

SUMMARY STATEMENT OF STRATEGY

Objectives	To build local capacities for sound economic and public sector management	To improve living standards to achieve inclusive social development	To create an enabling environment for private sector development
Strategic Focus/Key Result Areas	<ul style="list-style-type: none"> • Rationalize/strengthen public sector management. • Improve public expenditure management. • Enhance management of public sector enterprises. • Improve governance 	<ul style="list-style-type: none"> • Improve quality and accessibility of essential services. • Provide sustainable social security. • Improve the environment. 	<ul style="list-style-type: none"> • Establish sound policy frameworks and support services. • Ensure adequate physical infrastructure to support private sector growth.
Ongoing/Proposed Loans	<ul style="list-style-type: none"> • Economic and Public Sector Reform Program (2002) • Public Enterprise Sector Rationalization (2004) • Agriculture Sector Development (2005) 		<ul style="list-style-type: none"> • Public Enterprise Sector Rationalization (2004) • Agriculture Sector Development (2005)
Ongoing/Proposed TAs	<ul style="list-style-type: none"> • Building a Performance-Oriented Public Service (2002 - 2004) 		
	<ul style="list-style-type: none"> • Public Sector Adjustment- Phase II (2005) 	<ul style="list-style-type: none"> • Employment Creation and Community-Based Financial Management Training (2003) • Analysis of household income and expenditure surveys data for Socioeconomic Equity Assessment (2002) 	<ul style="list-style-type: none"> • Public Enterprise Sector Rationalization (2003) • Business Development Services (2003) • Agriculture Sector Development (2004)
Other Assistance	<ul style="list-style-type: none"> • Participation in regional technical assistance (RETA) on Gender-Sensitive Public Expenditure Management • Participation in RETA on Pacific Governance Strategy 	<ul style="list-style-type: none"> • Participation in RETA on Pacific Environmental Strategy. 	<ul style="list-style-type: none"> • Participation under Private Sector Group RETA for Private Sector Development Strategy
Target Outcomes	<ul style="list-style-type: none"> • Agree on a National Poverty Reduction Strategy in 2003. • Enhanced capacity of central agencies for better economic and financial management • More efficient and smaller public enterprise sector. • A performance-oriented public service. 	<ul style="list-style-type: none"> • Enhanced public services to the community. 	<ul style="list-style-type: none"> • Remove barriers to domestic and direct foreign investment. • Reduction of number of public enterprises • Enhanced corporate governance, efficiency and profitability of public enterprises • Micro and Small enterprises created in the agriculture sector • Increased agricultural exports

Table A2.1: Economic Indicators

Item	1997	1998	1999	2000	2001
A. Income and Growth					
1. GDP per Capita (US\$, current)	1,714	1,634	1,505	1,585	1,407
2. GDP Growth (% in constant prices)	0.2	1.6	3.1	6.2	3.0
Agriculture	3.8	-0.1	-3.1	10.8	1.3
Industry	-11.7	6.8	12.4	3.0	5.4
Services	0.9	3.2	4.1	5.6	3.8
B. Saving and Investment (current market prices)					
	(percent of GDP)				
1. Gross Domestic Investment	...	...	...	...	...
2. Gross Domestic Saving	...	...	...	...	...
C. Money and Inflation					
	(annual percent change)				
1. Consumer Prices (annual average)	1.8	2.9	3.9	4.9	6.3
2. Broad Money (M2)	14.1	2.4	15.0	8.4	26.5
D. Government Finance					
	(percent of GDP)				
1. Total Revenue and Grants	31.8	30.4	26.6	27.3	27.9
2. Total Expenditure and Net Lending	36.7	32.9	26.9	27.6	30.6
3. Overall Surplus/Deficit (-)	-4.9	-2.5	-0.2	-0.4	-2.6
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	-27.8	-40.8	-28.9	-32.5	-34.2
2. Current Account Balance (% of GDP)	-0.9	-11.2	-0.6	-6.3	-8.2
3. Export (US\$) growth (annual percent change)	3.9	-9.8	1.7	-9.9	3.7
4. Import (US\$) growth (annual percent change)	-9.5	29.7	-28.9	12.8	-4.3
F. External Payments Indicators					
1. International Reserves (US\$ million, end of period)	26.2	14.2	21.4	15.6	30.0
- months of imports	3.2	2.4	3.3	2.3	2.8
2. External Debt Service (% of exports of goods & services)	10.7	8.2	4.0	12.1	19.5
3. External Debt (% of GDP)	35.6	36.3	43.9	40.7	44.6
G. Memorandum Items					
GDP (current prices, US\$ million)	168.9	162.2	150.2	159.2	142.1
GDP (current prices, T\$ million <i>local currency</i>)	207.8	218.9	237.3	261.1	277.1
Exchange Rate (T\$ per dollar, annual average)	1.2300	1.3500	1.5800	1.6400	1.9500
Population (million)	0.09859	0.09926	0.09982	0.10042	0.10102

GDP=gross domestic product

Source: Ministry of Finance, Tonga, National Reserve Bank of Tonga, staff estimates.

Note: Years are fiscal year ending 30 June.

