



Country Operations Business Plan

October 2009

Tonga
2010–2012

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 17 September 2009)

Currency Unit	–	Pa'anga (T\$)
T\$1.00	=	\$0.5222
\$1.00	=	T\$1.9150

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CCIP	–	climate change implementation plan
COBP	–	country operations business plan
CPS	–	country partnership strategy
IUDP	–	Integrated Urban Development Project
NSPF	–	national strategic planning framework
SDP	–	strategic development plan
TA	–	technical assistance
WPC	–	weakly performing country

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2009 ends on 30 June 2009.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY

1. Since preparation of the country operations business plan (COBP) 2009–2011, the economic outlook for Tonga has been negatively affected by the global financial and economic crisis.¹ Tonga also has in place a new national strategic planning framework (NSPF).² Further, the Asian Development Bank (ADB) focus on climate change, private sector development, and weakly performing countries (WPC) has been strengthened. These factors are all reflected in ADB assistance to Tonga as set out in the COBP.

2. Tonga suffered a substantial decline in private remittances, low tax revenue, and a sharp decline in private sector credit growth in FY2009, which is likely to result in an economic contraction of about 0.5%³. While the Budget forecasts the economy to post growth of around 1.7% in FY2010, some externally financed construction may not provide the expected economic boost, the effects of the economic crisis will continue to be felt in reduced remittances and dampened exports, and the domestic banking sector will continue to consolidate. There is a clear risk of significantly lower growth. Inflation rose by 1.9% in May 2009 due to higher food and transport prices, and may peak around 5% in early 2010 before abating. If oil prices stay at 2009 levels, inflation may exceed earlier projections and reach about 3.1% in 2010. International reserves should stabilize at around 4 months of import coverage; however, rapid changes in prices of key imports such as fuel could undermine these recent gains. The likely peak in reconstruction and recovery in remittances should support stronger growth in FY2011 before growth returns to normal levels in the medium term.

3. Debt sustainability remains a pressing issue for Tonga. The 2009 International Monetary Fund Article IV⁴ staff report noted that drawdown of the Nuku'alofa reconstruction loan from the People's Republic of China⁵ will cause external debt and debt service–exports ratios to indicate a high risk of debt distress. Utilization of these loan funds has commenced and the increase in external debt, in combination with low exports and lowered remittances, is a concern. Debt dynamics are particularly vulnerable to prolonged reduction in gross domestic product growth; debt sustainability therefore relies critically on loan-financed investment adding to productive capacity.

4. As part of its constitutional and political reforms, Tonga expects to hold its first democratic elections at the end of 2010. A resultant risk to assistance implementation is that a new Government with limited parliamentary and ministerial experience may change development priorities, resulting in uncertainties in project implementation. One mitigating measure is to strengthen the role of the chief executive officers and senior management of government agencies to provide advice to incoming political leaders, and have the capacity to continue implementation. The corporate planning activities being proposed to support the NSPF will strengthen the capacities of chief executive officers and will be complemented by ongoing public service reforms.

¹ ADB. 2008. *Country Operations Business Plan (2009–2011): Tonga*. Manila.

² Government of Tonga. 2009. *National Strategic Planning Framework*. Nuku'alofa.

³ ADB. 2009. *Pacific Economic Monitor*. Manila. August.

⁴ International Monetary Fund. 2009. *Tonga: 2009 Article IV Consultation—Staff Report*. Washington, DC (IMF Country Report No. 09/292).

⁵ Loan from the People's Republic of China of US\$62 million to assist the Government and businesses with the reconstruction of the Nuku'alofa central business district destroyed by the riots of November 2006.

5. The country partnership strategy (CPS) 2007–2012 for Tonga⁶ supported the implementation of Tonga's *Strategic Development Plan Eight 2006/07–2008/09* (SDP-8)⁷ in alignment with the objectives of the 2005 Paris Declaration on Aid Effectiveness. The CPS focuses on poverty reduction by means of three intervention pillars that address selected binding constraints on growth: (i) integrated urban infrastructure development; (ii) effective, prudent macroeconomic and fiscal management; and (iii) private sector development. The SDP-8 ended in June 2009 and the cabinet has endorsed a new national strategic planning framework. Under this framework, the national plan will (i) take a longer-term strategic approach to achieving sustainable development (5–10 years), focusing on the key determinants of economic and social development; and (ii) focus on a limited number of uniquely national or whole of government priorities, with proposed implementation details to be contained in the corporate plans of ministries and departments. The three pillars of the CPS remain valid in light of the outcome objectives highlighted under the NSPF.

