Tonga faces many of the challenges typical for small island developing states, including geographical isolation, limited human and financial resources, and the high costs of doing business and providing basic services. The economy has a narrow base and is dependent on inflows of remittances and external assistance, while the country, more broadly, is highly vulnerable to external shocks including disasters triggered by natural hazards.

The Asian Development Bank (ADB) has been supporting Tonga since 1972 and is currently assisting with health and aged care, transport infrastructure, climate resilience, disaster recovery, renewable energy, urban development, and public sector management.

To date, ADB has committed 111 public sector loans, grants, and technical assistance totaling $313.6 million to Tonga. Cumulative loan and grant disbursements to Tonga amount to $201.2 million. These were financed by concessional ordinary capital resources, the Asian Development Fund, and other special funds. ADB’s ongoing sovereign portfolio in Tonga includes 1 loan and 12 grants worth $116.1 million.1

ADB committed a $7.5-million grant in 2019 to customize a national digital health information system and provided $5.5 million in additional financing in 2021 for coronavirus disease (COVID-19) vaccine support, cold chain equipment, and health system surveillance.

Tonga: 2022 Commitments ($ million)a

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>8.73</td>
<td>–</td>
<td>8.73</td>
</tr>
<tr>
<td>Technical Assistanceb</td>
<td>3.92</td>
<td>0.26</td>
<td>4.17</td>
</tr>
<tr>
<td>Total</td>
<td>12.65</td>
<td>0.26</td>
<td>12.90</td>
</tr>
</tbody>
</table>

- = nil, DMC = developing member country, TA = technical assistance.

Notes:

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

Grants and TA include ADB-administered cofinancing.

* Numbers may not sum precisely because of rounding.

The Pacific Approach, 2021–2025 guides ADB’s operations in Tonga, focusing on preparing for and responding to shocks, delivering sustainable services, and supporting inclusive growth.

Tonga: Cumulative Commitmentsa,b,c,d

<table>
<thead>
<tr>
<th>Sector</th>
<th>No.</th>
<th>Total Amount ($ million)e</th>
<th>% of Total Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Natural Resources, and Rural Development</td>
<td>12</td>
<td>28.28</td>
<td>7.01</td>
</tr>
<tr>
<td>Education</td>
<td>25</td>
<td>109.70</td>
<td>27.20</td>
</tr>
<tr>
<td>Energy</td>
<td>10</td>
<td>11.97</td>
<td>2.97</td>
</tr>
<tr>
<td>Health</td>
<td>5</td>
<td>19.38</td>
<td>4.81</td>
</tr>
<tr>
<td>Industry and Trade</td>
<td>7</td>
<td>2.91</td>
<td>0.72</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>1</td>
<td>9.97</td>
<td>2.47</td>
</tr>
<tr>
<td>Multisector</td>
<td>10</td>
<td>23.14</td>
<td>5.74</td>
</tr>
<tr>
<td>Public Sector Management</td>
<td>40</td>
<td>85.06</td>
<td>21.09</td>
</tr>
<tr>
<td>Transport</td>
<td>9</td>
<td>64.14</td>
<td>15.90</td>
</tr>
<tr>
<td>Water and Other Urban Infrastructure and Services</td>
<td>9</td>
<td>47.30</td>
<td>11.73</td>
</tr>
<tr>
<td>Total</td>
<td>128</td>
<td>403.25</td>
<td>100.00</td>
</tr>
</tbody>
</table>

- = nil, DMC = developing member country, TA = technical assistance.

* Grants and TA include ADB-administered cofinancing.

Includes loans, grants, and TA.

* Using primary sector in the reporting of commitments.

* From 2020, financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

* Numbers may not sum precisely because of rounding.

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1 Sovereign portfolio consists of loans, grants, equity investment, and sovereign guarantee committed and not financially closed. Regional projects with loans/grants to multiple countries are reported separately.
ADB’s Pacific Disaster Resilience Program Phase 3 provided a $10-million disaster-contingent financing grant for early recovery and reconstruction activities following the volcanic eruption and tsunami in January 2022. ADB also provided $500,000 in grants in response to the same disaster in 2022, and $1.03 million in the same year in response to COVID-19, both from the Asian Pacific Disaster Response Fund.

