

**Kingdom of Tonga - European Community  
EDF 10**

**Country Strategy Paper  
and  
National Indicative Programme  
(For the period 2008 – 2013)**

## General Provisions

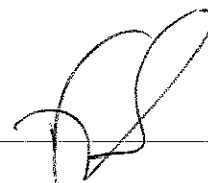
The Government of the Kingdom of Tonga and the European Commission hereby agree as follows:

- (1) The Government of the Kingdom of Tonga, represented by Hon. Sonatane T.T. Tupou, Minister of Foreign Affairs and National Authorising Officer, and the European Commission, represented by Mr Roberto Ridolfi, Head of the Commission Delegation in Fiji, hereinafter referred to as the Parties, held discussions from March 2006 until August 2007 with a view to determining the general orientations for cooperation for the period 2008 – 2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Kingdom of Tonga were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process in the Kingdom of Tonga.

The Country Strategy Paper and the Indicative Programme are annexed to this document.

- (2) As regards the indicative programmable financial resources which the Community plans to make available to the Kingdom of Tonga for the period 2008 - 2013, an amount of € 5,900,000 is scheduled for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A-allocation) and of €0.9million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Kingdom of Tonga benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the National Indicative Programme.



- (5) Resources can be committed within the framework of this Country Strategy Paper and Indicative Programme upon the entry into force of the 10<sup>th</sup> EDF Multi-annual Financial Framework for the Period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Kingdom of Tonga within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10<sup>th</sup> EDF and on the financial regulation applicable to the 10<sup>th</sup> EDF and in Annex IV to the ACP-EC Partnership Agreement.
- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10<sup>th</sup> EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of needs and performance at the time.

The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of needs and performance at the time.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

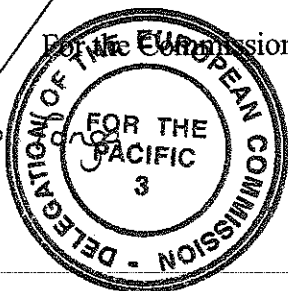
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10<sup>th</sup> EDF Multi-annual Financial Framework for the Period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

For the Government of the Kingdom of Tonga



18 October 2007  
at Nuku'alofa



## SUMMARY

The objective of the 10th European Development Fund (EDF) Country Strategy Paper (CSP) for the Kingdom of Tonga is to define, on the basis of a comprehensive analysis of the economic, social and political situation contained in this CSP, a development response strategy for European Community (EC) support.

The Kingdom of Tonga, an archipelago of more than 170 islands spread over an area of the South Pacific roughly the size of Japan, has no strategic or mineral resources and is highly dependent on agriculture, fishing, remittances from Tongans living abroad, and a developing tourism industry. The country has some of the best MDG indicators in the region and is well on its way to achieving the MDG's by 2015.

A former British protectorate, Tonga became fully independent in 1970, though it was never formally colonised. The deeply conservative Christian country, that values traditions and customs highly, is a constitutional monarchy. Its Legislative Assembly, until very recently, had 30 members with the People electing 9 representatives, the Nobles electing 9 representatives and His Majesty the King nominating 12 members who also served as Cabinet Ministers. The country embarked on political reform in March 2005 when 2 elected People's Representatives and 2 elected Nobles' Representatives were added to the Cabinet for the first time. Previously, all cabinet members had been handpicked by His Majesty from outside parliament. A public servants strike in second half of 2005, marked by street protests coincided with increased public demand for political reform. In November 2005 the Legislative Assembly created a National Committee on Political Reform to consult the public on the type of political reform that should take place. In March 2006, for the first time ever, a commoner and elected member of Parliament was appointed as Prime Minister.

On 16 November 2006, riots broke out in the centre of the capital which left eight people dead and large parts of the central business district burnt down. The violence started after hundreds of people rallied in front of parliament demanding immediate vote on a model for democratic reform proposed by the People's Representatives to the Legislative Assembly.

The Strategic Development Plan No. Eight, 2006/07 – 2008/09 sets out to create a society in which all Tongans enjoy higher living standards and a better quality of life through good governance, equitable and environmentally sustainable private sector-led economic growth, improved education and health standards, and cultural development.

Based on the key strategic directions contained in the EU Pacific Strategy, the Pacific Plan and in line with Goal 7 of Tonga's SDP 8 – ensure environmental sustainability and disaster risk reduction -, and following consultations with the Government of Tonga, other donors as well as Non-State Actors, it has been agreed that the focal sector under the 10<sup>th</sup> EDF will be water and energy (though in Tonga, the NIP will concentrate exclusively on energy, in particular renewable energy.) This programme will be country-wide, and will be executed, if deemed feasible and desirable, via a Multi-Country Programme (one focal sector for 7 participating countries).

The EC's indicative allocation for the Kingdom of Tonga is € 5.9 million, and the focal sector will absorb 85%, i.e. € 5 million of envelope A. In the non-focal area, 15% of envelope A, e.g. € 0.9 million are foreseen for the Technical Cooperation Facility, including Technical Assistance to the NAO and support for good governance, as well as for Non-State Actors programmes. The envelope B (funds for unforeseen needs) is € 0.9 million.

## **PART 1: STRATEGY PAPER**

### **CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY**

#### **I.1.1. General objectives of the EC's external policy**

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development co-operation is to foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action including the Common Foreign and Security policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as regional leader and as global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its own neighbourhood and through its multilateral and bilateral policies which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

#### **I. 1.2. Strategic objectives of cooperation with the partner country**

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and the Kingdom of Tonga is to pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention for the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

In May 2006 the European Commission issued a Communication to the Council, the European Parliament and the European Economic and Social Committee on “**EU Relations with the Pacific Islands – A Strategy for a Strengthened Partnership.**” The Council adopted this Communication in July 2006. The Strategy consists of three components: (i) a strengthened relationship between the EU and the Pacific region to allow for a broad political dialogue; (ii) more focussed development cooperation with a central theme relating to the sustainable management of natural resources, and (iii) more efficient aid delivery.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States’ experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The purpose is that all EU non-aid policies make a positive contribution to developing countries’ efforts to attain the MDGs.

The principle of concentration will guide the Community’s country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts over too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

### **I.1.3 Main bilateral agreements**

The European Community and the Kingdom of Tonga have a long standing tradition of co-operation and partnership, beginning with the Lomé Agreements, up to Cotonou. Traditionally, EC interventions were concentrated on the island group of Vava’u, with the focus shifting from infrastructure to social sectors’ development under the 9<sup>th</sup> EDF.

## **CHAPTER II: COUNTRY DIAGNOSIS**

### **II.1. Analysis of the political, economic, social and environmental situation in the recipient country**

#### **II.1.1 Political and institutional situation**

Tonga is a constitutional monarchy in which the monarch both reigns and rules. In 1875, Tonga proclaimed its own Constitution. In 1900, Tonga became a British Protectorate and regained full independence in June 1970. King George Tupou V was sworn in on 11 September 2006, succeeding his father, king Taufa'ahau Tupou IV, when he died after a long illness. Tonga is a member of the United Nations as well as of the Commonwealth of Nations. The judiciary is independent. Traditional values and indigenous culture are widely maintained in the society.

The legislative assembly consist of the King's cabinet ministers, nine nobles who are elected by the 33 hereditary nobles of Tonga and nine commoners elected by the people. A Pro-Democracy movement was formed in November 1992. In the March 2002 elections, the Pro-Democracy Candidates from the Tonga Human Rights and Democracy Movement (THRDM) gained 7 of the 9 seats available. On the 10th of November 2004, the then Hon Prime Minister, Prince 'Ulukalala Lavaka Ata, announced that His Majesty King Taufa'ahau Tupou IV had agreed to the beginning of changes to the political system of the Kingdom by approving the appointment of four (4) additional Ministers from the elected members of the Legislative Assembly after the elections in March 2005. The election in March 2005 resulted in the THRDM retaining their 7 seats and 2 of them became Cabinet Ministers together with 2 Noble's Representatives.

Although there is relative freedom to establish political parties and civil society groups, the opposition and movement for human rights and democracy remain weak and fragmented. In April 2005, the People's Democratic Party, Tonga's first official political party was formed and its official candidate was elected to Parliament in special May bye-elections.

Starting on 22 July 2005, a strike of civil servants lasting some 6 weeks threatened to paralyse the civil service. Dissatisfied public servants refused the proposed new government salary structure and claimed for large pay increases of 60, 70 and up to 80% depending on the existing service pay level at the time. Reportedly the 80% increase was designed to bring the lowest pay level up to \$T5,000 p.a., an amount regarded by strikers as the minimum necessary to keep employees above the poverty level.

Increasingly, the strike also took on political overtones. It became linked with groups pressing for a more representative democratic system of governance.

In September 2005, an agreement was reached on a Memorandum of Understanding with the representatives of the strikers, ending the strike, and stipulating terms including the salary increases of 60 to 80 per cent for civil servants, backdated to 1 July 2005 and settled over a period of two years.

In November 2005, a National Committee on Political Reform was established by the Legislative Assembly to consult the public on the type of political reform that should take

place. From January 2006 the NCPR held consultations throughout all the islands of Tonga as well amongst Tongans living abroad.

In February 2006, for the first time ever, a commoner and an elected People's Representative – Dr. Feleti Sevele – was appointed Prime Minister. In a cabinet re-shuffle in May 2006, the Prime Minister appointed three new ministers, among them Tonga's first ever female minister, the Attorney General and Minister for Justice.

The report of the NCPR was presented to the King at the end of August 2006 and deliberated by the Legislative Assembly in the October 2006 session as well as by the government, with a view to attaining an appropriate political reform agenda.

