



Government of The Kingdom of Tonga  
Aid Management Division

## Activity Development Aid Policy & Management



### Foreword

The Kingdom of Tonga owns its future and ultimately it is responsible for its destiny. As a sovereign state Tonga asserts its right to determine its own policies on any issue.

As a small Pacific Island state Tonga needs its donors to stand alongside it and help it to achieve its destiny. But standing alongside Tonga does not mean taking responsibility away from Tonga. It is Tonga alone, in particular the duly elected government of Tonga, that has the right and indeed the obligation to its citizens to develop and implement policies, to develop institutions, and to ensure its citizens have the opportunities to pursue their rights to education, health, economic prosperity, safety and security.

A key foundation on which Tonga's relations with its donors must be grounded is the notion of partnership and mutual accountability as embodied in the Paris Declaration on Aid Effectiveness. The Paris Declaration, willingly signed by all of Tonga's major donors and Tonga in 2005, and the follow-up Accra Agenda for Action agreed to in 2008, imposes obligations on Tonga as well as its development partners.

A fundamental element of the Paris Declaration is recognition by donors of the rights of recipient countries to exercise leadership over their development policies, to set their national development priorities, and

to co-ordinate development activities. Just as donors must work to fulfil their obligations so too the government is working to fulfil its obligations. It will continue to work closely with donor partners to realise opportunities for enhanced donor coordination, donor harmonisation, and donor alignment with the government's administrative systems and processes. Where necessary they will be recalibrated to reflect good governance.

The following statements reflect the policy principles the government of Tonga has adopted to guide the development and implementation of donor funded activities in Tonga. They do not purport to provide coverage of all issues that arise from time to time. But they do reflect the government's philosophical approach in its relations with donors.

Also contained herein is a description of the standard activity management cycle that should be followed for all aid funded activities. The government places importance on it being followed.

Hon. 'Otenifi Afu'alo Matoto  
Minister for Finance and National Planning  
7 December 2010

## 1. The role of development cooperation in Tonga's development

The role of development assistance to Tonga must be one that is supportive of and supplemental to Tonga's own development efforts.

The National Strategic Planning Framework focuses on the key determinants of economic and social development. It represents a strategic approach to address the government's vision to create a society in which all Tongans enjoy higher living standards and a better quality of life through good governance, equitable and environmentally sustainable private sector led economic growth, improved education and health standards, and cultural development.

Our relations with donors are based on the notion that they are partnerships of equals. They constitute exchanges of resources and of ideas, for the benefit of all.



Tonga requires development assistance be a catalyst for change. It should provide resources and ideas, adapted to conditions in Tonga and appropriate to our culture and way of life. Importantly it must be responsive, practical and sustainable. It must contribute to the ability of Tongans to raise their incomes and to live longer, healthier, and more productive lives.

## 2. Sectoral program aid versus project oriented aid

The government of Tonga believes the effectiveness of development assistance will be enhanced if it is program oriented, based on sectoral frameworks. It believes that sectoral programs will promote accountability, reduce the transaction costs associated with the accounting and reporting requirements of individual projects, and encourage the maintenance of prudent economic and financial policies. They encourage a holistic approach to sectoral issues and the functional and organisational networks that characterise a sector. They enable a wide choice of modalities regarding aid delivery. Additionally the government believes there is a greater likelihood of there being a common agenda among donors applying to the development of sectors, and that this should contribute to donor cooperation and harmonisation.

The government anticipates sector papers, written by the government or jointly written by the government and donor partner(s) will progressively become the framework within which all donors work to support the government's development objectives.

## 3. Loans versus grants

It is the government's strong preference that assistance is provided by donors by way of grant aid, whether it is in cash or in kind.

All loans, even those provided on highly concessional terms, eventually have to be repaid. Tonga has been heavily impacted by the global financial crisis, with ongoing impacts on employment prospects for overseas of Tongans and subsequently their ability to remit funds to their families in Tonga. Also, Tonga's foreign exchange earning capacity is severely constrained; its exports of goods and services

currently are minimal. Therefore, its ability to repay loans is limited.

In the event that a donor is only able to offer assistance on a loan basis, the government would seek to negotiate concessional terms on the basis that Tonga is eligible for concessional assistance from the World Bank under IDA's small island state exception, and remains highly vulnerable to external shocks.

