

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Kingdom of Tonga	Project Title:	Outer Island Renewable Energy Project (Additional Financing)
Lending/Financing Modality:	Project Grant	Department/Division:	Pacific Department Transport, Energy, and Natural Resources Division

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: general intervention

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

Tonga's Strategic Development Framework, 2015–2025 aims to develop and promote a just and progressive society.<sup>a</sup> This is to be achieved by improving the living standards of the people through equitable access to and distribution of resources. ADB's country operations business plan for Tonga, 2016–2018 and its Pacific Approach, 2016–2020 are in line with the government's strategic development framework.<sup>b</sup> The priority outcomes of the strategic development framework, as supported by the country operations business plan, are (i) a dynamic partnership of the public and private sectors as the main engine of growth; (ii) appropriate, well-planned, and well-maintained infrastructure that improves the everyday lives of the people and lowers the cost of doing business; and (iii) integration of environmental sustainability, disaster-risk management, and climate change adaptation into planning and program implementation.

The overall Outer Island Renewable Energy Project, including the component under the additional financing, will contribute to poverty reduction by reducing Tonga's dependence on imported fossil fuel for power generation and giving consumers greater access to electricity at reduced costs through solar power generation. This will also improve Tonga's balance of payments, reduce its fiscal deficit, and make its government debt more sustainable.

#### B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence

**1. Key poverty and social issues.** According to a household income and expenditure survey conducted by the Statistics Department of Tonga in 2009 (latest data available), 23% of households had incomes below the basic needs poverty line of T\$1,466 (\$880) per head per year, or T\$4 (\$2.40) daily. This indicated that these households experienced periodic difficulties in meeting their daily costs for food and other living essentials. Household expenditure levels for such items as food and fossil fuels continue to increase in the rural parts of Tongatapu and in the project areas under the additional financing—the outer islands of Ha'apai, and Niuaotupapu. During 2009–2011, average household per capita expenditure in the country rose by about 42%, while the income in the poorest households (about 30% of the total) increased by about 38%. Thus, the socioeconomic conditions in the poorest households became steadily worse during 2009–2011.

The unemployment rate was 3.4% for Ha'apai and 0.9% for the Niuaus in 2011. The proportion of the population with secondary and tertiary qualifications was relatively low, with 22.5% (secondary) and 0.9% (tertiary) for Ha'apai, and 16.2% (secondary) and 1.7% (tertiary) for the Niuaus. Private remittances from up to 100,000 Tongans living abroad alleviate some of the hardships experienced by residents, including in these two island groups. In year 2016, remittances to the country amounted to an estimated 33% of gross domestic product. This helped sustain consumption and investment in education and assets. Nonetheless, economic growth is constrained by the country's small population, the high cost of internal transport because of its geographic fragmentation, and its remoteness from major markets. Agriculture, fishing, and tourism are the main areas of economic activity. Lack of infrastructure and high costs for essential services are obstacles to private sector development. Unemployment, especially among youth, contributes to social problems such as urban crime.

Vulnerability to external shocks and changes in service delivery levels are relatively widespread. Micro-simulation analysis for Tonga indicates that adverse shocks related to food and fuel prices, the export of agricultural commodities, and the flow of remittances would be particularly damaging, pushing more households into hardship conditions and deepening hardships for those already experiencing them.

**2. Beneficiaries.** The primary beneficiaries of the overall project will be the people of the outer islands of Tonga who will benefit from stable power tariffs and increased and safe access to electricity. Particularly under the additional financing, the people of the outer islands of Ha'apai and Niuaotupapu will benefit from reliable electricity supply through (i) the inclusion of safe service lines and meters in households for the Ha'apai outer islands solar mini-grid component; and (ii) utilization of a grant from the Global Environment Facility to cover financing gaps for the original mini-grid proposed for Niuaotupapu. Local communities in the project areas will also benefit from the unskilled and semiskilled work opportunities generated during project implementation. TPL, MEIDECC, cooperative societies, and beneficiary households will benefit from capacity building and training in the efficient use of energy, and in budgeting for electricity usage. The training will be conducted by a team of project management consultants who will also provide efficient and effective project management and operation and maintenance for at least 5 years after project commissioning.

**3. Impact channels.** About 10%–15% of average household monthly income goes to pay for electricity, with the rest spent on other family expenses. According to interviews, household income can usually cover the monthly power bill, but other expenses get prioritized over electricity bills when school fees need to be paid or the household faces social or family obligations such as the costs of funerals and weddings. This frequently leads to disconnection from electricity services. Local businesses and households in the project sites are highly dependent on a consistent supply of power. Businesses need reliable power to deliver services and goods on time. Households need reliable power, especially some women who

can continue working at night to complete their mats or engage in other economic activities to improve the family income. Safety of electricity use is an important concern for households as well.