The report recommended one model for a fully elected parliament. The Government and the People's Representatives also recommended their own separate models. Government also proposed that the report of the NCPR be adopted "in principle" by the Legislative Assembly after which the three different models should be considered by a parliamentary tripartite committee and for it to submit recommendations to the next sitting of parliament in 2007.

On 16 November 2006, riots broke out in the capital, which left eight people dead and large parts of the business centre of town burned down. The violence started after hundreds of people rallied in front of parliament, demanding an immediate vote on the model for democratic reform proposed by the People's Representatives. The rally was organised by People's Representatives and sympathisers. The People's Representatives' model proposed a Legislative Assembly with 21 elected people's representatives and nine nobles' representatives. The Government's model proposed 14 elected people's representatives and nine nobles' representatives as well as four Cabinet Ministers to be appointed by the King from either inside or outside parliament. The NCPR's proposed model was for 17 People's Representatives and for 9 Nobles' Representatives. The Nobles did not propose a model of their own but argued that they needed time to consult constituents on their options. Government had also proposed that no vote should be taken in Parliament on the different models until after the tripartite committee had a chance to review the three different models. When Parliament did not convene on 16 November 2006 in accordance with the Parliamentary security sub-committee's advice, young people began trashing and burning businesses and public buildings in the centre of town.

Later in the evening, the Tonga Defence Services (500 strong) were deployed to give assistance to the Tongan Police in restoring law and order. Two days later, a deployment of New Zealand and Australian troops arrived and was assigned to the airport.

In a speech closing the parliamentary session on 23 November 2006, King George Tupou V pledged to move ahead with democratic change in Tonga, affirming that the differences among the three different models could be resolved through dialogue. In the beginning of July 2007, the Legislative Assembly created the Special Select Committee on Political Reform (Tripartite Committee) to review the different models for political reform that had been tabled in Parliament and to address other issues relevant to political reform. There were 3 representatives from Cabinet, 3 Noble's representatives and 4 People's representatives. The Committee presented its two reports to the House in early August and in early September. It recommended, amongst other things, that there should be 9 Nobles Representatives and 17



People's Representatives to the Legislative Assembly and that these 26 elected members elect the Prime Minister and then the Prime Minister will advise His Majesty of those he has selected to be Cabinet Ministers for his approval. It also recommended that His Majesty be given the mandate to independently select four Representatives either from the rest of the representatives that were elected into the Legislative Assembly but were not included in the Prime Minister's selection, or from outside of the Legislative Assembly at his pleasure. On 13 September 2007, the Legislative Assembly, in a major historic decision, voted that political reform will be implemented in 2010.

Progress in the political and economic reform process is extremely relevant for the Tonga–EU political dialogue, in particular with regards to commonly agreed commitments on good governance in the present strategy.

Tonga has acceded to a range of important international treaties, however, not yet to several core UN human rights conventions, namely the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention for the Elimination of all forms of Discrimination against Women (CEDAW), and the Convention against Torture. The process of ratification of CEDAW is, however, underway.

### **II.1.2 Economic and commercial situation**

The structural composition of Tonga's economy has not changed significantly in the last five years. The Agriculture, Forestry and Fishing industry remains the highest contributor to economic activity at 24.9% of GDP, followed by Commerce, Hotels and Restaurants (17%); Government Administration and Community Services (13.4%), Finance and Business services (11.96%), Construction (9.95), Transport and Communication (8.6%). Remittances, from both temporary and long-term emigrants, have also given strong support to Tonga's economy.

While experiencing growth, Tonga's economy remains in a very fragile state. The latest official Gross Domestic Product (GDP), at 2000/01 prices, stood at \$297.3 million for 2003/04, representing real economic growth of 1.4%. This level is below the 3% average growth rate for Tonga in the five years to 2003/04. Real GDP growth rate is estimated at 2.3% in 2004/05 and 1.9% in 2005/06. However, the modest rates of growth have not adversely affected the average per capita income levels, due to a high level of emigration, which keeps population growth well below 1% per year and related levels of remittances stable. But continued slow economic growth worsened the problem of inadequate employment opportunities, especially for young school leavers.

The agriculture sector registered its second consecutive year of negative growth rate in 2004/05, recording a rate of -3.0% compared to -3.3% in 2003/04. Squash, together with vanilla, kava and marine products are the main export earners. However, Tonga's small, open economy is vulnerable to fluctuations in world commodity prices and susceptible to natural disasters such as cyclones. Major fluctuations in the price of agricultural produce such as squash and vanilla have affected Tongan farmers adversely. Exports of root crops have dropped from the high level recorded in 2004 by about 50% in 2005 in terms of both volume and value, as have exports of kava. The fishing sector continues to face low outturns in the industry, attributed mainly to the low catch from tuna. Seaweed, a promising export commodity in 2004, did not reach even half its former level in 2005, due to poor weather and harvesting techniques used in 2004 that affected stocks.

Tourism continues to be an important part of the economy in contributing to GDP and foreign exchange earnings. The number of tourist visitors grew by 6% in 2005, compared to 1.5% in 2004 and a fall of 4.3% experienced in 2003. However, Tourism Foreign Exchange Earnings for 2005 were recorded at \$21.9 million, a decrease of 26% from 2004.

The public sector and remittances play a large role in the economy. Private remittances from the USA, Australia and New Zealand were over T\$ 200 million in 2004/05 in the light of sustained economic growth in Australia and New Zealand.

Following the strike settlement of September 2005, severe financial consequences have to be taken into account for the economic outlook as 60% of the pay increase is payable in 2005-06 with the full settlement being paid in 2006-07, together with the 40% of the increase carried over from 2005-06. Furthermore, the settlement includes an agreement that there will be no tax increases to pay for the salary increase, apart from already announced measures under the Revenue Reform Programme.

The inflation rate had returned to more moderate levels in 2006, with both local and imported goods and services contributing to the downward trend in total inflation. In March 2006, the inflation rate was 7.1%, which is lower than that of 9.9% for 2005 and that of 11.4% for 2004. However, the wage settlement, soaring world oil prices, and the events of 16 November had all contributed to rapidly rising inflation by January 2007.

Following a good export performance in 2004/05, the growth of this sector has slowed down. During the first eight months of the 2005/06 FY, export earnings amounted to \$19.4 million compared with \$23.8 million a year earlier, mainly due to lower proceeds from squash exports from the 2005/06 season. The value of imports rose by \$35.1 million to \$204.2 million during 2004/05, underpinned by firm growth in remittances and strong growth in business and household credit. During the first eight months of 2005/06, import payments were \$158.2 million, compared with \$140.3 million in the same period the year before, mainly due to higher imports of consumer goods, fuel and construction material. This trend is now expected to continue in the short to medium term.

Japan remains the largest destination for Tonga's exports (41% of the total), followed by New Zealand (21%) and other countries (38%). New Zealand continues to be Tonga's main supplier of imports (37.8%), followed by Australia (17.8 %) and Fiji (17.4%).

The Balance of Payments showed a deficit of \$7.6 million in 2004/05, compared to a \$52.8 million surplus in the previous year. At the end of March 2006, gross official foreign reserves amounted to \$77.4 million, equivalent to 4.2 months of imports, slightly less than a year earlier (4.5 months).

Tonga participates in regional efforts on economic integration through membership of the Pacific Islands Forum and a number of regional trade agreements. All Pacific ACP states, including Tonga, continued their participation throughout 2005/06 in the EPA regional negotiation process through the established negotiating machinery. Progress in the Pacific negotiations was, however, slower than might have been hoped for, a reflection both of the very limited capacity of certain PACP states and of the varying levels of interest on the part of the states in an EPA (only a small number of smaller PACP perceive an interest in an agreement on goods). However, there could be some interest in services and tourism. Discussions focused on the architecture of the Agreement, as well as on investment promotion

and protection and on certain sectors of importance to most PACP – including some of the smaller countries – such as fisheries, tourism and services in general. There was little in the way of discussions on goods in 2005. Such discussions have been back-loaded for fear of triggering free-trade discussions with Australia and New Zealand under PACER. Support to EPA preparation efforts, including in-country stakeholder meetings and participation in EPA-related meetings at all levels, was provided for Tonga through PACREIP, the € 11.2m 9th EDF regional programme.

### **II.1.3 Social situation, including decent work and employment**

Tonga's population of 101 134 (2006 census) is spread across 45 of its 172 islands, but most people (70%) live on the main island, Tongatapu. The same percentage of the population are rural dwellers, but there is a very strong rural-urban drift, mainly to Tongatapu. In some areas of Tongatapu, basic social services such as sanitation and drainage infrastructure need urgent attention. A large number of people from outer islands drifted to peri-urban areas, which has contributed to economic development

36% of the population is under the age of 15.

Health indicators have improved steadily over the past years, although lifestyle diseases have increased rapidly. Life expectancy at birth is 70 years for men and 72 years for women (2002). The Government provides free health services through 4 hospitals, various health centres and maternal health clinics, which are spread throughout the country. Tonga allocates 3.2% of its GDP to healthcare. For the majority of the population, access to health services, improved drinking water and adequate sanitation is good. Vaccination rates for various childhood illnesses are between 90 and 100%. Tonga leads the live births per thousand list with a mortality rate of 15 and has one of the lowest child mortality rates in the Pacific.

Tonga values education very highly and, consequently, has well developed education services and a high literacy rate. It allocates 4.9 % of its GDP to education. Primary school enrolment in Tonga is almost 100%. Secondary enrolments have fallen to 72 % from 76% a few years ago. There are tertiary educational institutions in Nuku'alofa, in addition to the University of the South Pacific in Suva (Fiji).

