

NATIONAL RESERVE BANK OF TONGA

STRATEGY 2028

5-YEAR PLAN



DECEMBER 2023

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GOVERNOR'S FOREWORD

Tonga's vulnerability to external shocks together with our inflated cost structures, stemming from our location and world-wide events, require effective macro-economic management. Navigating our ever-changing economic landscape and accelerating pace of change has never been more challenging or necessary. In recent years, we have witnessed shifts in the structure of our economy and in the driving forces which lie behind our economic activities. Adaptation must be our constant companion.

In this environment, the National Reserve Bank of Tonga (NRBT) is at a point where proactive and imaginative macro-economic responses are required. This document, our new Strategic Plan 2028, aligns our organisation with the demands of our swiftly changing environment.



Figure 1
The structure of the Strategic Plan

The increasing intensity of external forces, including the volcanic eruption of 2022, the global pandemic, and the worldwide financial crises, requires us to build greater degrees of resilience and learning than were previously required. Adapting to emerging challenges is our paramount duty. The evolving landscape necessitates new policies that foster inclusive and sustainable development. Our frameworks must adapt, our capacities deepen, and our resources grow accordingly.

This Strategic Plan leverages the lessons learned from recent challenges. It supports the resilience of our financial system, strengthens consumer and investor protection, and bolsters support for inclusive and sustainable economic policy development.

However, while the future is complex and uncertain, there are also opportunities. At NRBT, we must accelerate our rate of transformation to take the opportunities, meet the challenges and rise above the expectations of the Tongan people.

As such, our Strategy 2028 not only acknowledges the evolving operating environment but also recognizes the imperative to reshape our methodologies and areas of focus.

The structure of our strategic plan (*Figure 1*) clarifies who we are and what we do. It identifies five key Strategic Goals and their associated 56 Key Strategic Results Areas. In addition, of particular importance, is the prioritization of and planning of six (6) aspects of our work where performance improvement is required. Each aspect of the planned performance improvement areas will be the responsibility of a member of the senior management team.

As Tonga's central bank, working with our partners, we are committed to a transformative journey for the financial sector focusing on price stability, better macro-economic management and shifting from regulator to enabling financial sector facilitating a more prosperous and resilient future for our nation. The over-arching goal for NRBT is the **facilitation of inclusive, sustainable, and resilient development for the benefit of all the people of Tonga.**

Tatafu Moeaki.
Governor.

WHO WE ARE: OUR VALUES.

Tongan values are not just words: they are the essence of how we interact with each another. Our values act as a compass, guiding our progress towards the well-being of every Tongan citizen.

Our values are deeply interwoven with our Performance Improvement Areas, our Strategic Goals, and our Strategic Results Areas. They reflect our aspirations for the Reserve Bank for Tonga:

We Embrace Christian Values and Integrity.	<ul style="list-style-type: none">• We embody Christian values in our professional conduct, exercising sound judgment.• Our integrity is our foundation. We commit to doing what is right, matching our actions with our words.• We care deeply about our staff and the people of Tonga. We focus upon their well-being to do better for the Kingdom.
We are One Team, Embracing Excellence.	<ul style="list-style-type: none">• We work together as a team to become a more effective central bank.• We deliver quality by working together, seeking diverse perspectives, and focusing upon disciplined implementation.• We believe in our role as an independent central bank.• We are transparent, accountable, and connected to all aspects of Tongan national policy.
We Work to Improve Performance and to Innovate.	<ul style="list-style-type: none">• We continuously seek improvement, fostering innovation in all that we do.
We Work with Respect and Humility, Aligned with the National Culture of Tonga.	<ul style="list-style-type: none">• We value honesty, conviction, humility, and respect in all our interactions.• We fearlessly confront difficult questions, remaining open to listening, adapting, and learning as we progress towards our goals.

Table 1
Our Values

Our performance as a central bank is tied to our staff and to our stakeholders. We will implement our strategy by working together as a team and by capitalising upon the resilience demonstrated in facing past challenges.

With the Board of Directors' commitments, we will embrace the opportunities outlined in this new Strategy 2028, confident in our ability to help propel Tonga towards an inclusive, sustainable, and resilient future.

WHAT WE DO.

NRBT is at the core of financial stability in Tonga: We are more than a central bank, entrusted with safeguarding the economy, we are one of the key, active architects of the progress of Tonga.

Over the last 30 years, we have:

- a) *Issued currency and regulated the Pa'anga.*
- b) *Developed monetary policy measures to maintain price stability and control inflation.*
- c) *Worked to ensure the stability of the financial system.*
- d) *Acted as lender of last resort to the banks and to Government.*
- e) *Managed interbank liquidity, settlements, and payment systems.*
- f) *Managed foreign reserves and policies related to the pegged exchange rate.*
- g) *Regulated and supervised the financial system.*
- h) *Advised Government on monetary and fiscal policy.*
- i) *Collected, analysed, and reported on economic data.*
- j) *Managed economic crises.*
- k) *Represented Tonga in international financial forums.*
- l) *Administered anti-money laundering requirements as Tonga's Transaction Reporting Authority.*

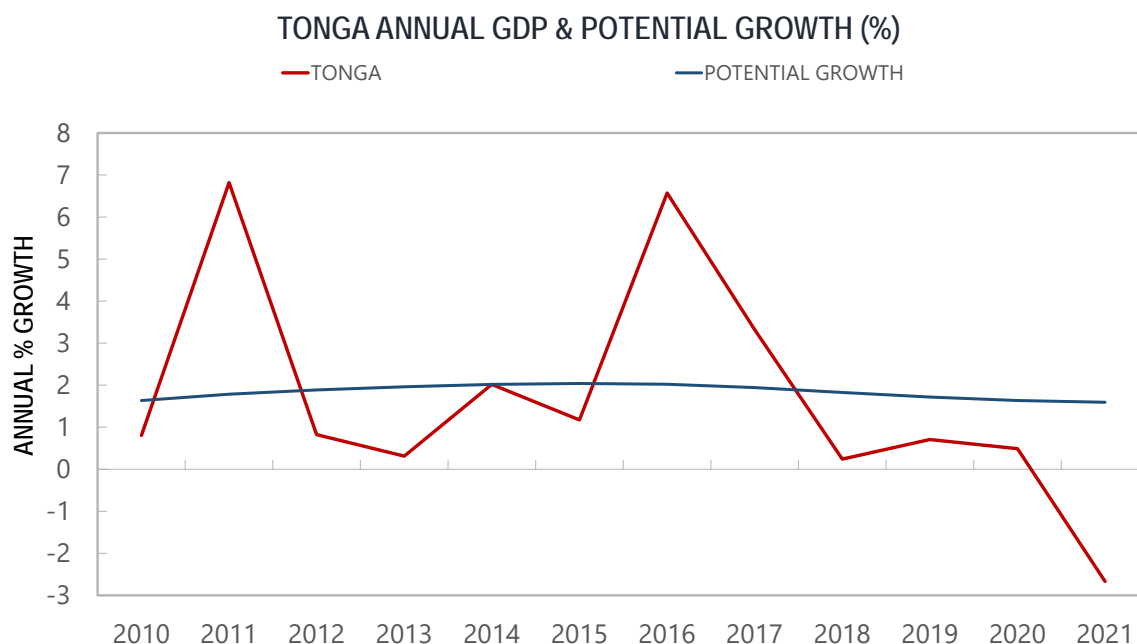


Figure 2
Tonga's Real GDP growth trended below potential growth since 2017
(Potential growth slowing)

Over this period, the economy of Tonga has been adversely affected by natural disasters, the civil disturbances of 2005 and 2006, volatile prices of imported fuels and food, COVID-19, and the global financial and economic crisis. Dealing with these forces is a critical element of the economic management responsibilities of NRBT. Working with our partners, we have recovered from damage caused to our tourist arrivals, our exports, and our productive sectors to produce average long-term annual growth of 0.5% in the decade to 2013, and 1.2% in the decade to 2023.



However, the strength of the external forces affecting Tonga has grown in recent years. Natural disasters have been more frequent and have had a greater impact. As a country, our costs of operating have increased, and together with our relative weakness in institutional capacity and governance has led to negative growth in 2021-2022 and a lower long-term economic growth outlook trended lower in *Figure 2* above.

Our vulnerability to disasters and to economic shock extends to the private and financial sectors. Our lack of economies of scale in domestic markets, our distant external markets, and repeated disaster-related shocks to our supply chains are major constraints to private sector growth and development. This lack of development results in limited capacity and investment in the private sector, where any gains can be quickly reversed by disasters. The speed of the reversal places SMEs in agriculture, tourism, and fisheries in a vulnerable position of unsustainable debt. The situation contributes to rising instances of non-performing loans, undermining sector stability and increasing vulnerability.



This volatile environment and our low rates of economic growth highlight the responsibility of NRBT to mitigate risk through effective macro-economic management, building financial sector resilience to shocks, and working to strengthen private sector access to finance, and climate financing.

NRBT is uniquely positioned to promote inclusive and sustainable development through our core roles in financial stability, regulation, and policymaking. Real inclusive and sustainable development not only benefits marginalised communities but also contributes to the overall economic stability and growth of Tonga.

Working with other Tongan institutions, Government and actively engaging in inclusive and sustainable development, NRBT will contribute to building a more equitable and inclusive economy in Tonga, ensuring that all segments of society, particularly marginalized communities, have access to financial services, economic opportunities, and the resources necessary for sustainable development.

This Strategic Plan is based upon extensive engagement with our stakeholders, including our board, development partners, commercial banks, and government ministries.

Our understanding of our role and our institutional capacity, the operating environment and the needs of our stakeholders facilitated the development of a clear analysis of our strengths, which we can build upon, our weaknesses, where we need to improve performance areas, the opportunities presenting themselves to us, which we need to be able to take, and the threats facing Tonga, which we need to be able to anticipate, manage and mitigate.

HOW WE DEVELOPED THIS STRATEGIC PLAN.

In developing our Strategic Plan, we drew data and analysis on our performance and strategic priorities from a wide range of sources.

- *We engaged with our external stakeholders including our board, development partners, commercial banks, and government ministries.*
- *We engaged with our internal stakeholders through comprehensive discussions with staff at all levels.*
- *We examined the current and emerging environmental trends that are likely to be relevant to delivering our Strategy over the coming five years and conducted an analysis of the strengths, weaknesses, opportunities, and threats which face us.*
- *Working with our stakeholders and the government, we developed a risk management and threat matrix. The risks identified informed our strategic planning process.*
- *We consulted a wide range of published information on the performance and strategic activities of Central Banks in developing countries. We examined the strategic processes and policies of international central banks operating in circumstances similar to those of NRBT.*

The understanding and information generated, allied to our analysis as a management team, is the source of our plans to improve performance. In particular, the core concepts and processes which follow in this Strategic Plan are based upon our comprehensive analysis. This process is summarised in Appendix 1.¹

¹ Appendix 1: Summary of Analyses.