At the microeconomic level, the overall project will directly contribute to poverty reduction by providing alternative, cheap, reliable, and cost-effective means of electricity to commercial and domestic power consumers. At the macroeconomic level, the overall project will contribute to poverty reduction by reducing Tonga's dependence on imported fossil fuel for power generation and by giving consumers greater access to electricity at reduced costs through solar power generation.

**4. Design features.** By building solar power plants and upgrading service lines and meters to households on Ha'apai and Niuatoputapu, the additional financing will contribute to the overall project through provision of a reliable power supply and stable power tariffs to commercial and domestic power consumers in Tonga. These consumers will include low-income households. This will allow businesses and households to better plan their monthly expenditure for electricity services and other expenses. The project will provide unskilled and semiskilled work for local people in the project area. Contractor(s) and TPL will be encouraged to employ local men and women in project activities. Low-income households, including landowners, will be engaged in unskilled construction work. The overall project will support development of the private sector in project areas by providing O&M training, including a program manual for O&M of solar generation and distribution systems. The social development and gender features of the project include promoting gender awareness, employing women workers where possible, and encouraging the participation of women in energy management committees, among others.

## II. PARTICIPATION AND EMPOWERING THE POOR

**1. Participatory approaches and project activities.** Consultations were held at all nine project sites and at the national level for the overall project. Surveys were conducted, and consultations were held through key informant interviews and focus group discussions. Consultations focused particularly on community leaders, including district and town officers, church leaders, government officers on the islands, women's groups (including village women's associations), and representatives from households that had been disconnected from electrical grids. At the national level, consultations were conducted with representatives from the Ministry of Finance and National Planning; the MEIDEC; the Prime Minister's Office; the energy road map implementation unit; the Ministry of Lands, Survey, and Natural Resources; TPL; local government officials, including outer island administrators; and development partners such as the European Union, the governments of Australia and New Zealand, the World Bank, and the United Nations Development Programme. Further consultations through meetings and focus group discussions were undertaken as part of the preparation for the additional financing for Ha'apai and Niuatoputapu. They involved the same key stakeholders, including government representatives of the government, the private sector, hospitals and schools, civil society organizations, and community and household groups.

**2. Civil society organizations.** The overall project design process has included stakeholder consultation with civil society organizations. Civil society organizations will be included in ongoing consultations during design finalization and project implementation.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA)

Information gathering and sharing (H)  Consultation (M)  Collaboration  Partnership

### 4. Participation plan.

No. Consultation and participation plans are built into the project's gender action plan. Beneficiary communities and local leaders, including community leaders and government officials, will be consulted throughout the project cycle. Consultations with female and male beneficiaries in communities benefiting from the project will be continued during implementation, in addition to monitoring through interviews, focus group discussions, and community meetings.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

**A. Key issues.** Women in Tonga have a literacy rate of 99.3%, compared with 99.2% for men.<sup>c</sup> Only 30% of women are employed, and 40% are underemployed and engaged in subsistence farming, fishing, and making handicrafts. In Ha'apai, the labor force participation among women is only 60% compared to 69% among men, while in the Niuaus it is 78% for both women and men. Only men can legally own land. Rural women in Tonga perform multiple roles as household and subsistence managers, income earners, and active members of community organizations, including community development groups and churches. They contribute to agriculture through unpaid work, mainly to produce food for household consumption.<sup>d</sup> This is not captured by official statistics because of its informal nature. In 2008, the Ministry of Agriculture, Food, Forests, and Fisheries created the Food, Women, and Youth Community Development Division to support women in their communities through such agricultural activities as developing vegetable gardens.

Households headed by women mostly rely on weaving individually and/or in a group to produce mats and tapas to sell locally and internationally. As the main income earners, women also manage household income, expenditure, and activities in most households headed by women consulted.

One of the overall project's key impacts on gender issues will be the provision of an affordable, reliable, power supply to beneficiary households, which will allow (i) women to weave traditional mats during the nighttime hours, engage in other income-generating activities, and increase earnings for their households; (ii) women to perform their other household roles more efficiently; and (iii) schoolchildren to study during the evening hours. The project will also improve the capacity within TPL and community electric societies to mainstream gender in energy and community projects, and increase the awareness of men and women project beneficiaries about managing energy expenditure. To date, project consultation and awareness

