



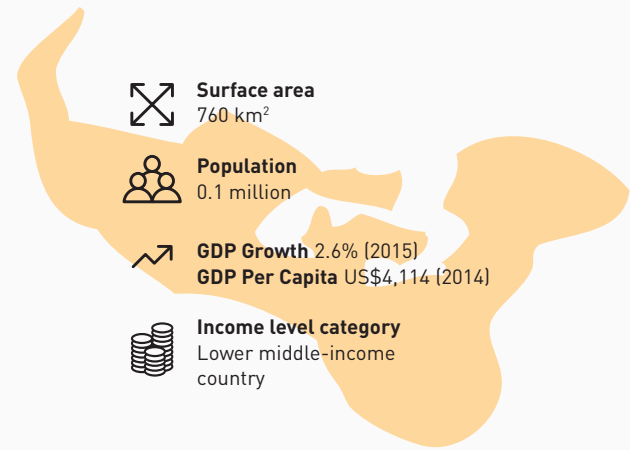
1. Country Context

Stretching over roughly 800 km in a north-south line, the Kingdom of Tonga is an archipelago of 169 islands, of which 36 were inhabited with a total population of 106,000 in 2015. In 2016, Tonga entered its sixth year as a constitutional monarchy, after having celebrated its second democratic elections in November 2014.

With a GDP per capita of US\$4,114 in 2014, Tonga is considered a lower middle-income economy, mostly drawing on agriculture, fisheries, some tourism and substantial remittances from Tongans living abroad, who are estimated to number another 100,000 people. The country has achieved a high human development, ranked 100th among 188 countries participating in the 2015 Human Development Index, meeting more than half of the Millennium Development Goals.

This year's monitoring round has captured the contributions of five co-operation providers, amounting to a total of US\$61 million. The main development partners are Japan (28%), the World Bank (27%) and Australia (24%). Budget support is currently being provided in the education, health, economic and energy sectors.

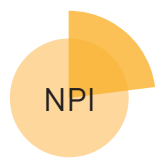
Quick Facts



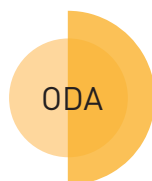
Domains Where Country Systems Have Been Strengthened

	2009	2015
Budget Support		
PEFA Assessment		
PFM Roadmap		
Aid/Dev. Co-op. Policy		
Dialogue with Partners		
Peer Reviews		
Medium-Term Plans		

Key Development Indices:



National Poverty Index
23% of pop.
(2009)



Official Development Assistance/Capital Formation
50% (2012)

ODA per Capita US\$757 (2014)



Human Development Index (2014)
(Best rank: Position 1)



Doing Business Rank (2015)
(Best rank: Position 1)



Anti-corruption Index: -0.3 (2014)
(Highest anti-corruption: +2.5)

Key Development Challenges

Tonga has moved towards a democratic government, setting clear development priorities, reforming its public sector and progressing in a number of non-traditional sectors such as construction and energy. Indeed, renewable energy (through solar homes) has become a key target under the 2010–2020 Tonga Energy Road Map. Challenges to sustainable development relate to an overall low economic activity, a high dependence on external finance such as official development assistance (ODA) and remittances, as well as extreme vulnerability to climate change.

2. Efforts to Implement the Effectiveness Principles

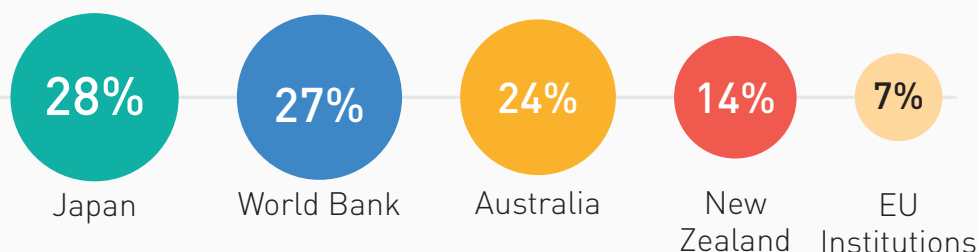
A. Policies and Tools for Partners' Alignment

All development efforts are framed by the Tonga Strategic Development Framework (TSDF) 2015-2025, which establishes seven national outcomes. Deriving from the TSDF, a number of strategic sector plans are providing guidance, for instance on agriculture, fisheries, education, energy,

health and infrastructure. Progress and results of monitoring and evaluating of high-level key performance indicators as result of domestic and international financing will be reported on an annual basis starting FY2016/17. On the same note, part of the TSDF M&E also is being

able to track government expenditures by organizational outcomes by the following five pillars: economic, social, political, infrastructure & technology and natural resources & environment inputs.