In summary, the government will only consider a loan:

- When grant resources are not available, and;
- In situations where the investment will contribute to accelerated economic growth, such as high impact infrastructure, or;
- Where it will enhance foreign exchange earning capabilities.

#### 4. Budget support

The government acknowledges the potential inflationary effects of budget support if it is not accompanied by increased productivity.

The government understands that some donors may be reluctant to provide assistance through budget support because of bad experiences in other parts of the world. The government recognises that the counterpart to budget support is good governance.

The government also believes that these concerns can be substantially allayed if the administrative systems of the public sector are improved. The government accepts that crucial to the future development of Tonga is the need for there to be a sound policy and institutional framework within the public sector, including a transparent and consistent budget, adequate financial accounting and

management arrangements, and adequate resourcing and people management arrangements.



Allied with sectoral program aid, budget support would encourage the development and maintenance of such a framework.

Budget support, whether it is sectoral budget support or general budget support is also consistent with greater emphasis on country ownership, systems and capacity, key elements of the Paris Declaration. It is a capacity enabler facilitating medium term structural and policy reforms critical to longer term sustainable development. It also enables a focus on overall progress and direction rather than on individual project results.

The government would welcome the opportunity to engage with donors in negotiations on activities and policy actions to encourage donor to adopt an incremental and holistic approach that emphasizes institutional and sectoral capacity development, trust building and the progressive implementation within sectors and more generally of budget support.

## 5. Technical assistance

Technical assistance is one modality for the delivery by donor partners of assistance to Tonga. The government requires national consultants to be used whenever possible, other than on those occasions when there are skill gaps that cannot be met locally.

Technical assistance can be short term or long term. As a general rule the purpose of long term technical assistance must be to build capacity through “on the job” transfer of competencies (behaviours and knowledge), and skills (occupational and job related).

For there to be a transfer of competencies and skills there must be a national counterpart. Again as a rule the provision of technical assistance to a ministry by a donor partner should be accompanied by the provision of a national counterpart by the ministry. The government acknowledges that there may be occasions when this is not possible, but these should be the exception not the rule.



Donors are encouraged as part of their consideration of technical assistance to contribute to the costs of a national counterpart for the duration of the technical assistance. The ongoing maintenance and financing of the position post technical assistance could be a condition attaching to the technical assistance.

The government believes there is a need to get back to basics regarding public sector institutional capacity building. There is a need for vocational skills development and “job ready” training in the public sector to complement and balance academic tertiary qualification focused training.

The government would welcome the opportunity to engage in dialogue with donors on possible innovative solutions to the need to grow basic administrative capacities in the public sector.

## 6. Institutional arrangements regarding aid management and coordination

### a) Ministers

Ministers collectively (i.e. the Cabinet), are responsible for all government policies and the strategic direction of the government. Ministers make decisions, either collectively in Cabinet or individually in connection with their portfolio.

- The minister with responsibility for aid matters will make decisions on aid matters. They may refer some decisions to the prime minister or to Cabinet.

### b) Officials

Officials serve the government of the day. Officials administer and carry out decisions made by ministers. They provide policy and administrative advice but they do not make policy, e.g. the Project and Aid Coordination Committee (PACC) provides advice to the minister on aid activities. The decisions that officials make are those in connection with the implementation of government policy, and within limits set by specific delegations.

### **c) Aid Management Division**

The core responsibilities of the AMD are:

- to advise ministers on aid policy and management issues;
- to coordinate donor funded development activity planning and management;
- to establish and maintain an aid information data base;
- to contribute to incorporation into the national budget the fiscal value of donor funded development activities;
- to work to achieve enhanced donor coordination and harmonisation and alignment by donors with the government's systems and processes;
- to maintain close and effective relations with ministries;
- to maintain close and effective relations with donor partners.

AMD does not have a practical role in developing and managing individual aid activities or sectoral programs. That is for ministries. But AMD does have a role in monitoring and reporting to ministers on the progress of donor partner funded activities against financial and physical milestones specified in the detailed preparation and design of activities. It will work cooperatively with ministries in this regard.

So too AMD will lead, in cooperation with donors, evaluations from time to time of donor funded activities, again with participation and cooperation of ministries.

### **d) Ministries**

Ministries have specific responsibilities with regard to the planning and management of donor partner funded activities.

- They identify activities and complete Activity Information Documents (AIDs);
- They undertake detailed preparation and design of activities;

- They undertake activities and manage or monitor/supervise them;
- They report quarterly to their minister on the physical and financial progress of activities, and copy reports to AMD;
- They participate in activity evaluations.