Table A2.2: Progress Toward the Millenium Development Goals and Targets

MDGs and Targets	1990	1995	Latest Year
Goal 1. Eradicate Extreme Poverty and Hunger			
Target 1: Reduce incidence of extreme poverty by half from 1990 to 2015			
People living on below US\$1-a-day, 1985 PPP (%)
Population in poverty (% of population falling below the poverty line)
Target 2: Reduce the proportion of people who suffer from hunger by half from 1990 to 2015			
Prevalence of child malnutrition (% of children under age 5)	2.0 (1997)
Goal 2. Achieve Universal Primary Education			
Target 3: Attain 100 percent primary school enrolment by 2015.			
Net primary enrollment ratio (% of relevant age group)	...	98.0 (1994)	95.0 (1994-2000) ^a
Goal 3. Promote Gender Equality and Empower Women			
Target 4: Eliminate gender disparities in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015			
Ratio of girls to boys in primary and secondary education (%)	92.0	...	...
Goal 4. Reduce Child Mortality			
Target 5: Reduce infant and child mortality by two thirds from 1990 to 2015			
Infant mortality rate (per '000 live births)	25.0	19.0 (1995-97) ^a	13.1 (2000)
Under-5 mortality rate (per 1,000 live births)	...	18.0 ('99) 21.0 (1995-97) ^a	13.8 (2000)
Goal 5. Improve Maternal Health			
Target 6: Reduce maternal mortality rate by three quarters between 1990 and 2015			
Maternal mortality rate (per 100,000 live births)	...	160.0 (1995-97) ^a	81.0 (2000)
Births attended by skilled health staff (% of live births)	...	94.0 (1995-97) ^a	92.1 (2000)
Goal 6. Combat HIV/AIDS, Malaria and Other Diseases			
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS			
HIV prevalence rate (% age 15-49 years old)
Contraceptive prevalence rate (% of women aged 15-49)	...	32.0 (1997-98) ^a	33.9 (2000)
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases			
Prevalence of malaria (per 100,000 people)
Prevalence of tuberculosis (per 100,000 people)	21.9 (2000)

MDGs and Targets	1990	1995	Latest Year
Goal 7. Ensure Environmental Sustainability			
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources			
Status of national environmental action plans	Completed
Forest area (% of total land area)
Nationally protected areas (% of total land area)	1.1 (1999)
GDP per unit of energy use (PPP \$ per kg oil equivalent)
Carbon dioxide emissions (per capita metric tons)	1.2 (1997)
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water			
Access to safe water (% of population)	...	95.0 (1995-97) ^a	96.2 (2000)
Target 11: By 2010, achieve a significant improvement in the lives of at least 100 million slum dwellers			
Access to sanitation (% of population)	...	85.0 (1995-97) ^a	93.7 (2000)
PPP=purchasing power parity, HIV/AIDS=human immunodeficiency virus/acquired immune deficiency syndrome, GDP=gross domestic product, MDG=millennium development goal.			
^a Refers to most recent available data within the stated period.			
Sources: ADB, Basic Statistics of DMCs including MDGs (May 2002); ADB, Medium-Term Strategy (2001-2005); ADB, Key Indicators 2001; UNDP, Pacific Human Development Report (1994, 1999); WHO, Western Pacific Region Health Data Bank (rev. 2001).			

Table A2.3: Poverty and Social Indicators

Item	Period			
	1990	1994	Latest Year	
A. Population Indicators				
1. Total Population (million)	96.4	97.1	100.4	(2000)
2. Annual Population Growth Rate (% change)	0.4	0.3	0.6	
B. Social Indicators				
1. Total Fertility Rate (births/woman)	4.2	5.2	3.3	(2000)
2. Maternal Mortality Rate (per 100,000 live births)	–	–	–	
3. Infant Mortality Rate (below 1 yr/1,000 live births)	–	–	–	
4. Life Expectancy at Birth (years)	–	69.0	70.0	(1999)
Female	71.0	–	71.0	(1999)
Male	67.0	–	70.0	(1999)
5. Adult Literacy (%)	–	98.5	99.0	(1999)
Female	–	(1996) 98.7	99.0	(1998)
Male	–	98.4	99.0	(1998)
6. Primary School Gross Enrollment (%)	–	–	90.0	(1998)
7. Secondary School Gross Enrollment (%)	–	84.0	67.0	(1998)
8. Child Malnutrition (% below age 5)	–	–	–	
9. Population Below Poverty Line (International, %)	–	–	–	
10. Population with Access to Safe Water (%)	–	–	–	
11. Population with Access to Sanitation (%)	–	–	–	
12. Public Education Expenditure (% of GDP)	4.0	4.7	4.8	(1998)
13. Human Development Index	–	0.723	0.647	(1998)
PDMC Rank	–	2	4	
14. Gender-Related Development Index	–	–	–	
Rank	–	–	–	
C. Poverty Indicators				
1. Poverty Incidence	–	–	–	
2. Percent of Poor to Total Population	–	–	–	
Region A	–	–	–	
Region B	–	–	–	
(etc.)	–	–	–	
3. Poverty Gap	–	–	–	
4. Poverty Severity Index	–	–	–	
5. Inequality (Theil L Index)	–	–	–	
6. Human Poverty Index	–	–	5.9	(1998)
Rank	–	–	1	

– = not available, GDP=gross domestic product, PDMC=Pacific developing member countries.

