



Prime Ministers Office

NATIONAL STRATEGIC PLANNING FRAMEWORK

February 2009

1. Introduction

This document provides a new Strategic Planning approach for the Government of Tonga. The previous Strategic Development Plan 8 (SDP8), which covered the years 2006/07 – 2008/09, was the right one for the time, but this new framework takes a longer term view of 5-10 years. Policies must look beyond the present and build the foundation for sustainable and lasting growth. While the fundamental economic analysis and the strategic direction of recent years remain valid, there are issues that have progressively increased in importance.

The Framework requires a long-term strategic approach that focuses on the key determinants of economic and social development. Many of these need, by their very nature, to be addressed through consistent and sustained policy implementation over many years. Some have very long lead times – for example, the investment in the early years of children’s education to provide eventual but long-lasting economic and social returns.

Secondly, rather than the broad and all inclusive approach used for SDP8 and its predecessors, this plan focuses on a limited number of uniquely national or whole of government priorities, with action in other supporting areas being required of Ministers through their Ministries’ corporate plans. With the assistance of the Policy & Planning Division within the Ministry of Finance & National Planning Ministries will be asked to focus on the areas in which they can develop outcomes and outputs that they can influence or control and then projects or programs to achieve these outputs and which will contribute to the achievement of the national vision and goals.

What is also required is a more effective management and monitoring of progress on the strategic objectives. This approach has the advantage of challenging line Ministers to focus more on the quality of their Ministry’s corporate plan.

2. National Vision and Objectives

The Government vision remains:

“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”.

The Vision expresses the aspirations of the Tongan people and the ultimate aims of all the development efforts that will be undertaken during the Framework

period. In securing the vision, it is essential to create a Tonga where enterprise can flourish, where opportunity exists for all, and where Tongans have the confidence to face the challenges of a global society.

The Objectives

Fulfilling the vision set out above requires a well-articulated strategic approach to address the Government's economic growth, social justice, and sustainability objectives, while acknowledging their clear interdependence.

The Government's objectives are therefore expressed on two levels: at the top level, there are the *primary outcome objectives*, which are underpinned by *the enabling themes* that support the achievement of these outcomes.

The primary outcome objectives. The Government is focused on achieving seven key outcomes that are fundamental to sustained economic growth:

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

The enabling themes. The achievement of these above outcomes depends upon a complex array of economic and social drivers. Establishing the underlying conditions and context for Tonga to flourish is, therefore, a critical step. There are four key enabling themes:

- Continue progress to smaller and more efficient government to transfer resources to improved services and maintenance of resources
- Ensure State Owned Enterprises are accountable to government as owner and that they provide dividends for the benefit of the people in proportion to capital invested

- Improve the effectiveness of revenue collection to ensure a level playing field and that services to the people can be appropriately funded
- Ensure a more coordinated whole of government approach to donor funding

3. Primary Outcome Objectives

Facilitate Community Development by involving district/village communities in meeting their service needs

The Framework is based on goal that all regions enjoy the same economic and social opportunities, and with regional development itself contributing to national prosperity. The Framework looks to build up economic activity throughout Tonga by promoting skills, enterprise and innovation everywhere. However, beyond this, there may be a need for targeted regional interventions to promote more balanced growth and social inclusion. Encouraging economic dynamism throughout Tonga should improve both the size of the national economy and the relative distribution of regional shares in wealth and employment creation.

There have been profound changes in the rural economy, with long-term decline of primary and traditional industries, the growth of the service sector, diversification into new activities and the growing importance of tourism. Many rural areas can absorb more people without losing their environmental quality and modern communications technologies now make widely dispersed economic activity a practical proposition.

This Framework sees a fundamental change in the governance structures for outer islands. Government will move to set up and support village districts and councils with the objective to give communities a greater say in local and regional development. The Framework will focus on developing functional government systems at all levels (region, district, town/village) that are consultative and responsive to the needs of communities. This will empower communities and build more self-reliance at all levels to address community development needs.

Government will encourage local authorities to protect and develop rural services by utilising their community planning powers. In order to increase effectiveness and efficiency in service delivery, the Government of Tonga's structural reform envisages introducing good governance principles and committing a minimum of \$15m of its annual budget directly to the outer islands for communities to have a direct say on how this money is spent.

To date Government has been piloting a community-based approach to setting up of the Lapaha District Council by scaling up the experience from Lapaha Town Council (launched on July 1 2007), as well as adapting an appropriate local governing model and structure based on the principles of good governance. This

model will be further advanced under the Framework and a priority will also be the establishment of the Nuku'alofa Town Council.