OUR FIVE STRATEGIC GOALS.

Ensuring alignment with the inclusive, resilient, and sustainable national development plans and the priority areas of government is an essential aspect of our strategic plan.² Playing our full role in the implementation of high-level plans requires that we focus clearly upon the delivery of five interconnected strategic goals. These five strategic goals serve as the foundation for a renewed and realigned approach at NRBT, ensuring our work over the next five years is both responsive and forward-looking. The five strategic goals are long-term goals and will be the focus of our work throughout the life of this plan. Each strategic goal has a set of key results areas to be delivered.

STRATEGIC GOAL 1. Ensure Sustainable and Inclusive Development for Tonga.

We recognize the swiftly changing economic and social landscape. To shield Tonga from global shocks, natural disasters, and climate change, our economic and financial systems must adapt.

We commit to a proactive shift in focus, analysis, and frameworks to ensure lasting improvement in the lives of the people of Tonga.

STRATEGIC GOAL 2. Safeguard the Financial Stability and Prosperity of Tonga.

While promoting inclusive development, we remain steadfast in our commitment to ensuring price stability, financial system security, and the effective regulation of financial services.

We will protect the best interests of consumers, businesses, and the private sector, ensuring a balanced approach that supports both stability and long-term development progress.

STRATEGIC GOAL 3. Embrace Transparency, Engagement, and Innovation.

We acknowledge the need for transformative operational approaches. By investing in new skills, fostering agility and continuous improvement, we will engage effectively with our tasks and with our stakeholders.

Every NRBT staff member will be empowered by a clear vision of our responsibilities to the people of Tonga.

STRATEGIC GOAL 4. Develop Well-Researched Data and Information for Informed Decision-Making.

We recognize the vital role of information in shaping policies and decisions. By enhancing our data collection, analysis, publication, and communication capabilities, we will provide the people and government of Tonga with evidence-based information.

We will facilitate knowledge sharing and informed decision-making across the nation.

STRATEGIC GOAL 5. Elevate Organisation Excellence in Our Staff and in Our Processes.

Our success hinges on our staff, their skills, and their dedication to the progress of Tonga. By nurturing a high-performing, diverse team at NRBT, we will modernise our operations. Embracing technology, data-driven strategies, and transparent practices, we will enhance efficiency, resilience, and adaptability.

We will maintain a clear focus upon the improvement of our capacity to deliver for the people of Tonga.

Table 2
Our Five Strategic Goals

² Appendix 2 identifies the four critical alignments that are required of NRBT.

OUR KEY STRATEGIC RESULTS AREAS.

For each of our five strategic goals, we have identified key strategic results areas. (KSRAs).

There are 56 KSRAs in total. Managing and delivering our KSRAs will ensure that we work towards our strategic goals and that we maintain focus upon our core responsibilities and the promises we make to the people of Tonga.

The KSRAs are the specific, time bound, measurable, and actionable tasks critical to advancing our strategic goals and realizing our strategic objectives. They serve as the benchmark against which our performance in the five strategic goals should be evaluated. They reflect our dedication to delivering tangible outcomes and to fostering inclusive and sustainable growth for the people of Tonga.



Key Strategic Results Areas In Support of Strategic Goal 1: ENSURE SUSTAINABLE AND INCLUSIVE DEVELOPMENT FOR TONGA

Key Strategic Result Area.	Result Required.
KSRA 1.1 – Strengthen the role of NRBT in the Tongan Economy.	<ul style="list-style-type: none"> Review the NRBT Act to incorporate new goals for macro-economic resilience and enhancing independence while safeguarding the core focus on price and financial sector stability.
KSRA 1.2 – Improved Strategic Planning and Transparency.	<ul style="list-style-type: none"> Finalise the 5-year NRBT Strategy 2028 as a roadmap for NRBT to stay relevant, ensuring annual review and alignment of NRBT's Annual Management instruments.
KSRA 1.3 – Improved Management of Systematic Risks.	<ul style="list-style-type: none"> Establish indicators of the systematic risks facing Tonga, specifically targeting highly stressed risks. Maintain a strong banking sector capital position and enhance stress tests. Incorporate macro-economic scenario assessment and planning.
KSRA 1.4 – Evolution of Monetary Policy Tools.	<ul style="list-style-type: none"> Regular review and annual update of the effectiveness of Monetary Policy Tools (2007 – 2023).
KSRA 1.5 – Improved Coordination of Monetary and Fiscal Policies.	<ul style="list-style-type: none"> Establish a working platform with Government to coordinate, implement, and monitor Monetary and Fiscal Policy initiatives.
KSRA 1.6 – Improved Promotion of Evidence-based, Intelligent Economic Debate.	<ul style="list-style-type: none"> Support a responsible platform for consistent and intelligent economic debate through regular dialogue and independent processes for analysis, economic conferences, and panel discussion.

Key Strategic Result Area.	Result Required.
KSRA 1.7 – Improved Proactive Financial Support.	<ul style="list-style-type: none"> Provide more proactive support to facilitate the flow of finance to the economy, ensure optimal liquidity conditions, and encourage the mobilisation of excess savings in the most productive way.
KSRA 1.8 – Renewed and Improved Commitment to Inclusive and Sustainable Development.	<ul style="list-style-type: none"> Renew our commitment to inclusive and sustainable development by prioritising initiatives that contribute meaningfully to poverty reduction.
KSRA 1.9 – Improved Financial Inclusion Strategy.	<ul style="list-style-type: none"> Update and implement the National Financial Inclusion Strategy, including a nationwide Financial Literacy Program.
KSRA 1.10 – Improved Access to Credit for the Productive Sectors.	<ul style="list-style-type: none"> Provide greater access for productive and vulnerable sectors, such as agriculture and MSMEs, to address discrepancies between sector contributions to GDP and their access to credit.
KSRA 1.11 – Regulation of Unregulated Financial Institutions.	<ul style="list-style-type: none"> Bring unregulated financial institutions into the regulation and data collection system.
KSRA 1.12 – Strengthened Currency Management Systems.	<ul style="list-style-type: none"> Strengthen currency management with secure and reliable management systems.
KSRA 1.13 – Development and implementation of Proactive Actions on Climate Change.	<ul style="list-style-type: none"> Engage in more proactive activities addressing climate change risks and promoting access to climate financing.
KSRA 1.14 – Improved Monitoring of NPLs and Financial System Stability.	<ul style="list-style-type: none"> Proactively monitor Non-Performing Loans (NPLs) and the financial system to ensure adequate provisions are in place to absorb shocks.



Key Strategic Result Area.	Result Required.
KSRA 2.1 – Improved Performance in Maintaining Low and Stable Inflation.	<ul style="list-style-type: none"> • Prioritise efforts to sustain low and stable inflation, reviewing benchmarks (e.g. inflation reference rate) to align with historical trends and the medium-term outlook.
KSRA 2.2 – Facilitating Affordable Interest Rates.	<ul style="list-style-type: none"> • Address structural factors impacting interest rates, such as sovereign risks premium, ineffective insolvency regime, lack of competition and scarcity of financing opportunities, as well as mitigating the credit risks of high risk sectors (e.g. agriculture).
KSRA 2.3 – Develop and Implement Policies on Interest Rate Subsidies and Refinancing Facilities.	<ul style="list-style-type: none"> • Develop and implement interest rate subsidies for growth priority sectors, together with refinancing facilities for disaster-affected businesses.
KSRA 2.4 – Continued Development Towards Building a Sound and Efficient Financial System.	<ul style="list-style-type: none"> • Enhanced supervision particularly of stressed banks, ongoing update of prudential standards to align with international standards and market developments, and develop macro-prudential policies and tools for promoting of financial stability.
KSRA 2.5 – Continued Improvement on the Review and Updating of the Exchange Rate Policy.	<ul style="list-style-type: none"> • Maintain the pegged exchange rate, conducting periodic reviews and updates.
KSRA 2.6 – Continued Improvement on the Review and Updating of Foreign Reserve Policy.	<ul style="list-style-type: none"> • Review and update the foreign reserve management policy to preserve stability (safety and liquidity) while maximizing investment income.
KSRA 2.7 – Continued Improvement on the Review and Updating of Exchange Control Policy.	<ul style="list-style-type: none"> • Review and update the exchange control policies in line with market developments to better support trade and investment, while protecting the foreign reserves.
KSRA 2.8 – Review and Update Money Laundering and Proceeds of Crime Act.	<ul style="list-style-type: none"> • Review and update the Money Laundering and Proceeds of Crime Act to align with international standards.
KSRA 2.9 – Improve Anti-Money Laundering Supervision.	<ul style="list-style-type: none"> • Extend anti-money laundering supervision to cash dealers and unregulated financial institutions, and adopt a risk-based approach.
KSRA 2.10 – Develop a Risk Assessment-Based Implementation Approach for AML.	<ul style="list-style-type: none"> • Promote a risk-assessment based approach in implementing preventive measures under the Money Laundering and Proceeds of Crime Act.
KSRA 2.11 – Operationalise the Financial Intelligence Function.	<ul style="list-style-type: none"> • Strengthen the capacity of the Financial Intelligence Function to be better perform its role, including secondment opportunities for key stakeholders and effective utilisation of new systems for analysis and managing of intelligence information.
KSRA 2.12 – Enhance Crime Prevention and Detection.	<ul style="list-style-type: none"> • Strengthen the prevention and detection of serious financial crimes, such as fraud, corruption, and terrorism financing.

Key Strategic Result Area.	Result Required.
KSRA 2.13 – Strengthen Cyber-Risk Management.	<ul style="list-style-type: none"> Finalise and approve the cyber-risk management policy and continue to undertake regular tests and audit of systems to protect the integrity and security of the NRBT's network and the financial system.
KSRA 2.14 – Develop a Macro-Prudential Framework for Crisis Management.	<ul style="list-style-type: none"> Develop and implement a macro-prudential framework for crisis management, including readiness for risks and worst-case scenario planning.
KSRA 2.15 – Develop Government Securities and Domestic Financial Markets.	<ul style="list-style-type: none"> Review financial market related policies (e.g. repo facilities, interest rate corridor), and update systems and infrastructure for the issue of securities, to diversify funding sources and improve financial system liquidity management.
KSRA 2.16 – Develop Credit Registry Legislation and Platform.	<ul style="list-style-type: none"> Develop legislation for the establishment of an in-house credit registry, and a platform to improve the collection of quality credit information to support credit risk assessments and ensure a level playing field for all lenders.
KSRA 2.17 – Develop and Implement a Financial Consumer Protection Policy	<ul style="list-style-type: none"> Develop and implement a financial consumer protection policy and process to better address of complaints in relation to financial services by NRBT and improve confidence in accessing and usage of financial services and products.
KSRA 2.18 – Establish a Financial Stability Unit.	<ul style="list-style-type: none"> Establish a Financial Stability Unit with appropriate staff to monitor macro-economic developments and their impacts upon financial stability.



