

Asian Development Bank & Tonga

FACT SHEET

Table 1. Tonga: Cumulative ADB Lending by Sector as of 31 December 2012^a

Sector	Loans (no.)	Amount (\$ million)	% ^b
Agriculture and Natural Resources	2	6.04	10.44
Energy	2	12.20	21.11
Finance	2	6.50	11.25
Industry and Trade	1	0.37	0.64
Public Sector Management	1	10.00	17.31
Transport and ICT	2	11.30	19.56
Multisector	5	11.38	19.69
Total	15	57.79	100.00
Total Disbursements		\$52.3 million	

ICT = information and communication technology.

^a Includes sovereign and nonsovereign loans.

^b Total may not add up because of rounding.

Partnerships

The Asian Development Bank (ADB) has partnered with the Government of Tonga since 1972. ADB's Pacific Approach, 2010–2014, which also serves as the country partnership strategy (CPS) for Tonga, was prepared in coordination with development partners, civil society organizations, and the private sector to strengthen the effectiveness, quality, and sustainability of support provided.

The establishment of the ADB and World Bank joint development coordination office in 2009 means that ADB and the World Bank are able to jointly support the Government of Tonga to implement its structural reform program. The office has been successful in enhancing relationships and policy dialogue with the government and other development partners, as well as ensuring coordinated provision of budget support and technical support through the government-led joint policy reform matrix.

ADB is collaborating with the World Bank on the Pacific Regional Information and Communications Technology Connectivity Project through the Tonga–Fiji Submarine Cable Project, and with the Australian Agency for International Development (AusAID) through the recently approved Nuku'alofa Urban Sector Development Project.

ADB also participates as a member of the International Monetary Fund's annual Article IV mission to Tonga.

Operational Challenges

Tonga's small and open economy is vulnerable to external shocks and it was hit hard by the global financial crisis. Development challenges include high levels of debt, limited employment opportunities, and low private sector investment levels. As part of its constitutional and political reforms, Tonga held its first democratic elections in November 2010. Following this, the new government developed a medium-term national development strategy—the Tonga Strategic Development Framework—which encompasses nine priority areas that will guide macroeconomic policy for 2011–2014.

Development partners are working closely with the new government to ensure that priority areas are addressed and policy reform priorities implemented. Maintaining macroeconomic stability, particularly in light of the large debt overhang; improving economic management; and achieving sustained private sector-led economic growth, while maintaining education and health standards, are priorities for the government's medium-term policy efforts.

Future Directions

The country operations business plan (COBP), 2013–2015, approved in September 2012, is consistent with the focus of the Tonga Strategic Development Framework, 2011–2014 as well as ADB's Pacific Approach, 2010–2014, and aims for sustained, resilient growth, and improved standards of living.

The COBP envisages ongoing support for structural reform, urban infrastructure development, boosting connectivity via multimodal networks and new technologies, preparation of an outer island renewable energy project, and technical assistance to continue support for improving economic management. Future assistance is likely to continue this focus on macroeconomic stability and private sector development, particularly through the joint policy reform matrix, as well as urban development and energy.

Context

Tonga has received \$57.79 million in loans and \$20.12 million in technical assistance since joining ADB in 1972.

Tonga's medium-term prospects depend on the continued implementation of its structural reforms. More recently, Tonga has benefited from support provided for state-owned enterprise and business regulatory reforms, which has resulted in improved efficiency and greater private sector participation.

Three grant projects totaling \$33.5 million and four technical assistance projects amounting to \$3.0 million are currently active.

ADB-Supported Projects and Programs

The national strategic vision aims for a higher standard of living for the people of Tonga. Progress toward achieving this objective has been slow. The outcome reflects past policy, governance environments that discouraged private sector investment, and the crowding-out effects of a relatively large public sector, particularly its enterprises. Considerable effort by ADB state-owned and bilateral aid agencies to support reforms yielded mixed results. In response to continued demand for effective reforms, ADB has worked closely with the government and other development partners to provide technical assistance in a more cohesive, coordinated, and sequenced manner.

