



Completion Report

Project Number: 52030-001
Grant Number: 0709
September 2021

Tonga: Strengthening Macroeconomic Resilience Program

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Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit		–	pa'anga (T\$)
		At Appraisal	At Program Completion
		2 June 2020	28 July 2020
T\$1.00	=	\$0.44	\$0.44
\$1.00	=	T\$2.22	T\$2.21

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
DMF	–	design and monitoring framework
FY	–	fiscal year
GDP	–	gross domestic product
IMF	–	International Monetary Fund
JPRM	–	joint policy reform matrix
MIA	–	Ministry of Internal Affairs
PEFA	–	public expenditure and financial accountability
PFM	–	public financial management
TA	–	technical assistance
TVET	–	technical and vocational education and training

NOTES

- (i) The fiscal year (FY) of the Government of Tonga and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, “\$” refers to United States dollars, unless otherwise stated.

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BASIC DATA

A. Grant Identification

- | | | |
|----|-----------------------------------|--|
| 1. | Country | Tonga |
| 2. | Grant number and financing source | 0709 (Asian Development Fund) |
| 3. | Program title | Strengthening Macroeconomic Resilience Program |
| 4. | Recipient | Government of Tonga |
| 5. | Executing agency | Ministry of Finance |
| 6. | Amount of grant | \$12.2 million |
| 7. | Financing modality | Sovereign program grant |

B. Grant Data

- | | | |
|----|----------------------------------|----------------|
| 1. | Grant negotiations | |
| | – Date started | 2 June 2020 |
| | – Date completed | 2 June 2020 |
| 2. | Date of Board approval | 25 June 2020 |
| 3. | Date of grant agreement | 26 June 2020 |
| 4. | Date of grant effectiveness | |
| | – In grant agreement | 26 July 2020 |
| | – Actual | 26 June 2020 |
| | – Number of extensions | 0 |
| 5. | Program completion date | |
| | – Appraisal | 31 July 2020 |
| | – Actual | 28 July 2020 |
| 6. | Grant closing date | |
| | – In grant agreement | 31 July 2020 |
| | – Actual | 28 July 2020 |
| | – Number of extensions | 0 |
| 7. | Financial closing date | |
| | – Actual | 28 July 2020 |
| 8. | Terms of grant | Not applicable |
| | – Interest rate | |
| | – Maturity (number of years) | |
| | – Grace period (number of years) | |
| 9. | Terms of relending (if any) | Not applicable |

10. Disbursements

a. Dates

Initial Disbursement 29 June 2020	Final Disbursement 29 June 2020	Time Interval 0.0 months
Effective Date 26 June 2020	Actual Closing Date 28 July 2020	Time Interval 1.1 months

b. Amount (\$ million)

Category	Original Allocation (1)	Increased during Implementation (2)	Cancelled during Implementation (3)	Last Revised Allocation (4=1+2-3)	Amount Disbursed (5)	Undisbursed Balance (6 = 4-5)
Amount	12.2	0.0	0.0	12.2	12.2	0.0
Total	12.2	0.0	0.0	12.2	12.2	0.0

C. Program Data

1. Program cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign exchange cost	12.2	12.2
Local currency cost	0.0	0.0
Total	12.2	12.2

2. Financing plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation cost		
Recipient financed	0.0	0.0
ADB financed	12.2	12.2
Other external financing	0.0	0.0
Total implementation cost	12.2	12.2

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Reconnaissance mission	28–31 January 2020	1	4	Public management economist
Fact finding	16–23 April 2020	1	6	Public management economist
Negotiations	2 June 2020	3	3	Public management economist, senior country officer, legal counsel
Program completion review	Not applicable			

I. PROGRAM DESCRIPTION

1. The Strengthening Macroeconomic Resilience Program's intended outcome was to strengthen Tonga's macroeconomic resilience, including to mitigate the impact of the coronavirus disease (COVID-19) pandemic by supporting the government's response.¹ The program sought to do so by (i) tackling sources of immediate and structural fiscal and public financial management (PFM) risks, and (ii) improving public sector and national human resource management to limit the immediate labor market impact of COVID-19 and to encourage long-term growth. The program was designed as a stand-alone single-tranche grant. The program built on a series of reforms supported by programs starting in 2009.²

II. DESIGN AND IMPLEMENTATION

A. Program Design and Formulation

2. Tonga's development partners have provided a longstanding series of budget support that has been underpinned by a continuing Joint Policy Reform Matrix (JPRM). This provided the basis for the program, which was designed as the socioeconomic impacts of COVID-19 were unfolding. COVID-19 did not disrupt the intensive policy dialogue and joint reform planning with ADB and other partners. Rather the JPRM process enabled flexibility in responding to emerging COVID-19 response needs. The JPRM meetings were held about every quarter, with the reform momentum largely unchanged. Although Tonga's PFM systems are generally functional and supported basic service delivery, there are challenges around strategic PFM, public asset management, cash management, tax administration, and transparency and accountability. Further, PFM reforms remain critical beyond responding to the impact of COVID-19.

3. The government anticipated that the COVID-19 pandemic would negatively impact fiscal balances through reduced tax revenues and increased demand for current expenditure. Fiscal deficits equivalent to 5.5% of gross domestic product (GDP) in FY2020 and 1.2% of GDP in FY2021 were projected. Maximizing the efficiency of tax and customs administration was seen to be crucial to the recovery of fiscal balances.

4. The COVID-19 pandemic has caused a shock to the domestic economy, threatening the livelihoods of an estimated 43% of salaried workers in the private sector. Although Tongans working abroad remit income, the longer-term loss of labor constrains public and private sector capacity and productivity, limiting domestic production to a narrow and informal base.³ Legislative and cultural barriers impede women's labor participation and economic empowerment;; institutional and regulatory frameworks for managing Tonga's participation in labor mobility schemes are underdeveloped; and formal technical and vocational education and training (TVET) lacks overarching design and coordination. The wage bill for the public sector is a fiscal challenge.

5. In a letter to the Asian Development Bank (ADB) dated 2 June 2020, the Minister of Finance pledged the government commitment to the reform program. The program was aligned

¹ The government prepared a COVID-19 economic and social stimulus package of \$26.1 million (5.2% of GDP) to be implemented through FY2020 and FY2021, with \$9.8 million dedicated to health preparedness and response.

² ADB. [Tonga: Economic Support Program](#); ADB. [Tonga: Strengthening Public Financial Management Program](#); ADB. [Tonga: Building Macroeconomic Resilience Program Subprogram 1](#); ADB. [Tonga: Building Macroeconomic Resilience Program \(Subprogram 2\)](#); and ADB. [Tonga: Building Macroeconomic Resilience Program, Subprogram 3](#).