Major Development Partners of this Round (by Reported Disbursements)



 **No**
Participation in 2014 Monitoring

 **Yes**
Existence of a National Co-operation Policy

B. Governance and Management of Development Finance and Co-operation

Development co-operation is guided by the TSDF 2015-2025 and an existing official development finance management policy from 2010 is being updated vis-à-vis Tonga's desire to further accelerate quality and effectiveness of official development finance management. The government and development partners meet on a biannual basis to discuss commitments. Bilateral dialogue looks into options for budget support (based on a Joint Policy Reform Matrix), which in 2015 was provided by Australia and EU institutions. This is the first time Tonga participated in the Global Partnership monitoring. The country is already a proactive participant of the Pacific Islands Forum's initiatives to track progress in effective development co-operation. In terms of institutional arrangements, the newly established Cabi-net Development

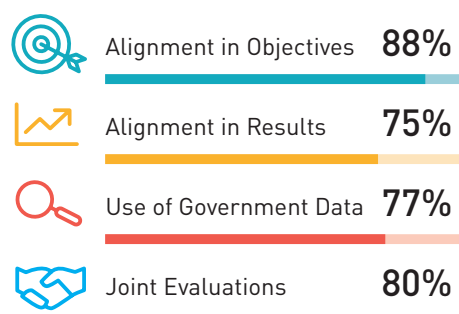
Coordination Committee is providing the oversight role to all development assistance from development partners. The project and aid management division of the Ministry of Finance and National Planning (MFNP) is currently seeking assistance for official development finance information management system. In view of the limited number of partners, the small size of the national public sector and the relatively advanced use of programmatic approaches and budget support, the government has opted to concentrate aid coordination at the MFNP. So far, there has not been evidence on contributions by non-DAC partners such as South-South partners or CSOs. Domestic development finance is also largely defined by a substantial inflow of remittances, which, however, is not fully captured by national financial systems.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

In 2015, 88% of reported development co-operation was aligned to the national and organizational outcomes outlined in the TSDF and 75% drew results from this framework. Seventy-seven percent relied on national monitoring systems such as the TSDF report. The government takes a strong stake in joint evaluations, often also contributing resources. This moderately favourable monitoring result

is largely thanks to the extensive use of country frameworks by budget support partners Australia and the EU institutions as well as Japan's technical co-operation in transport infrastructure. The Asian Development Bank, New Zealand and the World Bank still operate outside the government's development planning and monitoring frameworks.

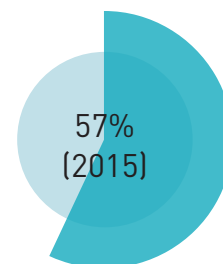


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Only 57% of development co-operation reported in 2015 was recorded in the government budget. Beyond the budget support partners Australia and the EU institutions, only New Zealand's co-operation is adequately reflected in the national budget. It seems apparent that general or sector budget support might be the best option for supporting Tonga's

development, as the government might not be able to set up specific information systems for individual development partners still operating outside national systems. Deepening the dialogue and agreeing on criteria might further enable the use of budget support by development partners still not engaged in this type of development co-operation provision.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

The use of national public financial management is still low. Only 43% of all development co-operation reported for this year's monitoring round recurs to country budget execution, financial reporting and procurement. National auditing is used for only 22% of development co-operation. Overall, the incipient use of country systems in Tonga seems to indicate the need for further dialogue

and joint action on improving country capacities. The government is currently working on performance/results-based budgeting, which might be a good moment for development partners to understand the needs and opportunities to support national capacities and to use them in the future. Development partners need also to reflect on the sharp drop in untied official development finance from 92% in 2013

to merely 62% in 2014. A closer dialogue around these pending issues might be further enabled by recent progress made by Tonga to improve its Country Policy and Institutional Assessment (CPIA), which, after decreasing to 3.0 in 2012, has recovered the value of 3.5, with more potential in a number of areas.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	43%	43%	22%	43%		
INDICATORS 9A & 10.					3.5 ▲	62% ▼

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

The Kingdom of Tonga is home to a diverse group of civil society organizations, especially in areas such as women's rights, disability, youth and human rights, gathered under the umbrella organization Civil Society Forum of Tonga (CSFT), which is the national liaison for the Pacific Islands Association of NGOs (PIANGO). Although CSO focal points did not provide further information in this monitoring round, national civil society plays an essential role in development planning and implementation, while requiring capacity development in the area of

proposal-making and oversight, especially when it comes to complex development financing such as budget support or use of remittances. For its part, the Tongan private sector is mainly gathered in the Tonga Chamber of Commerce & Industry (TCCI), which has more than 100 business members. The TCCI hosts quarterly public-private dialogues to discuss development priorities and the business environment with the government. Private-sector representatives voice the need to further formalize government-business relations, agreeing on joint action

plans, particularly at the sector level, and ensuring that private sector needs are sufficiently addressed by the national legal, administrative and institutional framework. In sum, the main key success factors for inclusive partnerships in Tonga depend on effective and active collaboration between CSOs, the private sector and government. Further efforts are needed to support capacity development, create a formal enabling environment and fully take advantage of the contributions from non-state actors, especially with a view to the NSDF 2015-2025.