Sources: ADB. 2001. *Regional Technical Assistance for Discussion Papers*. Manila; ADB. 1994 and 1999. *Key Indicators*. Manila; UNDP. 1994 and 1999. *Pacific Human Development Report* (1994, 1999); WHO. 2001. *Western Pacific Regional Health Data Bank*.

Table A2.4: Environment Indicators

Item	1990	Latest Year
1. Energy Efficiency of Emissions		
Traditional Fuel Use (% of total energy use)	–	–
2. Water Pollution		
Water Bodies Exceeding Contact Recreation Standards		
Biological Oxygen Demand	–	–
Chemical Oxygen Demand	–	–
3. Air Pollution		
Carbon Dioxide Emissions		
Total (millions of metric tons)	–	0.1 (1998)
Sulfur Dioxide Emissions		
Per Capita (kilograms)	–	–
4. Land Use and Deforestation		
Total Land Area square kilometer	699.0	699.0
Average Annual Deforestation		
Area (remaining square kilometer)	–	40.0 (2000)
% change	–	0.0 (2000)
Arable Land (% of total land)	24.0 (1993)	–
Cropland, Permanent (% of total land)	43.0 (1993)	43.1 (1998)
Pastures, Permanent (% of total land)	6.0 (1993)	–
Population Density, Rural (people per square kilometer)	–	367 (1998)
5. Biodiversity and Protected Areas		
Nationally Protected Area(s)		
Area (square kilometer)	–	47.1 (1998)
Number	–	11 (1998)
World Heritage Sites (number)	–	–
Mammal Species		
Total Known	–	–
Threatened	–	0 (1998)
Bird Species		
Total Known	–	0 (1998)
Threatened	–	0 (1998)
6. Urban Areas		
Urban Population		
% of total population	36.0 (1996)	36.9 (1998)

– =no data available.

Source: CIA. 2001. *The World Factbook*. Tonga; SPC. 1997. *Pacific Island Populations Data Sheet*, SPREP. 1999-2002. *Action Strategy for Nature Conservation in the Pacific Islands Region*; World Bank. 2002. *World Development Indicators Database*; World Bank. 2000. *The Little Green Data Book*.

Table A2.5: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
A. Economic and Public Sector Reform	<p>Ongoing:</p> <ul style="list-style-type: none"> • Economic and Public Sector Reform Program • Reforming public service to improve accountability and performance • Public financial management improvement <p>Programmed:</p> <ul style="list-style-type: none"> • Rationalization of public enterprises 	<ul style="list-style-type: none"> • Program budgeting (AusAID) • Improved tax administration (AusAID) • Strengthening the statistics department (AusAID) • Tax policy reform (PFTAC) • Introduction of the Public Service Commission and other reform measures (NZAID) • Government Investment Unit (NZAID) • Tonga Development Bank (NZAID)
B. Private Sector Development	<p>Programmed:</p> <ul style="list-style-type: none"> • Support for micro and small scale private enterprises 	<ul style="list-style-type: none"> • Forestry privatization (NZAID) • Small Business Development Center (NZAID)
C. Education		<ul style="list-style-type: none"> • Long-term training (AusAID/NZAID) • Third country training (AusAID/NZ) • In-country training (AusAID/NZAID) • Other: <ul style="list-style-type: none"> – Distance education (AusAID) – New program called "Education Assistance" (NZAID) – Short term training in New Zealand for both private and public sector personnel (NZAID) – Training of French language teachers through Alliance Française in Suva (France) – Training in linguistics and political science for Tongan diplomats (France) – Reconstruction of Tonga High School in 2001 (France) – Focus on school assistance in Va'vau (EU) – Building of Ha'apai High School, completed end 2001 (PRC) – Short-term training in selected fields (economics and administration, monsoon meteorology, and radio and television technology) (PRC)
D. Health		<ul style="list-style-type: none"> • Strengthening health and planning and management (AusAID) • Medical treatment scheme (NZAID)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<ul style="list-style-type: none"> • General assistance in health issues: a liaison office in Nuku'alofa (WHO) • Reproductive health (UN Fund for Population) • 3 components: (World Bank) <ul style="list-style-type: none"> – refurbishment of Nuku'alofa referral hospital; estimated cost \$17 million; – health care financing: user charge for private use of public facilities; – national healthcare data: collection of all expenditure on health care in Tonga including private health expenditure on traditional practices
E. Gender/Youth	<p>Programmed:</p> <ul style="list-style-type: none"> • Office and basic business skill training to poor urban/rural youth. 	
F. Infrastructure 1. Energy 2. Water Supply and Sanitation		<ul style="list-style-type: none"> • Electrification –assistance through the Central Planning Department, to provide affordable and sustainable electricity supply for the outer islands of Ha'apai (AusAID) • Electrification–To provide reliable electricity supply for the outer islands of the Niuaus (NZAID) • Village Water Supplies (NZ AID) • Water Supply Infrastructure–To upgrade water supply for 'Eua islands (NZ AID) • Water Supply Infrastructure – Upgrading water testing laboratory of the Tonga Water Board (France) • Water Supply Infrastructure – Water upgrade in Nuku'alofa (JICA)
G. Environment		<ul style="list-style-type: none"> • Waste management – Relocation of Popua Dump (AusAID) • Popua Dump Rehabilitation (NZ AID)
H. Agriculture, Forestry and Fisheries	<p>Programmed;</p> <ul style="list-style-type: none"> • Agriculture Sector Development 	<ul style="list-style-type: none"> • Fisheries management: To provide assistance to ensure socioeconomic development and well-being of the community and their marine environment through sustainable development of commercial and community based responsibilities (AusAID)