## 8. Activity Information Document

The activity for which approval is being sought and for which donor funding will be sought must be clearly and concisely described and justified. This should be done in the form of an Activity Information Document (AID). The AID is a summary activity document; it should be no more than 4 pages in length. Its purpose is to:

- Summarise the problem or issue the proposed activity will address; and
- Describe:
  - Objectives and outcomes;
  - Outputs;
  - Inputs – costs, people, materials, timing;
  - Implementation strategy – including who will supervise the activity;
  - Monitoring and reporting.

The AID is a key document the importance of which cannot be overstated. It is the document upon which initial approvals and detailed activity preparation and design are based. It is the document which triggers an update of the Aid Management Database by AMD. It is the document which will form the basis of future reporting in any number of contexts.

In many instances activity identification and the development of an AID will be jointly done by a donor and ministry. However, there may be instances, e.g. small community development projects, where a donor is not available to assist. In these instances the identifying ministry or community will need to complete the AID itself.

## 9. AMD appraisals/recommendations

For any activity proceeding through the activity planning and management process there are two occasions when AMD will carry out an appraisal and make recommendations.

- a) For initial approval – to progress the activity from a proposal described in an AID to detailed preparation and design, a process requiring more work and possibly expenditure of funds, especially if feasibility studies are required. AMD'S appraisal of the AID at this time will be limited to consideration of strategic issues:
  - It will assess compliance of the activity with the National Strategic Planning Framework (NSPF);
  - It will assess the activity against a design and monitoring framework.
- b) For final approval of activity funding and implementation – AMD's appraisal at this stage will also be strategic:
  - Output will be an Appraisal/Funding Submission on the basis of assessment of the activity's detailed preparation and design and an updated design and monitoring framework.



## 10. Activity approvals

For any activity proceeding through the activity planning and management process there are two occasions when approvals will be required:

- To approve progressing the activity to the detailed preparation and design stage;
- To approve funding for the activity and implementation.

On each occasion responsibility for approving or otherwise an activity will be on the basis of political authority and, therefore, a decision will be made by a minister(s).

- The minister(s) will be advised by AMD.

## 11. Detailed Preparation and Design

The responsibility for undertaking detailed activity preparation and design rests with the identifying/implementing ministry. In most instances it will be undertaken in cooperation with a donor. However, as for the activity identification stage, there may be occasions where a ministry or a delegated group representing two or more ministries (if the activity crosses portfolio boundaries), has to itself undertake detailed activity preparation and design.

- Detailed preparation and design also includes consideration of how the activity will be implemented, managed, and supervised/monitored.

The output from the detailed preparation and design process may be a number of documents which together comprise Activity Design Documentation (ADD).

- Importantly, the output for the minister(s) in terms of advice upon which they can base their go/no go decision would be the Appraisal/Funding Submission prepared by AMD.

## 12. Implementation, monitoring, supervision

These are critical parts of the activity planning and management cycle and must be comprehensively addressed during the detailed preparation and design phase of the cycle. Milestones against which the progress of an activity can be measured must always be specified.

Implementation and management/monitoring of an activity must be the responsibility of the identifying/implementing ministry. It will be assisted and/or oversighted by the donor, which is itself subject to reporting and acquittal requirements to its own constituency.

- If the activity is such that it is considered a project implementation unit or committee should be established the operating modalities of such a unit or committee must be determined during the detailed preparation and design phase.

On a quarterly basis the AMD should monitor the progress of a donor funded activity against financial and physical milestones specified in the detailed preparation and design phase.



### 13. Evaluation

This refers to post activity completion assessment of activity outcomes and impacts against objectives, with a view to learning lessons that can be applied to future activity development and management. Activities that are evaluated are normally larger scale, more costly, and ones where there is scope for assessment against their original objectives, for identification of problems and successes, and scope to learn lessons.

- Evaluations should be led by AMD and donor, with the implementing ministry participating and cooperating fully.





Government of The Kingdom of Tonga  
Aid Management Division

# ACTIVITY INFORMATION DOCUMENT (AID) (PROJECT PROPOSAL)

## 1. Introduction

### 1.1 Activity name

Choose a distinctive name for the activity in as few words as possible, which clearly indicates the nature of the activity.

---

### 1.2 Sector

Please circle the sector/s under which the activity falls.