Key Strategic Results Areas In Support of Strategic Goal 3: EMBRACE TRANSPARENCY, ENGAGEMENT, AND INNOVATION

Key Strategic Result Area.	Result Required.
KSRA 3.1 – Modernise Payment Systems	<ul style="list-style-type: none"> Build on DEPS to include the Government, migrate to the more global SWIFT system or any other credible system, to ensure a comprehensive real-time enabling payment system.
KSRA 3.2 – Enhance the NRBT Web Portal.	<ul style="list-style-type: none"> Improve the NRBT portal to enable user-friendly information sharing and facilitate the improvement of evidence-based decision-making.
KSRA 3.3 – Develop and Implement a Secure Online Submission Platform.	<ul style="list-style-type: none"> Develop and implement a secure online submission platform for commercial banks and other financial institutions to improve data quality and timeliness, and protect the confidentiality of data.

Key Strategic Result Area.	Result Required.
KSRA 3.4 – Develop and Implement an Information Classification Policy.	<ul style="list-style-type: none"> Develop and implement an information classification policy based on the level of sensitivity, value, risk, and labels for classifying information as public, internal, confidential or secret.
KSRA 3.5 – Foster an Internal Culture of Innovation and Change.	<ul style="list-style-type: none"> Cultivate a culture of innovation and change at NRBT to enhance operational efficiency, effectiveness, and responsiveness to emerging challenges.
KSRA 3.6 – Improve and Enhance Clear, Open Communication.	<ul style="list-style-type: none"> Establish clear, open communication channels with all stakeholders. Enhance and extend consultations with ABT, non-bank financial institutions, non-FIs, and all stakeholders.



Key Strategic Result Area.	Result Required.
KSRA 4.1 – Enhanced Statistical Capabilities.	<ul style="list-style-type: none"> Strengthen statistical capabilities for an evidence-driven approach to inform economic and financial policies. Promote informed decision-making for economic agents and the public.
KSRA 4.2 – Improved and Regular Publishing of Evidence-Based Reports.	<ul style="list-style-type: none"> Increase the frequency of publishing evidence-based reports and decisions on economic, financial, and social matters. Review current publications e.g. quarterly bulletin, to ensure information of interest to stakeholders are published.
KSRA 4.3 – Review, Develop, Improve and Implement Crisis Communication Strategy.	<ul style="list-style-type: none"> Review and update the Crisis Communication Strategy to ensure effective communication during critical situations. This is to be in line with the Business Continuity Plan.
KSRA 4.4 – Improve the Transparent Publication of Regulations.	<ul style="list-style-type: none"> Publish regulations, guidelines, and decisions transparently, ensuring accountability for regulatory and supervisory actions.



Key Strategic Results Areas In Support of Strategic Goal 5: **ELEVATE ORGANISATION EXCELLENCE IN OUR STAFF AND IN OUR PROCESSES.**

Key Strategic Result Area.

Result Required.

OUR STAFF:

KSRA 5.1

- Develop and Implement Inclusive HR Policies.

- Align HR policies to be inclusive, diverse, and gender-sensitive for women and mothers with infant children, promoting a collaborative work environment for high performance, teamwork, and a harassment-free workspace.

KSRA 5.2

- Cultivate an Inclusive and Diverse Workplace.

- Cultivate an inclusive and diverse workplace, recognizing outstanding performance, and promoting diversity in recruitment, retaining diverse talent, and ensuring equitable promotion opportunities.

KSRA 5.3

- Implement a Biennial Salary and Incentives Survey.

- Starting in 2024, to inform the Board Remuneration Review, introduce biennial survey of the competitiveness of NRBT salaries, bonuses, and other financial incentives.

KSRA 5.4

- Develop and Implement a Simplified and Aligned Performance Management System. (PMS).

- Simplify the staff performance management system to focus on rewarding performance, capacity building, and addressing challenges effectively. Align the PMS with the results of the strategic, corporate, and annual management plans.

KSRA 5.5

- Develop and Implement a Proactive Health and Social Program.

- Continue and update health and wellness programs, mental health support, and social & recreational facilities to encourage balanced and holistic employee well-being.

KSRA 5.6

- Improve Learning and Development Opportunities.

- Continue to invest in local advanced high learning opportunities and sponsor postgraduate study opportunities for career advancement. In addition, align development with the capacities required by the organisation.

KSRA 5.7

- Implement Continuous Employee Feedback Systems.

- Develop and implement systems to generate monthly feedback from employees and to act upon the information to improve organisation processes.

KSRA 5.8

- Improve Corporate Social Responsibility.

- Maintain and develop Corporate Social Responsibility, offering flexible working hours, remote work opportunities, and paid time off to ensure a healthy work-life balance.

Key Strategic Result Area.	Result Required.
KSRA 5.9 – Enhanced empowerment of the Internal Audit function.	<ul style="list-style-type: none"> Empower the Chief Internal Auditor to ensure the robustness and efficacy of key functions through a more proactive internal audit annual plan and internal audit implementation of compliance, strategic alignment (benchmarking) and emerging risks (scenario analysis) with the aim of enhancing operational efficiency, skills development, and continuous improvement and stakeholder feedback.
KSRA 5.10 – Enhanced Investment in Modern Facilities, Technology and Digital Transformation.	<ul style="list-style-type: none"> Invest in modern office facilities, uniforms, and up-to-date technology to simplify operations, work processes and delegation of authorities (DEPs, SWIFT Migration, ELMO, Self-service, and Accredo, artificial AI etc.) to enhance efficiency and signal a forward-thinking approach.
KSRA 5.11 – Assess and Develop New, Updated Operational Policies.	<ul style="list-style-type: none"> Continually reassess and enhance operational policies to align with central banking best practices, including new procurement policies, an updated enterprise risk management policy, gender and sexual harassment policy, and a strengthened fraud and whistle-blower policy.
KSRA 5.12 – Improved and Updated Security.	<ul style="list-style-type: none"> Review and update security to enhance operational efficiency, safety, reliability and resilience. System improvements include updated technology, improved system assessment, development of advanced protocols, special security networks for diplomatic tenants, protection of privacy, on-going training, and improved collaboration.
KSRA 5.13 – Improved Business Continuity Planning.	<ul style="list-style-type: none"> Review and approve the NRBT Business Continuity Planning and Cyber Threat Contingency Plan, aligned with NRBT Strategy 2028.
KSRA 5.14 – Improved and Upgraded Infrastructure.	<ul style="list-style-type: none"> Upgrade office property and infrastructure to international standards to include alternate site for redundancy and business continuity / recovery.

Table 3
Our 56 Key Strategic Result Areas

These 56 Strategic Results Areas will be at the core of our performance management system. Each senior manager will be accountable for delivery of sets of KSRAs. The KSRAs will cascade down into the organisation, aligning the strategic plan with the job descriptions of every employee of NRBT.

To deliver the five strategic goals and the 56 KSRAs, we need to ensure that, as an organisation, we work to improve performance in critical areas of internal strength and weakness and to align ourselves with national plans and stakeholder needs.

IDENTIFYING OUR KEY PERFORMANCE IMPROVEMENT AREAS. (PIAS).

Through our analysis, we have identified and prioritized six key performance improvement areas (PIA). These PIAs are a critical component of this strategic plan. Improvement in the PIAs is necessary to facilitate the delivery of our strategic goals and the 56 KRSAs.

Over time, as performance in the PIA improves, and the operating environment changes, our PIA priorities will be updated to ensure that the long-term strategic goals and KSRAs are consistently delivered.



Figure 3
Our 6 Key Performance Improvement Areas (PIAs)

Each of the six PIAs will be led by a designated senior management officer, responsible for driving performance improvement to ensure NRBT relevance and effectiveness to the evolving economic landscape of Tonga.



PIA 1.

We must constantly re-examine and redefine our objectives, goals, and operations to address increasing vulnerability to disasters and economic shocks.

We must develop improved policies and practices to:

- Clarify, redefine, and add new goals for proactive macro-economic management to address our exposure and vulnerability to disasters and economic shocks.
- Enable credit to finance the economy at the lowest cost.
- Increase access to climate financing.
- Expand the role of NRBT in addressing financial macroeconomic risks through simultaneous scenario planning of disasters, climate and natural hazards, global shocks, and instability in the economic environment.

We must improve stakeholder engagement.

- Better engage with stakeholders, including financial institutions and consumer groups.
- Ensure that useful financial data and information are captured and disseminated to relevant stakeholders.
- Establish a Monetary Policy Committee that includes representatives of various stakeholders.
- Increase the number and quality of our outreach programs.

PIA 2.

We must strengthen monetary policy transmission mechanisms.

We must positively contribute to the functioning of the economy by changing the status quo to:

We must tailor monetary policies to actively promote greater economic prosperity and inclusive development.

- Increase, through credit and interest rate channels, the influence of monetary policy upon price stability.
- Increase the effectiveness of exchange rate policies upon price stability.
- Increase the influence of monetary policy upon money supply and aggregate demand.
- Address structural weaknesses and facilitate credit to finance the economy at the lowest possible cost for business and households.
- Ensure excess savings are recycled in the most productive way and to develop security in the domestic financial markets.
- Conduct macroeconomic supervision of Tonga's economic policies.

PIA 3.

We must build the position and resilience of Tonga in global markets.

Positively contribute to the functioning of the economy by changing the status quo to:

- Ensure the exchange rate regime (the basket peg) is appropriate.
- Ensure exchange rates are in line with fundamentals and contribute to economic development.
- Promote trade competitiveness and foreign direct investment.
- Increase the profitability of foreign reserves management while ensuring safety and liquidity.

PIA 4.

We must promote inclusive development while ensuring financial stability and protection of consumers.

Positively contribute to the functioning of the economy by changing the status quo to:

- Facilitate greater access to credit by the underserved sectors of the economy.
- Promote digital financial services.
- Allow economic agents to cover financial risks with optimal liquidity.
- Build Financial Inclusion: make all financial services all-inclusive.
- Establish macro-prudential indicators for financial stability and increase stress tests.
- Establish a robust financial consumer protection framework ensuring transparency, fair treatment, and effective dispute resolution.
- Ensure that consumer protection rules and principles are well embedded in all financial product and services available.
- Establish a credit registry.

PIA 5.

We must improve the management and quality of currency in circulation.

