmap |
| PFMR-RSC | PFM Reform Roadmap Steering Committee |
| PFMR-RTC | PFM Reform Roadmap Technical Committee |
| PFTAC | Pacific Financial Technical Assistance Centre |
| PGS | Partner Government Systems |
| PICs | Pacific Island Countries |
| PMS | Performance Management System |
| PSC | Public Sector Commission |
| PWSPD | Pacific Women Shaping Pacific Development |
| STAs | Short Term Advisors |
| TA | Technical Assistance |
| TAG | Technical Advisory Group |
| TCC | Tonga Communications Corporation |
| TEGS | Tonga Economic Governance Support Program |
| THSSPII | Tonga Health Sector Support Program II |
| TOAG | Tonga Audit Office |
| ToR | Terms of Reference |

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| --- | --- |
| TSC | Technical Support Coordinator |
| TSDF II | Tonga Strategic Development Framework (2015-2025) |
| TSU | Technical Support Unit |
| TSU-SA | TSU Support Agreement |
| UN | United Nations |
| UNDP | United Nations Development Program |
| WB | World Bank |
| WEGET | National Women’s Empowerment and Gender Equality Tonga |

APPENDIX A: PROGRAM LOGIC

Australia is investing in the TEGS, with a particular emphasis on strengthening the macro-economic policy framework (via the JPRM) and strengthening the PFM reform process (via the TSU). However, it is important to clearly locate the role of the TEGs within GoT’s broader reform agenda, recognizing that:

1. JPRM support only represents a sub-set of GoT’s overall reform agenda and that DFAT is only one among five donors contributing to the performance-linked budget support; this will influence the extent to which DFAT’s policy dialogue will influence greater alignment between the JPRM and GoT’s strategic and corporate plans.
2. the TSU necessarily plays an advisory, facilitation and support role; it is GoT that is ultimately responsible for PFM reform.

Figure 1 presents the high-level program logic. Figure 2 presents a more detailed program logic

**Figure 1: High Level Program Logic**

**Goal – a more progressive Tonga supporting higher quality of life for all**



**End of Investment Outcome 2**

Effective contribution to the implementation of PFM Reforms.

*[This outcome articulates DFAT’s commitment to support the GoT in implementation of one key reform area and responds to weaknesses identified in implementation of reforms]*

**End of Investment Outcome 1**:

Improved macro-economic, fiscal management and private sector reforms.

*[This outcome relates to the TSDF II Pillar ‘Economic Institutions’, National Outcome 1.1 and Government Priority Agenda item ‘Good Governance’ and seeks to improve the effectiveness of the aid modality.]*

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| Intermediate outcomes (IO): | Intermediate outcomes |
| 1.1 Demonstrated commitment of GoT to on-going development of fiscal resilience such as strengthened revenue mobilization and strategic fiscal and debt policies. | 2.1 Enhanced efficiency and effectiveness of allocation, utilization and reporting of budgeted funds by central agencies |
| 1.2 Improved attention in selection of JPRM performance triggers to ‘capacity-to-implement’ and tracking performance against medium-term strategies and plans | 2.2 Improved PFM capability in selected line agencies (as ‘proof-of-concept’ for whole system improvement. |
| 1.3 Improved alignment between JPRM performance triggers and GoT prioritization and sequencing of PFM reforms. | 2.3 Strengthened external oversight of public expenditure management |
|  | 2.4 Increased attention to mainstreaming gender in PFM reforms |
|  | 2.5 Technical Support Unit meets performance and quality targets and standards. |

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| **Systematic and evidence-based policy dialogue** (see Policy Dialogue Matrix – Appendix B) |

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| **Goal** | A MORE PROGRESSIVE TONGA SUPPORTING HIGHER QUALITY LIFE FOR ALL |

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| **End of investment outcomes** | EOI 1: Improved macro-economic, fiscal management and private sector reforms. | EOI 2: Effective contribution to implementation of PFM Reforms |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Intermediate outcomes** | 1.1 Demonstrated commitment of GoT to on-going development of fiscal resilience such as strengthened revenue mobilization and strategic fiscal and debt policies. | 1.2 Improved attention in selection of JPRM performance triggers to ‘capacity-to-implement’ and tracking performance against medium-term strategies and plans. | 1.3 Improved alignment between JPRM performance triggers and GoT prioritization / sequencing of PFM Reforms | 2.1 Enhanced efficiency and effectiveness of allocation, utilization and reporting of budgeted funds by central agencies. | 2.2 Improved PFM capability in selected sector ministries (as ‘proof-of-concept’ for ‘whole system’ improvements) | 2.3 Strengthened external oversight of public expenditure management | 2.4 Increased attention to mainstreaming gender in PFM reforms | 2.5 Technical Support Unit meets performance and quality targets and standards |
| **Outputs** | * GoT implementation of agreed JPRM reform actions * Reporting on downstream effects of budget support (NPD, TSU, TAG) | * TSU advice on GoT ‘capacity-to-implement’ proposed JPRM performance triggers. * NPD tracking (with TSU support) of implementation of completed JPRM reform actions | * PFM reform JPRM ‘triggers’ derived from PFM Reform Roadmap  Annual Action Plans. | * Annual Action Plan for PFM Reform in accordance with Roadmap[[1]](#footnote-1) * Effective implementation of AAP in central agencies. | * Annual Action Plan for PFM Reform in accordance with Roadmap. * Improved PFM in selected line ministry. | * Annual Action Plan for PFM Reform in accordance with Roadmap * Increased external scrutiny / input of public expenditure management. | * Gender-based assessment of PFM in Tonga * Progressive implementation in accordance with AAP priorities. | * TSU Support Agreement with MoF/FFD. * TSU Workplan and budget * LTAs/STAs ToRs include deliverables & performance standards |
| **Inputs / activities** | * Budget support allocated annually subject to WB DPO approvals. * Active engagement and policy dialogue with donors and GoT by DFAT Canberra and Post * Application of appropriate tool to measure results of budget support. * Independent TAG reports on progress | * Tasking and management of Policy Dialogue strategy by Nuku’Alofa Post with support from DFAT Canberra. * TSU support to MoF / NPD to monitor implementation of JPRM performance triggers via National M&E Framework. * TSU analysis of GoT ‘capacity to implement’ economic and governance reforms. | * Support from TSU to FFD/MoF and the PFM-TRC to select appropriate JPRM reform triggers from AAP. | * Technical Support Unit (LTAs/STAs) support to FFD/MoF and PFM-TRC to develop AAPs. * TA and operational funds allocation in accordance with AAP and in response to emerging needs * Independent TAG reviews of progress | * Technical Support Unit (LTAs/STAs) support to FFD/MoF to improve engagement with selected line ministry. * TA and operational funds allocation in accordance with AAP and in response to emerging needs * Independent TAG reviews of progress | * Technical Support Unit (LTAs/STAs) support to PAC, Auditor-General and CSOs. * TA and operational funds allocation in accordance with AAP and in response to emerging needs * Independent TAG reviews of progress | * TSU STA to conduct Gender-based assessment of PFM. * TSU mobilised support from other DFAT and development partner programs. * Independent TAG reviews of progress | * TSU Coordinator * Development of performance monitoring system for LTAs/STAs. |

