

**SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY**

Country:	Federated States of Micronesia	Project Title:	Yap Renewable Energy Development Project
Lending/Financing Modality:	Project Loan	Department/Division:	Pacific Department/ Transport, Energy and Natural Resources

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b>
Targeting classification: General intervention
<p><b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b></p> <p>The Strategic Development Plan 2004–2023 of the Federated States of Micronesia (FSM) is a national long-term growth strategy outlining the strategic direction for the country. It focuses on four main objectives: (i) stability and security, (ii) improved enabling environment for economic growth, (iii) improved education and health status, and (iv) assured self-reliance and sustainability. Stability and security pertains to maintaining economic assistance at levels that support macroeconomic stability. An improved enabling environment for economic growth refers to the government’s commitment to economic reform and provision of an enabling environment to support open, outward-oriented, and private sector-led development. Improved education and health status refers to the use of annual compact grants to support the provision of basic services for education and health. The Asian Development Bank (ADB) country strategy, 2011–2013 for the FSM supports the government’s strategic goals of economic growth and self-reliance. ADB is supporting state economic infrastructure development in two key sectors: energy (reducing heavy reliance on fossil fuels by implementing projects in Pohnpei and Yap) and transport, and associated sector specific strategic priorities (ADB Country Operations Business Plan, 2011–2013).</p>
<p><b>B. Results from the Poverty and Social Analysis during PPTA or Due Diligence</b></p> <p>1. <b>Key poverty and social issues.</b> According to the FSM’s first Millennium Development Report 2011, the FSM is on track to achieving the Millennium Development Goals (MDGs) for universal primary education (MDG 2), ensuring environmental sustainability (MDG 7), and strengthened global partnership for development by 2015 (MDG 8). While progress is expected on gender equality and empowerment of women (MDG 3), reduction in child mortality (MDG 4), and combating HIV/AIDS and other major diseases (MDG 6), the FSM is unlikely to eradicate poverty (MDG 1) and improve maternal health (MDG 5).</p> <p>The FSM’s human development index (HDI) for 2011 is 0.636, which places the FSM at 116th of a total of 187 countries and territories. The HDI ranking is based on gross domestic product (GDP) per capita, education including years of schooling and literacy rate, and health such as life expectancy at birth. The FSM’s HDI is relatively high for the region mainly because of the relatively high GDP per capita, which largely reflects a high level of foreign aid. For many other indicators, living conditions in the FSM are quite poor. Yap, one of the two smallest of the FSM’s four states, represents about 10% of the country’s population. According to the MDG Report (2010), Yap poverty rates decreased modestly from 1998 to 2005, although the incidence of absolute poverty is one-quarter the national average (2% versus 8% nationally, 2005 data) and the incidence of relative poverty is half the national average (11% versus 22%). Poverty is less severe in Yap than elsewhere as indicated by the poverty gap index (Yap 5.2 versus national 9.3, 2005 data). Inter-household income inequality is also the lowest among the four states.</p> <p>The recent 2010 Census indicates little change in the percentage of households (national) connected to power (about 65%). The high cost of electricity and fluctuating power tariffs (mostly upward) that result in erratic monthly electricity bills and reduced business and employment opportunities are key issues for medium- and low-income households.</p> <p>2. <b>Beneficiaries.</b> The primary project beneficiaries are Yap residents who will benefit from a stable power tariff, including low-income households relying on existing lifeline power tariffs. The private sector will also benefit from a reliable supply and relatively stable power tariff. The project beneficiaries include Yap Proper’s population of 7,371 people (1,330 households). Local communities in the project site will benefit through access to unskilled and semi-skilled labor work during project implementation. Affected households will be prioritized for construction and maintenance work.</p> <p>3. <b>Impact channels.</b> Poor and vulnerable groups: their needs, demands, constraints, and capacity. Over half of survey respondents (56%) in the villages around the site have low incomes; earning about \$300 or less monthly or survive on about \$10/day. The majority of respondent households have an average of 4–6 members (58%) surviving on \$1.7–\$2.5 per person daily. Over half of respondents partly use wood (60%) and kerosene (50%) for cooking (electricity is rarely used for cooking). A tenth are using deep wells (through community tanks) for drinking. Almost all lifeline tariff respondents (97%) around the project site support the government’s initiative to invest in renewable energy, to lessen their burden of paying for increasingly expensive power. They also view the project as a potential</p>

