



# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

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Concept Stage | Date Prepared/Updated: 30-Jun-2017 | Report No: PIDISDSC20561



**BASIC INFORMATION**

**A. Basic Project Data**

Country Tonga	Project ID P161541	Parent Project ID (if any)	Project Name Pathways for Tongan Youth Employability (P161541)
Region EAST ASIA AND PACIFIC	Estimated Appraisal Date Oct 09, 2017	Estimated Board Date Jan 04, 2018	Practice Area (Lead) Social Protection & Labor
Financing Instrument Investment Project Financing	Borrower(s) Kingdom of Tonga	Implementing Agency Ministry of Finance and National Planning	

**Proposed Development Objective(s)**

The project aims to improve opportunities for secondary school completion and facilitate the transition to jobs in the domestic and overseas labor markets for Tongan youth.

**Financing (in USD Million)**

Financing Source	Amount
International Development Association (IDA)	7.50
IDA Grant	7.50
<b>Total Project Cost</b>	<b>15.00</b>

Environmental Assessment Category C-Not Required	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)

N/A



## B. Introduction and Context

### Country Context

**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.

**Extreme poverty across Tonga is negligible, but significant numbers live in hardship.** The most recent poverty data, whilst over five years old, shows that the prevalence of extreme poverty is very low, at 1.1 percent nationwide, which suggests there are fewer than 1,200 people suffering from extreme poverty in Tonga. Poverty based on the \$3.10-a-day line is somewhat higher, at 8.2 percent of the population, with rural populations more likely to live in poverty than those in urban areas (9.1 percent compared to 4.9 percent respectively). 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.

**The potential for economic growth in Tonga is hindered by inherent high cost structures.** Furthermore, the country is also highly exposed to both external economic shocks and natural disaster shocks. 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. This is illustrative of the challenges faced by the region at large. 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 extremely 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 14 significant natural disasters. The most recent severe weather system to hit Tonga, Tropical Cyclone Ian, caused damages and losses of \$US50 million, or about 11 percent of Tonga's GDP.

**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.** 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. 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.



## Sectoral and Institutional Context

**Tonga has a sizeable youth population, which generally face poor labor market outcomes.** Over half (56%) 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 vast majority of these youth (76%) reside on the main island of Tongatapu, and only 25% 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 are engaged in the labor force to the same extent as young men.

**There is a burgeoning issue with secondary school dropouts, which has been labelled an 'epidemic'.** Whilst primary enrolments are extremely high – the 2011 Census reports that 94.4% of the aged 5-14 are enrolled in school – only 74.6% of Tongans manage to complete secondary school. 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). Data is generally limited, however, a recent study on the 'school dropout epidemic' funded by the EU shows that for the high schools they were able to survey, dropouts for the period from 2012-14 totaled 709, 1,029 and 1,227 respectively. Other reports from the Government suggest the nationwide dropout rate ranges between 2,000 – 3,000 students annually. A significantly higher number of young males drop out of secondary school than females.

**There seems to be several factors behind this school 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. Whilst there are no recent tracer surveys of secondary school dropouts, there is a strong correlation between education levels and employment outcomes – 70.4% of the unemployed covered in the 2003 labor force survey had left school prematurely. There are also limited initiatives in place aimed at preventing youth from dropping out of school, apart from a cash transfer program currently being designed by the Social Protection and Disability Division (SPDD). It would require households to enroll secondary school age children and maintain their attendance to receive a monthly cash benefit.

**Whilst there is a well-established TVET system in place to supply skills, the training provided is not necessarily well matched with skills demand.** Formal TVET provision in Tonga is comprised of three distinct systems: (i) government (including the main public providers, the Tonga Institute of Science and Technology (TIST) and the Tonga Institute of Higher Education (TIHE)); (ii) Catholic and Free Wesleyan institutions (FWC); and (iii) a number of private providers and NGOs (DFAT 2014). There are 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. Similarly, communities tend not to be involved in identifying training needs for the informal sector. As a result, training operates in isolation and tends to be largely supply driven.

**There is also 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 T\$4.6 million (approximately \$US2.1 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 (DFAT 2014).

**For employment abroad, the upfront costs associated with accessing these opportunities remains a barrier 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 \$A2,000, whilst for semi-skilled and skilled migrants, these costs can amount to \$A5,000 (Clemens, Graham and Howes, 2014). The commercial banks currently do not offer any loan products tailored towards migrant workers, which means many rely on informal loans from the diaspora or their extended kinships networks. As a result, poorer and disadvantaged households who lack these networks have difficulty in accessing opportunities abroad. The Tonga Development Bank (TDB) has recently introduced a loan product for Tongan workers heading to the Recognised Seasonal Employer (RSE) scheme in New Zealand. This product currently remains small-scale, confined to seasonal workers and with certain conditions (collateral/ cross-guarantee requirements) that make it difficult for poorer households to access.