appendix b: PARTNERSHIP ENGAGEMENT AND POLICY DIALOGUE MATRIX

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| **Development objective** | **Area of interest** | **Outcomes sought** | **Entry points for dialogue** | **Influential stakeholders** | **Resources required** | **Lead within DFAT** | **AHC management responsibility** |
| Improved macro-economic, fiscal management and private sector reforms. | JPRM | * Improved consideration of GoT ‘capacity-to-implement’ when selecting JPRM performance triggers. | * TSU Coordinator engagement with FFD/MoF * Pre-JPRM mission discussions / workshops | * MoF * NPD/PMO * WB * JPRM development partners | TEGS budget:   * TSU to carry out diagnostics / analysis and report to FFD/MoF and AHC on previous performance of Ministries in implementing reforms as well as current ‘capacity-to-implement’ | HOM/DHOM | Senior Program Manager, TEGs |
| Improved macro-economic, fiscal management and private sector reforms. | JPRM | * Improved tracking of implementation of JPRM reforms. | * TSU M&E Adviser support to NPD * JPRM mission discussions. | * NPD/PMO * MoF * WB * JPRM development partners | TEGS budget:   * M&E Specialist to work with FFD/MoF and NPD to ensure JPRM triggered reforms are tracked via Consolidated National M&E Framework.   Moderate DFAT input:   * Canberra-based economist to monitor progress on Policy Reform Matrix. | HOM/DHOM | Senior Program Manager, TEGs |

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| **Development objective** | **Area of interest** | **Outcomes sought** | **Entry points for dialogue** | **Influential stakeholders** | **Resources required** | **Lead within DFAT** | **AHC management responsibility** |
| Improved macro-economic, fiscal management and private sector reforms. | PFM Reforms | * Improved alignment between JPRM performance triggers and GoT prioritization and sequencing of PFM Reforms (as outlined in PFM Reform Roadmap Annual Action Plans) | * TSU Coordinator engagement with FFD/MoF * JPRM pre-mission and mission discussions. * PFMR-RSC meetings | * MoF * Auditor General * PSC * MoRC * MoPE * MoET * MoH | TEGS budget:   * TSU will assist FFD/MoF to produce PFM Reform Roadmap Annual Action Plans. | HOM/DHOM | Senior Program Manager, TEGs |
| Effective contribution to the implementation of PFM Reforms | PFM Reform Roadmap governance and management | * GoT commitment to regular meetings of the PFM Reform Roadmap Steering Committee and Technical Committee to achieve GoT and GoA shared PFM reform outcomes. | * Formal meetings to commence TEGS. * High level consultations * PFMR-RSC meetings * PFMR-RTC meetings | * Minister of Finance * CEO Finance * Auditor General * CEO MoRC | Moderate AHC input:  Formal meetings with GoT | HOM/DHOM | Senior Program Manager, TEGs |
| Effective contribution to the implementation of PFM Reforms | External audit / scrutiny | * Increased ‘space’ for CSOs to engage with government on PFM reform | * Formal / informal meetings with Lord Speaker, PAC and representatives of PMO * Dialogue workshops organised by AHC. | * Lord Speaker * Public Accounts Committee * CSO Umbrella bodies * Australian NGOs working in Tonga | Moderate AHC input: meetings | HOM/DHOM | Senior Program Manager, TEGs |
| Effective contribution to the implementation of PFM Reforms | Improved M&E of progress in PFM reform and Australia’s contribution | * Demonstrating Australia’s commitment to working with and through GoT M&E systems (i.e. the Consolidated National M&E Framework) * Production and dissemination of information on Australia’s specific contribution to PFM Reform in Tonga | * TSU M&E Adviser support to NPD * Feedback to GoT * Feedback during JPRM missions. * PFMR-RSC meetings * PFMR-RTC meetings | * NPD/PMO * Minister of Finance * CEO Finance * PFMR-RSC members * JPRM members | TEGS budget:   * M&E Specialist to work with FFD/MoF and NPD/PMO to ensure that TEGS M&E is aligned, as far as possible with GoT systems. | HOM/DHOM | Senior Program Manager, TEGs |

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| **Development objective** | **Area of interest** | **Outcomes sought** | **Entry points for dialogue** | **Influential stakeholders** | **Resources required** | **Lead within DFAT** | **AHC management responsibility** |
| Gender equality and women’s empowerment | Mainstreaming gender | * Increased attention by GoT to mainstreaming gender in progress towards the achievement of Outcome 1 of GoT’s WEGET Policy. | * During GoT PEFA self-assessment * PFMR-RSC meetings * PFMR-RTC meetings * JPRM pre-mission and mission discussions. | * MoF * Ministry of Internal Affairs, Women’s Affairs Division * DFAT Pacific Women Supporting Pacific Development program * Canberra-based Gender Branch staff | TEGS budget (subject to inclusion of actions to mainstream gender in PFM Reform Annual Action Plans):   * STA to support FFD/MoF in gender mainstreaming in PFM reforms * Moderate DFAT input via PWSPD and Canberra-based gender experts. | HOM/DHOM | Senior Program Manager, TEGs |

APPENDIX C: GOVERNANCE AND MANAGEMENT FRAMEWORK

The governance arrangements outlined below explain the processes and interactions between GoA and GoT proposed for implementation of the TEGS investment and the way in which they will facilitate mutual decision making and accountability. Figure 1, below, provides a graphic representation of the proposed governance and management arrangements.

The management arrangements explain the procedures and systems put in place to implement decisions and to strengthen the relationships between stakeholders, both within GoT and between GoT and GoA.

Australia’s program of support will, as much as possible, use existing GoT structures but recognises that many aspects of GoT policy and interdepartmental coordination around PFM are yet to be finalised. A key challenge for the GoT and Australia’s program of support will be to forge a common or whole-of-government approach to PFM strengthening.

The approach to governance and management of the TEGS is based upon two key assumptions:

* GoT has competent and suitably empowered senior officials and technical bodies to guide the government reform program in general, and PFM reform in particular; and
* The GoA has a comparative advantage in terms of its long-term engagement with GoT and the WB in the provision of budget support, its on-ground presence in Tonga and its demonstrated capacity in supporting PFM reform (including via the mobilisation of a range of PFM expertise through diverse government, academic and industry contacts).

