

# Tonga Investment Facilitation and Promotion Strategy



The Commonwealth



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## **Tonga Investment Facilitation and Investment Promotion Strategy**



**Prepared by  
Avasant Consulting**

# Preface

This National Investment promotion and facilitation strategy is the result of a request by the Ministry Trade and Economic Development (MTED) for technical support to the Government of Tonga to provide a detailed analysis of the Investment opportunities by sector in Tonga, prepare an Investment Strategy, review and update the national investment statement and the doing business in Tonga Brochure, and enhance investment promotion and facilitation to increase the contribution of Foreign Direct Investment to the national GDP while facilitating employment creation, and poverty reduction.

The Commonwealth Investment Facilitation Program aims at helping member states: design investment promotion policies and regulations that are embedded in their national level trade/development policies, identify the potential sectors of investments and connecting with investors within the Commonwealth in order to facilitate intra-Commonwealth investments and create an enabling environment to facilitate investments through regulatory reforms. This support is critical for small states with limited ability to offer incentives for FDI attraction in an increasing competitive market for inward investment. Increased investment, both local and foreign, is a significant catalyst for modernization and economic development, income growth and employment.

The Assistance was provided by the Commonwealth Fund for Technical Co-operation (CFTC) through the Commonwealth Secretariats' Trade Division under the auspices of the Trade Competitiveness Section (TCS). The strategy was prepared by Avasant Consulting Ltd and drafted by its lead consultant for the project, Mr. Rejo Sam under the direction of the Minister of Trade and Economic Development; while the CEO of the MTED Ms Distaquaine Tu'ihalamaka and Deputy CEO Ms. Pauline Siasau provided strategic guidance and support on the development of the strategy.

Technical and critical inputs were provided by the governments focal group and contributions were received from widespread consultations with several stakeholders in the private sector and investors. The staff of the MTED were outstanding in their efforts to see the project through and coordinated the various meetings and consultations necessary to facilitate the development of the report and strategy in addition to leading the technical review process.

Finally, the team would like to acknowledge the research support provided by Anamta Afsar and the feedback provided by representatives of various government agencies, including agriculture, fisheries and tourism amongst others, and express our appreciation to Tonga's trade related stakeholders across the public and private sector who gave their time and contributed to the preparation of the strategy.

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# Section I

## Global Trends

## Section I - Global Trends

### Overview<sup>1</sup>

Even prior to the emergence of the COVID-19 pandemic, over the past four years (from 2015 to 2018), global foreign direct investment (FDI) flows had been witnessing a marked decline. A key reason for the decline, especially in 2017, was related to US policy and tax reforms, which resulted in large-scale profit repatriations by US multinational enterprises.

In 2019, FDI flows remained flat, registering a small decline of 0.42 per cent to US\$1.489 trillion for 2019 as against US\$1.495 trillion in 2018. In 2020, the COVID-19 pandemic caused a significant decrease in FDI flows. According to UNCTAD's 2020 World Investment Report, global FDI flows are estimated to have decreased by up to 42 per cent in 2020, bringing them below the US\$1 trillion level for the first time since 2005. The downward trend is expected to continue for 2021, with a 5-10 per cent drop before a recovery in 2022

While the forecasts do point to a recovery around early 2022, this will be highly dependent on a range of factors, including the length of the pandemic and the effectiveness of economic policy interventions. Other factors, such as geo-political, financial and trade tensions, will also have a serious impact on any recovery. Overall, the global FDI market is facing both demand- and supply-side challenges. Actions taken by various countries to restrict the impacts of the pandemic on the broader economy have also had impacts on FDI flows. For example, lockdown measures have slowed existing investments while policy measures and recessionary trends have resulted in investors reassessing future investments.

Lower earnings and profits for multinationals - a key source of FDI investment - will also reduce FDI supply: lower earnings will affect reinvestments. The impact is already visible, with both greenfield and cross-border mergers and acquisitions dropping by over 35 per cent in 2020, and the effects expected to be more pronounced in the following quarters.

Effective investment promotion and facilitation initiatives can help improve a location's position as an attractive investment destination. Initiatives to improve the investment environment as part of a broader investment promotion strategy play a critical role in creating an investor-friendly environment. Among other things, these steps ensure that international collaborations and partnerships not only attract capital (foreign direct investment - FDI) but also provide access to technology and industry-specific expertise as well as improving local skills to create higher-quality export-oriented goods and services suitable for international trade. Moreover, they also help improve the quality and value of local products and commodities to bring these on a par with export-oriented products.

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<sup>1</sup> Full economic overview, global and regional trend and Tonga's socio-economic review is contained in a separate report



## Foreign direct investment and Tonga in the current climate

The global COVID-19 pandemic has resulted in a significant decline in revenue for economies worldwide, especially the smaller nations. The closure of international borders has affected almost all businesses and sectors. FDI is crucial to maintain the overall economic health of nations; indeed, FDI has always been a vital source of growth and development for small countries, especially those located in remote regions of the world.

The Government of Tonga is aware of the potential of FDI to help the nation move away from development assistance. It has taken various measures in this regard, including extending existing investment support programmes and inviting potential investors to explore the island nation's unique culture and geographical characteristics. However, only a limited number of investors have shown an interest in Tonga, preferring other Pacific Islands. One of the primary reasons for this is the archipelago's perceived inability to support large-scale operations because of its small size and limited resources. Notwithstanding the challenges, the Government of Tonga is committed to its efforts, undertaking both institutional and regulatory reforms.

Multiple strategies have been outlined in a number of documents developed under several initiatives by the Government of Tonga that emphasise investment promotion. Tongan authorities have designed and developed these strategic initiatives through detailed assessment of Tonga's capabilities, shortcomings and challenges. Revamping the policy framework should assist in improving the effectiveness of policy instruments, supporting domestic reforms and making trade-related policy adjustments.

Aligning national objectives and building the productive capacity of the private and public sectors will help in supplying value-added products and services to international markets, improving Tonga's export performance. In this regard, a key document was the *Foreign Direct Investment Promotion Strategy 2009*, which focuses on creating a business-friendly environment in Tonga. A core strategic recommendation in this document was to develop and strengthen the partnership between the government and the private sector in Tonga, to attract foreign investment. In this public-private partnership model, the private sector was to act as the 'front office,' to manage investor expectations and to create an information network for prioritised sector development. The role of the government was to act as the 'back office' and to provide the necessary regulatory and legal support, including accelerated approvals to foreign investors.

The primary responsibilities of the private sector included the following:

- Facilitate investor meetings;
- Conduct and co-sponsor promotional events;
- Provide insights on investor-friendly policy initiatives;
- Identify investment opportunities within the primary, secondary and tertiary sectors of Tonga;
- Design outreach programmes and keep an open line of communication with potential investors abroad.

The government's roles included the following:

- Keep the foreign and domestic media updated on different investment opportunities in Tonga;
- Facilitate investor visits to the country;
- Assist domestic agencies in establishing global connections to improve service delivery and offer after-care services.
- Target potential investors through roadshows and seminars on current and upcoming investment opportunities in Tonga
- Enable policy advocacy by ensuring that investor concerns and recommendations were heard at the highest level of government to help keep policies relevant and business-friendly.

Several other documents have outlined the need for investor promotion in the country:

- The **National Investment Policy Statement 2009** guides potential investors on steps involved in investing in Tonga. It also educates investors on various other government policies that may affect their investment.
- The **FDI Promotion Strategy 2009** outlines the objectives and strategies for public and private enterprises, focusing on increasing investment and employment opportunities in Tonga.
- The **Tonga Strategic Development Framework II 2015-2025** is the country's main document guiding several other frameworks and initiatives, including some in this list, such as the Ministry of Trade and Economic Development Corporate Plan. It cover all ministries, local authorities (district and town officers), non-governmental organisations, church leader forums and private business forums, in all the main sectors: agriculture, fisheries, tourism, commerce, manufacturing and construction, as the overarching development framework for the kingdom, building on lessons learnt from implementation of the first phase. Among other goals, it aims to improve Tonga's economic future, open new avenues of employment opportunity, establish new domestic businesses and strengthen exports.
- The **National E-Commerce Readiness Assessment Report** by the Government of Australia was undertaken in association with the Pacific Island Forum Secretariat. The initiative seeks to assess Tonga's readiness to engage on an international level from an e-commerce perspective. This is aligned with the achievement of the 2030 Agenda for Sustainable Development.
- The **Foreign Investment Act 2020** focuses on laying down ground rules, policies, procedures and regulations aimed at facilitating foreign investment in Tonga.
- The **Ministry of Trade and Economic Development Corporate Plan 2019/2020-2020/21** has been developed to address Tonga's developmental challenges and build on the island nation's comparative advantages, strengths and focus areas.
- The **Tonga Trade Policy Framework 2017-2025** emphasises Tonga's economic development, in particular socio-economic and political needs, sectoral initiatives, trade-related aspects of the Sustainable Development Goals and Tonga's trade performance and relevant policy responses.

These documents provide a high-level approach to investment promotion in Tonga, including an investment promotion mission statement. All of them focus primarily on:

- The need for infrastructure development to support international investment.

- Export promotion to facilitate trade with new partners and improve volumes with current partners.
- Developing relevant institutional structures and establishing roles and accountability to support foreign investors in setting up new businesses.
- Policy reforms to create a business-friendly environment and improve on the ease of doing business in the country.
- Attracting foreign investors to Tonga's prioritised sectors, such as agriculture, fishing and tourism, through targeted investment promotion activities

The framework and policy documents identify key strategic objectives outlining several actionable inputs focused on investment promotion in Tonga. However, the overarching strategic objectives and interventions mentioned, especially in FDI Promotion Strategy 2009, have not been achieved to the extent possible.

Meanwhile, the outbreak of COVID-19 and the resulting trade disruption have highlighted the need to prioritise and streamline investment regulations as well to initiate a proactive investment promotion programme through a dedicated investment agency or a specialised unit within one of the key economic/finance Ministries.