Of the Pacific countries, Tonga has some of the best MDG indicators and is well on its way to achieving the MDG's by 2015. UNDP's 2005 Human Development Report ranks Tonga No. 54 in the HDI list, ahead of Samoa (74) and Fiji (92). This high ranking reflects gross domestic product (GDP) per capita of about US\$1,780 (2003-2004 estimate), high life expectancy and a long-standing commitment to education. However, Tonga's first MDG status report (2005) highlights some challenges, for example access to quality education and primary school drop outs.

The government is determined to address the increasing social problems associated with youth unemployment, drug and alcohol abuse, spiralling crime rate and violence against women through careful policy targeting as well as providing the necessary financial resources for tailored programmes. However, expenditure for both healthcare and education have fallen recently and the impact of the strike settlement of September 2005 places the education and health sector in difficulty as it is unlikely that additional funding will be available.

Although only two seats in parliament are held by women, they have traditionally had a very high social status in the society. Many women hold senior positions within the government's public and diplomatic service.

Rapid urbanisation has also seen a decline in traditional values, and one consequence of large-scale international migration is that women are often left behind to manage as single parents.

#### **II.1.4 Environmental situation**

Tonga's limited land resources in conjunction with high population growth rates in urban centres have placed considerable pressure on the country's natural resources and worsened its environmental problems. Waste management, air pollution from vehicles and scarcity of water are some of the most pressing problems in Tonga. The country is vulnerable to natural disasters such as earthquakes and imminent risks of tsunamis as well as cyclones.

The gradual depletion of some traditional marine species and over-fishing of the near-shore fisheries are an increasing problem.

Due to limited land resources, mangrove forests have been cleared and filled to make home sites. Conversion of forest land for agricultural purposes in the past has virtually destroyed Tonga's entire indigenous forestry resources with the remaining area of natural hardwood forest being estimated at about 4 000 hectares, most of which is located on steep and inaccessible areas of 'Eua Island.

Tonga is heavily dependent on imported oil and petroleum products for energy, particularly for electricity generation. Petroleum imports account for 30 to 40% of total energy consumption. Fuel wood and coconut husks provide from 60 to 70% of Tonga's energy need for cooking. A fuel wood shortage is evident in some areas and aggravates the threat to Tonga's remaining areas of forest.

Photovoltaic technology has been used to some extent to provide electricity to rural communities, notably in Vava'u and other outer island groups that do not have grid supplier power. Renewable energy all together increased from less than 1% in 1990 reaching 2% by 2003. However, in many outer island communities, solar panels require urgent repair and a mechanism for regular maintenance has to be put in place as a matter of urgency.

In 2006, Tonga updated its 1993 National Environment Management Strategy (NEMS) that comprises eleven strategies geared to inter alia improving environmental awareness and education, better waste management, strengthening the national capability for environmental management, fostering the use of renewable energy sources, protection of its biodiversity, sustainable use of land resources and improving the supply of drinking water. Furthermore, environmental protection is now included in STP No. 8, goal 7.

For further details please refer to the annexed Environmental Profile.

#### **II.1.5 The country in the international context**

Emigration flows are mainly directed towards New Zealand, Australia and the USA. Tonga maintains cordial relations with most countries and has close relations with its Pacific neighbours. In 1998, it recognized China and broke relations with Taiwan. In 2002, the Tongan Defence Service was deployed as part of a multi-national regional peacekeeping force in the Solomon Islands. In June 2004, Tonga sent a unit of 45 troops to Iraq as peacekeepers.

## **II.2. Poverty reduction analysis**

According to official statistics, absolute poverty does not exist in Tonga. Traditional community-oriented lifestyles and strong extended family ties so far provide safety nets for most community and family members. However, the increasing impact of Western technology and culture, migration and the gradual monetisation of the economy also have their downsides, leading to the breakdown of the traditional extended family. Some of the poor, supported by the extended family, are now being left without visible means of support.

It is recognized that limited access to adequate energy services, or shortage of such services, is a barrier to Tonga's social and economic development and the alleviation of poverty. Electricity generation is mainly diesel-based. A significant portion of the population does not have access to basic electricity for lighting, and very few use LPG or kerosene for cooking.

It is estimated that about 6.7% of households live below the Food Poverty Line, unable to meet basic nutritional requirements. Government's strategies for reducing the incidence of poverty in the outer islands include the promotion of business activity and income earning opportunities. A draft social policy is being prepared, with identification of social priorities and strategies to address the needs of vulnerable groups being important.

The Millennium Development Goals (MDGs) are aligned to the government's own Strategic Development Plan No. 8 which will be the mechanism through which MDGs are incorporated into its policies.

The current challenge for the Government is to maintain its pro-poor policies and to ensure that services to the community are not adversely affected by the fiscal constraints following the 2005 strike settlement, and further compounded by the civil disturbance of 16 November 2006.

## **II.3. The recipient country's development strategy**

Based on a comprehensive consultation process with communities, the government has drew up the Strategic Development Plan No. Eight for the period 2006/07 – 2008/09. SDP 8 has the vision to create a society in which all Tongans enjoy higher living standards and a better quality of life through good governance, equitable and environmentally sustainable private sector-led economic growth, improved education and health standards, and cultural development. The plan received Cabinet approval on 26 May 2006.

With regard to the driving forces behind future developments, and in view of ever-rising fuel costs and the associated drain on foreign exchange reserves in Tonga, it is important for Tonga's national planners and decision-makers to be aware that energy services drive economic and social development and represent an essential bottleneck if not sufficiently available. The Energy Planning Unit (EPU) of the Ministry of Lands, Survey and Natural Resources has a long-term vision that the standard of living for all Tongans will improve and energy will be accessible to all at an affordable price and environmentally sound basis, resulting in reduced dependence on imported oil fuel.

The Government of Tonga has stated that its decision making process is guided by four fundamental principles: good governance, economic stability, private sector-led growth and pro-poor policies.

In July 2006, the Government called a development partners meeting to discuss progress with economic and political reform, fiscal stabilisation, SDP 8 and options for assistance. Donors agreed to endorse SDP 8 as the key platform for their assistance. The Government has now embarked on setting priorities in SDP 8 and on linking their strategic plan to the general budget as well as sector financing plans.

#### **II.4. Analysis of the viability of current policies and the medium-term challenges**

The public sector wage dispute in 2005 and the measures conceded to settle it have the potential to lead to economic problems of some significance (overall macroeconomic instability, inflationary pressure, budget deficit). The Government is committed to implementing the Wage Settlement agreed in September 2005 while recognising the importance for Tonga of running a sustainable fiscal policy and avoiding large budget deficits so as to preserve the macroeconomic stability that underpins Tonga's economic development prospects.

The government has embarked on a number of reforms aimed at broadening the tax basis and down sizing the public service by 23% through voluntary redundancy programmes. These objectives sound ambitious and donors have agreed to support the government in these efforts, but they have declined to contribute to the fiscal cost of the pay settlement while shifting their support to pro-poor initiatives. The biggest challenge for the next couple of years, other than financing the off-budget deficit for the redundancies, is handling the impact of the redundancy payouts in the local economy in terms of minimising inflationary effects and soaking up liquidity. Further attention is needed to soften the impacts that service delivery reductions could have on vulnerable people and communities. Following the downsizing measures in the public sector in 2006, services were compressed, but the government managed to maintain services at an agreed and acceptable minimum level without interruption.

The Budget statement 2006 projected for 2006/07 a growth rate of 0.9 % and a 10% inflation rate as a result of higher public sector wages feeding through into the Consumer Price Index. The revenue projections showed a \$22.2 million increase from the previous year. However, in 2006/07 Tonga could lose a further \$28 million in revenue from the new final bound rates for customs duty as a result of WTO accession. It is planned to claw back \$22.2 million of this loss in revenue from customs duty through new rates of excise tax on tobacco, alcohol and fuel products. These figures have been revised to take account of the events of November 2006.

The overall fiscal balance for 2006/07 showed a deficit of \$10.1 million. This will be further exacerbated by the impact of the events of 16 November and the voluntary redundancy programmes, placing severe pressure on macro-economic stability. The government is seeking budgetary support from its development partners to ensure that delivery of essential services is maintained.

## **CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY**

### **Overview of past and present EC cooperation (lessons learned)**

The EC's aid to Tonga has historically concentrated on the development of the island group of Vava'u. Following its focus on infrastructure in previous EDFs, the 9<sup>th</sup> EDF programme's focus shifted to education, health and sanitation on the Vava'u group of islands.

Funds available under envelope A amounted to € 3.7 million, € 2 million were allocated to envelope B.

The Vava'u Social Sector Support Programme (VSSSP) absorbs € 3 million out of the A-envelope. In view of the good progress in implementing the programme it was decided to increase the financial ceiling of the Financing Agreement by € 0.5 million for very urgent projects in social sectors and for sustaining previous investments made in the region. Recently a request was submitted by the NAO to provide funds for a Technical Cooperation Facility for a total of € 0.5 million.

In the light of the assessment under the End-of-Term-Review of the 9<sup>th</sup> EDF carried out in 2006, it was decided to maintain the country strategy for Tonga, as contained in the CSP and NIP, but to broaden the geographic scope. It was further decided to maintain the funds available under envelope A as well as envelope B.

- Lessons learned: Although implementation of the VSSSP is meanwhile well underway, projects financed under previous EDFs experienced difficulties in implementation and meeting technical and financial reporting requirements. Notably, the Micro Project Programme No. III had to be closed prematurely, leaving behind a number of projects uncompleted. Following its audit, a recovery order for approximately € 175,000 had to be drawn up. The evaluation of the 8th EDF Vava'u Development Programme noted as a concern the ability of beneficiaries to maintain infrastructure as well as government budgetary restrictions resulting in some incomplete projects. On the positive side, the evaluation noted the advantages of having the Programme Management Unit on site, e.g. in Vava'u.