Support private sector growth through better engagement with government, appropriate incentives, and streamlining of rules and regulations

Raising the long-term sustainable growth rate of the Tonga's economy is the Government's top priority. A successful economy is the key to our future prosperity and a pre-requisite for building first class public services, social justice and a Tonga full of opportunity. It is only through economic growth that sustainable poverty alleviation can be achieved. Increasing our economic growth rate will be driven by the private sector and secured through sustained increases in our competitiveness in international and domestic markets.

Economic growth is a national priority and is not the sole responsibility of one area of government, or dependent on one sector. Economic prosperity is only secured through the efforts and contributions of a wide range of individuals and bodies, working in an integrated and collaborative manner. This means that all the Departments within Government play a part in influencing, and contributing to, Tonga's economic development. Government policy, commercial laws, regulations and creating an environment that facilitates investment will be key factors that underpin private sector led growth¹. The key economic sectors remain as for SDP8, being agriculture, fisheries, and tourism.

Facilitate continuation of Constitutional Reform

The Kingdom of Tonga is undertaking a most historic and fundamental Constitutional reform. This transition will take place in two phases.

1. Reform - The Constitutional and Electoral Commission Act 2008 established a Commission ('CEC') and terms of reference with specific matters of enquiry detailed in the second schedule to the Act. This independent Commission has as part of its statutory function a timetable and clear consultation and reporting obligations over the next 18 months.

2. Democratisation - After the Commission has reported and dovetailing into its recommended changes a longer-term phase will commence to embed, the democratic processes established by phase one, to secure the democratisation and ensure sustainable nation building up to and beyond 2010.

As part of this reform Government will look at Law, Justice, and Electoral reform, International Treaties, National Security and Administration over a longer term process of democratisation.

A joint program has been set up to fund this reform with Tonga being assisted by both the Australian and New Zealand Governments.

¹ See ADB Private Sector Assessment for key constraints to economic growth

Maintain and develop infrastructure to improve the everyday lives of the people

The physical infrastructure of our country underpins the competitiveness of enterprises and high-quality infrastructure is a pre-requisite for a thriving and successful economy. Government will continue its program to strengthen and modernise infrastructure to reduce business costs and to facilitate market access.

Much infrastructure development is already underway, and as a result of existing expenditure commitments, for example on the Nuku'alofa reconstruction, much of what will happen over the next 5 to 10 years is already well established. Beyond that there are important choices facing Tonga. Some parts of the country have a buoyant economy and that is placing significant strains on existing infrastructure. Other areas have experienced decline but a co-ordinated approach to regeneration can bring genuine economic, social and environmental benefits and create more balanced growth opportunities in the islands. Striking the balance in policy, expenditure and Government action can involve difficult choices, but we must make decisions in Tonga's long-term interest.

Market accessibility is dependent on the transport infrastructure for all of the outer island groups and is necessary for fundamental quality of life and potential investment, which includes tourism, agriculture and fisheries. Sustainability of these sectors requires affordable developed transport links from the aviation and maritime sectors.

In particular, a more systematic approach is required to decision-making on strategic infrastructure provision. Major infrastructure projects are expensive and can have big impacts on people's lives. They can raise the ability of islands to compete but are essentially irreversible. That is why decisions must be made carefully and in a considered manner.

Increase performance of Technical Training Vocational Education & Training to meet the challenges of maintaining and developing services and infrastructure

Basic education and skills are crucial to any strategy for growth and are the bedrock for the foundation of a competitive economy. The basic education and skills of our key resource, our people, and their capacity to renew and enhance these skills on a continuing basis is fundamental to the Framework. A skills and learning strategy must embrace the full range of skills, including basic skills of literacy and numeracy for all; the skills required of employees, managers and entrepreneurs; and the skills of our academic community.

We must improve the skills of the whole population through further support for the basic education system; by strengthening lifelong learning; and by nurturing further education. This must include raising our manual and vocational skills. To

this end the Government focus over the next 5 years will be on both public and private technical and vocational education services.

A joint program between the Tongan, Australian, and New Zealand Governments is being designed to support technical and vocational training in Tonga.

Improve the health of the people by minimising the impact of Non-Communicable Diseases

Tonga's population has a relatively high standard of health. Advances in the health indicators testify to Tonga's effective primary health care delivery, public health infrastructure and the importance of comprehensive antenatal and postnatal care, immunization, water and sanitation and waste disposal programmes. Infectious and most communicable diseases are under control, primarily as a result of water and sanitation improvements and successful primary health care. However, like most other Pacific island nations, the increased prevalence of non-communicable diseases such as sugar diabetes has become a major problem in recent years.