## governance arrangements

## **PFM Reform Steering Committee**

This PFM Reform Steering Committee (PFM-RSC) was proposed in the PFM Reform Roadmap and was established by GoT shortly thereafter. The PFM-RSC is chaired by the Minister of Finance and members include the CEO of MoF, the Auditor General and the CEO of the Ministry of Revenue and Customs (MoRC). It was intended that the PFM-RSC would meet quarterly to:

* Review progress reports from the MoF PFM Reform Coordination Unit (now part of the Financial Framework Division (FFD)
* Advise on policy issues, problems and constraints raised by the Coordination Unit
* Review recommendations from external consultants
* Commission independent reviews such as the PEFA assessment
* Approve amendments and future phases of the PFM Reform Road-map
* Provide guidance and support to the Technical Committee to achieve the reform objectives
* Assist in identifying additional resources for implementation as required; and
* Ensure the reform work is clearly integrated into and supportive of the restructuring and reform program of government.

A change of Minister in 2017 slowed implementation of the PFM Roadmap but, in recent times, emphasis has again returned to the importance of implementing the Roadmap. A PFM Reform Tracking exercise was conducted in late 2018; GoT plans to review the PFM Reform Roadmap in 2020 and this will provide an opportunity to prioritise actions.

* **AHC, Nuku’Alofa HOM, DHOM**

Senior personnel at Post will have a key policy dialogue role to play both via attendance at PFM-RSC meetings and via out-of-session discussions of PFM reform processes. The nature and focus of this role is outlined in the Policy Dialogue Matrix: Appendix B).

* **PFM Reform Technical Committee** (PFM – RTC)

Chaired by CEO MoF, also mandated in the PFM Reform Roadmap, will be responsible for preparing PFM Reform Annual Action Plans. The advisory and advocacy role of this Committee with the PFM-RSC has a higher likelihood of success than any stand-alone efforts by DFAT. The TSU will support and strengthen FFD staff to more effectively drive the PFM Reform agenda.

## management arrangements

* **Financial Framework Division, MoF**

The FFD of MOF is responsible for oversight, monitoring and reporting upon implementation of the PFM Reform Roadmap in accordance with MoF Corporate Plan FFD Output 3. There are currently two FFD positions allocated to this function in the current budget. It is intended that the DFAT funded Technical Support Coordinator (TSC) and the TSU will assist FFD to fulfil these duties under the guidance of the PFM-RSC and the PFM-TRC.

* **Technical Support Coordinator**

Following consultations with the CEO-MoF, it is proposed that the TSC for the TSU be located in the FFD, MoF. The position would be responsible to the PFM -TRC and, through them, to the PFM-RSC. The TSC would be responsible for supporting the PFM – RTC to develop PFM Reform Annual Action Plans and for developing the TSU workplan and budget to support implementation of these Annual Action Plans.

The Coordinator will also be responsible for managing the Technical Advisory Team inputs (long and short term) and for supporting responsible MoF/FFD staff in coordinating PFM Reform activities across government. The Coordinator is directly contracted to DFAT and liaises with the AHC Program Management Team.

The TSU TSC position will be required to carry out consistent, high level, liaison with the AHC, MoF, other GoT ministries and external agencies. The position should, therefore, be filled by a senior, experienced professional with program management experience as well as training in, and exposure.

* **Technical Support Unit (TSU)**

It is acknowledged that no individual TSC has the capacity to address all the technical issues that are likely to be generated during the implementation of the PFM reform agenda. An External Service Provider will be contracted to supply both long-term and short-term advisors to make up the Technical Support Unit and to manage and administer these advisors’ inputs. The External Service Provider will:

* As required by the TSC, and in accordance with the agreed TSU workplan and budget, source and provide the GoT with access to diverse and appropriate technical advice and expertise (international, regional, national). In doing so, the External Service Provider will be expected maximise the use of/collaboration with existing providers where GoT is satisfied with performance. (i.e. PASAI, PFTAC).
* Support the TSC and PFM - RTC in finalisation of selection of LTA Technical Advisory Team members and pool of preferred STAs.
* Procure and manage contracted inputs in accordance with the principles of the Commonwealth Procurement Guidelines
* Provide administrative support to LTAS, STAs
* Manage and report on the TEGs TSU budget
* Provide administrative support to DFAT’s TEGS Program Management team if required.

TSU LTAs and STAs will be responsible to the TSC for the satisfaction of their ToR and the delivery of outputs to approved standards. The TSU will comprise:

* **A small team of long-term advisers** (1-3) will be engaged to support the TSC by providing technical inputs to the program, working closely with key stakeholders and identifying where and when short term technical assistance may be required to support PFM Reform Map implementation. A long-term M&E Advisor will be appointed to develop an M&E system and arrangements which address the lack of performance information highlighted by DFAT’s 2018 Independent Evaluation of EPSG III. A long-term procurement advisor currently funded by the governance program is also likely to be included as part of this team.

While a recent ANS recommends the continued financing of a long-term Procurement Adviser in the Ministry of Health (MoH), this is likely to be funded by the Tonga Health Sector Support Program.

Feedback from GoT stakeholders also suggests that there would be a place for a Change Management Specialist, ideally with PFM reform experience, in supporting PFM Reform Roadmap implementation. However, a decision on the duration and start date of this position may need to be deferred until a new PFM Roadmap emerges.

* **Short-term advisors**, as required, to support implementation of the PFM Reform Roadmap Annual Action Plans. The recruitment and deployment of STAs would be agreed between the Division Head, FFD and the TSC in accordance with the TSU Workplan and budget. Although the 2019 ANS is not yet publicly available, it may include recommendations for support to:

help finalise Treasury Instructions

provide advice on internal audit

review both the Meridien Payroll system and the PSC HR system (CHRIS); this may lead to the need for longer term TA

review, and make recommendations, regarding the potential for IT system integration or coherence across Ministries.

Short term advisors would be responsible to the TSC, TSU. Quarterly reviews of performance would be jointly conducted by the TSC and the Division Head FFD.