³ International Monetary Fund (IMF). 2020. Tonga: [2020 Article IV Consultation and Request for Disbursement Under the Rapid Credit Facility](#). IMF Country Report No. 21/26. Washington, DC.

with the following Tonga Strategic Development Framework, 2015–2025 impacts: (i) more inclusive and sustainable growth and development; (ii) a more inclusive, sustainable, and dynamic knowledge-based economy; and (iii) more responsive good governance.⁴ The government adjusted its policies to mitigate the anticipated short- and long-term impacts of the COVID-19 pandemic's emergence, and the COVID-19 response program was built on the government's economic and social stimulus package. Specific program policy actions included measures to limit job losses, fund health priorities, and protect vulnerable groups, and were consistent with ADB's Comprehensive Response to the COVID-19 Pandemic.⁵ The stand-alone program was considered more appropriate than a COVID-19 Pandemic Response Option as the policy actions were assessed to still be relevant, achievable, and timely. The initially planned \$5 million grant was increased to \$12.2 million in light of the increased development financing need, and additional policy actions were added to the program design to support the government's COVID-19 response.⁶ As the risk assessment and management plan stated, the switch to a stand-alone program modality was temporary and made to accommodate the government's request to reschedule disbursements to mid-fiscal year. The program was designed to complement ADB's Strategy 2030 support for small island developing states, as well as the operational priorities of strengthening governance and institutional capacity and accelerating progress toward gender equality.⁷ The program adhered to ADB's country operations business plan for 11 small Pacific island countries, 2020–2022, as well as the Pacific Approach, 2016–2020.⁸

6. The program continued the efforts of earlier reform programs, but also adapted quickly to support important actions that the government was undertaking to respond to the socioeconomic impacts of COVID-19. It was based on updated sector assessments and formulated alongside assistance from other international development partners.⁹ The labor market and TVET background linked document could have benefited from a broader review covering education, social and cultural issues, and the impact of remittances and reservation wages.¹⁰ Given the alignment with development objectives of the government and ADB, and the program's timeliness, the program is highly relevant at appraisal and completion.

B. Program Reform Areas

7. The program consisted of two reform areas: (i) sources of fiscal and PFM risk reduced, and (ii) national human resource support and management improved. The first output included policy actions to allay the immediate economic and fiscal risks of the COVID-19 pandemic by helping mobilize the government's response. In the longer-term, the policy actions focused on

⁴ Government of Tonga, Ministry of Finance and National Planning. 2015. *Tonga Strategic Development Framework, 2015–2025*. Nuku'alofa.

⁵ ADB. 2020. *ADB's Comprehensive Response to the COVID-19 Pandemic*. Manila.

⁶ The additional actions related to the approval of an economic stimulus package consistent with the government debt strategy (Policy Action 1.1; see Appendix 1), that supports jobs (Policy Action 2.1), and mitigates the impacts of the pandemic on vulnerable households (Policy Action 2.2).

⁷ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁸ ADB. 2019. *Country Operations Business Plan: Eleven Small Pacific Island Countries, 2020–2022*. Manila; and ADB. 2016. *Pacific Approach, 2016–2020*. Manila. The program name has been revised from New Economic Management Program, Subprogram 1 to *Strengthening Macroeconomic Resilience Program*.

⁹ The World Bank disbursed \$5.5 million (and later funded separately an additional \$20.0 million due to COVID-19), Australia increased its budget support from \$2.6 million to \$7.2 million, and New Zealand increased support from \$1.5 million to \$4.0 million due to COVID-19. The support was provided in grant form and was not ADB administered.

¹⁰ It should be noted that the government was seeking urgent financing for their FY2020 budget, and the program was therefore processed and disbursed in under 4 months to meet this need – a more detailed sector assessment may have extended this approval time.

mitigating other sources of fiscal risk by improving the capacity, quality, efficiency, and accountability of PFM systems and practices. Reforms under the first reform area benefited from a history of the government's PFM reforms supported by donors and development partners under the JPRM as well as challenges identified by the public expenditure and financial accountability (PEFA) assessment,¹¹ the government's PFM road map,¹² and other PFM assessments.

8. The first reform area covered (i) Cabinet approval of an economic stimulus package consistent with the government debt strategy, (ii) the preparation and publication of a PEFA agile assessment and gender-responsive budgeting assessment in partnership with the International Monetary Fund (IMF), (iii) Cabinet approval of regulations to improve compliance with the newly revised Revenue Services Administration Bill, (iv) Cabinet approval of a systematic framework and policy for recording and managing public fixed assets, (v) Cabinet approval of a policy that would establish a liquidity buffer target band to support better cash management, and (vi) the government's accession to the United Nations Convention Against Corruption. The actions were aligned with JPRM priorities.

9. The second reform area aimed to mitigate the immediate labor market impacts of the COVID-19 crisis by providing short-term employment support and supplementing the incomes of vulnerable households reliant on informal employment. The second reform area targeted a longer-term economic recovery from COVID-19 through improvements in public service management, structured access to labor migration (particularly for women), and skills accumulation. The program benefited from the government's ongoing efforts to reform public service performance and remuneration and earlier ADB technical assistance (TA) to support public service management reform.¹³

10. The second reform area covered Cabinet approval of (i) measures to mitigate job losses during the COVID-19 pandemic, including (a) subsidizing employers to retain staff to limit long-term damage to employment outcomes and (b) providing subsidies to those who lost their jobs because of the pandemic; (ii) measures to mitigate the impacts of COVID-19 on vulnerable people, including (a) one-time cash transfers for vulnerable and poor households (including female-headed households), (b) income-generating activities for women's groups, and (c) a waiver on local consumption taxes until 30 June 2020; (iii) a gender-sensitive labor mobility policy framework; and (iv) a TVET sector policy framework. The second reform also included the Public Service Commission adopting a standardized public service job description template and revising the Classification of Positions. The Classification of Positions was part of an ongoing, sensitive, and challenging but successful government program to introduce a new system of public service performance management and remuneration. The actions were aligned with JPRM priorities.

11. All policy actions were achieved before program approval. The design and monitoring framework (DMF) and achievements are in Appendix 1 and the policy reform matrix and post-program framework in Appendix 2.

C. Program Costs and Financing

12. Excluding grants, the FY2020 fiscal deficit was projected to reach the equivalent of \$89.4 million (18.0% of GDP), largely because an additional \$26.1 million (5.3% of GDP) was

¹¹ Government of Tonga, Ministry of Finance and National Planning. 2010. *Public Expenditure and Financial Accountability Public Financial Management Performance Report*. Nuku'alofa.