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
I. Other		<ul style="list-style-type: none"> • Strengthening administration of court system (AusAID) • Development fund facility (through Central Planning Department) to provide funding for small-scale community self-help projects for poverty reduction in Ha'apai (AusAID) • Nature tourism–To promote eco-tourism in 'Eua and Vava'u (NZAID) • Tourism Development, Phase II (AusAID) • Community development facility to promote funding for small-scale development projects in 'Eua and Niua (NZAID) • Construction of private/community dwellings damaged by cyclone Waka – estimated cost \$4.5 million (WB) • National Disaster Management Capacity – estimated cost \$1.2 million (World Bank) • Community development through Central Planning Department to provide funding for small-scale self-help projects to reduce poverty (AusAID) • Technical assistance to provide timely access to high level strategic advice, particularly on issues of economic reform and governance (AusAID) • Through the Prime Minister's Office: short term assistance on human resources issues and to build local capacity in the work place. (AusAID)

AusAID=Australian Agency for International Development, EU=European Union, JICA=Japan International Cooperation Agency, NZAID=New Zealand Agency for International Development, PFTAC=Pacific Financial Technical Assistance Centre, PRC=People's Republic of China, UN=United Nations, WHO=World Health Organization

**Table A2.6: Portfolio Indicators – Amounts and Ratings,
Disbursements, and Net Transfers of Resources**
(Public Sector Loans, as of 31 December 2001)

A. Project Portfolio	Net Loan Amount		Total		Rating ^a												
	US\$ million		No.	%	HS		S		PS		U		PP		At Risk		
	million	%			No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Agriculture and Natural Resources	3.28	25.2	1	50.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-
Energy	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Social Infrastructure	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport and Communications	9.73	74.8	1	50.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-
Multisector	-	-	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	13.01	100.0	2	100.0	-	-	2	100.0	-	-	-	-	-	-	-	-	-

B. Disbursements and Transfers	OCR	ADF	Total
Disbursements ^b			
Total Funds Available for Withdrawal (US\$ million)	-	3.27	3.27
Disbursed Amount (US\$ million, cumulative)	-	3.27	3.27
Percentage Disbursed (disbursed amt/total available)	-	100.00	100.00
Disbursements (US\$ million, 2001)	-	0.22	0.22
Disbursement Ratio (%) ^c	-	96.02	96.02

C. Net Transfer of Resources (US\$ million)		
1997	-	1.60
1998	-	4.30
1999	-	1.50
2000	-	2.20
2001	-	(0.61)

ADF = Asian Development Fund, HS=highly satisfactory, OCR=ordinary capital resources, PP=potential problem, PS=partly satisfactory, S=satisfactory, US=unsatisfactory,

- =zero

^a One rating for implementation progress and development objectives, based on the lower rating of either.

^b Includes ongoing loans and loans with disbursements in 2001.

^c Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations during the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Table A2.7: Portfolio Implementation Status
(Public Sector Loans, as of 31 December 2001)

No.	Sector	Loan No.	Seg	Title	Net Loan Amount		Approval Date	Effective Date	Closing Date		Progress
					OCR	ADF			Original	Revised	
					(\$ million)	(\$ million)	(dd/mm/yy)	(dd/mm/yy)	(dd/mm/yy)	(dd/mm/yy)	(%complete)
1	T&C	1303		Transport Infrastructure Project		9.729	28-Jun-94	02-Aug-95	31-Dec-99	30-Jun-00	100
2	AGR	1412		Outer Islands Agriculture Development Project		3.279	12-Dec-95	23-Dec-96	30-Jun-01		98

Total

ADF=Asian Development Fund, AGR= agriculture and natural resources, OCR=ordinary capital resources, Seg=segment (pertaining to loans with more than one withdrawal authority), T&C=transport and communications.