Phase 1 of the ADB-supported Integrated Urban Development Sector Project in Tonga is progressing well, while phase 2 was approved in 2011. The Tonga–Fiji Submarine Cable Project, a collaborative effort with the World Bank, was also approved in 2011 and aims to improve Tonga's economic performance and public service delivery through widely available and affordable information and communication technology services, especially broadband internet.

ADB has provided four phases of technical assistance for the rationalization of public enterprises. Tonga continues to receive much needed support to strengthen macroeconomic and fiscal management through country and regional technical assistance. ADB will continue its support to improve energy efficiency through regional technical assistance.

Table 2. Tonga: Development Indicators

Non-MDG	
Population in millions	0.10 [2012]
Annual population growth rate (%)	0.2 [2010–2012]
Adult literacy rate (%)	99.0 [2006]
Population in urban areas (%)	23.5 [2011]
MDG	
Population living on less than \$1.25 (PPP) a day (%)	...
Population living below the national poverty line (%)	22.5 [2009]
Under-5 mortality rate per 1,000 live births	15 [2011]
Population using an improved drinking water source (%)	100 [2010]

... = data not available, MDG = Millennium Development Goal, PPP = purchasing power parity.

Sources: ADB. 2013. *Basic Statistics 2013*. Manila; United Nations Educational, Scientific and Cultural Organization (UNESCO). 2013. Institute for Statistics Data Centre; World Bank. 2013. World Development Indicators Online.

Table 3. Tonga: Economic Indicators, 2008–2012

Economic Indicator	2008	2009	2010	2011	2012
Per capita GNI, Atlas method (\$)	3,210	3,330	3,470	3,820	...
GDP growth (% change per year)	1.9	3.2	3.3	2.9	0.8
CPI (% change per year)	9.5	6.0	5.1	6.1	4.6
Unemployment rate (%)
Fiscal balance (% of GDP)	3.0	(0.9)	(5.3)	(7.4)	(2.9)
Export growth (% change per year)	(9.6)	(32.4)	(8.1)	38.0	7.3
Import growth (% change per year)	37.8	(13.2)	(4.8)	16.9	21.0
Current account balance (% of GDP)	(11.9)	(15.7)	(13.4)	(11.1)	(17.9)
External debt (% of GNI)	25.9	27.6	33.7	41.7	...

() = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2013. *Asian Development Outlook 2013*. Manila; ADB staff estimates; World Bank. 2013. World Development Indicators Online.

Table 4. Tonga: Project Success Rates

Sector	% ^a	No. of Rated Projects/Programs
Agriculture and Natural Resources	–	2
Energy	100.0	1
Finance	–	2
Industry and Trade	100.0	1
Multisector	100.0	6
Public Sector Management	–	1
Transport and ICT	100.0	2
Total	66.7	15
Year of Approval		
1970s	75.0	4
1980s	83.3	6
1990s	50.0	4
2000s	–	1

– = nil, ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PVRs), and project/program performance evaluation reports (PPERs) using PVR or PPER ratings in all cases where PCR and PVR/PPER ratings are available.

Sources: PCRs, PVRs, and PPERs containing a rating circulated as of 31 December 2012.

Table 5. Tonga: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2011–2012

	Number of Ongoing Loans (as of 31 Dec 2012)	
	2011 (\$ million)	2012 (\$ million)
Contract Awards/Commitments ^{a,b}	–	–
Disbursements ^a	–	–
Number of Ongoing Grants (as of 31 Dec 2012) ^c		
	2011 (\$ million)	2012 (\$ million)
Contract Awards/Commitments ^{a,b}	0.03	10.6
Disbursements ^a	7.1	3.9
Projects at Risk (%)		33.3

– = nil.

Note: Totals may not add up because of rounding.

^a Includes closed loans that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only Asian Development Fund and other ADB Special Funds.

Cofinancing

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

By the end of 2012, cumulative direct value-added official cofinancing for Tonga amounted to \$23.9 million for three investment projects and \$2.1 million for six technical assistance projects.

A summary of projects with cofinancing from 1 January 2008 to 31 December 2012 is available at www.adb.org/countries/tonga/cofinancing

Procurement

From 1 January 1966 to 31 December 2012, contractors and suppliers were involved in 185,090 contracts for ADB loan projects worth \$116.58 billion. During the same period, contractors and suppliers from Tonga were involved in 83 contracts for ADB loan projects worth \$15.41 million.

