

# ASIAN DEVELOPMENT BANK MEMBER FACT SHEET

## Tonga: 2018 Committed Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
-	-	-	20.53	20.53

- = nil.

Notes: Commitment is the financing approved by the ADB Board of Directors or Management for which the investment agreement has been signed by the borrower, recipient, or the investee company and ADB.

Grants and technical assistance include ADB-administered cofinancing.

## Tonga: Cumulative Lending, Grant, and Technical Assistance Commitments<sup>a, b, c</sup>

Sector	No.	Total Amount (\$ million) <sup>d</sup>	% <sup>d</sup>
Agriculture, Natural Resources, and Rural Development	11	27.84	12.96
Energy	20	54.87	25.56
Finance	10	8.18	3.81
Health	1	3.85	1.79
Industry and Trade	7	2.39	1.11
Information and Communication Technology	1	9.70	4.52
Multisector	10	22.94	10.68
Public Sector Management	32	43.25	20.15
Transport	7	13.41	6.24
Water and Other Urban Infrastructure and Services	8	28.28	13.17
<b>Total</b>	<b>107</b>	<b>214.70</b>	<b>100.00</b>

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

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

<sup>c</sup> Using primary sector in reporting of commitments.

<sup>d</sup> Numbers may not sum precisely because of rounding.

ADB's program in Tonga focuses on investments in energy, information and communication technology, transport, and water and urban infrastructure that will reduce the costs of key services and improve overall productivity.

## TONGA

Tonga faces development challenges typical of many small island economies. These challenges include geographic isolation, limited human and financial resources, a small domestic market, high costs of doing business, and inefficient delivery of services. The country's economy is narrowly based and depends heavily on remittances and external assistance to supplement domestic revenue. Tonga's medium-term development requires continued implementation of structural reforms to improve productivity, remove bottlenecks to growth, develop disaster resilience, climate-proof infrastructure, and strengthen macroeconomic foundations.

The Asian Development Bank (ADB) began working with Tonga in 1972 and has since committed \$70.2 million in loans, \$121.2 million in grants, and \$23.3 million in technical assistance for the country.

Since 2008, ADB has significantly scaled up both its financial and technical support to Tonga, committing \$87.7 million in grants and concessional loans, mobilizing \$44.9 million in

cofinancing, and providing about \$8 million in technical assistance.

Cumulative loan and grant disbursements to Tonga amount to \$120 million. These were financed by concessional ordinary capital resources, the Asian Development Fund, and other special funds.

### ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB's active program in Tonga covers a range of sectors including renewable energy, urban development, climate resilience, disaster recovery, and regional health.

The Outer Island Renewable Energy Project (with cofinancing from the governments of Australia and Denmark, and the European Union) is helping to reduce dependence on imported fossil



fuel for power generation on Tonga's more remote islands. It is increasing consumer access to solar power and improving energy affordability. In 2018, ADB committed additional financing to extend the benefits of the project to the most remote outer islands of Ha'apai and Niuaotupapu.

The Nuku'alofa Urban Development Sector Project (with cofinancing from the Government of Australia) received additional financing in 2017 and is helping establish a municipal government in Nuku'alofa as well as delivering high-priority urban infrastructure for the city of around 34,000 people.

The Climate Resilience Sector Project (financed by the Strategic Climate Fund) will assist government efforts to implement low-cost investments to combat climate change, support community adaptation, and mainstream climate change considerations into planning processes.

In December 2017, ADB approved a \$6 million policy-based loan and grant under the regional Pacific Disaster Resilience Program as contingent financing for disaster response, early recovery, and reconstruction activity in Tonga. In addition, a Cyclone Gita Recovery Project of \$6.8 million will support the reconstruction and climate- and disaster-

proofing of the Nuku'alofa electricity network. A new \$6 million recovery program will be prepared in 2019 to provide contingent financing for Tonga in the event of another natural disaster.

In health, the Regional Vaccine Project will provide effective coverage in Tonga through the introduction of new vaccines for human papillomavirus, pneumococcal virus, and rotavirus. The Tonga health system will be strengthened to support the introduction of the new vaccines and promotional strategies on the importance of vaccination will be implemented.

