



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 09-May-2018 | Report No: PIDISDSA22008

**BASIC INFORMATION****A. Basic Project Data**

Country Tonga	Project ID P161541	Project Name Skills and Employment for Tongans	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 19-Apr-2018	Estimated Board Date 27-Aug-2018	Practice Area (Lead) Social Protection & Labor
Financing Instrument Investment Project Financing	Borrower(s) Kingdom of Tonga	Implementing Agency Ministry of Internal Affairs, Ministry of Education and Training, Ministry of Finance and National Planning	

Proposed Development Objective(s)

The Project Development Objective is to improve opportunities for secondary school progression and facilitate the transition to jobs in the domestic and overseas labor markets for Tongans.

Components

Conditional cash transfer program for secondary school enrolment and attendance
Strengthening TVET provision
Enhancing opportunities for labor migration
Project management, monitoring and evaluation, and centralized support

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	20.94
Total Financing	20.94
of which IBRD/IDA	18.54
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Development Association (IDA)	18.54
IDA Grant	18.54

Non-World Bank Group Financing

Other Sources	2.36
AUSTRALIA, Government of	2.36

Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. Tonga is a small, archipelagic Kingdom located in the South Pacific. Tonga's population of 106,000 is spread out across 36 of its 177 islands with around three quarters of the population based on the main island of Tongatapu. Other major islands and island groupings include 'Eua, Ha'apai, Vava'u and Niuatoputapu. Its location makes Tonga one of the most geographically remote nations from major centers of economic activity in the world.

2. Extreme poverty across Tonga is negligible, but significant numbers live in hardship. Gross Domestic Product (GDP) per capita is US\$ 5,320 at Purchasing Power Parity (PPP). The preliminary estimates from the 2015/16 Household Income and Expenditure Survey (HIES) data have poverty based on the US\$1.90-a-day at 0.95 percent of the population, with poverty in male headed households (0.97 percent) marginally higher than female headed households (0.89 percent). This is broadly consistent with local views that while there are very few people in abject poverty in Tonga, "hardship" or lack of cash for basic goods is typically a more widespread concern. Two alternative methods provide a more rounded picture of those living in hardship: (a) the consensual method estimates the national poverty rate at 25 percent of the population; and (b) the Basic Needs Poverty Line (BNPL), which is a summation of the food and non-food poverty lines and estimates the poverty rate at 35.1 percent. Across all methods, rural populations are more likely to live in poverty than those in urban areas. In terms of human development, the infant mortality rate is 14.4 per 1,000 births, life expectancy at birth is 76 years for women and 70.1 years for men. Meanwhile, the average years of schooling is 11.1 year for males and 11.0 for females.

3. The potential for high economic growth in Tonga is constrained by inherent high cost structures. Over the past two decades, per capita GDP has grown by 1.1 percent, compared to 2.3 percent globally. This is marginally above the average for the group of small Pacific islands, which on average grew at 0.9 percent over the same



period, though lower than any other region across the globe. Small size and remoteness combine to push up the cost of economic activity in Tonga, limiting the competitiveness of its exports of goods and services in world markets. A high dependence on imports also renders the archipelago vulnerable to external economic shocks, such as food and fuel price spikes. Moreover, Tonga is the second most exposed country in the world to natural hazard risks. Since 1997 Tonga has experienced approximately 15 significant natural disasters. The most recent severe weather system to hit Tonga, Tropical Cyclone Gita, caused widespread damage and losses across Tongatapu and 'Eua.

4. Given the employment effect of economic growth, this long-term trend has meant domestic job creation has been limited in the Kingdom of Tonga for a sustained period, and thus outmigration (seasonal or permanent) has been one of the options for a large portion of the population. The most promising domestic opportunities for employment and income growth come from tourism and tourism-support sectors, as well as agriculture and fisheries. The tourism sector already directly accounts for 6.1 percent of employment. Since 2010, total tourist arrivals to Tonga have also increased by 9.5 percent. Tourism receipts, which are the expenditures by international tourists on hotel, restaurants, and recreational activities, were equivalent to 10 percent of GDP in FY14, up from 7 percent in FY10. Meanwhile, agriculture and fisheries remain key economic activities in Tonga, accounting for around 20 percent of GDP. Employment in the agriculture and fisheries sector in Tonga remains dominated by men. Approximately 75 percent of Tonga's population lives in rural areas where livelihoods are largely sustained through subsistence agriculture and coastal fisheries. Whilst commercial production in agriculture and fisheries is growing, it remains very small with fewer than 10 percent of producers involved in commercial operations. Agriculture and fisheries have outperformed other sectors over the past five years, growing at 2.3 percent compared to growth in the secondary and tertiary sectors of 0.7 and 0.9 percent respectively. Labor migration and remittances received from the Tonga diaspora remain critical to the economy. In 2016, Tonga received the equivalent of 30.2 percent of GDP in remittances – the highest of any Pacific Island Country. Whilst women have benefited from the high remittance flows, they have been unable to benefit from direct employment opportunities abroad to the same extent as Tongan men.