- |  |   |   |  |  |
|--|---|---|--|--|
| <b>A.</b> Primary<br>Agriculture,<br>Forestry,<br>Fishing & Rural<br>Development | <b>D.</b> Energy  | <b>H.</b> Health Care &<br>Social<br>Assistance | <b>J.</b> Information &<br>Communication                                   | <b>M.</b> Governance &<br>Public<br>Administration |
| <b>B.</b> Environment &<br>Climate<br>Change                                     | <b>E.</b> Water &<br>Sanitation                                     | <b>I.</b> Education &<br>Training               | <b>K.</b> Business,<br>Industry & Trade<br>(Private Sector<br>Development) | <b>N.</b> Defence &<br>Public Safety               |
| <b>C.</b> Disaster<br>Management<br>& Relief                                     | <b>F.</b> Community<br>Development &<br>Small Scale<br>Construction |   | <b>L.</b> Tourism  | <b>O.</b> Other/<br>Unclassified                   |
|  | <b>G.</b> Transport &<br>Major<br>Infrastructure                    |   |  |  |

### 1.3 Identifying/Implementing Ministry

Give the full name of the Ministry or other Government agency initiating the project and which will be responsible for implementing or supervising/managing the activity's implementation.

---

### 1.4 Description

Provide a very short summary of the proposed activity. (i.e. What is the problem? How is this the solution?)

---

---

---

## 2. Policy contexts

Circle which of the following National Strategic Planning Framework (NSPF) objectives the proposed activity comprises with.

- PO1.** Facilitate Community Development by involving district/village communities in meeting their service needs
- PO2.** Support private sector growth through better engagement with government, appropriate incentives and streamlining of rules and regulations
- PO3.** Facilitate continuation of Constitutional Reform
- PO4.** Maintain and develop infrastructure to improve the everyday lives of the people
- PO5.** Increase performance of Technical Training Vocational Education & Training to meet the challenges of maintaining and developing services and infrastructure
- PO6.** Improve the health of the people by minimising the impact of Non-Communicable Diseases
- PO7.** Integrate environmental sustainability and climate change into all planning and executing of programs

Briefly explain how it meets these government priorities.

---

---

---

---

## 3 The activity

3.1 What are the objectives of the activity? What is its purpose?

- 
- 
- 

3.2 What outcomes are hoped for from the activity? What are the hoped for changes that will come about as a result of the activity?

- 
- 
- 

3.3 What will be the outputs of the activity? These need to be SMART, i.e. they need to be: Specific; Measurable; Achievable; Realistic; Time-bound.

- 
- 
-

3.4 What inputs are required by the activity? What resources (i.e. people and their skills, materials etc) are required, how many, when and for how long?

- 
- 
- 

3.5 How will the activity be carried out and who will manage/monitor it?

---

---

#### 4 Activity costing

##### 4.1 Capital costs

These generally occur at the beginning of an activity's life, and are generally fixed. They need to be specified or estimated, and when they occur needs to be specified.

<u>Description</u>	<u>Cost</u>	<u>Financial Year</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

##### 4.2 Recurrent costs

Recurrent, or variable, costs are those costs that recur throughout the life of the activity, e.g. wages and maintenance costs. They need to be specified and so does their phasing (i.e. when they occur) throughout the life of the activity.

<u>Description</u>	<u>Cost</u>	<u>Financial Year</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

#### 5. Project benefits

##### 5.1 Description of benefits

Describe the expected positive results of the activity. Estimate the size of the benefits, and express them in TOP terms wherever possible.

---

---

---

## 5.2 Identification of beneficiaries

Who is expected to benefit? As far as possible identify and describe them along geographic lines, according to socio-economic status etc.

---

---

---

## 6. Performance indicators for monitoring during implementation.

- Specify indicators against which implementation of the project can be monitored. These could include physical milestones or financial expenditures or both.
- What timeframes (i.e. monthly, quarterly, six-monthly, annually) and what type of reports (i.e. progress, acquittals, completion) will be undertaken?

---

---

---

---

## 7. Activity sustainability

### 7.1 Environmental implications

- How will the project impact on the environment?
- Was an environmental impact study undertaken?
- What steps were taken to ensure the project will operate in harmony with the environment or that damage to the environment was minimised?

---

---

---

---

### 7.2 Socio-cultural considerations

- If the activity has an impact on women were they consulted in the development of the proposed activity?
- Are there any other social and/or cultural considerations?
- How have they been dealt with?

---

---

---

---