

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SPSO

TA No. and Name TA 4510-TON: Integrated Strategic Planning, Medium Term Fiscal Framework and Budgeting			Amount Approved: \$300,000	
			Revised Amount:	
Executing Agency Ministry of Finance	Source of Funding: TASF		TA Amount Undisbursed \$137,029	TA Amount Utilized \$162,971
Date			Completion Date	
Approval 20 December 2004	Signing 21 December 2004	Fielding of Consultants 26 April 2005 – 30 June 2006	Original 30 June 2006	Actual 30 June 2006
			Closing Date	
			Original 30 June 2006	Actual 11 August 2006
Description				
<p>Tonga's long planning tradition has been characterized by a centralized approach, compounded by a lack of prioritization and participatory consultation. The Government acknowledged that Tonga needed to plan its public resource use more carefully, based on a decentralized and participatory approach to focus on higher sustainable economic growth, while ensuring financial stability and investment in people as identified in SDP7.</p> <p>The Government recognized a number of weaknesses contributing to past planning problems: (i) over-programming and a failure to set priorities, leading to fiscal instability; (ii) regional dispersion; (iii) inadequate processes for securing commitment and management of political interference; (iv) failure to specify appropriate implementation arrangements with human resources and institutional capabilities; and (v) ineffective monitoring capacity. To effectively address these challenges, the Eighth Strategic Development Plan (SDP8) included a participatory process and an effort to integrate strategic management planning with a medium-term fiscal framework and budgeting.</p>				
Outcome and Outputs				
<p>The objective of the TA was to help the Government prepare SDP8. This would improve the Government's capacity in strategic and development planning, with emphasis in establishing a process that links the MDGs and other economic and social targets, the medium-term fiscal framework, the annual budget allocation, and departmental corporate plans.</p> <p>Within its scope, the TA undertook to (i) identify long-term options to promote private sector-led growth in production and employment within a sustainable medium-term macroeconomic and fiscal framework; (ii) establish priorities considering the human resource, financial and institutional constraints; (iii) specify implementation and monitoring processes; and (iv) formulate and implement consultation and participatory processes.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The consultant team, contracted on an individual basis, consisted of an international consultant, a Development Planning and Institutional Specialist/Advisor (6 person-months) supported by a domestic consultant and a Macroeconomic Planning and Processes Specialist (10 person-months). The consultant team did a competent job. The terms of reference were met to the full satisfaction of both the Executing Agency and ADB. Performance of the Executing Agency and ADB were also satisfactory. The implementation of activities under the TA covered 17 months from February 2005 to June 2006. The consultants competently supported the Government in preparing the Strategic Development Plan Eight 2006/7-2008/9 (SDP-8), and in consulting with all relevant stakeholders. The quality of the outcome report is excellent, as recognized by development partners.</p>				
Evaluation of Outputs and Achievement of Outcome				
<p>The TA was envisaged to support the preparation and first phase implementation of SDP8 so that the 2007 budget cycle and the departmental corporate plans fully reflected the priorities and linkages between SDP8. Procedures were to be developed for public participation and priority setting in formulation and during implementation. Substantive implementation of the TA began in August 2005. By that time, a mid-year civil service strike had led to a considerable civil service raise payout and caused significant imbalances in the macroeconomic framework. The Government responded to the civil service strikers' demands for political reform by establishing the National Committee of the Kingdom of Tonga on Political Reform, and oriented the ongoing process for the preparation of SDP8 towards the planning of much needed economic and public sector reforms. In this context, the TA provided relevant and significant input. The preparation of SDP8 was carried out successfully in the context of participatory consultation with a cross section of stakeholders. Consultations were held with village communities in each of Tonga's island groups as well as with civil society organizations, private sector, government ministries, and public sector authorities and enterprises. Preliminary report was presented to civil societies as well as to development partners in early December 2005 as well electronic comments were invited via a designated website. Preliminary draft SDP8 was circulated widely and presented at regional meetings in Vava'u and Ha'apai and at a National SDP8 Summit in March 2006.</p> <p>The preparation of a coherent and consistent SDP8 2006/7-2008/9 was achieved satisfactorily and it will serve to (i) guide the formulation of the public sector corporate and management plans and the annual budgets through which</p>				

resources are allocated; (ii) inform the private sector and civil society of Government's policy intentions; (iii) provide the foundation for the development of Government's economic relations and for development partners preparation their respective country strategies and assistance programs; and (iv) provide target indicators and milestones for monitoring and measuring the Government's progress in policy/strategy implementation. Steps toward improvement of the public finance management were achieved under the TA, including amalgamation of resource planning with fiscal expenditure planning and similarly bringing the strategic planning into coordination with the fiscal planning under the consolidate purview of the Ministry of Finance.

The fiscal budget 2006/7 has fully incorporated the directions given in the SDP8 and proposed corporate plans are evaluated against the SDP8 targets and objectives.

Overall Assessment and Rating

Overall, the Project is rated as highly successful. The expected outputs delivered and the intended objectives of the TA were achieved. The SDP8 has been approved by Government and has been adopted as a basis of budgetary support and economic and public sector reforms. The SDP8 was endorsed by ADB and development partners in the development partners meeting on Tonga on 15 May 2006 and is considered by development partners as a key source document, to which to base development assistance to Tonga.

Major Lessons

The ownership of the Government and that of the stakeholders of the activities and outputs produced under the TA was essential for the successful implementation of the TA. It was apparent that the lesser impact of the previous SDPs stemmed from a lack of stakeholder participation in the preparation process. Adoption of a more participatory and less centralized approaches in planning processes was a major lesson learned. ADB has already taken these lessons into account in the ongoing preparation of CPS 2007-2009. The next CPS will include as a central priority support to the implementation of SDP8 under a harmonized strategy with relevant development partners as agreed at the Development Partners Forum of 27-29 July 2006. Additionally, the TA for the preparation of SDP9 in 2008 will be proposed for inclusion in the non lending pipeline of CPS 2007-2008.

Recommendations and Follow-Up Actions

A key recommendation from this TA is to tightly ground the CSPU 2007-2009 to support the implementation of the SDP8 and the provision of technical assistance for the economic and public sector reforms proposed. As requested by Government, a TA for preparing support program for implementation of SDP8 has been agreed between Government, ADB (as lead development partner) and other partners (AusAID, NZAid, PFTAC/IMF). The next CSPU will include TA support for the preparation of the SDP9 in 2008.

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