

# Asian Development Bank & Tonga

## FACT SHEET

Table 1. **Tonga: 2011 Loan, Technical Assistance, and Grant Approvals** (\$ million)

Loans				
Sovereign	Nonsovereign	Technical Assistance	Grants	Total
–	–	0.68	15.76	16.44

– = nil.

Table 2. **Tonga: Cumulative ADB Lending by Sector as of 31 December 2011<sup>a</sup>**

Sector	Loans (no.)	Amount (\$ million)	% <sup>b</sup>
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
<b>Total</b>	<b>15</b>	<b>57.79</b>	<b>100.00</b>
<b>Total Disbursements</b>		<b>\$52.3 million</b>	

ICT = information and communication technology.

<sup>a</sup> Includes sovereign and nonsovereign loans.

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

### Partnerships

The country partnership strategy between the Asian Development Bank (ADB) and 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 to ensure coordinated provision of technical support to the government.

ADB is collaborating with the World Bank on the Pacific Regional Information and Communications Technology Connectivity Project through the submarine cable project and with Australian Agency for International Development through the recently approved Nuku'alofa Urban Sector Development Project.

ADB also participates as a member on 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 was hard hit 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 the priority areas are addressed. 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 2012–2014, approved in August 2011, is consistent with the focus of the Tonga Strategic Development Framework, as well as ADB's Pacific Approach, 2010–2014, which aims for sustained, resilient growth, and improved standards of living.

The country operations business plan envisages ongoing support for urban development, improved telecommunications, 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, private sector development, urban development, and energy.

## Context

Tonga has received \$57.79 million in loans and \$17.55 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 reform, which has resulted in improved efficiency and greater private sector participation.

Three grant projects totalling \$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. Considerable effort by ADB and bilateral aid agencies to support reforms yielded mixed results. In response to continued demand for effective reforms, ADB approved the Economic and Public Sector Reform Program in 2002. The program loan was completed by the end of 2003.

Phase 1 of the ADB-supported Integrated Urban Development 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 ADB's Pacific Enhanced Economic Management technical assistance and Pacific Financial Technical Assistance Centre. ADB will continue its support to improve energy efficiency through regional technical assistance.

Table 3. Tonga: Development Indicators

Non-MDG	
Population in millions	0.10 [2011]
Annual population growth rate (%)	0.2 [2009–2011]
Adult literacy rate (%)	99.0 [2006]
Population in urban areas (%)	25.3 [2010]
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	16 [2010]
Population using an improved drinking water source (%)	100 [2010]

MDG = Millennium Development Goal, PPP = purchasing power parity.

Sources: ADB. 2012. *Basic Statistics 2012*. Manila; United Nations Educational, Scientific and Cultural Organization (UNESCO). 2012. Institute for Statistics Data Centre; World Bank. 2012. World Development Indicators Online.

Table 4. Tonga: Economic Indicators, 2007–2011

Economic Indicator	2007	2008	2009	2010	2011
Per capita GNI, Atlas method (\$)	2,930	3,290	3,280	3,290	...
GDP growth (% change per year)	(0.9)	2.6	(1.0)	0.3	(0.3)
CPI (% change per year)	5.8	10.4	1.4	3.6	6.1
Unemployment rate (%)	...	...	...	...	...
Fiscal balance (% of GDP)	1.3	1.6	0.8	(5.7)	(7.9)
Export growth (% change per year)	26.6	(14.3)	(22.3)	7.9	4.8
Import growth (% change per year)	16.8	21.1	(14.6)	(16.8)	16.6
Current account balance (% of GDP)	(6.0)	(19.0)	(16.8)	(9.2)	(11.0)
External debt (% of GNI)	28.7	25.6	31.0	...	...

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

Sources: ADB. 2012. *Asian Development Outlook 2012*. Manila; ADB staff estimates; World Bank. 2012. World Development Indicators Online.

Table 5. Tonga: Project Success Rates

Sector	% <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	–	2
Energy	100.00	1
Finance	–	2
Industry and Trade	100.00	1
Public Sector Management	–	1
Transport and ICT	100.00	2
Multisector	100.00	6
<b>Total</b>	<b>66.67</b>	<b>15</b>
Year of Approval		
1970s	75.00	4
1980s	83.33	6
1990s	50.00	4
2000s	–	1

– = nil, ICT = information and communication technology.

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

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2011.