* **DFAT TEGS Program Management Team**:

Previous economic governance programs in Tonga have been managed by an LES team with oversight by the DHOM. This arrangement will continue. However, it is expected that HOM will also be involved, and the management load will decrease; the current requirement to manage nine separate contracts will be reduced to management of two contracts (i.e. for the TSC and the External Service Provider)

**2-3 long-term technical advisors** contracted through External Service Provider with demonstrated PFM reform experience (e.g. M&E Specialist, novated Procurement positions)

**Technical Support Coordinator PFM Support Unit** (PFM Expert). Duties in include:

* support to FFD and PFM Reform Technical Committee to develop Annual Action Plan
* Coordination and performance management of all long and short-term TA

M A N A G E M E N T

DFAT Program Manager

**Unallocated pool of coaches, short-term advisors**, national, regional, international.

**PFM Reform Technical Committee (PFM – RTC)**

Chaired by CEO MoF. Members include CEOs of MoF, MoRC, Auditor General, PSC, MoPE, MoET, MoH and Clerk of the Legislative Assembly. Duties include formulation of an Annual Action Plan for implementation of PFM Reform Roadmap.

Secretariat functions performed by FFD PFM Reform staff.

**Financial Framework Division (MoH) oversees implementation of PFM Reform Roadmap Annual Action Plan** in accordance with MoF Corporate Plan FFD Output 3.

G O V E R N A N C E

**GoT** Minister of Finance

CEO Finance

**PFM Reform Roadmap Steering Committee (PFM – RSC)**

Chaired by Minister of Finance. Members include CEO Finance, Auditor General and CEO MoRC. PFM-RSC meets quarterly. Duties include approval of PFM Reform Annual Action Plan prepared by PFM - TRC. Secretariat functions performed by FFD PFM Reform staff.

**DFAT** Head of Mission

Deputy Head of Mission

*PFM-RSC invites DFAT (and other donors*

*supporting implementation of the PFM*

*Roadmap) to:*

* *meetings approving Annual Action Plan*
* *six-monthly progress review*

**GoA SUPPORT ARRANGEMENTS**

**GoT GOVERNMENT ARRANGEMENTS**

**Figure 2: TEGS Outcome 2 - Governance and Management Arrangements**

appendix d: tegs monitoring and evaluation plan

## INTRODUCTION

This document outlines the Monitoring and Evaluation (M&E) Plan for the Tonga Economic Governance Support Program. This Plan does *not* set out a complete M&E system. The full system (i.e., comprising performance indicators, detailed methodology, implementation responsibilities, timelines and budget) will be finalised following further consultation and analysis between the TSU Coordinator, TSU M&E Adviser, FDD/MoF, the National Planning Division, DFAT Post and World Bank. In development of the M&E system, every effort will be made to ensure consistency with existing arrangements (e.g. drawing upon existing JPRM and MoF M&E frameworks where possible).

However, the M&E Plan does provide the basis for the development of the full M&E plan and arrangements once implementation commences.

In this regard, it is important to note that, currently, the Program Logic and M&E Framework simply refers to the PFM Reform Annual Action Plan as a generic output under each intermediate outcome related to an effective contribution to PFM Reform.

In fact, in each year the approved annual AAP will identify a specific range of PFM priorities and targets for that year; these may relate to improving PFM in central agencies, line agencies or improving external oversights. These specific priorities and targets will be used to populate the TEGS Performance Assessment Framework once they have been identified. Monitoring will then focus on (a) progress in achieving the AAP within year priorities and targets and (b) the performance and quality of the TSU contribution to the achievement of these targets.

## TEGS THEORIES OF CHANGE

A theory of change (ToC) describes the central mechanism through which a program expects change to occur. A ToC is important because it helps DFAT to explicitly describe *why* a series of interventions is expected to produce the desired results. By specifically referencing the ToC, M&E can more easily draw linkages between the activities Australia is investing in and the results being achieved.

The TEGs has two ToCs, one which relates to Australia’s contribution to the budget support mechanism and one which relates to Australia’s contribution to implementation of Tonga’s PFM Reform Roadmap.

**End-of-investment outcome 1: Improve macro-economic, fiscal management and private sector reforms.**

***Theory of Change:*** *Given adequate national planning and commitment to reform, the provision of performance-linked budget support, coupled with improved approaches to the selection and tracking JPRM performance triggers, will result in an accelerated and higher quality process of governance, fiscal and economic reform which reinforces national strategies and plans.*

**End-of-investment outcome 2: Effective contribution to implementation of PFM Reforms**

***Theory of change:*** *Given adequate political imperative for PFM reform, and a sufficiently functioning bureaucracy to deliver that reform, targeted and strategic support to specific elements (i.e. processes and systems, capability development, PFM information and PFM governance and management) will improve institutional practices across the budget cycle. Reform outcomes can be further strengthened through a transparent reform process and effective engagement from civil society.*

**Starting Assumptions**

There are three main assumptions underpinning the theories of change, namely:

* That Australia is sufficiently well placed (both in terms of the longevity of its support to Tonga economic governance, its in-country presence and its coherent program of support to PFM Reform [TEGS]) to influence the way in which the JPRM is implemented.
* That Government of Tonga is committed to significant PFM reform.
* That the bureaucracy, with the right assistance, can deliver that reform.

The on-going validity of the theories of change, as well as the assumptions underpinning them, will be monitored and reviewed by the six-monthly TAG to determine the extent to which they are still valid and the influence they are having on progress towards the achievement of outcomes.

**TEGS SKELETAL PERFORMANCE ASSESSMENT FRAMEWORK**

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| **Broader Goal** | A more progressive Tonga supporting higher quality life for all |
| AIP Objective | Governance, economic and private sector reforms |
| End of investment Outcome 1 | Improved macro-economic, fiscal management and private sector reforms. |

**Key Review Questions** (for TAG)**:**

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| ***Progress in strengthening macro-economic management:***   * What progress has GoT made in developing an adequate macro-economic policy framework? * To what extent is there a government policy focus on economic development, poverty reduction and shared prosperity? * What progress has been made in implementing – and maintaining - the agreed policy and institutional reform actions under the JPRM? |  | ***Progress in addressing DFAT’s priorities***   * To what extent has budget support enhanced the policies, strategies and spending actions of GoT? * To what extent has the JPRM been an effective mechanism for providing budget support? * To what extent have the JPRM performance triggers on PFM Reform reinforced the PFM Roadmap Annual Action Plans being developed by the PFM-RSC and supported by the TEGS Technical Support Unit? |