**Table A2.8: Performance Triggers And Lending Scenarios
(CPM 2003-2005)**

Low Case	Base Case	High Case
<ul style="list-style-type: none"> • Macroeconomic instability and decline in real GDP 	<ul style="list-style-type: none"> • Maintenance of macroeconomic stability, and positive economic growth 	<ul style="list-style-type: none"> • Sustainable macroeconomic stability and strong economic growth above 4% per annum rate
<ul style="list-style-type: none"> • Large and unsustainable overall budget deficit 	<ul style="list-style-type: none"> • Balanced current budget by 2004-2005 	<ul style="list-style-type: none"> • Surplus in current account along with sustainable overall budget deficit
<ul style="list-style-type: none"> • Financial sector instability 	<ul style="list-style-type: none"> • Financial sector stability 	<ul style="list-style-type: none"> • Foreign exchange cover above 3 months imports
<ul style="list-style-type: none"> • Deterioration in performance of public enterprises 	<ul style="list-style-type: none"> • Improvements in performance of public enterprises through a reduction in subsidies/transfers. 	<ul style="list-style-type: none"> • Increase in pace of public enterprise reforms through corporatization and privatization. (Cabinet approval of a policy framework on public enterprises, performance monitoring regime, and a properly sequenced action plan on privatization)
<ul style="list-style-type: none"> • Deterioration of export performance 	<ul style="list-style-type: none"> • Growth in export sector 	<ul style="list-style-type: none"> • Significant growth in export sector
<ul style="list-style-type: none"> • Stagnation in private sector investment 	<ul style="list-style-type: none"> • Some progress in reform of legal and regulatory framework to facilitate private sector development. 	<ul style="list-style-type: none"> • Significant progress in reform of legal and regulatory framework and growth in private businesses • Undertake a study on current government policy on rent review to improve predictability and security of long-term land leases for private businesses.
<ul style="list-style-type: none"> • Significant delay in implementation of EPSRP actions 	<ul style="list-style-type: none"> • Timely implementation of EPSRP in accordance with plan. 	<ul style="list-style-type: none"> • Increase in pace of reforms especially in relation to facilitating private sector growth (tax reform, renegotiation of business licences on tax and other incentives to improve government revenue)

GDP=gross domestic product

Table A2.9: Assistance Pipeline for Lending Products, 2003-2004

Sector Project/Program Name	Poverty Classification	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$million)				
						ADB			Gov't	Cofinancing
						OCR	ADF	Total		
2003 Loan Pipeline										
Total										
2004 Loan Pipeline										
Others										
Public Enterprise Sector Rationalization	ODI	GG & PSD	PAHQ	2003	5.0		5.0	5.0	0.0	0.0
2005 Loan Pipeline										
Agriculture and Natural Resources										
Agriculture Sector Development	PI	PI/Infras- tructure	PAHQ	2004	5.0		5.0	5.0	0.0	0.0

ADB=Asian Development Bank, ADF=Asian Development Fund, OCR=ordinary capital resources, PI=poverty intervention; ODI=other development interventions, GG=good governance; PSD=private sector development
Source: Asian Development Bank.

Table A2.10: Assistance Pipeline for Nonlending Products and Services, 2003-2005

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding		Total (US\$000)
			ADB Source	Others Amount (US000)	
2003					
Sector: Others					
1. Public Enterprise Sector Rationalization	PAHQ	PPTA		500.0	500.0
2. Business Development Services	PAHQ	ADTA		250.0	250.0
3. Employment Creation and Community-Based Financial Management Training	PAHQ	ADTA			800.0
Total					1,550.0
2004					
Sector: Others					
1. Agriculture Sector Development	PAHQ	PPTA		500.0	500.0
Total					500.0
2005					
Sector: Others					
1. Public Sector Adjustment-Phase II (Capacity Building in Accounting and Auditing)	PAHQ	ADTA		500.0	500.0
Total					500.0

ADTA=advisory technical assistance, PAHQ=Pacific Operations Division, PPTA=project preparatory technical assistance.

CONCEPT PAPERS FOR LENDING PRODUCTS

Title: Public Enterprise Sector Rationalization Loan

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Other: Multisector</p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project preparatory</p> <p style="margin-left: 40px;">Other than project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 20px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;">Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other: Multisector </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Social protection </td> </tr> </table>	<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other: Multisector	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Social protection
<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other: Multisector	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Social protection	
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p>4. Responsible division/department: PAHQ/PARD</p>		
<p>5. Responsible ADB officer(s): Thuy Mellor</p>		
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Tonga has embarked on a comprehensive economic and public sector reform program (EPSRP) in 2002 to address deteriorating economic prospects, a large and inefficient public enterprise sector, and deteriorating public services. One aspect of the fiscal reform is to seek an improvement in efficiency and effectiveness of resource use in the public enterprise sector as increasing budget support for this sector has contributed to the worsening fiscal situation. Limited assistance has been provided by NZODA in recent years to create a database on public enterprises' financial position and ad hoc reviews. During the CPM in April 2002 the Government requested ADB assistance to accelerate reforms in this sector to reduce the subsidy burden on the budget, and, where appropriate, to transfer some of these enterprises to the private sector.</p> <p>b. Goal and purpose: Economic growth through a more efficient public enterprise sector, leaving room for private businesses to grow</p> <p>c. Components and outputs: The loan will enable the Government to implement recommendations arising from the related TA: equity injection to those public enterprises that meet public ownership criteria to ensure they will be accountable for performance, and to provide funding to those enterprises that will be liquidated/privatized to enable them to meet their redundancy/pension obligations.</p>		

d. Expected results and deliverables: A smaller, more efficient and financially accountable public enterprise sector

e. Social or environmental issues or concerns: Training and other measures will be needed to mitigate the impact of redundancy. However given recent activities in this area (public service reform under the EPSRP), this should not be an issue.