6. Private sector development remains a central tenet of the new NSPF. As a result of the analysis and consultations around ADB's 2008 private sector assessment,⁸ ADB and the Government have formed a partnership geared toward supporting sustainable economic growth led by the private sector. With strong ownership and political support, the Government has embarked on a comprehensive program of private sector development reforms in the areas of rationalizing public enterprises, modernizing the commercial legal framework, and providing better access to finance. ADB is providing substantial support to these activities through its Pacific private sector development initiative.⁹

7. ADB has prepared a climate change implementation plan (CCIP) to identify climate change issues and options in Pacific developing member countries. The CCIP identifies adaptation as a priority area for these countries. The CCIP also notes that some adaptation efforts, such as clean energy investments in renewable energy and energy efficiency, provide a dual benefit to the Pacific in terms of their contribution to both climate change mitigation and energy security through reducing dependence on expensive imported fossil fuel. Guided by the CCIP, and supporting the three CPS pillars, ADB will seek opportunities to incorporate climate change adaptation and mitigation into the Tonga program utilizing the range of funding windows available.

8. While Tonga does not meet the specific criteria established for a WPC under ADB's policy for achieving development effectiveness in WPCs,¹⁰ it is nevertheless highly vulnerable to factors that have been acknowledged to underlie weak performance (geographic isolation, small size, and weak capacity). ADB's approach to WPCs "recognizes a spectrum of performance and fragility" and, in accordance with ADB's WPC policy, flexibility may be exercised in application of the approach to specific country situations. Consequently, the recently established joint ADB–World Bank country focal office has improved coordination with the Government and other development partners on the ground. The focal officer participated on behalf of ADB in the

⁶ ADB. 2007. *Country Partnership Strategy (2007–2012): Tonga*. Manila.

⁷ Government of Tonga. 2006. *Strategic Development Plan Eight 2006/07–2008/09. Looking to the Future, Building on the Past*. Nuku'alofa.

⁸ ADB. 2008. *Transforming Tonga: A Private Sector Assessment*. Manila.

⁹ ADB. 2006. *Technical Assistance for Private Sector Development Initiative*. Manila (TA 6353-REG, approved on 21 November, \$8.7 million, cofinanced by the Australian Agency for International Development [\$7.66 million]). The regional technical assistance is specifically designed to leverage ADB's country partnership strategies in the Pacific by providing a rapid-response capability for private sector development reform in priority areas such as state-owned enterprise reform and privatization, business law reform, and finance sector development.

¹⁰ ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries*. Manila (p. 11, para 25), Methodology to Classify WPCs.

International Monetary Fund Article IV mission and is monitoring the progress of ADB's program. Over the COBP period, the focal officer is expected to strengthen country knowledge, consensus building, and sustainability of assistance, as well as participatory conceptualization, design, and management of assistance programs.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS

A. Lending Program

9. The country-specific Asian Development Fund (ADF) lending allocations were derived on the basis of the results of the 2008 country performance assessment exercise, after applying the performance-based allocation formula. ADF allocations for Tonga for 2009–2010 totaled \$6.44 million. Following approval of the *Response of the Asian Development Fund—Allocation of Additional Liquidity*,¹¹ the commitment authority has been increased, using a pro rata approach, by \$1.29 million to \$7.73 million. The ADF assistance program for 2009–2012 is tentative, with actual ADF assistance levels subject to changes in the country's risk of debt distress, and the available commitment authority. For planning purposes, the 4-year allocation for 2009–2012 has been set at \$14.17 million. The risk of debt distress for Tonga remains high; hence ADB's assistance is likely to be provided entirely through grants. An indicative assistance pipeline for ADF lending products is in Appendix 1. Table A1.1.

10. To address the binding constraints on growth, the Government has confirmed its interest in the following lending and grant program: (i) an Economic Reform Program Grant (2009), (ii) a second phase of the Integrated Urban Development Project (IUDP 2) (2012), and (iii) a renewable energy project. There may be potential for support to the second phase of IUDP and further infrastructure projects through the Pacific Regional Infrastructure Facility as this is developed, and such opportunities will be actively sought by ADB. Project preparation will pay close attention to ADB's safeguard policies to ensure potential issues relating to environmental considerations and involuntary resettlement are mitigated through early and adequate consultations with key stakeholders.