Indicator 8. Gender Empowerment

There is no specific budget process tracking gender equality other than the payroll records, which specify the gender (male & female) of individual employees. The core work of the Women's Division of the Ministry of Internal Affairs is in line

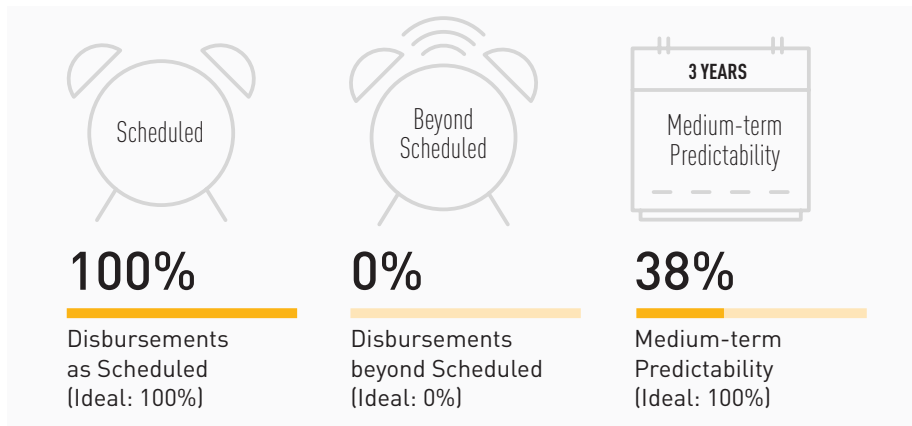
with its Revised National Policy on Gender and Development (RNPGAD) 2014-2025, which gears towards establishing gender equality; hence, activities are reflected in their Corporate Plan, which justifies their annual budget. Core finance from

development partner agencies is also channelled towards implementing the activities within the RNPGAD; therefore, the division accounts for these expenditures through budget.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

All development co-operation reported in 2015 was predictable on an annual basis, reflecting consistent joint planning and a fluid flow of information among partners and the government. Medium-term predictability stands at 38%, with only Australia and New Zealand providing forward-looking expenditure figures. For other development partners engaged in budget support and programmatic approaches, this monitoring round might be a good moment to discuss with the government how to improve the medium-term predictability of their contributions



Indicator 7. Mutual Accountability

Based on the TSDF 2015-2025 and the 2010 Aid Management Policy, the Government of Tonga and co-operation partners have made essential progress, although a number of areas require further attention, particularly with a view to expanding the use of budget support. Mutual accountability is adequately framed and interactions between government and partners are improved, shown by two

development partner-government forums per year. Compared to larger countries with a more complex set of development partners providing support of diverse quality, Tonga's main challenge is not necessarily aid coordination, but rather the inclusion of incoming development co-operation in stronger national systems. This, in turn, has distinct accountability implications at the bilateral level. However,

while updating the Aid Management Policy, the government might consider conducting a quick review on lessons learned with effective development co-operation in the specific country context and use the outcomes to enrich the dialogue with co-operation providers with analysis and data reflecting progress made by both sides.

National Priorities Going Forward

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The government has laid out its priority agenda, which includes good governance, inclusive and sustainable growth, poverty alleviation and safer and better public infrastructure. Activities have been provided in the ministries' corporate plans, national infrastructures investment plan and other sector plans. The recently established Cabinet Development Coordination Committee confirms the government's high-level ownerships of official development finance coordination provides an oversight role to all development assistance. The Ministry of Finance and National Planning, through its Projects and Aid Management Division, conducts frequent meetings with resident development partners to discuss aid programme and implementation issues potentially affecting the progress of programmes and projects. Development co-operation is about recognizing national and international priorities. It can be managed if development assistance is country-driven so that national capacities are built and knowhow is transferred to local people. The use of a national system, improved medium-term predictability of official development finance from development partners and frequent interactions between relevant stakeholders will indeed strengthen the desired development co-operation.

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