

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title: Tonga: Tonga–Fiji Submarine Cable Project

Lending/Financing  
Modality:

Project grant

Department/  
Division:

Pacific Department  
Urban, Social Development,  
and Public Management  
Division

### I. POVERTY ANALYSIS AND STRATEGY

#### A. Link to the National Poverty Reduction Strategy and Country Partnership Strategy

The government is reviewing and updating its national development strategies within the context of the National Strategic Planning Framework. This framework identifies seven primary objectives—community development, private sector growth, continued constitutional reform, economic and social infrastructure development, technical and vocational education and training, improving health indicators, and environmental sustainability and the mitigation of climate change impacts. Recognizing the importance of inclusive and equitable growth, the government emphasizes community development, private sector, and infrastructure, especially to bring greater economic opportunities to rural areas.

The Asian Development Bank's (ADB's) country partnership strategy, 2007–2012<sup>a</sup> focuses on (i) pro-poor, environmentally sustainable integrated urban infrastructure development; (ii) financing of pro-poor policies through effective, prudent macroeconomic and fiscal management; and (iii) private sector development. The proposed project will contribute to the achievement of the national strategic framework and poverty reduction by reducing communications costs, improving existing business efficiency, enabling public service improvement (e.g., e-education and e-health), creating opportunities for private investment and small business development based on improved internet connectivity. With better access to the internet and information and knowledge, the project will help to build skills training and community awareness. The project will contribute to poverty reduction by instilling basic internet-related and business skills as well as developing various market opportunities.

#### B. Poverty Analysis

##### Targeting Classification: General intervention

**Key issues.** Absolute or extreme poverty is rare in Tonga. The land is generally fertile, except in some of the low atolls of Ha'apai, and almost all Tongans have access to plantation areas for food crops. In general, Tonga has had one of the highest rates of subsistence production for own consumption in the Pacific region. Pockets of serious poverty occur in some remote villages and in the small squatter settlements around the capital Nuku'alofa where rural migrants do not have access to traditional lands; yet, nationwide this affects only about 2% of households.

As a consequence of the low rate of economic growth in recent years and the impact of high inflation rates—resulting largely from the global food, fuel, and economic crises—the real incomes of many households have declined. Remittances, which are important sources of household income, and foreign exchange receipts at the macro-level, have also declined significantly in the last 2 years as a consequence of the global economic crisis. This has added to pressures on households.

A new analysis of the 2001 and 2009 Household Income and Expenditure Surveys (HIESs)<sup>b</sup> indicates that the incidence of basic needs poverty rose between 2001 and 2009. For 2001, the level of poverty incidence for the overall population was estimated at 16.2%; by 2009, it has increased to 22.5% (estimates for households are 12.2% in 2001 and 16.2% in 2009). The sharpest increases in poverty incidence are seen in rural parts of Tongatapu (from 18.8% of the population in 2001 to 23.5% in 2009) and in the other islands (11.8% in 2001 to 22.9% in 2009).

In 2009, about 25% of all households were headed by females; the proportion was higher in Nuku'alofa (29.6%) but lower in the rest of Tongatapu (23.5%) and other islands (21.5%). However, households headed by females were slightly less likely to be below the basic needs poverty line in Nuku'alofa (27.7%), compared to the rest of Tongatapu (27.0%) and the other islands (22.9%). The household survey also indicates that about 28.9% of all children live in households falling below the basic needs poverty line.

From 2001 to 2009, the cost of living, as measured by the Tonga consumer price index, rose by about 86%. However, average household expenditure rose by only 47.3%, from about T\$369 per week in 2001 to T\$544 per week in 2009. For the poorest 20% of households, expenditure averaged T\$174 per week in 2001 and T\$272 per week in 2009.

**Design features.** The proposed project will bring high-capacity, high-speed, high-quality broadband internet to Tonga by connecting it to the global telecommunications network through a submarine cable system. The submarine cable system and improved regulatory environment will promote competition in telecommunications retail market, which will improve the quality and reduce the costs of services, especially broadband internet. The outcome of the project is that Tonga's population will have access to high-quality broadband internet services at a lower price.

Initially, the primary beneficiaries of the project will be businesses and existing broadband internet customers on Tongatapu. Other major beneficiaries will be school, health, and administrative facilities in keeping with the government plans (e.g., National Information and Communications Technology Policy, July 2009). These beneficiaries (business, individual, household, community, or institution) will gain through having improved access to the internet and online services.

The ongoing expansion and strengthening of the national networks through the adoption of wireless technologies and Tonga Power's fiber-optic cables will provide increasing penetration of internet services into the more remote communities of Tongatapu and eventually into the other islands. More rural households will then have access to affordable good quality internet services. As in other developing countries, small internet cafes will start to appear in village shops and stores in remote locations serving those who may not yet have a personal computer at home or be able to afford internet access.

## II. SOCIAL ANALYSIS AND STRATEGY

### A. Findings of Social Analysis

**Key issues.** Tonga is the last hereditary constitutional monarchy in the Pacific with about 102,000 people (2006 census). It consists of three main island groups—Tongatapu, Ha'apai, and Vava'u—with remote outlying islands of the Niuas group in the north and Eua in the south. There are 171 islands with a total area of 747 square kilometers. About 48 islands are inhabited. The 2006 Census indicates that about 25% of the population is urban, living in Nuku'alofa; another 46% lives in other parts of the main island of Tongatapu. Thus, only about 30% of the population lives in the other islands.