B. Nonlending Program

11. Indicative annual technical assistance (TA) support for 2009–2012 is set at \$500,000 per annum. As agreed with the Government, ADB TA will focus on (i) support to economic and strategic management, (ii) project preparation for the second phase of integrated urban development, and (iii) urban infrastructure planning and development. Providing capacity and institutional building in these areas will be a priority. An indicative assistance pipeline for nonlending products for 2010–2012 is in Appendix 1, Table A1.2.

12. Support for economic and strategic management will be provided through the recently approved regional TA to support economic management in the Pacific,¹² as well as capacity development TA to support economic and strategic management in Tonga (being processed for 2009 approval). The Government has indicated that there will be potential follow-on activities from the proposed TA, hence support will continue in follow-on capacity development TA for \$500,000 included in the pipeline for 2011 approval.

¹¹ ADB. 2009. *Crisis Responses of Asian Development Fund—Allocation of Additional Liquidity*. Manila. (Policy Paper released by SPD in May 2009).

¹² ADB. 2009. *Technical Assistance for Pacific Economic Management*. Manila (TA 7280-REG, \$3 million, approved on 24 April).

13. The CPS will be supported by regional TA for economic management, governance, environment, energy efficiency, climate change, health, gender, and private sector development. Regional TA currently available to Tonga is in Appendix 5. ADB will include Tonga in new regional TA activities where feasible, with capacity availability and political commitment being key considerations. In particular, support for climate change adaptation and mitigation activities will be sought, guided by the CCIP, utilizing the range of funding windows available.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

14. In response to the impacts of the global financial and economic crisis on Tonga, the Government requested a program grant of \$10 million to be approved in 2009. The main outcome of the program grant will be a timely and effective response to the global economic crisis by providing the fiscal resources to enable the Government to finance an appropriate economic stimulus package to boost growth and employment and undertake fiscal and structural reform to strengthen the foundations for growth and protect the most vulnerable parts of society from the impact of the economic crisis. Discussion of this program has allowed ADB to work closely with the Prime Minister's Office and the Ministry of Finance, so raising the level of policy dialogue on key macroeconomic issues and allowing the close monitoring of data. This dialogue and monitoring will continue as the Government implements its program. To finance the program grant, the Government requested that ADB bring forward a part of its second biennium ADF X allocation; therefore, the remaining available allocation for other ADF-funded projects is \$4.17 million. This has a critical funding implication on pipeline ADF-funded projects programmed in this COBP. The ongoing assistance program for lending and nonlending products for the current year are in Appendix 4, Tables A4.1 and A4.2.

15. The Government confirmed that the second phase of the Integrated Urban Development Project (IUDP 2) remains a priority and requested timely processing to ensure a seamless continuation from IUDP 1. The initial pipeline allocation for IUDP 2 is \$9.5 million; however, due to the shortfall in available resources, an allocation of \$2.17 million has been made. IUDP 2 is programmed for 2012 approval. ADB has responded positively to the Government's request to support the preparation of the energy road map with the World Bank taking the lead. It is envisaged that the road map will recommend potential renewable energy projects for Tonga requiring financial support from ADB and other development partners. An ADF-funded allocation of \$2.0 million has been made in the 2012 pipeline for a potential energy sector project. For both projects, cofinancing options are being explored.

16. The cluster TA to support economic and public sector reforms for \$1.5 million originally programmed for 2009 is split into (i) participatory advisory TA for reforming public enterprises (\$500,000) to continue the momentum of state-owned enterprise reforms, and (ii) capacity development TA to support economic and strategic management with the allocation reduced from \$1 million to \$500,000. Additional information on the proposed TA project for 2010 is in Appendix 2. The updated country sectors and thematic strategies and roadmaps is in Appendix 3.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

17. It is estimated that 20 person-weeks (12 person-weeks of professional staff and 8 person-weeks of national officer and/or administrative staff) will be required for the processing and administration of the lending program and 45 person-weeks (22 person-weeks of professional staff and 23 person-weeks of national officer and/or administrative staff) will be required for the processing and administration of the nonlending program.

V. RESULTS-BASED MONITORING

18. The expected CPS outcomes are improved (i) fiscal governance, (ii) social services delivery in urban areas, and (iii) private sector enabling environment. The Government is developing a set of performance targets and indicators for the NSPF, which will cascade to the corporate plans of the various line ministries. The CPS results-based framework will be updated and harmonized with the NSPF at the midterm review of the CPS.

