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IDA/R2018-0277/1

August 9, 2018

**Closing Date: Tuesday, August 28, 2018
at 6 p.m.**

FROM: Acting Vice President and Corporate Secretary

Tonga - Skills and Employment for Tongans Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed IDA grant and a grant from the Australia-Pacific Islands Partnership (APIP) Trust Fund to Tonga for a Skills and Employment for Tongans Project (IDA/R2018-0277), which is being processed on an absence-of-objection basis.

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Report No: PAD2432

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 13.2 MILLION
(US\$18.51 MILLION EQUIVALENT)

AND A

GRANT

FROM THE AUSTRALIA-PACIFIC ISLANDS PARTNERSHIP TRUST FUND

IN THE AMOUNT OF
US\$2,393,224

TO THE

KINGDOM OF TONGA

FOR A

SKILLS AND EMPLOYMENT FOR TONGANS PROJECT

August 7, 2018

Social Protection and Jobs Global Practice
East Asia And Pacific Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2018)

Currency Unit = Tongan Pa'anga (TOP)

USD 1 = TOP 2.24

SDR 1 = USD 1.40657

FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

APIP	Australia-Pacific Islands Partnership
ASA	Advisory Services and Analytics
ASQA	Australian Skills Quality Authority
BNPL	Basic Needs Poverty Line
CAPI	Computer-Assisted Personal Interviewing
CCT	Conditional Cash Transfer
CEO	Chief Executive Officer
CSU	Central Services Unit
DA	Designated Account
DFAT	Australian Department of Finance and Trade
ED	Employment Division
EMIS	Education Management Information System
FA	Financing Agreement
FM	Financial Management
FWC	Free Wesleyan Church
GDP	Gross Domestic Product
GoT	Government of Tonga
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
HIES	Household Income and Expenditure Survey
ICR	Implementation Completion and Results Report
IE	Impact Evaluation
IELTS	International English Language Testing System
IPF	Investment Project Financing
IPSAS	International Public Sector Accounting Standards
IRR	Internal Rate of Return
IUFR	Interim Unaudited Quarterly Financial Report
M&E	Monitoring and Evaluation
MET	Ministry of Education and Training
MFAT	Ministry of Foreign Affairs and Trade
MFNP	Ministry of Finance and National Planning
MIA	Ministry of Internal Affairs

MIS	Management Information System
NPV	Net Present Value
NZQA	New Zealand Qualification Authority
PDO	Project Development Objective
PIP	Program Implementation Plan
PLS	Pacific Labor Scheme
PMT	Proxy Means Test
PMU	Project Management Unit
POM	Project Operations Manual
PR	Progress Report
QIG	Quality Improvement Grant
QIGA	QIG Agreement
RDD	Regression Discontinuity Design
RETF	Recipient-Executed Trust Fund
RPF	Regional Partnership Framework
RSE	Recognized Seasonal Employer
SPDD	Social Protection and Disability Division
SSS	Single Source Selection
SSSC	Skills Sector Steering Committee
STEP	Systematic Tracking of Exchanges in Procurement
SWP	Seasonal Worker Programme
TA	Technical Assistance
TBEC	Tonga Business Enterprise Center
TDB	Tonga Development Bank
TIHE	Tonga Institute of Higher Education
TIST	Tonga Institute of Science and Technology
TNQAB	Tonga National Quality Assurance Board
TOR	Terms of Reference
TVET	Technical and Vocational Education and Training
WA	Withdrawal Application

Regional Vice President: Victoria Kwakwa
 Country Director: Michel Kerf
 Senior Global Practice Director: Michal J. Rutkowski
 Practice Manager: Philip O'Keefe
 Task Team Leader(s): Jesse Jon Gerome Doyle, Binh Thanh Vu

**BASIC INFORMATION**

Country(ies)	Project Name	
Tonga	Skills and Employment for Tongans	
Project ID	Financing Instrument	Environmental Assessment Category
P161541	Investment Project Financing	C-Not Required

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
28-Aug-2018	30-Sep-2023

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The Project Development Objective is to improve opportunities for secondary school progression and facilitate the transition to jobs in the domestic and overseas labor markets for Tongans.

Components

Component Name	Cost (US\$, millions)
Conditional cash transfer program for secondary school enrolment and attendance	6.50

Strengthening TVET provision	3.70
Enhancing opportunities for labor migration	1.80
Project management, monitoring and evaluation, and centralized support	8.90

Organizations

Borrower:	Kingdom of Tonga
Implementing Agency:	Ministry of Internal Affairs Ministry of Education and Training Ministry of Finance and National Planning

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	20.90
Total Financing	20.90
of which IBRD/IDA	18.51
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	18.51
IDA Grant	18.51

Non-World Bank Group Financing

Trust Funds	2.39
Australia-Pacific Islands Partnership Trust Fund	2.39

IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	0.00	18.51	18.51
Total	0.00	18.51	18.51

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023	2024
Annual	2.25	3.33	3.87	4.10	4.53	0.43
Cumulative	2.25	5.57	9.44	13.54	18.07	18.51

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Education

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial

6. Fiduciary	● Substantial
7. Environment and Social	● Low
8. Stakeholders	● Substantial
9. Other	● Moderate
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		✓
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Sections and Description

The Recipient shall maintain, throughout the Project implementation period, a Central Services Unit within MFNP,

with mandate, composition and resources satisfactory to the Association. Unless otherwise agreed with the Association in writing, the Central Services Unit shall be comprised of experts, each with terms of reference, qualifications and experience satisfactory to the Association, on areas relevant to project implementation, including but not limited to, procurement, financial management, safeguards and monitoring and evaluation.

(Section I.A.1 of Schedule 2 to the Financing Agreement and Section 2.03(a) of the Annex to the Grant Agreement)

Sections and Description

The Recipient shall maintain, throughout the Project implementation period, a Skills Sector Steering Committee, with terms of reference, composition and resources satisfactory to the Association. The Skills Sector Steering Committee shall be comprised of high-level representatives from, inter alia, MFNP, MIA, MET and relevant professional bodies and stakeholder groups.

(Section I.A.2 of Schedule 2 to the Financing Agreement)

Sections and Description

The Recipient shall maintain, throughout the Project implementation period, a Project Management Unit within MIA, with mandate, composition and resources satisfactory to the Association. The Project Management Unit shall be: (a) comprised of the following minimum staff and personnel: (i) a team leader; (ii) a procurement officer; (iii) a Project accountant; (iv) a monitoring and evaluation specialist; and (v) an administrative support officer, each with terms of reference, qualifications and experience satisfactory to the Association; and (b) supported by the Central Services Unit on fiduciary aspects of Project implementation and monitoring and evaluation, as may be required.

(Section I.A.3 of Schedule 2 to the Financing Agreement)

Sections and Description

To facilitate the carrying out of Part 1.2 of the Project, the Recipient, through MIA, shall ensure that the selection and enrolment of Beneficiaries and the provision of Cash Transfers are conducted in accordance with the provisions of the Financing Agreement, the Project Operations Manual and in a manner satisfactory to the Association.

(Section I.B.1 of Schedule 2 to the Financing Agreement)

Sections and Description

To facilitate the carrying out of Part 2.1 of the Project, the Recipient, through MET, shall make Quality Improvement Grants to Eligible TVET Institutions in accordance with eligibility criteria and procedures acceptable to the Association and set forth in the Project Operations Manual. The Recipient, through MET, shall make each Quality Improvement Grant under a Quality Improvement Agreement with the respective Eligible TVET Institution, on terms and conditions approved by the Association.

(Section I.C of Schedule 2 to the Financing Agreement)

Sections and Description

To facilitate the carrying out of Part 2.2 of the Project, the Recipient, through MET, shall review and approve applications for TVET Student Support Funds, and thereafter monitor and evaluate the uses of such TVET Student Support Funds, in accordance with, inter alia, eligibility criteria and procedures acceptable to the Association and set forth in the Project Operations Manual. The Recipient, through MET, shall make each TVET Student Support Fund under a TVET Student Support Fund Agreement with the respective Eligible Student, on terms and conditions approved by the Association.

(Section I.D of Schedule 2 to the Financing Agreement)

Sections and Description

The Recipient, through MIA and MET, shall ensure that MIA's and MET's Respective Parts of the Project are carried out in accordance with the arrangements and procedures set out in the Project Operations Manual satisfactory to the Association.

(Section I.F of Schedule 2 to the Financing Agreement)

Sections and Description

The Recipient, through MFNP, shall prepare and furnish to the Association not later than November 30 of each year during the implementation of the Project (or such later date as the Association may agree) for the Association's no-objection, a MFNP Annual Work Plan and Budget containing all eligible activities and Eligible Expenditures proposed to be included in Part 4.1 of the Project in the Recipient's following fiscal year.

(Section I.G of Schedule 2 to the Financing Agreement and Section 2.03(c) of the Annex to the Grant Agreement)

Sections and Description

The Recipient, through MIA and MET, shall prepare and furnish to the Association not later than November 30 of each year during the implementation of the Project (or such later date as the Association may agree) for the Association's no-objection, a MIA and MET Annual Work Plan and Budget containing all eligible activities and Eligible Expenditures proposed to be included in MIA's and MET's Respective Parts of the Project in the Recipient's following fiscal year.

(Section I.H of Schedule 2 to the Financing Agreement)

Conditions



Type Effectiveness	Description The Recipient, through MIA and MET, has adopted the Project Operations Manual, in form and substance satisfactory to the Association. (Section 4.01 of the Financing Agreement)
Type Effectiveness	Description The Financing Agreement and the Grant Agreement have been executed and delivered and all conditions precedent to their effectiveness have been fulfilled. (Section 4.01 of the Financing Agreement and Section 4.01 of the Annex to the Grant Agreement)
Type Disbursement	Description No withdrawal shall be made under Category (2) unless and until the Association has received evidence to its satisfaction that the following aspects of the Conditional Cash Transfer Program have been developed: (i) a management information system for the enrolment, compliance verification and payments; (ii) a grievance redress mechanism; and (iii) guidelines for a monitoring and evaluation framework, all as satisfactory to the Association. (Section III.B.1(b) of Schedule 2 to the Financing Agreement)

TONGA
SKILLS AND EMPLOYMENT FOR TONGANS

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I. STRATEGIC CONTEXT

A. Country Context

1. Tonga is a small, archipelagic kingdom 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 in the main island of Tongatapu. Other major islands and island groupings include 'Eua, Ha'apai, Vava'u, and the Niuaus. Its location makes Tonga one of the most geographically remote nations from major centers of economic activity in the world.

2. Extreme poverty across Tonga is negligible, but significant numbers live in hardship. Gross domestic product (GDP) per capita is US\$5,320 at Purchasing Power Parity. The preliminary estimates from the 2015/16 Household Income and Expenditure Survey (HIES) data have poverty, based on US\$1.90-a-day, at 0.95 percent of the population, with poverty in male-headed households (0.97 percent) marginally higher than female-headed households (0.89 percent). This is broadly consistent with local views that while there are few people in abject poverty in Tonga, 'hardship' or lack of cash for basic goods is typically a more widespread concern. Two alternative methods provide a more rounded picture of those living in hardship: (a) the consensual method estimates the national poverty rate at 25 percent of the population¹ and (b) the Basic Needs Poverty Line (BNPL), which is a summation of the food and non-food poverty lines, estimates the poverty rate at 35.1 percent. Across all methods, rural populations are more likely to live in poverty than those in urban areas. In terms of human development, the infant mortality rate is 14.4 per 1,000 births, and life expectancy at birth is 76 years for women and 70.1 years for men. The average years of schooling is 11.1 years for males and 11.0 years for females.

3. The potential for economic growth in Tonga is hindered by inherent high cost structures. 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 15 significant natural disasters. The most recent severe weather system to hit Tonga, Tropical Cyclone Gita, caused widespread damage and losses across Tongatapu and 'Eua, with damages and losses expected to exceed 15 percent of Tonga's GDP.

4. 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, and thus outmigration (seasonal or permanent) has been one of the options for a large portion of the population. The most promising domestic opportunities for employment and income growth come from tourism and tourism-supporting sectors, as well as agriculture and fisheries. The tourism sector already directly accounts for 6.1 percent

¹ The consensual method seeks to establish a poverty line by reference to the views of Tongan society as a whole.

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 about 20 percent of GDP. Employment in the agriculture and fisheries sector in Tonga remains dominated by men. Approximately 75 percent of Tonga’s population lives in rural areas where livelihoods are largely sustained through subsistence agriculture and coastal fisheries. While 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 percent and 0.9 percent, respectively. Labor migration and remittances received from the Tonga diaspora remain critical to the economy. In 2016, Tonga received an equivalent of 30.2 percent of GDP in remittances—the highest for any Pacific Island country. While women have benefited from the high remittance flows, they have been unable to benefit from direct employment opportunities abroad to the same extent as Tongan men.

B. Sectoral and Institutional Context

5. Tonga has a sizeable population, which generally face poor labor market outcomes. Over half (56 percent) of the country’s population is 24 years or younger, with a total of about 19,200 Tongans between ages 15 and 24. The majority of these (76 percent) reside on the main island of Tongatapu, and only 25 percent live in what could be classified as urban areas (that is, Greater Nuku’alofa). A large proportion fail to successfully transition into employment, remaining unemployed or inactive in the labor market. There is also clearly a gender dimension to unemployment in Tonga, with substantially lower labor force participation rate for young women than men. While this gap has narrowed marginally between 2000 and 2013, there remains a long way before young women will be engaged in the labor force to the same extent as young men.

Table 1. Labor Force Participation Rates in Tonga

Gender	2000		2013	
	Labor Force Participation Rate (% of population ages 15+)	Labor Force Participation Rate (% of population ages 15–24)	Labor Force Participation Rate (% of population ages 15+)	Labor Force Participation Rate (% of population ages 15–24)
Male	73	47	75	45
Female	49	31	54	32

Source: World Bank 2016.

6. The high reservation wage and lack of labor demand constrain the transition from school to the labor market in Tonga. The reservation wage in Tonga may have been pushed up by the high level of remittance inflows from the Tongan diaspora with remittances accounting for about 30.2 percent of GDP. While remittances have been a critical driver of increased living standards, they have also inflated the wage rates at which Tongans are willing to work. Moreover, the weak demand for labor in Tonga poses a severe constraint for successful transition to the labor market for young Tongans. A labor market study²

² Commissioned by Australian Department of Finance and Trade (DFAT) in 2012.



estimated the range of new formal sector jobs advertised to be between 180 and 310 in any given year, with approximately 70 percent of these in the public sector and the majority going to Tongan men.

7. There is also a burgeoning issue with secondary school enrolments and dropouts. While primary enrolments are extremely high—the 2016 Census reports that 100 percent of those ages 5–13 are currently attending schools—only 80.4 percent of Tongans ages 13–18 are currently attending secondary school. Among the stock of those aged 18 and above, 15.6 percent of men have completed secondary school compared to 14.7 percent of women. 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). Moreover, there is clearly a poverty dimension to the issue of secondary school dropouts. According to the 2016 HIES among the poorest decile, only 56.7 percent of those aged 13–18 are attending secondary school, which is substantially lower than for the rest of the population. In addition, only 8.7 percent of those in the poorest decile have completed secondary school, with no gap between male and female completion rates.

8. The majority of secondary schools are privately owned and only 30 percent are government run.³ Entry into the public secondary schools is based on merit and is highly competitive, attracting high achievers, while the school fees are also subsidized for the students. The remaining 70 percent of students are left to join the privately owned secondary schools, which are predominantly church and missionary schools with high student fees, and struggle to retain good teachers due to low salaries. Therefore, there seems to be a number of factors behind the secondary school enrolment and 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.⁴ In addition, only a small proportion of the overall students sitting for external board exams from private schools are passing, further exacerbating the school dropout rates immediately before and after exam periods. While there are no recent tracer surveys of secondary school dropouts, there is a strong correlation between education levels and employment outcomes—70.4 percent of the unemployed covered in the 2013 labor force survey had left school prematurely. There are also limited initiatives in place aimed at preventing dropping out of school.

9. The Social Protection and Disability Division (SPDD) of the Ministry of Internal Affairs (MIA) is the key agency working on social assistance programs in Tonga, and the present social protection system consists of a disability benefit scheme and a social pension scheme. By the standards of countries at comparable income levels globally, this is a quite underdeveloped social assistance system, though such a situation prevails in a number of Pacific Island countries (other than Fiji). Over the past year, the World Bank has been actively providing technical assistance to the SPDD, with the primary objective of identifying various options for the setting up of a poverty alleviation program in Tonga. World Bank support has been instrumental in laying the foundation for the cash transfer program and the Government's strong request for the inclusion of this conditional cash transfer (CCT) component in the project. The present capacity of the SPDD to undertake this component is quite thin but the project will be leveraging and enhancing existing structures where possible and developing new systems where necessary. Some of the preexisting structures already in place are the payments system and banking infrastructure and the field offices already setup in each major island (albeit with limited staff). The project will look toward hiring additional staff and developing new systems, such as the Management Information

³ MET, 2013. Tongan Ministry of Education and Training administrative data, Nuku'alofa: Tonga.

⁴ Takiama Ma'a Tonga, 2016. Battling Tonga's School Dropout Epidemic, Nuku'alofa: Tonga.



System (MIS) and Case Management and Grievance Redress, which will in effect, strengthen the administrative and operational capacity of the Government in the long term. Furthermore, the project will significantly contribute toward the overall social protection landscape of the country through the creation of a registry for the poor, objectively verifiable targeting through Proxy Means Testing (PMT), and robust MIS and grievance redress systems. This registry will also be extremely valuable as a means of channeling transfers to vulnerable populations in the wake of natural disasters.

10. While there is a well-established Technical and Vocational Education and Training (TVET) system in place to supply skills, there is anecdotal evidence to suggest that the training provided is not necessarily well matched with skills demand in the country and beyond. Formal TVET provision in Tonga comprises three distinct systems: (a) government (including the main public providers, the Tonga Institute of Science and Technology (TIST), and the Tonga Institute of Higher Education (TIHE); (b) Catholic and Free Wesleyan Church (FWC) institutions; and (c) a number of private providers and nongovernmental organizations.⁵ There is also a number of organizations that offer short course and/or informal skills development programs, which includes the Tonga Business Enterprise Center (TBEC). While some training providers explicitly aim to link in with areas of industry demand, the demand side is generally underrepresented in the planning and direction of TVET systems. This is not entirely surprising given that the overwhelming demand for labor in the formal sector is outside the boundaries of Tonga. While it is difficult to get industry involved in linking training with the demand for labor, this becomes more complicated when that demand is in a different country. Furthermore, metropolitan countries in the region do not automatically recognize qualifications accredited by Tongan national agencies, such as the Tonga National Quality Assurance Board (TNQAB). There is also no formalized process by which communities can be involved in identifying training needs for the informal sector. Therefore, the system for training provision operates in isolation and tends to be largely supply driven.

11. Even when jobs are available, Tongans often lack the necessary information networks and job-relevant skills to capitalize on these employment opportunities, domestic and abroad. Poorer and disadvantaged households who lack these networks have difficulty in accessing job opportunities. On top of that, they typically lack the basic skills (literacy and numeracy) required for employment and have a deficit of technical skills.⁶ While reported literacy rates are extremely high for the overall population (99.5 percent), functional literacy and numeracy are neither assessed nor reported. Many private sector employers report difficulties in recruiting staff with basic competencies. There are also widespread reported shortages of skilled tradesmen and women. Employers and other stakeholders also express concerns over the set of soft or behavioral skills of participants in the labor market, such as communications, empathy, time management, and motivation. The lack of technical and soft skills required by employers in the domestic labor market is an ongoing issue. For example, many of the large-scale reconstruction projects, such as the rebuilding of Nuku'alofa following the 2006 riots or rebuilding of Ha'apai post typhoon Evan, have required foreign skilled labor to be imported to complete the tasks on time and within budget.

12. There is 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

⁵ DFAT 2014. Research into the Financing of TVET in the Pacific, Tonga Country Report. Canberra: Australia.

⁶ Curtin, R 2013. The Tonga and Regional Labour Market Review 2012: A study to identify the demand for skills training in Tonga. Nuku'alofa: Tonga.

are sourced from both government and non-government sources. The Government of Tonga (GoT) 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 the 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 TOP 4.6 million (approximately US\$2.1 million). The amount 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 (Austrian Department of Finance and Trade - DFAT 2014).