#### Relationship to CPF

**The proposed operation is closely aligned with the both the Country Assistance Strategy (CAS, Report No. 56630-TO), which covered the period from FY11 to FY14 and the upcoming Regional Partnership Framework (RPF) for the PIC9, which will cover the period from FY17 to FY21.** In particular, the proposed operation is aligned with the second theme of the CAS on ‘generating opportunities through greater global and regional integration’ to the extent that it will foster employment opportunities abroad. For the RPF, Focus Area 2 on ‘Enhancing access to quality public services and employment opportunities’ is in parallel with the overall objective of the proposed operation. Moreover, the proposed operation also aligns closely with the key longer-term employment opportunities outlined in the Bank’s *Pacific Possible* vision piece, particularly in the Tongan tourism sector, and the aged-care sectors in Australia and New Zealand.

### C. Proposed Development Objective(s)

The project aims to improve opportunities for secondary school completion and facilitate the transition to jobs in the domestic and overseas labor markets for Tongan youth.

The Tongan definition for ‘youth’ extends beyond internationally defined norms, with the range covering those between the ages of 15 and 39 years. The domestic labor market refers to Tonga, whilst overseas labor markets is with reference to Australia and New Zealand.

#### Key Results (From PCN)

##### Project Development Indicators

- Secondary school enrolment and attendance rates (male/ female)
- Percentage of Tongan youth in a job in the Tongan labor market (male/ female)
- Percentage of Tongan youth in a job in the Australian and New Zealand labor markets (male/ female)

##### Intermediate Outcome Indicators



- Number of beneficiaries receiving conditional cash transfers through the project (male/ female)
- Number of beneficiaries of technical and vocational training programs supported through the project (male/ female)
- Number of migrants that have directly benefited from the job-contingent loan scheme funded through the project (male/ female)

#### **D. Concept Description**

**The project will consist of the following three components:** Component 1 will support a cash transfer program for secondary school enrolment and attendance. This component will fund both the TA required to establish the cash transfer program and the funds required for the transfers. Component 2 will be framed around two interventions aimed strengthening opportunities for labor mobility – one focusing on increasing the number of technical and vocational training graduates with qualifications relevant for overseas labor markets and another looking at the establishment of a job-contingent loan scheme for migrants. Component 3 will support governance arrangements, program management, and monitoring and evaluation.

**The proposed project will support activities to prepare Tongan youth for employment.** The target groups will be determined based on the following criteria: (i) age, (ii) location, (iii) gender, and (iv) welfare status. In general, the target group for the interventions funded under the various components will be Tongan youth. The specific age group this covers would be between 15-39 years of age<sup>1</sup>. The proportion of youth either unemployed, under-employed or inactive 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 Niuaotupapu).

**The components being proposed for this project were selected following extensive consultations** with the Ministry of Finance and National Planning, several line ministries (Ministry of Education and Training, Ministry of Internal Affairs) various NGOs, civil society groups, development partners, as well as focus group discussions with unemployed youth both in Tongatapu and in the Outer Islands. The selection of the components was also informed by recent analytical work on the Tongan labor market. Given the significant gender disparities that have emerged both in this analytical work and through the task teams' consultations, all project components will take the differential situation of men and women into account and explore how gender gaps may be closed where they exist.

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<sup>1</sup> Tonga does not have a minimum age for work and has not ratified the corresponding ILO convention on minimum age. However, the SWP and the RSE impose entry limits to those 18 years and above.



**SAFEGUARDS**

**A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The proportion of youth either unemployed, under-employed or inactive 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).

**B. Borrower's Institutional Capacity for Safeguard Policies**

Whilst in-depth discussions around implementation arrangements are in the early stages, the task team plans to further explore the merits of setting up a Project Management Unit (PMU) within the Ministry of Finance and National Planning. The PMU would be responsible for the day-to-day management, monitoring and coordination of the Project. The PMU will report to MFNP and also be responsible for the Project accounting and financial management. The PMU would report on a monthly basis on the progress of the Project implementation.

The Ministry of Finance and National Planning has had some involvement with World Bank safeguards policies for previous projects in Tonga (ICT, Energy), however they do not have practical implementation experience. The Ministry of Education and Training and other agencies involved in the project do not have knowledge and experience of safeguards policies. During project preparation the Task Team will assess the appropriate capacity building requirements for the Project Management Unit and the line Ministries as part of assessing project implementation arrangements.

**C. Environmental and Social Safeguards Specialists on the Team**

**D. 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 Sub-component 2.1, results-based payments 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 results-based payments do not lead to the financing of activities that would trigger safeguards policies.
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	

### E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Sep 07, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

N/A

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**APPROVAL**

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