source of short-term employment. Training will be conducted for local communities to allow them to participate in project activities such as solar installation construction. The capacity needs for Yap State Public Services Corporation (YSPSC) include (i) awareness training for YSPSC management and project staff on social safeguard issues and gender; (ii) development of bidding documents requiring contractors to comply with minimum labor standards and work place safety, and employ local men and women in construction.

**4. Design features.** Through construction of renewable energy sources (solar and wind farms) and operation of an appropriate size diesel generator, the project will provide a reliable power supply and stable power tariffs to commercial and domestic power consumers in Yap Proper, including low-income households. With stable power tariffs, business and households could better plan monthly energy expenditures.

The project documents include pro-poor or poverty reduction measures to address poverty issues. The project's measures include the provision of unskilled and semi-skilled work for local residents of the project area. Contractor(s) will be encouraged to employ local men and women in project activities. Low-income households, including landowners, will be engaged in unskilled and/or labor-based construction work. The project will support the development of the local private sector through training for project maintenance contracts and promotion of tourism through the design of wind farm sites (viewpoints, access roads, and World War 2 historical sites).

## II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

State and village consultations were held, involving government, community groups, civil society organizations, and more than 100 individuals. Consultations were held in the form of (i) key informant interviews with government agencies and landowners and/or claimants; (ii) focus group discussions particularly among women and youth; and (iii) socioeconomic surveys of households in villages around the project site. A census and inventory of affected assets resulting from the land acquisition required for the project were also conducted. Consultations were also held with municipal and village leaders. Insights obtained were incorporated into the project design and relevant safeguard planning documents including the resettlement plan and gender action plan (GAP). Consulted municipal and village leaders, community members, and landowners and/or claimants expressed their support.

2. Explain how the project ensures adequate participation of civil society organizations in project implementation. The project design process included stakeholder consultation with civil society organizations. Civil society organizations will be included in ongoing consultation during design finalization and project implementation.

3. What forms of civil society organization participation is envisaged during project implementation?

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

4. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?

Yes.  No.

Consultation and participation plans are built in the safeguard documents for the project: resettlement plan and GAP. Affected landowners and local communities will be consulted throughout the project cycle. The communities' support for the project will be documented in the form of an agreement with landowners on the use of land. Public disclosure of the safeguard plans to displaced people and project communities will be ensured. Consultation with local communities including affected people and women will continue during detailed design, implementation, and monitoring through social surveys, focus group discussions, and community meetings.

## III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective gender mainstreaming

**A. Key issues.** Based on the FSM's Millennium Development Report 2011, Yap State is on track to achieve the gender targets. Yet, the ratio of girls to boys in school and the primary school survival rate suggest some gender bias, especially at the secondary level for 1997/98. The primary school survival rate to grade 8 was 83% for boys and 79% for girls; the school survival to grade 10 was 70% for boys and 55% for girls. From 1999 and 2009 data, maternal death is known to have increased, although no reliable statistics are available. FSM societies are matrilineal with the exception of Yap and outer islands in Pohnpei. Women have made progress in economic life, but gender bias still remains as indicated by survival rates in education. Similar to national trends, women in Yap have low participation in decision-making and leadership in politics, although women have been gaining appointments and serving at higher-level positions in the government. Women-specific hardships identified during focus group discussions with women from the project site include (i) limited income opportunities to find gainful employment, and (ii) lack of skills to gain income. Women-specific hardships identified include (i) giving birth in poorly lit aid posts; (ii) collecting drinking water from creeks and springs; (iii) performing the heavy and time consuming task of collecting firewood; (iv) cooking in poorly lit kitchens; and (v) lacking skills to engage in productive activities to earn their own income and manage businesses. Improved access to electricity will reduce the time burden for household chores such as collection of firewood, and present opportunities for household income-based generation activities

