



Initial Poverty and Social Analysis

July 2019

Tuvalu: Improved Fiscal and Infrastructure Management Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 8 July 2019)

Currency unit	–	Australian Dollar (A\$)
A\$1.00	=	\$0.6977
\$1.00	=	A\$1.4333

ABBREVIATIONS

ADB	–	Asian Development Bank
MFED	–	Ministry of Finance and Economic Development
PRM	–	policy reform matrix
PFM	–	public financial management
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars unless otherwise stated

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Tuvalu	Project Title:	Improved Fiscal and Infrastructure Management Program
Lending/Financing Modality:	Policy-based lending ADF Grant	Department/ Division:	Pacific Department Pacific Subregional Office

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

The operations of the Asian Development Bank (ADB) in Tuvalu are demand-driven, within areas of ADB's comparative strengths, and capitalize on regional approaches and partnerships. ADB's operational focus in Tuvalu is reflected in the *Country Operations Business Plan: 11 Small Pacific Island Countries, 2019–2021* and focuses on strengthening public sector management and the transport sector. Tuvalu's operations and this program are aligned with the goals of Tuvalu's National Strategy for Sustainable Development (Te Kakeega III), 2016–2020 goals and ADB's Strategy 2030 operational priorities.¹

B. Poverty Targeting:

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

This program supports government reforms prioritized in the Government of Tuvalu's policy reform matrix (PRM) and aimed at i) enhancing public financial management, and (ii) enhancing infrastructure management.² These reform actions, to be implemented during July 2018–June 2019, demonstrate the government's commitment toward making economic growth more efficient, sustainable, and resilient.

C. Poverty and Social Analysis

1. **Key issues and potential beneficiaries.** Access to economic opportunities is limited for the people of Tuvalu, especially for outer-island residents, who face high costs for imported goods because of their remoteness and their heavy reliance on irregular domestic shipping schedules. Poor public service delivery and poor infrastructure also limit entrepreneurial activities. A lack of opportunities for youth and inequality of opportunities for women in terms of finding paid employment are also important poverty concerns. Like many Pacific countries, Tuvalu primarily relies on traditional, informal, family-based forms of social protection, although forms of government-provided safety nets are starting to appear. For example, the government offers free healthcare and fee-free primary education, although there are no unemployment benefits. While the 2010 Household Income and Expenditure Survey (HIES) showed a very small incidence of extreme poverty³ at 3.3 percent, the rate of poverty as measured by global living standards for upper middle-income countries (using the US\$5.50 PPP line) remains high at nearly 47 percent. The ratio of the average consumption of the top 60 percent of households against the bottom 40 percent is estimated at 3.5 based on HIES data, which is significantly below the cross-country median of 4.7. Poverty is generally concentrated in the outer islands and the gap as compared with the capital, Funafuti, has increased over time. Lack of access to services, employment opportunities and remittances, and exposure to shocks (such as food price shocks and natural disasters) are some of the factors underlying vulnerability to poverty. Female headed households are less likely to be identified as poor on average, although women's share of paid employment is lower than men's, despite a relatively high level of access to education. The program does not directly target poverty. As untagged general budget support, the potential beneficiaries of the program will include the national population.

2. **Impact channels and expected systemic changes.** The government's PRM includes actions to protect social service expenditures. The PRM priorities will allow the government to maintain fiscal stability over the medium term and improve the quality of fiscal management. The grant financing, to be utilized as general budget support, will allow the government to fund basic social spending in health and education and improve public and social service delivery

¹ The program is included in ADB. 2018. *Eleven (11) Small Pacific Island Countries: Country Operations Business Plan 2019–2021*. Manila; ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila; Government of Tuvalu. 2015. *National Strategy for Sustainable Development, 2016–2020*. Funafuti.

² Government of Tuvalu. *Policy Reform Matrix: 2012–2019*. Funafuti. ADB technical assistance is supporting implementation of these reforms.