Positively contribute to the functioning of the economy by changing the status quo to:

- Facilitate timely processing of parcels of deposits of currency.
- Improve currency storage.
- Develop and implement more frequent public awareness programs to reduce circulation of counterfeit currency.
- Adopt relevant technology for efficient currency management and security against counterfeiting.
- Enhance inventory management by forecasting demand and supply.
- Enlarge market for numismatic (collectable) currency through innovative marketing programs.

PIA 6.

We must improve capacity building, our use of digital and other technologies, our organisation transformation, and our compliance with international standards.

Positively contribute to the functioning of the economy by changing the status quo to:

- Improve investment in staff capacity building.
- Align regulatory frameworks with international standards to enhance credibility and effectiveness.
- Improve participation and representation at international financial forums.
- Enhance efficiency and effectiveness through the adoption of digital and new technologies.
- Combat cyber threats.

Table 4: The 6 PIAs

These six PIAs will be incorporated into the job descriptions and performance management processes for the senior management team. The PIAs are a critical aspect of delivering our five strategic goals and the associated results areas.

Aligning the organisation with our over-arching goal of sustainable, inclusive, and resilient growth and with our five strategic goals and KSRAs requires that we focus upon our critical processes of performance improvement.

Success in these six critical areas will require that we fully understand and accept our responsibilities in relation to the high-level sustainable and inclusive development outcomes of the National Development Plan, the Tonga Strategic Development Framework (TSDF) and to the GPAs.

Close adherence to the delivery of the TSDF and GPAs requires a reimagining of our mandate, ensuring that every NRBT action, policy, behaviour, and process is geared towards fostering inclusive and sustainable progress for Tonga.

ACTION PLANS TO IMPROVE PERFORMANCE IN THE PIAS.

Delivering the KSRAs requires that we take the resolute steps to plan and implement improvement in the six identified areas. By working to improve performance we pledge to actively contribute to the facilitation of inclusive, sustainable, and resilient development for the well-being of all the people of Tonga, fostering prosperity and opportunity for every Tongan citizen.



PIA #1

ADAPTING TO A CHANGING ECONOMIC ENVIRONMENT AND ENHANCING STAKEHOLDER ENGAGEMENT.

We will adapt to the changing economic environment and improve stakeholder engagement. To achieve this, we have set the following performance targets and actions.

Performance Targets.

Enhance Resilience to Disasters and Shocks.

Our PIA 1 Actions and Key Results.

We will continuously update our goals and operations to proactively manage economic challenges, enhance credit accessibility, and address the impacts of disasters and economic shocks. We will do this by:

- *Adding new goals for proactive macro-economic management to cope with the increasing exposure and vulnerability to disasters and economic shocks.*
- *Enabling credit to finance the economy at the lowest cost and increase access to climate financing.*
- *Expanding the role of NRBT to address financial macroeconomic risks through scenario planning.*

Enhance Performance and Accountability for the Next 5 Years.

We will improve organisation performance and accountability through active involvement in legislative reviews and through transparent reporting mechanisms to key stakeholders. We will do this by:

- *Contributing to the review of the NRBT Act, the Banking Act, and related legislation to ensure the independence and accountability of NRBT.*
- *Reporting to Government and to Parliament on our effectiveness and efficiency.*

Maintain and Develop Our Understanding of the Implications of Initiatives and Projects.

We will commit to understanding the implications of initiatives and projects by assessing external factors and aligning operations with public expectations. We will do this by:

- *Assessing the external environment and shape of future standards and plot our future operating model against the public expectations.*

Establish Consistent Reporting and Disclosure Standards.

We will commit to creating a standard reporting and disclosure framework, promoting consistency and enhancing the comparability and usability of data in the financial sector. We will do this by:

- *Ensuring that all financial sector and market participants are reporting the same information using consistent standards and that data is comparable and usable.*

Collaborate with the Private Sector for Net Zero and Climate Financing.

We will commit to collaboration with the private sector to achieve net zero, promote climate financing, and simultaneously prioritise economic stability and local market development. We will do this by:

- *Prioritizing actions to assist in the transition to net zero, ensuring affordable access to credit and climate financing to help reduce the burden on the Tongan people.*
- *Creating special funds, developing the local market for securities and capital, and maintaining economic stability.*

Address Structural Issues in the Economy of Tonga.

We will address structural challenges in the economy through targeted reforms and collaborative efforts with stakeholders. We will do this by:

- *Addressing structural issues, such as the large informal economy and a lack of financial inclusion, that hinder the effectiveness of monetary policy.*
- *Collaborating with the government and other stakeholders to work on financial sector reform, infrastructure development, human capital development, diversification of the economy, trade policy reforms, improving the business environment, and coordination with fiscal policy.*

Enhance Engagement with International Stakeholders.

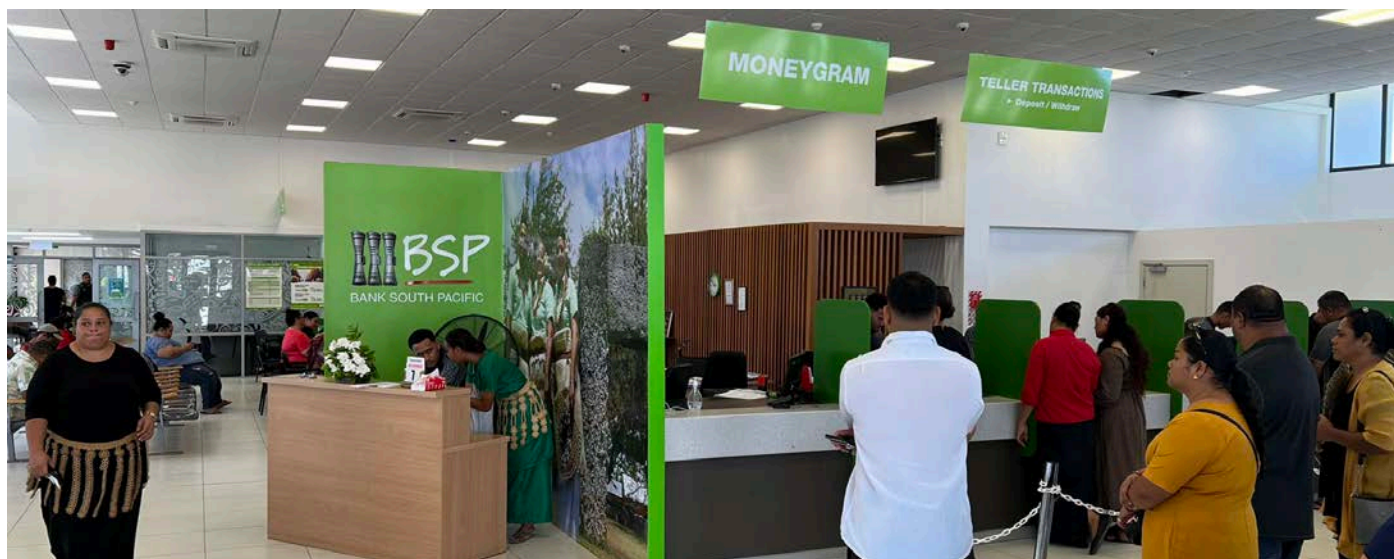
We will proactively engage with international stakeholders to remain informed, influence global trends, and foster collaborative initiatives at all levels. We will do this by:

- *Engaging with international regulatory bodies, financial institutions, and other stakeholders.*
- *Participating in international, regional, and local forums, conferences, and collaborative initiatives.*
- *Increasing outreach programs and economic dialogue with local stakeholders.*

Enhance Knowledge Sharing Capabilities:

We will commit to optimizing data-related processes and improving the dissemination of information to enhance knowledge sharing capabilities. We will do this by:

- *Improving data collection and dissemination of data and analysis.*



PIA #2

STRENGTHENING MONETARY POLICY TRANSMISSION MECHANISMS.

We will tailor our monetary policies to foster economic growth and inclusion. To achieve this, we have set the following performance targets and actions:

Performance Targets.

Improve the Transmission of Our Monetary Policies.

Our PIA 2 Actions and Key Results.

Our policy decisions will have a stronger and faster impact on the economy. We will do this by:

- *Developing the capital market of Tonga to enhance the domestic financial markets.*
- *Establishing an interest rate corridor to guide market interest rates and align them with our policy rates.*
- *Increasing our influence on price stability through credit, interest rate and exchange rate channels.*
- *Conducting macroeconomic supervision of Tonga's economic policies.*

Improve Our Influence Upon Price Stability

We will work to keep inflation low and stable. We will do this by:

- *Mopping savings and providing liquidity to manage the money supply.*
- *Managing interest rates to influence the cost of borrowing and saving.*
- *Monitoring and forecasting inflation and other economic indicators.*
- *Planning for contingencies and using commodity hedging to mitigate external shocks.*
- *Managing the exchange rate to influence the price of imports and exports.*
- *Communicating effectively with the public and the government.*

Improve our Expectations Management.

We work to manage the expectations of the public and the financial markets about our future actions and goals. We will do this by:

- *Communicating transparently and providing forward guidance about our policy intentions.*
- *Building credibility and trust by delivering on our promises and being accountable.*
- *Engaging with stakeholders and listening to their feedback and concerns.*
- *Publishing economic forecasts and explaining our policy rationale.*
- *Educating the public about our role and mandate.*
- *Using social media and technology to reach a wider audience.*
- *Listening to market signals and adjusting our policies accordingly.*

- *Reviewing our policies regularly and learning from our experiences.*
- *Coordinating with other central banks and international organisations.*

Work with Government to unite Monetary and Fiscal Policy.

We will work to align our policies with the government budget and spending plans. We will do this by:

- *Coordinating with the Ministry of Finance to manage the fiscal deficit and its implications for the economy and our monetary policy.*
- *Advising the government on the best budget financing options and their trade-offs.*
- *Collaborating with other government ministries to support economic development and inclusion.*



PIA #3

BUILDING TONGA'S POSITION AND RESILIENCE IN GLOBAL MARKETS.

We will align our exchange rate with macroeconomic fundamentals and improve our reserve management performance and profitability. To achieve this, we have set the following performance targets and actions:

Performance Targets.

Align our Exchange Rate with Macroeconomic Fundamentals.

Our PIA 3 Actions and Key Results.

Our exchange rate will reflect the true value of our currency and support our economic stability and growth. We will do this by:

- *Reviewing and adjusting our exchange rate regime to reduce volatility and inflation.*
- *Ensuring favourable exchange rates for diversifying exports and attracting foreign direct investment.*
- *Reducing our dependence on a few sectors or commodities to cope with external shocks.*
- *Managing exchange risks through hedging strategies and educating stakeholders about exchange rate risks and management.*

Increase the Profitability of Foreign Reserves Management.