ADB is also active in joint policy reform dialogue with the government and other development partners in Tonga. This process is linked to budget support disbursements through ADB's policy-based lending modality.

## NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments from ADB's own funds (in equity and direct loans) in 2018 amounted to \$3.14 billion for 32 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources.

In 2018, ADB mobilized \$3.17 billion of long-term cofinancing and \$3.99 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB's own resources stood at \$12.7 billion as of 31 December 2018.

## 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, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade Finance Program and Supply Chain Finance Program.

ADB began cofinancing operations in Tonga in 1974. Since then, cumulative direct value-added official cofinancing commitments for Tonga have amounted to \$80.5 million for eight investment projects and \$3.63 million for seven technical assistance projects.

### Tonga: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2006	-	1
2013	-	1
2015	-	1
2016	100.0	1
<b>Total</b>	<b>25.0</b>	<b>4</b>

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2018.

### Tonga: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2017–2018

	No. of Ongoing Loans <sup>a</sup> (as of 31 Dec 2018)	
	2017 (\$ million)	2018 (\$ million)
Contract Awards <sup>b,c</sup>	1.35	0.53
Disbursements <sup>b</sup>	3.38	3.59
No. of Ongoing Grants <sup>a</sup> (as of 31 Dec 2018)		
	2017 (\$ million)	2018 (\$ million)
Contract Awards <sup>b,c</sup>	4.71	7.04
Disbursements <sup>b,d</sup>	6.46	5.86
Actual Problem Projects (%) (as of 31 Dec 2018)	-	

- = nil.

<sup>a</sup> Based on commitments.

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

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

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

### Tonga: Projects Cofinanced, 1 January 2014–31 December 2018

Cofinancing	No. of Projects	Amount (\$ million)
Projects <sup>a</sup>	6	52.06
Grants	6	47.71
Official Loans	2	4.35
Technical Assistance Grants	1	0.22

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

### Tonga: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2017		2018		Cumulative (as of 31 Dec 2018)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	10.78	0.11	7.64	0.06	81.48	0.05
Consulting Services	0.17	0.02	0.07	0.01	4.41	0.03
<b>Total Procurement</b>	<b>10.95</b>	<b>0.10</b>	<b>7.71</b>	<b>0.06</b>	<b>85.89</b>	<b>0.04</b>

### Top 5 Contractors/Suppliers from Tonga Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2014–31 December 2018

Contractor/Supplier	Sector	Contract Amount (\$ million)
Five Star Construction	ENE	2.07
Petani Quarry	ANR, ENE	1.79
Tonga Power Ltd.	ENE	1.57
Lunaeva Enterprises Ltd.	ANR	1.39
B.B. Construction Ltd.	ENE, WUS	1.23
Others		28.49
<b>Total</b>		<b>36.52</b>

ANR = agriculture, natural resources, and rural development; ENE = energy; WUS = water and other urban infrastructure and services.

### Top 5 Consultants from Tonga Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2014–31 December 2018

Consultant	Sector	Contract Amount (\$ million)
Tonga Power Ltd.	ENE	0.30
Individual Consultants		1.36
Others		0.001
<b>Total</b>		<b>1.66</b>

ENE = energy.

In 2018, Tonga received \$3.38 million in grant cofinancing from the Government of Australia and Global Environment Facility for the [Outer Island Renewable Energy](#).

A summary of projects with cofinancing from 1 January 2014 to 31 December 2018 is available at [www.adb.org/countries/tonga/cofinancing](http://www.adb.org/countries/tonga/cofinancing).

#### PARTNERSHIPS

ADB continues to collaborate closely with development partners to deliver the large transformative investments that Tonga needs. The [Nuku'alofa Urban Development Sector Project](#) was cofinanced with the Government of Australia and has significantly improved municipal services, including water and waste management. The reconstruction of the electricity network in Tongatapu following Cyclone Gita in 2018 is being cofinanced with the Government of New Zealand.

#### PROCUREMENT

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 are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

#### Share of ADB's Procurement Contracts

##### Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related

services under loan and grant operations totaled \$10.2 billion in 2017 and \$12.55 billion in 2018. Cumulative procurement since 1966 has been \$180.86 billion covering 215,461 contracts.