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| **Intermediate outcome** | **Indicators** | **Baseline** | **Assumptions / Risks** | **Uses of data** |
| 1.1 Demonstrated commitment of GoT to on-going development of fiscal resilience such as strengthened revenue mobilization and strategic fiscal and debt policies. | * GoT Budget Statements * WB release of tranches under DPO 3.[[2]](#footnote-2) * Evidence of achievement of outputs, induced outputs, outcomes and impact as a result of budget support. [[3]](#footnote-3) | Nil |  | * MoF reports against Corporate Plan KPIs * Trigger for release of DFAT budget support. * DFAT AQC and APPR reporting on the justification for, and results of, budget support to Tonga. |
| 1.2 Improved attention in selection of JPRM performance triggers to ‘capacity-to-implement’ and tracking performance against medium-term strategies and plans. | * Status of implementation of approved JPRM performance triggers * Percentage of JPRM performance triggers which are drawn from / embedded in GoT medium-term strategies and plans. * Evidence of monitoring of performance triggers within the context of GoT’s Consolidated National M&E Framework. | Current and historical analysis of:   * status of implementation of JPRM policy reforms * alignment between JPRM performance triggers and GoT strategic and planning priorities.   **Research task for TSU** | * Both GoT and development partners are concerned to improve the appropriateness of JPRM performance triggers and to increase the likelihood of implementation of policy reforms. * Regular follow-up by donors to avoid backsliding on reform actions. | * NPD reports on progress against TSDF and Corporate Planning targets * MOF/FFD reports on implementation of PFM Roadmap * JPRM mission reports * DFAT Aid Quality Checks * DFAT APPR |
| 1.3 Improved alignment between JPRM performance triggers and GoT prioritization / sequencing of PFM Reforms | * Degree of alignment between PFM priorities included in JPRM and priorities and sequencing of PFM reforms as expressed in PFM Reform Roadmap and Annual Action Plans. | Alignment at start-up of TSU support (i.e. January, 2020) | * The Joint Donor Group supports GoT’s priorities, as expressed in the PFM Roadmap Annual Action Plans. | * Reporting by FFD/MoF to PFM Roadmap Reform Steering Committee * DFAT AQCs / APPRs |

**End of Investment Outcome 2**: Effective contribution to the implementation of PFM Reforms

**Key Review Questions** (for TAG)**:** (*These questions would need to be broken down and limited by the objectives of the Annual Action Plans)*

|  |  |  |
| --- | --- | --- |
| ***Progress in GoT PFM Reforms:***  What evidence is there that:   * GoT’s PFM Reform Roadmap / current Annual Action Plan is being successfully implemented? * To what extent are central ministries engaging with the selected sector ministry as ‘proof-of-concept’ to assist that ministry to implement centrally led PFM reforms? * To what extent has external oversight of PFM increased? * To what extent has there been increased attention to mainstreaming gender in PFM reforms? |  | ***Australian contribution***   * To what extent has the TSU been successful in supporting the operationalization of planned PFM reforms: * In the development of processes and systems * In the development of individual and organizational capability * In addressing behavioural influences on performance? * To what extent has the performance and quality of long and short-term advisers met GoT requirements and DFAT standards? * What factors have promoted or inhibited the effectiveness of Australia’s contribution to PFM reform? * Which of these factors, if any, may be addressed and how should they be addressed? |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Intermediate outcome** | **Indicators** | **Baseline** | **Assumptions / Risks** | **Uses of data** |
| 2.1 Enhanced efficiency and effectiveness of allocation, utilization and reporting of budgeted funds by central agencies. | *Qualitative*   * Progress and quality of implementation of PFM Reform Annual Action Plan[[4]](#footnote-4) * Quality of communication and coordination between bodies managing reform agendas and other agencies. * Extent of structural, behavioural or political ‘push back’ against reforms. * Extent to which internal audits meet auditing standards.   *Quantitative*  % of planned reform activities implemented on time, on budget.  % of reform plans adequately resourced (budgets and actual) | * Approved 2020/21 AAP * 2019 ANS Report * WB / ADB Country Profiles * 2019 ANS Report * FFD PFM Tracker (updated to date of TEGs start-up) * GoT 2019 Budget Statements | * Subject to details of approved PFM Roadmap AAP * Provision of a Technical Support Unit and operational resources will assist MOF/FFD to progress implementation of the PFM Reform Roadmap AAP. | * MoF reports against Corporate Plan KPIs * PFMR – RTC progress reports to PFMR – RSC. * TSU Coordinator reports * DFAT AQC and APPR reports |

**End of Investment Outcome 2:** Effective contribution to the implementation of PFM Reforms continued

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Intermediate outcome** | **Indicators** | **Baseline** | **Assumptions / Risks** | **Uses of data** |
| 2.2 Improved PFM capability in selected sector ministries (as ‘proof-of-concept’ for ‘whole system’ improvements) | *Qualitative:*  Quality of procurement planning and articulation of procurement requirements.  (Selected) sector ministry staying within budget ceilings.  Use of Chart of Accounts at sector ministry level.  Status of parallel commitment control functions (i.e. reduced duplication)  Accessibility of payroll databases to sector ministry.  Quality of internal audit function.  *Quantitative:*  Availability of Vision licences in sector ministry  Staff trained on Vision report writing, etc.  Staff completing relevant training courses (e.g. Chartered Institute of Purchasing and Supply Cert. II) | * 2019 Health Assessment (if MoH is selected as sector ministry to demonstrate ‘proof-of-concept’). * Comparative baseline (if available) on alternate, selected sector ministry to be the focus for ‘proof-of-concept’. | * Subject to details of approved PFM Roadmap AAP * Central ministries are willing and able to engage with the selected sector ministry with support from the TSU. * The selected sector ministry is willing and able to engage with central agencies with support from the TSU. | * MoF reports against Corporate Plan KPIs * PFMR – RTC progress reports to PFMR – RSC. * TSU Coordinator reports * DFAT AQC and APPR reports |
| 2.3 Strengthened external oversight of public expenditure management | *Qualitative:*  Public access to key fiscal information.  Structural opportunities for external scrutiny/input re budget (review of estimates by PAC; AG input; civil society forums)  External reporting of audit findings (e.g. via mainstream or social media)  quality of mechanisms to receive citizen complaints (i.e. performance of Ombudsman’s Office)  *Quantitative:*  Level of resourcing of Auditor-General’s office vis-à-vis optimal resources required to carry out mandate  % of Auditor-General’s Reports referred to Public Accounts Committee  % of recommendations of AG Reports implemented by relevant central / line agencies. | * 2019 ANS report * TSU baseline study status of external scrutiny/input at start-up of TEGS. * % actual v optimal 2019/20 * % referred in 2019/20 * % implemented, by agency, in 2019/20 | * Subject to details of approved PFM Roadmap AAP | * For analysis by donors (e.g. World Bank and JPRM donor group) * For analysis by international ‘watchdogs’ (e.g. Transparency International) * AG reports to Parliament * PFMR – RTC progress reports to PFMR – RSC. * TSU Coordinator reports * DFAT AQC and APPR reports |