Sectoral and Institutional Context

5. Tonga has a sizeable youth population, which generally face poor labor market outcomes. Over half (56 percent) of the country's population is aged 24 years or younger, with a total of about 19,200 Tongans between the ages of 15 and 24. The clear majority of these youth (76 percent) reside on the main island of Tongatapu, and only 25 percent live in what could be classified as urban areas (i.e. Greater Nuku'alofa). A large proportion of youth fail to successfully transition into employment, remaining unemployed or inactive in the labor market. There is also clearly a gender dimension to youth unemployment in Tonga, with substantially lower labor force participation rate for young women than men. Whilst this gap has narrowed marginally between 2000 and 2013, there remains a long way before young women will be engaged in the labor force to the same extent as young men.

6. The high reservation wage and lack of labor demand constrain the transition of youth from school to the labor market in Tonga. The reservation wage in Tonga may have been pushed up by the high level of remittance inflows from the Tongan diaspora with remittances accounting for about 30.2 percent of GDP. Whilst remittances have been a critical driver of increased living standards, they have also inflated the wage rates at which Tongans are willing to work. Moreover, the weak demand for labor in Tonga poses a severe constraint for successful transition to the labor market for young Tongans. A labor market study estimated the range of new formal sector jobs advertised to be between 180 and 310 in any given year, with approximately 70 percent of these in the public



sector and the majority going to Tongan men.

7. There is also a burgeoning issue with secondary school enrolments and dropouts. Whilst primary enrolments are extremely high – the 2016 Census reports that 100 percent of those aged 5-13 are currently attending schools – only 80.4 percent of Tongans aged 13-18 are currently attending secondary school. Amongst the stock of those aged 18 and above, 15.6 percent of men have completed secondary school compared to 14.7 percent of women. The major exit years are at the end of Form 5 (the Tonga School Certificate) and at the end of Form 6 (Pacific Senior Secondary Certificate). Moreover, there is clearly a poverty dimension to the issue of secondary school dropouts. According to the 2016 Household Income and Expenditure Survey amongst the poorest decile, only 56.7 percent of those aged 13-18 are attending secondary school, which is substantially lower than for the rest of the population. In addition, only 8.7 percent have of those in the poorest decile have completed secondary school and with no gap between male and female completion rates.

8. The majority of secondary schools are privately owned and only 30 percent are government run. Entry into the public secondary schools is based on merit and is highly competitive, attracting the cream of Tongan youth, while the school fees are also subsidized for the students. The remaining 70 percent of students are left to join the privately owned secondary schools which are predominantly church and missionary schools, have high student fees and struggle to retain good teachers due to low salaries. Therefore, there seems to be a number of factors behind the secondary school enrolment and dropout problem. These include financial constraints at the household level, the desire to join the labor force, a lack of motivation for further academic pursuits, and a recognition that schools are not preparing students for the workplace. In addition, only a small proportion of the overall students sitting external board exams from private schools are passing, further exacerbating the school drop-out rates right before and after exam periods. Whilst there are no recent tracer surveys of secondary school dropouts, there is a strong correlation between education levels and employment outcomes – 70.4 percent of the unemployed covered in the 2013 labor force survey had left school prematurely. There are also limited initiatives in place aimed at preventing youth from dropping out of school.

9. The Social Protection and Disability Division (SPDD) of the Ministry of Internal Affairs (MIA) is the key agency working on social assistance programs in Tonga, and the present social protection system consists of a disability benefit scheme and a social pension scheme. By the standards of countries at comparable income level globally, this is a quite under-developed social assistance system, though such a situation prevails in a number of Pacific Island Countries (other than Fiji).