Programme delivery can be enhanced with the engagement of local TA support to the NAO who ensures appropriate use of funds and well targeted interventions that meet the needs of the population at large (country-wide approach). There is also a perceived need for broad stakeholders consultation, as well as better involvement of civil society in planning and implementation of interventions. These lessons learned will be incorporated notably into the discussions on the use of available uncommitted balances of about € 2.5 million EDF resources and € 2.5 million STABEX funds.

Following recent initiatives by the government of Tonga and the donor community to enhance coordination and aid effectiveness, it has been agreed that EC aid will be delivered through the Ministry of Finance's Aid Management Division, thus joining all other major donors in the country. The imminent transfer of the NAO office from the Ministry of Foreign Affairs to the Ministry of Finance calls for a strong Technical Assistance to the new NAO.

Under the 9<sup>th</sup> EDF, there was a strong emphasis on outer island development in Vava'u and support for social sector development. Meanwhile, other donors intend to increase assistance to Tonga's education and health sector, leaving the door open for EU cooperation to focus on environmental issues that are in line with the EU's Pacific Strategy. Also, donors such as Australia and New Zealand may have a comparative advantage in the education sector due to similar education systems and regional labour market developments.

Site visits to Vava'u and the main island of Tonga'tapu have brought to light that in many outer island communities solar panels require urgent repair and a mechanism for regular maintenance has to be put in place to sustain the investments of any project or programme.

### **III.1.1 Focal sectors (and macroeconomic support)**

The financing proposal for the VSSSP was approved by the EDF Committee in September 2003, and a financing decision was subsequently taken by the Commission in November. The Financing Agreement was signed in April 2004. The programme is implemented by Direct Labour Operations through Programme Estimates, supporting the Government of Tonga's initiatives in improving the delivery of social services.

Out of the original allocation of € 3 million, VSSSP allocates € 1,252,500 for the Education Sector, the same amount goes to the Health Sector, € 300,000 is earmarked for Non State Actors, € 120,000 for programme management, € 50,000 for audit and € 25,000 are reserved for programme evaluation.

Activities in PE1 and subsequently PE2 included under the Health Component the renovations of staff quarters as well as the fencing of the hospital compound, supply of medical and dental equipment and the renovation of the Prince Ngu hospital in Vava'u.

The Education Component encompasses the renovation and upgrading of school facilities and staff quarters as its main activity.

With regards to the Non State Actors component, the Civil Society Forum of Tonga coordinates as the key implementing agency the various activities at different schools, ranging from supplies of cooking utensils, to purchase of books as well as renovation of school buildings, staff quarters, etc.

### **III.1.2 Projects and programmes outside the focal sectors**

In 2006, a financing decision for € 0.5 million was taken for a Technical Cooperation Facility (TCF), providing funding for Technical Assistance to the NAO and training. Provisions were also made in the TCF to support the consultation process on political reforms in Tonga.

Further closures and de-commitments of EDF resources in 2006 will enable the NAO to re-commit EDF funds in the tune of € 1.8 million to support and build capacity for the 'Sustainable Urban and Environmental Management' in Greater Nuku'alofa. The Financing Proposal has been transmitted to Headquarters in May 2007.

### **III.1.3 Utilisation of Envelope B**

Following cyclones Ami and Eseta, which both struck Tonga in 2003, €0.89 million were used to repair the Ferry MV 'Olovaha, which ensures transport between Tongatapu and



Vava'u. In addition, in 2004 the rehabilitation of the wharf in Eua started, which was badly damaged after cyclone Eseta.

The remaining funds of € 1.11 million will be used in a regional initiative for disaster preparedness. A Financing Proposal is currently in preparation for a Regional Programme in Disaster Preparedness/Risk Management. The programme will combine up to seven Pacific ACP NIP 'B' envelopes in a multi-country programme. Assuming the Financing Agreement is approved, the programme will be managed by SOPAC (South Pacific Geosciences Commission) and entail setting up or completing Strategic National Action Plans for each Pacific ACP involved in the programme and the implementation of a first-priority activity that emerges from each plan.

It should be noted that current and future programmes for disaster preparedness should include reinforcement of national capacity to respond to disasters, and encourage the country to develop its own strategies.

#### **III.1.4 Other instruments**

A new FMO for the use of STABEX resources, totalling more than € 2.5 million, is under preparation. It will incorporate projects to strengthen the vanilla and kava export sectors, as well as projects in the fisheries and forestry sector and programs to diversify the export basis, including measures to meet quarantine and phyto-sanitary standards.

In 2005, the EIB approved a global loan of up to € 6m to the Tonga Development Bank under the Pacific Islands Finance Facility. This is the EIB's sixth operation with this development bank. In the same way as with previous operations, the funds will be on-lend by the development bank to final beneficiaries in the private sector.

The 9<sup>th</sup> EDF Pacific Regional Indicative Programme is funding a number of projects in the Pacific ACP countries, including Tonga. These consist of:

Pacific ACP Regional Economic Integration Programme (PACREIP)

Development of Sustainable Agriculture in the Pacific (DSAP)

Pacific Regional and OCT Fisheries Programme (PROCFISH)

Plant Protection Programme (PPP)

Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)

Reducing Vulnerability in PACP States – SOPAC

Development of Fisheries in the Pacific (DEVFISH)

Pacific Environmental Information Network (PEIN)

Additionally, Tonga has benefited from EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

#### **III.2 Information on the programmes of the Member States and other donors (complementarity)**

No Member State is represented in the Kingdom of Tonga. The British High Commission closed its office in March 2006. Australia and New Zealand are the major players in political and economic terms as well as the biggest donors in Tonga, the USA and China also play an important role, as well as the ADB, World Bank and Japan. Aligned to SDP 8; donors'

support focus on infrastructure development, construction of health facilities, rural area water projects, solid waste management, good governance/Public Sector Reform, etc.

The ADB is currently financing a feasibility study for the Tonga Integrated Urban Development Project. The first phase of the project provides for the development of an Urban Planning and Management Strategy and in its second phase the implementation of different components such as water and sanitation, access roads, traffic management, capacity building for infrastructure management, etc. It is intended that the project dovetail with the AusAID-funded solid waste management project. ADB is planning to support this project with a loan of US\$7 million. .

For more details see Donor Matrix in Annex (still under preparation by MoF).

### **III.3 Other EC policies**

The coherence between development co-operation policy and other EC policies (trade, fisheries, agriculture, environment) relevant for Tonga will be assessed on a continuing basis. Systematic account will be taken of mainstreaming of the following thematic or cross-cutting themes into all areas of cooperation: gender issues, environmental considerations and principles of good governance.

### **III.4 Description of the political dialogue with the partner country**

The EC Delegation in Suva is in regular and frequent dialogue with the Government of the Kingdom of Tonga through visits by EC officials and meetings with leaders at international fora. In coordination with other donors the EU has been raising governance issues and progress in political reforms in particular at various donor roundtables with the Government of the Kingdom of Tonga. Recently, political dialogue has further improved with high-level discussions focussing on a possible roadmap for political and economic reforms.

A number of commitments on good governance issues will be jointly agreed under the 10<sup>th</sup> EDF programming exercise, based on the government's stated principle that good governance in terms of openness, fairness and quality of government decision-making is still essential to win and keep the people's trust in their government.

### **III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation**

In recent times, the Ministry of Finance through its Aid Management Division has made considerable efforts to coordinate donors support to the government's strategic development plan. Regular donor roundtable meetings are attended by members of the EC Delegation in Suva. A consistent effort is being made to harmonise intervention strategies between the EU, Australia and New Zealand in particular; with the ADB at the forefront to bring together donors in an informal setting to coordinate their approaches.

A first important result from this process is the announced shift of the NAO office to the Aid Management Division of Ministry of Finance.

## **CHAPTER IV: RESPONSE STRATEGY**

### **IV.1 Objectives for future co-operation**

The response strategy takes into consideration the basic principles of the EC's Development Policy, as well as the results of the preceding analysis of the political, economic and social situation in Tonga, the longer-term development goals, the government's own priorities and the management capacity and staff resources of Tonga and those of the EC Delegation in Fiji. Past experience with EDF assistance and other current and planned donor activities were also taken into account. Consequently, it was decided to focus on areas where the EC has a comparative advantage and to design implementation mechanisms that will improve efficiency and effectiveness and speed up the delivery of assistance.

In the context of the Cotonou Agreement, future co-operation under the 10<sup>th</sup> EDF between Tonga and the EC has been designed to ensure that:

- EC interventions have a positive impact on living conditions of all Tongans;
- the operations can be sustained in order to guarantee a long-lasting flow of benefits to the target groups and to the country as a whole; and
- the projects and programmes funded under the present Agreement are in areas where the EC is perceived to have a comparative advantage, compared to other donor organisations, and where it is possible to operate in close partnership with established and reputable regional agencies that have already established networks in Tonga.

### **IV.2 Focal Area of Co-operation**

The European Commission and the Tongan Government jointly recognize that the sustainable management of natural resources forms an essential part of the National Strategic Plan No. 8 to which the EC wants to align its response strategy. Issues related to the reliable provision of water and sanitation, management of solid waste, coastal protection, ecologically sustainable tourism, and renewable energy can therefore certainly play a crucial role in the future partnership. Whilst it is agreeable that many outer islands of Tonga lag behind in their social and economic development, allocation of funding should be based on an objectively verifiable needs basis, hence the decision to abandon the exclusive geographical scope and to implement future programmes nation wide. This decision was taken in full coordination with other donors who intend to increase assistance to Tonga's education and health sector, leaving the door open for EU cooperation to focus on environmental issues that are in line with the EU Pacific Strategy.