**End of Investment Outcome 2:** Effective contribution to the implementation of PFM Reforms continued

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Intermediate outcome** | **Indicators** | **Baseline** | **Assumptions / Risks** | **Uses of data** |
| 2.4 Increased attention to mainstreaming gender in PFM reforms | * Attention to gender equality in relevant PEFA indicators: * PI-4 – Budget classification * IP-5: Budget documentation * PI-8: Performance information for service delivery * PI-9: Public access to fiscal information * PI-10: Fiscal risk reporting * PI-11: Public investment management * PI-15: Fiscal strategy * PI-17: Budget preparation process * PI18: Legislative scrutiny of budgets * PI-23: Payroll controls * PI-24: Procurement * PI-26: Internal audit * PI-29: Annual financial reports * PI-31: Legislative scrutiny of audit reports. | * TSU gender-based assessment of PFM[[5]](#footnote-5) | * Subject to details of approved PFM Roadmap AAP | * GoT PEFA Assessment * Ministry of Internal Affairs reporting against Corporate KPIs * PFMR – RTC progress reports to PFMR – RSC. * TSU Coordinator reports * DFAT AQC and APPR reports |
| 2.5 Technical Support Unit meets performance and quality targets and standards | * TSU Support Agreement developed with MoF/FFD to support implementation of PFM Reform Roadmap AAP * TSU Workplan and budget developed for agreed activities to support implementation of AAP. * ToR for advisers (with deliverables and performance standards) jointly agreed between TSU Coordinator and Division Head, FFD/MoF. * % of advisers meeting deliverable targets and performance standards. | Nil base | * Subject to details of approved PFM Roadmap AAP | * TSU Coordinator reports to PFMR-RTC * AHC Advisor Performance Assessments * DFAT AQC reports |

1. **INDEPENDENT REVIEWS OF PROGRESS**

The Nuku’Alofa Post wishes to attach an independent technical adviser (TAG) to the TEGs investment to provide direct advice to Post on the progress and process of the investment during implementation. The design provides for this position to commence after six months and, thereafter, involve six-monthly visits.

The focus for each TAG mission will be determined by Nuku’Alofa Post. However, key review questions are outlined in the Skeletal Performance Assessment Framework, Section 3 above. **Early consideration of the key review questions by both the AHC and the TEGs M&E Advisor is advisable** because it is important for the TEGs monitoring system to be collecting the information required by the reviewer to address the questions posed by the AHC.

1. **REPORTING**

Based upon this M&E Plan, the following research and reporting will be required:

|  |  |  |
| --- | --- | --- |
| **Report** | **Responsibility** | **Timeframe** |
| Inception Report | TSU Coordinator | Within first three months of start-up. |
| Full M&E Plan & Arrangements | M&E Advisor | Within first six months of start-up |
| Baseline Studies (as outlined in M&E Plan) | Service Provider | Year 1 |
| Quarterly TA Performance Reports | TSU Coordinator (assessments carried out jointly with Division Head, MoF/FFD) | Quarterly and six-monthly |
| Six monthly reports | TSU Coordinator | To feed into AAP six-monthly progress and annual review prepared by PFM Roadmap – RTC. |
| Completion Report | TSU Coordinator | End of year 3 |
| Independent monitoring and performance oversight report | TAG Advisor to AHC | Six-monthly as determined by AHC. |

APPENDIX E: budget and budget assumptions

The indicative budget for the TEGS investment is summarised in Table 1 below:

**Table 1: Summary TEGS Budget 2019/20 to 2021/22**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| No. | Budget Components |  | 2019/20 | 2020/21 | 2021/22 |  | Total |
| 1 | Management Fees |  | 112,394 | 239,468 | 273,235 |  | 625,097 |
| 2a | Personnel fees and allowances (incl. M&E adviser) |  | 326,490 | 643,392 | 751,740 |  | 1,721,622 |
| 2b | Adviser support costs (incl. M&E adviser) |  | 180,822 | 315,444 | 363,192 |  | 859,458 |
| 3a | Operational M&E |  | 62,500 | 250,000 | 250,000 |  | 562,500 |
| 3b | Operational Non-M&E |  | 50,731 | 95,884 | 111,493 |  | 258,108 |
| 4 | Budget Support |  | 4,000,000 | 3,500,000 | 3,500,000 |  | 11,000,000 |
|  | Total |  | 4,732,938 | 5,044,188 | 5,249,660 |  | 15,026,785 |
| 6 | Estimated additional funds leveraged from partner government, multilaterals, other partners |  | 18,450,000 |  |  |  |  |

**Overall Assumptions and Parameters**

The indicative budget assumes an AUD15 million ceiling over the three-year period 1 July 2019 to 30 June 2022 allocated at AUD5 million per financial year. This represents approximately one-third of the estimated bilateral commitment for the period.

An 80%/20% split between JPRM (budget support) and TEGS program support in 2019/20 (i.e. AUD4 million for JPRM budget support, and AUD1 million for TEGS program support). The Budget assumes a 70%/30% split in 2020/21 and 2021/22 (i.e. AUD3.5 million for JPRM budget support, and AUD1.5 million for TEGS program support in each year).

In practice, once TEGS is operational, the TSC will need to develop an annual workplan and budget in consultation with MoF / FFD and the AHC. This will be part of the broader exercise of MoF/FFD developing an Annual Action Plan for the PFM Reform Roadmap implementation. The TEGS workplan and budget will focus on those components of the PFM Reform Roadmap Annual Action Plan and budget which Australia is best placed to support via the TSU.