# Section II

## Investment facilitation strategy and IPA development

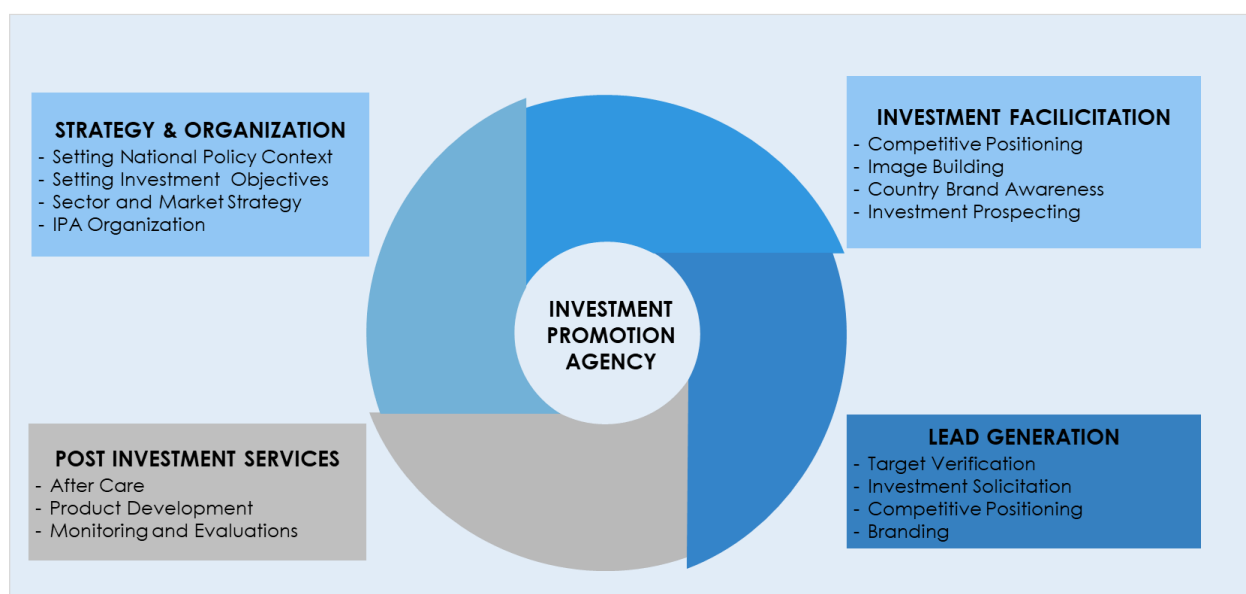
## Section II: Investment facilitation strategy and IPA development

### Foreign direct investment and investment promotion agencies

Foreign direct investment (FDI) has emerged as a key pillar of socio-economic development, given its wide-ranging impacts on the economy. FDI's direct benefits come through capital investment, job creation, export development, foreign exchange and tax revenues, which in turn lead to higher capacity to support programmes dealing with social development, such as in infrastructure, education (human resources), etc. It also has long-term indirect benefits, related to productivity gains, access to technology, skills transferability, improved governance, etc.

Investment promotion/facilitation agencies, also known as economic development organisations or investment promotion intermediaries,<sup>2</sup> depending on the scale and scope of activities under their preview, act as the main agencies responsible for attracting FDI into a location. While the prime objective of an investment promotion agency (IPA) is to attract FDI, effective work can over time also result in various geo-political benefits. Figure 1 presents the prime and supplementary activities of an IPA.

*Figure 1: IPA primary activities*



Source: Avasant.

Since the 1980s, in line with the exponential growth in FDI globally, there has been a significant increase in the number of IPAs. In the 1980s and 1990s, IPAs were tasked with attracting and securing investment flows in a highly competitive environment. In addition, they eased the investment process by supporting investors to navigate the local business and bureaucratic environment. In recent years, IPAs have also

<sup>2</sup> For ease of reference, the report refers to IPAs to cover all of these. Note that, while an 'IPA' is a standalone agency, here it can refer also to an implant or division in a ministry playing a similar role and providing investment facilitation services, usually known as an investment promotion intermediary.

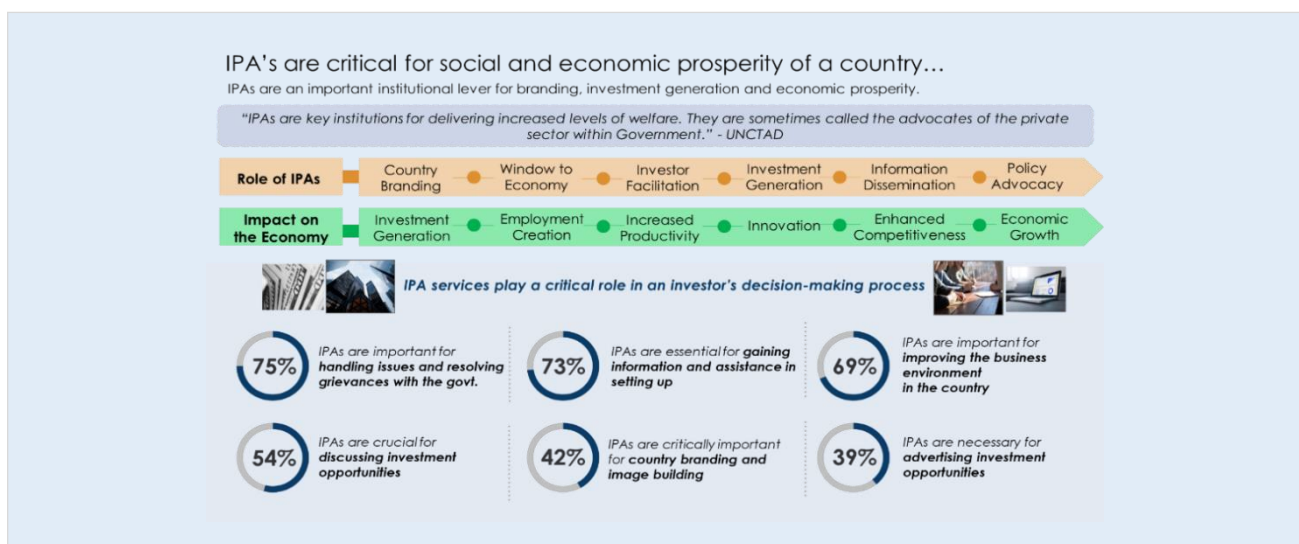
started to play a significant role in trade and investment policy development. The initial IPAs focused on attracting and facilitating investments at a national level but in the past 20 years there has been a significant increase in IPAs aiming to attract investment into a specific region, state or city within the country. Currently, there are an estimated 170 national IPAs and hundreds of state and regional IPAs.

## IPA rationale and strategy goals

An IPA is, by definition, a single body charged with promoting, attracting and managing investments into an economy so as to achieve the objectives set by the national development programme or national investment plan. Once established, foreign investment and promotion activities are centralised under an IPA, instead of having different ministries facilitating portions of the investment process. This avoids overlaps or gaps between different government agencies and improves efficiency. Establishing an IPA not only is a cost-effective way of attracting investments through centralised information dissemination and streamlining of investment processes but also plays a strategic role in policy advocacy and facilitating policy development. For example, as part of the annual budget preparation, ministries of finance rely on various sections of the government in developing revenue projections - to which FDI is an important contributor. As such, IPAs have an important role in supporting their respective country to meet its financial and revenue goals by attracting new investment, while continuing to facilitate existing businesses to retain, and even to expand, in-country operations. Similarly, they provide guidance to the government on policy development initiatives based on their global trade and investment experience.

The role of IPAs has become even more crucial as FDI is expected to decline precipitously with increased competition for limited investment flows. Figure 2 highlights the relevance of IPAs in investment promotion and the larger economic impact.

*Figure 1: IPAs: a socio-economic change driver*



Source: UNCTAD survey data.

The rationale of an IPA is based on the premise that every location has specific investment offerings, requirements and operating environments that must be addressed through strategic interventions in a structured manner that can be carried out most efficiently only by a dedicated agency.

The rationale for intervention by a dedicated agency - that is, an IPA - is based on the underlying inability of existing agencies and market conditions to develop strategies to create favourable outcomes in terms of resource allocation, production and distribution. Table 1 points to some of the key reasons for the development of an IPA beyond investment attraction.

*Table 1: Rationale for the existence of an IPA*

Intervention reason	IPA rationale
<b>Public goods and services</b>	Activities carried out by IPAs, e.g. country branding, may lead to benefits for all citizens. Theoretically, a greater supply of IPA services will reflect better on the larger society.
<b>Indirect impact</b>	Inward investments benefit the economy by improving its capacity to drive innovations and improve productivity, e.g. investors may bring new technologies or management techniques to the host country that can contribute to the development of suppliers, better training and skills transfer beyond its direct supply chain.
<b>Improve information flow</b>	An IPA can act as a credible source of information to foreign investors to respond to the following main issues: <ul style="list-style-type: none"> <li>- Lack of access to information;</li> <li>- Difference between international perceptions and business realities;</li> <li>- Lack of assistance to private and foreign firms to get familiar with the local public and business environment;</li> <li>- Lack of resources to analyse a location prior to the investment decision (small investors);</li> <li>- Lack of a 'trusted intermediary' to introduce the investor to the domestic business and private sector networks.</li> </ul>
<b>Coordination</b>	The IPA can act as a nodal point to coordinate between various economic agents.

Source: Avasant.

As FDI attraction is highly competitive, it is critical to clearly articulate the main goals and objectives of the IPA. A clearly defined role and mandate will enable the IPA to be much more effective and competitive against other similar agencies in favourably positioning the location as an investment destination.

The investment promotion strategy must be framed to accomplish specific, attainable goals that will guide and prioritise decisions and activities throughout the process. Every economy has numerous challenges and limited resources; therefore, an investment attraction strategy should set a clear vision compatible with the competitive advantages of the location and aligned with the interests of the population and stakeholders. This requires leveraging the investment knowledge of an interdisciplinary team of private and public sector experts to take decisions regarding sector prioritisation, methods to sustain the FDI inflow, incentives, and administration and performance indicators. An effective strategy creates a positive business environment that allows synergies between investors and local economy stakeholders to favour the population, boost the local economy and achieve business outcomes.

## Identifying national priorities and outlining IPA objectives

The first step of an IPA is to align its objectives with the national development plan and to determine the agency's contribution to the achievement of its targets. National development policy documents represent some of the key sources of information here, as the main objective in attracting FDI is to achieve the economic and social development objectives outlined in national policy. Government publications such as national development plans, five- to 10-year planning documents, competitiveness plans, etc., can help in identifying these national development objectives. They vary depending on a country's development priorities and can include job creation, increased exports, foreign exchange generation, increased tax revenues, reducing poverty, improved domestic competitiveness, technology transfer, development of local business entities, an improved domestic skill pool, gender equality, substantiality, achieving a fiscal balance, etc.

Once the national objectives have been identified, it is important to specifically identify and prioritise those objectives that can be achieved through attracting FDI. For example, objectives like employment creation, foreign exchange generation, etc., are more related to attracting FDI than is gender equality.