To boost resilience to risks from disasters and climate change, ADB committed a $45-million grant in December 2020 to upgrade the Nuku’alofa International Wharf, with implementation commencing in October 2022.

The $7.2-million grant committed in December 2022 for the Nuku’alofa Network Upgrade Project will help restore reliable access to the electricity supply network and make it more resilient to extreme weather and disasters.

The $53.2-million Tonga Renewable Energy Project is currently helping expand renewable energy generation and install battery storage systems. Together with the Outer Island Renewable Energy Project of $28.1 million, the project supports Tonga’s renewable energy targets and facilitates private sector investment.

ADB is active in the joint policy reform dialogue with the government and other development partners. This process is linked to the budget support disbursement of $12.2 million in June 2020 and $5 million in November 2021 delivered through policy-based grants.

The Integrated Urban Resilience Sector Project, supported by a grant of $18.3 million, is improving urban infrastructure and services in Tonga’s capital, Nuku’alofa, with a focus on building disaster and climate change resilience.

Operational challenges. In 2021, the World Risk Index ranked Tonga as the third most at-risk among 181 countries facing constant threats of earthquakes, sea level rise, tsunamis, volcanic eruptions, tropical cyclones, and other related climatic hazards. Tonga’s main challenges are to sustain economic recovery beyond the COVID-19 pandemic, the recent volcanic eruption, and the tsunami in January 2022; mitigate potential damages caused by disasters triggered by natural hazards; and create jobs for its youth. Furthermore, Tonga’s relatively limited business environment restricts the ability of ADB and other development partners to source local contractors and consultants to implement development activities.

ADB is providing technical assistance to build the capacity of the Government of Tonga in improving gender outcomes, private sector development, international arbitration, climate and disaster resilience, social protection, water supply and sanitation, domestic transport networks, and public sector management.

KNOWLEDGE WORK

ADB brings added value beyond its role in project financing. The bank provides advice to the government and supports policy reform including in public finance and administration, climate change and disasters, state-owned enterprise performance, private sector and financial sector development, and gender equality. ADB’s flagship publications, including the Asian Development Outlook and the Pacific Economic Monitor, provide key analytical work to support decision-making.
ADB also participates in joint missions with its development partners, including the International Monetary Fund’s Article IV consultations, which feature robust discussions with the government on strategic priorities and other critical issues that require coordinated support.

ADB also provides capacity development through workshops and seminars to increase access to knowledge and expertise for counterpart officials in Tonga.

**FINANCING PARTNERSHIPS**

Financing partnerships enable ADB’s financing partner governments or their agencies, multilateral financing institutions, and private organizations to participate in financing ADB projects. The additional funds provided may be in the form of loans and grants, technical assistance, and nonsovereign cofinancing.

Cumulative cofinancing commitments in Tonga:
- Sovereign cofinancing: $165.7 million for 12 investment projects and $3.63 million for 7 technical assistance projects since 1974

A summary of projects with cofinancing from 1 January 2018 to 31 December 2022 is available at [www.adb.org/countries/tonga/cofinancing](http://www.adb.org/countries/tonga/cofinancing).

**FUTURE DIRECTIONS**

ADB’s [Pacific Approach, 2021–2025](https://www.adb.org/pacific/approach) serves as the country partnership strategy for Tonga and is aligned with the country’s [Strategic Development Framework II, 2015–2025](https://www.adb.org/pacific/dev-framework). ADB’s approach focuses on building resilience against economic shocks, delivering sustainable services, and promoting inclusive and sustainable growth while recovering from the impacts of the COVID-19 pandemic and the recent disasters triggered by natural hazards. The strategy introduces new priority areas, including a more programmatic approach to climate change support; a deeper focus on long-term capacity support; increased flexibility in procurement and contracting; and an emphasis on gender equality.

