

# KINGDOM OF TONGA

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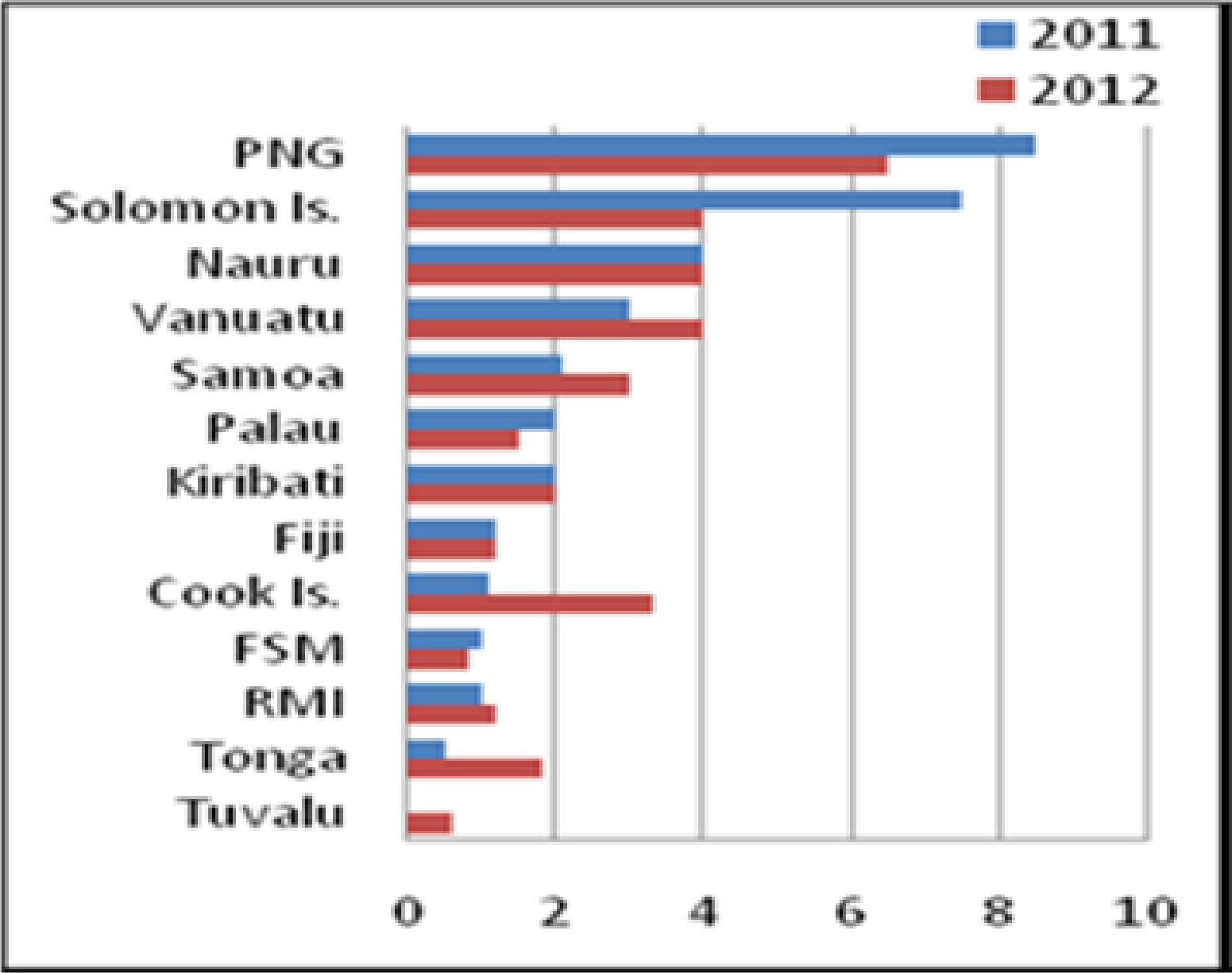
(JNAP, Ministry of Lands, Environment, Climate Change and Natural Resources)

# Outline

- A. Brief Background
- B. Tonga Strategic Development Framework (TSDf)
- C. Potential Sectors for CDM Projects
- D. Way Forward

# A. Brief Background

- Population is 104,000
- A small and vulnerable country
- Disadvantages of small size and remoteness
- Prey to climatic and external economic shocks
- Government and development partner response to crisis