It is critical then to quantify the objectives in terms of numbers of new jobs, investment value, etc. - for example, attracting US\$10 million in FDI into the national economy in the next five years; increasing foreign exchange reserves by 20 per cent over the next five years; generating 10,000 jobs in the tourism sector in the next four years, etc.

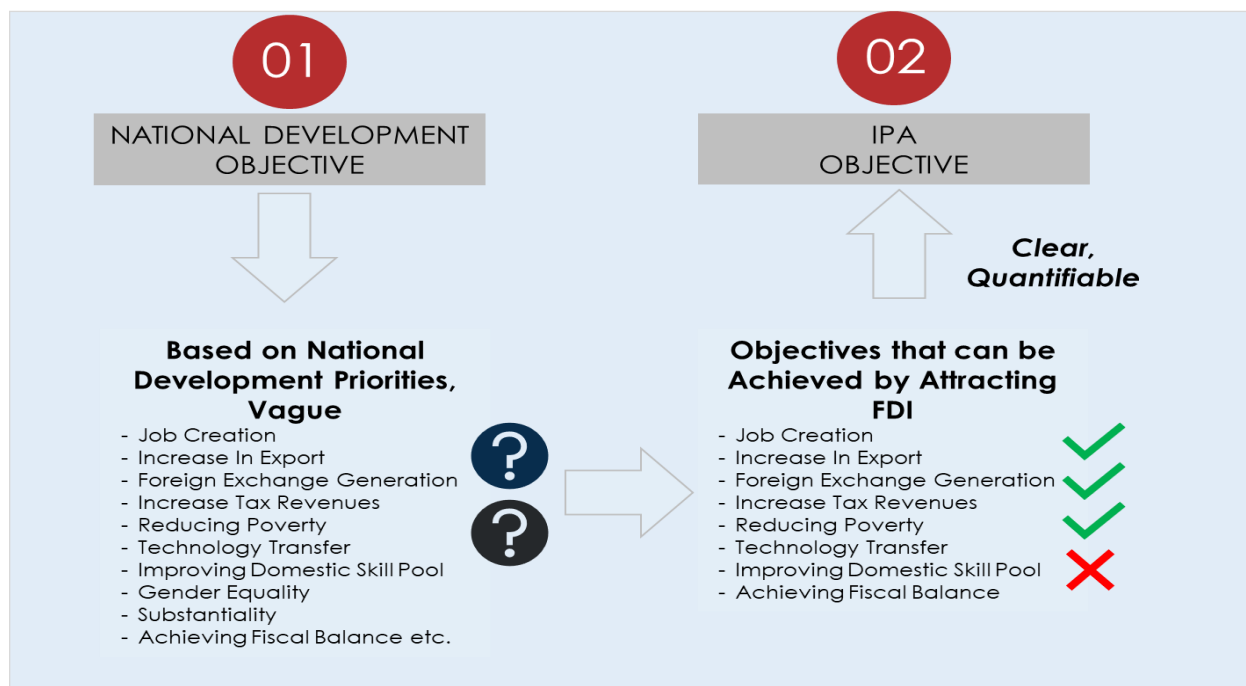
Setting clear quantifiable objectives also helps in planning and allocating resources and budgets as it involves negotiations with multiple ministries and stakeholders. Also, the success of the proposed IPA will be assessed based on the attainment of the set objectives.

It is important to note that the setting of IPA objectives and strategies is a repetitive process and should be systematically revised in the medium term to ensure its alignment with the national economic vision and investment trends. Also, as FDI attraction is a long process, with noticeable outcomes taking three to five years, it is recommended to monitor the IPA objectives annually, to record data systematically, to assess targets within a period of three to five years and to make informed decisions based on tangible results. Also, it is important to ensure buy-in from all key stakeholders to ensure a coordinated effort.

Figure 3 outlines the key steps towards identify and aligning national objectives with IPA objectives.



Figure 2: Aligning national priorities and IPA objectives



Source: Avasant.

## Foreign investment types

Foreign investments can take different forms based on the judicial requirements in the target territory regarding taxation, movement of capital, foreign ownership, etc. Some of the common forms of foreign investment are as follows:

### Greenfield

Greenfield investments are operations that are built from the ground up to the investor's specifications, to include employee trainings. In addition to the construction of new production facilities, these projects can also include the building of new distribution hubs, offices and living quarters.

This is the most attractive form of investment, and most IPAs focus the most heavily on attracting it. Greenfield investments require considerable time and capital commitment and as such they flow mainly to locations with a higher degree of political and policy stability.

### Mergers and acquisitions

M&A refers to the consolidation of companies or assets through various types of financial transaction, including mergers, acquisitions, consolidations, tender offers, purchase of assets and management acquisitions. M&A investment is beneficial as it promotes technology upgrades, increases access to international markets and helps local companies enter new markets and offer a wider range of services or products.

### [Build operate own and transfer projects](#)

BOOT is usually a public-private partnership model used to finance large projects such as infrastructure initiatives. Under this model, the investing firm provides funds, sometimes borrowing from other entities, to enable the counterparty to construct facilities, manage operations or acquire an interest from a third party. Once the project is operational, the investing entity collects a management fee or a percentage of the profits. After the pre-agreed time, the investing entity must transfer the ownership of the asset to the counterparty.

### [Public-private partnership projects](#)

Such projects consist of collaboration or joint venture between a government agency and a private sector company. The partnership usually requires the private sector entity to provide the financing, construction, operations or technical know-how of a project over a period of time. In return, the government provides the private sector entity with a fee, share of profits or even concession.

### [Capital in kind](#)

This usually refers to the provision of intangible assets such as research, use of patents, technical expertise, brands, etc.

### [Technology-based FDI](#)

Technology-based FDI is becoming increasingly sought-after, for three key reasons. First, technology firms can operate globally; second, infrastructure investment in technology operation is minimal as compared with other forms of investment/sector vertical; and, third, it adds valuable technical knowledge that can spill over into other industries. Although the incubation period for technology companies, especially start-up firms, is long, which means they do not attract FDI initially, it can be capitalised in the long term through licensing, reciprocal arrangements and hybrid strategic structures.

## [Sector prioritisation](#)

The second key step is to identify the key priority sectors and subsectors that hold the most potential in terms of attracting foreign investment. This is critical as it will not only dictate the development of the IPA's investment promotion strategy but also help in optimising the IPA budget and resources by focusing on sectors that hold the most investment potential. Some of the other reasons to ensure proper prioritisation of sectors and subsectors are as follows:

- **Better use of limited resources** by focusing on segments where the country/location has a competitive advantage;
- **Improved alignment with investment objectives** to diversify the current economic base and improve access to skills and technologies;
- **Identification and mitigation of localised sectoral challenges** to respond to geographically specific sector characteristics - while one region may have a favourable investment climate for a sector the same may not be the case in a different location;

- **Improved competitiveness** with other locations and IPAs.

Identifying priority sectors and subsectors is a rigorous process and requires both a quantitative and a qualitative approach. The process includes three key steps - Developing longlist by identifying international trends, local industry segment identification, priority sector shortlist, further subdivided into qualitative and quantitative assessments (covered in detail in the following section).

## Location prioritisation and target market identification

The sector identification process is followed by the identification of target markets on which to concentrate the investment attraction and promotional efforts. Identifying specific target markets or target regions helps further concentrate IPA efforts where they hold the most potential. Some of the main factors to consider while identifying the target markets include the following:

### Primary factors

- Countries with significant outward investments, especially into developing countries, such as the US, the UK, China;
- Countries that are sector/subsector leaders;
- Cultural/historical ties to the host country;
- Current key trade and investment partners of the host country.

### Secondary factors

- Type of companies being targeted;
- Regional presence of companies from the same target investing country;
- Supplier locations (in case of a focus on manufacturing and assembly) of the selected industries;
- Presence of a diaspora that could be leveraged as information and investment champions in the target investing country;
- Transport and logistics links with specific export markets;
- Presence of existing government offices/linkages that could be leveraged as marketing channels in target investing countries, such as embassies, consulates, trade offices, etc.

It is also important to note that a significant source of investment flows comes from reinvestment and, as such, it is equally important to focus on existing local investors as part of the targeting strategy. As these investors already have a presence in the local economy, they may be keen on expanding their current operations. A key step towards this is to build relationships with the local investor community, to understand their vision, business goals and future growth objectives, and then to link these to the opportunities that currently exist or are being pursued.

## Incentive programmes

Incentives are supplementary fiscal and non-fiscal benefits granted to investors to further improve the attractiveness of a location or to compensate for market anomalies or disadvantages that cannot be remedied otherwise. The incentives include regulatory, fiscal and financial incentives. Some examples of incentive programmes include:

### Fiscal incentives:

- Reduction of direct corporate tax through various means such as tax holidays, a reduced tax rate tax, differential taxes in special zones or on certain activities, etc.;
- Incentives for capital formation, such as accelerated equipment depreciation write-offs, tax credits, reduced tax on reinvested profits, reduction or elimination of import tax on inputs, etc.;
- Improved fiscal environment to promote cross-border operations by reducing or eliminating withholding tax, elimination of foreign trade tax, reduction of tax on expatriate salaries, etc.;
- Reduction of VAT or sales tax on purchases and/or property tax.

### Financial incentives

Financial incentives consist of a relaxation of rules and regulations for approved FDI at a national or regional level. These can include:

- Full or partial infrastructural subsidies to cover the cost of buildings, equipment or utility connections;
- Job training subsidies paid to the company or training institutions;
- Relocation grants for expatriates, and simplification work visa procedures;
- Administrative assistance by the IPA;
- Temporary wage subsidies;
- Preferential credits or loans, from the government or donor sources;
- Low-cost real estate for purchase or lease, or the supply of building sites;
- Subsidy of the cost of an export manager or marketing initiatives for a new enterprise by the government;
- Research and development grants for approved activities, etc.

### Regulatory incentives

- Fast tracking of approval processes;
- Exemption from certain procedures.

Locations use a mix of various incentives programmes based on the availability of resources and the flexibility of local regulations to develop both national as well as sector-specific incentive programmes.

# Section III

## Tonga priority sector selection

## Section III: Priority Sectors for Investment Promotion and Facilitation

One of the key elements in ensuring the success of an investment promotion strategy in Tonga will be the selection of priority sectors with the most potential to attract foreign investment into the country while taking into consideration the island's development imperatives.

Identifying key sectors that offer the maximum potential to attract investments based on their Unique Value Proposition (UVP) is critical. Sector UVP is based on a combination of external factors (competition, sector/international trends) and internal characteristics (cost, skills, scalability, incentives). In Tonga's context, it is also important to identify sector/subsectors that offer the greatest potential in terms of not only inward investment but also the larger social mandate of the Government of Tonga with regard to fostering development, reducing unemployment, etc.