The Government is relying on donor assistance to supplement its small domestic revenue basis for investments in needed development projects that help to realise the goals of SDP 8. In line with Goal No. 7 of SDP 8 – ensure environmental sustainability and disaster risk reduction – as well as Tonga's strategic goal in the National Environment Management Strategy to foster the use of renewable energy sources, it has been agreed that the EC's response strategy will concentrate on water and energy, in particular renewable energy, as the focal sector for funding under the 10<sup>th</sup> EDF.

In October 2005, at the Pacific Forum Leaders meeting, the European Commission introduced the proposed focus of future EDF assistance in the Pacific Region, which is sustainable management of natural resources. The EU identified three principal reasons for this focus: 1) the sector is strategically important in all PICs; 2) there are common interests between the region and the European Union; and 3) it is an area where the EU has significant expertise.

The broad concept of sustainable development is also one of four key pillars of the regional framework that underpins the Pacific Plan, which was approved by Pacific Forum Leaders at the same October 2005 meeting. Consequently the concept was discussed with PIC officials at the EU-Pacific ACP Regional Seminar in March 2006. The new EU strategy to reinforce its partnership with Pacific ACPs (the “EU Pacific Strategy”), equally focusing on the sustainable management of natural resources, was approved on 17 July 2006 by the General Affairs Council of the European Union. Following consultations between the Commission and relevant Government officials, a broad framework for future Tonga-EC development cooperation emerged as regards the Response Strategy. In accordance with the European Consensus for Development this response strategy is in line with the listed areas for community action, particularly in relation to the focal area of water and energy.

In the light of the strike settlement of September 2005 and the events of 16 November 2006 and their severe financial consequences for following years, the Government is under pressure to maintain the macroeconomic stability, strengthen prudent public finance management whilst committing to rebuilding an adequate level of good quality public services and coordinating donor-funded interventions in areas of strategic importance.

The rising cost and consumption of imported petroleum products is of growing concern, especially the drain on foreign exchange, increasing pollution generally and greenhouse gas emissions specifically (though comparatively insignificant by almost any measure). As it stands, Tonga relies heavily on the use of fossil fuel for its energy generation.

Transporting oil for diesel generators to outer islands is costly and bears considerable environmental risks of pollution. With the assistance of SOPAC, Tonga has drafted a renewable Energy Policy Framework as a result of a broad-based consultation of multi-stakeholders. The EC’s support under the 10<sup>th</sup> EDF will help to translate this policy framework into concrete measurable outcomes in terms of increasing the production of clean and cost-effective energy.

There is a need to better involve local communities in the implementation of the program and to set up a framework for cost-recovery, maintenance and replacement of the installation, e.g. photo-voltaic panels, batteries, etc.

The overall indicative allocation under the 10<sup>th</sup> EDF for the Kingdom of Tonga is € 5.9 million

It has been agreed to allocate 85% of the NIP allocation (A-envelope) – € 5 million - to the focal sector of water and energy via a Multi-Country Programme (though in Tonga, the NIP will concentrate exclusively on energy, in particular renewable energy).

The Government’s commitments concerning progress in political reforms towards democratization and commitments on focal sector policy have been discussed (see Annex 3B).

The remaining funds of envelope A, i.e. € 0.9 million, or 15 % are intended to finance interventions in the non-focal area. Following the lessons learned and accompanying the shift of the NAO office to the Ministry of Finance, there are provisions for Technical Assistance under a Technical Cooperation Facility are foreseen. The TCF may also finance studies and

EDF-related training, regional integration and EPA (including assistance in collection of basic statistics). Also in the non-focal area, it has been agreed to allocate funding for programmes in support of Non-State Actors and good governance and to support measures which encourage the ongoing political and economic reform process.

It is also noted that, given the difficulty of implementing individual disaster prevention programmes for each small island, a synergy should be found between all contributions to such programmes on a regional basis (for example the Multi-Country Programme under the 9<sup>th</sup> EDF B-envelope). Nevertheless, all current and future programmes should include reinforcement of the national capacity to respond to disasters and should encourage countries to propose their own strategies.

Climate change is an important issue, in particular for the Pacific region. Major regional initiatives are being considered in the context of the forthcoming 10<sup>th</sup> EDF Regional Indicative Programme. Under the 10<sup>th</sup> EDF, due consideration needs to be given to the likely exacerbation of potential problems such as epidemics and famine due to water contamination, loss of arable land, and population displacement (the latter linked also to disaster response planning). These issues should also be addressed during the identification process and the feasibility studies which will determine the specific interventions and accompanying measures of the focal sector programme.

### **IV.3 Implementation mechanism**

As discussed at the Regional Seminar in March 2006 and if deemed feasible and desirable by partner governments, a Multi-Country Programme approach is proposed as the preferred method for implementing the 10<sup>th</sup> EDF. This should raise the quality of Technical Assistance, improve efficiency and effectiveness, and speed up the delivery of 10<sup>th</sup> EDF assistance.

Nevertheless a degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralized technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional (CROP) agencies for technical assistance should remain an option.

The specific actions to be addressed within the focal area will be determined on conclusion of a project design study to be undertaken in 2007. The countries involved in this multi-country programme approach are, Cook Islands, FSM, RMI, Palau, Nauru, Niue, Kiribati, Tuvalu and Tonga. Detailed implementation mechanisms will be jointly discussed and agreed upon, taking into consideration lessons learned from the five-country renewable energy project in the Pacific.

## PART 2: INDICATIVE PROGRAMME

### 1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a detailed schedule of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

### 1.2 Financial instruments

The implementation of the EC's cooperation strategy with the Kingdom of Tonga will be financed from several financial instruments. The following is an indication of their mobilisation as currently envisaged.

#### 1.2.1 10th EDF, A envelope, € 5.9 million: this envelope will cover long-term programmable development operations under the strategy, and in particular

<i>Water and energy (exclusively energy for Tonga)</i>	<i>€ 5 million</i>	<i>85%</i>	<i>EDF</i>
<i>Non-focal area</i>	<i>€900,000</i>	<i>15%</i>	<i>EDF</i>

1.2.2 **10th EDF, B envelope, €0.9 million:** this envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3 **Investment Facility:** in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the **Centre for the Development of Agriculture (CTA)**.

1.2.4 **10th EDF, regional indicative programme:** this allocation will cover long term programmable development operations under the regional strategy for the Pacific. The allocation is not part of the Indicative Programme but may have repercussions at

national level depending on the participation of the Kingdom of Tonga in the programmes proposed under the regional framework.

### 1.2.5. Other financial instruments:

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include, among others, programmes funded under the Development Cooperation Instrument such as the thematic programmes “investing in people”, “non state actors in development”, “migration and asylum”, “environment and sustainable management of natural resources” and “food security”, as well as actions funded from other instruments such as the stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

### 1.2.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community’s cooperation with the Kingdom of Tonga implemented through the NIP and through other external actions funded by the general budget of the European Community will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

## 1.3 Focal sector

### Water and energy (exclusively energy for Tonga)

The following specific objective will be pursued:

- developing access to affordable renewable energy resources and increasing the use of renewable sources for the generation of energy in Tonga;
- improving the overall policy framework of the energy sector

As an indicative amount, **€ 5 million** will be set aside for this field.

The main actions proposed are: supply and installation of renewable energy systems thus reducing diesel imports, and/or to improve energy efficiency. Furthermore, technical assistance can be provided to support the Government in the future development of Tonga’s energy policy and/or to build and strengthen institutional capacity.

The main implementing instrument will be: project support using – if deemed feasible and desirable by partner governments – a multi-country programme approach (implementation pooled with other small Pacific Island Countries). This should raise the quality of Technical

Assistance, improve efficiency and effectiveness, and speed up the delivery of 10<sup>th</sup> EDF assistance.

Nevertheless a degree of flexibility regarding implementation modalities needs to be maintained in case the suggested centralised technical assistance of a large multi-country programme is found wanting. Alternatives including national programmes through national government authorities, or the use of regional (CROP) agencies for technical assistance should remain an option.

The main sectoral policy measures to be taken by the Government as a contribution to implementing of the response strategy in this field are to:

- reform overall management of the energy sector;
- develop a balanced approach between energy resource development and supply, on the one hand, and energy conservation, on the other;
- develop an appropriate cost recovery mechanism and maintenance scheme for installations.

The main commitments by the Government to ensure mainstreaming of the crosscutting issues are to:

- redefine the objectives and functions of the central energy institutions to increase the allocation of human and financial resources.
- strengthen partnership between formal institutions and local communities to ensure that projects are sustainable,
- conduct education and training programmes on energy conservation and energy management.

Furthermore, the Government of Tonga undertakes to promote the integration of the principle of sustainable development into its policies and programmes and reverse the loss of environmental resources (MDG 7), with the particular aim of improving indicators 27 (*GDP per energy use*) and 28 (*carbon-dioxide emission per capita*).

When needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

#### ***1.4 General budget support***

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

#### ***1.5 Other programmes***

- An indicative amount of € 900,000 is set aside for the following actions in the non-focal sector:



- Good governance and democratisation, support to political and economic reform,
- Institutional support for non-state actors, NGOs and CBOs that promote good governance and democratisation in particular,
- The Technical Cooperation Facility, which may include Technical Assistance to the NAO, training and studies as well as support for regional integration and EPA. This may also include assistance with statistical reporting.
- Support for Non-State Actors covers NSAs eligible for funding as defined in Article 6 of the Cotonou Agreement and article 4(1)(d) of Annex IV to the revised Agreement. Depending on their mandate, support to NSAs may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting NSAs, the EC may make use of article 15(4) which allows it to be the Contracting Authority.