19. The CPS results framework has been updated to reflect achievements of outcomes to date and changes in the lending and nonlending pipelines.

UPDATED COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK¹³

Country Development Goals		Country Partnership Strategy (CPS) Outcomes		ADB Interventions	Risks
Country-Level Outcomes	Key Constraints	CPS Outcomes	Outcome Indicators		
<p>SDP-8 Goal 3: Promote sustained economic growth led by the private sector</p> <p>Goal 4: Ensure equitable distribution of the benefits of growth</p> <p>Goal 6: Improve health standards</p> <p>Goal 7: Ensure environmental sustainability and disaster risk reduction</p>	<p>Weak infrastructure: poor, high-cost service delivery, and environmental health problems in urban areas</p> <p>Limited urban planning</p>	<p>Improved social services delivery in urban areas</p> <p>Lower transport costs in urban areas</p> <p>Improved environmental health through pro-poor investment in urban development</p> <p>Integrated Urban Development Project (IUDP) is now in its second year and progressing steadily. The project aims to improve social services delivery through the rehabilitation of roads, drainage, and sanitation. The associated TA7082: Urban Planning and Management System supporting capacity development in urban planning and management</p>	<p>National human development index is maintained at, or increases from, 0.815 during 2008–2012 (baseline year 2006).</p> <p>Average vehicle journey time for a 7 km trip through Nuku'alofa during peak hours reduces from 28 minutes to 18 minutes or less by 2012 (baseline year 2006),</p> <p>Reduction in the number of reported cases of waterborne diseases as indicated by:</p> <ul style="list-style-type: none"> - diarrhea to less than 1,500 by 2012 (baseline 2,320 in 2003), - dengue fever to less than 100 by 2012 (baseline 194 in 2003), - typhoid fever to less than 15 by 2012 (baseline 23 in 2003). <p>Groundwater remains safe for potable use. Reticulated water quality continues to meet WHO Guidelines for Drinking Water Quality (1997).</p>	<p>Ongoing</p> <p>TA 4648-TON: Preparing the Integrated Urban Development Project (2005)</p> <p>Grant 0108-TON: Integrated Urban Development Project (2008)</p> <p>TA 7082-TON: Urban Planning and Management System (2008)</p> <p>Future</p> <p>Loan Integrated Urban Development Project, Phase 2 (2012)</p> <p>Loan Renewable Energy Project (2012)</p> <p>TA Preparing the Integrated Urban Development Project, Phase 2 (2010)</p> <p>TA Urban Infrastructure Planning and Development (2012)</p>	<p>Inadequate public sector budget allocations for investment and maintenance (mitigated by improved public financial management)</p> <p>Land acquisition for projects proceeds without significant delay (mitigation: Government to identify land acquisition requirements and finalize land acquisition activities well before construction)</p> <p>Insufficient market interest in Public Private Partnerships (PPPs) and privatizations (mitigated by effective project preparation)</p>

¹³ ADB. 2007. *Tonga Country Partnership Strategy*.