3. **Focus of (and resources allocated in) the transaction technical assistance or due diligence.** No project preparatory technical assistance was required. ADB's ongoing engagement in the PRM discussions and ongoing TA for public financial management and public sector reform support due diligence.⁴

4. **Specific analysis for policy-based lending.** The program is based on implementation of the government's own strategies and plans, notably its national development strategy or *Te Kakeega III*, Public Financial Management (PFM) Reform Strategy, 2019-2021 and policy reform matrix, which were developed through a consultative approach and provide mechanisms for ongoing monitoring and reporting on performance.⁵ During program processing, the Ministry of Finance and Economic Development (MFED) and Ministry of Public Utilities and Infrastructure, as implementing agencies for the program, will directly participate in the program design. ADB will consult other ministries on specific policy issues. The key objective of the PRM, on which this program is based, is to contribute indirectly to improving poverty and social outcomes in Tuvalu. The reforms supported by this program are expected to be an additional tool for responding to national poverty and social needs.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? The program is classified as *no gender elements*. While improved management of public finances and national infrastructure will benefit all, this program contains no proactive gender design features. Subsequent ADB programs will explore gender design features, including gender-responsive procurement and gender actions related to implementation of the Building Act and the draft building code.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

The program will have low or no adverse impact on women or girls and does not widen gender inequality because the program is geared toward improving the situation of all citizens.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The Government of Tuvalu is the main stakeholder and beneficiary of the project. The implementing agencies—the MFED and the Ministry of Public Utilities and Infrastructure—are the key government agencies supporting the PRM. Secondly, all residents of Tuvalu are potential beneficiaries as they will benefit indirectly from budget support that will filter through services provided by the government. Government ownership of the PRM is strong. The Tuvalu Trust Fund Advisory Committee monitors PRM progress and reports twice a year to the Tuvalu Trust Fund Board, chaired by MFED and attended by most development partners. This is a good example of an institutional mechanism that enables the government to independently monitor its own reform efforts. The program is aligned with *Te Kakeega III* for a more protected, secure, and prosperous nation through sound macroeconomic management and policy and efficient, high-quality, and resilient infrastructure and support services. ADB's Strategy 2030 operational priorities of addressing poverty and reducing inequalities (operational priority 1), making cities more livable (operational priority 4), and strengthening governance and institutional capacity (operational priority 6), are applicable.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded? The program is based on government strategies, including *Te Kakeega III* (developed through a consultative approach), and provides mechanisms for ongoing public monitoring and reporting on performance. During program processing, specific stakeholders—the MFED; the ministries of education, health, transport and communication, home affairs, and public utilities; and the Department of Women—were directly involved in the program design in a participatory manner. ADB briefs government and nongovernment stakeholders regularly on ADB operations. ADB TA has been instrumental in increasing awareness and understanding across government of the need for policy reforms and the role of various stakeholders.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design? Civil society in Tuvalu is limited and largely focused on social service delivery. ADB carried out information sharing and consultations with civil society organizations during the preparation of the Tuvalu country operations business plans and during program and project scoping and fact-finding missions.

⁴ ADB. 2017. [Tuvalu: Supporting Reforms to Strengthen Fiscal Resilience and Improve Public Service Delivery](#). Manila.

⁵ Government of Tuvalu. 2015. *National Strategy for Sustainable Development, 2016–2020*. Funafuti; Government of Tuvalu. 2019. *Public Financial Management Reform Strategy, 2019–2021*. Funafuti; Government of Tuvalu. 2012. *Policy Reform Matrix: 2012–2019*. Funafuti.

Information generation and sharing Consultation Collaboration Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No

The program addresses macroeconomic challenges and therefore does not allow direct participation of the poor and excluded. However, the government regularly consults with stakeholders on economic and fiscal reforms and ensures their participation in national development planning and budget preparation discussions.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No Not applicable

3. Will the project require broad community support of affected indigenous communities? Yes No Not applicable.

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? This risk will be minimal as the government has already started the reform process. The program is categorized low risk, as (i) the grant amount does not exceed \$50 million, (ii) ADB has a sound track record of engagement in public sector management in Tuvalu since 2009, (iii) the executing agency has reasonable capacity in administering externally financed projects, and (iv) the program is not expected to be rated category A for any safeguard category.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified?

Yes No Due diligence for the program, to be prepared in close collaboration with development partners, will include a risk assessment and risk management plan. The International Monetary Fund will provide an assessment letter. The Tuvalu Trust Fund Advisory Committee—including representatives of the governments of Tuvalu, Australia, and New Zealand—is tasked with monitoring risks and will provide an independent assessment of PRM implementation progress and management measures.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? The ADB team responsible for processing the program will carry out basic poverty, social, and gender analysis during the design phase, building on existing assessments by ADB and other development partners. The safeguards officer of ADB's Pacific Subregional Office will oversee due diligence.