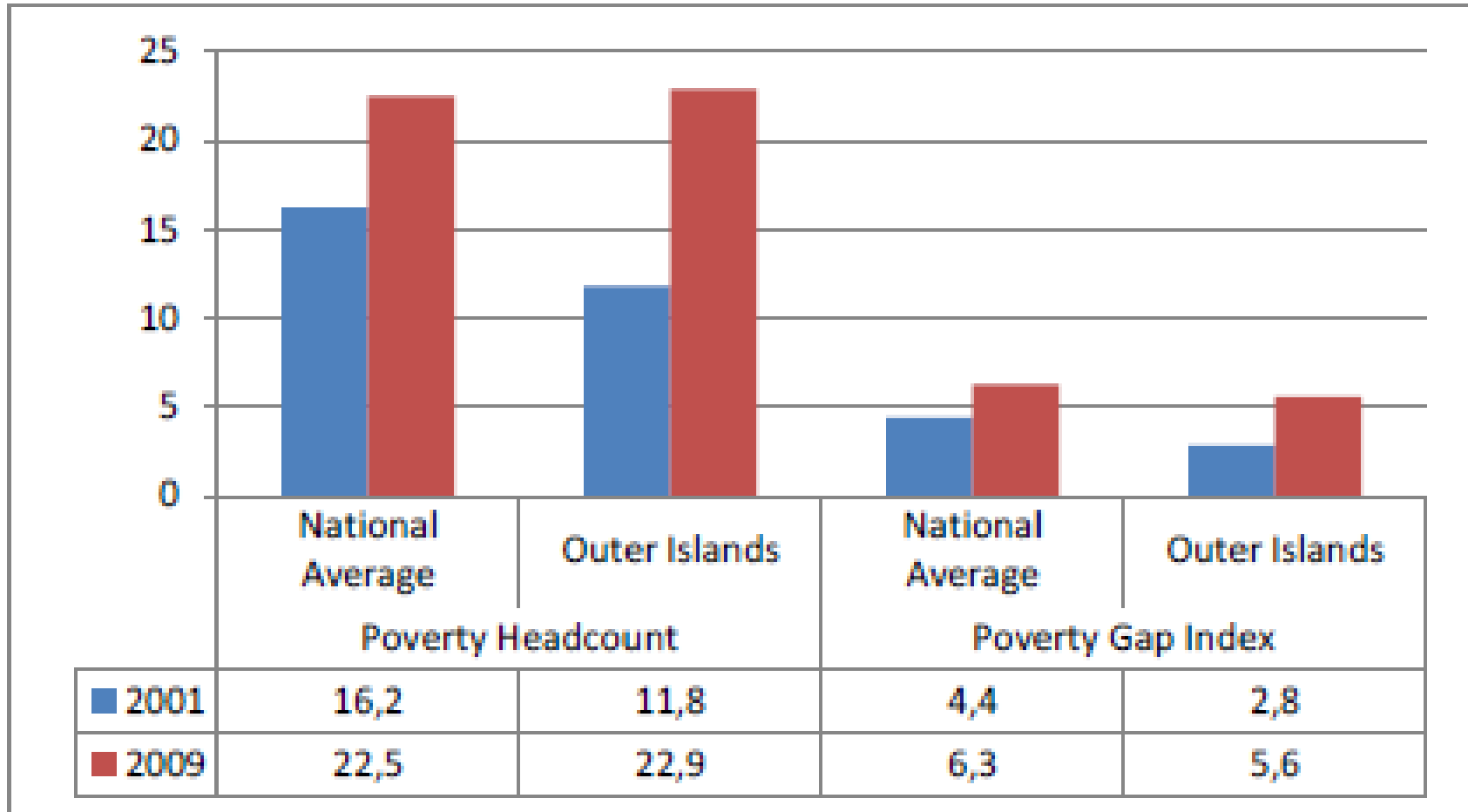


**Table 3. Government revenues, expenditures & financing (TOP million)**

	Actuals					Est. out- turn	Estimate
	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
<b>Revenues &amp; grants</b>							
<i>Revenues</i>	148.3	148.5	163.6	179.8	146.5	134.1	139.2
Tax	125.9	126.2	139.1	131.5	116.2	115.0	114.5
Non-tax	22.4	22.3	24.5	21.2	27.3	17.5	23.1
Capital				27.1	3.0	1.6	1.6
<i>Grants</i>	9.9	22.7	8.7	45.8	48.6	47.7	67.4
<i>of which:</i>							
Projects	9.9	22.7	8.7	45.8	39.2	24.9	39.5
Budget Support					9.4	22.8	27.9
<b>Total</b>	<b>158.2</b>	<b>171.2</b>	<b>172.3</b>	<b>225.6</b>	<b>195.1</b>	<b>181.8</b>	<b>206.6</b>
<b>Expenditure</b>							
Current	166.5	158.5	158.5	167.0	183.8	168.9	185.1
Capital	15.3	5.6	3.0	19.1	18.4	52.0	29.3
Net lending	-1.2	-0.6	-0.1	34.6	27.9	17.1	17.7
<b>Total</b>	<b>180.6</b>	<b>163.5</b>	<b>161.4</b>	<b>220.7</b>	<b>230.1</b>	<b>238.0</b>	<b>232.1</b>