Country Development Goals		Country Partnership Strategy (CPS) Outcomes		ADB Interventions	Risks
Country-Level Outcomes	Key Constraints	CPS Outcomes	Outcome Indicators		
<p>SDP-8 Goal 1: Create a better governance environment</p> <p>Goal 2: Ensure macroeconomic stability</p>	<p>Fiscal pressures that threaten macroeconomic stability and limit improvements in the strategic allocation of public resources</p> <p>Limited capacity of NRBT to conduct an effective monetary policy</p>	<p>Improved fiscal governance</p> <p>TA 4865-Support for the Implementation of the Strategic Development Plan, produced a medium-term budget framework, which, although useful, lacked strategic direction due to the transition to the new planning framework.</p> <p>TA 4865-Support for the Implementation of the Strategic Development Plan also developed a public finance management support program which is guiding future support in this area.</p> <p>Effective execution of open market operations by the NRBT</p>	<p>Balanced budget by FY2012 (baseline: 2.9% over GDP in FY2007)</p> <p>Total debt (internal plus external) to GDP ratio is below 50% by end of FY2012 (baseline: 59% in FY2007)</p> <p>Introduction of a medium-term expenditure framework as a core part of improving public financial management</p> <p>Increased use of open market operations in place of credit ceilings and reserve requirements</p>	<p>Ongoing</p> <p>TA 4865-TON: Supporting Implementation of SDP-8 (2006)</p> <p>Future</p> <p>Economic Support Program Grant (2009)</p> <p>TA to support economic and strategic management (2009)</p> <p>TA to support economic management (2011)</p>	<p>Political and social instability</p> <p>Weak commitment and coordination amongst government agencies; to be addressed through TA support for the EPSRP steering committee</p> <p>Inadequate institutional and human resource capacity in ministries and NRBT; to be addressed by TA</p> <p>Excessive borrowing affecting debt sustainability</p>
<p>SDP-8 Goal 3: Promote sustained economic growth led by the private sector</p>	<p>Weak private sector enabling environment:</p> <p>Infrastructure constraints</p> <p>Extensive role of the state</p> <p>Regulatory constraints</p> <p>Land issues</p> <p>Limitations in financial intermediation</p>	<p>Strengthened private sector enabling environment</p> <p>The Private Sector Assessment (Transforming Tonga) was successfully launched in 2008 with high-level support from the Government</p> <p>Private Sector Development Initiative is continuing support to strengthen the business regulatory framework</p> <p>Privatization of targeted public enterprises</p> <p>TA 4899-Rationalization of Public Enterprise III was</p>	<p>Increase in private investment–GDP ratio from 17.5% (baseline, FY2004) to 23% in FY2012</p> <p>Privatization of at least five public enterprises by the end of FY2012 (baseline: universe of public enterprises at the end of FY2007)</p> <p>Rationalization of at least five other public enterprises through corporatization, improved corporate governance, and (where feasible) development of joint</p>	<p>Ongoing</p> <p>TA 4488-TON: Youth Microenterprise Development (2004)</p> <p>TA 6353-REG Private Sector Development Initiative (2006)</p> <p>TA 7271-TON: Reforming Public Enterprises (2009)</p> <p>Grant 0108-TON: Integrated Urban Development Project (2008)</p> <p>TA 7082-TON: Urban Planning and Management System</p>	<p>Limited private sector response; to be addressed by the Government's business recovery facility and through a revived private sector consultation committee</p> <p>Political commitment to reforming, rationalizing, and privatizing public enterprises is lacking</p>

Country Development Goals		Country Partnership Strategy (CPS) Outcomes		ADB Interventions	Risks
Country-Level Outcomes	Key Constraints	CPS Outcomes	Outcome Indicators		
		completed with the successful privatization of one public enterprise and the aim to complete others under TA7271– Reforming Public Enterprises.	ventures with private sector (baseline: universe of public enterprises at the end of FY 2007)	(2008) Future Loan Integrated Urban Development Project, Phase 2 (2012) TA Preparing the Integrated Urban Development Project, Phase 2 (2010) TA Urban Infrastructure Planning and Development (2012)	
SDP-8 Goal 1: Create a better governance environment Goal 2: Ensure macroeconomic stability	Extensive role of the state and poor service delivery by public enterprises	Improved corporate governance and improved financial performance of remaining public enterprises TA 4899-Rationalization of Public Enterprise III conducted directors training on corporate governance, thereby developing a pool of potential private sector directors for the Government to choose from as it aims to remove all ministers and government officials from public enterprise boards by December 2010.	Reduced fiscal allocations to and contingent liabilities from public enterprises Enhanced corporate governance and improved financial and service delivery performance of retained public enterprises	Ongoing TA 7271-TON: Reforming Public Enterprises (2009) Future Economic Support Program Grant (2009)	Public enterprise reform process may be too slow within the duration of the TA because of inadequate Government commitment

ADB = Asian Development Bank, CPS = country partnership strategy, EPSRP = Economic and Public Sector Reform Program, GDP = Gross Domestic Product, NRBT = National Reserve Bank of Tonga, SOE = state owned enterprises, SPD-8= Strategic Development Plan Eight 2006/07-2008/09, TA = technical assistance, TON = Tonga, WHO = World Health Organization.

INDICATIVE ASSISTANCE PIPELINE

Table A1.1: Indicative Assistance Pipeline for Lending Products, 2010–2012

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)							
					Total	ADB				Total	Gov't	Co- financing
						OCR	ADF		Grants			
							Loans	Grants				
2010 None												
2011 None												
2012												
Multisector												
Integrated Urban Development Project, Phase 2	GI	ENV	PAHQ	2010	9.50	0.00	0.00	2.17	2.17	TBD	7.33	
Energy												
Renewable Energy Project	GI	ENV	PAHQ	2011	2.00	0.00	0.00	2.00	2.00	TBD	8.00	
Subtotal					11.50	0.00	0.00	4.17	4.17	TBD	15.33	
Total					11.50	0.00	0.00	4.17	4.17	TBD	15.33	

ADB = Asian Development Bank, ADF = Asian Development Fund, ENV = environment, GI = general intervention, Gov't = government, OCR = ordinary capital resources, PAHQ = Pacific Operations Division, TBD = to be determined.