The main policy measures to be taken by the Government as a contribution to implementing of the response strategy in the non focal areas are:

The Government of Tonga agrees to allocate sufficient human and financial resources to the NAO office and to ensure the smooth running of the operations under EDF financing, in particular regarding the setting-up of a transparent process for the selection of projects/activities to be financed in the non-focal area. The European Commission Delegation will be invited to the selection meetings.

See also Annex 3B.

### ***1.6 Intervention framework***

*See below.*

### **1.7 Timetable of indicative commitments and disbursements**

*See below.*

### **1.8 Schedule of activities**

*See below.*

## 1.6 Intervention Framework & Performance Indicators

### 1.6.1 First Focal Sector – Water and energy

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
<b>Overall Objectives</b>	To improve social and economic development and provide sustainable living conditions for all Tongans	Improved HDI ranking MDG achievement Economic growth rate Increased employment	HDI reports MDG reports Government records Government records	N/A
<b>Programme Purpose</b>	To provide cost-effective and reliable renewable energy and promote energy efficiencies	All RE systems supplied and in use by 2012 Increase in demand for RE systems Increase in private sector involvement in RE technologies	Government records Independent reviews Independent surveys	World demand for oil continues at current or higher levels Government policies continue to support private sector growth
<b>Results</b>	Cheaper electricity costs Cleaner environment Educated public (in energy efficiencies)	Reduced dependency on fossil fuels Improved household income Diesel imports reduced	Independent survey Inter-island shipping records Household income surveys	RE equipment properly maintained User pay system accepted Battery disposal system applied

## 1.7 Indicative timetable for commitments and disbursements

### 1.7.1 Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
<b>1<sup>st</sup> FOCAL SECTOR – Water and energy</b>	M €						
- Project 1: MULTI-COUNTRY PROGRAMME	M €		5.0				
- Project 2	M €						
<b>2<sup>nd</sup> FOCAL SECTOR – none</b>	M €						
- Project 1	M €						
- Project 2	M €						
<b>NON FOCAL SECTORS</b>	M €		0.9				
- Institutional support for non state actors.	M €						
- Technical cooperation facility	M €						
- Contribution to regional programmes	M €						
- <optional> Support for EPA	M €						
- <optional> Support for Governance	M €						
- Other	M €						
<b>Total Commitments:</b>	M €		5.9				
<b>Total Cumulative Commitments :</b>	M €		5.9				

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010 →	
		1	2	1	2	1	2
<b>1<sup>ST</sup> FOCAL SECTOR – Water and energy</b>	<b>M€ 5.0</b>						
- Project 1 MULTI-COUNTRY PROGRAMME	M€		0.1	0.3		4.6	
- Project 2	M€						
<b>2<sup>ND</sup> FOCAL SECTOR – &lt;name&gt;</b>	<b>M€</b>						
- Project 1	M€						
- Project 2	M€						
<b>NON FOCAL SECTORS</b>	<b>M€ 0.9</b>		0.2		0.4		0.3
- Institutional support for non state actors.	M€						
- Technical cooperation facility	M€						
- Contribution to regional programmes	M€						
-<optional> Support for EPA	M€						
-<optional> Support for Governance	M€						
-Other	M€						
<b>Total Commitments :</b>	<b>M€</b>						
<b>Total Cumulative Commitments :</b>	<b>M€</b>						

## 1.8 Schedule of activities

1 <sup>st</sup> FOCAL AREA (5.0 M€) Water and energy	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1 Multi-country program	M € 5.0			AF	FD	✳	✳	✳	✳	✳	✳	✳	✳
- Project 2	M €												
2 <sup>nd</sup> FOCAL AREA (... M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Project 1	M €												
- Project 2	M €												
NON FOCAL AREAS (0.9 M €)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Technical cooperation facility	M €			AF	FD	✳	✳	✳	✳	✳	✳	✳	✳
- Contribution to regional programmes	M €												
-<optional> Support for EPA	M €												
-Other	M €												

FS: Feasibility Study

AF: Action Fiche

FD: Financing decision

✳ : Project implementation

**Annex 1a: List of acronyms**

ACP	Africa, Caribbean, Pacific
ADB	Asian Development Bank
AusAID	Australia Agency for International Development
CEDAW	(UN) Convention on the Elimination of all forms of Discrimination Against Women
CSP	Country Strategy Paper
EC	European Community
ECHO	European Commission's Office for Humanitarian Assistance
EDF	European Development Fund
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FSM	Federated States of Micronesia
HDI	Human Development Index
kWh	kilo Watt hours
MDG	Millennium Development Goals
NCD	Non-Communicable Diseases
NIP	National Indicative Programme
NSA	Non State Actors
NZAID	New Zealand Assistance for International Development
NSDP	National Sustainable Development Plan
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Cooperation and Development
OPM	Office of the Prime Minister
PIAF	Pacific Islands AIDS Foundation
PIC	Pacific Island Countries
PICTA	Pacific Island Countries Trade Agreement
PIERS	Pacific Islands Economic Report (ADB document)
PM	Prime Minister
RMI	Republic of Marshall Islands
TA	Technical Assistant
TCF	Technical Cooperation Facility
UNFPA	United Nations Population Fund
WSSD	World Summit on Sustainable Development

## Annex 1 : Country at a glance: TONGA

Tonga Data Profile		
Click on the indicator to view a definition	2000 2005	2004
<b>People</b>		
Population, total	100.2 thousand 102.0 thousand 102.3 thousand	
Population growth (annual %)	0.6 0.3	0.4
Life expectancy at birth, total (years)	71.7	72.5
Fertility rate, total (births per woman)	3.7	3.4
Mortality rate, infant (per 1,000 live births)	22.1	20.4
Mortality rate, under-5 (per 1,000)	26.4	24.5
Births attended by skilled health staff (% of total)	95.0	..
Immunization, measles (% of children ages 12-23 months)	99.0	95.0
Primary completion rate, total (% of relevant age group)	..	..
School enrollment, primary (% gross)	110.6	114.7
School enrollment, secondary (% gross)	101.1	97.8
School enrollment, tertiary (% gross)	4.7	6.1
Ratio of girls to boys in primary and secondary education (%)	100.9	102.7
Literacy rate, adult total (% of people ages 15 and above)	98.9	..
<b>Environment</b>		
Surface area (sq. km)	750.0 750.0	750.0
Forest area (sq. km)	40.0	..
Agricultural land (% of land area)	41.7	..
CO2 emissions (metric tons per capita)	1.2	..
Improved water source (% of population with access)	..	100.0
Improved sanitation facilities, urban (% of urban population with access)	..	98.0
<b>Economy</b>		
GNI, Atlas method (current US\$)	163.7 million 223.7 million	186.6 million
GNI per capita, Atlas method (current US\$)	1,630.0 2,190.0	1,830.0
GDP (current US\$)	153.5 million 244.4 million	212.5 million
GDP growth (annual %)	5.2 2.4	1.7
Inflation, GDP deflator (annual %)	-0.4 11.1	14.1
Agriculture, value added (% of GDP)	28.3	28.9
Industry, value added (% of GDP)	16.4	15.2
Services, etc., value added (% of GDP)	55.2	55.9
Exports of goods and services (% of GDP)	14.8	..
Imports of goods and services (% of GDP)	49.7	..
Gross capital formation (% of GDP)	21.0	..
<b>States and markets</b>		
Time required to start a business (days)	..	32.0
	32.0	

Fixed line and mobile phone subscribers (per 1,000 people)	98.6	..
Internet users (per 1,000 people)	24.0	29.4
Roads, paved (% of total roads)	..	..
High-technology exports (% of manufactured exports)	0.3	..
<b>Global links</b>		
Merchandise trade (% of GDP)	51.5	56.3
	50.3	
Foreign direct investment, net inflows (BoP, current US\$)	0.0	0.0
	0.0	..
Long-term debt (DOD, current US\$)	59.9 million	80.7 million
Present value of debt (% of GNI)	..	33.3
Total debt service (% of exports of goods, services and income)	..	..
Official development assistance and official aid (current US\$)	..	18.8 million
	19.3 million	..
Workers' remittances and compensation of employees, received (US\$)	..	..
	66.0 million	..

**Source: World Development Indicators database, April 2006**



ANNEX 2 : DONOR MATRIX TONGA

	Education	Health	Economic development	Governance	Infrastructure	Public Sector	Social	Community Development	Environment	Law and Justice	Disaster Preparedness and Relief
<b>Donors - ANNEX 2</b>											
AusAID	1944618	379590	918217	518060	42500		1244555				
ADB			500000		1,500,000	1,000,000	Scaling up of the Social Protection Index for Committed Pove				
NZAID	10045357	528000		395,998	462000		515000	660000	568827		
EU donors	3,873,000	3,873,000		369,628			924070			2,662,000	
World Bank	2,000,000	7,859,247		188,167	3,508,867						
China			5201000								
Commonwealth				33558						38050	
Japan	4906960	31750					1800000				
UNDP							400000	659430			
<b>Total by sector</b>	22,769,935	12,671,587	6,619,217	1,505,411	5,513,367	1,000,000	4,883,625	1,319,430	606,877	2,662,000	2
			Demographic health survey (UNFPA)								

(In Australian dollars)





**Tonga**  
**Country Environment Profile**  
**(Summary Only)**

September 2006

Prepared and compiled from existing published reports, as part of the of the Country Support Strategy for the 10<sup>th</sup> European Development Fund programming under the Cotonu Agreement in line with the EU Pacific Strategy focusing on strengthening cooperation to address the management of natural resources and environment challenges.

## 1. Summary

This Tonga country environment profile provides the background information from a national perspective, and suggests possible areas for intervention with EDF 10 resources.