¹² Government of Tonga. 2014. *Tonga's Public Financial Management Roadmap, 2014/2015–2018/2019*. Nuku'alofa.

¹³ ADB. 2020. [Technical Assistance for Supporting Public Management Reforms](#). Manila.

needed to fund the COVID-19 economic and social stimulus package. The government requested a grant not exceeding \$12.2 million (2.5% of GDP) from ADB's Special Funds resources (Asian Development Fund) to help finance the program. ADB funding was originally envisaged to be \$5 million (1.0% of GDP) in grants (footnote 8) but was increased to accommodate the impacts of COVID-19. The World Bank disbursed \$5.5 million (1.1% of GDP) (and later funded separately an additional \$20.0 million (4.0% of GDP) due to COVID-19), Australia increased its budget support from \$2.6 million (0.5% of GDP) to \$7.2 million (1.5% of GDP), and New Zealand increased support from \$1.5 million (0.3% of GDP) to \$4.0 million (0.8% of GDP) due to COVID-19. The support was provided in grant form and was not ADB administered.

D. Disbursements

13. The appraisal disbursement schedule was reasonable and most efficient. The grant became effective after ADB determined that the government had complied with all the grant agreement's conditions for grant release.

E. Program Schedule

14. The program was scheduled to be implemented from 1 July 2019 to 31 July 2020. Policy actions were completed prior to grant approval and the program was closed ahead of schedule on 28 July 2020.

F. Implementation Arrangements

15. The government's existing Budget Support Management Committee led the JPRM process and oversaw the program, with the Ministry of Finance as the executing agency. The committee provided overall guidance and was responsible for coordinating program implementation, monitoring, and evaluation. The Ministry of Revenue and Customs, the Public Service Commission, and the Prime Minister's Office were also implementing agencies. The implementation arrangements remain unchanged. Despite government officials' other obligations, the Budget Support Management Committee met frequently and with good attendance. The chief secretary and cabinet secretary confirmed that the government encountered no problems implementing the program. The JPRM process continues to facilitate broad consultations on future reform priorities. ADB will continue to monitor and support reform implementation through the JPRM and the development of a follow-up budget support program (para. 37).

G. Technical Assistance

16. ADB's ongoing regional TA and other development partner TA supported specific elements of the program as needed. The ADB's TA aided COVID-19 rapid assessments and program monitoring (footnote 13). Australia's Department of Foreign Affairs and Trade, and New Zealand's Ministry of Foreign Affairs and Trade both provided TA for TVET and labor mobility. The IMF provided technical assistance for the PEFA as well as revenue mobilization. The World Bank provided technical assistance with cash management.

H. Gender Equity

17. The program was classified as effective gender mainstreaming. It included four policy actions that directly addressed key gender gaps in PFM, human resource management, and the economic impacts of COVID-19 on women. The pandemic's impact on travel and tourism was expected to have widespread negative consequences for women's ability to earn in formal and

informal employment. Women make up 43.5% of the labor force (aged 15–49 years).¹⁴ The majority of women work in the handicraft industry, which serves both domestic and international markets.

18. Women's low workforce participation is pronounced in the uptake of overseas labor opportunities, where only one in 10 workers was female. Proactive gender features of the program included (i) a gender-responsive economic stimulus package with cash transfers for vulnerable and poor households (including female-headed households); (ii) income-generating activities for women's groups; (iii) gender-responsive budgeting actions, particularly a PEFA gender-responsive budget assessment, gender impact analysis of expenditure proposals, and budget allocations for gender initiatives such as women's microfinance and women's crisis centers; and (iv) implementation of a gender-sensitive labor mobility policy. Gender equality results and achievements are detailed in Appendix 3.

I. Safeguards

19. In accordance with ADB's Safeguard Policy Statement (2009), the program was classified as *category C* for the environment, involuntary resettlement, and indigenous peoples. Program activities were confined to policy and institutional reforms. Prior policy actions were not expected to result in or lead to involuntary resettlement or to negatively affect indigenous peoples or the environment.

J. Monitoring and Reporting

20. A perceived risk was that the COVID-19 pandemic and other potential shocks would have far-reaching consequences, undermining economic stability and fiscal sustainability. The mitigating measure was that ADB would monitor national, regional, and global economic developments and stand ready to provide additional assistance in coordination with other partners if additional economic shocks from other sources occurred. This monitoring is ongoing.

21. All general and particular covenants were complied with. No covenants were delayed or breached. Compliance with covenants is detailed in Appendix 4. The DMF was based on the government's response to COVID-19 and on JPRM components. Tonga's fiscal and economic performance is well monitored by the JPRM, ADB's *Pacific Economic Monitor*,¹⁵ biennial country policy performance assessments, and annual IMF Article IV missions to the country.

III. EVALUATION OF PERFORMANCE

A. Relevance

22. Program design and modality are assessed as *highly relevant* at appraisal and completion. The program design was appropriate for achieving the intended outcomes. The intended program outcome was fully consistent with the government's urgent development priorities. It was innovative in that existing modalities could be adapted for COVID-19 emergencies, flexibility was sufficient to adjust the policy matrix (para. 6), and financing could be increased to meet greater fiscal need (para. 12). The program's policy matrix was based on the government's COVID-19

¹⁴ Government of Tonga, Statistics Department. 2018. *Labour Force Survey*. Nuku'alofa.

¹⁵ ADB. 2020. [Pacific Economic Monitor](#). Manila.

emergency response, development strategy, and reform program plans.¹⁶ The program was designed to complement ADB's country and corporate strategies (footnote 7–8) as well as the IMF's recommendations in 2021 (footnote 3). Given the need for immediate assistance, the choice of modality was most appropriate. The results chain was sound because the DMF was well structured: the indicators were specific, measurable, relevant, time bound, and achieved. The original scope was not altered.

B. Effectiveness

23. The program is assessed as *effective*. Although one data issue arose concerning the accuracy of the Ministry of Internal Affairs' (MIA) record of new workers, the outcome and all reform indicators were achieved as far as could be ascertained.¹⁷ The reform indicators will have directly contributed to the desired outcome. Despite difficult circumstances, the IMF reported in February 2021 that macroeconomic and financial stability had been maintained (footnote 3). A series of fiscal surpluses from FY2017 to FY2020, low inflation, adequate bank capital buffers, and ongoing efforts to improve financial supervision had demonstrated the authorities' commitment in this regard. In response to the pandemic, the government put together a strong policy that included liquidity for the financial sector as well as fiscal assistance for health care, affected businesses, and households. The program was not required to include any safeguards measures. At program completion, all four gender policy actions had been completed (Appendix 3).