ADB assistance to Tonga will focus on promoting renewable energy, improving transport, making Nuku’alofa a more livable city, protecting vulnerable groups, building resilience to climate risks, sustaining good fiscal management, and strengthening health systems. Technical assistance will remain an integral part of ADB support to Tonga.
ADB at a Glance

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. It has 68 members—of which 49 are from Asia and the Pacific and 19 outside. ADB headquarters is in Manila, Philippines and has 43 offices around the world, with 3,775 staff from 66 members as of 31 December 2022.

ADB maximizes the development impact of its assistance to its members by providing financing and tailored knowledge solutions through policy dialogue and advisory services, among others. It mobilizes financial resources through cofinancing from official, commercial, and export credit sources.

ADB met strong demand for its assistance in 2022. It unlocked greater resources for its members through the private sector and partnerships. ADB provided financing for climate change mitigation and adaptation initiatives, education quality and access, affordable health care, and more sustainable and climate-resilient food systems. In 2022, 97% of ADB operations contributed to gender equality. ADB fostered greater regional collaboration on issues such as health threats and tax cooperation. ADB also responded to demand for tailored knowledge solutions from its members.

ADB operations. In 2022, ADB committed $20.5 billion in loans, grants, equity investments, guarantees, private sector programs, and technical assistance to both the public and private sectors of its borrowing members. ADB bolstered its total support with cofinancing of $11.4 billion.

As of 31 December 2022, ADB’s cumulative commitments in 45 countries stood at $358.4 billion covering 4,189 loans, $12.6 billion in 566 grants, and $5.5 billion in technical assistance grants, including regional technical assistance grants. In addition to loans, grants, and technical assistance, ADB uses guarantees, equity investments, and private sector programs to help its developing member countries.

Total commitments in nonsovereign loans, equity investments, and guarantees from ADB’s own funds in 2022 amounted to $11.1 billion for 37 transactions in economic and social infrastructure, finance sector, and agribusiness.

In 2022, ADB mobilized $1.7 billion of long-term project cofinancing and $3.3 billion of cofinancing through its Trade and Supply Chain Finance Program and Microfinance Program. Total outstanding balances and undisbursed commitments of nonsovereign transactions funded by ADB’s own resources stood at $12.8 billion as of 31 December 2022.

Financing Partnerships

Total sovereign and nonsovereign cofinancing commitments, 2022

- $11.39 billion for 165 projects, of which:
  - $11.2 billion, 75 investment projects,
  - $126.49 million, 87 technical assistance projects,
  - $60 million transaction advisory services mandates for 3 projects.

Cumulative sovereign and nonsovereign cofinancing commitments, 1970–2022

- $151.87 billion for 3,292 projects, of which:
  - $147.81 billion, 1,163 investment projects,
  - $2.92 billion, 2,120 technical assistance projects,
  - $1.13 billion transaction advisory services mandates for 9 projects.

Procurement

ADB’s Procurement Contracts, 2022

Goods, Works, and Related Services
ADB’s procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations:

- $15.23 billion in 2021
- $16.19 billion in 2022
- $247.06 billion covering 228,149 contracts, cumulative procurement since 1966.

Consulting Services
ADB’s procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations:

- $706.65 million in 2021
- $535.61 million in 2022
- $15.45 billion covering 74,995 contracts, cumulative procurement since 1966.

Shareholding and Voting Power

Number of shares held: 426 (0.004% of total shares)
Votes: 39,540 (0.297% of total membership, 0.457% of total regional membership)

*Overall capital subscription: $5.67 million
*Paid-in capital subscription: $279,000

*United States dollar figures are valued at rate as of 31 December 2022.

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ADB Alternate Governor: Kilisitina Tiana Moala-Tuaimelapi
ADB Director: Made Arya Wijaya (Indonesia)
ADB Alternate Director: Llewelyn Roberts (New Zealand)
ADB Director’s Advisors: Rosemarie Abigail Lee Hang (Samoa) and Mohammed Jabid (Fiji)

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Useful ADB websites
Asian Development Bank
www.adb.org
Annual Report
www.adb.org/documents/series/adb-annual-reports
Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook
ADB Data Library
data.adb.org

Notes: (i) Figures are estimated by ADB unless otherwise stated. * “$” refers to United States dollars. (ii) Data are updated as of 31 December 2022 unless otherwise indicated.

More About Tonga and ADB

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