f. Plans for disseminating results/deliverables: not applicable

7. Proposed executing/implementing agencies: Ministry of Finance as executing agency.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The related TA will examine all public enterprises and government investments in commercial businesses to derive an action plan with respect to each agency/investment. Relevant ministers and control ministries will be consulted on timetable and sequencing of actions.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2002
- b. Expected date of submission for approval
 - Lending: April 2004
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending: 18 months from July 2004
 - Nonlending:
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing): US\$5 million

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund:
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CPM=country programming mission, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, NZODA=New Zealand Official Development Assistance, PAHQ=Pacific Operations Division, PARD=Pacific Department, TA = technical assistance.

Title: Agriculture Sector Development Loan

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input checked="" type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p>Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p>Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p>Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Multisector</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Multisector	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Multisector										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): TBD</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Past assistance in this sector has focused on strengthening the Ministry of Agriculture's capacity to drive growth in agricultural production and on improving export earnings. However the perception is that there is duplication of work between the ministry and other agencies, and poor performance by the ministry in developing market access, diversifying export products, and identifying value adding opportunities. The public service reform program in 2003 will restructure the ministry to provide it with a clear mission and objectives. During the CPM in April 2002 the Government requested assistance to refocus the ministry to ensure that agriculture will be the source of economic growth in the future.</p> <p>b. Goal and purpose: Economic growth to provide employment and reduce poverty in Tonga</p> <p>c. Components and outputs: The loan will provide funding to implement recommendations arising out of the related PPTA. It is expected that the recommendations will include policy changes to improve promotion and market access arrangements as well as providing physical infrastructure to support increased exports and value-added processing as appropriate.</p> <p>d. Expected results and deliverables: The loan will provide much needed support to promote Tonga's agricultural produce, improved market access, and better information on market trends as well as physical</p>										

infrastructure to further develop agricultural exports.

e. Social or environmental issues or concerns: Consideration should be given to ensure that development will be sustainable in the longer term within the constraints caused by the absence of the environmental impact assessment legislation.

f. Plans for disseminating results/deliverables: not applicable

7. Proposed executing/implementing agencies: Ministry of Agriculture

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: The TA will seek input from smallholders and agriculture businesses involving in import and export of agricultural products and foodstuffs.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2002
- c. Expected date of submission for approval
 - Lending: May2005
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
 - Lending: 18 months
 - Nonlending:
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):US\$5 million

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund:
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
 - JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CPM=country programming mission, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, PAHQ=Pacific Operations Division, PARD=Pacific Department, PPTA=project preparatory technical assistance, TA = technical assistance, TBD=to be determined

CONCEPT PAPERS FOR NONLENDING PRODUCTS

Title: Public Enterprise Sector Rationalization

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>		
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Public Enterprise Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other: </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Social protection </td> </tr> </table>	<input type="checkbox"/> Economic growth <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental protection <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Other:	<input type="checkbox"/> Human development <input checked="" type="checkbox"/> Good governance <input checked="" type="checkbox"/> Private sector development <input type="checkbox"/> Social protection
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<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>		
<p>4. Responsible division/department: Pacific Department</p>		
<p>5. Responsible ADB officer(s): Thuy Mellor</p>		
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Tonga has embarked on a comprehensive economic and public sector reform program (EPSRP) in 2002 to address deteriorating economic prospects due to a growing budget deficit, a large and inefficient public enterprise sector, and deteriorating public services. One aspect of the fiscal reform is to seek an improvement in the efficiency and effectiveness of resource use in the public enterprise sector; budget support for this sector has been increasing in recent years contributing to the worsening fiscal situation. Limited assistance has been provided by NZODA in recent years, to create a database on public enterprises financial position and ad hoc review. During the CPM in April 2002, the Government requested ADB to assist in accelerating reforms to significantly improve the efficiency of public enterprises so as to reduce the subsidy burden on the budget, and, where appropriate, to transfer some of these enterprises to the private sector.</p> <p>b. Goal and purpose: Economic growth through a more efficient public enterprise sector leaving room for private businesses to grow</p>		

c. Components and outputs: Assistance will be provided to enable the Government to undertake an analysis of its commercial functions leading to a comprehensive policy in which the government will divest itself of noncore public enterprises, and introduce financial and managerial discipline to those that are not privatized within a sound regulatory regime. Outputs of the TA are expected to include a comprehensive policy framework covering objective public interest criteria to guide decisions on retention/privatization of public enterprises, details of corporate governance and financial performance requirements, process and timetable of privatization/liquidation of noncore public enterprises.

d. Expected results and deliverables: The TA will assist the Government to accelerate reforms in this sector with a coherent policy framework for decision making on privatization of noncore businesses, financial and managerial discipline to be imposed on retained businesses leading to elimination of subsidy, financial returns on government investments, and actual privatization/liquidation of enterprises that would be better off in the private sector.