From 1 January 1966 to 31 December 2012, consultants were involved in 11,990 contracts for ADB loan projects worth \$5.11 billion. During the same period, consultants from Tonga were involved in one contract for ADB loan projects worth \$0.17 million.

From 1 January 1966 to 31 December 2012, consultants were involved in 26,546 contracts for ADB technical assistance projects worth \$3.1 billion. During the same period, consultants from Tonga were involved in 39 contracts for ADB technical assistance projects worth \$1.93 million.

Table 6. Tonga: Projects Cofinanced, 1 January 2008–31 December 2012

Cofinancing	No. of Projects	Amount (\$ million)
Projects ^a	2	22.94
Grants	2	22.94
Technical Assistance Grants	4	1.88

^a A project with more than one source of cofinancing is counted once.

Table 7. Tonga: Share of Procurement Contracts

Item	2011		2012		Cumulative (as of 31 Dec 2012)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	–	0.00	–	0.00	15.41	0.01
Consulting Services	0.17	0.04	0.54	0.11	2.10	0.03

– = nil, 0.00 = less than 0.01%.

Table 8. Tonga: Top Individual Consultants Involved in ADB Technical Assistance Projects, 1 January 2008–31 December 2012

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual consultants	30	1.46

Table 9. ADB Assistance to Developing Member Countries, 2011–2012^a

	2011 (\$ million)	2012 (\$ million)	Change (%)
Lending	12,605.46	11,717.58	(7.04)
ADF, Sovereign	1,954.85	2,315.85	18.47
OCR, Sovereign	9,050.61	8,294.89	(8.35)
OCR, Nonsovereign	1,600.00	1,106.84	(30.82)
Public Sector ^b	600.00	44.00	(92.67)
Private Sector ^c	1,000.00	1,062.84	6.28
Equity Investments	239.00	131.00	(45.19)
Guarantees	416.61	403.00	(3.27)
Grants ^d	844.14	969.77	14.88
Technical Assistance Grants	357.39	297.78	(16.68)

() = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, grants, equity investments, and technical assistance grants.

^b Includes nonsovereign public sector loan processed by regional departments and ADB's Private Sector Operations Department.

^c Includes \$35 million investment in debt securities.

^d Excludes grant cofinancing not administered by ADB.

About Tonga and ADB

ADB Membership

Joined 1972

Shareholding and Voting Power

Number of shares held: 426 (0.004% of total shares)
Votes: 40,030 (0.30% of total membership,
0.46% of total regional membership)
Overall capital subscription: \$6.55 million
Paid-in capital subscription: \$0.32 million

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

The Pacific Subregional Office (SPSO) was opened in 2004 and provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. SPSO engages in policy dialogue and acts as a knowledge base on development issues in Tonga, the Cook Islands, Fiji, Kiribati, Samoa, and Tuvalu.

Adrian Ruthenberg is the Regional Director of SPSO.

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 2012, lending volume was \$11.72 billion (110 projects), with TA at \$150.96 million (237 projects) and grant-financed projects at \$696.94 million (27 projects). In addition, \$8.3 billion was generated in direct value-added cofinancing in the form of official loans and grants and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2008 to 31 December 2012, ADB's annual lending volume averaged \$11.78 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$778.77 million and \$172.56 million in TA over the same period. As of 31 December 2012, the cumulative totals excluding cofinancing were \$191.47 billion in loans for 2,531 projects in 44 countries, \$5.67 billion in 287 grants, and \$3.44 billion in TA grants, including regional TA grants.

Contacts

Pacific Subregional Office
Level 5, Ra Marama Building
91 Gordon Street
Private Mail Bag
Suva, Fiji
Tel +679 331 8101
Fax +679 331 8074
adbpsso@adb.org
www.adb.org/tonga

ADB Headquarters
6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444

Ministry of Finance and National Planning
Vuna Road, P. O. Box 87
Nuku'alofa, Tonga
Tel +676 23066
Fax +676 26011

Useful ADB websites
Asian Development Bank
www.adb.org

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

Annual Report
www.adb.org/documents/series/adb-annual-reports