

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

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| Country: | Palau | Project Title: | Koror–Airai Sanitation Project |
| Lending/Financing Modality: | Project | Department/ Division: | Pacific Department/Pacific Urban, Social Development and Public Management Division |

| I. POVERTY ANALYSIS AND STRATEGY | |
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| A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy | |
| <p>Palau's Medium-Term Development Strategy (MTDS), 2009–2014 outlines the country's policy priorities, including investments for sanitation and water, along with maintenance plans. Other MTDS priorities include (i) foster sustainable income opportunities for agriculture and fisheries, (ii) position Palau as the island of choice for environmentally conscious visitors, (iii) refine foreign investment and foreign worker policies to generate maximum sustainable benefits for Palau, and (iv) undertake reforms to ensure a cost-conscious and highly productive government. The Asian Development Bank (ADB) country partnership strategy 2009–2013 for Palau is aligned with Palau's MTDS and supports building a robust water supply and sanitation infrastructure, with the objective of developing economic and ecological resilience.^a Low-income families will benefit from subsidies for water and sanitation through lifeline tariffs.</p> | |
| B. Poverty Analysis | Targeting Classification: General intervention |
| <p>1. Key issues. According to the 2008 Palau Initial Status Millennium Development Report, the country is likely to achieve many of the Millennium Development Goals (MDGs) by 2015. The population enjoys relatively high standards of health, education, and other public utilities that the government has provided mostly free or heavily subsidized. Palauans have constitutionally guaranteed access to 12 years of public education and free or subsidized health care. However, secondary education attainment has been declining. Of the 94% of school age children who attended school in 2005, 97% finished elementary school and 78% completed high school.^b</p> <p>In 2008, 25% of the population was estimated to be living under the basic needs poverty line.^c Although average gross domestic product per capita is about \$10,000,^d many households have high indebtedness from high interest informal lending and low savings. The ratio of food to nonfood expenditure averages almost 1:5 suggesting that households need much higher cash resources to meet the purchase of nonfood essentials. On average, the amount of home-produced food (subsistence production) is much lower in Palau than elsewhere in the region as most of the population lives in urban areas.^e This adds to the need for cash to purchase food and weakens food security, particularly in the context of increasing food prices. According to the United Nations Population Programme's Poverty Analysis 2006, the main characteristics of the poor include limited skills; unemployed; households with only one income earner (minimum wage earner); low-income households headed by women; and households with unhealthy lifestyle choices, exacerbating inability to afford basic needs and leading to poor health.</p> <p>About 84% of Palauans and 100% of urban residents in Koror and Airai have access to safe drinking water. Of the urban residents, 99% have access to sanitation but its reliability and quality are currently at risk. The sewage system is operating at full capacity, resulting in frequent sewage overflows that place many households at risk of disease, particularly young children. Frequent sewage overflows also place a burden on household budgets of low-income families, as they attempt to deal with foul odors and raw sewage overflows. The government heavily subsidizes the sector and maintenance is limited. Continued decline of the sewage system is a major and urgent concern particularly among low-income households. If not addressed, poorer households will suffer more in terms of living daily with a foul stench, with serious consequences for health problems and associated medical costs. Sewage overflows get in to urban domestic taro patches destabilizing the food security of the poor</p> | |
| <p>2. Design features. The project will rehabilitate the sewage network and treatment systems in the Koror and Airai areas to control the problem of sewage overflows and improve operation of the network. With a reliable sewage system, local people, low-income households, and visitors and tourists will have a significantly reduced risk of waterborne disease. Businesses will also incur less cost from the impact of cleaning up from sewage overflow. The hotel industry will no longer need to store sewage to be discharged to the sewer at night.</p> <p>The ongoing Water Sector Improvement Program (WSIP) introduced block tariffs for residential customers (water and sanitation lifeline tariffs for 18,750 liters/month) to ensure sanitation and water charges are affordable for the poorest households.^f For the lowest quintile using less than 18,750 liters of water per month, the combined water and sewer charge is 2.1% of average household income. Sewage tariffs are calculated on a volumetric basis based on metered water consumption. The program will also increase community awareness regarding improved sanitation and health by targeting end users, including the low-income population.</p> | |