e. Social or environmental issues or concerns: not applicable

f. Plans for disseminating results/deliverables: not applicable

7. Proposed executing/implementing agencies: Ministry of Finance

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Communicate to employees of these enterprises, and to the community at large, the rationale of government policy, the commercialization and privatization process, expected impact (positive and negative) on individuals and groups, and mitigation measures to help individuals to cope with these changes.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2002
- b. Expected date of submission for approval
Lending:
Nonlending (project preparatory): March 2003
Nonlending (other than project preparatory):
Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
Lending:
Nonlending: 12 months from April 2003
Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
- Asian Development Fund:
- Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
- ADB's administrative budget:
- Grant TA funds
- TA Special Fund: \$ 500,000
- Japan Special Fund:
- Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT:

JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, [CPM=country programming mission](#), CSP = country strategy and program, EPSRP=Economic and Public Sector Reform Program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, NZODA=New Zealand Official Development Assistance, TA = technical assistance

Title: Business Development Services

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Private Sector Subsector: Micro and Small Enterprises</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Pacific Department</p>										
<p>5. Responsible ADB officer(s): Andrea Iffland</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The Government is implementing an Economic and Public Sector Reform Program (EPSRP) to ensure overall macroeconomic stability and to enhance private sector-led economic growth. The reform program will address the overall investment climate through the removal of administrative barriers and improvement of the legislative and regulatory framework for foreign and local investments.</p> <p>The private sector in Tonga, as in all PDMCs, comprises a few medium to large-scale enterprises and a large number of micro and small-scale businesses. A wide range of business support services is available to medium and large-scale enterprises and foreign investors. In contrast, micro and small-scale businesses, predominately Tongan-owned, have no support structure, and business support services tailored to their needs are not available. There is an urgent need to address this situation to realize the growth potential of existing micro and small enterprises (MSE) in Tonga.</p> <p>b. Goal and purpose: To enhance private sector-led growth by providing access to existing nonfinancial business development services to micro and small enterprises.</p>										

c. Components and outputs: The ADTA will (i) set up an information system of available business development services (BDS); (ii) design a strategy to deepen the market for existing BDS; (iii) facilitate linkages between BDS providers and MSEs; and (iv) provide access to BDS through a cost-sharing arrangements, e.g., vouchers.

d. Expected results and deliverables: At least 50% of retrenched civil servants and early retirees will have received technical, business management training and/or had access to other nonfinancial business support services.

At least 500 micro and small entrepreneurs will have improved their business performance through various business advisory services (means of verification - business records).

e. Social or environmental issues or concerns: not applicable

f. Plans for disseminating results/deliverables: not applicable

7. Proposed executing/implementing agencies: Department of Labor, Commerce and Industries (EA), private sector association.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

A Government-Private Sector Consultative Group has identified the core problem. The Chamber of Commerce and the Tonga Small Business Association are active members of the Consultative Group, participating in its discussions. An assessment of business support services is being carried out under RETA 5963 for Private Sector Development. This comprises conferences, and qualitative and quantitative surveys of BDS.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2002
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): February 2003
 - Activities financed by JFICT or JFPR
- c. Period and duration of assistance
 - Lending
 - Nonlending: 2/2003 – 8/2005, duration 2.5 years
 - Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources:
 - Asian Development Fund:
 - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds
 - TA Special Fund: \$250,000
 - Japan Special Fund:
 - Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

c. For projects financed by

JFICT:

JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, [ADTA=advisory technical assistance](#), [BDS=business development services](#), CSP = country strategy and program, EA=executing agencies, EPSRP=Economic and Public Sector Reform Program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, MSE=micro and small enterprise, PDMC=Pacific developing member countries, RETA=regional technical assistance, TA = technical assistance.

Title: Employment Creation and Community-based Financial Management Training

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Education Subsector: Adult/Vocational Education</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Pacific Department</p>										
<p>5. Responsible ADB officer(s): Andrea Iffland</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The Government is implementing an Economic and Public Sector Reform Program (EPSRP) to ensure overall macroeconomic stability and to enhance private sector-led economic growth. This includes reforming and rightsizing of the public service. The EPSRP envisages (i) enforcement of the retirement age of 60, (ii) provision of lump sum incentive payments to encourage employees over 50 to take early retirement, and (iii) retrenchment of selected public servants with lump sum compensation packages.</p> <p>The major socioeconomic impacts of the EPSRP over the next 3-5 years are likely to be a reduction in incomes of approximately 500 households. Lump sum payments for retirees and retrenched public servants are unlikely to provide long-term social security. Not only are they modest, but they will also be quickly spent. It is a cultural tradition to redistribute resources by giving gifts. In a mainly subsistence-based economy this worked well. Surplus produce could not be stored for long, and was converted into social capital by various distributive mechanisms. But in a money-based economy, traditional economic practices discourage savings and modern investments and encourage consumption.</p>										

Exposed to social pressures to meet family demands and to make generous donations to the church, the funds will be spent quickly. This cultural factor also undermines the efforts of many Tongans to operate private enterprises, and discourages others from starting new enterprises.