Table 2. Summary of Funding for TVET Provision (TOP, million)

Funding Source	Training Provider					Total
	TIST	TIHE	FWC	Catholic	Private	
Government	1.13	0.34	0.71	0.20	0.14	2.52
Donors	0.20	n.a.	0.02	0.08	n.a.	0.3
Diocese	-	—	0.26	0.08	—	0.34
Student fees	0.24	n.a.	0.66	0.09	n.a.	0.99
Sale of services	-	—	0.18	0.10	n.a.	0.28
Other income	0.05	n.a.	0.09	0.11	n.a.	0.25
Total	1.62	0.34	1.92	0.66	0.14	4.68
Total excluding student fees	1.38	0.34	1.26	0.57	0.14	3.69

Source: DFAT 2014.

13. There is some involvement from donors in the TVET sector, but there remains a need for additional investments. The Tongan TVET sector received contributions from Germany and Japan in the 1980s and 1990s which provided the buildings, facilities, and equipment that are still being used today. In the intervening years, other donors' bilateral assistance (mainly Australia and New Zealand) for the TVET sector has focused heavily on funding individual consultants, technical assistance (TA), and scholarships. New Zealand has recently consolidated its aid program in Tonga and is now focusing purely on basic education. Meanwhile, Australia has recently provided AUD 7.5 million from bilateral aid in funding for the Tonga Skills Project over a five-year period. This project will focus partly on the TVET sector and support strengthened coordination and planning, targeted and inclusive skills development, and improved skills supply. Other areas of support under Tonga Skills include investing in micro, small, and medium enterprise development and facilitating accreditation processes for training providers. Outside of the Tonga Skills Project, there are minimal investments being made in the key training providers.

14. The Ministry of Education and Training (MET) does not have an overarching strategy for the TVET sector. The majority of the TVET policy expertise resides within the TNQAB. Moreover, while efforts have been made to develop an Education Management Information System (EMIS) to effectively track Tongan students from their entry at the primary level through to the tertiary level, it only remains functional for certain grade levels at the secondary level. Accurate and timely statistics on student enrolment, attendance, and completion would help support educational reform efforts, program implementation, as well as serving as a guide to decision making.



15. Labor migration remains one of the most promising employment pathways for many Tongans. With 53,247 permanent Tongan migrants abroad, Tonga has the third largest diaspora⁷ of all Pacific Island countries. These historical links with labor-receiving countries around the Pacific Rim have helped support the movement of Tongan labor across the region. Several schemes targeted at low-skilled population have opened up in recent years, which include Australia’s Seasonal Worker Programme (SWP) and New Zealand’s Recognized Seasonal Employer (RSE) scheme. Tonga is now the second largest sending country for the low-skilled seasonal worker schemes.⁸ In FY17, Tonga sent 2,690 workers under Australia’s SWP and 1,610 workers under New Zealand’s RSE scheme. Unfortunately, the employment opportunities from these schemes are not evenly shared between young Tongan men and women. In FY16, only 11.5 percent of departing Tongan seasonal workers were women. While these schemes were initially concentrated on the horticulture and viticulture sectors, the accommodation and tourism sectors⁹ have since been included in the programs. There is hope that these new sectors will bring additional employment opportunities for young women. Moreover, other programs, such as the upcoming Pacific Labor Scheme (PLS) in Australia and the Canterbury Trades Initiative in New Zealand, offer opportunities for tradesmen and women. These programs are expected to grow significantly over the coming years, placing additional pressure on the MIA’s ability to manage the outflow and pre-departure training requirements of migrant workers.

16. For employment abroad, limited skills, information constraints, and the upfront costs associated with accessing these opportunities remain barriers for many Tongans. 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 AUD 2,000 (US\$1,540), while for semiskilled and skilled migrants, these costs can amount to AUD 5,000.¹⁰ The Tonga Development Bank (TDB) has recently introduced a loan product for Tongan workers heading to New Zealand under the RSE scheme.

C. Higher Level Objectives to which the Project Contributes

17. The project will contribute to realizing the vision set out in Tonga’s Strategic Development Framework 2015–2025. This framework sets out an agenda for a more progressive Tonga, which incorporates improved and more inclusive employment opportunities for the Tongans. There is particularly close alignment with national outcomes A (dynamic knowledge-based economy), C (human development with gender equality), and G (external interests and sovereignty). The project will help put in place the building blocks for a knowledge-based economy through technical and vocational training. The CCT for secondary students and TVET components will help foster human development while encouraging equal opportunities for both men and women. Meanwhile, the migration support services will help facilitate better access to overseas employment.

18. The proposed operation is also closely aligned with the World Bank Group’s Regional Partnership Framework (RPF, R2017-0028 [IDA/R2017-0016, IFC/R2017-0029, MIGA/R2017-0006]) for the PIC9,¹¹

⁷ The stock of Tongan migrants abroad is almost as large as the resident population.

⁸ Sending over 4,000 workers annually, or approximately 6.5 percent of the total working-age population.

⁹ The tourism sector is confined to Northern Australia (broadly defined as areas above the Tropic of Capricorn).

¹⁰ Clemens, M. Graham, C. and Howes S. 2015. “Skill development and regional mobility: lessons from the Australia-Pacific Technical College”, *Journal of Development Studies*, 51(100): 1502-1517

¹¹ Nine Pacific Island countries.



which covers FY17–FY21. 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 World Bank’s Pacific Possible vision piece, particularly in the Tongan tourism sector, and the aged-care sectors in Australia and New Zealand.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

19. The Project Development Objective (PDO) is to improve opportunities for secondary school progression and facilitate the transition to jobs in the domestic and overseas labor markets for Tongans.

20. ‘Secondary school’ in Tonga is with reference to Forms 1–7. ‘Progression’ refers to the successful completion of a secondary school grade level.¹² The ‘domestic’ labor market refers to all island groupings constituting the Kingdom of Tonga, while ‘overseas’ labor markets refer to all countries outside the Kingdom of Tonga. Tongans refer to citizens of the Kingdom of Tonga.

B. Project Beneficiaries

21. The core beneficiaries of the project will be Tongans ages 13 to 55.¹³ The project will finance activities in the entire territory of the Kingdom of Tonga, including the main island (Tongatapu) and the Outer Islands (‘Eua, Ha’apai, Vava’u, and the Niuas). Project activities will not be restricted to any particular group, although target groups will be determined by the following criteria: (a) location, (b) gender, (c) age, and (d) welfare status. Certain incentives will be put in place to ensure that those in the Outer Islands have equal access to activities funded through the project, existing gender gaps in training and employment will be narrowed, and the poorest and most vulnerable groups are benefiting from activities.

C. PDO-Level Results Indicators

22. The achievement of the PDO will be measured through the following indicators:

- (a) Average duration of secondary school completed amongst the poorest decile (overall and female);
- (b) Share of beneficiaries who are employed in the domestic labor market six months after the completion of TVET training (overall and female); and

¹² Progression for those in Form 7 could be considered as ‘completion’.

¹³ While the core beneficiaries will include those ages 13–55, only those aged 18 and above will be eligible for employment opportunities. The younger beneficiaries will constitute those being encouraged to remain in secondary school through Component 1. Secondary school children supported through this component will be those aged from 13–18. Moreover, those aged up to 55 will be permitted to benefit from the pre-departure training for migrants.

- (c) Number of beneficiaries in the work-ready pool accessing employment opportunities abroad (overall and female).

III. PROJECT DESCRIPTION

A. Project Components

23. The project consists of four components. Component 1 will support a cash transfer program for secondary school enrolment and attendance to encourage grade completion. This will cover both the TA required to establish the cash transfer program and the funds required for transfers. Component 2 will finance investments needed to improve the quality and relevance of TVET programs and simultaneously support measures to increase the number of students able to access the system and equity within the system. Component 3 will support interventions aimed at enhancing opportunities for labor mobility. Component 4 will support project management, monitoring and evaluation (M&E), and centralized services. All components emphasize the specific constraints faced by those in the Outer Islands, include specific actions to address gender gaps and aim to provide equal opportunities for the poorest and most vulnerable groups. Annex 1 lays out a detailed description of project activities and annex 2 summarizes the implementation arrangements.

Component 1: Conditional cash transfer program for secondary school enrolment and attendance (US\$6.5 million)

24. Component 1 will incentivize secondary school progression and completion through the provision of cash transfers. It will address the financial constraints poor and vulnerable households face in access and retention and will provide the necessary motivation for students to stay in school. The guiding principle of this component will be to provide the right incentive for these households to both encourage secondary school enrolment and ensure regular attendance through to completion. The project will fund both the TA required to establish the cash transfer program and the funds required for the transfers.

25. **Subcomponent 1.1: Technical assistance required to establish CCT.** The TA activities will include support for (a) developing a registry of program beneficiaries; (b) developing a sound MIS for enrolment, compliance verification, and payments of the CCT program; (c) developing a grievance redress mechanism (GRM); (d) setting out the guidelines for an M&E framework; (e) developing and executing a communications strategy for the CCT program; and (f) administrating the program at the central level and in the Outer Islands.

26. **Subcomponent 1.2: Cash transfers and bonus payments.** Cash transfers of TOP 360 (US\$170) per school term/quarter (four terms in a year), or TOP 1,440 (US\$680) per year, will be provided to households if their children fulfil the attendance compliance requirements to assist poor households with their family's educational needs. This will be provided to eligible households through direct deposit or mobile money transfers. The amount will be variable depending on the number of eligible secondary school students per household. This amount would be equivalent to 46 percent of the BNPL and enough to cover school fees and basic inputs (uniforms and textbooks). In addition, a bonus of TOP 180 (US\$85) would be provided for households who have their children complete a grade in a given year. The amount for this bonus payment would be made flexible to ensure that it is sufficiently high to incentivize progression. The



payments will be channelled to the mother or female guardians of the children as a means of maximizing the impact of investments in human capital. This is a scheme that will be managed by the MIA's SPDD. The grant will be 'conditional' on the parents ensuring their child is enrolled in and attending secondary school on a regular basis and achieving 80 percent quarterly attendance. In its initial phase, the program will target the poorest 3 percent of households living beneath the BNPL (450 households) using a multidimensional PMT designed based on the latest 2015/16 HIES, a family assessment survey conducted by the SPDD, and community consultations for validating the eligible households identified through the PMT. It is expected to reach the poorest 10 percent of households (approximately 1,860 households) by project end.

Component 2: Strengthening TVET provision (US\$3.7 million)

27. Component 2 aims to strengthen the provision of TVET in Tonga to support the skills development of Tongans and make them more competitive in the global and domestic labor market. The goal is to improve TVET services across different levels within the education and skills system of Tonga, including the Government, employers, training providers, the quality assurance system through the TNQAB, and most importantly, the trainees or students.

28. This component will strengthen training provided at the certificate level in selected course areas by post-secondary training providers in Tonga and will provide financial support so that disadvantaged students can successfully participate and complete TVET and English programs to have access to employment, either in Tonga or abroad. Formal TVET training is provided by a wide variety of providers in public, church, and private institutions. This component is tightly focused on lifting the quality and market relevance of a limited number of formal TVET certificate courses that lead to employment in overseas labor markets, as well as being relevant to the Tongan domestic employment. The aim is that these courses, by the end of the program, will be recognized by the Australian Skills Quality Authority (ASQA) and/or the New Zealand Qualification Authority (NZQA), so that graduates, should they choose to migrate, will be able to access higher-level jobs than are currently the norm. There will be a focus on lifting the participation and successful completion of courses by the most disadvantaged individuals, women—who constitute a lower share of overall TVET graduates—and people in the Outer Islands.

29. **Subcomponent 2.1: Improving the quality of TVET.** This subcomponent aims to increase the quality of TVET programs so that the qualifications students obtain are recognized by the ASQA or the NZQA. This subcomponent will provide support to selected institutions with Quality Improvement Grants (QIGs), which could cover implementation of activities, but would not be limited to partnerships with overseas institutions, curriculum development, equipment purchases, or additional staff and training. The QIG, however, will not cover the costs for infrastructure or civil works. This intervention also aims to enhance fiscal transparency, efficiency, autonomy, and accountability of TVET institutions through practicing the QIG mechanism. The quality improvements provided to these institutions are expected to increase the returns to education for students participating in these programs by increasing their chances of being accepted under one of the skilled labor mobility programs, such as Australia's PLS or New Zealand's Canterbury Trades Initiative. In the selection criteria for the QIGs, specific consideration will be given to programs that are likely to boost female enrolment rates and close the existing gender gap in the TVET sector. Implementation arrangements for the QIGs will be specified in detail in the Project Operational Manual (POM).



30. **Subcomponent 2.2: TVET Student Support Funds.** This subcomponent aims to increase the participation in and completion of qualified TVET programs by students from more disadvantaged backgrounds, including women, who are still substantially underrepresented in the TVET sector. The subcomponent will achieve this objective by providing financial assistance to those students from marginalized households who enrolled in qualified TVET programs. If they are interested in attending any of the certificate-level programs identified through Subcomponent 2.1 and meet the eligibility criteria for the course, they will receive financial support for the whole duration of the TVET program. This will include payment of their course fees, including work placements and the provision of living allowances for those from the Outer Islands who have relocated to Tongatapu, provided they meet attendance and progression requirements. Each beneficiary will be provided a scholarship of up to TOP 1,800 (US\$900) annually for tuition fee for the training course, which will be directly transferred to the TVET institution where they are enrolled and accepted for training. Those coming from the Outer Islands will receive an additional TOP 6,000 (US\$3,000) each year to cover their living costs in Tongatapu. This amount has been calculated using the average per adult equivalent living costs in Tongatapu from the 2015/16 HIES data. This amount for living cost will be paid directly to each eligible beneficiary on monthly basis, provided that eligible students meet all requirements of attendance and performance at training courses will be specified in the POM. The program's targeting mechanism will rely on the same registry of poor households developed for the CCT under Component 1. It will use a multidimensional PMT designed based on the latest 2015/16 HIES. Starting at the second year of project implementation, eligible students who do not possess a post-school qualification (a certificate level or higher qualification obtained outside of secondary school) and belong to the poorest 10 percent of households in Tonga through the PMT score, and validated at the village community level, are enrolled and accepted in TVET courses and will receive support for the whole period of training, including for work placement. Among those on the registry and interested in accessing the TVET Student Support Funds, preference will be given to supporting young women, given they remain underrepresented in the TVET sector. The program support will be cancelled if the student fails to meet the co-responsibilities in a satisfactory manner. To remain eligible for the support program, students must show evidence of training attendance of at least 80 percent of the monthly hours required for training or work placement and progression of achievement to continue training in the following term or year.

31. **English language training support.** This is part of Subcomponent 2.2 and provides support to eligible students in undertaking the International English Language Testing System (IELTS) examination, which is a requirement for all temporary semiskilled and skilled visas in Australia and New Zealand. This support will cover costs for English language training for the beneficiaries of Subcomponent 2.2. The support will cover the TOP 400 (US\$200) fee incurred for an eight-week English language training course, along with the TOP 800 (US\$400) examination fee for the IELTS exam. Funds will be paid directly to the training providers. Given this support is geared toward preparing Tongans for overseas migration and a significant gender gap persists in overseas employment, female applicants will be given priority.

32. **Subcomponent 2.3: Strengthening governance of the TVET sector.** This subcomponent aims to support the strengthening of overall sectoral governance of the TVET sector. It focuses on improving efficiency, autonomy, and accountability of different levels within the TVET system. This subcomponent will support two main areas: (a) the development of a TVET EMIS that will track participating TVET students; the TVET EMIS will be based in the MET, with links to the TNQAB; and (b) the development of a proposal for strengthening governance that will be widely consulted on and endorsed by key stakeholders including the MET, churches, training providers, employers. and communities.



Component 3: Enhancing opportunities for labor migration (US\$1.8 million)

33. Component 3 will enhance opportunities for Tongans to access employment abroad. This will be achieved by supporting quality pre-departure training for seasonal and migrant workers and strengthening the capacity of the Employment Division (ED) within the MIA to screen and prepare migrant workers.

34. **Subcomponent 3.1: Pre-departure training for migrant workers.** Subcomponent 3.1 will support the pre-departure training of seasonal and longer-term migrant workers. This would be for those Tongans currently participating in Australia's SWP and 457 Temporary Skilled Visa Programme; and New Zealand's RSE scheme, Pacific Access Category, Essential Skills Programme, and the Canterbury Trades Initiative. At present, the pre-departure training for SWP workers is outsourced to the TBEC and supported through the Australian Government-funded Labor Mobility Assistance Program. This funding is expiring toward the end of 2018 without any contingency plan. The RSE workers are provided training through the MIA; however, the ED remains understaffed and unable to meet the training requirements of the New Zealand authorities. Meanwhile, other categories of migrant workers are provided with no training or briefing before departure.

35. This subcomponent will support a standardized pre-departure training of all migrant workers, which will cover, among other things, program parameters, employer expectations abroad, pay rates and basic financial literacy, remittance services, cultural adjustments, and measures to minimize the negative social impacts on remaining household members. The workshop will last two days and will be tailored to workers with different levels of experience (first time workers, return workers, and so on). The project will support the hiring of two additional Employment Training and Support Officers and this service will be provided within the MIA. The expected number of trainees annually by the end of the project is 8,000. Given the existing makeup of Tongan seasonal and longer-term migrant workers is largely dominated by young men, it is anticipated that men would also predominantly benefit from the pre-departure training provided. As this is largely driven by demand from employers in Australia, New Zealand, and the United States, there is little this subcomponent can do to close this gap.

36. **Subcomponent 3.2: Institutional strengthening for the ED.** Subcomponent 3.2 will strengthen the capacity of the MIA's ED to (a) provide information and outreach for prospective migrants on different opportunities available and how to finance them, (b) streamline the selection procedures for overseas employment opportunities. and (c) build up the 'work-ready' pool of prospective Tongan migrants. The information and outreach will include the advertisement and promotion of work opportunities through both the seasonal schemes and longer-term/higher skilled migration pathways. A particular focus will be placed on providing targeted information on migration opportunities available for women. The streamlining of selection procedures will encompass a systematic way to target low-skilled work opportunities to disadvantaged households and women and semiskilled/skilled work opportunities to graduates of local TVET programs. Finally, this subcomponent will finance the expansion of their existing work-ready pool of prospective migrants as demand for Tongan workers grows. This will include broadening the database from its current focus on low-skilled workers to cover the entire skills spectrum. Measures will be put in place to ensure that as this work-ready pool of migrants develops, there is a higher number of young women than men.

Component 4: Project management, monitoring and evaluation, and centralized support (US\$8.9 million)

37. Component 4 will support the project management to ensure effective implementation of the project. The component has two subcomponents: establishment and operation of the Central Services Unit (CSU) and establishment and operation of the Project Management Unit of the Skills and Employment for Tongans project.

38. **Subcomponent 4.1: Establishment and functioning of the CSU (IDA: US\$4.61 million; Recipient-Executed Trust Fund [RETF] US\$2.39 million).** This subcomponent will support the establishment and operation of a Central Services Unit, which will be overseen by the Ministry of Finance and National Planning (MFNP). The CSU would provide services to this project and extend such services to all World Bank-financed projects in Tonga, particularly IDA-financed projects being prepared under IDA 18, and possibly forthcoming projects under IDA 19. The CSU will provide services related to (a) project preparation and implementation and (b) capacity building. For project preparation and implementation, the role of the CSU would be to provide both implementation and advisory services in the common fiduciary functions such as procurement, financial management (FM), safeguards, M&E, and contract management. For the capacity building function, the CSU would play a significant role in capacity building of national staffs and consultants in the different ministries/agencies involved in World Bank projects in Tonga. The key objectives of the CSU are to reduce duplication of consultants in common function areas and to ensure capacity building for national staffs and consultants. The CSU would be staffed with full-time international experts in procurement, FM, M&E, and safeguards. In addition, a Program Manager/Coordinator would be hired to assist with overall coordination of the CSU's activities and performance management of CSU staffs and facilitate coordination with the various implementing agencies and ministries of World Bank-financed projects. Additional consultants may be recruited by the CSU to provide surge support as needed to maintain service quality during peak times. To ensure capacity building, national staffs undertaking fiduciary and M&E functions from each PMU/team will be twinned with the relevant international specialist from the CSU. The full-time international staff positions may be gradually phased out once sufficient national capacity has been built to staff the CSU. The subcomponent will also support some goods, procurement, training, and incremental operating costs related to the functioning of the CSU.

39. The CSU staffs would report to the Assistant Chief Executive Officer (CEO) of the MFNP through the CSU Program Manager/Coordinator. The CSU staffs and consultants would be contracted by the MFNP. Regular performance evaluation of the CSU staffs would be carried out by the MFNP with input from the CSU manager and project managers in the relevant implementing agencies. The CSU/MFNP will report to the World Bank on a semiannual basis on progress, performance, and capacity-building targets and achievements.