We will balance risk and return in our investment activities. We will do this by:

- *Establishing and using appropriate benchmarks to evaluate our reserve portfolio performance regularly.*
- *Increasing our capacity to invest in higher-return financial instruments using yield curve analysis and external expert managers.*

- *Conducting regular stress tests and ensuring liquidity constraints are not compromised by profitability pursuits.*
- *Improving governance and transparency by following clear policy guidelines and reporting our investment activities and results.*

Improve our Reserve Management Performance.

We will enhance the efficiency, security, and liquidity of our foreign reserve holdings. We will do this by:

- *Developing deeper and more liquid domestic financial markets to facilitate currency transactions.*
- *Diversifying our reserve assets across different currencies, asset classes, and regions to reduce risk.*
- *Updating our contingency plans for crisis management to be more modern and efficient.*
- *Building staff capacity and adopting advanced technology for portfolio management, risk assessment, and decision-making.*
- *Improving liquidity forecasts and buffers to meet short-term and contingency needs.*

Perform Market Research.

We will gather and analyse relevant information on global financial markets and trends. We will do this by:

- *Using various sources and methods to collect and process data on market conditions, opportunities, and risks.*
- *Applying analytical tools and models to interpret and forecast market movements and scenarios.*
- *Sharing our findings and insights with internal and external stakeholders to inform decisions and actions.*

We Will Assist in Easing the Cost of Doing Business in Tonga.

We will work to reduce the costs of doing business by implementing monetary policies and strategic initiatives that support business activity and economic growth. We will do this by:

- *Review of our foreign exchange control measures and requirements to attract more foreign direct investment and allow businesses to hedge against exchange rate risks.*
- *Collaborate with the government and international bodies on regulatory reforms that enhance economic growth and technology transfer.*
- *Adopt modern technology to improve digital payment transfers locally and internationally by developing and maintaining efficient payment systems and encouraging digital financial services.*
- *Improve data dissemination and information sharing to provide economic and market information to businesses for decision-making.*

PIA #4

PROMOTING INCLUSIVE DEVELOPMENT AND FINANCIAL STABILITY.

We will improve financial inclusion, stability, and consumer protection in Tonga. To achieve this, we have set the following performance targets and actions:

Performance Targets.

Address the Structural Constraints.

Our PIA 4 Actions and Key Results.

We will overcome the limitations and challenges that hinder the efficiency of the financial system and the economy. We will do this by:

- *Increasing competition and developing financial markets to serve key sectors, provide more investment options, and allocate financial resources more efficiently.*
- *Increasing financial inclusion to reach more than 50 percent of the population, especially in rural areas and outer islands.*

- *Resolving the excess liquidity and high interest rate problem by improving monetary policy transmission and financial intermediation.*

Promote Digital Financial Services.

We will support the adoption of digital technologies that enhance access and convenience of financial services. We will do this by:

- *Supporting mobile money, online banking, and digital payment systems that reduce transaction costs and increase financial inclusion.*
- *Developing and maintaining efficient national payment systems that facilitate smooth and secure transactions.*

Encourage and Oversee Agent Banking.

We will support the expansion of agent banking, where local retailers and other non-bank entities act as agents for banks. We will do this by:

- *Developing and enforcing regulations and guidelines for agent banking that ensure quality and safety of services.*
- *Providing incentives and support for banks and agents to establish and operate agent banking networks.*
- *Educating and informing the public about the benefits and risks of agent banking.*

Engage in Financial Literacy Programs.

We will implement financial literacy and education programs to increase awareness and understanding of financial products and services. We will do this by:

- *Developing and delivering financial literacy curricula and materials for various target groups, such as students, women, and the young, and rural communities.*
- *Collaborating with stakeholders and partners, such as schools, NGOs, the media, and government agencies, to disseminate financial literacy messages and campaigns.*
- *Evaluating and monitoring the impact and effectiveness of financial literacy programs and activities.*

Establish a Financial Stability Unit.

We will establish a Financial Stability Unit in charge of monitoring and analysing macro-prudential indicators of financial stability. We will do this by:

- *Developing and implementing a framework and methodology for assessing and reporting on financial stability risks and vulnerabilities.*
- *Establishing, collecting, and processing macro-prudential data and indicators from various sources, such as banks, non-bank financial institutions, and other sectors.*
- *Conducting stress tests and scenario analyses to understand how the financial system would perform under adverse conditions and shocks.*
- *Developing and implementing macro-prudential policies and tools to mitigate and prevent systemic risks and crises.*

Build Consumer Protection Levels.

We will establish strong consumer protection regulations to build trust in the financial system. We will do this by:

- *Developing and enforcing consumer protection laws and regulations that protect consumers from fraud, ensure transparency in fees and charges, and establish mechanisms for resolving disputes.*
- *Establishing and empowering a consumer protection agency or authority that can oversee and enforce consumer protection regulations and handle consumer complaints and grievances.*
- *Educating and informing consumers about their rights and responsibilities and the available channels and procedures for seeking redress and remedy.*

Enhance Consumer Identification Systems.

Support the development of national identification systems, which are essential for expanding access to financial services. We will do this by:

- *Supporting the issuance and distribution of national ID cards or other forms of identification that can be used to open bank accounts and access other financial services.*
- *Developing and maintaining a national identification database that can store and verify the identity information of individuals.*
- *Collaborating with stakeholders and partners, such as banks, government agencies, and civil society, to promote and facilitate the use of national identification systems.*

Improve Credit Information Systems.

We will assist in the establishment of local credit information systems and a credit registry that can provide information on borrower credit histories. We will do this by:

- *Developing and enforcing regulations and guidelines for credit information systems and credit registry that ensure accuracy, security, and privacy of credit information.*
- *Providing incentives and support for banks and other lenders to report and share credit information to the credit information systems and credit registry.*
- *Providing access and feedback to borrowers and lenders on their credit information and credit scores.*

Develop and Implement Innovative Products for the 'Unbanked'.

We will work with commercial banks and others to develop innovative financial products tailored to the needs of the unbanked population. We will do this by:

- *Conducting market research and analysis to understand the needs, preferences, and behaviours of the unbanked population.*
- *Developing and testing new and innovative financial products, such as savings products, micro-insurance, and micro-loans, that are affordable, accessible, and appropriate for the unbanked population.*
- *Promoting and marketing new and innovative financial products to the unbanked population and providing them with adequate support and guidance.*

Recognize and Respond to the Needs of Critical Sections of the Population.

We will implement gender-sensitive, youth-friendly, and regional-specific policies that address the barriers faced by sections of the population in accessing financial services. We will do this by:

- *Conducting gender, youth, and regional analysis and assessments to identify and understand the specific challenges and opportunities for financial inclusion.*
- *Developing and implementing policies and programs that target and address the specific needs and constraints of women, youth, and rural and outer island communities.*
- *Supporting women entrepreneurs, youth entrepreneurs, and rural and outer island entrepreneurs with access to finance, business development services, and market linkages.*



PIA #5

IMPROVING CURRENCY MANAGEMENT AND QUALITY.

We will improve the design, quality, distribution, and security of currency in circulation. To achieve this, we have set the following performance targets and actions:

Performance Targets.

Our PIA 5 Actions and Key Results.

Improve Currency Design and Security Features

We will regularly update our currency designs to make them more modern, culturally relevant, and secure. We will do this by:

- *Incorporating advanced security features, such as watermarks, holograms, and security threads, to combat counterfeiting.*

Improve Durability and Material Quality.

We will use high-quality and durable materials for our banknotes and coins to increase their lifespan and reduce replacement costs. We will do this by:

- *Exploring new technologies, such as polymer banknotes, which are more durable and secure than traditional paper notes.*

Ensure Efficient Currency Distribution.

We will develop efficient systems for currency distribution to ensure adequate supply in all regions, including remote areas. We will do this by:

- *Collaborating with banks and ATM operators to ensure consistent and widespread availability of good quality currency.*

Manage Currency Recycling and Withdrawal.

We will implement programs to recycle and withdraw worn-out notes and coins efficiently. We will do this by:

- *Regularly withdrawing and replacing damaged or worn currency from circulation.*

Improve Counterfeit Detection and Prevention.

We will make use of advanced counterfeit detection technologies and conduct public awareness campaigns. We will do this by:

- *Using advanced counterfeit detection technologies at banks and major financial institutions.*
- *Educating the public on how to recognize genuine currency and report counterfeit notes.*

Improve Data-Driven Currency Management.

We will analyse data on currency circulation and use predictive analysis to improve forecasting future currency requirements. We will do this by:

- *Using more relevant analysis of currency circulation to understand demand patterns and plan accordingly.*
- *Using predictive analytics to forecast future currency requirements, especially during peak periods such as holidays.*

Improve Our Awareness of Environmental Considerations.

We will adopt environmentally-friendly practices in currency management, including the use of sustainable materials and recycling. We will do this by:

- *Using sustainable materials and recycling for our currency production, distribution, and recycling.*

Improve Our Currency Cost Management.

We will work towards cost efficiency in the production, distribution, and recycling of currency. We will do this by:

- *Minimizing expenses while maintaining quality in our currency management activities.*

Ensure the Relevance of Our Legal and Regulatory Frameworks.

We will ensure that the legal and regulatory framework supports efficient currency management and combats counterfeiting. We will do this by:

- *Updating and enforcing the legal and regulatory framework for currency management.*

Stay abreast of the Development and Implementation of Digital Currencies.

We will continue to undertake market research and collaborate with other central banks and international corporations on the feasibility of issuing central bank digital currencies. We will do this by:

- *Conducting market research and analysis on the potential benefits and risks of digital currencies.*
- *Collaborating with other central banks and international corporations on the development and implementation of digital currencies.*

Implement Innovative Marketing Programs

We will expand the market for numismatic (collectable) currency by:

- *Enlarging the market for numismatic currency*
- *Implementing innovative marketing initiatives*

PIA #6

ENHANCING ORGANISATION CAPABILITIES AND COMPLIANCE.

We will improve our staff capacity, our use of technology, our transformation as a central bank and our compliance with international standards. To achieve this, we have set the following performance targets and actions:

Performance Targets.

Our PIA 6 Actions and Key Results.

Enhance Capacity Building.