The reduction of the public service also reduces employment opportunities for Tongan youths. Geared towards academic achievement and focused on getting a job in the public service, youth will find it increasingly difficult to find employment. Vocational education has been ignored by the education system. Only a few vocational training institutions exist, and the possible enrollments fall substantially short of the expected increasing demand.

b. Goal and purpose: To mitigate the short and medium-term impacts of the reform by addressing (i) customary communal obligations through community-based financial management training, and (ii) providing vocational education to youths unable to find employment in the public sector. This will directly impact on poverty in urban centers and rural communities.

c. Components and outputs: The ADTA will introduce community-based financial management training in rural and urban areas. It comprises (i) developing training materials appropriate for (a) adults, and (b) primary and secondary schools; (ii) training of trainers/facilitators and selected primary and secondary school teachers in the use of these training materials; and (iii) production of radio and television programs on management of household incomes. The capacity of selected government and nongovernment vocational training centers will be increased to cater for the increasing demand for vocational education. Short-term courses and long-term training programs will be based on competency-based training modules.

d. Expected results and deliverables: All public servants directly affected by the reform and their immediate family members will have participated in the community-based financial management training. At least 100 training courses will be conducted in rural areas. At least 20% of all secondary and primary schools will have access to the training materials.

At least one vocational training provider in each of the outer islands and 4-6 training providers on the main island Tongatapu, will have increased their student enrollment by at least 20 % by 2/2006.

e. Social or environmental issues or concerns: not applicable

f. Plans for disseminating results/deliverables: not applicable

7. Proposed executing/implementing agencies: Department of Education as executing agency; NGOs will be part of implementation.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

NGOs, churches, and government training providers have been contacted. A detailed training needs analysis and intuitional assessment of training providers will be carried in cooperation with the Department of Education. A participatory planning workshop/ZOPP will be conducted to finalize project scope and implementation arrangements.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2002
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory):
 - Activities financed by JFICT or JFPR: March 2003
- c. Period and duration of assistance
 - Lending
 - Nonlending:
 - Activities financed by JFICT or JFPR: 3/2003 – 2/2006 duration 3 years

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources:
 - Asian Development Fund:
 - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds
 - TA Special Fund:
 - Japan Special Fund:
 - Other (specify, e.g., bilateral and multilateral trust funds):

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
- JFICT:
 - JFPR: US\$800,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, [ADTA=advisory technical assistance](#), CSP = country strategy and program, EPSRP=Economic and Public Sector Reform Program, JFICT = Japan Fund for Information and Communication Technology, NGO=nongovernment organization, JFPR = Japan Fund for Poverty Reduction, TA = technical assistance, ZOPP=objectives oriented project planning

Title: Agriculture Sector Development

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p>Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p>Other</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Others Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Multisector</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Multisector	
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<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Multisector										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: PAHQ/PARD</p>										
<p>5. Responsible ADB officer(s): TBD</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Past assistance in this sector has focused on strengthening the Ministry of Agriculture's capacity to drive growth in agricultural production and improving export earnings. However the perception is that there is duplication of work between the ministry and other agencies, and poor performance by the ministry in developing market access, diversifying export products, and identifying value-adding opportunities. The public service reform program in 2003 will restructure the ministry to provide it with a clear mission and objectives. During the CPM in April 2002 the Government requested assistance to refocus the ministry to ensure that agriculture will be the source of economic growth in the future.</p> <p>b. Goal and purpose: Economic growth to provide employment and reduce poverty in Tonga.</p> <p>c. Components and outputs: The TA will review the administrative, marketing, and policy arrangements of the sector to eliminate duplication of functions and to encourage a customer service orientation. The key objectives of the TA will be to (i) enhance services to smallholders; (ii) develop a cooperative and effective approach to product promotion, market access, and identification of potential new products/markets; and (iii) assess the feasibility of value-added processing of agricultural exports and necessary infrastructure to support same.</p> <p>d. Expected results and deliverables: The TA will provide recommendations and an action plan for</p>										

developing the agriculture sector to provide much needed economic growth and employment to compensate for the reduced role of the public sector in the future.

e. Social or environmental issues or concerns: Consideration should be given to ensure that development will be sustainable in the longer term within the constraints caused by the absence of the environmental impact assessment legislation.

f. Plans for disseminating results/deliverables: not applicable

7. Proposed executing/implementing agencies: Ministry of Agriculture

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:
The TA will seek input from smallholders and agricultural businesses involved in import and export of agricultural products and foodstuff.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP update: 2002
- d. Expected date of submission for approval
Lending:
Nonlending (project preparatory): April 2004
Nonlending (other than project preparatory):
Activities financed by JFICT or JFPR:
- c. Period and duration of assistance
Lending:
Nonlending: 8 months to end 2004
Activities financed by JFICT or JFPR:

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources
 - Asian Development Fund
 - Other

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget
 - Grant TA funds
 - TA Special Fund: US\$500,000
 - Japan Special Fund
 - Other (specify, e.g., bilateral and multilateral trust funds)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- c. For projects financed by
- JFICT:
 - JFPR:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CPM=country programming mission, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, PAHQ=Pacific Operations Division, PARD=Pacific Department, TA = technical assistance, TBD=to be determined.