40. **Subcomponent 4.2: Project Management Unit.** A single PMU will be established within the MIA. This PMU will be responsible for the day-to-day implementation, monitoring, and coordination of Components 1, 2, 3 and Subcomponent 4.2 of the project. The PMU/MIA will report to the World Bank through the CSU/MFNP on a semiannual basis on the progress of the project implementation for such components. It will be staffed with a nationally recruited Team Leader, Procurement Officer, Project Accountant, M&E Specialist, and Administrative Support Officer. The PMU will be supported by the CSU on fiduciary aspects of project implementation and M&E, as may be required. Project M&E will involve

rigorously evaluating the various interventions supported through Components 1, 2, and 3. A separate impact evaluation (IE) will be supported for Components 1 and 2. The proposed methodology would involve a quasi-experimental methodology in both cases, drawing on a regression discontinuity design (RDD) in the case of the CCT and a difference-in-differences approach for the TVET Student Support Funds.

B. Project Cost and Financing

41. The lending instrument is Investment Project Financing (IPF). The total project cost is US\$20.9 million equivalent for a period of five years. This will be financed by an IDA grant to the GoT in the amount of SDR 13.2 million (US\$18.51 million equivalent) and a grant from the Australia-Pacific Islands Partnership (APIP) Trust Fund in the amount of US\$2.39 million to support the cost of the CSU. Table 3 summarizes the project costs and financing arrangements.

Table 3. Project Cost and Financing

Project Components	Project Cost (US\$ millions)	IDA Financing (US\$ millions)	Trust Fund (US\$ millions)
1. Conditional cash transfer program for secondary school enrolment and attendance	6.50	6.50	—
2. Strengthening TVET provision	3.70	3.70	—
3. Enhancing opportunities for labor migration	1.80	1.80	—
4. Project management, monitoring and evaluation, and centralized support	8.90	6.51	2.39
Total Costs	20.90	18.51	2.39
Total Project Costs	20.90		
Total Financing Required	20.90		

C. Lessons Learned and Reflected in the Project Design

42. The project draws on the following lessons garnered from relevant World Bank projects, as well as significant analytical work in the areas of CCTs and TVET:

- (a) Cash transfer programs can be an effective tool to improve education outcomes in developing countries. The Social Protection and Jobs Global Practice has prepared numerous projects focused on the development of CCT programs globally (more than 70 countries have CCTs nowadays), including several in small island settings (Grenada, Comoros). There has recently been a rigorous global review of evaluations on cash transfer programs.¹⁴ The overall evidence extracted shows that cash transfers lead to an increase in school attendance in the short term. Of 20 studies reporting on the overall effect of cash transfers on school attendance, 13 reported some significant impact. Of the nine studies reporting a

¹⁴ ODI 2016. Cash transfers: what does the evidence say? A rigorous review of programme impact and of the role of design and implementation features, London: United Kingdom.



measure of school absenteeism, all found significant effects involved reductions in absenteeism. Among the 16 studies reporting on attendance, all but one of the 10 significant impacts were positive.

- (b) In financing TVET, it is critical to focus not solely on the throughput of students but also on the quality of training being provided. This is reflected in the design of most World Bank-financed TVET projects. Component 2 proposes to both provide QIGs to selected TVET providers and financial support to disadvantaged students to increase the number of Tongans that are able to access these opportunities.
- (c) In instances where labor market demand is weak and employment growth is limited (as is the case in many small island state contexts), it is critical to focus not just on domestic employment opportunities but also those abroad.¹⁵ Component 3 places a focus on ensuring that the constraints to accessing employment opportunities abroad are addressed.
- (d) Lack of donor coordination is widely recognized as a serious problem impairing aid effectiveness. Huge reductions in transaction costs can be achieved through better donor coordination. Moreover, fragmentation has been proven to damage bureaucratic quality in recipient countries. The project will support the coordination of a high-level Skills Sector Steering Committee (SSSC), which will oversee both the investments being made under this project, as well as those being made through DFAT's Tonga Skills Project.
- (e) Project success is heavily influenced by the level of country ownership and a sustained commitment to implementation. This project was initiated by a specific request from the Minister of Finance. Despite a change in leadership at the MFNP, the GoT's commitment to the activities being financed through this project has been unwavering. This has been demonstrated through high-level involvement during project preparation.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

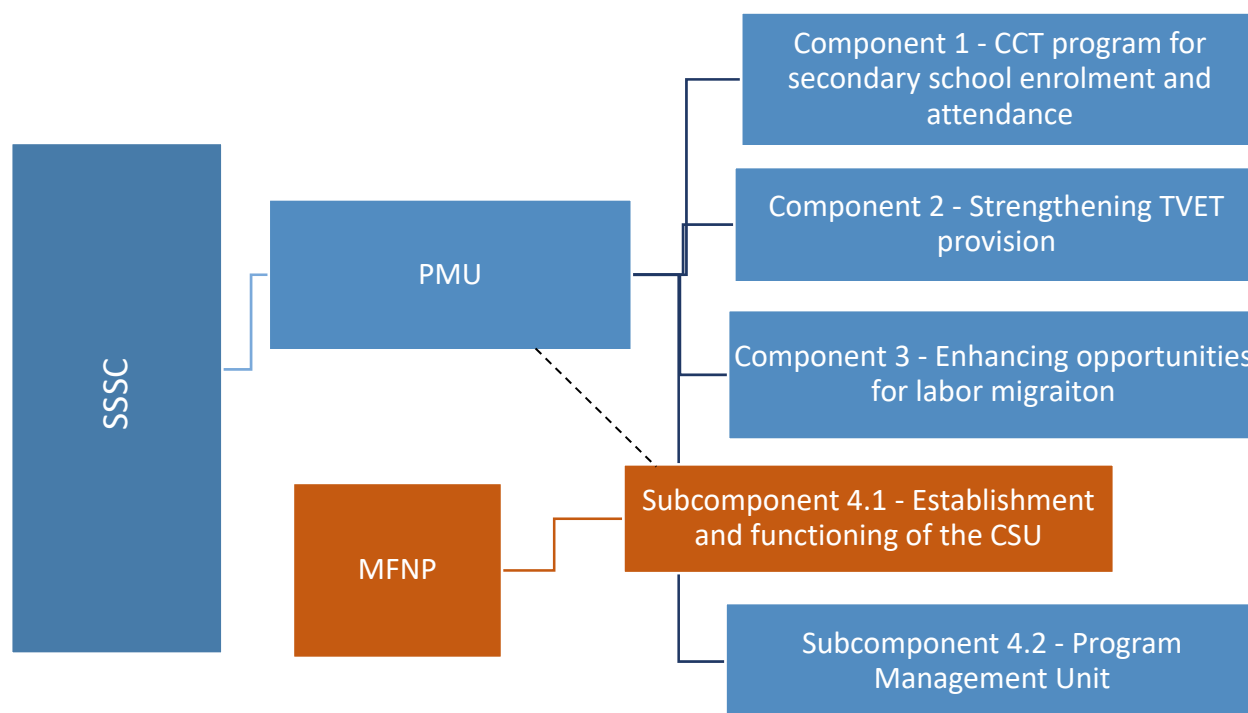
43. The MIA, MET, and MFNP will be the implementing agencies for the project. The SPDD of the MIA will be responsible for the implementation of Component 1. The MET will be responsible for Component 2. The ED of the MIA will be tasked with the implementation of Component 3. The MFNP will be responsible for the implementation of Subcomponent 4.1 on the establishment and operation of the CSU. The MIA and the MET will be jointly responsible for the implementation of Subcomponent 4.2. Under Subcomponent 4.2, a single PMU will be established within the MIA to support both the MIA and the MET on the implementation of Components 1, 2, 3 and Subcomponent 4.2 and will be responsible for the overall coordination, results monitoring, and updating the World Bank on the implementation of such components of the project.

¹⁵ World Bank. 2017. *Pacific Possible: Long-term Economic Opportunities and Challenges for the Pacific Island Countries*. Washington, DC: World Bank.

44. The overall governance of Components 1, 2, 3 and Subcomponent 4.2 of the project would be overseen through the high-level SSSC. The SSSC will be responsible for: (a) ensuring effective coordination between the key ministries and other stakeholders, (b) reviewing the implementation progress of the activities being implemented by MIA and MET, and (c) providing overall guidance for such activities. The SSSC will meet on a quarterly basis. The head of the SSSC would be responsible for regularly convening update meetings, as well as providing key decisions on the work being carried out by the PMU.

45. The SSSC includes representatives from key central and line ministries, professional bodies, the Tonga Chamber of Commerce and Industry, and other relevant stakeholder groups. The SSSC has already been established to support DFAT’s Tonga Skills Program, so the same governance structure is being applied to both projects to ensure coordination and to avoid the possibility of duplicating investments.

Figure 1. Implementation Arrangements



B. Results Monitoring and Evaluation

46. The project’s Results Framework is covered in section VII of the Project Appraisal Document. Overall responsibility for M&E for Components 1, 2, 3 and Subcomponent 4.2 will be with the PMU, which will be responsible for development of and regular data collection through surveys. Ongoing monitoring activities will be covered by the PMU’s M&E Specialist who will coordinate this section of the project. The project will provide institutional support to assist the GoT in designing a comprehensive and robust M&E framework. The M&E for Subcomponent 4.1 will be carried out by the M&E Specialist hired by the CSU.



47. The PDO-level and intermediate result indicators will be monitored through (a) administrative data from the MIA, MET, MFNP, and training providers; (b) spot checks for the CCT program and TVET beneficiaries; (c) tracer surveys on training outcomes; and (d) biannual reports prepared by the PMU. Moreover, rigorous IEs will be rolled out to provide an indication of the outcomes from Components 1 and 2. Each element of the M&E will be designed to ensure that results can be gender disaggregated. A comprehensive Implementation Completion and Results Report (ICR) will be compiled by the CSU/MFNP at the closing of the project, with inputs prepared by the PMU for Components 1, 2, 3 and Subcomponent 4.2.

C. Sustainability

48. The GoT has demonstrated strong ownership of the project from the beginning. This has been confirmed through the high level involvement from senior officials of the MFNP and relevant line ministries throughout the preparation process. The former Minister of Finance has provided direct feedback and inputs into the project design.

49. Under each component, the project builds on initiatives already in place or under development rather than introducing new activities. Component 1 builds on existing efforts to implement a CCT program, which the SPDD of the MIA had already been in the process of designing to complement other social assistance scheme (for the disabled and elderly, for example). Component 2 will support the scaling-up of training through existing TVET providers rather than focusing on the development of new training institutions. Meanwhile, Component 3 will support the expansion and pro-poor focus of existing efforts on pre-departure training for seasonal workers and semiskilled/skilled longer-term migrant workers.

50. Institutional capacity-building efforts will be built into the design of Component 1 to ensure that the SPDD has the resources and ability to successfully implement the CCT program. The planned CSU within the MFNP will also be drawn upon to assist the PMU with the project management function. The TVET EMIS system developed to track TVET student support beneficiaries will have the potential to be extended to cover all TVET students. Such a development would significantly enhance the information available to the MET for TVET policy development and implementation.

D. Role of Partners

51. Financing for skill development is being provided separately through DFAT for the Tongan Skills Project. The World Bank has consulted extensively with the two key development partners operating in the education sector in Tonga—DFAT and the New Zealand Ministry of Foreign Affairs and Trade (MFAT). Donor coordination and dialogue will continue to be facilitated through the SSSC. DFAT is, however, contributing to the project through financing the majority of the cost associated with the establishment and functioning of the CSU.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

52. The overall risk for the operation is rated Substantial. The most substantial risks for the project are macroeconomic, technical design, institutional capacity and sustainability, fiduciary, and stakeholder risks.

53. **Macroeconomic risk.** The macroeconomic risk is rated Substantial. Macroeconomic shocks occur with relative frequency in Tonga and have the potential to shift Government priorities relatively quickly. The potential shocks are varied and include natural disasters, a deterioration of economic conditions in larger countries around the Pacific Rim, commodity price shocks, or a reduction in external assistance. Macroeconomic stability is highly dependent on steady remittance flows, continued development assistance from donors, and stable imported commodity prices. Each of these shocks pose risks to growth in public sector employment and labor demand in the private sector. Mitigation measures being put in place include the reforms being supported through the third inclusive growth Development Policy Operation, particularly those supporting fiscal resilience.

54. **Technical design.** The risks related to the technical design of the project are Substantial. While this is the first time the World Bank is supporting these activities in Tonga, there is ample experience at both the country and global levels in the design and implementation of cash transfers, as well as TVET and migration support schemes.

55. **Institutional capacity for implementation and sustainability.** The institutional capacity for implementation and sustainability presents substantial risks to the results of the operation. Tonga suffers from the thin capacity typical of public sectors in small states, with a small number of public servants called upon to implement the many tasks of the central government. The MIA and the MET have already indicated that their capacity to allocate staff to the PMU may be limited and that it will largely need to be staffed by local consultants. In the wake of Tropical Cyclone Gita, it is likely that institutional capacity for the implementation of this project will also be diminished, as Government staff are pulled to focus on the various recovery interventions under way, though this pressure should ease over the medium term. To mitigate the risks identified, it was decided that additional staff and TA will be employed through firms and individual consultants to assist the MIA and the MET in implementing the project activities for the entire project cycle.

56. **Fiduciary.** The fiduciary risks related to the project are Substantial. The credibility and accountability of the project will largely rest on the composition of the SSSC and the PMU. Any risk that key fiduciary principles (economy, efficiency, effectiveness, and so on) may not be adhered to, will come down to the integrity and transparency of the SSSC and the PMU. Other fiduciary risks will arise from implementation delays due to ineffective procurement planning and monitoring or inadequate technical inputs, limited capacity leading to the improper implementation of procurement activities, and poor contract management causing the project objectives not to be met. To mitigate some of these perceived risks, a number of mitigation actions will be taken including, among other things, preparing a credible Procurement Plan in Systematic Tracking of Exchanges in Procurement (STEP), having all terms of references (TORs) and technical specifications for procurement activities already drafted in the

Procurement Plan, making online training available to the Procurement Officer, and appointing the PMU Team Leader as the person responsible for contract management. In addition, it was decided that a CSU implemented by the MFNP would provide both implementation and advisory services in the common fiduciary functions such as procurement, FM, safeguards, M&E, and contract management to the project implementation, including capacity building.

57. **Stakeholders.** The stakeholder risks are rated Substantial. The issue of unemployment is a priority for a broad cross-section of Government ministries, civil society organizations, private sector partners, labor unions, other donors, and members of the general public. There are risks relating to stakeholders who may have grounds to object to the operation based on the perceived fairness of funding allocations. This has been the experience in certain earlier World Bank financed projects in the Tonga. This risk will be mitigated by conducting regular stakeholder consultations throughout project preparation and implementation. There is also the potential for a lack of engagement with the private sector by TVET providers. This risk will be mitigated by including specific criteria on private sector engagement to secure a QIG.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

58. The positive economic impacts from the project will come from the projected improvements in employment and earnings outcomes for currently unemployed and underemployed groups. These improvements will be made by increasing secondary school completion rates, upskilling Tongans with technical and vocational training, and facilitating their transition into the labor market at home and abroad. The economic analysis quantifies the costs and benefits of each component and subcomponent drawing on both administrative data provided by the relevant implementing ministries (MIA and MET) and nationally representative household survey data from the Tonga Department of Statistics.

59. The methodology employed to assess the costs and benefits varies by component. For Component 1, in which cash transfers are conditioned on secondary school enrolment and attendance, the benefits are calculated at both the individual level (in terms of projected employment outcomes and future earnings) and the household level (in terms of the impact on consumption-based poverty). The costs constitute the transfers themselves, as well as the administrative costs incurred for the SPDD. For Subcomponent 2.2, the analysis is done at the beneficiary level examining the projected benefits from a higher probability of employment and increased wages. The returns to TVET education are calculated using the HIES data, and the costs include the disbursements to training providers per graduate, living allowances paid to student beneficiaries who relocate from the Outer Islands, and administrative costs for the MET. For Subcomponent 3.1, an assumption is made on the relationship between pre-departure training for migrants and a projected increase in demand for Tongan migrants. This is used to determine the projected benefits in terms of earnings abroad and remittances sent home. Costs include those incurred for providing the training, as well as the forgone domestic wage earnings for Tongan migrants. Subcomponents 2.1, 2.3, and 3.2 employ a more qualitative approach.

60. The impacts on employment and projected income are significant for those interventions where this is quantifiable. The benefits from Component 1 are transmitted at the individual level through a higher

secondary school completion rate and expected earnings and at the household level through higher consumption. The internal rate of return (IRR) for Component 1 is estimated at 35 percent. Meanwhile, the projected impact on the poverty rate is 0 to 5.4 percent and poverty gap is 2.5 percent to 4 percent, depending on whether the lower, average, or upper BNPL is used. For Subcomponent 2.2, the TVET scholarship will result in a higher probability of employment and increased earnings, yielding an IRR of 160 percent. For the pre-departure training covered under Subcomponent 3.1, the projected impact on higher demand for Tongan migrant workers abroad and associated gains in net earnings yields an IRR of 214 percent. For the remaining subcomponents, annex 4 provides a full summary of the expected costs and benefits.

61. The case for public sector financing in the areas being supported through the project is clear from an equity perspective. The provision of targeted cash transfers to the poor is a public function with significant societal returns, thus justifying the use of public funds. They can help address two core issues: (a) that in most developing countries public expenditure in certain sectors (electricity, water, and so on) often fails to reach the poor and (b) markets often fail in ways that prevent poor people from being productive as they might be. The provision of technical and vocational training is a widely used public policy tool used to address market failures in training provision and to close skills gaps in the labor force. Meanwhile, the provision of migration support services would not be available to poor and disadvantaged groups without public sector financing. In the absence of this support, it is likely that affluent individuals with connections to the diaspora would continue to be the sole beneficiaries from employment opportunities abroad.

62. The World Bank brings significant added value to addressing the issue of unemployment in Tonga. The Social Protection and Jobs Global Practice has prepared numerous projects focused on the development of CCT programs globally, including several in small island settings (Grenada, Comoros). The World Bank also has an existing dialogue with the SPDD in Tonga on the development of a CCT program aimed at preventing secondary school dropouts and a long-standing engagement with the MET on improving education outcomes. In the TVET sector, the Social Protection and Jobs Global Practice has worked in collaboration with the Education Global Practice on the design and development of several employment projects, in both low- and middle-income country settings. As such, it will be ideally placed to contribute knowledge on best practices globally. A large body of evidence examining which training and employment initiatives have worked has also been generated through IEG reports, sectoral Advisory Services and Analytics (ASA) and flagship analytical reports, such as Pacific Futures and Pacific Possible. The World Bank offers predictable, stable financing in a sector which has traditionally been underfunded in Tonga. Moreover, the World Bank's assistance will be well coordinated with that provided through other development partners, such as DFAT, and therefore complement rather than supplant existing areas of support.

B. Technical

63. The project was designed by building on a set of activities that were already either under way or in development and that have been proven to work in other country contexts. The project aligns closely with both the vision set out in the Tonga Strategic Development Framework 2015–2025 and the RPF for the PIC9, which includes Tonga and will cover FY17–FY21. Each project component and subcomponent has been tailored to the Tongan context. Moreover, additional elements have been added into the design to align the incentives between project beneficiaries, training providers, and employers. An extensive

consultation process has taken place with employers in Tonga and with those involved in the rollout of Australia's PLS. The qualifications that are eligible for funding under Subcomponent 2.1 were based on these consultations.

C. Financial Management

64. The FM assessment was carried out in accordance with the 'Principles Based Financial Management Practice Manual' issued by the Financial Management Sector Board on March 1, 2010, which states that with respect to projects financed by the World Bank, the recipient is required to maintain appropriate implementation arrangements—which include accounting, financial reporting, and auditing systems—adequate to ensure they can provide the World Bank with accurate and timely information regarding the project resources and expenditures. Overall, the FM arrangements satisfy the FM requirements of the World Bank policies and guidance on IPF. The assessed FM risk of the project is considered substantial, but this risk will be partially mitigated if the recommended measures are successfully implemented, that is, timely recruitment of Project Accountants and use of an FM system (accounting software) acceptable to the World Bank.

D. Procurement

65. It is estimated that the implementing agencies will undertake procurement of about US\$8.3 million, with most of it being procurement of consultancy services and a portion of goods. Procurement for the project will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers (Procurement Regulations), July 2016 (revised November 2017), as well as the provisions stipulated in the Financing Agreement (FA).