### Priority sector longlist and shortlist for Tonga

Identifying the priority sectors and subsectors is a rigorous process and requires both a quantitative and a qualitative approach. Based on the assessment of the current local socio-economic landscape,<sup>3</sup> and feedback from various public and private sector representatives, the following sectors were identified for inclusion on the longlist of priority sectors based on international and domestic trends:

#### Priority sector longlist

1. Tourism
2. Contact centre (CC)/business process outsourcing (BPO) digital services
3. Agri-processing
4. Fisheries (including processing)
5. Creative industries, especially handicrafts
6. Deep sea mining

#### Priority sector shortlist

The initial longlist identified above was then used to develop a shortlist of sectors and subsectors. A range of factors were considered in assessing each of the sectors/subsectors on the long list to shortlist high-potential sectors or subsegments. The longlist was evaluated based on various predetermined parameters to evaluate the investment generation potential of each of these sectors.

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<sup>3</sup> Note: Due to the ongoing travel restrictions, the consulting team was unable to travel to conduct an onsite assessment.

Figure 3: Priority sector UVP assessment factors (Indicative List of Factors)

- **Contribution to national developmental objectives** based on Tonga' National Development Plan (i.e., job creation, boosting entrepreneurship, sustainable energy, talent reskilling, poverty reduction, technology development, etc.);
- **Product/service competitiveness** - products or services that can be offered most effectively from Tonga and that will provide investors a competitive advantage;
- **Investment scale**, both capital and operational, as well as future revenue potential for the government (e.g. revenues and taxes);
- **Long-term sustainability** of the sector in terms of availability of resources for growth (natural resources, human resources, etc.);
- **Ease of attracting investment** of a similar scale vs. other sectors;
- **Global sector trends** - uptake of goods and services at regional/international levels in the mid- to long-term future;
- **Competitive landscape** - Tonga's relative position in the sector and capacity to capture investments directed towards competing locations;
- **Cost benefits** - levels of cost benefits that tilt the balance in favour of Tonga while also compensating for weaknesses, e.g., infrastructure, scalability, etc.;
- **Skill pool availability** for scaling-up of services/production without an incremental wage escalation;
- **Suitability of skill pool** to meet sector/subsector requirements;
- **Government incentives** to mitigate the disadvantages of operating from Tonga as well as being in line with global/regional norms for the sector;
- **Sustainable Development Goal (SDG) impact** - support in attaining the various SDGs that have been established as a national priority.

Source: Avasant.

Table 2 presents the results of the analysis of the sector long list

Table 2: Tonga's sector longlist by assessment categories

No.	Development objective/ investment promotion objective	Longlist subsector					
		Tourism	Agri- processing	Fisheries (including processing)	CC/BPO services	Deep sea mining	Creative industry/ handicraft exports
1	Contribution to national development objectives	High	High	High	Medium	Low	Low
2	Job creation employment opportunities	High	Medium	Medium	High	Low	Low
3	Foreign exchange generation/revenue potential	Very high	Medium	High	Very high	Very high	Medium
4	Skill upgrade	Medium	Low	Low	Very high	High	Low
5	Investment scale	High	Medium	Medium	High	Very high	Low
6	Long-term sustainability	High	High	High	High	High	Low
7	International demand (with regard to Tonga)	High	Medium	Medium	High	Low	Low
8	Ability to leverage existing strengths (niche tourism, labour skills etc.)	Very high	Medium	Medium	Medium	Low	Medium
9	Sector diversification	High	Medium	Medium	Very high	High	Low
10	Regional competitiveness (of Tonga)	Medium	Low	Low	Medium	Low	Low
11	Workforce favourability	High	Medium	Medium	High	Low	Low
12	Import substitution	Low	High	High	Low	Low	Medium
13	Global/regional demand	High	Medium	Medium	Very high	High	Very high
14	Import dependence reduction	Low	Medium	Medium	Low	Low	Low
15	Global image development potential	High	Medium	Medium	High	Low	Low
16	SDG impact	Very high	Very high	Very high	Very high	Low	Low
	<b>Priority sector ranking</b>	<b>1</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>5</b>



## SWOT assessments (macro-economic and sector-based)

Following the high-level assessment above, the top-ranked sectors were assessed qualitatively through a strengths, weaknesses, opportunities, threats (SWOT) assessment. Below are presented the SWOT assessments for the broader Tongan economy (from an investment promotion and foreign investment perspective) as well as for the top priority sectors to help in identifying the priority sectors most suitable for an investment promotion focus.

*Table 3: Tonga macro-economic SWOT assessment*

STRENGTHS	OPPORTUNITIES
<p><b>Macro-economic</b></p> <ul style="list-style-type: none"> <li>• <b>Geo-political, people-to-people relationship:</b> Strong geo-political relationships as well as people-to-people connections, especially with Australia and New Zealand, can be leveraged to achieve inward investment objectives.</li> </ul> <p><b>Regulatory</b></p> <ul style="list-style-type: none"> <li>• <b>Proactive economic policies:</b> The Tongan government has several policies in place to improve its economic environment, e.g. the Corporate Plan for 2019/20-2021/22 focusing on various priority sectors.</li> <li>• <b>Regional trade agreements:</b> As a signatory to various regional trade agreements, e.g. PACER, PACER Plus, Tonga has duty-free access to nearby markets that can be leveraged as an investment advantage.</li> </ul> <p><b>Economic</b></p> <ul style="list-style-type: none"> <li>• <b>Strong COVID-19 resilience:</b> The Tongan economy performed very well against initial forecasts on the impact of COVID-19 on the economy. As against an initial estimate of a -2.9% decline in overall GDP, the country registered a much lower drop of just -0.8% as inward remittances continued to contribute at the same pre-COVID levels. Further, its lower reliance on the tourism sector (around 18% of GDP as compared with 50% in Fiji) has also helped in avoiding a significant economic shock.</li> <li>• <b>Foreign development agency/international government support:</b> There is a high level of multilateral development bank development activity, indicating global interest in the development of Tonga. A number of agencies (UNDP, FAO, UNCDF, USAID, EU, Australian Aid, etc.) have assisted on a range of projects aimed at improving Tonga's socio-economic status as well as revenue generation capacity.</li> <li>• <b>Low-cost destination:</b> Tonga is a relatively low-cost destination to do business and could be an attractive services-oriented location.</li> </ul>	<p><b>Macro-economic</b></p> <ul style="list-style-type: none"> <li>• <b>Emergence of new investment opportunities:</b> Opportunities are emerging within the blue economy and renewable energy segments. Socially inclusive development is possible through the socio-economic balancing of the blue economy.</li> <li>• <b>Decreasing cost of doing business:</b> New technologies and related innovations are reducing the cost of doing business, e.g. online e-business platforms.</li> </ul> <p><b>Regulatory</b></p> <ul style="list-style-type: none"> <li>• <b>Public-private initiatives:</b> Tonga's government encourages private-public partnerships to meet its national planning objectives, e.g. in ferry services, electricity generation. This is positive for attracting private investments, especially in large-scale, capital-intensive projects.</li> </ul> <p><b>Economic</b></p> <ul style="list-style-type: none"> <li>• <b>Economic diversification:</b> Inward investments offer a significant opportunity for Tonga to attain its objectives of diversification, reducing dependence on economic aid and inward remittances, bridging funding deficits and creating employment opportunities across Tongan society.</li> </ul> <p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• <b>Young, trainable population:</b> Tonga's population has a median age of 24.1 years for males and 24.5 for females. This young and educated population base can be provided skill-based training to enable Tonga to become a services-oriented economy.</li> <li>• <b>Neutral accent and customer service orientation:</b> The Tongan population has a neutral accent and a high-level customer service orientation, which is highly suitable for the services sector.</li> </ul>

- **Strong import cover:** Large-scale inward remittances allow the Tongan government to maintain a high degree of import cover, e.g. the country currently has over TOP 700 million in foreign reserves, enough to cover 7 months of imports. This provides for stable prices and limits inflation, which are both needed for a conducive investment environment.

#### Human resources

- **Focus on employment generation:** The Tongan government has prioritised employment generation and improving the employability of its population. A number of plans, like the Decent Work Country Programme 2018-22, focusing on creating employment opportunities and improving workplace compliance, labour administration and inspection mechanisms and systems, including legal frameworks to improve the work environment, are all conducive to creating a stable labour pool.
- **High literacy rate:** Tonga has a literacy rate of more than 99%, in the age group of 15 years and above. This provides for a large pool of trainable resources that can be deployed across the various priority sectors depending on sector-/job-specific requirements.

#### Infrastructure

- **Good quality road infrastructure:** Tonga's road infrastructure is above average compared with its regional peers and it has among the highest road density networks in the Pacific region.
- **International infrastructure development assistance:** Tonga has been receiving foreign support to develop its infrastructure, e.g. in the Integrated Urban Development Sector Project 2018, funded by ADB, focusing on six different components of Nuku'alofa's urban services including water supply, solid waste services and development of roads and drains. Ensuring higher quality physical infrastructure is key to attracting foreign investments.

#### FDI/investment promotion

- **Inward investment intent:** Tonga has expressed its intent at a government level to attract investment into the country, which in turn is a step toward the development and rollout of investment-friendly policies.
- **Inward remittances:** Tonga receives a significant amount of inward remittances, at as much as 30% of GDP. While most is for family maintenance, a portion could be redirected into investments through information dissemination and opportunity awareness among the diaspora.

- **Tonga Skills Programme:** Programmes like Australia's Tonga Skills Programme and the World Bank Tonga Skills Development Programme, once aligned with the requirements of the priority investment sectors, can help improve the availability of skilled resources.

#### Infrastructure

- **Telecom connectivity:** Tonga has reliable telecom connectivity, among the best in the region. Submarine and satellite connectivity provides for adequate redundancy, making Tonga suitable for technology-driven services as well as improving connectivity and communication.

#### FDI/investment promotion

- **Emergence of sustainable FDI:** There is greater global interest in sustainable FDI and impact investing.
- **Impact of digital services:** A new digitally driven services sector is emerging globally, offering new investment and growth opportunities to geographically remote and low population economies.
- **Targeted sector promotion:** The government intends to identify and promote priority sectors.