Table 2a: Personnel Fees

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| LONG TERM ADVISERS |  |  |  |  |  |  | 2019-2020 | 2020-2021 | 2021-2022 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Position or role title | Mandatory? Flexible? |  | # of Adv. Yr1 | # of Adv. Yr2 | # of Adv. Yr3 | ARF Discpl/ Level | ARF - Monthly rates | # Months | Annual Cost | # Months | Annual Cost | # Months | Annual Cost | 3 year cost |
| Post - seconded DFAT Program Manager |  |  | 0 | 0 | 0 | C4 | 14,114 | 4 | 0 | 12 | 0 | 12 | 0 | 0 |
| Technical Support Coordinator | My. |  | 1 | 1 | 1 | C4 | 14,114 | 6 | 84,684 | 12 | 169,368 | 12 | 169,368 | 423,420 |
| M&E Specialist | My. |  | 1 | 1 | 1 | C4 | 14,114 | 3 | 42,342 | 12 | 169,368 | 12 | 169,368 | 381,078 |
| Procurement Specialist in MoF | My. |  | 1 | 1 | 1 | C3 | 12,314 | 12 | 147,768 | 12 | 147,768 | 12 | 147,768 | 443,304 |
| Other Long term advisers - Junior | Fl. |  | 0 | 0 | 1 | C2 | 9,029 | 0 | 0 | 12 | 0 | 12 | 108,348 | 108,348 |
| Other Long term advisers - Mid | Fl. |  | 0 | 0 | 0 | C3 | 12,314 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Long term advisers - Senior | Fl. |  | 0 | 0 | 0 | C4 | 14,114 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Long Term Advisers Personnel Fees Sub Totals by year |  |  |  |  |  |  |  |  | 274,794 |  | 486,504 |  | 594,852 | 1,356,150 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| SHORT TERM ADVISERS |  |  |  |  |  |  |  | 2019-2020 | 2020-2021 | 2021-2022 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Position or role title | Mandatory? Flexible? | # Wks | Yr.1 #Assgts /yr | Yr.2 #Assgts /yr | Yr.3 #Assgts /yr | ARF Discpl/ Level | ARF - Daily rate | # Fee days (6/wk) | Annual Cost | # Fee days (6/wk) | Annual Cost | # Fee days (6/wk) | Annual Cost | 3 year cost |
| Short term advisers - Junior | Fl. | 6 | 0 | 2 | 2 | C2 | 487 | 0 | 0 | 72 | 35,064 | 72 | 35,064 | 70,128 |
| Short term advisers - Mid | Fl. | 6 | 1 | 2 | 2 | C3 | 668 | 36 | 24,048 | 72 | 48,096 | 72 | 48,096 | 120,240 |
| Short term advisers - Senior | Fl. | 6 | 1 | 2 | 2 | C4 | 768 | 36 | 27,648 | 72 | 55,296 | 72 | 55,296 | 138,240 |
| TAG ST Adviser | My | 2 | 0 | 2 | 2 | C4 | 768 | 0 | 0 | 24 | 18,432 | 24 | 18,432 | 36,864 |
| Short Term Advisers Personnel Fees Sub Totals by year |  |  |  |  |  |  |  |  | 51,696 |  | 156,888 |  | 156,888 | 365,472 |
| Total Personnel Fees LT + ST |  |  |  |  |  |  |  |  | 326,490 |  | 643,392 |  | 751,740 | 1,721,622 |

**Assumptions re Personnel Fees & Allowances: Table 2a**

The budget assumes three mandatory long-term specialist advisers as per the IDD. These are:

* + - 1. Technical Support Coordinator. Assumed to commence beginning of January 2020. Assume 6 person months in 2019/20, 12 person months in 2020/21 and 12 person months in 2021/22. ARF rate – assume mid-point of C4.
      2. M&E Specialist. Assumed to commence at beginning April 2020. Assume 3 months in 2019/20, 12 months for 2020/21, and 12 months for 2021/22. ARF rate – assume mid-point of C4
      3. Procurement Specialist in MoF. Assumed that the existing occupant remains in place and is funded from TEGS for three years. ARF rate – use current rate, i.e. mid-point of C3.
  1. The budget assumes that one mandatory short-term specialist is required for TAGs, at two TAG visits per year, each of two weeks duration, for years 2 and 3 only.
  2. The budget assumes that the mix and duration of for remaining long term and short term specialist advisers can be flexible, to meet the needs of GoT for implementation of the PFM Reform Roadmap, as articulated in the Annual Action Plan and corresponding annual Budget, as developed by MoF FFD, with facilitation of TSC, and with input from DFAT HOM/DHOM. Any given Annual Action Plan and Annual Budget will be approved by the PFM-RSC, with DFAT in attendance.
  3. Table 2a shows a mix of long and short-term advisory positions for illustration purposes only. The budget assumes that none of these would commence before the fielding of the TSC. The current table also shows a mix of ARF rates for C2, C3 and C4.

**Assumptions re Advisor Support Costs: Table 2b**

1. The budget calculates Support costs for the Tonga location based on rates provided by Post. These are shown in the Excel Worksheet “Support Rates”.
2. For Long Term advisers, one-off whole-of-assignment costs are categorised by inward journey (e.g. uplift of personal effects, vaccinations etc) and outward journey (e.g. uplift of personal effects). For Long Term advisers, annual costs (e.g. Insurance) are apportioned according to the number of months in-country assumed for that position. For Long Term advisers, monthly costs (e.g. mobility allowance, accommodation) are calculated according to the number of months in-country assumed for that position.
3. For Short Term advisers, current DFAT rates for Tonga for per diem and accommodation have been used in the calculation of monthly costs (maximum 6 months), and the cost of one return business class airfare for each assignment.
4. Mix and duration of long term and short-term advisers is assumed to be exactly the same as for Personnel Fees worksheet, i.e. the same number months is copied to the parameters of the Adv. Support worksheet.

Table 2b: Advisor Support Costs



Table 3: Operational costs

Operational Costs – Non M&E\*\* (Excl. TCS)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year: | 2019/20 | 2020/21 | 2021/22 | Totals |
| Total Adviser Personnel Fees (Excl. TSC) | 241,806 | 474,024 | 582,372 | 1,298,202 |
| Total Adviser Support Costs (Excl. TSC) | 135,348 | 246,196 | 287,554 | 669,098 |
| Sub Total - Total Adviser Costs (Excl. TSC) | 377,154 | 720,220 | 869,926 | 1,967,300 |
| Operational Costs - Non M&E - y% of Total Adviser Costs | 37,715 | 72,022 | 86,993 | 196,730 |

Operational Costs - Non M&E\*\* (TSC only)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year: | 2019/20 | 2020/21 | 2021/22 | Totals |
| Total Adviser Personnel Fees (TSC only) | 84,684 | 169,368 | 169,368 | 423,420 |
| Total Adviser Support Costs (TSC only) | 45,474 | 69,248 | 75,638 | 190,360 |
| Sub Total - Total Adviser Costs (TSC only) | 130,158 | 238,616 | 245,006 | 613,780 |
| Operational Costs - Non M&E - y% of TSC Costs | 13,016 | 23,862 | 24,501 | 61,378 |

Total Operational Costs (Excl. TSC)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year: | 2019/20 | 2020/21 | 2021/22 | Totals |
| Operational Costs - M&E | 62,500 | 250,000 | 250,000 | 562,500 |
| Operational Costs - Non M&E (Excl. TSC) | 37,715 | 72,022 | 86,993 | 196,730 |
| Operational Cost - Non M&E (TSC only) | 13,016 | 23,862 | 24,501 | 61,378 |
| Total Operational Costs | ###### | ###### | ###### | 820,608 |