Tonga is an archipelago made up of 170 islands divided into three main groups – Vava'u, Ha'apai, and Tongatapu. The islands are of three types; most have a limestone base formed from uplifted coral formations; others consist of limestone overlaying a volcanic base, a few are active volcanoes. The country has a total land area of about 718 square kilometres spread across a large exclusive economic zone of approximately 360,000 km<sup>2</sup> of the Pacific Ocean.

Cyclones are an annual threat to the country with an expected occurrence of between 3 and 5 during the cyclone season, which is from November to March. Tonga also experiences climate related events such as El Nino and is vulnerable to earthquakes, tsunamis and volcanic eruptions due to its geographic location close to an active tectonic plate boundary.

Tonga's limited land resources, combined with a growing urban population, are increasing pressure on the country's natural resources and worsening its environmental problems. The gradual depletion of some traditional marine species and overfishing of the nearshore fisheries are an increasing problem. Deforestation and pollution are also key environmental problems. To improve environmental management Tonga enacted its Environmental Impact Assessment bill in 2003.

Tonga has faced a challenging decade since the publication of its National Environment Management Strategy (NEMS) in 1993, which is based upon the principles agreed to at the Earth Summit on Environment and Development held in Rio, 1992.

The NEMS states that for Tonga: *"Government recognises the importance of the environment to the health, welfare and economic development of the Kingdom... and the NEMS is an important first step forward to ensuring sustainable economic development and environmental management in Tonga"*.

The NEMS for Tonga comprised eleven strategies:

- improve environmental awareness and education;
- improve disposal of solid wastes and sewage;
- strengthen the national capability for environmental management;
- assess implications of climate change and sea level rise;
- counter the misuse of hazardous chemicals;
- foster the use of renewable energy sources;
- improve and update basic data on natural resources;
- protect the Kingdom's biodiversity;
- foster sustainable use of natural resources and the coastal zone;
- ensure the sustainable use of the land resource; and
- improve the supply of drinking water.

Tonga's progress over the last decade has laid the platform for necessary mechanisms to implement all its environmental obligations under international and regional environment conventions since the Barbados Programme of Action in 1994. Despite progress over the years, new concerns have emerged together with imperative issues of special needs that require immediate assistance from the international community on the sustainable management, protection and conservation of Tonga's natural, ecological, cultural and human resources. These emerging concerns are seen as the next stepping stone for Tonga to consider in the coming decade if it is to fully realise a balance between development and natural resource management.

Some of these emerging concerns and needs are as follows.

#### **Climate Change**

With the implementation of the UNFCCC objectives, constraints have been identified. These include:

- lack of funding or financial assistance to address adaptation strategies, research, community awareness programmes and planning;
- lack of coordination among relevant government agencies in the implementation of the UNFCCC objectives;
- data deficiency and gaps create further problems as far as climate change issues are concerned, as very limited data on climate change exists in Tonga, and even, if data are available, they may not be a capacity to analyse and use it;
- national expertise in the area of climate change is lacking; and
- civil society and community groups in general are not well informed or consulted about climate change issues especially with its relevance to social and economic development in Tonga.

#### **Natural and Environmental Disasters**

Key constraints related to effective planning and implementation of disaster management strategies and risk assessment include:

- the disaster management office is under staffed;
- lack of training and expertise in the area of disaster management;
- lack of commitment by the government on disaster management activities;
- lack of funding available to implement planning and risk assessment activities for disaster management; and
- inefficient infrastructure for monitoring and risk assessment prior to, and after disasters.

#### **Management of Waste**

Needs and constraints in regard to the management of wastes include:

- undertake a more detailed review of existing legislation and regulations relating to solid waste management, and in particular review the effectiveness of existing anti-littering and anti-dumping laws;
- improved enforcement of the Health Act;
- lack of human resources;
- need to show the public how to minimise waste and emphasise the importance of recycling;
- lack of land space;
- need for ongoing public education programmes to discourage littering and dumping of solid waste;
- some recycling processes are too lengthy, complex and costly, alternate appropriate methods need identifying and options to reduce/re-use/recycle are needed;
- need to improve and strengthen NGOs; and
- scope of several projects is geographically limited because of insufficient resources.

#### **Coastal and Marine Resources**

To improve operations in the management of coastal and marine resources, there is a need to strengthen the following:

- legislation and its enforcement;
- public awareness and education programmes;
- local technical expertise;
- availability of financial resources.

#### **Freshwater Resources**

Specific needs and constraints in the freshwater resources sector include:

- control all leakage in the water supply system, and initiate a pricing policy which discourages high usage;

- groundwater protection measures such as water reserves and non polluting sanitation systems;
- assessing all available water resources throughout Tonga, including providing water resources monitoring equipment and design, drilling and commissioning more vertical salinity monitoring borehole, and up-grading water testing facilities and laboratories and related technical training;
- develop drought vulnerability and response strategies, and improve conservation and management of groundwater and the collection and storage of rainwater especially for the outer islands;
- provide formal training research opportunities in the field of hydrology, hydrogeology, water resource monitoring and engineering;
- coordination and refocusing of aid programmes and project design to develop water management capacity and to implement projects to improve the sustainability of water supply and usage;
- improve legislation and its enforcement, including reviewing and strengthening institutional capacity and vagueness of institutional roles;
- investigate the viability of alternative sources of portable water such a desalination; and strengthening water resources awareness and education programmes.

#### **Land Resources**

Future needs and constraints in the land resources sector include:

- land, particularly in Tongatapu, is becoming increasingly scarce, and sustainable management of the land and its resources is not a condition or criteria in any lease arrangement;
- the existing legislation that could support sustainable management of land resources is not having any effect due to lack of co-ordination among agencies;
- need to improve the mapping system; and
- upgrade the geodetic and survey control network to ensure more accurate and reliable maps are available.

#### **Energy Resources**

Future needs and constraints in the energy sector include:

- small and dispersed markets increase the cost of power generation and distribution and the supply of petroleum products; and create problems in establishing institutional arrangement to provide adequate maintenance and support services, whether for grid connected supplied electricity or for photovoltaic installations in the outer islands;
- need to give higher priority to capacity building in the areas of energy planning and related technical skills;
- need to restrict energy options to those that are proven technologically and economically similar to Tonga and which can have a significant impact on the local energy situation;
- need to focus on energy alternatives and technologies that are robust and require minimum maintenance; and
- need to emphasise proper management of existing alternatives and resources and avoid spreading limited institutional and technical capacity more thinly than necessary.

#### **Tourism Resources**

Future needs and constraints include:

- strengthen working relationships between the tourism industry, Tonga Visitors Bureau, and other appropriate government agencies;
- ensure that codes of practice and guidelines are effective tools for sustainable ecotourism development;
- put in place the capacity for better focus and coordination in tourism development through coordination committees and task forces in designing strategies and long-term plans for ecotourism development in Tonga;
- expand technical and financial assistance for ecotourism development in future; and
- aid donors to recognise the value of ecotourism in Pacific island countries and integrate this into their policies and strategies on bilateral and multilateral aid.

### **Biodiversity Resources**

Specific needs and constraints for future attention include:

- existing legislation is very limited, outdated and poorly enforced;
- decentralised resource management to include the people who actually use the resource daily and provide for training and awareness programmes at NGO and community levels;
- limited availability of land and the fragility nature of small, island ecosystems;
- unrealistic timeframes of programmes, compared with tree growth and other biodiversity enhancement activities;
- pressure on farmers for intensified land-use;
- lack of realisation of the economic value of standing trees and forest products;
- monitor and evaluate government and NGOs activities to identify problems, learn from lessons, and widely disseminate and publicise success stories;
- lack of awareness of the need for an holistic approach to integrated resource management among decision makers;
- improve resources (funds, time, technical experts, activities implemented, monitoring); and
- preserve traditional knowledge and skills.

The conclusions and recommendations of the Tonga Country Environment Profile are as follows.

**Conclusion 1:** It should be highlighted that this Tonga environmental profile has been compiled as a desk study. Nonetheless, it has benefited from access to reporting on environmental issues by Tonga produced over the past decade, since 1992 at UNCED in Rio (Agenda 21), and in 1994 at the Barbados International Meeting on Sustainable Development for Small Island Developing States (BPoA). Most recently, Tonga has had the opportunity to produce national assessment reports for the 10-year review of both Agenda 21 (the World Summit on Sustainable Development in 2002), and the BPoA (the International Meeting on SIDS in 2005). Furthermore, the first 5-year national report of progress on achieving the MDGs was due for completion in September 2005.

**Conclusion 2:** The EU has supported Tonga along with all Pacific ACP countries during recent global environmental processes, and in particular in regard to environmental issues such as climate change, water and sanitation, renewable energy, food security, and how to improve livelihoods of island people by addressing the "special case for SIDS" in regard to vulnerability and addressing poverty through establishing poverty reduction strategy papers and national sustainable development strategies, or the like. Tonga needs support for implementation from the EDF 10.

**Conclusion 3:** Notwithstanding the current Country Support Strategy (refer Section 4.1) for EDF 9, together with assistance being provided through the Regional Indicative Programme, it should be noted that along with other Pacific ACP countries, Tonga has agreed to the new Strategy for Strengthened Partnership between the EU and the Pacific Islands which has a "*blue-green*" theme *within the context of sustainable management of natural resources and environmental challenges*. Within this broad theme specificity is needed to ensure the activities to be supported by the NIP deliver tangible and concrete benefits at national level that demonstrably contribute to strengthening the environmental pillar of national sustainable development and poverty reduction. In this context also, improved and strengthened links need to be demonstrated with the activities to be carried out at national level by the regional organisations supported by the Regional Indicative Programme.