C. Efficiency

24. The program is assessed as *efficient*. It was approved and executed in a timely manner, as planned. Program execution used the government-led multi-donor JPRM, which promoted coherence, coordination, and consistency among partners and was efficient in terms of transaction costs. Intended outcomes were achieved or exceeded at lower costs or within a shorter period than planned. All policy actions were executed efficiently, without delays or impediments.

D. Sustainability

25. The program is assessed as *likely sustainable*. Positive effects meet expectations. Political and stakeholder commitment is firm. The government has established the institutional capacity required to sustain the program. The government continues to work with all its key donors and development partners to deal with the continuing impacts of essential responses to COVID-19. ADB and JPRM partners are designing a follow-on reform program to underpin future assistance in 2021 to continue to help underpin employment, household, business, and government finances. However, at the present time, the further economic and social impact of COVID-19 remains uncertain. A prolonged pandemic could negatively impact fiscal, economic and social stability, and potentially delay the follow-on reforms from the program.

26. The economy and government finances will remain vulnerable to macroeconomic shocks and the impact of future natural disasters. Sustainability will continue to be hampered by broader structural economic and climate concerns. As the IMF reported (footnote 3), Tonga's growth

¹⁶ Government of Tonga, Ministry of Finance. 2020. *2020–2021 Budget Statement*; and Government of Tonga, Ministry of Finance and National Planning. 2015. *Tonga Strategic Development Framework, 2015–2025*. Nuku'alofa.

¹⁷ The MIA recorded 1,635 direct recruits by employers (as of 24 May 2021), with 539 registered at the Labour Sending Unit (as of 24 May 2021). The direct recruits are returnees and new workers—the ministry cannot distinguish between them, and 355 of the recruits were women. COVID-19 has negatively impacted these numbers.

model is heavily reliant on labor export and thus difficult to sustain. Remittances are a mixed blessing. Tonga's reservation wages are high, reducing incentives to upgrade skills and enter the local labor force. High reservation wages increase turnover, limiting public sector capacity and business formation, and keeping the local production base narrow, agrarian, and informal. Growing Tonga's small private sector is a long-term solution to the country's fiscal and development problems. However, many reforms are still required to unlock the private sector's potential, such as improving the operation of the land market and lowering barriers for female workers.

E. Development Impact

27. The program is rated as *satisfactory* for development impact. The program was aligned with the following impacts: (i) a more inclusive, sustainable, and dynamic knowledge-based economy promoted; (ii) more responsive good governance achieved; and (iii) adverse social and economic impacts of the COVID-19 pandemic reduced. Impact indicators were not required. The program is likely to have positive development impacts, as expected. Negative impacts, if any, were not reported by government or via consultations with potentially affected groups, although ADB TA suggested that some areas of the countercyclical package could be improved, particularly the targeting of assistance measures (para. 28). The program supports ADB's Strategy 2030 operational priority 6: strengthening governance and institutional capacity across all three pillars, and operational priority 2: accelerating progress in gender equality, particularly on pillars 2 and 5.

28. The ADB TA (footnote 13) found that significant monetary policy easing, together with resilient remittance payments and large budget support payments, maintained high levels of foreign reserves and high liquidity in banks. However, a focus on timely and efficient stimulus delivery meant that assistance was not always delivered to some already-vulnerable households and to households newly vulnerable because of the COVID-19 shock. The TA analysis suggested that potential areas of concern were (i) the mixed distribution of assistance across key demographic categories; and (ii) assistance to people, especially children, in the outer islands. The Ministry of Health suggested that gaps remained in the public health infrastructure necessary for a phased opening of borders, which will delay economic recovery. The economic impact of COVID-19 highlighted the narrow base of Tonga's economic development model and its dependence on remittances.

F. Performance of the Recipient and the Executing Agency

29. The performance of the recipient is rated as *satisfactory*. All outputs were achieved despite inherent capacity limitations. The government's strong ownership of the program helped bolster the reform measures' credibility. Identification and monitoring of priority reform areas and actions were coordinated well with other development partners through the JPRM process. The government fully complied with grant covenants. There were no safeguard or fiduciary concerns. None of the identified risks materialized. Although stakeholder consultations were conducted, the ADB TA (footnote 13) documented some stakeholders' suggestions that communication around implementation could have been greater and some programs' allocation decisions more transparent. The MIA would like to involve its Labour Sending Unit more in selecting Tongans to work overseas and in formulating their contracts to expand the pool of recruits, although doing so is largely outside the government's direct control and needs to be resolved with employers.

G. Performance of Cofinanciers

30. The governments of Australia and New Zealand and the World Bank provided cofinancing, not administered by ADB. The IMF played a part in policy dialogue. Donors and development partners provided TA for program implementation. Partners coordinated to a high degree to mobilize financial support and TA through the JPRM mechanism.

H. Performance of the Asian Development Bank

31. The performance of ADB is rated as *satisfactory*. It was essential that the program be processed, approved, and implemented as soon as possible to respond to the immediate social and economic impact of the COVID-19 pandemic. Assistance was timely. ADB conducted three missions, which were reinforced by support from the Pacific Subregional Office, ADB's Pacific Country Office, virtual missions, and regular telecommunication. Despite COVID-19-related travel restrictions, ADB adapted its policies and procedures to aid Tonga. Program preparation, signing and grant effectiveness, and support to program implementation were of high quality and timely. The relationship between ADB, the executing and implementing agencies, and other development partners was most effective.

I. Overall Assessment

32. Overall, the program is rated as *successful*.

Overall Ratings	
Criteria	Rating
Relevance	Highly relevant
Effectiveness	Effective
Efficiency	Efficient
Sustainability	Likely sustainable
Overall Assessment	Successful
Development impact	Satisfactory
Recipient and executing agency	Satisfactory
Performance of ADB	Satisfactory
ADB = Asian Development Bank.	
Source: Asian Development Bank.	

IV. ISSUES, LESSONS, AND RECOMMENDATIONS

A. Issues and Lessons

33. The economic and social impact of the COVID-19 pandemic highlighted the importance of a quick response, and ADB adjusted its policies and procedures to respond in a timely manner (paras. 22 and 31). In particular, the stand-alone nature of the policy-based grant enabled rapid reprioritization of the policy agenda to respond to emerging needs without delaying the existing and ongoing reform momentum.

34. The continued success of the JPRM process highlights the benefits of supporting joint development partner engagements in policy dialogue, budget support, and the coordination and prioritization of TA (paras. 7–10 and 30).

35. ADB adapted to the need for virtual missions to support timely delivery of assistance (para. 31), with the Pacific Country Office for Tonga playing an important role in coordinating the attendance of local counterparts and pursuing key documentation.