WEAKNESSES	THREATS
<p data-bbox="407 210 594 233"><b>Macro-economic</b></p> <p data-bbox="238 262 347 285"><b>Economic</b></p> <ul data-bbox="215 317 769 1785" style="list-style-type: none"> <li>• <b>Transparency and inter departmental coordination:</b> There is limited inter-departmental coordination between government bodies and limited transparency in operations and policy development. Transparency in policy formulation and ease of government transaction is a key investment parameter.</li> <li>• <b>Significant foreign debt:</b> Tonga has significant foreign debt to international institutions as well as countries (ADB, IMF, EXIM Bank Australia, New Zealand, etc.). This limits flexibility for the government to initiate fiscal reforms.</li> <li>• <b>Regulatory/legislative synergy:</b> Tonga lacks a uniform tax/incentive programme. The current incentive programme is based on a case-by-case assessment that creates uncertainty among investors. A uniform and transparent incentive programme is critical for attracting investments.</li> <li>• <b>Capital movement, corporate structuring, legislative challenges:</b> The current legislation around capital and funds repatriation (prior approval), corporate structuring (residency requirements for local investments and limitations on foreign investments by a resident firm) and capital transfer are severe limitations to attracting investment. Other factors, like availability of large land parcels (contagious land) owing to differing ownership structures, could also limit investment interest. These factors have been highlighted as severe deterrents to a suitable investment ecosystem. Apart from improving the legislative framework, allocating land under a special economic zone programme could be beneficial for investments.</li> <li>• <b>Limited promotion:</b> Overall country branding is lacking. Attempts to promote Tonga as an investment destination have been limited.</li> <li>• <b>Limited diaspora engagement:</b> There has been limited engagement with the diaspora about domestic investment opportunities or to promote Brand Tonga in home countries. Diaspora engagement for investment promotion has been highly successful for smaller economies with limited investment promotion budgets. Countries can leverage the local presence of citizens to propagate opportunities in the country.</li> <li>• <b>Lack of market data and collateral availability:</b> Updates to market information in terms of sector information, relevant policies, incentives, investment steps, etc. are lacking, making the investment process opaque. There is also a lack of marketing material covering relevant information for broader circulation.</li> </ul>	<p data-bbox="1029 210 1216 233"><b>Macro-economic</b></p> <ul data-bbox="834 262 1388 567" style="list-style-type: none"> <li>• <b>Natural disaster vulnerability:</b> Tonga is highly vulnerable to extremes of climate. A 2020 World Risk Report designated Tonga the second most at-risk country in the world from extreme weather conditions, after Vanuatu. This high-risk potential could be a major deterrent to investors, especially for larger capital investments.</li> <li>• <b>Geographical accessibility:</b> Tonga's remote location and scattered island geography create accessibility challenges and also reduce the availability of large land parcels.</li> </ul>

<p><b>Human resources</b></p> <ul style="list-style-type: none"> <li>• <b>Small labour pool:</b> The small population base, resulting in an even smaller labour pool, limits the scope for development (attracting investment) in labour-intensive sectors.</li> <li>• <b>Labour pool migration:</b> As a regional labour exporter, Tonga witnesses annual outward migration for short-term employment opportunities. While the remittances generated generate significant foreign capital, this migration also limits the availability of the domestic labour pool, especially in the informal sector. The impact could be reduced by providing skill-based training to leverage the skills gained in overseas locations.</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>• <b>Limited capital allocation:</b> There is a limited allocation of capital for new infrastructure development.</li> <li>• <b>Limited air connectivity:</b> Limited inter-island air connectivity hinders movement of people, in turn affecting investment decisions into sectors like tourism.</li> </ul> <p><b>FDI/investment promotion</b></p> <ul style="list-style-type: none"> <li>• <b>Lack of an IPA:</b> Tonga has no dedicated IPA or investment agency to streamline and actively pursue investment initiatives.</li> <li>• <b>Lack of an investment promotion portal/website:</b> Tonga has no dedicated IPA portal/website with relevant details about investment opportunities.</li> <li>• <b>Lack of streamlined incentive programmes:</b> Tonga lacks an easily accessible, streamlined incentive policy outlining the various incentives (across various sectors). The current investment approval system is mostly on a one-on-one basis and lacks transparency.</li> </ul>	
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While the macro-economic assessment helps us identify broader improvement areas and existing socio-economic strengths, a deeper sectoral assessment allows for the identification of sector-specific challenges and opportunities, in turn providing a baseline for creating a suitable investment environment. Below are the detailed sector SWOT assessments for the top four sectors in Tonga based on the initial high-level assessment.

*Table 4: Sector SWOT assessment - Tourism*

STRENGTHS	OPPORTUNITIES
<p><b>Proactive government support:</b> Successive Tongan governments have been supportive of the development of tourism through sector-responsive strategies, frameworks and plans to position Tonga as preferred tourist destination.</p>	<ul style="list-style-type: none"> <li>• <b>Development of niche tourism segments:</b> There is an opportunity to leverage unique tourism assets to develop niche segments.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Foreign development agency/international government support:</b> Almost all nationally active multilateral development banks and agencies (World Bank, ADB) have identified tourism to be of high development potential (social and economic) and have been actively assisting at both national and local levels in the development of the sector. Regional leaders, Australia and New Zealand have been supporting similar sector development programmes.</li> <li>• <b>Tourism asset quality:</b> Tonga has high quality tourism assets in terms of its unique natural landscape as well as culture and heritage, making it attractive to niche high-value tourist segments (e.g. marine life - swimming with whales, unique cultural experiences, historic sites in Vava'u, marine a zone highly suitable for surfing, yachting and other water sports).</li> <li>• <b>Proximity and economic relationship with Australia and New Zealand:</b> Tonga's proximity and economic connections to major Australian and New Zealand cities provides it access to a unique tourist base that is largely under-exploited.</li> <li>• <b>Geo-political, people-to-people relationships:</b> Strong geo-political relationships as well as people-to-people connections, especially with Australia and New Zealand, can be leveraged to achieve inward investment objectives.</li> <li>• <b>Destination branding:</b> As a small and comparatively underdeveloped tourist destination, Tonga has a unique low-commercialisation image that can be leveraged as a key value proposition.</li> <li>• <b>Labour migration benefits:</b> The constant labour flow to key markets (Australia, New Zealand) and the related experience gained by the labour pool can be leveraged to develop an easily trainable and client-sensitive labour force.</li> <li>• <b>Large-scale infrastructure programmes:</b> Some of the recent large-scale infrastructure programmes (e.g. upgrading of the wharf at Nuku'alofa and airstrip expansion Vava'u Airport) are improving connectivity and in turn investment attractiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Tourism infrastructure development:</b> There exists a significant opportunity for the development of tourism infrastructure to cater to the increased tourist inflow. This includes physical infrastructure like boutique hotels, marinas, etc. Tourism infrastructure development offers the single biggest opportunity in terms of attracting capital investments. This would also continue to support the construction sector to normalise demand currently driven by post-disaster reconstruction.</li> <li>• <b>Increasing global demand for sustainable nature-based tourism:</b> Land and sea biodiversity and increased impetus for a low carbon footprint and sustainable tourism present a unique opportunity for investors to take advantage of this largely unexplored island country.</li> <li>• <b>Increasing tourist interest:</b> In 2019, Tonga received 94,000 tourists, the highest annual number in the 2014-2019 period. For 2018, while the Pacific states combined saw a decline of 9.16% in terms of tourist arrivals, Tonga witnessed a growth of 21.60%. This points to the emergence of Tonga as a unique tourist destination within the region, in turn highlighting the requirement for sector-related investments.</li> <li>• <b>Largest contribution within services sector:</b> Within the services sector, tourism is the single largest revenue and employment-generating segment for Tonga. In 2018, the sector employed more than 7,100 Individuals, with the need for further investments in both hard and soft infrastructure development.</li> </ul>
<p style="text-align: center;"><b>WEAKNESSES</b></p>	<p style="text-align: center;"><b>THREATS</b></p>
<ul style="list-style-type: none"> <li>• <b>Infrastructure constraints:</b> While Tonga has relatively good basic infrastructure, it is not at the level required to support progressively larger tourist inflows.</li> <li>• <b>Lack of skilled labour:</b> The relatively small size of the labour pool (further constrained by outward migration) is a serious constraint to large-scale development of the tourism sector. On average, about 300-400 people enter the labour pool every year, absorbed across various industries/sectors. An acute shortage of accounting, IT and management professionals, may also hamper future expansion.</li> </ul>	<p style="text-align: center;"><b>Macro-economic</b></p> <ul style="list-style-type: none"> <li>• <b>Climate change:</b> Climate change and impacts are becoming increasingly severe in the Pacific region and will have a disproportionately high impact on smaller islands.</li> <li>• <b>Hurricane hazards:</b> Natural hazards, e.g. hurricanes, have limited the development, rollout and desired results of strategic initiatives (e.g. infrastructure development, etc.).</li> <li>• <b>Investor aversion:</b> Natural risks associated with the region are a deterrent to investment owing to supply chain disruption concerns.</li> </ul>



<ul style="list-style-type: none"> <li>• <b>Global branding:</b> Global branding and promotion of Tonga as a tourist destination are lacking.</li> <li>• <b>Limited air travel options:</b> There is limited air connectivity with the outer islands, constraining tourism offerings. Reliable air connectivity is also required to ensure low costs.</li> <li>• <b>Limited collaborative initiatives/partnerships:</b> There is a lack of collaborative activities with global institutions and airlines (e.g. PADI (diving), IAGTO (golf), etc.).</li> <li>• <b>Limited access to finance:</b> The incentives and credit system is inadequate. It is difficult for budding local entrepreneurs to access credit, as compared with other competing countries (e.g. lack of a start-up development programme).</li> </ul>	
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Table 5: Sector SWOT assessment - Agri-processing