Table 6. Tonga: Portfolio Performance Quality Indicators for Sovereign Lending, 2010–2011

	Number of Ongoing Loans (as of 31 Dec 2011)	
	2010 (\$ million)	2011 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	–	–
Disbursements <sup>a</sup>	...	...
Number of Ongoing Grants (as of 31 Dec 2011) <sup>c</sup>		
	2010 (\$ million)	2011 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	4.0	0.03
Disbursements <sup>a</sup>	5.7	7.1
Project at Risk (%)		0.0

... = data not available, – = nil.

Note: Totals may not add up because of rounding.

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

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

<sup>c</sup> Includes only ADF and other ADB Special Funds.

## Cofinancing

Cofinancing operations enable ADB's financing partners, government 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 cofinancing, such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under the ADB's Trade Finance Program.

By the end of 2011, cumulative direct value-added official cofinancing for Tonga amounted to \$23.9 million for three investment projects and \$0.7 million for three technical assistance projects.

In 2011, the Tonga–Fiji Submarine Cable Project was provided with grant cofinancing of \$16.5 million from the World Bank, and the Nuku'alofa Urban Development Sector Project received \$6.4 million grant cofinancing from the Government of Australia.

A summary of projects with cofinancing from 1 January 2007 to 31 December 2011 is available at [www.adb.org/countries/tonga/cofinancing](http://www.adb.org/countries/tonga/cofinancing)

## Procurement

From 1 January 1968 to 31 December 2011, contractors and suppliers were involved in 197,338 contracts for ADB loan projects worth \$109.78 billion. From 1 January 1972 to 31 December 2011, contractors and suppliers from Tonga were involved in 83 contracts for ADB loan projects worth \$15.41 million.

From 1 January 1968 to 31 December 2011, consultants were involved in 12,179 contracts for ADB loan projects worth \$4.81 billion. From 1 January 1972 to 31 December 2011, consultants from Tonga were involved in one contract for ADB loan projects worth \$0.17 million.

From 1 January 1968 to 31 December 2011, consultants were involved in 24,484 contracts for ADB technical assistance projects worth \$3.42 billion. From 1 January 1972 to 31 December 2011, consultants from Tonga were involved in 31 contracts for ADB technical assistance projects worth \$1.48 million.

**Table 7. Tonga: Projects Cofinanced, 1 January 2007–31 December 2011**

Cofinancing	No. of Projects	Amount (\$ million)
Projects <sup>a</sup>	2	22.94
Grants	2	22.94
Technical Assistance Grant	1	0.50

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

**Table 8. Tonga: Share of Procurement Contracts**

Item	2010		2011		Cumulative (as of 31 Dec 2011)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	–	–	0.00	0.00	15.41	0.01
Consulting Services	0.26	0.06	0.17	0.04	1.65	0.02

– = nil, 0.00 = less than 0.01%.

**Table 9. ADB Assistance to Developing Member Countries, 2010–2011<sup>a</sup>**

	2010 (\$ million)	2011 (\$ million)	Change (%)
Lending	11,444.53	12,605.46	10.14
ADF, Sovereign	2,212.57	1,954.85	(11.65)
OCR, Sovereign	8,196.96	9,050.61	10.41
OCR, Nonsovereign	1,035.00	1,600.00	54.59
Public Sector	–	600.00	
Private Sector	1,035.00	1,000.00	(3.38)
Equity Investments	235.00	239.00	1.70
Grants <sup>b</sup>	1,052.86	844.14	(19.82)
Technical Assistance Grants	325.00	359.39	10.58

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

<sup>a</sup> Excludes terminated loans, equity investments, technical assistance, and grants.

<sup>b</sup> 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: 39,916 (0.30% of total membership,  
0.46% of total regional membership)  
Overall capital subscription: \$6.54 million  
Paid-in capital subscription: \$0.32 million

**Maurin Sitorus** is the Executive Director and **CJ (Stan) Vandersyp** is the Alternate Executive Director representing Tonga on the ADB Board of Directors.

The South 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 2011, lending volume was \$12.61 billion (104 projects), with TA at \$148 million (212 projects) and grant-financed projects at \$614 million (23 projects). In addition, \$7.7 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 2007 to 31 December 2011, ADB's annual lending volume averaged \$11.34 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$755.3 million and \$175.0 million in TA over the same period. As of 31 December 2011, the cumulative totals excluding cofinancing were \$179.7 billion in loans for 2,423 projects in 42 countries, \$5.0 billion in 186 grants, and \$3.3 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)