B. Recommendations

36. ADB TA recommendations (footnote 13) for potential priorities for a further stimulus package were (i) complete upgrades to the public health infrastructure in anticipation of any outbreak of COVID-19; (ii) support maintenance of critical tourism infrastructure pending reopening of borders and assistance; (iii) support those made most vulnerable by COVID-19 and who may not have received assistance under the earlier stimulus package; (iv) prioritize investments in some areas of health and education to ensure that services are not disrupted in case of a COVID-19 outbreak; (v) with the assistance of development partners, consider how regular surveys of businesses and households' socioeconomic status can be undertaken to provide timely information on the pandemic's ongoing impact; (vi) improve engagement and communication with the community on program design and implementation; (vii) develop a credible medium-term fiscal plan to enable future public finances to be sustainable; (viii) help invigorate private sector economic development over the medium-term; and (ix) help public services remain well coordinated to continue responding quickly to the pandemic environment.

37. **Future monitoring.** The JPRM remains the primary mechanism for ongoing policy engagement and monitoring of reform progress. The fiscal and economic performance of Tonga is well monitored by IMF's Article IV, ADB and World Bank biennial publications, biennial country policy performance assessments, and ADB's *Pacific Economic Monitor* (para. 21). ADB continues to be strongly engaged in supporting responses to COVID-19 and is designing a possible stand-alone reform program (para. 15).

38. **Covenants.** All have been met and none need to be maintained, changed, or waived.

39. **Further action or follow-up.** As per the ADB TA assessment (para. 36) and post-program monitoring framework (Appendix 2), the ongoing impacts of the COVID-19 crisis on health, economic, and fiscal outcomes will continue for the foreseeable future. Reforming PFM and developing the private sector, including labor pathways, will remain central to ensuring that reform momentum is maintained. The program under preparation includes reform actions in these areas.

40. **Timing of the program performance evaluation report.** The program is complete, and the program performance evaluation report could take place immediately.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Indicators and Targets	Program Achievements
Impact	<p>1. A more inclusive, sustainable, and dynamic knowledge-based economy promoted (Tonga Strategic Development Framework, 2015–2025).^a</p> <p>2. More responsive good governance achieved (Tonga Strategic Development Framework, 2015–2025).^a</p> <p>3. Adverse social and economic impact by the COVID-19 pandemic reduced. (ADB's Comprehensive Response to the COVID-19 Pandemic).^b</p>	The program is likely to have positive development impacts, as expected. Negative impacts, if any, were minimal in relation to the gains under the program.
Outcome Macroeconomic resilience of Tonga enhanced	<p>a. By 2022, income support provided to at least 1,500 workers that lose their jobs due to COVID-19 (2019 baseline: 0).</p> <p>b. By 2022, government daily cash balance maintained at an average equivalent to 1–2 months of recurrent expenditures (2019 baseline: daily cash balance equivalent to 3 months of recurrent expenditures).</p> <p>c. By 2022, the number of Tongans in the Ministry of Internal Affairs (MIA) worker pools increased to at least 900 new workers (50% women) (2019 baseline: 511; 32% women).</p>	<p><i>Achieved</i></p> <p>a. MIA Excel spreadsheet of 14 May 2020 shows that 3,224 employees received income support.</p> <p>b. Cabinet Decision of 11 December 2019 approved the World Bank Technical Assistance on Cash and Debt Management Reforms, for government daily cash balance maintained at an average equivalent to 1–2 months of recurrent expenditures.</p> <p>c. MIA worker pool records 539 registrations as of 21 May 2021 and advised the number of women registering is tracking toward the target for women.</p>
Outputs 1. Sources of fiscal and PFM risk reduced.	<p>Key Policy Actions By April 2020:</p> <p>1.1 Cabinet approved an economic stimulus package consistent with the government debt strategy. (FY2019 baseline: not applicable)</p> <p>1.2 Government approved and published the PEFA Agile Assessment and Gender Responsive Budgeting Assessment in partnership with the IMF. (FY2019</p>	<p>1.1 As announced in the final budget statement for 2020–2021, the government approved an Economic and Social Stimulus Package of \$60 million. The government confirmed the use of no non-concessional lending. See also the Government of Tonga Medium-Term Debt Strategy 2015/16–2017/18. The strategy still applies.</p> <p>1.2 IMF Technical Assistance Report document Tonga Gender Responsive Budgeting PEFA Assessment January 2020. This was published on PEFA's website on 20 April 2020:</p>

Design Summary	Performance Indicators and Targets	Program Achievements
	<p>baseline: Previous PEFA was approved in 2010)</p> <p>1.3 Cabinet approved regulations to improve compliance with the newly revised Revenue Services Administration Bill. (FY2019 baseline: not approved)</p> <p>1.4 Cabinet approved a systematic framework and policy for the recording and managing of public fixed assets. (FY2019 baseline: not approved)</p> <p>1.5 Cabinet approved a policy that establishes a liquidity buffer target band to support enhanced cash management. (FY2019 baseline: not approved)</p> <p>1.6 Accession of the Tongan Government to the United Nations' Convention Against Corruption. (FY2019 baseline: not acceded)</p>	<p>https://www.pefa.org/news/first-agile-pefa-report-published-government-tonga</p> <p>1.3 Cabinet Minute 186 of 4 March 2020 approved regulations to improve compliance with the newly revised Revenue Services Administration Bill.</p> <p>1.4 Cabinet Minute 1365 of 11 December 2019 approved a systematic framework and policy for the recording and managing of public fixed assets.</p> <p>1.5 Cabinet Minute 1366 of 11 December 2019 approved the World Bank Technical Assistance on Cash and Debt Management Reforms be noted and approved, that is to approve a policy that establishes a liquidity buffer target band to support enhanced cash management.</p> <p>1.6 United Nations Reference: C.N.59.2020.TREATIES-XVIII.14 (Depositary Notification) notes the Accession of the Tongan Government to the United Nations' Convention Against Corruption.</p>
2. National human resource support and management improved	<p>2.1 Cabinet approved measures that will mitigate employment losses during the COVID-19 pandemic, including (a) subsidizing employers to retain staff to limit long-term damage to employment outcomes, and (b) providing employment subsidies for those that have lost their jobs due to the economic impacts of the pandemic. (FY2019 baseline: not applicable)</p> <p>2.2 Cabinet approved measures which mitigate the impacts of COVID-19 on vulnerable members of the community including (a) once-off cash transfers for vulnerable and poor households (including female-</p>	<p>2.1 Economic and Social Cluster allocated \$22.4 million as announced in the final budget statement for 2020–2021 the government approved an Economic and Social Stimulus Package of \$60 million, detailed in Annex V. Also, the same information was included alongside other government assistance in the government COVID-19 pamphlet of 2 April 2020. This announcement included Cabinet approved measures that will mitigate employment losses during the COVID-19 pandemic, including (a) subsidizing employers to retain staff to limit long-term damage to employment outcomes, and (b) providing employment subsidies for those that have lost their jobs due to the economic impacts of the pandemic.</p> <p>2.2 Economic and Social Cluster allocated \$22.4 million as announced in the final budget statement for 2020–2021 the government approved an Economic and Social Stimulus Package of \$60 million, detailed in Annex V. Also detailed in</p>