We will build the capacity of our staff and unlock their full potential by:

- *Conducting individual assessments to identify skill gaps and align workforce aspirations with NRBT goals, KSRA's and PIAs.*
- *Implementing targeted training programs.*
- *Establish professional development plans for continuous learning.*
- *Encouraging staff to pursue studies and training opportunities with international agencies.*
- *Offering avenues for staff to attain certifications from chartered institutions, enhancing professional qualifications.*

Performance Targets.	Our PIA 6 Actions and Key Results.
Improve HR Policies and Benefits.	<p>We will regularly re-assess and enhance HR policies and staff benefits to keep them aligned with the evolving needs of the workforce and financial sector standards by:</p> <ul style="list-style-type: none"> • <i>Reviewing HR policies biennially for adaptability to the current work environment.</i> • <i>Updating staff compensation and benefits to align with market, regional and international standards.</i> • <i>Consider the value of including family benefits in insurance policies and review other benefits such as bonuses and vehicle benefits.</i>
Ensure Succession Planning.	<p>We will ensure that the organisation has a pipeline of capable individuals ready to assume key roles when needed by:</p> <ul style="list-style-type: none"> • <i>Enhancing the succession plan framework for key positions.</i> • <i>Facilitating knowledge transfer through mentorship programs.</i>
Enhance Employee Performance Reviews.	<p>We will manage and enhance employee performance by:</p> <ul style="list-style-type: none"> • <i>Rolling out an electronic platform for gathering feedback on performance improvement initiatives.</i> • <i>Modernizing and automating performance reviews at both individual and organisation levels.</i> • <i>Ensuring recognition and relevant rewards for outstanding performance.</i>
Enhance Communication Channels.	<p>We will commit to effective, open, and clear communications by:</p> <ul style="list-style-type: none"> • <i>Establishing effective communication channels for changes and the way we work.</i> • <i>Encouraging open communication and feedback from employees including guiding policies.</i> • <i>Clearly communicating and monitoring measurable KSRAs for capacity building, organisation transformation, and compliance.</i>
Building "One Bank" Mentality.	<p>We will build a workplace culture characterized by collaboration, modern recognition practices and a focus on the health and mental well-being of employees by:</p> <ul style="list-style-type: none"> • <i>Promoting a collaborative work environment.</i> • <i>Modernising recognition and rewards criteria.</i> • <i>Integrating mental health support.</i>
Enhance IT Corporate Network Security.	<p>We will strengthen the security IT by:</p> <ul style="list-style-type: none"> • <i>Implementing secured VPN connections for remote access.</i> • <i>Installing real-time monitoring tools.</i> • <i>Segregating networks into VLAN for enhanced security.</i> • <i>Implementing Two-Factor Authentication (2FA).</i>

Performance Targets.	Our PIA 6 Actions and Key Results.
Streamline Business Processes.	<p>We will enhance and streamline business processes for improved efficiency and expanded functionality by:</p> <ul style="list-style-type: none"> • <i>Investing in up-to-date technology ELMO and related systems.</i> • <i>Adopting HRIS features fully.</i> • <i>Upgrading DEPS to RTGS, expand participants, and implement other relevant systems.</i> • <i>Foreign Reserves Management System.</i> • <i>Accounting Software – fully using the Accredo system.</i> • <i>Improved Currency Management System.</i> • <i>Helpdesk Support Ticket System – to capture support on IT, Building & Property and Admin services.</i> • <i>Board Meeting Management Tools</i>
Enhance Data Security and Classification.	<p>We will enhance data security through the development of an information classification policy and the implementation of data encryption and backup solutions by:</p> <ul style="list-style-type: none"> • <i>Developing an information classification policy based on the sensitivity and criticality of data.</i> • <i>Implementing data encryption and backup solutions for data protection and recovery.</i> • <i>Updating Cybersecurity Risk Management.</i>
Establish Cybersecurity Risk Management.	<p>We will commit to effective cybersecurity risk management. We will do this by:</p> <ul style="list-style-type: none"> • <i>Establishing a Cybersecurity Risk Management Framework.</i> • <i>Finalising the revised Cybersecurity Policy.</i> • <i>Conducting ongoing awareness training and assessments.</i> • <i>Implementing a Cyber Incident Response Plan.</i>
Ensure Business Continuity and Disaster Recovery.	<p>We will commit to ensuring NRBT ability to continue operations in the face of disruption. We will do this by:</p> <ul style="list-style-type: none"> • <i>Developing strategies for continuity and resilience.</i> • <i>Reviving and implementing a Business Resumption Site.</i> • <i>Testing BCP and DRP plans annually.</i> • <i>Enhancing departmental BCP plans.</i>
Enhance Risk and Compliance Management.	<p>We will ensure an effective risk and compliance management is in place. We will do this by:</p> <ul style="list-style-type: none"> • <i>Aligning with relevant international standards.</i> • <i>Regularly updating the Risk Management Unit on evolving standards.</i> • <i>Establishing an Internal Audit Unit.</i>
Improve Bank Facility Security.	<p>We will commit to enhancing the security infrastructure of the bank facility. We will do this by:</p> <ul style="list-style-type: none"> • <i>Upgrading Security System.</i> • <i>Enhancing the security perimeter fence.</i> • <i>Installing a second backup standby generator.</i> • <i>Upgrading the Fire Alarm System.</i>
Improve Adherence to International Standards.	<p>We will commit to ensuring that NRBT practices and systems are in line with established international standards. We will do this by:</p> <ul style="list-style-type: none"> • <i>Investing in alignment with international standards.</i> • <i>Strengthening relationships with other central banks for knowledge exchange.</i>

Performance Targets.	Our PIA 6 Actions and Key Results.
Develop Change Management and Agile Practices.	<p>We will commit to managing change effectively, fostering innovation, and adopting agile practices for increased flexibility. We will do this by:</p> <ul style="list-style-type: none"> • <i>Implementing robust change management strategies.</i> • <i>Communicating vision, goals, and benefits of transformation.</i> • <i>Fostering a culture of innovation and rewarding it.</i> • <i>Adopting agile work practices for flexibility and responsiveness.</i> • <i>Establishing a Home-Based Work policy.</i>
Improve Monitoring and Assessment.	<p>We will commit to establishing a robust system for continuous monitoring and assessment. We will do this by:</p> <ul style="list-style-type: none"> • <i>Developing and implementing a system for continuous monitoring and assessment.</i> • <i>Tracking measurable impacts through the KSRAs and employee satisfaction surveys.</i>

MANAGING THE SIX PIA ACTION PLANS.

Each of the PIAs will be regarded as core projects and will be incorporated into the job descriptions of the senior management team. They will be a core part of the performance management system and personal assessment. The six PIAs are focused not only upon improving the organisation but also upon building the capacities of the management of NRBT to ensure that we are capable of delivering what is required of us.

Selected Chief Managers will play a crucial role as delegated Team Leaders, supporting the Executive Team in planning and implementing each PIA of the NRBT Strategy 2028. This focused approach will to provide clarity, responsibility, accountability and communication:

Role of the PIA Team Leaders.

The designated PIA Team Leader will be responsible to lead the implementation of the specific PIA. This involves collaborating with the management team to plan and drive initiatives aligned with the Key Result Areas, objectives, and Strategic Goals.

Using the Strategic Plan, the PIA team leader will work with their team to formulate a detailed work plan and Key PIA Results Areas (KRA) for the PIA to include in the Annual Work Plan. The Team Leader must ensure alignment with the NRBT Strategy, emphasizing measurable targets and clear timelines. The teams will seek input from relevant departments to incorporate diverse perspectives and expertise into the planning process.

The team leaders will foster effective communication and collaboration with internal and external stakeholders. They will actively engage with relevant departments, external partners, and regulatory bodies to ensure alignment, compliance, and synergy in the pursuit of strategic objectives.

In the context of the NRBT Strategy 2028, the role as Team Leader in the designated PIA is a five-year commitment. Consistent achievement of PIA Work Plan targets and strategic milestones over this period significantly contributes to the successful realization of the overarching NRBT Strategy.

Team Leaders will be supported in embracing a continuous improvement mindset. They will seek opportunities to refine strategies, optimize processes, and enhance outcomes. They will encourage adaptability to evolving internal and external factors, ensuring the PIA's resilience and relevance to the dynamic banking and financial sector landscape.

In addition to annual performance benefits, each PIA performance will be eligible for an annual bonus tied to successful implementation and goal attainment outlined in the Work Plan. Assessment will consider goal accomplishment, execution of strategic initiatives, and overall impact on the designated PIA.

The ability of the management team to drive impactful change in each designated PIA will not only contribute to the success of NRBT's Strategy 2028 but will also be reflected in the achievement of your annual performance bonus over the next five years.

IMPLEMENTATION AND MONITORING.

Our five strategic goals, 56 KSRAs and six PIAs will be the focus of our work and of our investment for the life of this strategic plan. The goals, KSRAs and PIAs will be implemented through the rolling corporate plans, the annual management plans, and annual budgets.

The success of this strategy relies on seamless integration with the NRBT Annual Corporate Plan, Annual Budget, and the contribution of staff Annual Work Plan, supported by its renewed Performance Management System:

- *The annual Corporate Plan and new Annual Budget will be tightly connected to the NRBT Strategy 2028, ensuring alignment between strategic goals and operational activities.*
- *The NRBT Strategy translates into actionable items through the Annual Budget aligning resource allocation to support key initiatives within each PIA and the Strategy.*
- *The Staff Annual Work Plans, supported by the renewed Performance Management System, will ensure connection between staff deliverables and strategic priorities incorporating performance metrics aligning with KPIs to KSRAs.*
- *The PMS establishes the framework for regular performance evaluations and feedback sessions aligning with required skills for effective strategy implementation.*

These refined linkages foster a holistic, coordinated, and purpose-driven approach to achieving the strategic goals set forth by the Bank. The detailed key results of the strategic goals, KSRAs and PIAs will be the focus of the monthly monitoring, and of annual report of the KRAs.

APPENDIX 1: ASSESSMENT OF OUR PERFORMANCE AND OPERATING ENVIRONMENT.

Stakeholder Consultations.

- *Stakeholders highlighted the importance of improving our efforts to strengthen the resilience of the evolving Tongan financial system and the smooth functioning of financial services markets.*
- *Extensive and insightful feedback was received from stakeholders, including the importance of continuing to enhance the effectiveness of our regulatory and supervisory frameworks, as part of protecting the interests of consumers of financial services.*
- *Our stakeholders identified their perception of our performance gaps which we have allied to our own internal performance analysis.*
- *A further area of focus noted in the feedback was for us to continue to engage and influence domestically and abroad in policy areas of particular importance in Tonga.*
- *The importance of communicating and demonstrating the purpose and value of our role for the people of Tonga was also highlighted.*
- *Internal areas of focus included enabling operational responsiveness, effectiveness, efficiency, and sustainability in the delivery of our mandate and promoting an empowered culture of excellence, innovation, and inclusion within NRBT.*
- *Alignment between the development outputs of NRBT and the internal processes and behaviours*
- *The necessity of alignment with the TSDF, Government Themes and the Government GPAs*

Context Analysis.

NRBT plays a critical role in the country's economic stability and development. In particular in understanding and responding to the operating environment.

To ensure our strategic direction and ambitions are responsive and forward-looking, we considered the many factors that are likely to shape both the current and emerging environment in which we work.

Through this work, we identified the following factors as being of particular importance in the formulation of our Strategic Plan.

The Economic Environment.

