

# Asian Development Bank & Tonga

## FACT SHEET

**Table 1. Tonga: 2014 Approved Loans, Grants, and Technical Assistance (\$ million)**

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
–	–	0.68	8.79	9.46

– = nil.

Note: Grants and technical assistance include cofinancing.

**Table 2. Tonga: Cumulative Lending, Grant, and Technical Assistance Approvals<sup>a, b</sup>**

Sector	No.	Total Amount	
		(\$ million) <sup>c</sup>	% <sup>c</sup>
Agriculture, Natural Resources, and Rural Development	10	8.46	5.21
Energy	11	29.18	17.96
Finance	10	7.93	4.88
Industry and Trade	7	2.39	1.47
Information and Communication Technology	1	9.70	5.97
Multisector	11	41.99	25.85
Public Sector Management	25	24.73	15.23
Transport	7	12.42	7.64
Water and Other Urban Infrastructure and Services	7	25.65	15.79
<b>Total</b>	<b>89</b>	<b>162.44</b>	<b>100.00</b>

<sup>a</sup> Grants and technical assistance include cofinancing.

<sup>b</sup> Includes sovereign and nonsovereign loans and technical assistance.

<sup>c</sup> Total may not add up because of rounding.

The economy of Tonga is characterized by large volumes of subsistence agriculture, extreme vulnerability to natural hazards, and a heavy reliance on external income (donor aid and remittances). In the medium term, Tonga's development prospects depend on the continued implementation of structural reforms that will improve economic productivity, remove bottlenecks to growth, and strengthen macroeconomic resilience.

The Asian Development Bank (ADB) has been working with the Government of Tonga since 1972. As of 31 December 2014, Tonga has received 15 loans and 7 grants totaling \$105.87 million from the Asian Development Fund, and 63 technical assistance projects totaling \$22.12 million. Currently active initiatives include six grant projects totaling \$68.04 million, and one technical assistance project amounting to \$2.68 million.

ADB's Pacific Approach 2010–2014, which also serves as the country partnership strategy for Tonga, has at its core the promotion of sustainable, inclusive economic growth and social development.

Cumulative disbursements to Tonga for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds amounted to \$87.0 million.

### ADB-Supported Projects and Programs

Previous national development plans aimed to achieve higher standards of living for the people of Tonga. Progress toward this objective has been slow, and outcomes reflect policy settings and governance environments that often discourage private sector investment, while the public sector—particularly Tonga's state-owned enterprises—continues to dominate.

ADB and other development partners are working closely with the Government of Tonga to implement a Joint Policy Reform Matrix that ensures that priority areas are addressed, and that policy reforms are realized. The medium-term policy goals for the government include maintaining macroeconomic stability, particularly in light of the large debt overhang, and improving economic management. Policy reforms must also seek to achieve sustained economic growth led by the private sector, while maintaining education and health standards.

The Tonga–Fiji Submarine Cable Project, a collaborative effort with the World Bank, was officially launched in August 2013 to help deliver high-speed broadband to Tonga. To take advantage of faster internet speed, ADB is also supporting the development of electronic applications to improve service delivery in Tonga's health and education sectors.

In December 2013, ADB approved the Climate Resilience Sector Project, which will see climate resilience incorporated as a key consideration in government planning and processes. The project will finance a range of

**Table 3. Tonga: Project Success Rates**

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2005	–	1
2012	100.00	1
<b>Total</b>	<b>50.00</b>	<b>2</b>

– = nil.

Note: “Year” refers to the circulation year of the project completion report (PCR). Compared with the numbers in previous years’ fact sheets, the success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2014.

**Table 4. Tonga: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2013–2014**

Number of Ongoing Loans (as of 31 Dec 2014)	–	
	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	–	–
Disbursements <sup>a</sup>	–	–
Number of Ongoing Grants (as of 31 Dec 2014) <sup>c</sup>	5	
	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	3.0	2.1
Disbursements <sup>a</sup>	14.3	2.3
Actual Problem Projects (%)	–	

– = nil.

Note: Totals may not add up because of rounding.

<sup>a</sup> Includes closed loans/grants that had contract awards or disbursements during the year.

<sup>b</sup> Excludes policy-based lending/grants.

