

\$30m in support for Tonga's most vulnerable

WASHINGTON D.C., December 15, 2020 – The World Bank's Board of Executive Directors has approved a US\$30 million operation to support Tonga's recovery following the impacts of COVID-19 and Cyclone Harold.

Tonga is currently responding to two major shocks to its economy, with COVID-19 having severely impacted Tonga's tourism, retail and construction sectors – affecting at least 30 percent of the economy. In addition, the country was also hit hard by April's Category 4 Tropical Cyclone Harold, which affected approximately 27 percent of the population, and is estimated to have caused damages and losses of more than 12 percent of the country's total Gross Domestic Product (GDP).

In response, the [**Tonga: Supporting Recovery After Dual Shocks Development Policy Operation**](#) will support Tongan businesses, workers and vulnerable households to recover from these dual shocks, with the aim of building a more resilient, sustainable and inclusive economic recovery for Tonga. The funding supports social welfare payments from the Tongan Government to many of the country's most vulnerable, including the elderly, people living with a disability, families facing challenges meeting school fee payments, and workers and business owners affected by the dual shocks.

"While Tonga has made some progress in minimizing the combined impacts of Cyclone Harold and the global impacts of COVID-19, both have affected us significantly," said the Hon. Tevita Lavemaau, Tongan Minister of Finance. "There is still much to be done. With this support from the World Bank, we will be able to help our most vulnerable citizens, communities and businesses to recover better, and bolster our resilience to future climate-related and economic shocks."

This funding of US\$30 million supports an economic and social stimulus package that includes social welfare payments to more than 4,400 elderly Tongans and more than 1,000 people living with disabilities, and financial support for secondary school students to stay in school.

The operation also supports businesses to retain their workers through wage subsidies for more than 5,300 workers from over 670 businesses that have been hit by the dual crises. This is the first scheme of its kind to be implemented in Tonga and one of only a few such instruments in the Pacific. The Government has also provided financial support to more than 2,100 formal and informal businesses, including for example, urgent assistance for businesses in the tourism industry.

Other initiatives include the expansion of the Government's flagship loan schemes for Micro, Small and Medium Enterprises (MSMEs), new legislation that will provide greater clarity for foreign investors regarding contract dispute resolution, and the establishment of a new Housing Sector Resilience Office (HSRO) to strengthen the resilience of housing across the Kingdom.

"The Government of Tonga has taken a number of bold, innovative efforts to address many of the challenges caused by the dual shocks of COVID-19 and Cyclone Harold," said Michel Kerf, World Bank Country Director for Papua New Guinea and the Pacific Islands. "In 2020, we are marking 35 years of partnership with the Kingdom of Tonga, and the scale and scope of this support reflects both the strength of our partnership, and our shared commitment to supporting a sustainable social and economic recovery that aims to ensure no Tongan is left behind."

This operation is funded through the International Development Association (IDA), the World Bank's fund for the world's poorest countries, including resources from a US\$25 million allocation from the [IDA Crisis Response Window](#).

The World Bank works in partnership with 12 countries across the Pacific, supporting 83 projects totaling US\$1.75 billion in commitments in sectors including agriculture, aviation and transport, climate resilience and adaptation, economic policy, education and employment, energy, fisheries, health, macroeconomic management, rural development, telecommunications and tourism.

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World Bank Group Response to COVID-19

The World Bank Group, one of the largest sources of funding and knowledge for developing countries, is taking broad, fast action to help developing countries strengthen their pandemic response. It is supporting public health interventions, working to ensure the flow of critical supplies and equipment, and helping the private sector continue to operate and sustain jobs.

The World Bank Group is making available up to \$160 billion over a 15-month period ending June 2021 to help more than 100 countries protect the poor and vulnerable, support businesses, and bolster economic recovery. This includes \$50 billion of new IDA resources through grants and highly concessional loans and \$12 billion for developing countries to finance the purchase and distribution of COVID-19 vaccines.