- **Economic Growth.**
 - *NRBT's policies and actions are influenced by the state of Tonga's economy. The as such, NRBT may have to address challenges such as unemployment, inflation, and currency stability.*
- **External Shocks.**
 - *As a small island nation, Tonga is vulnerable to external economic shocks such as fluctuations in global commodity prices. NRBT may need to implement measures to mitigate the impact of these shocks on the economy.*
- **Remittances.**
 - *Tonga heavily relies on remittances from Tongans living abroad. NRBT may need to monitor the flow of remittances and its impact on the economy.*

The Regulatory and Policy Environment.

- **Monetary Policy.**
 - *NRBT's monetary policy will be critical in managing inflation and promoting economic stability. The bank may need to adjust interest rates and use other monetary tools to achieve these goals.*
- **Financial Regulations**
 - *NRBT may need to enforce and possibly update financial regulations to ensure the stability and integrity of the financial system in Tonga.*

The Social and Demographic Environment.

- **Financial Inclusion.**
 - *NRBT may need to focus on promoting financial inclusion, especially in rural areas, by ensuring access to banking services and credit.*
- **Public Perception and Trust**
 - *The level of public trust in NRBT and its policies can impact the effectiveness of its actions. NRBT may need to engage in public communication and transparency initiatives.*

The Technological Environment.

- **Digital Banking and Payments.**
 - *The adoption of digital banking and payment systems can be a focus for NRBT. The bank may need to promote and regulate these technologies to ensure they are accessible and secure.*
- **Cybersecurity.**
 - *With the increasing reliance on digital technologies, NRBT will need to ensure that the financial system is protected against cyber threats.*

International Relations.

- **International Cooperation.**
 - *NRBT may engage in international cooperation with other central banks and international financial institutions. This can include sharing information, best practices, and engaging in joint initiatives.*
- **Foreign Aid and Investment.**
 - *NRBT may play a role in managing foreign aid and investment, which can be critical for Tonga's development.*

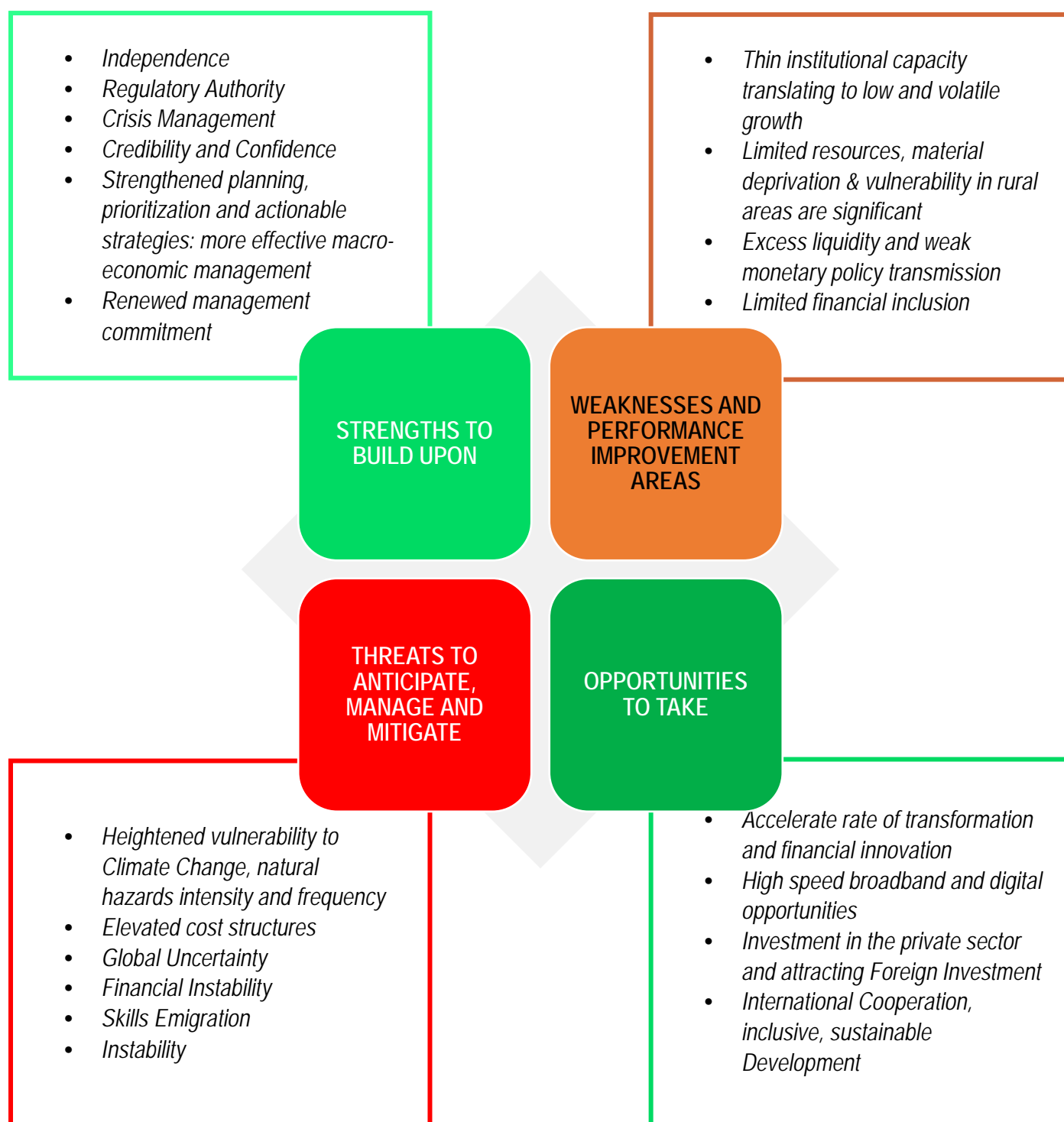
Environmental Factors.

- **Climate Change and Natural Disasters.**
 - *Tonga is vulnerable to climate change and natural disasters such as cyclones. NRBT may need to consider the economic impact of these factors and implement measures to build resilience.*

The feedback received from our internal and external stakeholders was collated, analysed, and incorporated within our strategy development process and informed the identification of the strategic pillars, gaps and priorities identified in this Strategic Plan.

The context surrounding NRBT in Tonga is multifaceted, involving economic, regulatory, social, technological, international, and environmental factors. The bank's ability to effectively navigate these factors will be critical for its role in supporting Tonga's economic stability and development.

SWOT Analysis.



STRENGTHS OF NRBT.

Monetary Control:

- *Interest Rate Management: In theory, NRBT has the ability to set interest rates, which can be used to control inflation and stimulate or slow down economic activity. For example, lowering interest rates can encourage borrowing and investment, while raising them can help control inflation.*
- *Money Supply Management: Through open market operations, NRBT can influence the money supply. By buying or selling government securities, or NRBT Notes, it could inject or withdraw money from the economy, influencing liquidity and credit conditions.*

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- *Flexible Policy Implementation:* NRBT should be able to implement policy changes swiftly due to less bureaucratic red tape. This allows for quicker responses to economic changes.
 - *Targeted Interventions:* NRBT can design monetary policies that are specifically tailored to the unique characteristics of the Tongan economy, addressing specific sectors or issues more effectively.

Foreign Exchange Reserves Management:

- *Confidence Building:* Maintaining adequate levels of foreign exchange reserves can build confidence among investors and trading partners, as it signals NRBT's ability to meet its foreign obligations.
- *Import Financing:* By managing foreign exchange reserves efficiently, NRBT can ensure that the country has enough foreign currency to finance essential imports, such as food and fuel, which are critical for Tonga.
- *Debt Servicing:* Adequate foreign exchange reserves enable NRBT to service foreign debt obligations, which is crucial for maintaining the country's creditworthiness and investor confidence.

Regulatory Authority:

- *Financial Sector Supervision:* NRBT often has the authority to supervise banks and other financial institutions. This includes ensuring that they have adequate capital, follow sound risk management practices, and comply with laws and regulations.
- *Consumer Protection:* Through its regulatory role, NRBT can also protect consumers by ensuring that financial institutions engage in fair and transparent practices.
- *Financial Inclusion:* NRBT can promote financial inclusion by implementing policies that encourage banks and financial institutions to extend services to underserved populations. This is particularly important in Tonga where remote areas may lack access to financial services.
- *Innovation Encouragement:* NRBT can foster innovation in the financial sector by creating a regulatory environment that supports the development and adoption of new financial technologies, such as mobile banking and digital currencies.

Crisis Management:

- *Lender of Last Resort:* In times of financial crisis, NRBT can provide emergency loans to financial institutions facing liquidity problems. This can prevent bank failures and stabilize the financial system.
- *Systemic Risk Reduction:* NRBT can monitor and address systemic risks that threaten the stability of the financial system. This includes coordinating with other regulatory authorities and implementing macro prudential policies.
- *Preventive Measures:* NRBT can take preventive measures to reduce the likelihood of financial crises by closely monitoring the financial sector and implementing policies that mitigate risks.
- *International Coordination:* In times of crisis, NRBT can coordinate with international financial institutions and central banks from other countries to obtain support and resources necessary to manage the crisis effectively.

Credibility and Confidence:

- *Trust Building:* NRBT, through its actions and policies, can build trust among the population and investors. This is crucial for attracting investments and ensuring the smooth functioning of the financial markets.

WEAKNESSES OF NRBT.

Limited Resources:

- *Constrained Monetary Policy:* With limited financial resources, NRBT may find it challenging to effectively implement monetary policy. For instance, it might not have sufficient reserves to stabilize the currency in case of speculative attacks.
- *Limited Lending Capacity:* As a lender of last resort, NRBT's ability to provide emergency loans during a financial crisis may be constrained due to limited capital.

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- *Dependency on External Funding:* Due to limited domestic resources, NRBT may be heavily reliant on external funding and aid, which can sometimes come with conditions that may not align with the country's priorities.
 - *Inadequate Research and Data:* Limited resources may also mean that NRBT has inadequate capacity for research and data collection, which is crucial for informed policymaking.

Vulnerability to External Shocks:

- *Exchange Rate Volatility:* The economy of Tonga is open and highly susceptible to exchange rate fluctuations. This can make it difficult for NRBT to maintain a stable exchange rate, especially if it has limited foreign exchange reserves.
- *Commodity Price Dependency:* If the economy is dependent on the export of a few commodities, fluctuations in global commodity prices can have a significant impact, and NRBT may have limited tools to mitigate these effects.
- *Limited Buffer Against Global Events:* Tonga lacks the financial buffers to cushion against global economic events such as recessions or financial crises, making NRBT's task of maintaining stability more challenging.
- *Susceptibility to Natural Disasters:* Tonga is susceptible to hurricanes, earthquakes, and other natural disasters. NRBT may have limited capacity to provide financial support in the aftermath of such events.