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• <b>Diversified produce base:</b> Tonga produces a range of root crops - yams, taro, cassava and sweet potatoes and kava as well as breadfruit, papaya, pineapple, banana and watermelon. This diverse produce base, once streamlined through modern farming techniques, can result in year-round use of framing capacity.</li> <li>• <b>Proven sectoral capacity through vanilla:</b> Tonga is one of the world's top 10 producers of vanilla. With effective management and private sector participation, other products (as well vanilla) can be a major investment driver.</li> <li>• <b>International funding:</b> Almost all nationally active multilateral banks and agencies (World Bank, ADB, IFAD) have identified the agriculture/ agri-processing sector to be of high development potential (social and economic) and have been actively assisting at both national and local levels in the development of the sector. IFAD has been engaged in five projects, worth US\$39.5 million, aiming to improve local production of food crops.</li> <li>• <b>Government initiatives:</b> The sector is a key focus area for the government. An agriculture sector plan is supported by the SPC's EU Intra-ACP-funded Pacific Agriculture Policy Project in partnership with the Government of Tonga.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Growing international demand for organic produce:</b> Sustainably grown organic produce is a niche and fast-growing market offering significant potential to Tonga produce once supported by strong branding and supply chain logistics, all of which offer investment potential.</li> <li>• <b>Agri-processing:</b> Significant opportunities exist in developing agri-processing capacity, in turn allowing for higher value exports as well lesser quarantine requirements, much like for Fiji and Samoa. Currently, a majority of exports is in the raw form, which needs to meet much stricter export norms.</li> <li>• <b>PHAMA collaboration:</b> The Pacific Horticulture &amp; Agricultural Market Access (PHAMA) programme is supporting Tonga to create a processing facility to produce processed fruit and vegetables, for export. It is also facilitating development of the 'Kingdom of Tonga' brand for fresh and frozen fruit and vegetables, lined up for exports.</li> <li>• <b>Produce diversification:</b> The tropical climate of Tonga also offers opportunities for cultivation and processing of produce beyond vanilla, such as other spices, ornamental flowers, etc. This will also enable diversification away from vanilla.</li> </ul>
WEAKNESSES	THREATS
<ul style="list-style-type: none"> <li>• <b>Absence of processing facilities:</b> Lack of large-scale processing capacity limits value addition, leading to low export competitiveness, and limits access to developed markets with larger demand.</li> <li>• <b>Low technology adoption:</b> Lower productivity per acre/farmer owes to limited adoption of mechanised farming, in turn affecting scalability.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Small size and geography:</b> As a small island, Tonga has limited acreage for large-scale production. Access to markets at all levels - regional and international - is also constrained.</li> <li>• <b>Low economies of scale:</b> Small ownership limits gains from scale. Most farmers are in subsistence rather than commercial farming.</li> <li>• <b>Climate change:</b> Climate change is becoming increasingly severe, especially in the Pacific, and will have a disproportionately high impact on smaller islands like Tonga, which may affect growth and yield, in turn deterring investors.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Limited commercialisation:</b> A significant portion of the current agriculture sector is based on subsistence farming, with the exception of vanilla. There is a need for concerted effort in developing diversified commercial farming by attracting multiple investments to ensure produce and supplier diversification.</li> <li>• <b>Narrow export Base:</b> Owing to the relatively small size of agricultural land available to produce crops, and the high rate of subsistence farming, Tonga has a narrow export base for agriculture produce. Less than 10% of farmers are commercial producers.</li> <li>• <b>Logistics and supply chain:</b> An adequate logistics chain will have to be developed that will require a high level of capital investment supported by adequate legislative support and incentive programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Natural hazards:</b> Natural risks associated with the region are a deterrent to investment through supply chain disruption concerns. In early 2014, agriculture production was severely impacted by Cyclone Ian (in the Ha'apai region). In February 2016, another cyclone threatened food security on the island of Vava'u. In 2020, Cyclone Harold brought heavy rainfall that caused significant damage to most crops in Tonga.</li> <li>• <b>Declining contribution to GDP:</b> The GDP contribution of Tonga's agriculture sector declined from 26% in 2004/05 to 19% in 2009/10. The contribution declined further to 18% in 2013/14. In 2018, agriculture, forestry and fishing contributed 17.07% in value added, as a share of GDP, to Tonga's economy. This continued drop may be alarming in the long run as a significant population is still dependent on agriculture for their livelihood.</li> <li>• <b>Migration of landowners:</b> Many rural producers have now migrated to urban areas, or abroad, so the rural population is on the decline, leading to labour shortages and vacant farm plots.</li> </ul>
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Table 6: Sector SWOT assessment - CC/BPO

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• <b>High literacy rate:</b> Tonga has a literacy rate of more than 99% in the age group of 15 years and above. This provides for a large pool of trainable resources, especially for CC and BPO services, to be deployed with minimal training.</li> <li>• <b>Neutral accent and customer service orientation:</b> The Tongan population has a neutral accent and high-level customer service orientation, which is highly suitable for the CC industry.</li> <li>• <b>Young population:</b> Tonga's population has a median age of 24.1 years for males and 24.5 for females. The young and educated population are core to the CC/BPO sector.</li> <li>• <b>Government initiatives:</b> The government of Tonga has put in place several initiatives to strengthen its ICT infrastructure, such as the National ICT Strategic Plan 2009 and the Digital Government Strategic Framework 2019-2024, which augur well for the sector.</li> <li>• <b>ICT infrastructure focus:</b> The government has established a dedicated e-government unit. It also established a containerised data centre, established through a five-year contract with Huawei and TC, which now services 15 out of 38 government sites. The government is further building more dedicated infrastructure to meet its ICT needs. All these initiatives will positively affect investment decisions.</li> <li>• <b>Cultural affinity to Australia/New Zealand:</b> There is high affinity with Australia and New Zealand's culture and lifestyle.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Low-cost destination:</b> Tonga is a relatively low-cost destination to do business and could be an attractive offshore CC destination.</li> <li>• <b>Unique market access and proximity:</b> Tonga is in a unique position to service the regional Australian and New Zealand markets, which are usually serviced by offshore locations like the Philippines (also to some extent Fiji).</li> <li>• <b>Low-scale high-impact:</b> Even a relatively small CC/BPO sector (1K jobs) can create significant socio-economic impact as the sector offers comparatively higher-wage jobs and has a significant multiplier effect.</li> <li>• <b>Global demand:</b> The global ICT/BPO sector is valued at over US\$1 trillion and is ever expanding to new locations. It is also one of the few sectors that has been immune to various regional and global economic shocks, presenting a stable diversification opportunity.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Support from foreign governments:</b> Countries such as Australia and South Korea have initiated several projects aimed at improving Tonga's ICT sector. Australia's projects include the Pacific Public Administration Governance initiative; South Korea has implemented special training programmes in ICTs and supporting opportunities.</li> </ul>	
WEAKNESSES	THREATS
<ul style="list-style-type: none"> <li>• <b>Policy advocacy:</b> There is limited strategy around policy advocacy for the sector.</li> <li>• <b>Sector awareness:</b> There is limited awareness about the opportunities in the CC/BPO sector (both direct and indirect) at various levels, in turn affecting the uptake of the sector.</li> <li>• <b>Infrastructure/office facilities:</b> There is a lack of real estate suitable for development/retrofitting to suit CC/BPO unit requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Risk from natural disasters:</b> Susceptibility to natural disasters will require the sector to have much more robust business continuity planning, in turn increasing operational costs.</li> <li>• <b>Minimal PR/investment promotion activities:</b> There is limited proactive investment promotion of the sector.</li> </ul>

*Table 7: Sector SWOT assessment - Fisheries*

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• <b>Favourable natural environment:</b> As a tropical island, Tonga has access to the ocean, offering some of the most suitable conditions for commercial fishing and aquaculture.</li> <li>• <b>Government initiatives:</b> Tonga has implemented several frameworks and initiatives to improve its fisheries sector: Tonga Fisheries Sector Plan 2016-2024, Tonga Marine Aquarium Plan 2017-2019, Tonga Deepwater Fishery Management Plan 2017-2019, Tonga National Sea Cucumber Fishery Management and Development Plan, Tonga Deepwater Snapper Fishery Management and Development Plan 2020-2023, etc. All this augurs well for investment.</li> <li>• <b>International support:</b> Tonga has been supported by several agencies (UNDP, FAO, UNCDF, USAID, EU, Australian Aid) to develop the fisheries sector. Most projects are aimed at developing shore-based plants and equipment, such as buildings, aquaculture centres and fishery stations. The aid also focuses on fishing vessel construction, research, fisheries harbours, marketing and training.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Growing international demand for organic produce:</b> Sustainably caught fish produce is a niche and fast-growing market offering significant potential to Tonga.</li> <li>• <b>Fish processing:</b> There are significant opportunities in developing fish-processing capacity, in turn allowing for higher-value exports as well lesser quarantine requirements.</li> </ul>
WEAKNESSES	THREATS
<ul style="list-style-type: none"> <li>• <b>Susceptibility to poor weather conditions:</b> As Tonga is a country susceptible to extreme weather conditions, it is challenging to ensure fishing throughout the year.</li> <li>• <b>Subsistence fishing:</b> The majority of Tonga's fishery produce is for local consumption. The rate of subsistence production in Tonga is among the highest in the Pacific Island countries.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Over-exploitation of marine resources:</b> Harmful fishing practices such as dynamite fishing and fish poisoning are resulting in the destruction of the marine eco-system in and around Tonga.</li> <li>• <b>COVID-19 pandemic impacts:</b> The COVID-19 pandemic has disrupted fishery supply chains. Strict travel restrictions have limited vessel operations, leading to a decline in fish exports and thus in revenue.</li> </ul>



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| <ul style="list-style-type: none"> <li>• <b>Low yield:</b> A combination of extreme weather conditions and a high level of subsistence fishing has led to inefficient production from coastal fisheries. Further, species like mullet, inshore invertebrates such as bêche-de-mer, giant clams and lobsters have declined over the years.</li> <li>• <b>High cost of doing business:</b> The remoteness of Tonga, its distance from any major markets and the high cost of fuel and transportation make commercial fishing a low-margin business.</li> <li>• <b>Absence/lack of processing facilities:</b> Similar to agriculture, the fisheries sector lacks large-scale processing capacity, limiting value addition and leading to low export competitiveness and poor access to developed markets with larger demand.</li> <li>• <b>Low technology adoption:</b> Low yields owe to limited adoption of mechanised fishing, in turn affecting scalability.</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Climate change:</b> Climate change is becoming increasingly severe, especially in the Pacific, and will have a disproportionately high impact on smaller islands like Tonga, which may in turn deterring investors.</li> <li>• <b>Natural hazards:</b> Natural risks associated with the region are a deterrent to investment, owing to supply chain disruption concerns.</li> </ul> |
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## Tonga priority sector shortlist

Based on the multi-stage quantitative and qualitative assessments, the following sectors and subsegments are recommended as priority sectors for investment promotion.

1. Tourism
  - 1.1 Tourism infrastructure development:
    - 1.1.1 Property redevelopment
    - 1.1.2 New developments
    - 1.1.3 Tourism/hospitality ancillary services (spas, tours and activities, sporting activity support)
    - 1.1.4 Yachting (management and maintenance)
2. Fisheries
  1. Fisheries (licensed commercial fishing)
  2. Processing and packaging
3. Agri-processing
  1. Commercial farming (high-value crops)
  2. Processing and packaging
4. CC/BPO services
  1. Contact centres
  2. Back office support

Some of the other sectors that offer investment potential include infrastructure development (through the public-private partnership model, including in tourism infrastructure development).

