

## Chair's Summary of Meeting of the Board of Directors

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14 November 2007

### Tonga: Country Partnership Strategy (2007–2012)

1. Directors endorsed the Tonga Country Partnership Strategy (CPS) for 2007–2012 and noted that the CPS was well prepared, incorporated the thematic assessments, and presented a useful analysis of the binding constraints to growth facing Tonga. Directors considered that the proposed CPS addresses the binding constraints effectively.
2. Directors appreciated the strong alignment of the CPS with Tonga's Eighth Strategic Development Plan 2006/7–2008/9, prepared with ADB's technical assistance (TA), and acknowledged Government ownership of the CPS preparation process. Directors also commended the strong coordination and harmonization with other development partners, while some directors expressed interest in a joint strategy with key development partners. Several Directors commended the emphasis placed in the CPS on aid effectiveness, and supported the Joint Declaration on Aid Effectiveness signed in October 2007 between the Government of Tonga, ADB, AusAID, NZAID and the World Bank.
3. Several Directors acknowledged the private sector development focus given in the CPS as the source of growth, and indicated support for the proposed TA program for private sector development. In particular, they noted the need to improve the business environment and the need to focus on the agriculture sector. Some Directors emphasized the need to achieve results in the areas of public enterprise rationalization and land reform.

4. Directors endorsed the CPS's support to fiscal governance and macro-economic stability and noted the need to continue a focus on debt sustainability. Several Directors noted the positive impact of ADB's 2002 Economic and Public Sector Reforms Program on reforms and on maintaining fiscal discipline. Several Directors appreciated the policy dialogue between ADB, AusAID and NZAID, leading to a coordinated program of TAs; and a few Directors indicated that this represented an example of best practice in donor coordination.

5. Several Directors noted the pro-poor approach of the urban development pillar of the CPS, and noted the impact that this program will have on health conditions, environmental sustainability, and on the business environment. Several Directors noted the importance of continued growth in remittance flows as a countercyclical source of household income, particularly through support to skills development and youth employment under the CPS. Some Directors supported mainstreaming of climate change, environment, and gender in the CPS.

6. Directors supported the emphasis of the CPS on capacity and institution building, particularly in the areas of fiscal governance and urban planning. Directors supported the incorporation of lessons learnt as a basis for the preparation of the CPS, particularly in the areas of project and TA design and implementation, and noted the need for attention to results-based CPS implementation. Acknowledging some progress achieved by the Government, several Directors stressed that governance problems still challenge Tonga's development. Directors commended the frank dialogue between the Government and ADB's Country Team summarized in the governance assessment in the CPS.