Balance inc. grants	-22.4	7.7	10.9	4.9	-35.0	-56.2	-25.5
as % of GDP	-3.8	1.3	1.6	0.8	-5.2	-7.9	-3.4
Balance exc. Grants	-32.3	-15.0	2.2	-40.9	-83.6	-103.9	-92.9
as % of GDP	-5.5	-2.5	0.3	-6.3	-12.4	-14.7	-12.4
<i>Financing</i>	22.4	-7.7	-10.8	-5.1	38.0	56.1	25.3
Domestic	n.a.	-2.6	-5.0	-4.1	13.3	3.9	
External	n.a.	-5.1	-5.8	-1.0	24.7	52.2	25.3
<b>GDP</b>	<b>592.5</b>	<b>611.0</b>	<b>661.5</b>	<b>650.1</b>	<b>671.9</b>	<b>706.7</b>	<b>750.8</b>
<b>GDP growth</b>	<b>0.1</b>	<b>-0.9</b>	<b>2.6</b>	<b>-1.0</b>	<b>0.3</b>	<b>1.5</b>	<b>1.2</b>

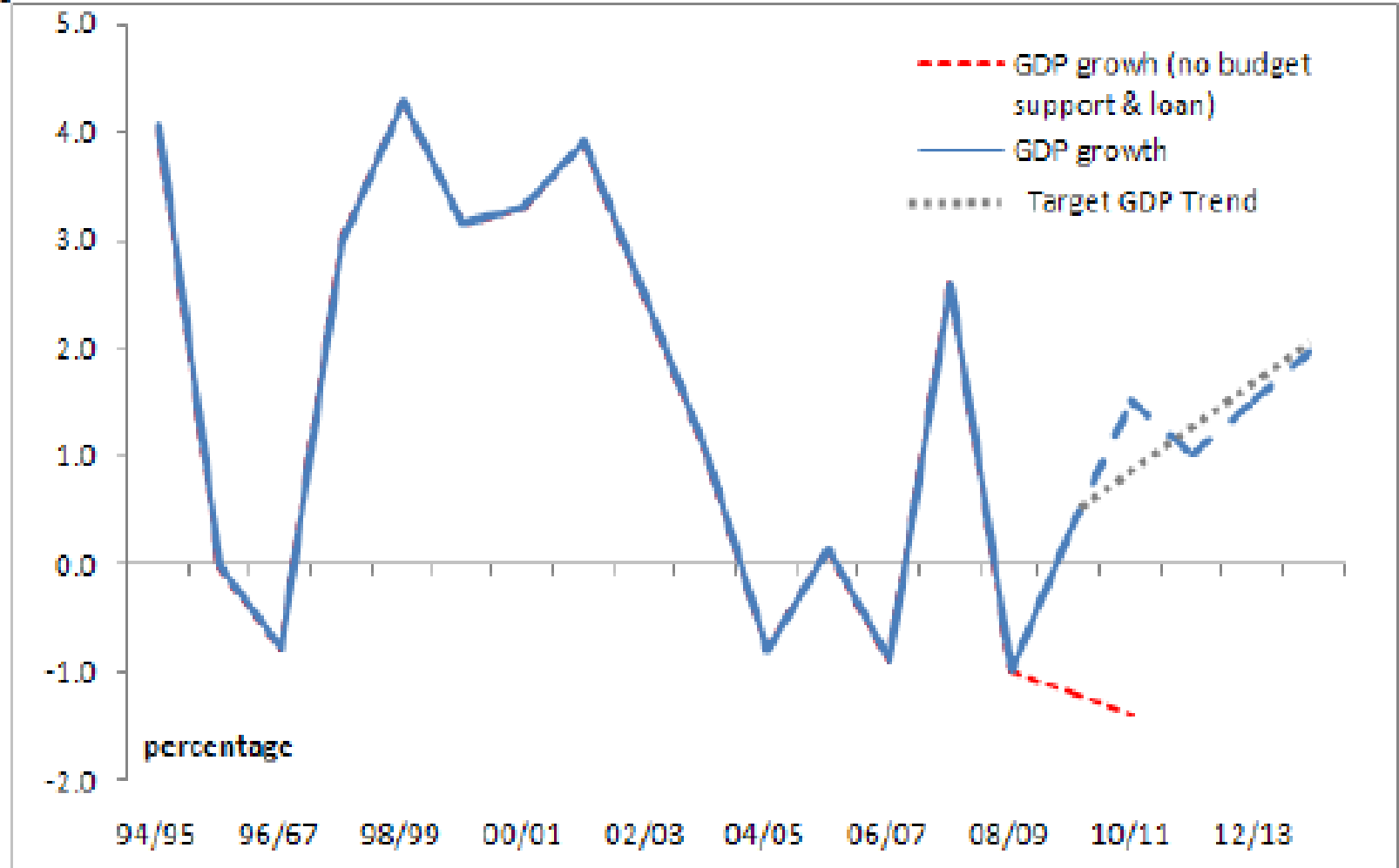
Sources: Budget data: *Budget Statement 2010/11*, table 13, p. xii. GDP data: *Budget Statement 2011/12*, table 13, p. 55, table 13, p. 80; *ibid.*, table 4, p. 20. GDP growth data: *Budget Statement 2011/12*, table 5, p. 21; National Reserve Bank of Tonga, *Quarterly Bulletin*, June 2011, table G1, p. S42.