Source: Asian Development Bank estimates.

Table A1.2: Indicative Assistance Pipeline for Nonlending Products and Services, 2010–2012

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2010 Firm							
Multisector							
1. Preparing the Integrated Urban Development Project, Phase 2	PAHQ	PPTA	JSF	700.00	TBD		700.00
2011 None							
Public Sector Management							
1. Support for Economic Management	SPSO	PATA	JSF	500.00	0.00		500.00
2012 Firm							
Multisector							
1. Urban Infrastructure Planning and Development	PAHQ	CDTA	JSF	500.00	0.00		500.00
Total				1,700.00	0.00		1,700.00

ADB = Asian Development Bank, CDTA = capacity development technical assistance, JSF = Japan Special Fund, PAHQ = Pacific Operations Division, PATA = policy and advisory technical assistance, PPTA = project preparatory technical assistance, SPSO = Pacific Subregional Office.
Source: Asian Development Bank estimates.

**PRELIMINARY SUMMARY INFORMATION ON PROPOSED INDICATIVE LENDING AND
NONLENDING PRODUCTS AND SERVICES FOR THE FIRST YEAR OF THE BUSINESS
PLAN¹**

**Table A2.1: Summary Information on Proposed Indicative Nonlending Products and
Services for 2010**

Project Name	Description
Preparing the Integrated Urban Development Sector Project Phase 2	<p>Impact The Project is expected to contribute to improved living standards in Nuku'alofa, including for low-income residential areas.</p> <p>Major Components Project components will comprise high priority infrastructure subprojects selected from the Nuku'alofa Urban Infrastructure Development Plan which is currently under preparation.</p> <p>Expected Outputs and Outcomes The expected Project outcome is improved delivery of urban services through improved urban infrastructure.</p>

Source: Asian Development Bank.

¹ Tonga has no lending program in 2010.

UPDATED COUNTRY SECTORS AND THEMATIC STRATEGIES AND PLANS AND/OR ROAD MAPS

Priority Sector	Developments Since the Adoption of the Country Partnership Strategy
Multisector (energy; transport and ICT; water supply and other municipal infrastructure and service)	ADB has responded positively to the Government's request to support the preparation of the energy road map with the World Bank taking the lead. It is envisaged that the road map will recommend potential renewable energy projects for Tonga requiring financial support from ADB and other development partners. An ADF-funded allocation of \$2 million has been made in the 2012 pipeline for a potential energy project.
Priority Theme	Developments Since the Adoption of the Country Partnership Strategy
Sustainable economic growth, environmental sustainability, capacity development	There have been no significant changes since the adoption of the country partnership strategy 2007–2012.

ADB = Asian Development Bank, ADF = Asian Development Fund.

Source: Asian Development Bank.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A4.1: Assistance Pipeline for Lending Products, 2009

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Cost (\$ million)						
					ADB				Total	Gov't.	Co- financing
					Total	OCR	ADF				
							Loans	Grants			
Year Firm Grant											
Economic Support Program	GI	GRO	SPSO		10.0	0.00	0.00	10.0	10.0	0.00	0.00
Subtotal					10.0	0.00	0.00	10.0	10.0	0.00	0.00
Total					10.0	0.00	0.00	10.0	10.0	0.00	0.00

ADB = Asian Development Bank, ADF = Asian Development Fund, GI = general intervention, Gov't = government, GRO = economic growth, OCR = ordinary capital resources, SPSO = Pacific Subregional Office.
Source: Asian Development Bank.

Table A4.2: Assistance Pipeline for Nonlending Products and Services, 2009

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding (\$'000)				
			ADB		Others		Total
			Source	Amount	Source	Amount	
2009 Firm							
Public Sector Management							
1. Reforming Public Enterprises	PLCO	PATA	TASF	500.00	0.00	500.00	
2. Support for Economic and Strategic Management	SPSO	PATA	JSF	500.00	0.00	500.00	
Total				1,000.00	0.00	500.00	

ADB = Asian Development Bank, JSF = Japan Special Fund, PATA = policy and advisory technical assistance, PLCO = Pacific Liaison and Coordination Office, SPSO = Pacific Subregional Office, TASF = technical assistance special fund.
Source: Asian Development Bank estimates.