Design Summary	Performance Indicators and Targets	Program Achievements
	<p>headed households); (b) income-generating activities for women's groups; and (c) a waiver on local consumption taxes until 30 June 2020. (FY2019 baseline: not applicable)</p> <p>2.3 The Public Service Commission adopted a standardized public service job description template and revised the Classification of Positions. (FY2019 baseline: not adopted)</p> <p>2.4 Cabinet approved a gender-sensitive labor mobility policy framework. (FY2019 baseline: not approved)</p> <p>2.5 Cabinet approved a technical and vocational education and training sector policy framework. (FY2019 baseline: not approved)</p>	<p>government COVID-19 pamphlet of 2 April 2020. This documented Cabinet approved measures to mitigate the impacts of COVID-19 on vulnerable members of the community, including: (a) once-off cash transfers for vulnerable and poor households (including female-headed households); and (b) income-generating activities for women's groups. Regarding (c), the required payment of local consumption taxes was delayed giving taxpayers time considering their difficulties experienced with cashflows during COVID-19. The taxpayers were given extension to lodge and pay the tax for March, April, and May no later than 30 June 2020.</p> <p>2.3 Cabinet Memorandum No. 1343 of 29 November 2019 and Public Service Commission Memorandum of 18 December 2019 records that the Public Service Commission adopted a standardized public service job description template and revised the Classification of Positions.</p> <p>2.4 Cabinet approved a gender-sensitive labor mobility policy framework in Cabinet Memorandum No. 80 of 14 February 2020 and Government of Tonga 2019 Tonga Labour Mobility Policy 2019/20–2023/24.</p> <p>2.5 Cabinet approved a technical and vocational education and training sector policy framework under Cabinet Memorandum No. 1334 of 27 November 2019 and Government of Tonga 2019 National Technical and Vocational Education and Training (TVET) Policy Framework Final Draft.</p>

Key Activities with Milestones

Not applicable

Inputs

Asian Development Bank: \$12.2 million grant
Government of Australia: \$7.2 million grant (A\$11 million)
Government of New Zealand: \$4.0 million grant (NZ\$6.5 million)
World Bank: \$5.5 million grant

Each development partner managed the disbursement of their respective grants in parallel.

COVID-19 = coronavirus disease, FY = fiscal year, IMF = International Monetary Fund, MIA = Ministry of Internal Affairs, PEFA = public expenditure and financial accountability, TVET = technical and vocational education and training.

^a Government of Tonga, Ministry of Finance and National Planning. 2015. *Tonga Strategic Development Framework, 2015–2025*. Nuku'alofa.

^b ADB. 2020. *ADB's Comprehensive Response to the COVID-19 Pandemic*. Manila.
Source: Asian Development Bank.

POLICY MATRIX AND POST-PROGRAM PARTNERSHIP FRAMEWORK

Reform Areas	Policy Actions ^a	Post-Program Partnership Framework
1. Sources of fiscal and PFM risk reduced.	1.1 Cabinet approved an economic stimulus package consistent with the government debt strategy.	<p>The recovery from the COVID-19 pandemic will require ongoing monitoring, and possibly further intervention. Close surveillance has been carried out by continued JPRM meetings, IMF Article IV missions that have reverted to an annual cycle, and ADB staff.</p> <p>With the finalization of the PEFA Assessments (action 1.2) the government will develop a new roadmap for reforms, the roadmap will pick up on many of the areas of reform that laid foundational work during this program, including on gender-responsive budgeting and revenue management, but also procurement and debt management. The roadmap should be completed by June 2021.</p>
	1.2 Government approved and published the PEFA Agile Assessment and Gender Responsive Budgeting Assessment in partnership with the IMF.	
	1.3 Cabinet approved regulations to improve compliance with the newly revised Revenue Services Administration Bill.	
	1.4 Cabinet approved a systematic framework and policy for the recording and managing of public fixed assets.	
	1.5 Cabinet approved a policy that establishes a liquidity buffer target band to support enhanced cash management.	
	1.6 Accession of the Tongan Government to the United Nations' Convention Against Corruption.	
2. National human resource support and management improved	2.1 Cabinet approved measures that will mitigate employment losses during the COVID-19 pandemic, including (a) subsidizing employers to retain staff to limit long-term damage to employment outcomes, and (b) providing employment subsidies for those that have lost their jobs due to the economic impacts of the pandemic.	<p>Reforms surrounding public service management and wage management are expected to continue such as overtime and allowances, sexual harassment, or further improvement on workplace standards and conditions. The new sexual harassment policy was approved in March 2021 and ADB is providing TA to support implementation. It is also planned that these further reforms will be included in ADB's next policy reform program.</p> <p>There is an expectation that skill-focused reforms will continue, including policy or governance reforms that address required skills and the gender gap in secondary education, and that provide more opportunities for Tongans in the seasonal workers programs. A change in legislation has allowed for the creation of a national framework that will recognize tertiary qualifications.</p>
	2.2 Cabinet approved measures which mitigate the impacts of COVID-19 on vulnerable members of the community including (a) once-off cash transfers for vulnerable and poor households (including female-headed households); (b) income-generating activities for women's groups; and (c) a waiver on local consumption taxes until 30 June 2020.	
	2.3 The Public Service Commission adopted a standardized public service job description template and revised the Classification of Positions.	
	2.4 Cabinet approved a gender-sensitive labor mobility policy framework.	
	2.5 Cabinet approved a technical and vocational education and training sector policy framework.	

ADB = Asian Development Bank, COVID-19 = coronavirus disease, IMF = International Monetary Fund, PEFA = public expenditure and financial accountability, TA = technical assistance.

^a All policy actions completed.