66. A procurement risk assessment of the MFNP, MIA, and MET has been carried out. Key procurement risk areas include implementation delays due to ineffective procurement planning and monitoring, limited institutional capacity, and contract management. The PMU will utilize the World Bank's STEP system and this should improve procurement planning. The PMU will have a Procurement Officer, and the CSU will have a Procurement Advisor supporting the PMU and the implementing agencies to mitigate risks.

67. A draft Procurement Plan dated July 6, 2018 has been prepared. It shows that within the first 18 months of implementation the amount of procurement to be completed is US\$7.6 million. Refer to annex 2 for further details on procurement.

E. Social (including Safeguards)

68. The project will not result in significant social impacts. OP/BP 4.10 on Indigenous Peoples is not triggered, given that Tonga is ethnically homogenous and no communities or groups meet the four defining characteristics of Indigenous Peoples. Moreover, OP/BP 4.12 on Involuntary Resettlement has been avoided in the project design as physical works have been excluded from financing under the QIGs being supported under Subcomponent 2.1. No social safeguards policies are triggered for the project.

69. **Gender.** The project will place an emphasis on specific actions to address the existing gender gaps in both Tonga and in the employment of Tongans abroad. For Component 1, there is no action on gender,

given the secondary school progression rates for boys and girls in the poorest decile are the same. For Component 2, the selection criteria for the QIG will take into consideration programs that are likely to boost female enrolment rates in the TVET sector. Moreover, the financial assistance being provided to TVET students will support a higher number of female than male beneficiaries. Finally, under Component 3 the information campaign on migration opportunities will provide tailored and targeted updates to women, the work-ready pool of migrants will be gender balanced, and the English Language Training Support will be targeted toward the beneficiaries of Subcomponent 2.2, the majority of who will be women. This project is gender-tagged, although the Gender Cross-Cutting Solution Area of the World Bank will validate it after Board approval.

Table 4. Closing the Gender Gap in Tonga

Analysis	Action	M&E
No gap in the secondary school progression and completion rates between boys and girls in the poorest decile.	No action required.	The PDO-level indicator has been gender disaggregated to ensure that equal progress is made for boys and girls; however, the target values remain the same for both.
Significantly lower labor force participation rate for Tongan women (54 percent) compared to men (75 percent) ages 15+.	In the selection criteria for the QIGs in Subcomponent 2.1, specific consideration will be given to programs that are likely to boost female enrolment rates and close the existing gender gap in the TVET sector. For the TVET Student Support Funds in Subcomponent 2.2, preference will be given to supporting young women, given they remain underrepresented in the TVET sector.	The PDO-level indicator has been gender disaggregated, with a higher target employment rate for Tongan women (Baseline + 15 percent) compared to men (Baseline + 10 percent).
Employment opportunities abroad are not evenly distributed between Tongan men and women: in Australia's SWP, Tongan women account for 11 percent of arrivals, while in New Zealand's RSE scheme, they make up 12 percent of annual arrivals.	There are two specific actions for Component 3, which are aimed at closing the employment gap between Tongan men and women abroad: (a) information and outreach on migration opportunities abroad will be targeted toward women and (b) the work-ready pool will be built with higher number of Tongan women than men in the database.	The PDO-level indicator has been gender disaggregated, with a higher number of women from the work-ready pool accessing employment opportunities abroad than the current rate (20 percent). Moreover, the Intermediate Results Indicators include targets for a higher volume of Tongan women in the work-ready pool than men.

70. **Citizen engagement.** The project will promote feedback mechanisms, consultations, and transparency. There are a number of measures that will be put in place to ensure that citizens are adequately consulted and have the recourse to be able to provide feedback on how the project activities are functioning. This includes (a) regular consultations with stakeholders to ensure that the project is effectively fulfilling the objectives set out, (b) placing a focus on capacity building and institutional

strengthening, and (c) introducing intermediate results indicators, which measure feedback from beneficiaries.

71. **Social impacts of migration.** There are potential downside impacts emanating from large-scale seasonal migration, which will need to be mitigated. With households' heads absent for up to six months per year, there are risks of impacts on social cohesion. The majority of Tongan seasonal workers communicate with their household less than once per week, which can over time erode trust and affect intimate relationships. This can in turn have flow-on effects for remaining household members, including children and extended family members. To mitigate this impact, the pre-departure training for migrants will contain specific strategies on how to maintain strong communication and bonds with family and friends. Moreover, there is an ongoing program of DFAT financed analytical work aimed at better understanding the social impacts of migration for sending households and communities in the Pacific, which also explores the necessary mitigating measure.

F. Environment (including Safeguards)

72. The policy OP/BP 4.01 is not triggered and the project is categorized as C. 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 attendance at school. The payments contribute toward the costs of education. There will be no adverse impacts under this component. Under Component 2, the QIG will be made to training providers and financial support will be provided to disadvantaged students. In addition, investments will be made to strengthen the governance arrangements in the TVET sector. Adverse impacts are anticipated to be minimal, and there will be a negative list to ensure that the QIGs do not lead to the financing of activities that would trigger safeguards policies. Similarly, the pre-departure training, information campaign, and development of a work-ready pool under Component 3 are not anticipated to have any potential adverse environmental impacts. No other environmental safeguards are triggered for the project.

73. **Climate co-benefits.** The project has been screened for climate and disaster-related risks. Tonga is assessed as being at high risk at present and in the future for extreme precipitation and flooding, drought, sea level rise, strong winds, earthquakes, and tsunamis, as well as moderate risk for volcanic eruptions. However, as Tropical Cyclone Gita demonstrated in February 2018, natural disasters can severely impact the Government's capacity to implement World Bank-financed activities, among others. This has been identified as a potential risk to implementation and mitigation measures have been put in place, which include (a) maintaining flexibility of the payment mechanism for transfers, so that they will not be substantially affected in the wake of a natural disaster; (b) avoiding investments in physical works, which are more likely to be affected by cyclones and earthquakes; and (c) focusing strongly on employment opportunities abroad, which will not be affected by climate and disaster-related risks in Tonga.

74. While the project has been assessed for climate co-benefits, none are formally projected. Nevertheless, there are a number of climate-related advantages to the interventions being financed through the project. The registry of poor households being developed under the CCT for Component 1 can be used to help target resources to the most disadvantaged following natural disasters. Moreover, the employment opportunities abroad being supported under Component 3 have the potential to



mitigate the downside risks of climate-related impacts and natural disasters, as remittance inflows typically pick up in the wake of such events.

G. Other Safeguard Policies (if applicable)

75. Not applicable.

H. World Bank Grievance Redress

76. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

Project Development Objective(s)

The Project Development Objective is to improve opportunities for secondary school progression and facilitate the transition to jobs in the domestic and overseas labor markets for Tongans.

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	Intermediate Targets					End Target
					1	2	3	4	5	
Improved secondary school progression and completion rates for poor Tongans										
Average duration of secondary school completed amongst the poorest decile - overall			Text	Baseline to be established	Baseline	Baseline + an additional month	Baseline + an additional 2 months	Baseline + an additional 6 months	Baseline + an additional 12 months	Baseline + an additional 12 months
Average duration of secondary school completed amongst the poorest decile - female			Text	Baseline to be established	Baseline	Baseline + an additional month	Baseline + an additional 2 months	Baseline + an additional 6 months	Baseline + an additional 12 months	Baseline + an additional 12 months



PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	Intermediate Targets					End Target
					1	2	3	4	5	
Improved employment outcomes for poor Tongans										
Share of beneficiaries who are employed in the domestic labor market six months after completion of training - overall			Text	Baseline to be established	Baseline to be established	Baseline + 2%	Baseline + 5%	Baseline + 10%		Baseline + 10%
Share of beneficiaries who are employed in the domestic labor market six months after completion of training - female			Text	Baseline to be established	Baseline to be established	Baseline + 4%	Baseline + 8%	Baseline + 15%		Baseline + 15%
Increased access to overseas labor markets for Tongans										
Beneficiaries in the work ready pool accessing employment opportunities abroad - overall			Number	0.00	0.00	0.00	500.00	1,000.00	2,000.00	2,000.00
Beneficiaries in the work ready pool accessing employment opportunities abroad - female			Number	0.00	0.00	0.00	125.00	250.00	500.00	500.00
Intermediate Results Indicators by Components										
Intermediate Results Indicators by Components	DLI	CRI	Unit of Measure	Baseline	Intermediate Targets					End Target
					1	2	3	4	5	
Component 1 - CCT program for secondary school attendance and enrolment										



Development of a Management Information System for the CCT program		Yes/No	N	Y	Y	Y	Y	Y	Y
Percentage of CCT grievance redress claims settled within three months of application		Percentage	0.00	55.00	60.00	65.00	70.00	75.00	80.00
Beneficiary households enrolled in the CCT program		Number	0.00	0.00	450.00	900.00	1,500.00	1,500.00	1,500.00
Component 2 - Strengthening TVET provision									
Number of TVET qualifications supported by a Quality Improvement Grant		Number	0.00	0.00	0.00	8.00	8.00	8.00	8.00
Beneficiaries enrolled in a certificate level qualification - overall		Number	0.00	0.00	70.00	150.00	300.00	600.00	600.00
Beneficiaries enrolled in a certificate level qualification - female		Number	0.00	0.00	40.00	80.00	160.00	330.00	330.00
Share of beneficiaries satisfied with the project financed TVET Student Support Funds		Percentage	0.00	0.00	65.00	70.00	75.00	80.00	80.00
Component 3 - Enhancing opportunities for labor migration									
Beneficiaries completing a pre-departure training program for migration - overall		Number	0.00	1,000.00	2,250.00	3,750.00	5,500.00	8,000.00	8,000.00
Beneficiaries that have completed a pre-departure training program for migration - female		Number	0.00	200.00	450.00	750.00	1,100.00	2,000.00	2,000.00
Volume of Tongans in work ready pool - overall		Number	0.00	0.00	300.00	700.00	1,100.00	1,600.00	1,600.00
Volume of Tongans in work ready pool - female		Number	0.00	0.00	180.00	420.00	660.00	950.00	950.00
Component 4 - Project management, monitoring and evaluation, and centralized support									



National staff working on World Bank financed projects in Tonga to have achieved an improvement in skills/ knowledge in Procurement, FM, Safeguards, Contract Management, and M&E		Number	0.00	0.00	10.00	15.00	20.00	25.00	25.00
Percentage of transactions completed by CSU specialists within service standards		Percentage	0.00	55.00	60.00	65.00	70.00	75.00	75.00
Percentage of PMU staff who rate quality of service/ advice received from CSU as satisfactory		Percentage	0.00	55.00	60.00	65.00	70.00	75.00	75.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Average duration of secondary school completed amongst the poorest decile - overall
Definition/Description	Average months of secondary school completed amongst the poorest decile. The numerator is the total months of secondary schooling completed by secondary school aged children in the poorest decile. The denominator is the total number of secondary school students in the poorest decile.
Frequency	Annual
Data Source	MET attendance/ completion data
Methodology for Data Collection	MET to provide relevant data on PMU on completion amongst CCT beneficiaries, which will ultimately constitute the poorest decile
Responsibility for Data Collection	PMU; Ministry of Internal Affairs; Ministry of Education and Training



Indicator Name	Average duration of secondary school completed amongst the poorest decile - female
Definition/Description	Average months of secondary school completed amongst females in the poorest decile. The numerator is the total months of secondary schooling completed by females the poorest decile. The denominator is the total number of female secondary school students in the poorest decile.
Frequency	Annual
Data Source	MET attendance/ completion data
Methodology for Data Collection	MET to provide relevant data on PMU on completion amongst female CCT beneficiaries, which will ultimately constitute the poorest decile
Responsibility for Data Collection	Ministry of Internal Affairs; Tonga Department of Statistics; Ministry of Education and Training;



Indicator Name	Share of beneficiaries who are employed in the domestic labor market six months after completion of training - overall
Definition/Description	<p>This indicator will measure the share of beneficiaries of the TVET Student Support Funds that are employed in the domestic labor market six months after the completion of training. The denominator is Tongans who received training financed by the project. The numerator is the number of that same group who are employed in the domestic labor market (six months after the completion of training). The definition of employment is: a person of working-age who during a specified period of time, such as one week or one day, either: (i) performed work for wage or salary in cash or in kind; (ii) performed work for profit or family gain in cash or in kind; or (iii) performs work on a regular basis, but was temporarily absent from work during the reference period. The definition thus includes both, self- and wage employed beneficiaries.</p> <p>The share of beneficiaries for this indicator would be monitored and evaluated in percentage (%) increase from the baseline that would be established on the first year. Therefore, the Unit of Measure would be “Percentage”, however, since the Intermediate Targets columns have the text “Baseline” along with the numeric value, the system is automatically taking “Text” as unit of measure.</p>
Frequency	Annual
Data Source	HIES; PMU Tracer Survey data; MET administrative data
Methodology for Data Collection	PMU will administer a tracer survey to TVET Student Support Fund beneficiaries following the completion of their studies.
Responsibility for Data Collection	PMU; Ministry of Education and Training; TVET providers



Indicator Name	Share of beneficiaries who are employed in the domestic labor market six months after completion of training - female
Definition/Description	<p>This indicator will measure the share of female beneficiaries of the TVET Student Support Funds that are employed in the domestic labor market six months after the completion of training. The denominator is female Tongans who received training financed by the project. The numerator is the number of that same group who are employed in the domestic labor market (six months after the completion of training). The definition of employment is: a person of working-age who during a specified period of time, such as one week or one day, either: (i) performed work for wage or salary in cash or in kind; (ii) performed work for profit or family gain in cash or in kind; or (iii) performs work on a regular basis, but was temporarily absent from work during the reference period. The definition thus includes both, self- and wage employed beneficiaries.</p> <p>The share of beneficiaries for this indicator would be monitored and evaluated in percentage (%) increase from the baseline that would be established on the first year. Therefore, the Unit of Measure would be “Percentage”, however, since the Intermediate Targets columns have the text “Baseline” along with the numeric value, the system is automatically taking “Text” as unit of measure.</p>
Frequency	Annual
Data Source	HIES; PMU Tracer Survey of TVET graduates; MET administrative data
Methodology for Data Collection	PMU will administer a tracer survey to TVET graduates six months after completing their studies
Responsibility for Data Collection	PMU; Ministry of Education and Training; TVET providers



Indicator Name	Beneficiaries in the work ready pool accessing employment opportunities abroad - overall
Definition/Description	Number of beneficiaries in the work ready pool managed by the Ministry of Internal Affairs accessing employment opportunities abroad. These are defined as 'work for pay' outside the Kingdom of Tonga.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	PMU will collect the relevant administrative data from the Employment Division of the Ministry of Internal Affairs
Responsibility for Data Collection	PMU; Ministry of Internal Affairs
Indicator Name	Beneficiaries in the work ready pool accessing employment opportunities abroad - female
Definition/Description	Number of female beneficiaries in the work ready pool managed by the Ministry of Internal Affairs accessing employment opportunities abroad. These are defined as 'work for pay' outside the Kingdom of Tonga.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	PMU will collect the relevant administrative data from the Employment Division of the Ministry of Internal Affairs
Responsibility for Data Collection	PMU; Ministry of Internal Affairs



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Development of a Management Information System for the CCT program
Definition/Description	This indicator measures whether a Management Information System has been developed that tracks beneficiary enrolment, attendance, and payments that has been endorsed by the Ministry of Internal Affairs.
Frequency	At the end of the first year of implementation
Data Source	PMU Monitoring
Methodology for Data Collection	Formal evidence submitted by MIA to confirm that the MIS has been developed and is functional
Responsibility for Data Collection	PMU; Ministry of Internal Affairs



Indicator Name	Percentage of CCT grievance redress claims settled within three months of application
Definition/Description	This indicator measures the percentage of CCT grievance redress claims settled within three months of application. The numerator is the number of claims settled within three months from the date of submission. The denominator is the total number of claims received.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	MIA submits administrative data on grievance redress claims to the PMU
Responsibility for Data Collection	PMU; MIA
Indicator Name	Beneficiary households enrolled in the CCT program
Definition/Description	This indicator measures the number of beneficiary households covered by the conditional cash transfer program for secondary school enrolment and attendance.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	MIA will provide administrative data on beneficiary enrolment to the PMU
Responsibility for Data Collection	PMU; Ministry of Internal Affairs



Indicator Name	Number of TVET qualifications supported by a Quality Improvement Grant
Definition/Description	This indicator measures the number of individual TVET qualifications supported by a Quality Improvement Grant
Frequency	Annual
Data Source	PMU monitoring
Methodology for Data Collection	PMU will monitor the number of TVET qualifications supported by a QIG
Responsibility for Data Collection	PMU; Ministry of Education and Training
Indicator Name	Beneficiaries enrolled in a certificate level qualification - overall
Definition/Description	This indicator measures the number of individual project beneficiaries that are enrolled in a certificate level (I-IV) TVET qualification.
Frequency	Annual
Data Source	MET administrative data
Methodology for Data Collection	MET to provide administrative data on TVET enrolment to PMU, with assistance from training providers
Responsibility for Data Collection	PMU; Ministry of Education and Training; Training Providers



Indicator Name	Beneficiaries enrolled in a certificate level qualification - female
Definition/Description	This indicator measures the number of female project beneficiaries that are enrolled in a certificate level (I-IV) TVET qualification.
Frequency	Annual
Data Source	MET administrative data
Methodology for Data Collection	MET to provide administrative data on TVET enrolment to PMU, with assistance from training providers
Responsibility for Data Collection	PMU; Ministry of Education and Training; Training providers
Indicator Name	Share of beneficiaries satisfied with the project financed TVET Student Support Funds
Definition/Description	Percentage of beneficiaries who report being somewhat or very satisfied with the TVET Student Support Funds. Indicator is annual.
Frequency	Annual
Data Source	PMU beneficiary survey
Methodology for Data Collection	PMU to carry out annual beneficiary survey
Responsibility for Data Collection	PMU; MET



Indicator Name	Beneficiaries completing a pre-departure training program for migration - overall
Definition/Description	Cumulative number of beneficiaries that have completed a pre-departure training program for migration.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	MIA to provide administrative data on pre-departure training numbers to the PMU
Responsibility for Data Collection	PMU; Ministry of Internal Affairs
Indicator Name	Beneficiaries that have completed a pre-departure training program for migration - female
Definition/Description	Cumulative number of female beneficiaries that have completed a pre-departure training program for migration.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	MIA to provide administrative data on pre-departure training numbers to the PMU
Responsibility for Data Collection	PMU; Ministry of Internal Affairs



Indicator Name	Volume of Tongans in work ready pool - overall
Definition/Description	Number of Tongans registered in the Ministry of Internal Affairs Work Ready Pool of prospective migrants.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	MIA to provide administrative data on the numbers for the work ready pool to PMU
Responsibility for Data Collection	PMU; Ministry of Internal Affairs
Indicator Name	Volume of Tongans in work ready pool - female
Definition/Description	Number of female Tongans registered in the Ministry of Internal Affairs Work Ready Pool of prospective migrants.
Frequency	Annual
Data Source	MIA administrative data
Methodology for Data Collection	MIA to provide administrative data on the numbers in the work ready pool to the PMU
Responsibility for Data Collection	PMU; Ministry of Internal Affairs



Indicator Name	National staff working on World Bank financed projects in Tonga to have achieved an improvement in skills/ knowledge in Procurement, FM, Safeguards, Contract Management, and M&E
Definition/Description	Number of national staff working on World Bank financed projects to have achieved an improvement in skills/ knowledge in procurement, FM, safeguards, contract management or M&E as a result of capacity building delivered by the Central Services Unit. This will be measured through a standardized set of questions examining improvements in these areas.
Frequency	Annual
Data Source	CSU questionnaire for national staff working on World Bank financed projects
Methodology for Data Collection	CSU to collect feedback from these national staff
Responsibility for Data Collection	Central Services Unit



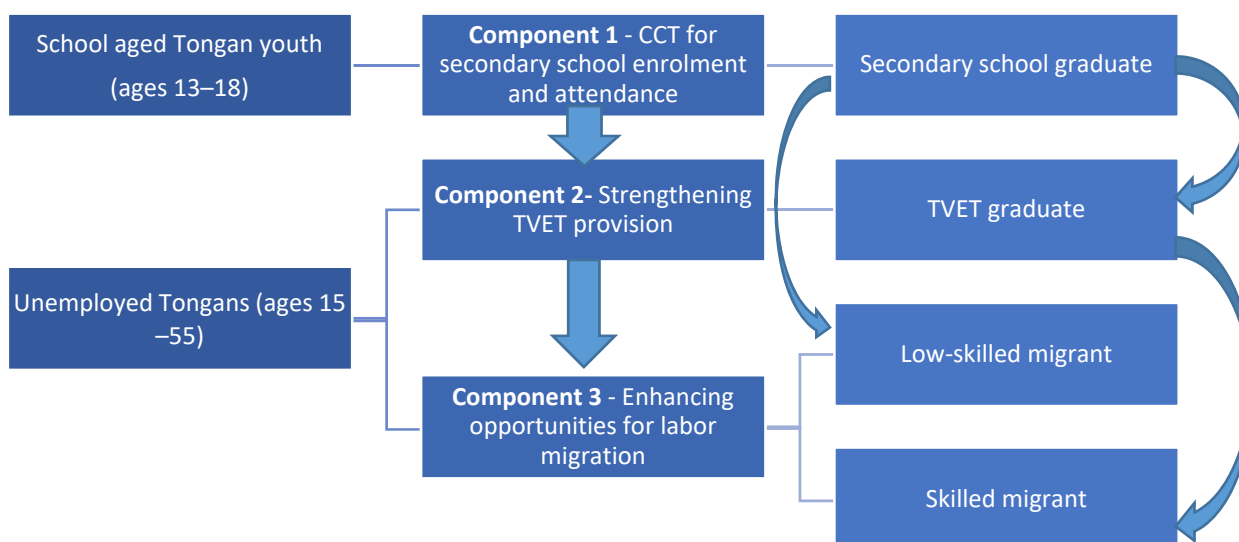
Indicator Name	Percentage of transactions completed by CSU specialists within service standards
Definition/Description	Percentage of transactions completed by CSU specialists within service standards outlined in CSU Standard Operating Procedures/ Service Agreement. The numerator will measure transactions completed within the services standards outlines. The denominator will measure the total set of transactions processed by the CSU.
Frequency	Quarterly
Data Source	CSU transaction records
Methodology for Data Collection	Summary of transaction records entered into an excel spreadsheet by the CSU
Responsibility for Data Collection	Central Services Unit
Indicator Name	Percentage of PMU staff who rate quality of service/ advice received from CSU as satisfactory
Definition/Description	Percentage of PMU staff who rate the quality of service and advice received from CSU as somewhat or very satisfactory
Frequency	Annual
Data Source	PMU staff perception survey
Methodology for Data Collection	CSU to administer quarterly PMU staff perception survey
Responsibility for Data Collection	Central Services Unit

ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Tonga Skills and Employment for Tongans

1. The project consists of four components. Component 1 will support a cash transfer program for secondary school enrolment and attendance. This will cover both the TA required to establish the cash transfer program and the funds required for transfers. Component 2 will finance quality improvements of training providers, tuition fees and living costs, and improvements in the sectoral governance of the TVET sector. Component 3 will be framed around interventions aimed at enhancing opportunities for labor mobility. Component 4 will support project management, M&E, and centralized service support. All components emphasize the specific constraints faced by those in the Outer Islands, include specific actions to address gender gaps, and aim to provide equal opportunities for the poorest and most vulnerable groups. There is an intentional sequencing built into the three project core components, as illustrated in figure 1.1.