ADB PACIFIC REGIONAL ASSISTANCE FROM WHICH TONGA BENEFITS
(Activities Approved as of 30 June 2009)

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Expected Completion Date	Countries
Infrastructure						
6522	Establishment of Pacific Islands Advisory Committee under the Pacific Regional Infrastructure Facility	To assist Pacific island countries to plan and implement appropriate and sustainable infrastructure and services that support achievement of national development goals. The outcome will be high-quality strategies, policies, regulations, and project designs that are suitable for future coordinated and harmonized assistance by Pacific Regional Infrastructure Facility partner agencies and other stakeholders through loans, grants, and private sector participation.	1,800,000	8 Jan 2009	30 Jun 2010	All Pacific DMCs
Infrastructure Subtotal			1,800,000			
Economic Management and Governance						
6360	Strengthening Governance and Financial Management in Pacific DMCs	To promote good governance through improved transparency, accountability, and efficiency in managing and using public resources in the Pacific.	1,579,000	7 Dec 2006	30 Nov 2009	All Pacific DMCs except Timor-Leste
6463	Strengthening Pacific Economic Analysis and Policy Development	To produce economic and social updates, other sector and thematic assessments, and pro-poor policy options and development strategies under the umbrella of the Pacific Studies Series, to be used by the Pacific DMC governments, civil society, and the media. As a result, the Pacific DMCs will benefit from a better understanding of development issues, strategies, and policies for reducing hardship and poverty.	1,900,000	9 Jun 2008	31 Dec 2010	All Pacific DMCs
6466	Pacific Financial Technical Assistance Centre FY2008–2011	To strengthen institutional capacity of Pacific DMC authorities to diagnose, prioritize, and implement improved policies, systems, and practices that underpin good practice public sector economic and fiscal management and regulation.	1,000,000	24 Jun 2008	30 Apr 2011	All Pacific DMCs except Timor-Leste
6507	Strengthening Public Financial Management	To promote good governance through improved transparency, accountability and efficiency in managing and using public resources in the Pacific.	1,500,000	11 Dec 2009	31 Dec 2011	All Pacific DMCs except Timor-Leste
6379	Supporting Strengthened Regional Cooperation among Pacific DMCs	To contribute to sustainable economic growth and poverty reduction in Pacific DMCs through enhanced economic cooperation among selected Pacific DMCs, between Indonesia and Papua New Guinea, and between Indonesia and Timor-Leste.	1,000,000	20 Dec 2006	30 Aug 2009	All Pacific DMCs

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Expected Completion Date	Countries
6414	Support for Results-Based Management in the Pacific	To improve managing for development results within Pacific DMCs and to improve their capacity to utilize economic and social statistical information for informed planning and policy decisions.	1,000,000	19 Oct 2007	31 Oct 2010	Selected Pacific DMCs
6436	Results-Based Project Management	To assist Pacific DMCs in achieving sector objectives that contribute to the national development goals, measured by attainment of the outcomes for the majority of ADB-funded projects.	800,000	18 Dec 2007	31 Mar 2011	All Pacific DMCs
6475	Enhancing Engagement with Pacific DMCs	To generate economic growth through the sectors of ADB focus in Samoa, Solomon Islands, and Tonga. The TA has three key outcomes: (i) enhanced relationship between ADB and the participating governments, (ii) improved development partner coordination, and (iii) improved ADB country portfolio performance.	1,500,000	6 Aug 2008	31 Mar 2012	Samoa, Solomon Islands, Tonga
6499	Strengthening Governance and Accountability in Pacific Island Countries, Phase II	To support the initial implementation of the Pacific Regional Audit Institution, which will provide a basis for raising public auditing to uniformly high standards across the Pacific region, so that the public accounts of participating countries are audited in a timely manner to uniformly high standards, with enhanced audit impacts and improved audit capability. It is intended also to strengthen the governance and anticorruption orientation of ADB country partnership strategies, programs, and projects in the Pacific region.	1,900,000	3 Nov 2008	31 Oct 2010	All Pacific DMCs
6507	Support to Pacific Regional Financial Management	To support the design of the Pacific Regional Audit Institution and the implementation of the Second Governance and Anticorruption Action Plan in Pacific DMCs of ADB.	1,500,000	11 Dec 2008	31 Dec 2011	All Pacific DMCs
7250	Support for Pacific Economic Management	To strengthen the capacity of Pacific DMCs to manage for inclusive economic growth—specifically, to assist Pacific DMCs in using improved economic management processes. This is to be achieved by assistance that offers longer-term benefits by helping develop existing Pacific DMC systems and processes for economic management and the individual capacity of the region's economic managers. The TA will help address long-standing institutional constraints to change by encouraging demand for better economic management.	2,000,000	13 May 2009	13 Jun 2011	All Pacific DMCs