Source: Asian Development Bank

GENDER EQUALITY RESULTS AND ACHIEVEMENT

A. Introduction

1. The Strengthening Macroeconomic Resilience Program for Tonga was designed to support a coronavirus disease (COVID-19) economic and social stimulus program and strengthen Tonga's macroeconomic resilience. The program aligned with elements of the Tonga Strategic Development Framework, 2015–2025: (i) more inclusive and sustainable growth and development; (ii) a more inclusive, sustainable, and dynamic knowledge-based economy; and (iii) more responsive good governance. The program was consistent with the strategic priorities of the Asian Development Bank's (ADB) Pacific Approach, 2016–2020 of reducing costs, managing risks, and enabling value creation.¹

2. The program built on earlier programs of the Asian Development Bank—including the Building Macroeconomic Resilience Program for Tonga—designed to strengthen broader growth prospects and resilience to external shocks. Targeting COVID-19 impacts, the program included specific measures to ameliorate impacts of the pandemic on women and contribute to a sustainable post COVID-19 rebuilding. The program deepens capacity for gender-responsive budgeting through a gender responsive budget analysis, establishes immediate relief from the hardships caused by the combination of a natural disaster and the COVID-19 pandemic, and improves the gender responsiveness of the Labour Mobility Program.

3. Tonga has a National Policy on Gender and Development but has yet to ratify the Convention on the Elimination of All Forms of Discrimination against Women. Women in Tonga have limited rights to land, and three out of every four women are reported to have experienced sexual violence.² Tonga is ranked 104 from 189 in the 2020 Gender Inequality Index, and while traditional norms dictate that women are held in high regard in Tongan culture, this ranking reflects that women have yet to achieve substantive equality in modern Tongan society.³ The COVID-19 pandemic has resulted in increased requests for assistance from gender-based violence support services and there are reports of increased remote or online abuse from seasonal workers toward women at home.⁴

B. Gender Actions

4. The Strengthening Macroeconomic Resilience Program was categorized as *effective gender mainstreaming* and included gender actions that directly assessed the extent to which the national budgeting process identifies the needs of women and men and promotes gender equality and addressed some of the impacts of COVID-19 on women. The COVID-19 pandemic has affected Tonga's tourism, retail, and construction sectors.⁵ The country had already sustained losses of around 12% of gross domestic product from the impact of Tropical Cyclone Harold in April 2020.

5. To respond quickly to the impact on women and other vulnerable groups, the program included a range of economic measures to support resilience. These included, through the Cabinet approval process, cash transfers for vulnerable and poor households, income-generating

¹ ADB. 2016. *Pacific Approach, 2016–2020*. Manila.

² Australian Council for International Development. 2020. [Prevention of Sexual Exploitation and Abuse](#). Deakin.

³ CARE International. 2018. [Tonga Gender Brief](#).

⁴ Pacific Women. 2021. [Thematic Brief–Gender and COVID-19 in the Pacific: Gendered Impacts and Recommendations for Response](#).

⁵ World Bank. 2020. [\\$30 Million in Support for Tonga's Most Vulnerable](#). Press release. 16 December.

activities for women, and a waiver on local consumption tax. These measures contributed to women's resilience and were accompanied by two other policy actions addressing women's social and economic empowerment and promoting gender equality:

- (i) developing a gender-sensitive labor mobility policy framework, with an expected impact of increasing the number of women in the pool of labor available for overseas work; and
- (ii) undertaking and publishing the Public Expenditure and Financial Accountability (PEFA) Gender Responsive Budgeting Assessment Report 2019, in conjunction with the International Monetary Fund.⁶

6. Labor mobility is a significant feature of the labor market in Tonga and remittances from overseas workers account for over one-third of the gross domestic product (37%).⁷ Prior to COVID-19, Tonga was the largest source of labor under the horticultural schemes operated by Australia and New Zealand. Under those schemes, employers may recruit workers directly or may use the "work ready" pool to source labor. The "work ready" pool is a list of potential workers screened by the Overseas Employment Division of the Ministry of Internal Affairs (MIA). To date, women have made up a maximum of only one-third of the workers in that pool.

7. The PEFA conducted by the International Monetary Fund helps countries improve their public finance programs by identifying gaps in public financial management systems. The gender responsive budgeting framework of that program helps identify the extent to which gender is mainstreamed in public financial management. It can provide an important baseline and identify areas for action.

C. Gender Achievements

8. At program completion, all four gender-related actions are confirmed completed and the program's gender rating is *successful*. A range of measures to mitigate the impacts of COVID-19 on vulnerable community members were approved by the Cabinet and reflected in the Government of Tonga's budget statement for the year ending June 2021. The Labour Mobility Policy was developed with inclusion of gender-sensitive measures and published. The PEFA gender responsive budgeting assessment was also completed and published.

9. The Cabinet approved specific gender-sensitive measures for cash transfers for vulnerable households via a one-off cash transfer through existing social protection programs.⁸ Existing social protection programs provide regular payments to the elderly (predominantly a female cohort),⁹ people with disability, and to the poor (based on Tonga's multidimensional poverty measure which includes an income poverty line of T\$970 (\$435) per month). Around 23% of the adult population are categorized as poor and while no data is available to confirm payment beneficiaries, a high percentage of female-headed households can be expected to benefit from these payments. Female-headed households in Tonga are less likely to have income from wages, business, or sale of products, more likely to have older persons (aged 70 years or over) and be located on the outer islands where poverty is more prevalent.¹⁰

⁶ IMF. 2020. [Technical Assistance Report for Tonga on Gender Responsive Budgeting PEFA Assessment](#). Washington, DC.

⁷ The Global Economy. [Tonga - Remittances](#). (accessed 5 July 2021).

⁸ Government of Tonga, Ministry of Finance. 2020. [Budget Statement 2019/20](#). Nuku'alofa.

⁹ Social Protection.Org. [Tonga Social Welfare Scheme](#).

¹⁰ Pacific Community. 2019. [Gender Equality: Where Do We Stand? The Kingdom of Tonga](#).

10. An allocation of T\$1 million for income-generating activities for women's groups and nongovernment organizations is recorded in the government's budget for year ending 30 June 2021. The PEFA gender responsive budgeting report records that the responsible ministry for social payments, MIA, provides sex-disaggregated data for program outputs.¹¹ The data for these payments can be expected to be available within 6 months of the 2021 budget but was not available at the time of this assessment.

11. The PEFA gender responsive budget assessment (footnote 11) found that while formal gender responsive budgeting is not undertaken by the government, some of the financial management systems and processes already include gender analysis and are gender inclusive. A rating of "partial gender mainstreaming" was the highest rating applied in the analysis to only two areas—gender responsive program documentation and evaluation of gender impacts of service delivery. A further two areas were rated as having initial efforts to mainstream gender analysis with the remaining six areas recording a rating of gender considerations "not included in the relevant public finance institution, processes, or system". The internal directions on budgeting do not include gender analysis of budget submissions or explanation of how the budget proposal responds to a gender analysis. The analysis also found that other elements of gender responsive budgeting, such as the status of gender measures, was absent. The analysis provides a comprehensive breakdown of the areas where a gender analysis is required.