10. Whilst there is a well-established Technical and Vocational Education and Training (TVET) system in place to supply skills, there is anecdotal evidence to suggest that the training provided is not necessarily well matched with skills demand in the country and beyond. Formal TVET provision in Tonga is comprised of three distinct systems: (a) government (including the main public providers, the Tonga Institute of Science and Technology (TIST) and the Tonga Institute of Higher Education (TIHE); (b) Catholic and Free Wesleyan institutions (FWC); and (c) a number of private providers and NGOs. There is also a number of organisations that offer short-course and/or informal skills development programs, which includes the Tonga Business Enterprise Centre (TBEC). Whilst some training providers explicitly aim to link in with areas of industry demand, the demand side is generally under-represented in the planning and direction of TVET systems. This is not entirely surprising given that the overwhelming demand for labor in the formal sector is outside the boundaries of Tonga. While it is difficult to get industry involved in linking training with the demand for labor, this becomes more complicated when that demand is in a different country. Furthermore, metropolitan countries in the region do not



automatically recognize qualifications accredited by Tongan national agencies, such as TNQAB. There is also no formalized process by which communities can be involved in the identifying training needs for the informal sector.

11. Even when jobs are available, Tongans often lack the necessary information networks and job-relevant skills to capitalize on these employment opportunities, domestic and abroad. Poorer and disadvantaged households who lack these networks have difficulty in accessing job opportunities. On top of that, they typically lack the basic skills (literacy and numeracy) required for formal employment, as well as having a deficit of technical skills. Whilst reported literacy rates are extremely high for both the youth and overall population (99.5 percent), functional literacy and numeracy are neither assessed, nor reported. Many private sector employers report difficulties in recruiting staff with basic competencies. There are also widespread reported shortages of skilled tradesmen and women. Employers and other stakeholders also express concerns over the set of soft or behavioral skills of participants in the labor market, such as communications, empathy, time management, and motivation. The lack of technical and soft skills required by employers in the domestic labor market is an ongoing issue. For example, many of the large-scale re-construction projects, such as the rebuilding of Nuku'alofa following the 2006 riots or rebuilding of Ha'apai post-Cyclone Ian, have required foreign skilled labor to be imported to complete the tasks on time and budget.

12. There is a domestic financing gap, which directly impacts the ability of training providers to scale up existing efforts or offer new qualifications. The recurrent and capital expenditures for the TVET system are sourced from both government and non-government sources. The Government of Tonga contributes funding to both public and private providers in the form of operating grants. Church Dioceses support their own TVET providers in addition to funds provided by Government. For all three distinct systems for formal TVET provision, donor funds and student fees form other income streams. The total amount of Government financing across all training providers as of 2012 amounted to TOP 4.6 million (approximately US\$2.1 million). The level of funding flowing into the TVET system from the Tongan Government is only just sufficient to cover existing personnel costs, with little available for additional staff or new training materials and equipment.

13. There is some involvement from donors in the TVET sector, but there remains a need for additional investments. The Tongan TVET sector received contributions from Germany and Japan in the 1980s and 1990s which provided the buildings, facilities and equipment that are still being used today. In the intervening years, other donors' bilateral assistance (mainly Australia and New Zealand) for the TVET sector has focused heavily on funding technical assistance and scholarships. New Zealand has recently consolidated its aid program in Tonga and is now focusing on basic education. Meanwhile, Australia has recently provided AUD 7.5 million in funding for the Tonga Skills project over a five-year period. This project will focus partly on the TVET sector, and support strengthened coordination and planning, targeted and inclusive skills development and improved skills supply. Other areas of support under Tonga Skills include investments in micro, small and medium enterprise (MSME) development, and facilitating accreditation processes for training providers.

14. The Ministry of Education and Training (MET) to date does not have an overarching strategy for the TVET sector. The majority of the TVET policy expertise resides within TNQAB. Moreover, whilst efforts have been made to develop an Education Management Information System (EMIS), to date it covers only certain grade levels at the secondary level. Accurate and timely statistics on student enrolment, attendance, and completion would help support educational reform efforts, program implementation, as well as serving as a guide to decision making.