**Fig. 4. Poverty headcount and poverty gap index**



Source. Ministry of Finance and National Planning, *Household Expenditure and Income Surveys*, 2001 and 2009.

Fig. 1. Tonga – GDP growth



Source. *Budget Statement 2011/12, op. cit., fig. 2, p. 19.*

**Table 10. Revised 2011/12 Budget Estimates and Projections for 2012/13 and 2013/14**

TOP million	Budget Statement 2011/12	Revised Estimate 2011/12	Projected 2012/13	Projected 2013/14
Revenues	139.2	139.2	137.7	141.0
Project grants	39.5	39.5	28.4	20.2
Total expenditure and net lending	232.1	232.1	187.2	179.0
Balance (after project grants)	-53.4	-53.4	-21.1	-17.8
Budget Support:	27.9	33.2	27.6	7.5
<i>of which:</i>				
World Bank	8.7	8.7	8.7	
EU	12.8	12.8	10.2	7.5
AUSAID	3.9	8.7	8.7	
New Zealand	2.5	3.0		
Balance (after project grants and budget support)	-25.5	-20.2	6.5	-10.3

Source. *Budget Statement 2011/12* and Ministry of Finance and National Planning projections.



# Key Economic and Fiscal Indicators

	2010/2011	2011/2012	2012/2013
<i>Real GDP Growth</i>	4.7%	-0.2%	0.4%
<i>Nominal GDP<sup>1</sup> in \$ million</i>	783.4	781.5	784.5
	<i>(As % of GDP)</i>		
<i>Total Domestic Revenue</i>	20.7%	18.3%	20.1%
<i>Total Budget Support</i>	3.3%	3.6%	2.9%
<i>Total Project Aid Funding (cash)</i>	3.7%	5.0%	5.7%
<i>Total Project Aid Funding (in-kind)</i>	16.4%	17.2%	13.5%
<i>Total Expenditure<sup>2</sup></i>	42.8%	38.2%	42.4%
<i>Total Public Debt</i>	39%	45%	45%
<i>Debt Servicing</i>	3%	2%	3%

# B. TSDF

*"To develop and promote a just, equitable and progressive society in which the people of Tonga enjoy good health, peace, harmony, and prosperity, in meeting their aspirations in life".*