**Assumptions re Operational Costs: Table 3**

1. There are different assumptions for Monitoring & Evaluation (M&E) operational costs and for other, Non-M&E, operational costs
2. For M&E Operational Costs, it is assumed that 5% of the total TEGS budget for years 2 and 3 (i.e. AUD5 million per year, including budget support) will be committed to M&E (on the basis that the M&E Specialist will not be fielded until the beginning of year 2. The budget template allows for this % to be varied.
3. For Non-M&E operational costs, it is assumed that these will be 10% of the value of the total of Adviser Personnel Fees and Adviser Support Costs. The budget template allows for this % to be varied, depending on the requirements for the actual reforms being supported, as negotiated by the TSC with FFD and other reform counterparts during preparation of the Annual Action Plan

Table 4: Management Fee

Management Fee

|  |  |
| --- | --- |
| Assume % of total adviser and operational costs, excluding Coordinator |  |
| Percentage rate to be applied to all other costs, excl. TSC: | 20.0% |

|  |  |
| --- | --- |
| Assume % of total adviser and operational costs, Coordinator only |  |
| Percentage rate to be applied to all other costs of the TSC only: | 10.0% |

Management Fee calculation on all costs of all advisers excluding the TSC

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year: | 2019/20 | 2020/21 | 2021/22 | Totals |
| Total Adviser Personnel Fees (Excluding TSC) | 241,806 | 474,024 | 582,372 | 1,298,202 |
| Total Adviser Support Costs (Excluding TSC) | 135,348 | 246,196 | 287,554 | 669,098 |
| Sub Total - Total Adviser Costs (Excluding TSC) | 377,154 | 720,220 | 869,926 | 1,967,300 |
| Operational Costs (Excluding TSC) | 113,231 | 345,884 | 361,493 | 820,608 |
| Sub Total - Total Adviser Costs + Operational Costs (excl. TSC) | 490,385 | 1,066,104 | 1,231,419 | 2,787,908 |
| Management Fee: 20% | 98,077 | 213,221 | 246,284 | 557,582 |

Management Fee calculation on all costs of the TSC only

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year: | 2019/20 | 2020/21 | 2021/22 | Totals |
| Personnel fees of the TSC | 84,684 | 169,368 | 169,368 | 423,420 |
| Support costs of the TSC | 45,474 | 69,248 | 75,638 | 190,360 |
| Sub Total - Total Adviser Costs for TSC only | 130,158 | 238,616 | 245,006 | 613,780 |
| Operational Costs of the TSC only | 13,016 | 23,862 | 24,501 | 61,378 |
| Sub Total - TSC personnel fees, support costs & operational costs | 143,174 | 262,478 | 269,507 | 675,158 |
| Management Fee: 10% | 14,317 | 26,248 | 26,951 | 67,516 |

Total of Management Fees in respect of all advisers

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year: | 2019/20 | 2020/21 | 2021/22 | Totals |
| Management fee on all costs of all advisers excluding the TSC | 98,077 | 213,221 | 246,284 | 557,582 |
| Management fee on all costs of the TSC only | 14,317 | 26,248 | 26,951 | 67,516 |
| Total Management Fees on all costs of all advisers | 112,394 | 239,468 | 273,235 | 625,097 |

**Assumptions re Management Fees**: **Table 4:**

The Management Fee is assumed to be 20% of total Adviser Costs and total Operational costs, i.e. 20% the total of components 2a, 2b, 3a and 3b – but excluding any Adviser Costs or Operational Costs for the Technical Support Coordinator who is contracted separately. The Management Fee is respect of the Technical Support Coordinator is assumed to be 10% of the total TCS Adviser Costs and total TCS Operational Costs.

**Assumptions re counterpart contribution:**

The budget does not assume counterpart financing from GoT. Many senior officials in central agencies and sector agencies will continue to devote time and resources towards maintaining and implementing the PFM Reform Roadmap. The MoF FFD will continue to lead and coordinate these activities. The Design team have been advised that the MoF budget for 2019/20 (approved) and the forward years includes funding for two positions dedicated to PFM reform. These officials will provide counterpart support to the TEGS TCS, as will the MoF FFD Deputy   
CEO.

**Funds leveraged from other development partners:**

The TEGS Design Mission was carried out at the same time as the Joint Tonga Budget Support Mission, led by the World Bank. During that mission the Budget Support partners provided the following information regarding their current (2019) and proposed (2020 only) commitments towards the JPRM.

|  |  |  |
| --- | --- | --- |
| **Development Partner** | **Budget Support Amount FY19** | **Tentative Budget Support Amount FY20** |
| Asian Development Bank (ADB) | US $5 million | Planning for US $5 million |
| Australian Department of Foreign Affairs and Trade (DFAT) | AUD $4 million | AUD $4 million |
| European Union (EU) | EURO €2 million | EURO €1.4 million |
| New Zealand Ministry of Foreign Affairs & Trade (MFAT) | NZ $2 million released in FY2018 based on expected completion of the current set of actions, with no further disbursement planned for FY2019. | Planning for NZ $2 million |
| World Bank (WB) | US $5.5 million | Planning for US $5 million |

APPENDIX F: RISK AND SAFEGUARD REGISTER

sEE COMPLETED RISK AND SAFEGUARD SCREEN TOOL EXCEL SPREADSHEET UNDER SEPARATE COVER

1. Note: The specific outputs linked to the achievement of this intermediate outcome will be specified in each Annual Action Plan approved by the PFM Reform Roadmap Steering Committee [↑](#footnote-ref-1)
2. DFAT has normally accepted a WB decision to release DPO tranches as sufficient indicator that GoT has satisfied this Intermediate Outcome. WB decisions to release funds are based upon IMF Article 4 reports, the results of six-monthly Mission reports on the government’s performance in achieving JPRM performance triggers, as well as on-going fiduciary checks and analysis by WB staff. DFAT’s Multilateral Development and Finance Division (MDD) also reviews this data and may provide additional information on GoT’s ‘demonstrated commitment’, if required. [↑](#footnote-ref-2)
3. These terms are drawn from the OECD’s Comprehensive Evaluation Framework for Budget Support. At implementation, the TSU M&E Advisor should consult with NPD and MoF to identify the appropriate Framework to adapt for the purposes of monitoring the results of Budget Support. [↑](#footnote-ref-3)
4. in each year the approved annual AAP will identify a specific range of PFM priorities and targets for that year; these may relate to improving PFM in central agencies, in a selected line ministry as ‘proof-of-concept’ or improving external oversights. These specific priorities and targets will be used to populate the TEGS Performance Assessment Framework once they have been identified. Monitoring will then focus on (a) progress in achieving the AAP within year priorities and targets and (b) the performance and quality of the TSU contribution to the achievement of these targets. [↑](#footnote-ref-4)
5. Suggest basing this analysis on Supplementary Questions identified in PEFA Gender Module, 2019 Annex 1 pg. 21 [↑](#footnote-ref-5)