Figure 1.1. Sequencing of Project Activities



2. **Target population.** The core of the project will be Tongans ages 13–55. The project will finance activities in the entire territory of the Kingdom of Tonga, including the main island (Tongatapu) and the Outer Islands (‘Eua, Ha’apai, Vava’u, and the Niuas). Project activities will not be restricted to any particular group, although target groups will be determined by the following criteria: (a) location, (b) gender, (c) age, and (d) welfare status. Certain incentives will be put in place to ensure that those in the Outer Islands have equal access to activities funded through the project, existing gender gaps in training and employment are being closed, and the poorest and most vulnerable groups are benefiting.

Component 1: Conditional cash transfer program for secondary school enrolment and attendance (US\$6.5 million)

3. **Objectives.** The objective of this component is to incentivize secondary school completion through school enrolment and attendance of students, addressing the financial constraints poor and vulnerable households face in access and retention, as well as providing the necessary motivation for students to stay in school. The guiding principle of this component will be to provide the right set of incentives for these households to both encourage secondary school enrolment and ensure regular attendance through to completion. This component will be managed by the SPDD of the MIA.

Subcomponent 1.1: Technical assistance required to establish CCT

4. The project will fund both the TA required to establish the cash transfer program and the funds required for the transfers. The TA activities will include (a) developing a registry of program beneficiaries; (b) developing a sound MIS for enrolment, compliance verification, and payments; (c) developing a GRM; (d) setting out the guidelines for an M&E framework; (e) developing and executing a communications strategy; and (f) administrating the program at the central level and in the Outer Islands.

5. **Targeting.** In its initial phase, the program will target the poorest 3 percent of households living beneath the BNPL (450 households) using a multidimensional PMT designed based on the latest 2015/16 HIES, a family assessment survey conducted by the SPDD, and community consultations. Eligibility will be established once their PMT score has been calculated and found to fall below the program cut-off score. It is expected to reach the poorest 10 percent of households (approximately 1,860 households) by project end. The following targeting process is being considered for identifying the eligible beneficiary families and will consist of the following steps:

- (a) **Geographical targeting.** Due to the recently conducted 2015/16 HIES and 2017 Census in Tonga, it is possible to undertake a full poverty ranking of households based on the PMT targeting methodology. This ranking can then be used to identify comparatively poorer regions and prioritize where the CCT program can be piloted during the initial year.
- (b) **Community identification.** To make the targeting process inclusive, community leaders in each region will be asked to share a list of eligible households they consider to be poor. This list would then be cross-referenced against the poverty ranking list of households developed through the PMT, and households appearing in both lists will be considered eligible for the program. In addition, self-reporting of beneficiaries will also be facilitated to minimize exclusion errors. The composition of the community identification group (village head, church leader, municipal/division head, teachers, and so on) will be predefined to ensure a balanced mix of members.
- (c) **PMT calculation and validation.** Using the latest HIES and Census, the PMT will be calculated and feed into the design of a poverty score card that will be used to determine households' eligibility. As discussed earlier, all households which are identified by the community and are also part of the PMT poverty ranking list will automatically become eligible for the program, provided that they have secondary-school-aged children.



6. **Enrolment.** The enrolment stage will determine whether there are conditions or parameters for eligible households and their members to be enrolled and registered within the program. Eligible household members need to meet the following conditions to be enrolled in the CCT program: (a) to be identified as belonging to the poorest 3 percent of households in Tonga by the PMT initially and subsequently the poorest 10 percent and (b) to have children between 13 and 18 years enrolled in secondary school. The enrolment process will be coordinated by the SPDD. Enrolment teams will review the documents requested from the eligible household and verify that the household meets the enrolment criteria. The enrolment process will include family orientation sessions. Through these sessions households will be informed in detail about the CCT program, their co-responsibilities, and the mechanisms for receiving payments. They will also be required to sign a beneficiary agreement. The household will designate a member as the receiver of the cash transfers. The program will prioritize the mothers or female guardians of the children, as a way to maximize the impact of investments in human capital and also aims to strengthen the bargaining power and autonomy of women within the family group. The program may consider introducing complementary family development sessions for the beneficiaries, further down the line, once the program is running smoothly.

7. **Compliance verification.** The operating cycle of the program co-responsibilities comprises the sequence of steps involved in the process of verifying the fulfilment of the commitments assumed by the beneficiary households. The first payment will proceed upon verification of having a beneficiary child enrolled in a secondary school (including government and private schools). Subsequent quarterly payments will be made upon verification that the child has attended at least 80 percent of the school days. For attendance monitoring and compliance verification of the students, the Division of Social Welfare Services will closely liaison with the MET to seek support in coordinating with secondary schools (both government and non-government) for admission verification and attendance records of the beneficiary students. The Social Welfare Monitoring Sheet will serve as an instrument for verification. Every quarter, the social welfare officers will visit each of the high schools of the beneficiary children to collect information to fill in the form. These forms will be provided for data entry into the MIS at the central level.

8. **Payments.** With the information loaded into the system, the process of generating the payroll for cash transfers will begin. This payment cycle comprises the following sub-processes: (a) generation and transfer of payroll, (b) transfer of funds to payment agency, (c) delivery of cash transfers to beneficiary households, and (d) reconciliation of payments. The opening of an account will take place immediately after the enrolment process. A bank will be in charge of delivering the cash to the designated household receiver (usually the mother or female guardian) through direct deposit or mobile money transfers. However, the complex demographics of Tonga, widely consisting of the dispersed and isolated Outer Islands, may make it necessary to employ a mix of payment options to complement electronic payments (Tonga already has had a good experience of using mobile phones for payments at the time of Tropical Cyclone Ian and Gita). The SPDD already has a good banking arrangement with the TDB, which processes all payments under the Disability Benefit Scheme, and under the same arrangement all CCT beneficiaries will be able to open bank accounts free of charge with the TDB. Designated cash receivers of each household will open an individual account to which the transfers will be made every quarter (January, April, July, and October). Quarterly payments are favoured for the CCT program to give ample time to the MIA to verify compliance and conditions. Reconciliation and liquidation of payments and financial

reporting procedures will be done in accordance with program FM requirements and established in the financial institution agreement.

9. **Case management and GRM.** Case management and the GRM would address issues (cases) related to updates of household information, appeals by households not selected into the CCT program, and complaints about noncompliance of co-responsibilities, payments, and quality of service. The objective is to receive, process, and track complaints and claims of the households benefiting from the program to improve and streamline services. In the framework of the CCT program, the term ‘update’ refers to a request by a household member to include additional and/or missing information about them in the information already obtained by the program after the targeting process has taken place. The processing of updates is done through the forms that households will fill in at social welfare offices. This includes one or more updates related to changes in the original household data. Some needs for updates are as follows:

- (a) Change of household address
- (b) Modification of household composition
- (c) Temporary absence, disappearance, death or imprisonment of beneficiaries
- (d) Data entry errors

10. In the program, a ‘complaint’ is defined as a disagreement between the complainant and social welfare officers, service providers, or any other stakeholder involved with CCT program implementation. Beneficiaries can submit individual or collective complaints at any time during program implementation. All complaints must be answered in writing, explaining the validity of the claim or the applied solution, as soon as possible but not later than three months after its receipt, the time resolution will depend on the type of update, complaint, or claim in question. Verbal follow-up should be provided by social welfare officers in relation to any complaints related to enrolment, payment, and other types of complaints. The case management scheme for the CCT program includes decentralized and centralized processes that pass through the MIS of the program. The process begins at the local level by receiving the complaint and referring it to the central level (in Nuku’alofa) that captures it in the MIS.

11. **MIS.** The MIS is the most critical tool for efficient and effective implementation of the CCT program. The MIS will allow the SPDD to manage the project in all key phases of the operating cycle including determining eligibility, enrolment, compliance, case management, and payment. In addition, the MIS will support the SPDD team to produce the required reports of project progress. Given the low project coverage during the initial year of the CCT, the MIS will be developed in a two-stage approach: (a) the first stage will be a fairly rudimentary MIS (potentially an Excel-based system) to cover the first year and (b) the second stage will involve a more intricate MIS that can ideally also help monitor other cash benefits during the life of the project, and beyond. The MIS application will be the responsibility of the MIA and can be developed by hiring experts (consultants) who will be qualified and experienced to perform such tasks. The experts will support the development, launching, and training of officers in the use of the MIS. The development of the MIS will be done by using the project management principles to support those responsible for managing and operating the system. They report to the project manager and are assigned day-to-day implementation tasks by breaking the main implementation activities of MIS

into smaller activities. Each small implementation activity will be completed within a realistic time frame, which will be mutually agreed upon between the developer and the MIA. After an initial trial run, adjustments may be required.

12. **M&E.** M&E is an important component of the program and will be conducted through various methods at each level of the project. The objectives of the CCT program M&E are to (a) monitor the progress of the CCT program implementation and related processes to improve procedures and methods, (b) check the operational efficiency of the program, (c) document and disseminate lessons learned from program planning and implementation, (d) measure the progress of output and outcome indicators against program objectives, (e) provide evidence regarding the effectiveness of the program (through an IE) for possible scale-up and inform if any changes in design and implementation arrangements are needed for the scale-up process. A third party will be hired to conduct the baseline and subsequent IEs over the course of the project life. A particular focus of the IE will be to effectively evaluate the differential outcomes between male and female beneficiaries participating in the program. The proposed arrangements for the IE are detailed in annex 5.

Subcomponent 1.2: Cash transfers and bonus payments

13. Cash transfers of TOP 360 (US\$170) per school term/quarter (four terms in a year), or TOP 1,440 (US\$680) per year, will be provided to households where all children fulfil the attendance compliance requirements to assist poor households with their family's educational needs. This will be provided to eligible households through direct deposit or mobile money transfers. The amount will be variable depending on the number of eligible secondary school students per household. This amount would be the equivalent to 46 percent of the BNPL and enough to cover school fees and basic inputs (uniforms, textbooks). In addition, a bonus of TOP 180 (US\$85) would be provided to households who have their children complete a grade in a given year. The amount for this bonus payment would be made flexible to ensure that it is sufficiently high to incentivize progression. The payments will be channelled to the mother or female guardians of the children as a means of maximizing the impact of investments in human capital. This is a scheme that will be managed by the MIA's SPDD. The grant will be 'conditional' on the parents ensuring their child is enrolled in and attending secondary school on a regular basis and achieving 80 percent quarterly attendance. In its initial phase, the program will target the poorest 3 percent of households living beneath the BNPL (450 households) using a multidimensional PMT designed based on the latest 2015/16 HIES, a family assessment survey conducted by the SPDD, and community consultations for validating the eligible households identified through the PMT. It is expected to reach the poorest 10 percent of households (approximately 1,860 households) by project end.

Component 2: Strengthening TVET provision (US\$3.7 million)

14. **Objectives.** Component 2 aims to strengthen the provision of TVET in Tonga to support the skills development of Tongans and make them more competitive in the global labor market. The goal is to improve TVET services across different levels within the education and skills system of Tonga, including the Government, employers, training providers, professional associations, the quality assurance system through the TNQAB, and most importantly, the trainees or students.

15. This component will strengthen training provided at the certificate level (I–IV) in selected course areas by post-secondary training providers in Tonga and will provide financial support so that

disadvantaged students can successfully participate and complete TVET programs to have access to employment. Formal TVET training is provided by a wide variety of providers in public, church, and private institutions. This component is tightly focused on lifting the quality and market relevance of a limited number of formal TVET certificate courses that could help lead to employment in overseas labor markets, as well as being relevant for Tongan domestic employment. The aim is that these courses, by the end of the project, will be moving toward or be recognized by the ASQA, the NZQA, or other international accreditation agencies, so that Tongan graduates from these courses will be able to access higher-level jobs than are currently the norm. There will be a particular focus on and more weight to the proposals of TVET providers which have feasible interventions in place to lift participation and successful completion of courses by the most disadvantaged individuals, especially women in the Outer Islands.

16. **Overview.** Implementation mechanisms proposed are appropriate for the capacity and operational realities of Tonga, while over the life of the project increasing the capacity of ministries, TNQAB, TVET providers, and employers to contribute to a high-functioning TVET system. An emphasis has been placed on simplicity of implementation processes, with TA to be provided where necessary, for example, to TVET providers to improve their strategic planning, FM, monitoring, and accountability skills so that they can successfully participate in the program. TA will be provided by international experts through intensive training and on-the-job capacity building to ensure that the strategic plan is developed based on sound analysis of real data and information of each participating TVET institution. The implementation plan would need to be prepared based on implementation capacity and financial availability for the purposes. At the same time, the payment of training course fees for disadvantaged students on a staged basis throughout the year is based on continued student enrolment and attendance and progression of study achievement. The training providers are asked to record and provide such information on a regular basis to the MET and the PMU and to encourage students to remain in training and complete it. There will also be an emphasis in coordinating with other programs, such as Tonga Skills, to reduce the burden on the Government, employers, and training providers (see Component 4).

17. **Links between TVET and overseas employment demand.** A particular focus of this component will be on taking advantage of the opportunities through Australia's soon-to-be-launched PLS and New Zealand's Canterbury Trades Initiative, which collectively include the construction, health services and aged care, tourism, hospitality, and agriculture sectors. Other sectors with demonstrated demand and training supply capacity, such as the maritime sector, will be considered on a case-by-case basis. The PLS will commence in July 2018 and focus on low and semiskilled occupations covering Levels III–V under the Australia and New Zealand Standard Classification of Occupations. This would typically require trainees to have achieved certificate levels I–IV under the Australian Qualifications Framework or equivalent and relevant work experience. Because the PLS will be employer driven and aims to bring in 2,000 Pacific Islanders annually to work in sectors with critical gaps in Australia—although the focus of PLS is to recruit employees from Kiribati, Tuvalu, and Nauru—it is unlikely that these countries will be able to fill the quota, therefore it is important that the skill level of Tongans and workers achieve the levels that enable them access to well-paid employment and make them competitive within the region. To ensure that efforts to upgrade program quality through the QIG also brings providers and programs in alignment with the requisite standards under the Australian (and New Zealand) qualifications framework, and the needs of their labor markets, program resources will be also used to hire individual (or firm) consultants to support and ensure equivalence.

18. The component has three subcomponents:

Subcomponent 2.1: Improving the quality of TVET

19. This subcomponent aims to increase the quality of TVET programs, so that the qualifications students obtain can be recognized by the ASQA, the NZQA, and other international accreditation agencies. This subcomponent will support selected TVET institutions with the QIGs. These QIGs and the subsequent improvements in training quality will increase the likelihood of Tongans accessing employment opportunities abroad, including those under Australia's upcoming PLS and New Zealand's existing Canterbury Trades Initiative.

20. **QIG.** The QIG will be available for up to eight TVET public and non-profit providers for programs in tourism, hospitality, construction, health services (including aged and disability care), maritime, and agriculture. These areas are relevant to both Australia's PLS and New Zealand's Canterbury Trades Initiative, along with opportunities in other labor markets. Key features of the process and eligibility criteria are as follows:

- (a) TVET training providers accredited with the TNQAB will be invited to submit proposals for a QIG to enhance the quality of certificate level I–IV courses in the designated sectors; QIG is not for accrediting institutions. There would be a workshop organized by the MET for interested TVET institutions to help them comprehend the requirements of QIG proposals.
- (b) Training from international experts to assist selected TVET institutions in preparing a Program Implementation Plan (PIP) (see more details in the PIP section below). Training will be on stages along the line of preparing the PIP by each participating TVET. At the end, up to eight TVET institutions would be selected on a competitive basis based on a sound plan for implementation of designated TVET courses within the project time frame. The final approval of the proposal would be made by the SSSC as per the recommendation of the PMU and the MET.
- (c) The criteria for selection would include the following: (i) the courses would have had to have been running for at least three years, noting that a special case would be able to be made for a sector where there are no courses yet in Tonga but has high potential employment opportunities for disadvantaged individuals especially women; (ii) the provider is able to provide historical information on student numbers, progress/dropout rates, teacher numbers and their qualifications, and the course fees for 2017 and 2018; (iii) the course is not yet formally recognized by the ASQA or the NZQA; (iv) there are reasonable prospects that such accreditation can be achieved (clear organizational structure, staff number and qualification, implementation arrangement, link with employers/industry in training, and records of experience); (v) the training provider has a strong commitment to enhancing the employment prospects of the students (providing clear plan and strategies on how work placement would be done during training and how to support students' employment after training); and (vi) the training provider is financially and legally sound (clear and transparent records of budget planning and expenses, documentation of accounting books and other FM); and (vii) the training provider commits to taking on an increased number of young Tongan women than men for the course being supported to help close the existing gender gap in TVET enrolment (showing a clear strategy and plan on securing more female students and providing support during training as necessary).

- (d) Clear expected outputs or results to be achieved within the project time frame indicating that the quality improvements can be completed within the cap on funds available per training course, with the source of any additional resources needed identified. It will not be permitted for the QIG to be used as a substitute for a Government grant. Special consideration will be given to training providers who deliver training outside of Tongatapu or make special provision to enable students from the Outer Islands, women, and the more vulnerable to participate. The QIGs will be capped at a maximum amount of TOP 100,000 (US\$50,000) annually per qualification, per training provider, depending on the course applied under the QIG. Based on the review and recommendation made by the MET and the PMU, the SSSC (see Component 4) will approve the selection of TVET providers for the QIGs as per evaluation of the proposal reviewed and recommended by the MET/PMU based on selection criteria noted in paragraph 20 (c) and will be detailed in the POM.