15. Labor migration remains one of the most promising employment pathways for many Tongans. With 53,247 permanent Tongan migrants abroad, Tonga has the third largest diaspora of all Pacific Island countries. These historical links with labor receiving countries around the Pacific Rim have helped support the movement of Tongan labor across the region. A number of schemes targeted at low-skilled youth have opened up in recent years, which include Australia's Seasonal Worker Programme (SWP) and New Zealand's Recognised Seasonal Employer (RSE) scheme. Tonga is now the second largest sending country for the low-skilled seasonal worker schemes. In FY17, Tonga sent 2,690 workers under the Australian SWP and 1,610 workers under New Zealand's RSE scheme. Unfortunately, the employment opportunities from these schemes are not evenly shared between young Tongan men and women. In FY16, only 11.5 percent of departing Tongan seasonal workers were women. Whilst these schemes were initially concentrated on the horticulture and viticulture sectors, the accommodation and tourism sectors have since been included in the programs. There is hope that these new sectors will bring additional employment opportunities for young women. Moreover, other programs such as the upcoming Pacific Labour Scheme in Australia and the Canterbury Trades Initiative in New Zealand, offer opportunities for tradesmen and women.

16. For employment abroad, limited skills, information constraints and the upfront costs associated with accessing these opportunities remain barriers for many Tongan youth. These costs include passport application fees, health assessments, health insurance, skills recognition, visas and flights. For the Australian market, the average costs incurred for a seasonal worker are approximately AUD 2,000 (USD 1,540), whilst for semi-skilled and skilled migrants, these costs can amount to AUD 5,000 (USD 3,850). The Tonga Development Bank (TDB) has recently introduced a loan product for Tongan workers heading to the RSE scheme in New Zealand.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

17. The Project Development Objective is to improve opportunities for secondary school progression and facilitate the transition to jobs in the domestic and overseas labor markets for Tongans.

Key Results

18. The achievement of the PDO will be measured through the following indicators:

- (a) Average duration of secondary school completed amongst the poorest decile (overall and female);
- (b) Share of beneficiaries who are employed six months after the completion of a TVET qualification (overall and female); and
- (c) Number of beneficiaries in the *work ready pool* accessing employment opportunities abroad (overall and female).

D. Project Description

Component 1 – Conditional cash transfer program for secondary school enrolment and attendance (USD 6.5 million)



19. Component 1 will support a cash transfer program for secondary school enrolment and attendance to encourage grade progression and ultimately completion. This will cover both the TA required to establish the cash transfer program and the funds required for transfers. The program will be targeted towards poor and vulnerable households, who will receive a quarterly payment conditional on them ensuring that their secondary school age children are enrolled and regularly attending classes. In addition, a bonus payment will be made to households who have their children complete a grade in a given year.

Component 2 – Strengthening TVET Provision (USD 3.7 million)

20. Component 2 will finance investments needed to improve the quality and relevance of TVET programs, and simultaneously support measures to increase the number of students able to access the system and equity within the system. Specifically, this will include Quality Improvement Grants for TVET providers, support funds for disadvantaged students, English language training, and the development of a TVET Education Management Information System.

Component 3 – Enhancing opportunities for labor migration (USD 1.8 million)

21. Component 3 will enhance opportunities for Tongan youth to access employment abroad. This will be achieved by supporting quality pre-departure training for seasonal and migrant workers and strengthening the capacity of the Employment Division within the Ministry of Internal Affairs to screen and prepare migrant workers.

Component 4 – Project management, monitoring and evaluation, and centralized support (USD 8.9 million)

22. Component 4 will support the management of the project, monitoring and evaluation, and the establishment of a Central Services Unit (CSU). This will include the establishment a single Project Management Unit (PMU) within MIA. Project monitoring and evaluation will involve rigorously evaluating the various interventions supported through Components 1, 2 and 3. Separate impact evaluations will be supported for Components 1 and 2. In addition, this component will support the establishment and financing of a CSU under the supervision of the Ministry of Finance and National Planning (MFNP). The role of the CSU would be to provide both implementation and supervision support as necessary in the areas of common functions required by IDA financed projects.

E. Implementation

23. The Ministry of Internal Affairs (MIA), Ministry of Education and Training (MET), and Ministry of Finance and National Planning will be the implementing agencies for the project. The Social Protection and Disability Division of MIA will be responsible for the implementation of Component 1. MET will be responsible for Component 2. The Employment Division of MIA will be tasked with the implementation of Component 3. MFNP will be responsible for setting up and operating the CSU under Component 4. Meanwhile, MIA and MET will be jointly responsible for the implementation of the remaining elements of Component 4. This will include a single PMU that will be established within MIA to support both MIA and MET on the implementation of their respective parts of the project, and will be responsible for the overall coordination, results monitoring and updating the World Bank on implementation progress.