It is important to note that, while the main focus is on attracting investments into the priority sectors, it is equally critical for the investment strategy and the IPA to ensure adequate support in terms of information and investment opportunities outside of the identified sectors and subsegments.

Further, considering the relatively small nature of operations and the intrinsic association of the priority sectors with the tourism, agriculture and fisheries sector, it is important to develop a strong working relationship with the boards/ministry responsible for each sector.

# Section IV

## Investment policy review, recommendations and strategy action plan

## Section IV- Investment policy review, recommendations and strategic action plan

### Investment promotion mission statement

Considering the national ethos, development priorities and sustainability impetus, the following statement was agreed by stakeholders as reflective of Tonga's aspiration to facilitate inward and foreign direct investment.

#### Mission Statement

Position Tonga as a promising investment destination in the Pacific by ensuring a suitable investment climate and contribute to the socio-economic development of Tonga by supporting all-inclusive economic growth through sustainable investments.

As part of this engagement, certain documents, in particular the Tonga Trade Policy Framework 2017-2025 and the FDI Investment Promotion Strategy 2009 were reviewed in detail. Prior to assessing specific elements within the documents on investment promotion and facilitation, it is important to highlight some other, more general, key areas for streamlining, to contribute to creating a better eco-system for facilitating foreign investment in the short, medium and long term.<sup>4</sup>

*Table 8: Investment policy review and key recommendations*

Policy area	Recommendation	Timeline	Rationale
<b>Investment policy</b>	- Align investment policies at the national and sectoral level	- Short term	- Streamlining various incentive policies and programmes, primarily across national and (priority) sectoral level, will create a conducive environment towards investment facilitation.
<b>Reserved categories</b>	- Identify opportunities in the reserved sector and list key product and service segments with the highest export potential	- Short term	- This will improve/optimize investments into under-invested segments (owing to investment restrictions).
	- Assess the potential of joint (national/foreign) partnership in the identified sub-segments. This can be supported by majority local ownership to safeguard local interests.	-Short term	- Clearly identifying opportunities in the reserved/unreserved sectors will help improve promotion.
	- Facilitate targeted investment promotion activities to attract foreign investors into identified	Short/medium	- Within the reserved category, identifying opportunities for potential joint ventures and an investor-friendly policy framework will not only create new avenues for foreign investment but also bring confidence to foreign

<sup>4</sup> Where short term means 0-1 years, medium- term 1-2- and long term 3-5 years

Policy area	Recommendation	Timeline	Rationale
	reserved categories. Promote reserved categories as investment opportunities among local communities/in the diaspora to encourage domestic participation.		investors, as well as improve local investment potential (that would otherwise been limited owing to lack of capital).
<b>Targeting the diaspora</b>	<ul style="list-style-type: none"> <li>- Incentivise Tonga's foreign diaspora to invest in the country's priority sectors, as well as reserved categories such as agriculture, etc.</li> <li>- Invite the Tongan diaspora to collaborate on designing training programmes for local talent.</li> </ul>	<ul style="list-style-type: none"> <li>- Short term</li> <li>-Short term</li> </ul>	- Promoting local investment opportunities among Tonga's diaspora and supporting new business ventures will lead to better use of remittances and improve community participation while promoting sustainable economic development.
<b>Relaxing duties and levies on equipment imports</b>	- Relax various duties and taxes - custom duty, import duty or any other tax obligation on the import of capital equipment relating to the priority sectors.	-Medium	- Offering tax reliefs on imports will encourage foreign businesses to bring in capital equipment in large quantities, leading to a need for the larger workforce to produce on a massive scale, leading to large-scale employment opportunities in Tonga.

The following recommendations aim to further strengthen the investment environment and are divided into two categories: priority sector-specific recommendations and related general recommendations.

*Table 9: Sector-specific key policy recommendations*

Policy area	Recommendation	Timeline	Rationale
<b>ICT sector plan development</b>	<ul style="list-style-type: none"> <li>- In collaboration with the Ministry of Trade and Economic Development, design and develop a sectoral framework for the development of the ICT/BPO sector. Promote the sector to foreign investors.</li> <li>- Develop and incentivise skill-based ICT training for Tonga's working class (public sector) as well as the young population. Initiatives must be focused on developing the advanced skills needed for a digital economy, which would in turn help both establish the CC/BPO sector and improve digital adoption.</li> </ul>	<ul style="list-style-type: none"> <li>- Short/medium</li> <li>-Short/medium</li> </ul>	- The global ICT/BPO sector is valued at over US\$1 trillion and is ever-expanding to new locations. The world is getting digitally enabled and services-oriented. With a neutral English accent and high-level customer service orientation, Tonga has ideal human capital for companies seeking to establish CC/BPO operations providing customer services and telemarketing, especially small and medium enterprises.
<b>Agro-processing</b>	- Identify crops and associated value-add processed	- Short term	- Tonga is focused predominantly on raw agricultural exports.

Policy area	Recommendation	Timeline	Rationale
	<p>commodities with high export potential.</p> <ul style="list-style-type: none"> <li>- Incentivise and establish training programmes to encourage higher involvement in farming and value addition.</li> <li>- Incentivise/cross-subsidise the producers to establish processing units for packaging and processing the identified crops and processed items for exports.</li> </ul>	<p>Short/medium</p> <p>Medium/long</p>	<p>However, most of its raw exports are used as inputs for producing processed food and non-food items in other countries. To move up the value chain, Tonga needs to ensure that its agricultural producers are engaged in producing high-value crops as well to develop a value chain allowing for local processing of raw produce. Transitioning to producing higher-value and processed items will enable movement across the entire value chain of agriculture-based commodities business.</p>
<b>Fisheries</b>	<ul style="list-style-type: none"> <li>- Ensure higher levels of exemptions for processed fisheries exports.</li> <li>- Support domestic value addition of fisheries and related products by incentivising local producers.</li> <li>- Diversify fishery exports to include new products to reduce high reliance on tuna and sea cucumbers.</li> <li>- Build essential infrastructure for packaging, processing and storage,</li> </ul>	<ul style="list-style-type: none"> <li>- Medium term</li> <li>-Short term</li> <li>Medium/long</li> <li>Medium/long</li> </ul>	<ul style="list-style-type: none"> <li>- Like agriculture, the fisheries sector in Tonga lacks large-scale, cost-effective processing capacity, limiting value addition, leading to low export competitiveness and limiting access to developed markets with greater demand.</li> </ul>
<b>Tourism</b>	<ul style="list-style-type: none"> <li>- Build tourism infrastructure, including by leveraging international aid. Promote a public-private Partnership model for large-scale investments.</li> <li>- Intensify promotion of the unique experiences that Tonga offers, such as local cuisine, cultural tours, the Mapu 'A Vaea blowholes, watching and swimming with whales, etc.</li> <li>- Offer incentives to international tourism operators to promote Tonga as a valuable destination.</li> <li>- Incentivise domestic tourism operators engaged in the management and</li> </ul>	<ul style="list-style-type: none"> <li>- Long term</li> <li>-Medium term</li> <li>Medium term</li> <li>Medium term</li> </ul>	<ul style="list-style-type: none"> <li>- Tonga offers a unique cultural, geographical and historical mix that makes it a highly attractive high-value, low-volume tourist destination. With the land and sea biodiversity and the increased impetus on a low-carbon footprint, sustainable tourism presents a unique opportunity for investors to take advantage of this largely unexplored island country.</li> </ul>

Policy area	Recommendation	Timeline	Rationale
	maintenance of yachts. Promote investment opportunities into yacht management and maintenance (similar to many Caribbean islands).		

Table 10: Related general recommendations

Policy area	Recommendation	Time frame	Rationale
Promote priority sectors	<ul style="list-style-type: none"> <li>- Promote priority sectors through outward-inward missions, events, seminars and trade fairs to educate international audiences.</li> <li>- Streamline both investment promotion and the investment process (licensing, exemptions, incentives, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>- Short term</li> <li>- Short/medium</li> </ul>	- Priority sectors hold significant business potential for Tonga. Focusing IPA activities in these areas would help Tonga build a sustainable business and maintain economic prosperity in the long run.
Leverage regional trade agreements  (Tonga Trade Policy Framework-2017-2025)	- Assess and review regional trade agreements such as PACER Plus, PICTA and EPAs to identify the best possible ways to leverage them to benefit Tonga's export of goods and services.	- Short/medium	- Tonga is yet to sign the PACER Plus agreement. It must evaluate the potential effects and benefits of signing such agreements for its trade performance and larger business environment to ensure maximisation of the benefits accruing from such trade agreements.
Expand trade partnership	- Promote Tonga as a trading partner for South Korea, the US, Canada, Japan, etc.	- Short term	- Strategic expansion to new and existing geographies as well as promoting Tonga to new potential trade partners will reduce volatility in exports as well as strengthen the demand base.
Leverage ASYCUDA software  (Tonga Trade Policy Framework 2017-2025)	- Respond to the immediate need for faster clearance and transparent business regulations leveraging UNCTAD's ASYCUDA and Business Facilitation Programmes, especially for priority sectors.	- Short term	- ASYCUDA is an automatic custom management system that handles manifests, declarations, transit and suspense procedures and accounting practices. Leveraging the software for faster clearance will boost Tonga's investment

Policy area	Recommendation	Time frame	Rationale
			promotion and facilitation by streamlining its national tariffs and customs regimes.
Improve online presence for investment promotion  (Tonga Trade Policy Framework 2017-2025)	- Respond to the urgent need for streamlining online tools and websites for investment facilitation by creating a robust online application and approval system.	- Short term	- Tonga lacks data management and security protocols in its online repositories. Although there are portals that assist investors in business registration, customs and tax payments, these remain in the early stages of development.
Funding to local businesses  (Tonga Trade Policy Framework 2017-2025)	- Relax the lending requirements and penalty obligations in the local economy to boost domestic investment and enable a more liberal economic practice. - Provide research and development support to domestic entrepreneurs.	- Short/medium  -Short term	- Tonga currently has strict lending rules, such as a potential business needing at least three years' worth of financial security, and high penalty obligations for overdrafts. This makes it difficult for small start-ups and businesses to access funding, hindering growth and employment generation opportunities.
Seasonal employment schemes  (Tonga Trade Policy Framework 2017-2025)	- Widen the scope of seasonal employment schemes with Australia and New Zealand while exploring similar agreements with other countries. - Expand current seasonal employment schemes into new avenues beyond farming, such as caretaker services, nursing and teaching.	- Medium/long  -Medium/long	- High dependence on Australia and New Zealand for seasonal employment schemes exposes Tonga to potential vulnerability to the economic cycles of these countries. Similar agreements with other countries will safeguard Tonga's working population from external shocks. Also, assessing new avenues in seasonal employment schemes with existing partners would help Tongans secure jobs in other fields beyond agriculture, where most Tongans work today.
Training programmes  (Tonga Trade Policy)	- Focus on designing and implementing skill-based training programmes for the population as most prefer working or earning	- Short/medium	- The first eight years of education is compulsory in Tonga. The nation has a high education enrolment rate at primary and secondary level.