Health care services are decentralized in accordance with the long-standing Government commitment to primary health care provision. Government will improve the provision of health services across Tonga, with continued emphasis on preventative health care, with a focus on addressing non-communicable diseases. Preventative health measures are more cost-effective than curative medicine and in the Tongan context must focus on lifestyle based illnesses.

Integrate environmental sustainability and climate change into all planning and executing of programs

The Tonga Government takes seriously the responsibility of preserving for future generations the economic opportunities and environmental resources that we enjoy today.

The Government is committed to integrating the principles of sustainable development into all of its policies and budgetary processes. Raising the environmental sustainability of economic development to safeguard the interests of future generations is vitally important. It is universally accepted that the environment is not a separate entity from the economy. Changes in one affect the other. Thus, economy and the environment must be fully integrated in decision-making.

There is a need to explore options for enhancing the resilience of government, communities, businesses and natural resources; exploring the environmental, economic and societal consequences of changes in the availability of freshwater and other resources; and the roles of institutions and information systems in improving Tonga's risk management capabilities. There is a need to analyze the options, risks and uncertainties in mitigating and adapting to environmental change and variability.

Year-to-year climate variability (e.g., El Niño) and extreme events (e.g., droughts and storms) already pose significant challenges for key economic sectors including agriculture, fisheries and tourism, public health and safety, climate-sensitive resources (e.g. beaches & coral reefs), vulnerable coasts and critical water resources, and will continue to do so in the future. People are at risk from geologic disasters in this geologically unstable part of the world. Government will seek to develop a framework for multi-hazards risk management that will contribute to the development of sustainable communities in Tonga.

Land-use and land-cover change are widely considered as sources and sinks of biogeochemical elements and biological diversity. Human driving forces of land-use/cover change include demographic factors such as population size, growth rate, and migration; cultural values; technology; level of affluence and economic structure; and political systems. A better understanding of how these factors affect land-use decisions and derive land-cover changes is critical for projecting future patterns of land use and future states of land cover.

4. Enabling Themes

Continue progress to smaller and more efficient government to transfer resources to improved services and maintenance of resources

The Government will focus on the continual improvement of public sector productivity through its management of the public finances. As a major element in the Tongan economy in its own right, the public sector has a crucial role to play. The Government's expenditure decisions impact both directly and indirectly on economic activity, and the effectiveness and efficiency with which these expenditure programmes are undertaken therefore affect economic performance.

The Government will undertake a review of its operations with aim at achieving cost efficiencies while simultaneously seeking better public policy formulation and implementation; and will seek to minimize the social costs resulting from the creation of a public service in which there are "better jobs for fewer people".

Ensure State Owned Enterprises are accountable to government as owner and that they provide dividends for the benefit of the people in proportion to capital invested

Improving corporate governance of public enterprises and corporatising and privatizing some government commercial activities and public enterprises are ongoing, integral components of public sector reform. Reducing government expenditure through corporatisation and raising revenue through asset sales potentially make significant contributions to government fiscal position.

In the interest of greater accountability and transparency of public enterprise operations, the Ministry of Public Enterprises will continue to encourage public enterprises to formulate statements of corporate intent which include rigorous dividend targets and to meet their reporting obligations under the Public Enterprise Act.

Cabinet has approved in principle a policy of outsourcing government services. The policy objectives are to: reduce the cost of Government; strengthen the private sector; improve the quality of goods and services provided to customers; focus public servants on the core business of public policy; and reduce business risks to Government.

Improve the effectiveness of revenue collection to ensure a level playing field and that services to the people can be appropriately funded

Introducing a uniform customs tariff was an essential step in aligning Tonga's tax system with the requirements of WTO accession. A simplified, uniform system eliminates the corruption associated with a complex, discretionary system and facilitates private sector development.

The new Income Tax Act provides for a simplification of personal and corporate income tax. The automated Revenue Management System assists with compliance and improves services to clients. A similar system is being developed for Customs and this will be a major component in ensuring a level playing field for international trade transactions.

Ensure a more coordinated whole of government approach to donor funding

Donor partner funds are a major contributor to the development of Tonga as a nation. The Government will take a greater lead in ensuring better ministry and donor coordination to ensure more sustainable development outcomes.

5. Summary

The National Strategic Planning Framework is not a comprehensive master plan or fixed blueprint. Instead it offers a perspective on Tonga's long-term spatial development. The Government and its agencies are not in control of all the factors driving change. Some changes must be seen in the context of the Pacific and globalisation. Others reflect the cumulative effect of decisions made by individuals and businesses. But the decisions that the Government and its agencies make can and do affect the potential of the Kingdom.

The publication of the National Strategic Planning Framework marks the start of a process of engagement and debate on Tonga's long-term development. The value of our environmental and cultural resources is embodied in our land and

people. Both work better when they are working together – within a clear planning framework.