<sup>c</sup> Includes only Asian Development Fund and other ADB special funds.

least-cost and locally appropriate solutions for climate resilience, with civil society organizations and local communities involved in the identification and implementation of suitable investments. Also in 2013, a policy-based grant of \$4.5 million was approved by ADB to support the government’s efforts to achieve fiscal stability.

ADB will continue its support to improve the management of public funds, and to promote renewable energy and climate resilience, through country-level and regional technical assistance. Future operations will focus on underpinning government efforts to achieve inclusive growth through policies that promote structural reform, gender empowerment, and social protection.

## Cofinancing

Cofinancing operations enable ADB’s financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, other concessional financing, and commercial financing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB’s Trade Finance Program.

By the end of 2014, cumulative direct value-added official cofinancing for Tonga amounted to \$52.0 million for six investment projects and \$3.4 million for six technical assistance projects.

In 2014, Tonga received \$4.3 million grant cofinancing from the Government of New Zealand for the Cyclone Ian Recovery.

**Table 5. Tonga: Projects Cofinanced, 1 January 2010–31 December 2014**

Cofinancing	No. of Projects	Amount (\$ million)
Projects <sup>a</sup>	5	50.96
Grants	5	50.96
Technical Assistance Grants	4	3.20

<sup>a</sup> A project with more than one source of cofinancing is counted once.

A summary of projects with cofinancing from 1 January 2010 to 31 December 2014 is available at [www.adb.org/countries/tonga/cofinancing](http://www.adb.org/countries/tonga/cofinancing)

## Partnerships

Tonga, like other small island economies in the Pacific, relies heavily on overseas development assistance. The country’s principal development partners include ADB, Australia, the People’s Republic of China, the European Commission, Japan, New Zealand, the United Arab Emirates, several agencies of the United Nations, and the World Bank. Ongoing dialogue between the Government of Tonga and development partners has resulted in the preparation of the multiyear Joint Policy Reform Matrix, which outlines shared reform priorities that, when implemented, trigger provision of general budget support. The support of multiple donors for the matrix has played a key role in mobilizing political attention, administrative efforts, and technical assistance to implement reforms.

The ADB country operations business plan (COBP), 2015–2017 is aligned with the objectives of the 2005 Paris Declaration on Aid Effectiveness, while the ADB–World Bank Tonga Development Coordination Office provides an immediate point of contact for the government and other development partners in Tonga. The office helps to strengthen development coordination, enhance relationships, and provide technical support to the government as needed.

## Procurement

### Share of ADB's Procurement Contracts

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries, and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts were awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Procurement contracts for goods, works, and related services under loan and grant operations totaled \$6.59 billion in 2013 and \$8.58 billion in 2014. Cumulative procurement, as of 31 December 2014, was \$135.21 billion.

Procurement contracts for consulting services under loan, grant, and technical assistance operations totaled \$511.13 million in 2013 and \$555.30 million in 2014. Cumulative procurement, as of 31 December 2014, was \$9.98 billion.

**Table 6. Tonga's Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects**

Item	2013		2014		Cumulative (as of 31 Dec 2014)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	5.87	0.09	0.48	0.01	34.52	0.03
Consulting Services	0.29	0.06	0.40	0.07	2.93	0.03
<b>Total Procurement</b>	<b>6.16</b>	<b>0.09</b>	<b>0.89</b>	<b>0.01</b>	<b>37.45</b>	<b>0.03</b>

### Goods, Works, and Related Services

From 1 January 1966 to 31 December 2014, contractors and suppliers were involved in 194,667 contracts for goods, works, and related services under ADB loan and grant projects worth \$135.21 billion. During the same period, 105 contracts were awarded to contractors and suppliers from Tonga worth \$34.52 million.

**Table 7. Top 5 Contractors/Suppliers from Tonga Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2010–31 December 2014**

Contractor/Supplier	Sector	Contract Amount (\$ million)
Vavau Construction and Clothier Earthworks JV	WUS	2.33
B B Construction Ltd.	WUS	0.56
Tonga Forest Products Limited	ENE	0.27
Maa Fafine Moe Famili	HLT	0.26
Tonga Power Limited	ENE	0.19
Others		15.47
<b>Total</b>		<b>19.07</b>

ENE = Energy, HLT = Health, WUS = Water and Other Urban Infrastructure and Services.