Policy area	Recommendation	Time frame	Rationale
Framework 2017-2025)	<ul style="list-style-type: none"> <li>a livelihood over higher secondary education.</li> <li>- Provide technical training at secondary and tertiary level to arm students with appropriate skills to increase employability.</li> </ul>		However, many of these enrolments are discontinued by the time they reach senior secondary and college degree level, primarily because of the high cost of education and the opportunity cost of potential employment in other countries. In addition, although the government has several vocational training programmes in place, Tonga should also focus more on creating skill-based training.
Standardisation body (Tonga Trade Policy Framework 2017-2025)	<ul style="list-style-type: none"> <li>- Establish a bureau of standards to check the quality of goods produced in Tonga, aligning them with international standards.</li> </ul>	- Medium/Long term	- An institution that guides and certifies local produce will lead to better acceptance of new and existing trade commodities by international partners, leading to higher exports.
Leverage foreigners living in Tonga, and the Tongan diaspora abroad, as brand ambassadors  (Foreign Direct Investment Promotion Strategy 2009)	<ul style="list-style-type: none"> <li>- Design a strong outreach programme and international trade missions, leveraging foreigners living in Tonga, such as from Australia, New Zealand and Europe, in association with the Tongan diaspora living across the globe, including in Australia, New Zealand, the US, the UK and Europe, to promote Tonga's cultural heritage, trade, tourism and business potential.</li> </ul>	- Short/medium/long	- This approach will strengthen the island country's brand image to bring in foreign capital, liquid or greenfield and brownfield investments.
Encourage e-payments  (National E-Commerce Readiness Assessment Report 2020)	<ul style="list-style-type: none"> <li>- Promote and facilitate e-payment options for domestic enterprises that trade in non-export-based products. Banks must also encourage their customers to use internet banking for their transactions.</li> </ul>	- Medium/long	- Tonga is primarily a cash-based economy, with electronic payments accepted mainly by export-based businesses. The government must encourage Tongans to embrace digitalisation. There are several benefits. Accepting electronic payments would help tourism

Policy area	Recommendation	Time frame	Rationale
			operators offer advance payment options on their websites for room and other service bookings. Setting up a platform for electronic payments would further pave the way for the fintech sector to flourish in Tonga. Hence, skill-based training for Tongans in the fintech sector, availability of high-speed internet, fintech platform development in association with development partners and a growing global need for low-cost outsourcing locations would catapult Tonga's fintech to new milestones, further enhancing business potential.
Single window portal  (National E-Commerce Readiness Assessment Report 2020)	- Set up an online single window portal for investment facilitation, including regulatory and legal approvals for setting up a new business in Tonga.	- Medium/long	- Foreign investors need a range of regulatory and legal approvals before setting up a new business in Tonga. Implementing the online single window portal will provide clearance to Tonga's foreign investors quickly and transparently during different stages of their new business set-up. This will also help in streamlining the process of accessing government services. The system would further be a hub for collecting information on the level of infrastructure availability, incentive schemes, government policies and legal requirements. It would also provide important information around the application process for proposed investment projects.
Promote a private-public	- Embrace close cooperation between	- Short/medium	- The model will strengthen Tonga's economic

Policy area	Recommendation	Time frame	Rationale
partnership to build infrastructure  (Tonga Strategic Development Framework II)	private and public entities in Tonga through a joint venture in various priority sectors such as tourism (building hotels, accommodations and other tourist attractions), agriculture and fisheries (building value-adding processing plants), etc., to enable a sustainable business-friendly environment.		environment by promoting sustainable investment regimes and creating inclusive employment opportunities for Tongans while being conscious of the environmental impacts.

# Section V

## Conclusion

## Section V-Conclusion

Given their vulnerabilities, it is imperative and opportune for the smaller Pacific Island economies, such as Tonga, to develop investment promotion and facilitation strategies that balance the external factors - that is, the impact of the pandemic on investments and tourism revenues - with internal needs - that is, economic diversification, employment, government revenue generation, etc.

Tonga requires significant foreign investment, particularly in trade and in the development of the agriculture, tourism, fisheries, manufacturing and other services sectors, which represent the backbone of the country's economy. Tonga needs to develop policies that allow potential investors to take advantage of the benefits and opportunities that the archipelago has to offer, while developing its key economic sectors.

This Investment Promotion and Facilitation Strategy initiative presents Tonga with a checklist of potential starting points, in order to create an environment that favours the growth of potential sectors in the country.

Furthermore, because of the country's inherent geographic limitations, the island has to undertake a broader structural economic transformation, focusing on improving productivity, modernising sectors like agriculture and fishery, and optimally utilising the resources in their exclusive economic zones. This must be effectively supported by economic policies, new mechanisms to finance development, amongst other issues.

### Key recommendations and action items

1. **Action 1 - Liberalise foreign investment regulations** to make Tonga more attractive to foreign investors, especially in priority sectors. This can include easing regulatory and administrative requirements as well as allowing for majority foreign ownership depending on investment requirements. Another option would be to provide for automatic approval of investment projects in non-strategic/non-priority sectors subject to local participation requirements.
2. **Action 2 - Establish a dedicated investment promotion and facilitation agency** as a standalone entity or as a unit within a responsible ministry to ensure long-term success of the FDI attraction strategy. This will not only help drive the investment agenda but also be key contributor to the national development agenda.
3. **Action 3 - Leverage the Tongan diaspora** for domestic investment by streamlining the investment process and highlighting investment opportunities, especially under reserved categories requiring local participation.
4. **Action 4 - Establish strategic investment incentives**, general and sector-specific, to encourage both domestic and foreign investments (e.g. reduced tax rates, tax holidays, higher depreciation charges, tax incentives for investment in priority sector/key projects by Tongan nationals/diaspora, etc.).
5. **Action Item 5 - Leverage Tonga's diplomatic presence** in key locations to promote trade and investment opportunities. Key overseas missions should have an investment promotion implant to act as the 'eyes and ears' of the investment agency and be responsible for promoting and facilitating investment leads.

6. **Action Item 6 - Create an investment vehicle** to support investments into capital-intensive projects. Foreign investors may be reluctant to invest in projects requiring large-scale capital investments, given Tonga's vulnerability and small domestic market. The government can contribute to such projects through the proposed investment vehicle. This will not only ensure investments into projects of strategic relevance but also provide a source of income once such projects are operationalised (e.g. hotel accommodation with events and conference spaces, wharfs, processing units, etc.). The investment vehicle can be funded through government funds as well as contributions by individual investors under a cooperative model.
7. **Action Item 7 - Ease ownership requirements** on investment through subsidiaries, as most foreign entities invest through subsidiaries operating in multiple geographies.
8. **Action Item 8 - Ease travel requirements** for individuals related to local investment through long-term visa programmes.

Table 11- Investment Strategy Development and Rollout Timeline

The Ministry of Trade and Economic Development (MTED) of Tonga is expected to play a central role in the development and the roll out of the investment promotion and facilitation strategy. As the main line ministry, the MTED will act as the central point to coordinate with various ministries for the roll out of the strategy.

No.	Intervention Category	Ministerial Responsibility	Supporting Ministry	0-1 Years	2-3 Years
1	Liberalise foreign investment regulations	Ministry of Finance	Ministry of Trade and Economic Development		
2	Establish a dedicated investment promotion and facilitation agency	Ministry of Trade and Economic Development	Ministry of Finance		
3	Leverage the Tongan diaspora	Ministry of Foreign Affairs	Ministry of Trade and Economic Development		
4	Establish strategic investment incentives	Ministry of Trade and Economic Development	Ministry of Finance		
5	Leverage Tonga's diplomatic presence	Ministry of Foreign Affairs	Ministry of Trade and Economic Development		
6	Create an investment vehicle	Ministry of Finance	Ministry of Trade and Economic Development		
7	Ease ownership requirements	Ministry of Agriculture, Food and Forestry	Ministry of Trade and Economic Development		
8	Ease travel requirements	Ministry of Internal Affairs	Ministry of Trade and Economic Development		

Table 12- Investment Promotion Agency Development Timeline

The following table captures the key activities to be undertaken as part of the establishment of a dedicated Investment Promotion Agency

No.	Intervention Category	0-6 Months	6-12 Months	12-18 Months	18+ Months
	<b>Planning and Development</b>				
	<b>Legislative/ Strategic Direction</b>				
1	Identify National Development Objectives				
2	Assess/Create National Investment Framework/ Policy				
3	Assess National Development Goals				
4	Initiate Inter-Ministerial Discussions on IPA Objectives				
5	Set IPA Operational Budget				
6	Identify and Establish Line Ministry Relationship				
	<b>Human Resource</b>				
7	Appointment of Advisory Board (Pre Establishment Advisory Board)				
8	Finalize IPA Organizational Structure				
	<b>Organizational</b>				
9	Identify IPA Objectives				
10	Establish IPA Mission, Vision				
11	Establish IPA Name and Nomenclature				
12	Develop Priority Sector Longlist				
13	Develop Priority Sector Shortlist				
	<b>Marketing and Promotion</b>				
14	Acquire IPA Domain Name				
	<b>Legislative/ Strategic Direction</b>				
15	Establishment of IPA as a Statutory Body				
	<b>Human Resource</b>				
	Staff Training and Skill Development (IPA Related Training)				
	<b>Organizational &amp; Operational</b>				



16	Develop Sector Profiles				
17	Assess/Establish Incentive Programs incl. Sectoral Incentives				
18	Establish Local Linkages (Govt. Ministries Industry Bodies etc.)				
	<b>Marketing and Promotion</b>				
19	Setting up IPA Website				
20	Setting Up Social Media Channels				
21	Marketing Collateral Development				
22	Identify Target Markets				
23	Launch Target Market Information Campaign				
24	Develop and Roll Out Diaspora Outreach Program				
25	Identify and Develop Event Participation Program				

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