12. The Labour Mobility Policy was published in 2019. Overseas employment is a significant feature of the labor market in Tonga, with seasonal workers under the New Zealand and Australian labor schemes comprising 14.7% of the Tongan labor force.¹² Women remain underrepresented in the ranks of foreign workers with female participation in the Australian mobility scheme at only 1,929 women and 12,640 men,¹³ with a similar ratio for the New Zealand Scheme.¹⁴

13. The labor mobility schemes are demand-led. Employers can recruit workers directly (and usually favor previous workers (who tend to be male) and men or they can recruit from the "work ready" labor pool established by the MIA Overseas Employment Division. While the lower female participation in labor mobility partially reflects women's overall lower participation in the labor market in Tonga, cultural norms within industries in Australia and New Zealand often inform employer recruitment preference. This means that demand for female labor is not as strong as that for men.

14. The policy is outlined across six "pillars" which support the development impact of labor mobility from Tonga. Explicit gender-sensitive elements are present in one pillar and implicit in others with the inclusion of women's economic and social empowerment as a cross cutting theme applying across the policy. Gender-sensitive elements include:

- (i) establishment of a support program for families while the migrant worker is overseas (expressed as "for wives and mothers of seasonal workers");
- (ii) a pastoral care program for workers while overseas to enhance knowledge and understanding of rights and to mitigate the potential for exploitation;

¹¹ IMF. 2020. [Gender Responsive Budgeting PEFA Assessment](#). Washington, DC.

¹² World Bank. 2020. [Pacific Labour Mobility, Migration and Remittances in Times of COVID-19: Interim Report](#).

¹³ Pacific Labour Scheme. [Tonga](#).

¹⁴ Australian National University. 2015. [In Brief 2015/51. Pacific Labour Mobility: Removing the Gender Blinkers](#). Canberra.

- (iii) in the pillar on reintegration to Tonga society, on return a specific reference to “wives and mothers” as acknowledging the decision-making role many women have in the family in relation to use of remittances;
- (iv) the policy also proposes a program to support women’s economic empowerment and income diversification when the (male) seasonal worker is overseas; and
- (v) an emphasis on governance. Fair and transparent representation leads to more gender equal outcomes.¹⁵

15. All the measures taken together represent a level of gender mainstreaming across various aspects of public finance and expenditure that advance gender equality.

D. Lessons Learned

16. The gender outputs from the Strengthening Macroeconomic Resilience Program were designed to incorporate gender in public finance actions and increase the number of women available for overseas work through the “work ready” labor pool. An output of a gender-sensitive labor mobility policy supports the increased participation of women in the labor mobility scheme.

17. However, gender norms and stereotypes operate as powerful background forces to shape women’s access to overseas employment opportunities. This can be seen in elements of the policy where the overseas worker is mostly defined as male and head of a household, and the household remaining in Tonga, headed by a woman. Drawing a clearer link between the impact (increased number of women in the “work ready” labor pool) and the output (the Labour Mobility Policy) could enhance the efficacy of the output.

E. Recommendations

18. Actions to strengthen the implementation of gender-related actions in future are proposed:

- (i) Implement the PEFA gender budgeting framework.
- (ii) Include specific support measures for households where the female members are overseas workers. The Labour Mobility Policy provides for the establishment of measures to support women and their families while the migrant worker is overseas. This reflects the overall philosophy of the policy that the men are the workers recruited for overseas employment. While pastoral care measures for women headed households when the male (usual) head of household is overseas, are one gender-sensitive response in Tonga’s labor mobility program, including specific measures for households where a female is the overseas worker is another. Inclusion of such provisions encourages women and families to consider overseas employment as an opportunity for both women and men.
- (iii) The marketing and market access pillars of the mobility strategy could explicitly support the recruitment of women through a specific focus on the benefits to employers of recruiting women.
- (iv) The provisions for mitigation of exploitation should include specific reference to the risks for women overseas workers, including sexual harassment, assault, and exploitation.

¹⁵ Organisation for Economic Co-operation and Development. 2017. [Better Governance for Gender Equality](#).

STATUS OF COMPLIANCE WITH GRANT COVENANTS

Covenant	Reference in Grant Agreement	Status of Compliance
Use of the Proceeds of the Grant		
The recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the program in accordance with the provisions of this Grant Agreement.	Article III Section 3.01	Complied with. All policy actions were met and no items from the negative list were financed.
The proceeds of the Grant shall be withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.	Article III Section 3.02	Complied with, no changes were requested to Schedule 2
The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 July 2020 or such other date as may from time to time be agreed between the Recipient and ADB.	Article III Section 3.03	The grant closing date was 28 July 2020.
Particular Covenants		
In the carrying out of the program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Grant Agreement.	Article IV Section 4.01	Complied with.
As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (a) the Counterpart Funds and use thereof; and (b) the implementation of the program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	Article IV Section 4.02	Complied with. The Recipient provided all required information to confirm achievement of policy actions.
SCHEDULE 3 Program Implementation and Other Matters		
<u>Implementation Arrangements</u> The Recipient's Ministry of Finance shall be the Program Executing Agency. The Recipient's Ministry of Revenue and Customs, Public Service Commission, and Prime Minister's Office shall be the implementing agencies. The Recipient's Budget Support and Management Committee shall oversee the program, and provide guidance and coordination.	Schedule 3, paragraph 1	Complied with. The Recipient coordinated with concerned departments to provide all information required.
<u>Policy Actions and Dialogue</u> The Recipient shall ensure that all policy actions adopted under the program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the program and thereafter.	Schedule 3, paragraph 2	Complied with. Policies adopted remain in effect.
The Recipient shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall take into account ADB's views before finalizing and implementing any such proposal.	Schedule 3, paragraph 3.	Complied with.
<u>Use of Counterpart Funds</u>	Schedule 3, paragraph 4	Complied with.

Covenant	Reference in Grant Agreement	Status of Compliance
The Recipient shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.		
<u>Governance and Anticorruption</u> The Recipient, the Program Executing Agency, and the implementing agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	Schedule 3, paragraph 5	Complied with. These are confirmed through auditors reports on government financial reports.
<u>Monitoring and Review</u> The Recipient shall ensure that within 6 months of the Effective Date, the Program Implementing Agency submits to ADB reports on policy and reforms implementation within the scope of the Program. The Program Executing Agency shall, as needed, hold consultative meetings with stakeholders and development partner community to solicit their feedback on the Program impact.	Schedule 3, paragraph 6	Complied with through JPRM
The Recipient and ADB shall jointly assess the impact and evaluate the benefits of the program within 12 months of the Effective Date, using a set of indicators and targets agreed for the program.	Schedule 3, paragraph 7	Complied with

ADB = Asian Development Bank.

Source: Asian Development Bank.