24. The overall governance for all aspects of the project, aside from the CSU, would be through a high-level Skills Sector Steering Committee (SSSC). The SSSC will be responsible for: (a) ensuring effective coordination between the key ministries and other stakeholders; (b) reviewing the implementation progress of the activities being financed; and (c) providing overall guidance. The SSSC will meet on a quarterly basis. The head of the SSSC would be responsible for regularly convening update meetings, as well as providing key decisions on the work being carried out by the PMU. The



SSSC will include representatives from key central and line ministries, Professional Bodies, the Tonga Chamber of Commerce and Industry, and other relevant stakeholder groups.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The proportion of unemployed, underemployed or inactive Tongans in the labor market is significant nationwide. As such, the geographic coverage of the project will extend to urban, peri-urban and rural areas in both the main island (Tongatapu) and the Outer Islands ('Eua, Ha'apai, Vava'u and Niuatoputapu). Training providers are all located in Tongatapu, except for Hango Agricultural College in 'Eua and the Pouono Campus of Tupou Tertiary Institute in Vava'u.

G. Environmental and Social Safeguards Specialists on the Team

Thomas John Callander, Social Safeguards Specialist
 Ross James Butler, Social Safeguards Specialist
 Felix Peter Taaffe, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	No physical works will be undertaken under the project. Under Component 1, cash payments will be made to eligible households, with payment being associated with secondary school enrolment and attendance. The payments contribute towards the costs of education. There will be no adverse impacts under this component. Under component 2, Quality Improvement Grants will be made to training organisations. Adverse impacts are considered to be minimal, or none, and there will be a negative list to ensure that these grants do not lead to the financing of activities that would trigger safeguards policies. This negative list will be included in the QIG manual.
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	



Forests OP/BP 4.36	No	The policy is not triggered as there will be no impacts on forests.
Pest Management OP 4.09	No	The policy is not triggered because there will be no purchase and / or use of pesticides under this project.
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	Tonga is ethnically homogenous and no communities or groups meet the four defining characteristics of Indigenous Peoples. The policy is not triggered.
Involuntary Resettlement OP/BP 4.12	No	Involuntary resettlement has been avoided in project design and the policy is therefore not triggered.
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

There are no environmental issues associated with the proposed project. No major civil works are planned under the four project components, and project activities are not associated with any impact on the natural environment. Grants provided to training providers under Component 2 will not be used to fund construction of new buildings, or other physical investments.

The project is not expected to result in significant adverse social impacts. Risks relating to the perceived fairness and equity of funding allocations will require management through effective stakeholder engagement. Potential indirect impacts on social cohesion emanating from large-scale seasonal migration also requires management through effective awareness and training.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

There are no potential indirect and/or long-term impacts on the environment. The project is expected to result in long-term social and economic benefits from improved education and access to employment opportunities for Tongans and to address current gender gaps in Tonga and in the employment of Tongans abroad.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.



4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

A single Project Management Unit (PMU) will be established within the Ministry of Internal Affairs. The PMU will hire a team leader, procurement officer, project accountant and monitoring and evaluation specialist. The grants manual developed for the Quality Improvement Grants for TVET providers under Component 2 will contain a negative list to ensure funds are not spent on activities that would trigger safeguards policies. The PMU will be responsible for the oversight and implementation of the Project's stakeholder engagement strategy, communication plan and grievance redress mechanism. In addition, the Central Services Unit (CSU) under Component 4 will have an international Safeguards Specialist that will be providing advisory and implementation support on safeguards related issues.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Project stakeholders include target beneficiaries and their families, Government Ministries (i.e. MFNP, MIA and MET), development agencies (i.e. World Bank, DFAT, MFAT), colleges/ institutions/ other training providers, secondary schools, private sector and civil society groups. Detailed stakeholder identification and analysis will be conducted during the development of the project's stakeholder engagement strategy.

B. Disclosure Requirements

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

NA

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

NA



All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

NA

CONTACT POINT

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APPROVAL

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Approved By

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