| II. SOCIAL ANALYSIS AND STRATEGY | |
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| A. Findings of Social Analysis | <p>Key issues. The constant overflowing of sewage pumping stations in Koror and the lack of a central sewage treatment system in Airai are placing a heavy burden on people, by increasing the risk of infectious waterborne disease and creating potential economic hardship for affected households in Koror. It also increases the risk of contamination of Palau's pristine environment, one of the country's major income sources. The project will establish a more efficient system that will stop frequent sewage overflows to remove health risks for the population and tourists, and reduce economic risks resulting from sewage overflows.</p> <p>The project beneficiaries include Koror's population of 12,500 (3,173 households) and Airai's population of 3,300 (857 households), who will benefit from improved sewage services, including low-income households relying on lifeline water and sewage tariffs. The local communities in the project area will benefit through the provision of employment opportunities for unskilled and semiskilled labor during project implementation.</p> |
| B. Consultation and Participation | <p>1. Provide a summary of the consultation and participation (C&P) process during project preparation.</p> <p>Consultations were conducted in late 2011 and early 2012 through individual and group meetings and workshops that included national and state legislators, government officials, representatives from the private sector, nongovernment organizations, women leaders in Koror and Airai, and members of affected households in Koror. (These consultations with project stakeholders were a continuation of those undertaken in 2008 and 2010 during preparation of the WSIP.</p> <p>What level of C&P is envisaged during project implementation and monitoring?</p> <p><input type="checkbox"/> Information sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaborative decision making <input type="checkbox"/> Empowerment</p> <p>2. Was a C&P plan prepared for project implementation? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>Consultation and participation plans are built in the Community Action and Participation Program of the parallel Asian Development Bank-funded WSIP, being implemented by the government. Affected landowners and local communities will be consulted throughout the project cycle. Community and private sector support for the project will be documented in the form of an agreement with landowners on use of or access to land. Consultation with local communities including affected people and women will be continued during detailed design, implementation, and monitoring through interviews, focus group discussions, and community meetings.</p> |
| C. Gender and Development | Gender Mainstreaming Category: Gender mainstreaming |
| 1. Key issues. | <p>While women have decision-making power rooted in their matrilineal heritage and play a key role in household and clan decision-making, they are severely underrepresented in the political arena. Only 3 of 16 state governors are women, no members of Congress are women, and the average ratio of males to females in decision-making positions is about 3:1.</p> <p>Women have less access to productive and economic resources than men. Men largely control women's customary inheritance rights to land, which pass through the female line. There is private land ownership; however, little private sector development by Palauans is linked to land as an asset. A limited number of microfinance facilities support small entrepreneurs. Formal credit is available where an appropriate business model is available. A small business development center works in close collaboration with the National Development Bank of Palau. Women's participation in the labor force is concentrated in the technical and administrative sectors and in the public service. Although women have the right to work, and pay equity legislation is in place, less than 50% of women are engaged in the formal labor force. Fewer women than men are in senior management and administrative positions.</p> <p>Anecdotal reports during project preparation indicate that water supply and sanitation infrastructure is not properly installed or maintained in some areas, resulting in a high proportion of households not having direct access to potable water and a proper sewage system. This lack of adequate infrastructure and frequent sewage overflows create disproportionate time burdens for women, since women bear primary responsibility for household chores. Increased health risks from waterborne disease, especially among children, produce care burdens for women, as well as economic difficulties for women's household management.</p> <p>The key gender issues that the project will impact include (i) access to improved sanitation services as a result of improved sewage infrastructure, (ii) availability of public sanitation facilities, (iii) employment opportunities for women in project management and public utilities maintenance, and (iv) increasing awareness of safety and prevention of waterborne disease among girls and women.</p> |

2. Key actions. Measures included in the design to promote gender equality and women's empowerment:

Gender action plan Other actions or measures No action or measure

A gender action plan was prepared based on social analysis and consultations during project preparation and the results from consultations during preparation of the WSIP. It includes a series of measures in relation to sewage system rehabilitation and improvement, and rehabilitation or construction of public toilet facilities in Koror, which consider women's particular needs. Measures include consultation activities specifically targeted at women's participation, health and sanitation awareness activities, training of women to participate in capacity building and employment opportunities, actions to encourage women's participation in project-related contracts, and collection of sex-disaggregated data for monitoring purposes.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

| Issue | Significant, Limited, or No Impact | Strategy to Address Issue | Plan or Other Measures Included in Design |
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| Involuntary Resettlement | The project will not require land acquisition. It will utilize mostly public land. | | <input checked="" type="checkbox"/> No action |
| Indigenous Peoples | Project preparatory technical assistance confirmed that residents in the project area do not meet the Asian Development Bank criteria of indigenous peoples (distinctiveness and vulnerability). | | <input checked="" type="checkbox"/> No action |
| Labor Employment opportunities Core labor standards | The project is expected to generate employment opportunities in project sites during construction and operation. | Limited | <input type="checkbox"/> Plan <input type="checkbox"/> Other action <input checked="" type="checkbox"/> No action |
| Affordability | The project will improve affordability through lifeline tariffs. | | <input type="checkbox"/> Action <input checked="" type="checkbox"/> No action |
| Other Risks and/or Vulnerabilities | No potential risks are anticipated. | No impact | <input checked="" type="checkbox"/> No action |

IV. MONITORING AND EVALUATION

Are social indicators included in the design and monitoring framework to facilitate monitoring of gender and social development activities and/or social impacts during project implementation? Yes No

^a ADB. 2009. *Country Partnership Strategy, Palau, 2009-2013*. Manila.

^b Government of the United States, Bureau of Democracy. 2007. *Human Rights, and Labor Country Reports on Human Rights Practices*. Washington, DC.

^c United Nations Development Programme. 2008. *Estimation of Basic Needs Poverty Lines and the Incidence and Characteristics of Poverty in Palau*. Koror.

^d International Monetary Fund. 2012. *Republic of Palau: 2012 Article IV Consultation (Staff Report)*. Washington, DC; and International Monetary Fund (IMF). 2012. *Public Information Notice on the Executive Board Discussion for the Republic of Palau*, IMF Country Report No. 12/54.

^e United Nations Development Programme. 2011. *Palau 2011 Human Development Report*. Koror.

^f Asian Development Bank. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Palau for the Water Sector Improvement Program*. Manila.

Source: Asian Development Bank.