21. **PIPs.** After the first workshop organized by the MET, the selected training providers for the QIGs will be assisted over the following six months to develop PIPs. This will include training by technical experts in developing such plans and reviewing the draft plans. Such a plan will be developed supported by a thorough analysis of the current situation of information, data, and institutional capacity of participating TVET institutions. The PIP will include the proposed activities for the improvement of TVET programs to meet international standards. Actions including, but not limited to the following, could be included in the PIP: (a) partnering with overseas training institutions in upgrading quality of trainers and delivering the TVET program, including work placements and quality assurance activities, (b) curriculum revision including development of additional exit points at certificate level I–IV and enhancing literacy and numeracy; (c) improving equipment; and (d) and improving student monitoring. More weight will be given to those having a viable approach in engaging with employers and delivering work placements, including helping them with workplace supervision and assessment. Building construction would not be included in the QIG. The PIP will also include detailed costings with concrete results/outputs to be achieved every year based on institutional implementation and financial capacity to ensure it is achievable, feasible, and measurable.

22. **Implementation of PIP.** Each PIP would have to be reviewed and endorsed by the MET and the PMU. Once the PIP is approved by the SSSC based on recommendations made by the MET and the PMU, a QIG Agreement (QIGA), as a legal document, will be signed between the CEO of MET and the head of the TVET institution. Once the QIGA is countersigned, an amount of 15 percent of the total approved QIG will be advanced to the TVET institution for implementation. Funds will be transferred directly to the TVET institution and a separate budget line would be required to track QIG expenditures. TVET institutions have full autonomy to use the funds allocated for the approved activities included in the PIP. However, the MET may coordinate procurement activities to maximize efficiency of fund utilization which is made available to TVET institutions. Details will be included in the POM.

23. **Reporting and monitoring.** Every six months, the participating TVET institutions will submit implementation progress reports (PRs) to the PMU and the MET showing progress in achieving the related milestones in quality improvement, including financial progress against the targets/results in the approved PIP. Based on the disbursements made in the previous six months, replenishment of the QIG will be made to the relevant TVET institution, with the condition that a least 80 percent of the advanced amount is spent or committed for eligible expenditures for the reporting period. In the case of nonperforming or low disbursement made (less than 60 percent of the advanced amount for the reporting

period), no further funding will be forwarded to the QIG recipient until the set target is achieved. Subsequently, the QIG recipient will be required to resubmit the required reports with supporting documents showing that at least 80 percent of the allocated fund for the reporting period was spent for eligible expenditure; replenishment of the QIG will then be made. All documents related to PIP implementation must be recorded for reporting purposes following the World Bank's guidelines stated in the FA. An independent audit of PIP implementation progress and of financial statements will be conducted annually, with spot checks on student enrolment and progression carried out by the MET and the PMU on a regular basis. To increase transparency and financial accountability in the sector, implementation PRs will be publicly released on the MET and project website.

24. TVET training providers will be encouraged through the QIG to provide multi-exit points at certificate levels I and II for longer courses. This would allow participants to obtain recognition of their TVET qualification based on the competencies system and to undertake a training or employment path that meets individual needs. One critical issue of students at registration to TVET programs is their lack of English literacy and numeracy proficiency for successful course participation. The QIG for each TVET provider will thus include activities to support students to reach sufficient level of functional literacy and numeracy for TVET training.

25. By the end of the five-year period, the expectation would be that the courses would have achieved recognition by Australia and New Zealand or other internationally recognized organizations, and students are using them to get employment in those countries as well as in Tonga. If a training provider fails to meet annual implementation targets in the PIP, or the spot checks and audits reveal significant control weaknesses, there will be a review by the MET and the PMU as to whether the provider can continue to access the QIG (and to what certificate level) or whether the agreement will be terminated. The SSSC will make the final decision on any changes in funding including termination, per recommendation made by the MET and the PMU. The beneficiary TVET institutions would be asked to return any ineligible expenditures, if incurred for activities which are not included in the signed QIGA for an approved PIP.

Subcomponent 2.2: TVET Student Support Funds

26. This subcomponent aims to increase the participation in and completion of qualified TVET programs by students from more disadvantaged backgrounds. The subcomponent will achieve the objective by providing financial assistance to those students from marginalized households who enrolled in qualified TVET programs in the form of living allowances, payment of TVET course fees, and/or payments of English language training and examination fees. Each eligible student will enter into a TVET Student Support Fund agreement with the MET for the financial assistance to be provided under this Subcomponent 2.2.

27. **Targeting and eligibility.** To increase program management efficiency potential, TVET students will be identified through the targeting approach adopted in Component 1. Among those on the registry of poor households developed from Component 1, preference will be given to supporting young women, given they remain underrepresented in the TVET sector. If they are interested in attending any of the certificate-level programs identified through Subcomponent 2.1 and meet the eligibility criteria for the course, they will receive financial support for the whole duration of the TVET program, including work placements, provided they meet attendance and progression requirements. Training can be at any certificate level I–IV under the Tongan National Qualifications Framework. Some training will be relatively

short (less than a year), while others, such as certificate IV, may be up to four years. All courses would have to be accredited by the TNQAB, preferably as national qualifications. Prospective students will need to meet the stated prerequisites for entry to the particular level of training and meet monthly attendance and progression requirements. Detailed implementation will be described in the POM.

28. **Course fees and living cost stipend.** The payment of course fees will be covered for all beneficiaries under this subcomponent and will be paid directly to the TVET providers where eligible students are enrolled and accepted for training. As financial stress is one of the significant challenges faced by relocating students, and contributes to their dropout rate, the financial support for living costs will be limited to those relocating from the Outer Islands for the duration of the project. Each beneficiary will be provided a scholarship of up to TOP 1,800 (US\$900) annually, depending on the tuition fee of TVET courses. An initial cohort of 50 students will be targeted for the calendar year 2020, with the scaling-up to 125 students annually by project end. Those coming from the Outer Islands will receive an additional TOP 6,000 (US\$3,000) each year to cover their living costs during the training in Tongatapu, if they meet all the co-responsibilities of attendance and progression of the enrolled training. Tuition fees will be paid directly to TVET providers per semester (twice per year), only for beneficiary students who continue to attend and progress. Living allowance will be transferred to individual eligible student bank account on a monthly basis upon successfully meeting the compliance co-responsibilities of the program.

29. **Reporting and monitoring.** The TVET Student Support Funds are conditional on the student attending the TVET course and work placements (where they are mandatory components of the course) on a regular basis, achieving 80 percent monthly attendance and making satisfactory progress defined as being admitted to the second and subsequent semesters and years of the course. The TVET providers will be required to monitor attendance, their study progress and provide support to help students progress in their training. Data on student attendance will be provided by the TVET provider to the MET and the PMU on a monthly basis. Student progress data will be provided by the TVET provider to the MET and the PMU on a semester basis. Noncompliance will be reviewed and treated on a case-by-case basis based on evidence and valid documentation provided. The support program will be terminated if students fail to meet the co-responsibilities in a satisfactory manner.

30. **English language training support.** This support is part of the TVET Student Support Funds and will be to cover costs for English language training (a requirement for all temporary semiskilled and skilled visas in Australia and New Zealand) and the IELTS examination. This support will be targeted in particular toward the beneficiaries of Subcomponent 2.2. The IELTS testing is currently only offered in Tongatapu; however, this will be made available to all those wishing to take the examination from the Outer Islands. Given this support is geared toward preparing Tongans for overseas migration and a significant gender gap persists in overseas employment, a higher number of young women will be given priority.

31. **Costs.** It will cover the TOP 400 (US\$200) fee incurred for an eight-week English language training course, along with the TOP 800 (US\$400) examination fee for the IELTS exam. The payments for both the course fee and IELTS examination fee will be made directly from the Designated Account (DA) to the training provider, which is currently Ma'a Fafine Mo e Famili (For Women and Families).

32. **Information campaign.** An important element of this subcomponent is raising the awareness of potential students and their parents on the availability of scholarships and the support that will be available, particularly for students from the Outer Islands who would need to relocate. The MET and the

MIA will prepare information for potential households and students, and for community leaders and school principals. Information would include descriptions of eligible courses and entry requirements, and support available through the program. The MET and the MIA would work together to distribute the information to households listed on the registry developed in Component 1. TVET providers would be encouraged to actively reach out to eligible students well in advance to enable them register in designated TVET courses.

Subcomponent 2.3: Strengthening governance of the TVET sector

33. This subcomponent aims to support the strengthening of overall sectoral governance of the TVET sector. It focuses on improving efficiency, autonomy, and accountability of different levels within the TVET system. Through the efforts of the TNQAB, Tonga has made significant enhancements in recent years to its guidance for development and accreditation of national qualifications. At the same time, there is a need for a more systematic approach to the regulation of monitoring, quality assurance, accountability, and institutional autonomy of training providers. For example, the Government training providers have limited autonomy, thus lacking capacity to make staffing decisions and to retain any income generated. Best practice in TVET institution management includes governing structures with representation from industry, the Government, employers, civil society, and trainees/beneficiaries, with powers to modify and deliver courses as a function of the demands of the labor market.

34. This subcomponent will support two main areas:

- (a) **TVET EMIS.** The development of a TVET EMIS that will track participating TVET students. The EMIS will be based in the MET, with links to the TNQAB. Training providers would provide information by semester to the TVET EMIS. A unique student identifier, drawn from the student identifier already in use for students in Forms 4–6 in secondary school, will be used. The TVET EMIS will be able to report on progress of beneficiary students, by course type and provider, which is currently not possible beyond individual training providers. To contribute to improved student monitoring in the sector, the potential for this system to be extended more broadly to other TVET students, courses, and providers, will be explored.
- (b) **Proposal for the enhancement of the TVET sector regulatory framework.** The development of a proposal for strengthening governance that will be widely consulted on and endorsed by key stakeholders including MET, churches, training providers, employers, communities, and other projects' programs financed by different partners in the country or in the region. To take account of capacity in the TVET sector, it will be developed after the first year of implementation of Subcomponent 2.1. This will minimize the burden on providers, the Government, and the PMU. It will also enable it to draw on insights obtained by the MET and the PMU through the early implementation of the QIGs.

Component 3: Enhancing opportunities for labor migration (US\$1.8 million)

Subcomponent 3.1: Pre-departure training for migrant workers

35. **Objective.** Subcomponent 3.1 will support pre-departure training for seasonal and migrant workers with an overarching objective of improving the quality of those heading abroad and therefore

increasing the demand for Tongan workers. At present, the pre-departure training for the SWP is managed by the TBEC, for the RSE scheme by the MIA, and for other categories of migrants it is non-existent. The existing contract for the TBEC is set to expire in 2018. The MIA currently struggles to provide pre-departure training to seasonal workers to the RSE as is. If the pre-departure training were to cease, there is significant concern as to both (a) the ability of seasonal workers to emigrate and (b) the quality of those workers that are still able to make it across. As such, this subcomponent fills a critical shortfall in funding and serves the purpose of ensuring that Tongan seasonal and longer-term migrant workers are well prepared for employment abroad. Two Employment Training and Support Officers will be financed through the project and will be placed within the MIA. All of the pre-departure training will be provided in-house.

36. **Target population.** The pre-departure training will be made available to all departing seasonal and longer-term migrant workers that fall under the following programs: Australia's SWP and temporary work (skilled) 457 visa; and New Zealand's RSE scheme, Pacific Access Category, Essential Skills Visa, and Pacific Canterbury Trades Initiative. The pre-departure training will cover those ages 21 and above as is mandated by the respective visa requirements.

37. **Geographic coverage.** The pre-departure training will be centralized in Tongatapu as it currently is. Given the relatively small number of migrants coming from Outer Island groupings (particularly the Niuas), it would not be cost effective to decentralize the provision of pre-departure training in the same way that it is for other functions.

38. **Training content.** The pre-departure training will be made substantive enough to noticeably improve the quality of Tongan workers heading abroad. The duration of the pre-departure training sessions will be two days. For the entire duration of the training, each beneficiary will receive a per diem to subsidize the cost of food. The training content will be tailored according to the level of experience and skill set. Separate trainings will be offered for first-time and return workers, as well as those heading to the seasonal worker schemes and those departing through skilled migration pathways.

39. In terms of the content itself, the Australian and New Zealand Governments will make available the training material for the SWP and the RSE. For other migration pathways, the MIA will be responsible for determining the content, which will be covered. This will include, among other things:

- (a) Wages and conditions offered abroad;
- (b) The role of the Fair Work Ombudsman and Employment New Zealand;
- (c) The role of unions;
- (d) Deductions that can legally be made by employers abroad;
- (e) Taxation;
- (f) Superannuation;
- (g) Workers' compensation;



- (h) Details of a pay slip;
- (i) Safety at work;
- (j) Discrimination and harassment in the workplace;
- (k) Productivity at work;
- (l) Financial literacy training, banking and remittance arrangements;
- (m) Visa conditions—what they mean and the implications if breached;
- (n) Availability of services in the community; and
- (o) Potential social costs of migration and mitigation measures.

40. The training provider managing the sessions will invite other representatives with relevant expertise to participate in the pre-departure trainings. This will include representatives from unions, banking and financial institutions, governments officials from other ministries, returned migrant and seasonal workers, medical professionals, and community organizations.

Subcomponent 3.2: Institutional strengthening for the ED

41. **Objectives.** Subcomponent 3.2 will have the overall objective of improving the capacity of the MIA's ED to manage the outflow of migrant workers. The ED's capacity will be strengthened in three core areas: (a) ability to effectively reach out to prospective migrant workers regarding work opportunities abroad and ways of financing them, (b) ability to effectively screen and select workers, and (c) ability to expand and build a quality work-ready pool of prospective migrants. This addresses the major constraints the ED currently has and tackles the concerns they have in being able to effectively deal with a scale-up in demand for Tongan workers.

42. **Activities.** Subcomponent 3.2 will finance television and radio advertisements on employment opportunities abroad, how to apply, and financing options. It will finance the TA required to improve the screening and selection of workers for employment abroad and it will cover the hiring of additional staff to build the work-ready pool of migrants currently managed by the ED.

43. **Target population.** Quotas will not be put in place for the number of disadvantaged Tongans that need to be recruited through labor mobility schemes; however, distinct efforts will be made to ensure that these groups are well represented in the work-ready pool of prospective migrants. Moreover, Tongan women will be specifically targeted through the information campaign on migration opportunities and a higher number of young Tongan women than men will be recruited into the work-ready pool of migrants, given the current gap in their ability to access employment opportunities abroad.

Component 4: Project management, monitoring and evaluation, and centralized support (US\$8.9 million)

Subcomponent 4.1: Establishment and functioning of the CSU



44. **Objectives.** The key objectives of Subcomponent 4.1 are to reduce the duplication of consultants in common function areas and to ensure capacity building for national staffs and consultants through a CSU. The CSU would be staffed with full-time international experts in procurement, FM, M&E, and safeguards. In addition, a Program Manager/Coordinator would be hired to assist with overall coordination of the CSU's activities and performance management of CSU staffs and facilitate coordination with the various implementing agencies and ministries of World Bank-financed projects.

45. **Activities.** The CSU will provide services related to (a) project preparation and implementation and (b) capacity building. For project preparation and implementation, the role of the CSU would be to provide both implementation and advisory services in the common fiduciary functions such as procurement, FM, safeguards, M&E, and contract management. The CSU will provide services to this project and extend such services to all World Bank-financed projects in Tonga, particularly IDA-financed projects being prepared under IDA 18, and possibly forthcoming projects under IDA 19. The subcomponent will also support some goods, non-consulting services, consulting services, training, and incremental operating costs related to the functioning of the CSU.

Subcomponent 4.2: Project Management Unit

46. **Objectives.** The key objective of Subcomponent 4.2 will be to establish a PMU capable of the day-to-day implementation, monitoring, and coordination for Components 1, 2, 3 and Subcomponent 4.2 of the project. The team comprising the PMU will be physically located within the MIA and consist of a nationally recruited Team Leader, a Procurement Officer, a Project Accountant, an M&E Specialist, and an Administrative Support Officer. The PMU will also receive implementation and advisory services for the fiduciary functions and M&E, which will be provided by the CSU.

47. **Activities.** Project operational support will be provided by the PMU; implementation is the responsibility of the three implementing ministries—MFNP, MIA, and MET. The PMU will also provide support for monitoring activities such as technical audits, beneficiary surveys, and related data collection efforts and financing of the PMU's coordination and management activities for Components 1, 2, 3 and Subcomponent 4.2. The CSU/MFNP will be providing fiduciary services and support for the project implementation and will be responsible for consolidating the semiannual PRs and the ICR and submitting them to the World Bank.

48. **IE.** A rigorous IE of the CCT program for secondary school enrolment and attendance and TVET Student Support Funds will be conducted over the course of project implementation. This IE will encourage evidence-based policymaking and provide the GoT with an opportunity to adjust the design to improve educational outcomes (for further details see annex 5).

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Tonga Skills and Employment for Tongans

Project Institutional and Implementation Arrangements

1. The MFNP, MIA, and MET will be the implementing agencies for the core project activities, along with the relevant divisions that report to them. These will include the SPDD of the MIA under Component 1; the relevant government training providers (for example, TIST, TIHE, and Tonga Maritime Polytechnic Institute) and the TNQAB under Component 2; and the ED of the MIA under Component 3. The MFNP will be responsible for the implementation of Subcomponent 4.1 on the establishment and operation of the CSU. A PMU will be established within the MIA. Both the MIA and the MET, through the PMU, will be responsible for overall coordination, results monitoring, and communicating with the World Bank for Components 1, 2, 3 and Subcomponent 4.2.
2. The MFNP will be the implementing agency for establishment and functioning of the CSU. The CSU will comprise experienced national and international consultants in the discipline of common project functions, for example, procurement, FM, M&E, safeguards, and other positions as agreed with the World Bank. The CSU is not expected to finance the core technical sector specialists. The CSU will serve the Skills and Employment for Tongans project implementation and will be mentioned in the POM. The CSU consultants will directly report to the representative of the MFNP.
3. High-level guidance for Components 1,2,3, and Subcomponent 4.2 of the project will be provided through the SSSC. The SSSC includes, among others, representatives from key central and line ministries, professional bodies, the Tonga Chamber of Commerce and Industry, and other relevant stakeholder groups. The SSSC will be responsible for (a) ensuring effective coordination between the key ministries and other stakeholders, (b) reviewing the implementation progress of the activities implemented by MIA and MET, and (c) providing overall guidance over such activities. The SSSC will meet on a quarterly basis. The head of the SSSC will be responsible for regularly convening update meetings. The SSSC has already been put in place to oversee DFAT's Tonga Skills Project, so the two projects will be combining governance structures.
4. The PMU will report to the SSSC. The team making up the PMU in the MIA will consist of a Team Leader, a Procurement Officer, a Project Accountant, an M&E Specialist, and an Administrative Support Officer. The PMU will be responsible for the overall coordination, results monitoring, and updating the World Bank. The fiduciary functions will be managed by the PMU with support provided by the MFNP's soon-to-be-established CSU. The various responsibilities of the PMU, with respect to Components 1, 2, 3 and Subcomponent 4.2 of the project, will include, among other things:
 - (a) Managing the various project activities;
 - (b) Implementation support;



- (c) Regular coordination with the relevant stakeholders including the World Bank, MFNP, MIA, and MET management, other line ministries, the private sector, and civil society groups;
- (d) Loan and operating account;
- (e) Managing consultancy contracts and training;
- (f) Project monitoring, reporting, and evaluation;
- (g) Financial record keeping, preparation of FM reports, the DAs, and disbursements;
- (h) Reporting responsibilities including the preparation of Financial Monitoring Reports, PRs, and Procurement Management Reports; and
- (i) Organizing the various implementation support missions, a midterm review, and a final review of the project.

5. The POM for Components 1, 2, 3 and Subcomponent 4.2 of the project will be adopted by the MIA and the MET by project effectiveness. It will be updated periodically by the MIA and the MET as elements of the project evolve, but always with the prior written agreement of the World Bank. The POM will be used by the PMU, so that they are able to effectively meet their responsibilities under the project. The objectives of the POM will be to (a) provide the necessary tools to guide all relevant stakeholders on their key roles and functions; (b) ensure a uniform level of understanding by all stakeholders involved in the interpretation and application of implementation guidelines to achieve process consistency, timeliness, and accuracy; and (c) facilitate transparency, equity, and compliance.

Financial Management

6. The FM assessment was carried out in accordance with the 'Principles Based Financial Management Practice Manual' issued by the Financial Management Sector Board on March 1, 2010, which states that with respect to the World Bank-Financed Investment Operations, the grantee is required to maintain appropriate implementation arrangements which include accounting, financial reporting, and auditing systems adequate to ensure that the PMU can provide the World Bank with accurate and timely information regarding the project resources and expenditures. Overall, the FM arrangements satisfy the FM requirements of the IPF policy. The assessed FM risk of the project is considered substantial, which will be partially offset by the successful implementation of mitigating measures, that is, timely recruitment of Project Accountants and use of an FM system (accounting software) acceptable to the World Bank.