**Conclusion 4:** Tonga's environment is no exception to the reality that it provides the basic goods and services, such as water, energy and food security, upon which people live. Improvements and sustainability in these areas are essential to underpin generation of economic wealth. Tonga acknowledges that environmental considerations are inextricably linked across their national development planning efforts, but there is a need to strengthen these interlinkages to ensure improved decision-making supports efforts to achieve sustainability.

**Conclusion 5:** The state of the Tonga environment over the past decade has deteriorated and remains extremely vulnerable. Over the past decade much has changed with internal shocks from increasing population, concentration of that population through urbanisation and urban drift, and external shocks such as globalisation, HIV/AIDS, climate change and most recently increasing fuel prices. All are putting increased stress on the environment. Key examples of improvements needed are; secure safe water supply and sanitation; developing access to affordable renewable energy resources; food security from fishing and agriculture, to support sustainable development, improve lifestyles and reduce poverty. The urban and rural population, urban centres and outer islands must be targeted. Improvements in these "sectoral" areas will also have a positive impact on reducing Tonga's vulnerability to climate change and natural disasters (many of which are weather-related).

**Conclusion 6:** Over the past decade some progress in many areas has been made in improving environmental sustainability through institutional strengthening. Although not as significant as Tonga would have liked. Much of the progress has been at the initiative of the Tonga and with its own financial resources. But much remains to be done to improve the efficiency and effectiveness of the national environmental machinery including strengthening the role of the NGOs. Development partners, including regional organisations, need to harmonise and coordinate their assistance more closely with Tonga needs and efforts, and amongst themselves. This will make both existing and new resources more efficient and effective.

**Conclusion 7:** In order to provide a platform to facilitate closely cooperation with its development partners, and improve governance, Tonga has, through the recent National Strategic Development Plan 2006-2009, (SDP8) developed an overarching planning policy/regulatory and institutional arrangements similar to a NSDS, thus effectively embedding the principles of sustainable development into national development planning, including issues of environment concern. There is much room for supporting capacity building and technical assistance in this context.

**Conclusion 8:** Tonga's capacity needs to be strengthened to manage its large marine environment compared with the generally small island land areas. In reality, as the marine "blue environment" and land "green environment" are an environmental continuum across the coastal zone. Tonga needs a spatially integrated management approach, similar to "island system management" promoted by the EU through one of the EDF8/9 regional projects.

**Conclusion 9:** Tonga, like many other of its neighbours, recognises the opportunities of improved information and communication technologies, in particular in regard to getting more up to date data and making it readily available to support the decision-making process.

**Conclusion 10:** Tonga needs to develop and strengthen its own national setting of indicators and targets, and monitoring arrangements to track progress, and link these to international development goals agreed at for example the WSSD, the Mauritius International Meeting on SIDS, and contained in all relevant MDGs and targets, not just MDG7 on environmental sustainability.

**Recommendation 1:** Concerning the selection of the focal sectors and response strategies for Tonga, within the overarching "blue-green" theme of sustainable management of natural resources and environmental challenges, key areas to consider are: securing safe water supply and sanitation; developing access to affordable renewable energy resources; and improving food security from fishing and agriculture.

**Recommendation 2:** As a governance issue in regard to national institutional capacity to improve the management of natural resources and the environment, consideration needs to be given to supporting Tonga address institutional capacity assessment and needs for all its line ministries. Specifically:

- there is an immediate need to promote the participation and involvement of NGOs at the national and community level and be supported through capacity building;
- additional financial assistance is required to implement priority human capacity building needs of the country; and.



- the recognition of integrating environmental consideration into national economic planning is a critical issue that requires priority attention. The development of a national policy on economic growth and sustainable development must include the integration of environmental issues into economic planning.

**Recommendation 3:** Improve Tonga's national environmental information systems, and ensure environmentally-relevant indicators to be used in the EDF 10 National Indicative Programme, are integrated into these systems.

**Recommendation 4:** Tonga's access to the use of EC horizontal budget lines (such as Environment and Forests) and facilities (EU Water Facility - EUWF and the EU Energy Facility - EUEF), and the EU/ACP Natural Disaster Fund are limited by national capacity constraints. Each of these opportunities of additional financial resources are important and should these funds/facilities be ongoing consideration needs to be given to assisting Tonga prepare the bulky and complex applications.

**Recommendation 5:** In order to ensure effective and efficient support to Tonga, it is important for the EU to develop new and strengthen existing opportunities for co-ordination on natural resources and environmental issues with other donors (including regional organisations) seeking to achieve complementarities and synergies.

This report is financed by the European Commission and is presented by Russell Howorth of Matadrevula Advisory Services ([russell@matadrevula.com](mailto:russell@matadrevula.com)) for Tonga and the European Commission. It does not necessarily reflect the opinion of the Government of Tonga or the European Commission.

#### **Annex 4: Country Migration Profile**

Not an issue for Tonga.

#### **Annex 5 – CSP drafting process: particular attention to involvement of NSAs and local authorities**

NSA in Tonga have been involved in the process of drafting the CSP at various stages during the programming exercise.

It has been a primary objective for the EC Delegation in Suva throughout 2006 to include meetings with NSA in all official missions to Tonga in order to discuss the country strategy for EDF 10. The NAO has been reminded of his obligation to consult with NSA. There has been regular contact on the drafting of the 10<sup>th</sup> EDF CSP particularly with those NSA which assist in the implementation of the 9<sup>th</sup> EDF.

The Commission's efforts to involve NSA in the programming process culminated in a one day NSA Forum on the 10<sup>th</sup> EDF held in Suva on 22 August. Those regional Pacific NSA which were unable to send a representative were included via an online discussion forum and invited to make a submission that would be shared with those attending the forum. No such submission was received by any of the NSA not in attendance.

The forum saw fruitful discussions centering on ways NSA can contribute to the success of 10<sup>th</sup> EDF programmes in their respective countries. Follow-up communication after the forum included the distribution of a range of documents to all significant NSA in the Pacific including those in Tonga. Part of this mail-out was the report of the NSA forum on 22 August and again an invitation to share the vision, ideas and plans of NSA with us in regards to how they believe they can contribute to the respective country strategy. No such submission was received.

Following transmission of the draft CSP for the 10<sup>th</sup> EDF to the Government of Tonga and the Civil Society Forum (CFS), a discussion forum with 10 civil society organizations was organized. The main features of the 10<sup>th</sup> EDF programming cycle, the outline of the CSP and lessons learned from previous cooperation programmes were presented. This Power Point Presentation was well received and followed by a lively debate. Concern was raised that there is no longer a separate allocation reserved for NSAs under the 10<sup>th</sup> EDF for Tonga. The CSF will take this matter up in discussions with the Government and the Delegation.

#### **Annex 6: Harmonisation road map**

Does not exist.

#### **Annex 7:**

see next page

#### **Annex 8: Debt sustainability**

Not relevant

## Tonga

### ANNEX 7

#### **Ratified instruments**

- CEDAW: Submitted by GoT to Cabinet for Ratification;
- Convention on the Rights of the Child ratified (July 2004);

Ratified the following under the Law of Armed Conflict:

- Geneva Convention for the Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of Armed Forces in the Field (13 April 1978);
- Geneva Convention for the Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of Armed Forces at Sea (13 April 1978);
- Geneva Convention relative to the Treatment of Prisoners of War (13 April 1978);
- Geneva Convention relative to the Protection of Civilian Persons in Time of War (13 April 1978);
- Protocol additional to the Geneva Convention of 12 August 1949, and relating to the Protection of Victims on International Armed Conflicts (Protocol I) [20 Jan 2003];
- Protocol additional to the Geneva Convention of 12 August 1949, and relating to the Protection of Victims on Non-International Armed Conflicts (Protocol II) [20 Jan 2003];

#### **Accession**

- The following ( Terrorism and Human Rights instruments) have been put for Accession:
- International Convention Against the Taking of Hostages (9 Dec 2002);
- International Convention for the Suppression of Terrorist Bombing (9 Dec 2002);
- International Convention for the Suppression of the Financing of Terrorism (9 Dec 2002)
- International Convention for the Suppression of Unlawful Seizure of Aircraft (21 Feb 1977);
- International Convention on the Prevention and Punishment of Crimes Against International Protected Persons (9 Dec 2002).
- Convention on the Prevention and Punishment of the Crime of Genocide (16 Feb 1972);

#### **Succession**

- International Convention on the Elimination of All Forms of Racial Discrimination (CERD) (16 Feb 1972).

## ANNEX 3B – LIST OF GOVERNMENT'S COMMITMENTS

	<b>Governance area</b>	<b>Prospective commitments</b>
<b>1.</b>	<b>Political democratic governance</b>	
	- Human rights	
	- Fundamental freedoms	
	- Electoral process	
	- Principles of constitutional democracy	- elaboration of a roadmap and action plan for implementation of the recommendations of the NCPR drafted by 2009
<b>2.</b>	<b>Political governance - rule of law</b>	
	- Judicial and law enforcement system	
<b>3.</b>	<b>Control of corruption</b>	
<b>4.</b>	<b>Government effectiveness</b>	
	- Institutional capacity	
	- Public finance management	
<b>5.</b>	<b>Economic governance</b>	
	- Private sector/market friendly policies	
	- Management of natural resources	- updated national energy policy formulated and approved, including renewable energy by 2010
<b>6.</b>	<b>Internal and external security</b>	
	- Internal stability / conflict	
	- External threats and global security	
<b>7.</b>	<b>Social governance</b>	- significant progress by 2009 towards ratification of CEDAW
<b>8.</b>	<b>International and regional context</b>	
	- Regional integration	
	- Involvement in regional peer review mechanisms (e.g. APRM)	
	- Migration	
<b>9</b>	<b>Quality of partnership</b>	
	-Political dialogue	
	-Non state actors	