

INITIAL POVERTY AND SOCIAL ANALYSIS

Country/Project Title:	Tonga / Tonga Submarine Cable Project		
Project Number:	44172-01		
Month/Year	May 2010		
Lending/Financing Modality:	Project grant and loan	Department/ Division:	PARD/PAHQ

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

According to the poverty assessment, 23% of Tongan households received incomes below a basic need poverty line of T\$1,466 per head per year, meaning that they experienced periodic difficulties in meeting their daily costs of living for food and other essential expenditures. Hardships among the resident population of 101,134 (2006) is alleviated by private remittance from up to 100,000 Tongans living abroad. In 2004, remittances amounted to 42.5% of GDP with 91% of households receiving remittances contributing to sustained consumption and investment in education and assets. Agriculture, fishery and tourism are the main economic sectors, and economic growth is constrained by small size of economy, high cost due to geographic fragmentation and distance as well as remoteness from the major markets. Private sector development is constrained by lack of infrastructure and high costs of essential services. Unemployment, especially among the youth emerges as social problem such as urban drifts and crime. Nonetheless, the country has potentials in fertile land, vast marine resources, well educated English speaking population and large emigrant population in US, Australia and New Zealand that maintains close relations with families in Tonga and can provide fresh impetus to economic growth with their savings, know-how, market connections and entrepreneurial talent.

ADB's Country Partnership Strategy in Tonga (2007 – 2012) focus on poverty reduction addressing binding constraints on growth by means of (i) pro-poor, environmentally sustainable integrated urban infrastructure development; (ii) financing pro-poor policies through effective prudent macroeconomic and fiscal management; and (iii) private sector development.

The proposed Project will contribute to poverty reduction of the country by reducing the cost of communication and increase access to information essential for socio-economic development. It will also contribute to improved efficiency and effectiveness of private sector activities as well as public services. It will also open up new opportunities for business activities such as business process outsourcing thus creating new employment opportunities.

B. Targeting Classification

2. Select the targeting classification of the project:

☒ General Intervention ☐ Individual or Household (TI-H); ☐ Geographic (TI-G); ☐ Non-Income MDGs (TI-M1, M2, etc.)

3. Explain the basis for the targeting classification:

The proposed Project does not target a specific segment of the population of Tonga. It is intended to benefit the general public through more efficient and affordable telecommunication and internet services.

C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?

Not applicable.

2. What resources are allocated in the PPTA/due diligence?

Due diligence in technical, financial and economic aspects of the Project as well as review of relevant regulatory environment are being conducted by the World Bank. The Tonga Cable Limited (TCL) hired a consulting firm to complete an assessment of environment impact and safeguard issues guided by ADB and the World Bank safeguard policy. ADB will implement a PPTA to support due diligence in governance risk assessment and social & poverty assessment complementing the efforts made by the World Bank and TCL.

4. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

The project will allow savings in communications costs for households, businesses and government and help introduce more

value added services and applications, which will support improvements in the business environment and investment climate. These will in turn facilitate investment, better services, and employment creation. Further economic benefits will be analyzed through the PPTA and opportunities for pro-poor design will be identified.

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

Based on existing information:

5. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

The primary beneficiaries will include telecommunication operators and Internet service providers, but ultimately general public as well as business who use telecommunications and Internet services as the submarine cable would enable service providers to provide better quality service at lower costs. With lower costs to provide services, telecommunications operators will have an incentive to expand their networks to rural areas, which will enable people in the rural areas to access information and communicate their needs.

6. What are the potential needs of beneficiaries in relation to the proposed project?

The communications service market is competitive with two telecom operators providing mobile communications, internet, pay-TV services, etc. The competition will lower the end-user price of the services reflecting the low cost of international bandwidth, but it will require a strong regulatory capacity to ensure the benefit of the submarine cable is translated to consumer benefit. In addition, improvement and extension of domestic backhaul within the country is necessary to ensure improved international connectivity can be distributed within the country. Recently, Tonga Power Limited announced a plan to install fibre optic cable for communication purpose along with its upgraded power cable. This will help upgrading domestic backhaul network, and both TCC and Digicel can lease the capacity to deliver communication services.

7. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

Despite these developments in communication networks, outer island population will be still disadvantaged in accessing advanced / high quality communication services. TCL has a second phase plan for a domestic submarine cable to link two main outer islands after the international cable is in operation and generates sizable revenue. As the government will re-lend the grant or loan to TCL at an interest higher than that of ADB, the government will be able to generate revenues enough for debt servicing and other purpose, such as universal service fund as incentives for operators to cover unserved, remote areas.

B. Consultation and Participation

1. Indicate the potential initial stakeholders.

Potential initial stakeholders include the governments of Tonga (Ministry of Communication and Information) and Samoa (Ministry of Communications and Information Technology), telecommunication regulatory authorities, private sector partners, and civil societies and communities.

2. What type of consultation and participation (C&P) is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of non-government organizations and community-based organizations, etc.)?

Types of consultation and participation will include group discussions and individual consultation with key government officials at all levels, regulatory authorities, private sector partners, along with focus group discussion with communities.

3. What level of participation is envisaged for project design?

☒ Information sharing ☒ Consultation ☐ Collaborative decision making ☐ Empowerment

4. Will a C&P plan be prepared? ☐ Yes ☒ No There are a relatively small number of stakeholders and a small number of people who are likely to be negatively affected from the construction, operation and maintenance of the cable. A separate C&P will not be prepared, but consultation and participation activities will be reflected in the individual consultants ToRs to ensure required consultations are duly conducted.

C. Gender and Development

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project/program?

Given the benefits and importance of ICTs, men and women need to have equal opportunities to access and use them. The most basic gender equality issue in ICTs is access, which is linked to the availability of the necessary infrastructure. Slightly more than 70% of total population resides in the main island of Tongatapu where the proposed submarine cable will be connected and its capacity can be distributed through improved backhaul network of fibre optic cable by Tonga Power and wireless technology. For the rest of population residing outer islands, additional investment in domestic backhaul network (e.g. microwave links, etc.) and regulation for cross-subsidy for rural users may be required to expand the access for both men and women, but more for women in terms of proportion because many poor women live in rural areas.

2. Does the proposed project/program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?
☒ Yes ☐ No

Lack of access to reliable communications services often forces people to travel long distance for communicating their needs. Mobility for women is limited in most of Pacific countries. With improved telecommunications and access points made available in communities, women can easily communicate with their counterparts in other areas without having to travel and incurring high expenses as well as relying on other people for information and transactions.

The government will on-lend the grant or loan from the Project to TCL at certain interest rate and terms, and the difference would create an income for government. Setting a reasonable level of interest rate and terms should be given careful consideration so that the financial viability of the cable system can be achieved while maximizing the proceedings from the project for other development purposes such as subsidizing internet use in education and health facilities, establishing rural access points, or investing in domestic cable network to link outer islands. These would expand the opportunities for women to access improved communication and information services by lowering the costs and physical distance.

3. Could the proposed project have an adverse impact on women and/or girls or to widen gender inequality?
☐ Yes ☒ No Please explain.

The project will contribute to telecommunications and internet services at lower prices and with higher capacity than before. This will benefit both men and women. In Tonga, access to those services depends more on availability and affordability of those services than social factors where women and girls are disadvantaged such as literacy and education. Female literacy is very high at 99%. Almost 30% of women complete secondary education compared to 26% of men in Tonga (2002).

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS¹¹

Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known ¹²	Plan or Other Action Required
<u>Involuntary Resettlement</u>	Although no major issues are anticipated, the PPTA will identify any potential land acquisition and resettlement for the proposed project.	No impact	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<u>Indigenous Peoples</u>	Although no major issues are anticipated, the PPTA will identify any indigenous group along the future project plans.	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain

Labor <input type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards	Labor issues not expected to affect the project.	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Affordability	The cable will decrease international connectivity price for telecommunications operators and internet service providers. In a competitive market, this production cost reduction will in turn lower end user price making it more affordable than before.	PPTA will assess the degree of positive impacts.	<input checked="" type="checkbox"/> Action <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	The issues of HIV/AIDS, gender, human trafficking, and other safety issues are not expected to affect the project.	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
IV. PPTA/DUE DILIGENCE RESOURCE REQUIREMENT			
<p>1. Do the TOR for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist/s? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p> <p>2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and C&P during the PPTA/due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, please explain why.</p>			