Implementing Agencies

7. The GoT operates a centralized financial system with the MFNP approving and processing all expenditure and providing guidelines and ceilings for budget preparation, hence two out of the three implementing agencies for this project, the MIA and the MET, do not have the resources and the capacity to undertake the FM activities for this project. To ensure the provision of adequate resources to meet the FM requirements of this project, it is recommended that both the CSU and the PMU assist these ministries

in the FM implementation of the project. This is consistent with the implementation model for other World Bank-financed projects.

Financial Management Arrangements for the MIA and the MET (PMU)

Accounting and Staffing Arrangements

8. The project accounts will be maintained either directly in the government accounting system (Sun Systems) or in an off-the-shelf accounting package, for example Quick books or Mind Your Own Business, which will have the capacity to segregate reporting by implementing agency, component, and if required, by category. The project will be required to employ a suitably qualified consultant Project Accountant to maintain the project accounts, prepare the Withdrawal Applications (WAs), work with the auditors and prepare annual financial statements, and assist in the preparation and monitoring of the project budget. Administration support will be required for the PMU and this support can develop and maintain a filing system for the transaction documentation. It is envisaged this will be adequate resources for the FM requirements of this project.

9. The CSU will provide support in the startup period, provide expert advice on thematic issues such as taxation, reporting to the MFNP, and taking over the FM responsibilities in closing projects when the PMU is dissolved on the project closing date. The day-to-day accounting functions are likely to remain with the PMU.

Budget Arrangements

While the budget will be overseen by the implementing agencies, the project budget will be prepared and monitored by the PMU for Components 1, 2, 3 and Subcomponent 4.2. The Procurement Plan should be consistent with the information provided in the full project budget. A more detailed annual implementation and budget will be prepared by the MIA and the MET for relevant project components and activities they are in charge. The PMU is responsible to consolidate the annual work program and budget for such components and submit it to the World Bank by November 30 each year, for review and approval. The annual implementation and budget should be prepared based on the overall budget and monitored on a quarterly basis. Financial reports will include budget to actual comparisons.

Internal Controls

10. Where possible internal control procedures will be consistent with the GoT which complies with the Public Finance Management Act 2002 and accompanying Public Finance Administration Regulations, which are generally sound. Databases will be required for the CCTs, payments to additional students trained, and beneficiaries for pre-departure training for migrant workers to ensure payments both meet the criteria and are not duplicated. The POM will cover FM arrangements not covered under Tongan legislation and outline procedures to ensure adequate monitoring of data for payments to beneficiaries.

Flow of Funds

11. The funds flow will be from Bank Designated Account (DA), in Tongan Pa'anga. The project costs will either be pre-financed from the Treasury Account and then funds swept from the DA or maintained

in an off-the-shelf accounting package. If project accounts are paid through the Treasury Account, this will require the PMU to reconcile payments made from the Treasury Account to the transactions recorded by the PMU. A separate vote will be created for each implementing agency if the accounts are maintained through the Treasury Account.

Financial Reporting Arrangements

12. The PMU will prepare interim unaudited quarterly financial reports (IUFRs) for Components 1, 2, 3 and Subcomponent 4.2, which are required to be submitted to the World Bank within 45 days of the end of the reporting period. As these reports are to be used as a measuring tool, the PMU should report project progress (on a component and subcomponent basis and by category) with adequate description, explanation, and analysis of variances. It is expected that the format will be consistent with International Public Sector Accounting Standards (IPSAS) reporting requirements. In addition, commitments (contractual amounts not yet paid but where a legal obligation exists) will be disclosed in the reports.

External Audit Arrangements

13. An annual audit will be required of the project accounts. The format for the annual financial statements will be consistent with IPSAS reporting requirements. The project audited financial reports must be received by the World Bank within six months of the end of the reporting fiscal year. The Tongan Audit Office is the auditor for other World Bank-financed projects and it is anticipated that they will audit this project. The auditors will be required to provide a detailed Management Letter containing their assessment of the internal controls, accounting system, and compliance with financial covenants in the Legal Agreement.

Financial Management Arrangements for the MFNP (CSU)

Accounting and Staffing Arrangements

14. The project accounts will be maintained directly in the government accounting system (Sun Systems), which will have the capacity to segregate reporting by component and subcomponent, and if required, by category. The CSU will be required to employ a suitably qualified Project Accountant to maintain the accounts, prepare the WAs, work with the auditors and prepare annual financial statements, and assist in the preparation and monitoring of the CSU budget. The CSU will be required to develop and maintain a filing system for the transaction documentation.

Budget Arrangements

15. The CSU budget funded through Subcomponent 4.1 budget will be prepared, maintained, and monitored by the CSU and overseen by the Aid Division of the MFNP. The Procurement Plan should be consistent with the information provided in the full project budget. A more detailed annual work and budget will be developed from the overall budget and submitted to the World Bank for review and approval by November 30 each year and monitored on a quarterly basis. Financial reports will include budget to actual comparisons.

Internal Controls

16. Internal control procedures will be consistent with the GoT which complies with the Public Finance Management Act 2002 and accompanying Public Finance Administration Regulations, which are generally sound.

Flow of Funds

17. A DA will be established in Tongan Pa'anga.

Financial Reporting Arrangements

18. The CSU will prepare IUFs for Subcomponent 4.1, which are required to be submitted to the World Bank within 45 days of the end of the reporting period. It is expected that the format will be consistent with IPSAS reporting requirements. Hence, two IUFs will be required, one from the PMU and the second from the CSU.

External Audit Arrangements

19. Funds expended for Subcomponent 4.1 will be audited separately from other project funds. This will be done either through a discrete audit of the project funds undertaken by the Tongan Audit Office or as a note to the Tongan National Accounts, which will adequately disclose the receipts and payments from Subcomponent 4.1. The format for the annual financial statements will be consistent with IPSAS reporting requirements, which is consistent with the Tongan National Accounts. An annual audit will be required to be received by the World Bank within six months of the end of the reporting fiscal year. If separate financial statements are prepared, the auditors will be required to provide a detailed Management Letter containing their assessment of the internal controls, accounting system, and compliance with financial covenants in the Legal Agreement.

Supervision Plan

20. An FM implementation review field mission will be conducted at least twice a year with additional missions early in implementation to ensure that all World Bank FM requirements are met. In addition, the FM team will conduct a desk review of the quarterly interim financial reports, review the annual audit reports and Management Letters, and follow up on material accountability issues by engaging with the Task Team Leader(s), clients, and/or auditors.

Disbursements

21. The disbursement arrangements will allow each program to use the following methods: (a) advances into and replenishment of the DA, (b) direct payment from the grant account, (c) reimbursement, and (d) special commitment. The DA will be operated on an advance basis and the initial advance will be made through the completion of a WA.

22. The subsequent replenishments will be made through submission of WAs providing details on the use of funds previously advanced, based on Statements of Expenditures and reconciliation of the DA. It is

expected that direct payments will only be used for payment on large contracts requiring payment in foreign currency, that is, international technical and financial advisers.

23. All direct payment applications would be paid based on documentation provided which would include evidence that the goods or service had been satisfactorily delivered or completed, evidence that the goods or service are part of the work plan and included in the budget, and a copy of the invoice is provided by the supplier.

24. The disbursement categories for this project and the provisional table is shown in Table 2.1. Under Category (2) disbursements will not be made unless and until the Association has received evidence to its satisfaction that the following aspects of the CCT program have been developed: (a) an MIS for the enrolment, compliance verification and payments, (b) a GRM, and (c) guidelines for a M&E framework.

Table 2.1. Project Disbursement Category Allocations

Category	Amount of the Financing Allocated (IDA) (US\$)	Amount of the Financing Allocated (APIP Trust Fund) (US\$)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, non-consulting services, consulting services, training and incremental operating costs for Subcomponents 1.1, 2.1, 2.3, and 4.2 and Component 3 of the project; QIGs under Part 2.1 of the project; and TVET Student Support Funds under Part 2.2 of the project	7,200,000	0	100
(2) Cash transfers under Part 1.2 of the project.	6,200,000	0	100
(3) Goods, non-consulting services, consulting services, training, and incremental operating costs under Part 4.1 of the project.	4,610,000	2,393,224	100
(4) Refund of preparation advance	500,000	0	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	18,510,000	2,393,224	

25. The Closing Date of the IDA Grant is September 30, 2023 and of the APIP Grant is September 30, 2023. For Category (3) disbursements the intention is for the APIP Grant to be exhausted before the IDA funds.

Procurement

26. **Institutional arrangement for procurement.** The PMU located within the MIA will be responsible for ensuring the fiduciary aspects of the project are managed—particularly Components 1, 2, 3 and Subcomponent 4.2—and will have assistance and support from the CSU, located within the MFNP. The CSU located within the MFNP will be responsible for ensuring that the fiduciary aspects of Subcomponent 4.1 are properly managed.

27. **Applicable procurement regulation.** Procurement for the proposed project will be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers (Procurement Regulations), July 2016 (revised November 2017), and the provisions stipulated in the FA. Procurement activities will use the World Bank’s Standard Procurement Documents where required.

28. **Procurement risk assessment.** A procurement risk assessment of the ability of the MFNP, MIA, and MET to implement the procurement actions for the project was carried out and the overall procurement risk rating is currently substantial. The main procurement-related risks and proposed mitigations actions are listed in Table 2.2

Table 2.2. Procurement Risk Assessment

Perceived Risk	Mitigation Action	Responsibility	Estimated Completion Date
Implementation delays due to ineffective procurement planning and monitoring	1. Preparation of a credible Procurement Plan in STEP; 2. Establishment of a Timeliness Procurement Key Performance Indicator with quarterly reporting	MFNP, MIA, MET, and PMU	Before effectiveness
Implementation delays due to inadequate technical inputs	All TORs and technical specifications for procurement activities in the Procurement Plan to be drafted	MFNP, MIA, MET, and PMU	Before effectiveness all TORs and technical specifications shall have been cleared by the World Bank’s technical experts
Limited institutional capacity in procurement may lead to improper implementation of procurement activities under the procurement (in terms of efficiency, competition, and transparency)	1. Establishment of the PMU to include a Procurement Officer 2. Establishment of the CSU to include a Procurement Specialist	MIA and MFNP	Before effectiveness
Limited procurement capacity may lead to improper implementation of procurement activities	1. Procurement Officer to complete the online courses: Certificate Program in Public Procurement and	PMU - Procurement Officer	Before effectiveness

Perceived Risk	Mitigation Action	Responsibility	Estimated Completion Date
	Certificate Program in Contract Management		
Excessive remuneration rate of PMU personnel may lead to problems during implementation	The TOR for PMU personnel will be accompanied by a detailed cost estimate and the maximum remuneration rate	MFNP, MIA, and MET	Before effectiveness all TORs and maximum remuneration rates shall have been cleared by the World Bank's technical experts
Poor contract management can cause the project objectives not to be met	The PMU's team leader to be appointed as the person responsible for contract management and to complete the course Certificate Program in Contract Management	PMU	During implementation and before effectiveness

29. **Procurement methods.** Table 2.3 and the subsequent paragraphs describe the various procurement methods to be used for activities financed by the proposed IDA grant and APIP grant which is partially funding Subcomponent 4.1 at the appraisal stage.

Table 2.3. Procurement Methods

Type of Procurement	Selection Methods
1. Goods	RFQ Limited
2. Consulting Services - Firms	QCBS, CQS (<US\$500,000) and SSS
3. Consulting Services - Individuals	Open Competitive, Limited Competitive Selection, and Direct Selection

Note: RFQ = Request for Quotation; QCBS = Quality- and Cost-Based Selection; CQS = Selection Based on the Consultants' Qualifications.

30. **Procurement of goods.** The procurement of goods may include the procurement of office equipment and a project vehicle.

31. **Procurement of consulting services (firms and individuals).** It is anticipated that a number of specialist individual consultants/firms may need to be hired to support the design and implementation of the CCT, the various activities relating to the TVET sector, and the pre-departure training for migrants. Individual consultants will also be hired by the MFNP and the MIA for project management functions.

32. **Frequency of procurement supervision.** In addition to the prior review to be carried out by the World Bank, supervision missions will be undertaken at least once per year. One in five procurement packages not subject to World Bank prior review will be examined ex post on an annual basis.

33. A draft Procurement Plan dated July 6, 2018 has been prepared. It shows that within the first 18 months of implementation the amount of procurement to be completed is US\$7.6 million as detailed in Table 2.4.

Table 2.4. Summary of Procurement Activities

Type of Procurement	Agency						Total Estimate (US\$)	Total Number of Activities
	MET		MIA		MNFP			
	Amount (US\$)	#	Amount (US\$)	#	Amount (US\$)	#		
Consulting Services	286,250	2	1,524,750	8	5,625,000	7	7,436,000	17
Goods	20,150	1	105,200	3	0	0	125,350	4
Grand Total	306,400	3	1,629,950	11	5,625,000	7	7,561,350	21

Environmental and Social (including safeguards)

34. The PMU will have the responsibility for managing the environmental and social risks. A full-time safeguards officer will not be required in the PMU given the low level of environmental and social risks. The PMU will be responsible for the various safeguards measures, including using a negative list to ensure the QIGs under Component 2 do not finance activities that would trigger safeguards policies and managing negative social impacts brought about by labor migration opportunities being supported through Component 3. The PMU will oversee public consultations throughout the project and help oversee the establishment of the GRM.

Monitoring and Evaluation

35. The overall responsibility for project monitoring, evaluation, and reporting will be with the PMU in the MIA for Components 1, 2, 3, and Subcomponent 4.2. The PMU will be required to submit PRs on a semiannual basis to both the SSSC and the World Bank. These will be consolidated with separate PRs produced by the MFNP for Subcomponent 4.1. The responsibility for consolidating the PRs would rest with the CSU/MFNP, with inputs provided by the PMU for Components 1, 2, 3 and Subcomponent 4.2. In addition, the CSU/MFNP will be tasked with consolidating findings in an annual implementation PR and preparing a comprehensive ICR upon project completion. The PMU will have a designated M&E Specialist who will be responsible for carrying out all M&E activities, including collecting and collating administrative data from the MIA, the MET, and the training providers being covered under the project. The M&E Specialist will also oversee the IEs of the CCT and TVET Student Support Funds with TA from the World Bank. Further details on the impacts evaluations are contained in annex 5.

36. The PDO-level indicators will be monitored through a mix of data obtained from the two IEs and administrative data from the MIA and the MET. The IEs will be led by the PMU M&E Specialist but carried out by a team of enumerators hired through a firm contract. The IE for the CCT will contain an annual round of surveys, which will provide an indication of the secondary school completion rate among the poorest decile. The IE for the TVET Student Support Funds will include a tracer component for graduated students, which will provide a measurement of the employment rate six months after the completion of training. Meanwhile, MIA administrative data will provide an annual update of the number of project



beneficiaries in the work-ready pool who are able to access employment opportunities abroad. Each of these indicators will be gender disaggregated.

37. The Intermediate Results Indicators will be monitored through administrative data provided to the PMU M&E Specialist by the MFNP, MIA, MET, and the training providers being covered under the project, as well as secondary schools. While PRs are only required on a semiannual basis, the M&E Specialist will be responsible for collecting this administrative data from the relevant Government ministries and other project stakeholders on a quarterly basis.

Role of Partners

38. Financing for skill development is being provided separately through the DFAT for the Tonga Skills Project. The World Bank has consulted extensively with the two key development partners operating in the social protection, labor migration, and education sectors in Tonga—DFAT and the MFAT. Donor coordination and dialogue will continue to be facilitated through the SSSC.

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Tonga Skills and Employment for Tongans

Strategy and Approach for Implementation Support

1. The Implementation Support Plan for this project will comprise regular dialogue with the MIA, MET, and MFNP; systematic joint reviews of program implementation; and regular oversight and support for project fiduciary activities with particular emphasis to be placed on the risks surrounding institutional capacity identified in the SORT, which are typical across the public sectors in most small island states. Regular dialogue and ongoing implementation support will enable the early identification of problems and permit the provision of timely TA to correct any potential issues that arise.
2. As a part of the joint reviews, the lessons learned from implementing the project POM will be sought. These will be incorporated into future revisions and further training will be offered for PMU staff and other relevant stakeholders where necessary.
3. As far as the fiduciary aspects of the operation, the World Bank will provide support in the areas of procurement and FM, as required. This will include (a) providing training to the respective PMU staff; (b) assisting with the technical specifications for TORs; (c) examining procurement documents and providing feedback to the PMU; (d) monitoring progress that has been made against the detailed Procurement Plan; (e) reviewing Tonga's FM system and planned arrangements under the soon-to-be-established centralized fiduciary unit; (f) assisting with accounting, reporting, and internal controls; and (g) reviewing submitted reports and providing feedback to the PMU.

Implementation Support Plan and Resource Requirements

4. The lack of institutional capacity within the MIA and the MET for the implementation of World Bank projects means that this operation will require relatively thorough implementation support. This will need to be relatively intensive during the first 12 months of the operation as the PMU becomes accustomed to the requirements of a World Bank operation. As such, three implementation support missions will take place during the initial year of implementation. This will be reduced to two implementation support missions in subsequent years of the operation. These periodic support visits will be complemented by regular audio and video connections with the relevant counterparts.

Time	Focus	Skills Needed	Resource Estimate (staff weeks/year)
First 12 months	Implementation support coordination	Task Team Leaders	8
	Overall technical support	Social Protection Specialist	5
	Overall technical support	Education Specialist	5



Time	Focus	Skills Needed	Resource Estimate (staff weeks/year)
	Overall operational support	Operations Officer	4
	FM	FM Specialist	2
	Procurement	Procurement Specialist	2
	Safeguards	Safeguards Specialist(s)	1
12–48 months	Implementation support coordination	Task Team Leader	6
	Overall technical support	Social Protection Specialist	3
	Overall technical support	Education Specialist	3
	Overall operational support	Operations Officer	2
	FM	FM Specialist	1
	Procurement	Procurement Specialist	1
	Safeguards	Safeguards Specialist(s)	1



ANNEX 4: ECONOMIC ANALYSIS

COUNTRY: Tonga Skills and Employment for Tongans

Analysis of Anticipated Costs and Benefits

Overview

1. The positive economic impacts from the project will come from the projected improvements in employment and earnings outcomes for currently unemployed and underemployed groups of population. These improvements will be made by increasing secondary school completion rates, upskilling Tongans with technical and vocational training, and facilitating their transition into the labor market at home and abroad. The economic analysis quantifies the costs and benefits of each component and subcomponent drawing on both administrative data provided by the relevant implementing ministries (MIA and MET) and nationally representative household survey data from the Tonga Department of Statistics.
2. The methodology employed to assess the costs and benefits varies by component. For Component 1, in which cash transfers are conditioned on secondary school enrolment and attendance, the benefits are calculated at both the individual level (in terms of projected employment outcomes and future earnings) and the household level (in terms of the impact on consumption-based poverty). The costs constitute the transfers themselves and the administrative costs incurred for the SPDD. For Subcomponent 2.2, the analysis is done at the beneficiary level examining the projected benefits from a higher probability of employment and increased wages. The returns to TVET education are calculated using the Household Income and Expenditure data, the costs include the disbursements to training providers per graduate, living allowances paid to student beneficiaries who relocate from the Outer Islands, and administrative costs for the MET. For Subcomponent 3.1, an assumption is made on the relationship between pre-departure training for migrants and a projected increase in demand for Tongan migrants. This is used to determine the projected benefits in terms of earnings abroad and remittances sent home. Costs include those incurred for providing the training, as well as the forgone domestic wage earnings for Tongan migrants. Subcomponents 2.1, 2.3, and 3.2 employ a more qualitative approach.
3. The impacts on employment and projected income are significant for those interventions where this is quantifiable. The benefits from Component 1 are transmitted at the individual level through a higher secondary school completion rate and expected earnings and at the household level through higher consumption. The IRR for Component 1 is estimated at 35 percent. Meanwhile, the projected impact on the poverty rate is 0 to 5.4 percent and poverty gap is 2.5 percent to 4 percent, depending on whether the lower, average, or upper BNPL is used. For Subcomponent 2.2 the TVET scholarships will result in a higher probability of employment and increased earnings, yielding an IRR of 160 percent. For the pre-departure training covered under Subcomponent 3.1, the projected impact on higher demand for Tongan migrant workers abroad and associated gains in net earnings yields an IRR of 214 percent. For the remaining subcomponents, the below write-up provides a summary of the expected costs and benefits.