Population growth has been low, at about 0.4% per annum between 1996 and 2006, because of emigration. Tonga has a long history of providing reasonable education services and health care facilities, and an estimated 99% of the population has access to safe water and improved sanitation. The economy is reliant on a few agricultural exports, remittances, and foreign grants, and is both economically and environmentally vulnerable. Transport and communication infrastructure has been improving but is still poor in the more remote villages and islands, so households in these areas experience disadvantages in access to basic services and particularly economic opportunities, which is a primary cause of rural–urban migration.

Jobs in the formal economy are very limited; only one-third of young people joining the labor force can find jobs in the formal sector. With the tight fiscal situation, the public sector can no longer provide adequate new positions even for the best qualified. As a result, many young people look for opportunities for out-migration, either in search of work or to join family members overseas. The government prioritizes technical and vocational training for those who are unable to follow an academic path.

The introduction of mobile phones in the last decade has significantly improved communication in remote areas, but internet access is still limited. Mobile phone penetration in Tonga rose from 0.2% of the population in 2000 to 60% in 2009. The rate of internet access rose from 0.1% in 1995 to 1.8% in 2003 and to 20.7% in 2009.<sup>b</sup> Internet access is predominantly concentrated in the urban center of Nuku'alofa (and the township of Neiafu, Vava'u) with limited access in the rural areas of Tongatapu or the other islands. The 2009 household survey indicates that 82% of internet users were in Tongatapu, and 34% of them were from Nuku'alofa. Rural areas of Tongatapu have 20% internet penetration while outer islands have 13% on average. While 83% of expenditure on internet connections was incurred in Tongatapu, 49% of internet users have access to internet at work and school where individual users do not pay for the service.

Cheaper internet service can create new opportunities for employment, enhanced education and health services, and increases in communication as well as available knowledge for the economy. A competitive market structure has brought an increase in internet penetration in rural and remote areas, and lower-cost international connectivity will accelerate the service expansion.

### B. Consultation and Participation

1. Provide a summary of the consultation and participation process during the project preparation.

An environmental assessment team consisting of two international experts and one national expert conducted consultations with potentially affected or interested stakeholders in Tonga during 23–29 July 2010. In addition to institutional stakeholders, the team consulted communities in Tonga, and local subsistence fishers on the Nuku'alofa reef platform.

2. What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?

☒ Information sharing    ☒ Consultation    ☐ Collaborative decision making    ☐ Empowerment

3. Was a C&P plan prepared? ☐ Yes    ☒ No

If a C&P plan was prepared, describe key features and resources provided to implement the plan (including budget, consultant input, etc.). If no, explain why.

A C&P plan was not prepared, since there are a relatively small number of stakeholders and only a small number of people is likely to be negatively affected from the construction, operation, and maintenance of the submarine cable and the landing station.

### C. Gender and Development

**Key issues.** Given the benefits and importance of information and communication technology, men and women need to have equal opportunities to access and use them. The project will benefit both men and women by lowering the cost of communications services, especially internet. In Tonga, access to information and communications technology services depends more on the availability and affordability of those services than social factors where women and girls might be disadvantaged. Female literacy is very high at 98.6% (98.4% for males). Almost 30% of women complete secondary education compared to 26% of men in Tonga (2002). The 2009 HIES shows that 55% of internet users are women. This is observed across all island groups as well as urban and rural areas. While the number of internet users increases as household income increases, it is notable that female users outnumbered male users in all income deciles.

**Key actions.** Measures included in the design to promote gender equality and women's empowerment—access to and use of relevant services, resources, assets, or opportunities and participation in decision-making process:  
☐ Gender plan    ☐ Other actions/measures    ☒ No action/measure

Summarize key design features of the gender plan or other gender-related actions/measures, including performance targets, monitorable indicators, resource allocation, and implementation arrangements. Not applicable.

### III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS

Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
<b>Involuntary Resettlement</b>	No impacts. The project will not involve any land acquisition.	In case any project activity unavoidably impacts on fishing and aquaculture during implementation, the project will follow the resettlement framework.	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input checked="" type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action
<b>Indigenous Peoples</b>	No impacts. The project will not involve issues of indigenous peoples. Tonga is an ethnically homogenous society, all people being indigenous.	No action required	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action
<b>Labor</b> <input type="checkbox"/> Employment opportunities <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Core labor standards	No direct impacts though the project will contribute to increased business efficiency and new opportunities, therefore, expected to eventually increase employment opportunities.	No specific strategy is required	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action
<b>Affordability</b>	The project will result in a significant reduction in the cost of internet connectivity. This, together with the establishment of village-based internet cafes, should make internet more accessible and affordable.	End-user price for internet to be monitored in accordance with the design and monitoring framework	<input checked="" type="checkbox"/> Action <input type="checkbox"/> No Action
<b>Other Risks and/or Vulnerabilities</b> <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others(conflict, political instability, etc), please specify	The project should not lead to any additional risks or vulnerabilities, in relation to these issues.	No action is required	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action

### IV. MONITORING AND EVALUATION

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

The project will have broad social impacts through improved communications resulting from a submarine cable system. Though the widespread use of the internet is expected to bring such impacts, it would be difficult to measure the pervasive impact. The design and monitoring framework will monitor the increase in subscriber numbers and the changes in subscription fee of internet services at outcome level and national programs on e-health and e-education at impact level.

<sup>a</sup> ADB. 2007. *Country Partnership Strategy: Tonga, 2007–2010*. Manila.

<sup>b</sup> Available at <http://www.spc.int/prism/country/to/stats/>.

<sup>c</sup> Pacific Island Forum Secretariat. 2010. *2010 Pacific Regional MDGs Tracking Report*. Suva.

Source: Asian Development Bank.