# Enabling Themes

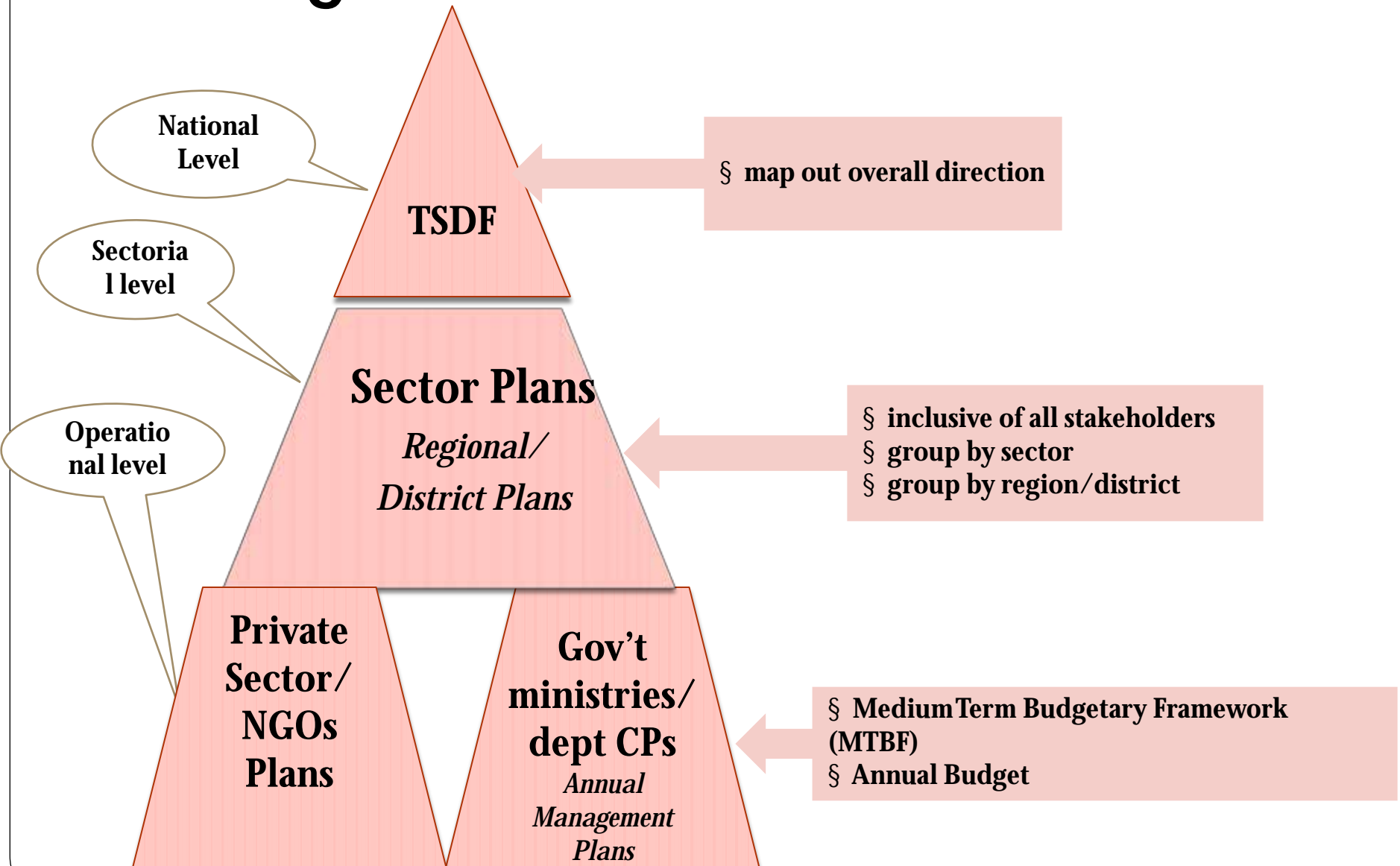
Continuing progress to a more efficient and effective government by focussing on its core functions; improving coordination, service delivery and optimising use of resources.

Improving the macro-economic environment and fiscal management, including effective revenue services to ensure a level playing field and that service to the people can be appropriately funded.

Ensuring Public Enterprises are sustainable and accountable, and where appropriate moved into the private sector.

Ensuring a more coordinated whole of government approach in our partnership with development partners

# Alignment – TSDF, Sector Plans and CPs



## C. Potential Sectors for CDM projects

- i. Renewable energy (wind/solar)
- ii. Energy Efficiency (Supply and Demand Efficiency Improvements)
- iii. Agriculture and Animal Husbandry (coconut oil based power and energy from livestock waste)
- iv. Waste Management (Biogas/waste water treatment)
- v. Transport (alternate fuels/green transport)

## D. WAY FORWARD

- Stock take on current and potential projects
- Engage more the private sector and civil society
- Build on existing mechanisms
- Integrate effectively into national plans
- Highlight the benefits of CDM (Environment, Economic and Social)
- Strengthen networks both national, regional and international to share best practises
- Secure facilitation and capacity building assistance from donor agencies
- Set up a robust DNA structure
- Package a CDM program project for funding consideration (2 yrs)