Conditional Cash Transfer Program for Secondary School Enrolment and Attendance

4. In terms of economic returns, the CCT program is expected to have important short-, medium-, and long-term benefits. It will promote investment in education and for the secondary-school-age children result in higher progression and completion rates, as well as improved wage earnings. At the household level, it will permit a higher level of consumption and therefore serve as an instrument to alleviate poverty over the long term.

5. While it is difficult to estimate the specific impact of the CCT on school enrolment, a wealth of international evidence provides us with a reasonable range with which to benchmark the projected impacts. The evidence suggests that the impact on school enrolment tends to be higher among children transitioning from primary to secondary school and among households experiencing hardship.¹⁶ This component will explicitly target the poorest decile where enrolment rates are currently lowest. The results stemming from the IE planned in the first year of the project will provide an accurate reflection of the CCT's impact on secondary school enrolment.

6. According to the 2016 Census, there are 22,000 households in Tonga. The poorest decile contains 2,200 households. A total of 1,860 (84 percent) of these households contain children ages 8–18 (that could either benefit immediately from the CCT or at some point within the five-year implementation period of the project). The total number of children ages 8–18 in the poorest decile that could benefit from the CCT is estimated at 4,900. Each beneficiary household will receive, on average, US\$680 per year plus a US\$85 bonus if all secondary-school-age children complete their respective grade level. Based on the assumption that the program commences in Y1 with 450 households, increases to 1,400 households by Y2, and reaches 1,860 households by Y3, Y4, and Y5, an estimated US\$5.7 million would go toward cash transfers and bonus payments. In addition, the estimated administrative cost of the program is US\$450,000 over five years. The total costs therefore amount to just under US\$6.2 million.

7. The individual benefits through the CCT accrue from the higher enrolment, attendance, and completion rates, which positively impact projected income. To identify the monetary benefit that beneficiaries will gain from higher educational attainment, the net present value (NPV) of their income is compared with the counterfactual. The results from the Mincer Log Earnings Regression suggest that for each additional year in secondary school in Tonga, beneficiaries will achieve a 9.2 percent increase (see table 4.3) in wage earnings over the life cycle. The CCT is expected to increase the average duration of school attendance for this cohort by 12 months (therefore increase earnings by 9.2 percent). Estimates are also provided for impacts on secondary school attendance of three months and six months for comparison. According to the 2015/16 HIES, the average annual individual wage earnings for Tongans are US\$4,600 (TOP 10,300).

Table 4.1. Coefficients from Mincer Log Earnings Regression¹⁷

HIES	Wage Income		
	Total	Males	Females
Education	0.092***	0.093***	0.091***

¹⁶ Fiszbein and Schady. 2009. *Conditional Cash Transfers: Reducing Present and Future Poverty*. World Bank.

¹⁷ These estimates have been calculated using the 2009 Household Income and Expenditure data. The 2015/16 HIES data still has not been cleaned sufficiently to provide these calculations.

Experience	0.059***	0.053***	0.072***
Experience-squared	-0.000***	-0.000***	-0.001***
Constant	7.010***	7.058***	6.932***
R-adj	0.111	0.108	0.107
N	1,304	755	549

Note: *p<0.05, **p<0.01, ***p<0.001.

8. The official retirement age in Tonga is 65, which means the average Tongan could expect to work for up to 47 years, although many Tongans retire before reaching that age, so a working life has been estimated at 40 years. With inflation estimated at 3 percent over this period, the average Tongan could expect to earn approximately US\$347,000 over a 40-year period. The incremental difference of a 9.2 percent increase in life earnings is approximately US\$31,920 per beneficiary. The net benefits for these 4,900 beneficiaries would therefore accumulate to US\$39.1 million (table 4.2). If the lower estimate is used, this would amount to US\$39.1 million and if the upper estimate was used, this would equate to US\$156.4 million in net benefits. In each scenario, the IRR exceeds the discount rate.

Table 4.2. Summary of Projected Costs and Benefits, Alternative Scenarios - Component 1

Impact on Beneficiary Secondary School Attendance	3 months	6 months	12 months
Benefits from higher secondary completion rates/wage earnings	US\$39,089,521	US\$78,179,042	US\$156,358,084
<i>Total benefits</i>	US\$39,089,521	US\$78,179,042	US\$156,358,084
Cost of cash transfers/bonus payments	US\$5,683,950	US\$5,683,950	US\$5,683,950
Administrative cost of the program	US\$816,050	US\$816,050	US\$816,050
<i>Total costs</i>	US\$6,500,000	US\$6,500,000	US\$6,500,000
NPV (benefits-costs, 3% discount rate)	US\$13,632,816	US\$33,765,631	US\$74,031,262
Benefit to cost ratio	1.84	3.69	7.37
IRR	10.5%	18.9%	34.9%

9. Aside from the benefits to the individual beneficiary in improved secondary education outcomes and projected wage earnings over the life cycle, there are considerable benefits at the household level. The proposed transfer of US\$680 plus a US\$85 per household per year is substantial for households in the poorest decile.

10. The impact of these transfers of consumption-based poverty has been estimated using the 2015/16 HIES data. In running these simulations, two core assumptions have been made: (a) that the cash transfers do not impact labor market participation for beneficiary households and (b) that the full transfer amount of US\$765 is added to the household's consumption aggregates rather than being partially saved.

Table 4.3. Simulated Change in Poverty with CCT Transfers - Component 1¹⁸

Preliminary Poverty Estimates from 2015/16 HIES		Without CCT Transfer (%)	With CCT Transfer (%)	Difference (%)
Poverty headcount	BNPL using lower non-food poverty line	20.8	15.4	5.4
	BNPL using average non-food poverty line	35.1	35.1	0
	BNPL using upper non-food poverty line	49.0	49.0	0
Poverty gap	BNPL using lower non-food poverty line	5.7	1.7	4
	BNPL using average non-food poverty line	11.1	8.1	3
	BNPL using upper non-food poverty line	17.2	14.7	2.5

11. The US\$765 has a significant impact on the poverty headcount using the lower BNPL but there is no difference using the average and upper estimate as this is too small an amount to bring households in the poorest decile above these lines. However, a more accurate measure of the impact of these transfers at the household level is the poverty gap, which provides an estimate of the mean shortfall of the Tongan population from the BNPL. In all instances, providing these transfers directly to the poorest decile has a substantial impact on closing the poverty gap.

Improving the Quality of TVET

12. The costs associated with the QIGs being provided under Subcomponent 2.1 are estimated to total US\$1.6 million, for the grants themselves along with an additional US\$92,000 for the associated training being provided. Moreover, the two additional staff being hired by the MET, additional office equipment, and added running costs are estimated to cost US\$159,000. While it is not possible to directly quantify the benefits, these will amass from upgraded equipment, curriculum improvements, and better trained trainers. These quality improvements across the eight TVET qualifications selected for the QIGs will ultimately produce more qualified and employment-ready graduates. Moreover, to the extent that the QIGs result in international recognition, these graduates will have access to higher-paying jobs in Australia and New Zealand.

TVET Student Support Funds

13. For Subcomponent 2.2, the economic value is assessed by examining the projected benefit streams from increased wages and probability of employment for the unemployed. This is compared to the NPV of costs being incurred to determine the benefit to cost ratio and the IRR. The returns to education in Tonga are relatively high, even accounting for wage earning differences between males and females (table 4.1). For those with some form of technical or vocational training, their employment rate in the formal sector in Tonga is 56 percent compared to 24 percent for those without a TVET qualification. Meanwhile, according to the 2015/16 HIES data, the mean annual earnings for those with a TVET qualification are US\$5,480 (TOP 12,231) compared to US\$4,580 (TOP 10,237) for those who only completed secondary education—a 19.4 percent increase in earnings. Evidently, those who are able to access employment opportunities abroad command a significantly higher wage premium but disaggregated data on the Tongan diaspora’s wage earnings are not readily available.

¹⁸ These estimates have been derived using the preliminary BNPL from the 2016 HIES data. The BNPL is a summation of the food and non-food poverty lines for the Kingdom of Tonga.

14. The IRR is estimated under the following assumptions:
- (a) **Employment rate.** About 65 percent of those that graduate with a TVET qualification will have access to formal sector employment compared to 24 percent in the absence of this intervention.¹⁹
 - (b) **Unemployment.** Those that are unemployed are still engaged in household farming production.
 - (c) **Migration rate.** 10 percent of those TVET graduates that are financed through the project that gain access to formal employment opportunities do so abroad, compared to a 5 percent regular migration rate.
 - (d) **Earnings.** The projected wage earnings will be equivalent to mean annual earnings for TVET graduates in the Tongan labor market (US\$5,480) and average annual earnings for TVET graduates in the Australia-New Zealand labor markets (US\$44,000). The earnings from household farming production are estimated to be US\$191.
 - (e) **Number of beneficiaries.** The total number of beneficiaries of the TVET Student Support Funds are estimated at 600 as per the target value in the Results Framework.
 - (f) **Working life.** The official retirement age in Tonga is 65, which means the average Tongan could expect to work for up to 47 years, although many Tongans retire before reaching that age, so a working life has been estimated at 40 years and the gains are calculated for this period.
 - (g) **Inflation.** The inflation rate remains relatively steady at 3 percent over this period.

15. Under this set of assumptions, the incremental benefit on the probability of employment and increased wages over a 40-year period is estimated at US\$274,057 per beneficiary. These gains seem significant, but can be attributed largely to the higher probability of accessing employment opportunities abroad, which inflates the benefits. The net benefits for these 600 beneficiaries would therefore accumulate to US\$220.9 million (table 4.4). In this case, the IRR exceeds the discount rate significantly.

Table 4.4. Summary of Projected Costs and Benefits - Subcomponent 2.2

Benefits from increased wages and probability of employment for the unemployed	US\$220,940,017
<i>Total benefits</i>	US\$220,940,017
Cost of covering tuition fees	US\$1,008,000
Cost of living cost support	US\$855,000
<i>Total costs</i>	US\$1,863,000
NPV (benefits-costs, 3% discount rate)	US\$111,930,786
Benefit to cost ratio	36.3

¹⁹ The estimated higher employment rate for TVET graduates (65 percent rather than 56 percent) can be justified by the fact that these graduates will benefit from quality improvements under Subcomponent 2.1 and only qualifications linking in with overseas employment demand will be financed.

IRR	160.3%
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English Language Training Support

16. This element of Subcomponent 2.2 will support the reimbursement of the fees incurred for undertaking the IELTS examination. The benefit stream from reimbursing the IELTS examination fee would include higher projected earnings and remittances from employment abroad. The cost per beneficiary would amount to US\$200 for the English language training program and US\$400 for the IELTS examination fee. While it is not possible to directly quantify the benefits of improved English language proficiency, if this investment is able to provide prospective migrants with an additional advantage in accessing semiskilled and skilled employment opportunities in Australia and New Zealand, then the projected return of this investment will be substantial.

Strengthening Governance of the TVET Sector

17. For Subcomponent 2.3, the costs associated with developing a TVET EMIS for project beneficiaries in the TVET sector and a proposal for a TVET regulatory framework are US\$62,000 and US\$103,000, respectively. The former covers the cost of a TVET EMIS Support Officer to be housed within the MET for the duration of project implementation. The latter covers the costs of an international TVET Governance Expert, associated travel to Tonga, and consultations with relevant stakeholders in the TVET sector. The benefits will come from the ability to track the progress of project beneficiaries and the long-term gains from a more workable regulatory framework.

Pre-Departure Training for Migrant Workers

18. The early experiences from the seasonal workers schemes in Australia and New Zealand have demonstrated a strong correlation between quality pre-departure training and increased uptake from employers. The participating countries that have failed to provide pre-departure training to all migrant workers, such as Solomon Islands and Nauru, have been unsuccessful in generating higher demand for their workers. The training covers areas that are critical in understanding foreign employment conditions and therefore aligning employer and employee expectations.

19. The costs associated with the provision of this training are estimated to total US\$232,000 and include the hiring of Employment Training and Support Officers, as well as the fitout of the training room and costs associated with developing the required training material. The IRR is estimated under the following assumptions:

- (a) **Intervention effectiveness.** Ensuring that all departing migrant workers undergo quality pre-departure training will improve the quality of Tongan workers and therefore demand for Tongans abroad by 5 percent annually.
- (b) **Earnings.** Annual earnings equate to the mean annual earnings of migrant workers abroad (an average of horticultural wage rates in Australia and New Zealand).
- (c) **Destination countries.** The share of Tongans across the core destination countries will remain in proportion to their current levels.

(d) **Discount rate.** Discount rate is assumed to be 3 percent.

20. There are currently 4,300 Tongans carrying out temporary work in Australia and New Zealand. The number of Tongans has been growing by an average of 20 percent per year. At current growth rates, there would be 10,700 Tongan workers abroad by FY23. With an additional 5 percent growth per year (as per the above assumption), the additional number of Tongan migrant workers would be 5,714. The average forgone wage earnings in Tonga for these workers for six months abroad would amount to US\$2,300 (TOP 5,140) if all were employed before departure. However, a recent evaluation of the SWP has shown that only 14 percent of Tongan workers are employed before departure. This figure is applied in the below calculations. For those that are assumed to be unemployed before departure, the average forgone earnings from household farming production of US\$191 are used. The expected average earnings in Australia-New Zealand over this same period net of living costs are US\$8,230 per migrant worker.

Table 4.5. Summary of Projected Costs and Benefits - Subcomponent 3.1

Benefits from net earnings of additional workers	US\$16,132,704
<i>Total benefits</i>	US\$16,132,704
Cost of training provision	US\$277,850
Costs of forgone wages in Tonga	US\$771,866
<i>Total costs</i>	US\$1,049,716
NPV (benefits-costs, 3% discount rate)	US\$13,545,911
Benefit to cost ratio	13.26
IRR	214.2%

Institutional Support for the ED

21. While the institutional support for the ED being provided through Subcomponent 3.2 is not easily quantifiable, the three areas being covered will help improve participation of disadvantaged groups in the labor market (poorer households and women). The information and outreach on migration opportunities will be specifically targeted to the unemployed and those in remote areas, who have a lower probability of accessing work abroad. The streamlining of selection procedures will aim to ensure that poorer applicants and women are given equal opportunities to participate in employment abroad. Meanwhile, the expansion of the work-ready pool of migrants will be done in an inclusive way, which includes targeting a higher number of women. The marginal returns of these groups participating in employment abroad are substantially higher than the predominantly male cohort from Tongatapu that currently benefits from these opportunities.

Rationale for Public Sector Financing

22. The case for public sector financing in the areas being supported through the project is clear from an equity perspective. The provision of targeted cash transfers to the poor is a public function with significant societal returns, thus justifying the use of public funds. They can help address two core issues: (a) that in most developing countries public expenditure in certain sectors (electricity, water, and so on) often fails to reach the poor and (b) markets often fail in ways that prevent poor people from being productive as they might be. The provision of technical and vocational training is a widely used public policy tool used to address market failures in training provision and to close skills gaps in the labor force.



Meanwhile, the provision of migration support services would not be available to poor and disadvantaged groups without public sector financing. In the absence of this support, it is likely that affluent individuals with connections to the diaspora would continue to be the sole beneficiaries from employment opportunities abroad.

Rationale for World Bank Involvement

23. The World Bank brings significant added value to addressing the issue of unemployment in Tonga. The Social Protection and Jobs Global Practice has prepared numerous projects focused on the development of CCT programs globally, including several in small island settings (Grenada and Comoros). The World Bank also has an existing dialogue with the SPDD in Tonga on the development of a CCT program aimed at preventing secondary school dropouts and a long-standing engagement with the MET on improving education outcomes. In the TVET sector, the Social Protection and Jobs Global Practice has worked in collaboration with the Education Global Practice on the design and development of several employment projects, in both low- and middle-income country settings. As such, it will be ideally placed to contribute knowledge on best practices globally. A large body of evidence examining which training and employment initiatives have worked has also been generated through Independent Evaluation Group reports and sectoral ASA and flagship analytical reports, such as Pacific Futures and Pacific Possible. The World Bank offers predictable, stable financing in a sector which has traditionally been underfunded in Tonga. Moreover, the World Bank's assistance will be well coordinated with that provided through other development partners, such as DFAT, and therefore complement rather than supplant existing areas of support.

ANNEX 5: IMPACT EVALUATIONS

COUNTRY: Tonga Skills and Employment for Tongans

1. The project will include a rigorous IE of the CCT program for secondary school enrolment and attendance and the TVET Student Support Funds.

CCT Program for Secondary School Enrolment and Attendance

2. This IE will assess (a) whether the children of beneficiary households are more likely to have their school-aged children enrolled and attending secondary school, (b) whether providing cash is an effective mechanism to support this outcome, (c) specifically which items households are spending their monthly cash benefit on, (d) the secondary school completion rate among the poorest decile, and (e) whether aligning the payment schedule with the school term is an effective way to support the intended program outcome. In addressing these areas, the IE will provide the MIA with a critical insight into the effectiveness of this program. This insight will permit the MIA to make informed decisions around needed reforms to the scheme and whether it would be advisable to scale it in subsequent years of the project.

3. **Methodology.** The proposed methodology would entail a quasi-experimental RDD. The RDD is a method that can be used for programs that have a continuous eligibility index with a clearly defined cutoff score to determine who is eligible to receive the program and who is not. To apply the RDD, two main conditions are needed: (a) a continuous measure based on which the target population can be ranked, such as welfare and (b) a clearly defined cutoff score, the index, above or below which the population is classified as eligible for the program. The proposed CCT program for secondary school enrolment and attendance will satisfy both these conditions, with all households ranked on their consumption-based poverty levels using the PMT and a unique cutoff point to be determined by the MIA (initially the poorest 3 percent and eventually the poorest 10 percent).

4. There are also potential downsides with the use of the RDD, which include the validity of the results for households further away from the cutoff point and the possible impact of spillover effects around the cutoff, which may bias RDD estimates. Both of these issues have been considered. Given the targeting for the CCT will be so narrow, the results from the IE will still be valid for households further away from the cutoff. Moreover, the PMU will work to ensure that control group households are selected predominantly from nonbeneficiary communities to avoid spillover effects.

5. **Questionnaire.** The questionnaire will resemble an abridged version of the HIES. It will include modules on demographic characteristics of each household member, housing characteristics; labor market activity; education; health; income; expenditure; migration and remittances; and level of satisfaction with the CCT.

6. **Implementation arrangements.** The data collection itself will either be carried out by enumerators hired by the PMU or outsourced to the Tonga Department of Statistics, which maintains a pool of enumerators for national data collection. The PMU will be in charge of supervising the practical implementation of the IE. The World Bank will provide support to the PMU throughout all stages of the IE



and explore the possibility of providing targeting trainings on topics including, but not limited to, different IE design methods, sampling, power calculations, the use of Computer-Assisted Personal Interviewing (CAPI) software, and analyzing results.

7. **Data collection.** The data collection will be completed in several phases: (a) the baseline data will be collected at the same time as the SPDD is assessing household's eligibility for the program, (b) an annual round of surveys will be carried out for the treatment and control groups throughout the implementation cycle of the project to monitor progress; and (c) end-line data will be collected for graduates from the treatment group six months after their exit from the program.

8. Both the MFNP and the MIA have indicated a strong interest in rolling out an IE to better understand the initial impacts and outcomes of the CCT. Through the implementation phase of the project, the World Bank will explore additional sources of external financing to conduct further analysis of the IE data.

TVET Student Support Funds

9. This primary objective of this IE will be to assess the employment outcomes of the beneficiaries of the TVET Student Support Funds relative to a control group of Tongans who were not able to benefit from the intervention. This will provide the MET and the GoT with critical insights into whether this has proven to be an effective intervention.

10. **Methodology.** The proposed methodology would entail a quasi-experimental design, relying on a difference-in-differences approach, given the GoT has reservations about randomizing the allocation of places under the TVET Student Support Funds. The questionnaire will be substantially shorter than for the CCT IE, but with a detailed module on labor market activity, migration, and earnings.

11. **Implementation arrangements.** The data collection itself will either be carried out by enumerators hired by the PMU or outsourced to the Tonga Department of Statistics, which maintains a pool of enumerators for national data collection. The PMU will be in charge of supervising the practical implementation of the IE. The World Bank will provide support to the PMU throughout all stages of the IE and explore the possibility of providing targeting trainings on topics including, but not limited to, different IE design methods, sampling, power calculations; the use of CAPI software, and analyzing results.

12. **Data collection.** As with the CCT IE, the data collection will be completed in several phases: (a) the baseline data will be collected at the same time as the student's enrolment into their respective TVET programs, (b) an annual round of surveys will be carried out for the treatment and control groups throughout the implementation cycle of the project to monitor progress, and (c) end-line data will be collected for graduates from the treatment group six months after the completion of their training.