Dependence on Imports:

- *Balance of Payments Issues:* Heavy reliance on imports can lead to chronic trade deficits, putting pressure on the balance of payments. NRBT may find it challenging to address these issues, especially if foreign exchange reserves are low.
- *Inflation Importation:* Import dependence can also lead to imported inflation, where increases in the prices of imported goods lead to overall inflation. NRBT may struggle to control this type of inflation through traditional monetary policy tools.
- *Currency Pressure:* Heavy reliance on imports can put pressure on the local currency, as demand for foreign currency increases. NRBT may struggle to defend the currency if it lacks sufficient foreign exchange reserves.
- *Interest Rate Dilemma:* To defend the local currency, NRBT might need to raise interest rates, which can have the adverse effect of slowing down the economy.

Limited Diversification:

- *Sectoral Vulnerabilities:* If the economy is heavily concentrated in a few sectors (e.g., tourism), it becomes highly vulnerable to sector-specific shocks. NRBT may not have the tools to address structural issues in the economy that contribute to a lack of diversification.
- *Lack of Investment Opportunities:* Limited diversification can also mean fewer investment opportunities, which can make it difficult for NRBT to encourage domestic investment and economic growth.
- *Difficulty in Attracting Diverse Investments:* NRBT may find it challenging to attract foreign investments into diverse sectors, as investors might perceive the economy as being too focused on a few industries.
- *Over-reliance on Tourism or Specific Industries:* In Tonga, tourism is a major source of revenue. A downturn in tourism, possibly due to global events or natural disasters, can severely impact the economy, and NRBT may have limited tools to counter this.

Capacity and Expertise Constraints:

- *Human Resource Limitations:* Tonga lacks the human resources and expertise needed for effective central banking. This includes skilled economists, financial analysts, and other experts.
- *Technological Constraints:* NRBT may also face technological constraints, lacking the advanced systems and tools that are necessary for effective monetary policy implementation and financial sector supervision.
- *Training and Development Challenges:* NRBT may face challenges in training and developing its staff due to limited access to international training programs and experts.

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- *Outdated Regulatory Frameworks:* NRBT may operate under outdated regulatory frameworks that are not in line with international best practices, limiting its effectiveness in supervising the financial sector.

Political Interference:

- *Lack of Independence:* In some cases, NRBT may not be sufficiently independent from the government. Political interference can undermine the effectiveness of monetary policy and harm the credibility of NRBT.
- *Short-term Policy Focus:* Political interference might lead NRBT to focus on short-term policies to meet political objectives, often at the expense of long-term economic stability.
- *Erosion of Credibility:* If NRBT is seen as lacking independence and being influenced by political considerations, it can erode its credibility among investors and the public.

Limited Access to International Financial Markets:

- *Higher Borrowing Costs:* Tonga faces higher borrowing costs in international financial markets due to perceived risks, which limits NRBT's ability to access funding.
- *Constraints in International Trade Financing:* NRBT might face challenges in facilitating international trade financing for local businesses due to limited integration with global financial markets.

OPPORTUNITIES FOR NRBT.

Financial Innovation:

- *Digital Currency Adoption:* NRBT has the opportunity to explore and adopt digital currencies, which can reduce transaction costs, improve financial inclusion, and potentially make the economy more resilient to external shocks.
- *Fintech Collaboration:* Collaborating with fintech companies can lead to the development of innovative financial products and services that can benefit the economy, such as mobile banking, online remittance services, and digital wallets.
- *Blockchain Technology:* NRBT can explore the use of blockchain technology for various applications such as improving the transparency and efficiency of financial transactions and creating secure digital identities for financial services.
- *Regulatory safe zones:* NRBT can establish regulatory safe zones to allow fintech companies to test innovative financial products and services in a controlled environment. This can foster innovation while ensuring consumer protection.

International Cooperation:

- *Access to International Funding:* By engaging with international financial institutions like the IMF and World Bank, NRBT can secure funding and technical assistance for development projects and economic stabilization.
- *Regional Integration:* NRBT can work towards greater integration with other regional economies through trade agreements and currency swaps, which can provide a buffer against external shocks and create new economic opportunities.
- *Currency Pegging or Currency Union:* Tonga is able to peg the currency to a basket of currencies.
- *Participation in International Forums:* Active participation in international forums and organisations can provide NRBT with access to global best practices, knowledge sharing, and collaboration opportunities.

Sustainable Development:

- *Green Financing:* NRBT can promote green financing initiatives that support environmentally sustainable projects, such as renewable energy and sustainable agriculture. This is particularly important for Tonga, vulnerable to climate change.
- *Resilience Building:* NRBT can support projects and policies aimed at building resilience against natural disasters and climate change, such as infrastructure development and insurance schemes.

- *Climate Finance:* NRBT can actively seek climate finance from international sources to fund projects that address climate change and its impacts.
- *Sustainable Tourism:* For islands where tourism is a major economic driver, NRBT can support initiatives that promote sustainable tourism practices, ensuring the long-term viability of the sector.

Attracting Foreign Investment:

- *Investment Incentives:* NRBT, in coordination with the government, can develop incentives for foreign investors, such as tax breaks and streamlined regulatory processes, to attract investment in key sectors of the economy.
- *Investment Promotion:* Engaging in investment promotion activities, such as international roadshows and conferences, can help attract foreign direct investment (FDI) and diversify the economy.
- *Special Economic Zones or Corridors:* NRBT, in collaboration with the government, can support the establishment of Special Economic Zones (SEZs) to attract foreign investment in specific industries through tax incentives and streamlined regulations.
- *Improving Ease of Doing Business:* Working towards improving the business environment by reducing bureaucratic hurdles and ensuring legal protection for investors can make the country more attractive for foreign investment.

Financial Inclusion and Education:

- *Expanding Access:* NRBT can work to expand access to financial services in underserved areas through policies that encourage branch expansion, mobile banking, and microfinance.
- *Financial Literacy Programs:* Implementing financial literacy programs can empower individuals to make informed financial decisions, which can contribute to economic stability and growth.
- *Digital Financial Services:* NRBT can promote the use of digital financial services, especially in remote areas, to ensure that more people have access to banking and financial services.
- *Consumer Protection:* Establishing strong consumer protection frameworks can build trust in the financial system and encourage more people to participate in formal financial activities.

Modernization of Payment Systems:

- *Efficient Payment Systems:* NRBT can work on modernizing the national payment systems to make them more efficient, secure, and inclusive. This can facilitate economic transactions and contribute to economic growth.
- *Cross-Border Payments:* Improving cross-border payment systems can facilitate trade and remittances, which is a significant source of revenue for Tonga.
- *Real-Time Gross Settlement Systems:* Implementing real-time gross settlement systems can significantly reduce transaction times and costs, making the financial system more efficient.
- *Digital Payment Infrastructure:* Building robust digital payment infrastructure can facilitate e-commerce and digital trade, which are increasingly important in the modern economy.

Diversification of the Economy:

- *Sector Development:* NRBT can support policies that encourage the development of new sectors, reducing reliance on a few industries and creating a more balanced and resilient economy.
- *Entrepreneurship and SME Support:* Encouraging entrepreneurship and supporting small and medium-sized enterprises (SMEs) can be vital for economic diversification and job creation.
- *Agricultural Development:* Supporting the development of the agricultural sector through financing and technological innovation can reduce dependence on imports for food and create export opportunities.
- *Development of Niche Markets:* Tonga can focus on developing niche markets where they have a comparative advantage, such as luxury tourism, specialty agricultural products, or cultural exports.

Human Capital Development:

- *Training and Capacity Building:* Investing in training and capacity building for central bank staff and the broader financial sector can enhance the effectiveness of monetary policy and financial regulation.

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- *Attracting Talent: Creating attractive career paths and opportunities within NRBT and financial sector can help retain and attract talent, which is crucial for the development of the economy.*
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THREATS TO NRBT.

Climate Change:

- *Rising Sea Levels: Tonga is particularly vulnerable to rising sea levels due to climate change. This can lead to the loss of land, affecting agriculture, housing, and infrastructure, and can strain NRBT's resources in supporting recovery efforts.*
- *Extreme Weather Events: Increased frequency and intensity of hurricanes, typhoons, and other extreme weather events can cause significant damage to the economy, and NRBT may face challenges in providing adequate financial support for reconstruction and relief efforts.*

Global Economic Uncertainty:

- *Trade Shocks: Tonga is dependent on international trade. Global economic downturns or trade disputes can lead to reduced demand for exports and disrupt trade, affecting foreign exchange earnings and reserves.*
- *Capital Flow Volatility: Global economic uncertainty can lead to volatile capital flows. Sudden reversals of capital flows can create liquidity problems and currency pressures, challenging NRBT's ability to maintain stability.*

Financial Instability:

- *Banking Sector Vulnerabilities: The banking sector in Tonga may be vulnerable to external shocks, non-performing loans, and liquidity issues. NRBT may find it challenging to address these issues, especially if it has limited resources.*
- *Contagion Risks: Tonga can be exposed to contagion risks from financial crises in other countries, especially if they are closely integrated with global financial markets.*

Brain Drain:

- *Loss of Skilled Workers: The emigration of skilled workers and professionals to larger economies in search of better opportunities can weaken the human capital base, affecting NRBT's capacity and the broader financial sector.*
- *Remittance Dependency: While remittances from emigrants can be a source of foreign exchange, over-reliance on remittances can create vulnerabilities if there are disruptions in remittance flows.*

Political Risks:

- *Political Instability: Political instability and governance issues can undermine investor confidence and economic stability. NRBT's effectiveness can be compromised if it is unable to operate independently due to political interference.*
- *Geopolitical Tensions: Tonga may be affected by geopolitical tensions in their region, which can impact trade, investment, and regional cooperation.*

Technological Disruptions:

- *Cybersecurity Risks: NRBT and the financial sector are increasingly reliant on technology, making them vulnerable to cybersecurity risks such as hacking and data breaches.*
- *Disruption by Fintech: Rapid technological changes and the rise of fintech companies can disrupt traditional banking models. NRBT needs to adapt to these changes while ensuring financial stability and consumer protection.*
- *Disruption of the undersea internet cable*

Exchange Rate and Currency Risks:

- *Speculative Attacks: Tonga with the exchange rate fixed to a basket may be vulnerable to speculative attacks on their currency, and NRBT may have limited reserves to defend the currency.*

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- *Currency Depreciation: Depreciation of the local currency can lead to inflation and increase the burden of foreign-denominated debt, posing challenges for NRBT in maintaining price stability.*

Social Issues:

- *Income Inequality and Poverty: High levels of income inequality and poverty can lead to social unrest and political instability, which can in turn affect economic stability and the effectiveness of central bank policies.*
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FIGURE 4: SWOT