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Expected Completion Date	Countries
7269	ADB in Fragile Situations	To help bring into the ADB mainstream different operational approaches to situations of fragility or post-conflict. Pilot country initiatives that localize particular elements of ADB's approach in country settings will be implemented. In parallel, the TA will develop and disseminate tools and knowledge to facilitate ADB's engagement in fragile situations.	750,000	14 April 2009	31 Dec 2011	All Pacific DMCs
Economic Management and Governance Subtotal			17,408,000			
Environment and Renewable Energy						
6485	Promoting Energy Efficiency in the Pacific	To improve energy security in the participating Pacific island countries and develop sound models of energy efficiency policy and project implementation that all the Pacific island countries can follow. The TA will provide direct assistance for the development of the required policy, legal, and institutional framework, and will build a pipeline of energy efficiency assistance projects for funding or cofinancing by ADB, Global Environment Facility or other sources.	1,200,000	12 Sep 2008	26 Apr 2010	Cook Islands, PNG, Samoa, Tonga, Vanuatu
6496	Regional Partnership for Climate Change Adaptation and Disaster Preparedness	To contribute to work being pursued by several development partners (including the ADB) and led by the World Bank to assess the feasibility of a catastrophe insurance scheme for the Pacific.	1,000,000	27 Oct 2008	31 Dec 2010	Cook Islands, Fiji Islands, Samoa, Tonga, Tuvalu
Environment and Energy Subtotal			3,650,000			
Social Sectors						
Grant 0021-REG	HIV/AIDS Prevention and Capacity Development in the Pacific	To halt and begin to reverse the spread of HIV/AIDS in the Pacific by 2015. The purpose is to have an effective response to HIV/AIDS in place in Pacific DMCs in regards to government and community capacity to address HIV/AIDS, through the implementation of the ADB Pacific region road map on HIV/AIDS.	8,000,000	8 Nov 2005	31 Mar 2010	All Pacific DMCs except PNG and Timor-Leste
6245	Strengthening Pro-Poor Policy in the Pacific	To advance the pro-poor policy agenda and capacity development strategy that has been formally established under poverty partnership agreements in each Pacific DMC.	2,306,000	10 Jun 2005	31 May 2009 (extension requested)	All Pacific DMCs except FSM and Timor-Leste

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Expected Completion Date	Countries
6319	Pilot Strengthening of Civil Society Participation in Development in the Pacific	To strengthen civil society understanding of development policy and directly engage civil society organizations with their governments and external funding agencies in the design, formulation, and implementation of ADB's own country strategies, programs, and projects as an example to all development programs.	500,000	28 Apr 2006	30 Jun 2009 (extension requested)	All Pacific DMCs
7282	Creation of a Pacific Information Super Highway with University of the South Pacific	To support the preparation of the newly proposed information, communication and technology–ICT based education in the Pacific region. The TA will provide more opportunities and access to higher education among youth in the Pacific. The outcome of the TA will be the agreed project design to enhance information, communication and technology–ICT based education with the key stakeholders--including the participating countries, University of the South Pacific, and interested co-financiers.	1,050,000	12 May 2009	30 Sep 2010	All Pacific DMCs
Social Sectors Subtotal			13,856,000			
Private Sector						
6353	Private Sector Development Initiative	To improve the business environment by promoting effective private sector development policies, strategies, practices, and activities in priority areas, as measured by improved ratings in selected World Bank “Doing Business” indicators, and ongoing qualitative assessments through ADB private sector assessments.	8,700,000	21 Nov 2006	30 Nov 2011	All Pacific DMCs
Private Sector Subtotal			9,570,000			
Total			48,366,000			

ADB = Asian Development Bank, DMC = developing member country, FSM = Federated States of Micronesia, PNG = Papua New Guinea, REG = regional, RMI = Republic of the Marshall Islands, TA = technical assistance.

Source: Asian Development Bank estimates.