## Consulting Services

From 1 January 1966 to 31 December 2014, consultants were involved in 45,584 contracts for consulting services under ADB loan, grant, and technical assistance projects worth \$9.98 billion. During the same period, 63 contracts were awarded to consultants from Tonga worth \$2.93 million.

**Table 8. Top 5 Consultants from Tonga Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2010–31 December 2014**

Consultant	Sector	Contract Amount (\$ million)
Individual consultant/s		1.68
<b>Total</b>		<b>1.68</b>

## Operational Challenges

As with many small and remote Pacific island countries, ADB operations in Tonga face common development challenges, including a lack of depth in technical capacity, high turnover of critical staff, poor interagency coordination, and high operating costs. Tonga's relatively weak business environment also limits the availability of local contractors and consultants to implement ADB-financed activities. Technical assistance is building capacity to improve the management of the government budget, urban planning, energy efficiency, and climate resilience and adaptation. This support is well planned and deliberately intermittent, allowing local staff to learn on the job, with guidance from international experts. Policy dialogue, through policy-based lending operations, is addressing critical issues in public sector reform, and is delivering more effective coordination of technical assistance. Through the Private Sector Development Initiative, ADB is also working with the government to develop reforms in state-owned enterprises, business registration, and access to finance through secured transactions.

## Future Directions

The COBP, 2015–2017 is consistent with the Tonga Strategic Development Framework and ADB's [Midterm Review of Strategy 2020](#), its corporate strategy. These guidelines aim for sustained and resilient growth, with improved standards of living for all the people of Tonga.

Careful alignment with government priorities and continuity in key sectors, particularly economic infrastructure, characterize ADB support for Tonga in 2015–2017. The government has confirmed its preference for policy-based lending and high-quality project implementation. Following the establishment of the Joint Policy Reform Matrix, assistance from Tonga's development partners has helped stabilize public finances. Given the

government's improved financial situation, the policy focus will gradually shift to deeper structural reforms that promote private sector development and inclusive growth. ADB operations in Tonga include four large-scale projects, which are scheduled to end during 2016–2018, and currently consume significant government implementation

capacity. ADB assistance in Tonga will focus on renewable energy, and effective and prudent macroeconomic management. Resources will also be directed toward developing Tonga's private sector, and building the country's resilience to climate change.

## About Tonga and ADB

### ADB Membership

Joined 1972

### Shareholding and Voting Power

Number of shares held:	426 (0.004% of total shares)
Votes:	39,856 (0.302% of total membership, 0.463% of total regional membership)
Overall capital subscription:	\$6.17 million
Paid-in capital subscription:	\$0.30 million

**Bhimantara Widyajala** is the Director and **Dominic Walton-France** is the Alternate Director representing Tonga on the ADB Board of Directors.

**Robert Jauncey** is the Regional Director of the Pacific Subregional Office. The office was opened in 2004, and provides the primary operational link for activities between ADB and the governments of the subregion, the private sector, civil society stakeholders, and development partners. The office engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in the Cook Islands, Fiji, Kiribati, Samoa, Tonga, and Tuvalu.

The Tonga government agency handling ADB affairs is the Ministry of Finance and National Planning.

### About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2014, lending volume was \$12.92 billion (113 projects), with TA at \$158.88 million (256 projects) and grant-financed projects at \$405.34 million (17 projects). In addition, \$9.24 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2010 to 31 December 2014, ADB's annual lending volume averaged \$12.10 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$697.97 million and \$156.69 million in TA over the same period. As of 31 December 2014, the cumulative totals excluding cofinancing were \$216.21 billion in loans for 2,729 projects in 44 countries, \$6.87 billion in 256 grants, and \$3.75 billion in TA grants, including regional TA grants.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Asian Development Outlook  
[www.adb.org/publications/series/asian-development-outlook](http://www.adb.org/publications/series/asian-development-outlook)

Annual Report  
[www.adb.org/documents/series/adb-annual-reports](http://www.adb.org/documents/series/adb-annual-reports)

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