In Tonga, 213 contracts worth \$81.48 million have been awarded to contractors and suppliers since 1972.

##### Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$746.79 million in 2017 and \$696.18 million in 2018. Cumulative procurement since 1966 has been \$12.7 billion covering 59,248 contracts.

In Tonga, 90 contracts worth \$4.41 million have been awarded to consultants since 1972.

#### OPERATIONAL CHALLENGES

Tonga's economy is undermined by natural constraints (small, widely dispersed islands that are remote from developed nations), exposure to external shocks (natural and economic), and internal bottlenecks (weak institutional capacity and ongoing emigration). The country's relatively meager business environment also limits the availability of local contractors and consultants to implement ADB-financed activities.

Tonga has the second-highest disaster risk in the world and this can hamper development operations. Three tropical cyclones in just 5 years have caused severe damage to the islands of Tongatapu and 'Eua, the Vava'u island group, and the Ha'apai island group—affecting almost the entire population.

To improve Tonga's climate and disaster resilience, energy efficiency, project implementation, budget management, and urban planning, ADB (in collaboration with the World Bank) is providing technical assistance to establish a central project support unit at the country's Ministry of Finance and National Planning. Through the [Pacific Private Sector Development Initiative](#), ADB is working with the government to reform state-owned enterprises, improve Tonga's business environment, support small and medium-sized enterprises, and broaden access to finance.

#### FUTURE DIRECTIONS

[ADB's Pacific Approach, 2016–2020](#), which serves as the country partnership strategy for Tonga, has at its core the promotion of sustainable, inclusive economic growth and social development.

ADB has approved scaling up country allocations for small island states, including Tonga, for 2019 and 2020. The bank's operational program for 2019–2021 has a significant focus on infrastructure that will reduce the costs of key services and improve overall productivity, with major investments planned in energy, information and communication technology, transport, and water and urban infrastructure. These investments are in line with the Tonga Strategic Development Framework II, 2015–2025 and the government's National Infrastructure Investment Plan, 2013–2023.





## CONTACTS

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(Please omit the "8" from ADB HQ numbers until  
Manila numbers change on 8 October 2019.)

### Useful ADB websites

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

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

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

ADB Data Library  
[data.adb.org](http://data.adb.org)

## ABOUT TONGA AND ADB

### ADB Membership

Joined 1972

### Shareholding and Voting Power

Number of shares held:	426 (0.004% of total shares)
Votes:	40,123 (0.302% of total membership, 0.464% of total regional membership)
Overall capital subscription:	\$5.92 million
Paid-in capital subscription:	\$0.29 million

**Pohiva Tu'i'onetoa** is the Governor and **Pilimilose Balwyn Fa'otusia** is the Alternate Governor for Tonga in ADB.

**Syurkani Ishak Kasim** is the Director and **Karen Murray** is the Alternate Director representing Tonga on the ADB Board of Directors.

**Masayuki Tachiiri** is the ADB Regional Director of the Pacific Subregional Office (SPSO) in Suva, Fiji. SPSO 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 subregional 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.

In 2018, ADB approved the establishment of a country office in Tonga. The office strengthens the bank's presence in the country, working to enhance the relationship between ADB and the government, improve development partner coordination, and help build local capacity in the design and implementation of ADB-supported projects.

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 68 members, 49 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. In 2018, lending volume was \$19.88 billion (126 projects), with technical assistance at \$241.20 million (280 projects) and grant-financed projects at \$1.42 billion (44 projects). In addition, \$14 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, 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 2014 to 31 December 2018, ADB's annual lending volume averaged \$15.99 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$583.95 million and \$184 million over the same period. As of 31 December 2018, the cumulative totals excluding cofinancing were \$275.82 billion in loans for 3,090 projects in 44 countries, \$9.38 billion in 374 grants, and \$4.52 billion in technical assistance grants, including regional technical assistance grants.

### Notes:

ADB welcomed Niue as its 68th member in March 2019.

Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars.

Data are updated as of 31 December 2018 unless otherwise indicated. Fact sheets are published annually in April.