



Investing in rural people

## **The Kingdom of Tonga**

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### **Tonga Rural Innovation Project - Phase II (TRIP II)**

#### **Final project design report**

Main report and appendices

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## Currency equivalents

Currency Unit	=	Pa'anga
US\$1.0	=	2.2

## Weights and measures

1 kilogram	=	1000 g
1 000 kg	=	2.204 lb.
1 kilometre (km)	=	0.62 mile
1 metre	=	1.09 yards
1 square metre	=	10.76 square feet
1 acre	=	0.405 hectare
1 hectare	=	2.47 acres

## Abbreviations and acronyms

ADB	Asian Development Bank
AMD	Aid Management Division
ARAP	Adaptation for Resilient Agriculture in the Pacific
ASAP	Adaptation for Smallholder Agriculture Programme
ASGC	Agriculture Sector Growth Committee
AWPB	Annual Work Plan and Budget
BEC	Bid Evaluation Committee
C1C	Component 1 Coordinator
C2C	Component 2 Coordinator
CADP	Community Agriculture Development Plan
CBA	Cost Benefit Analysis
CCDRM	Climate Change and Disaster Risk Management
CDP	Community Development Plan
CEIG	Community Economic Infrastructure Grant
CELG	Community Economic Livelihood Grant
CePaCT	Centre for Pacific Crops and Trees
CFs	Community Facilitator
CFSD	Controller's and Financial Services Division (in IFAD)
CGPRT	regional Coordination Centre for Research and Development of Cassava, Pulses, Roots and Tuber Crops in the Humid Tropics of Asia and the Pacific
CIGs	Common Interest Groups
CPI	Consumer Price Index
COSOP	Country Strategic Opportunities Paper
CSN	Country Strategy Note
CST	Consumption and Services Tax
DA	Designated Account

DDP	District Development Plan
DFAT	(Australian) Department of Foreign Affairs and Trade
DO	District Officer
EEZ	Exclusive Economic Zone
EIRR	Economic Internal Rate of Return
ENSO	El Niño Southern Oscillation Index
EPSRP	Economic Public Sector Reform Programme
EU	European Union
FAO	Finance and Administration Officer
FAO	Food and Agriculture Organization
FAO TCP	FAO Technical Cooperation Programme
FIRR	Financial Internal Rate of Return
FFR	Financing Facility for Remittances (IFAD)
FFS	Farmer Field School
FPO	Finance and Procurement Officer
FM	Financial Management
FMAQ	Financial Management Assessment Questionnaire
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIS	Geographical Information System
GPS	Global Positioning System
GroFed	Growers' Federation of Tonga
HDI	Human Development Index
HIES	Household Income and Expenditure Survey
HTFA	High Temperature Forced Air - facility
ICT	Information Communication Technology
IDP	Island Development Plan
IFAD	International Fund for Agriculture Development
INDC	Intended Nationally Determined Contribution
IPM	Integrated Pest Management
JNAP	Joint National Action Plan for Climate Change Adaptation and Disaster Risk Management
KM	Knowledge Management
KPM	Knowledge and Partnerships Manager
LPA	Lead Project Agency
MAFFF	Ministry of Agriculture, Food, Forests and Fisheries
MDAs	Ministries, Departments and Agencies
MEKM	Monitoring, Evaluation and Knowledge Management
MEIDECC	Ministry of Meteorology, Information, Disaster Management, Environment, Climate Change, and Communications
MIA	Ministry of Internal Affairs
M&E	Monitoring and Evaluation
MFNP	Ministry of Finance and National Planning
MLNR	Ministry of Land and Natural Resources
MORDI	Mainstreaming of Rural Development Innovation
MORDI TT	MORDI Tonga Trust
MYOB	Mind Your Own Business - accounting software
NEMO	National Emergency Management Office
NCD	Non-communicable Disease
NGO	Non-governmental Organization
NZAP	New Zealand Aid Programme

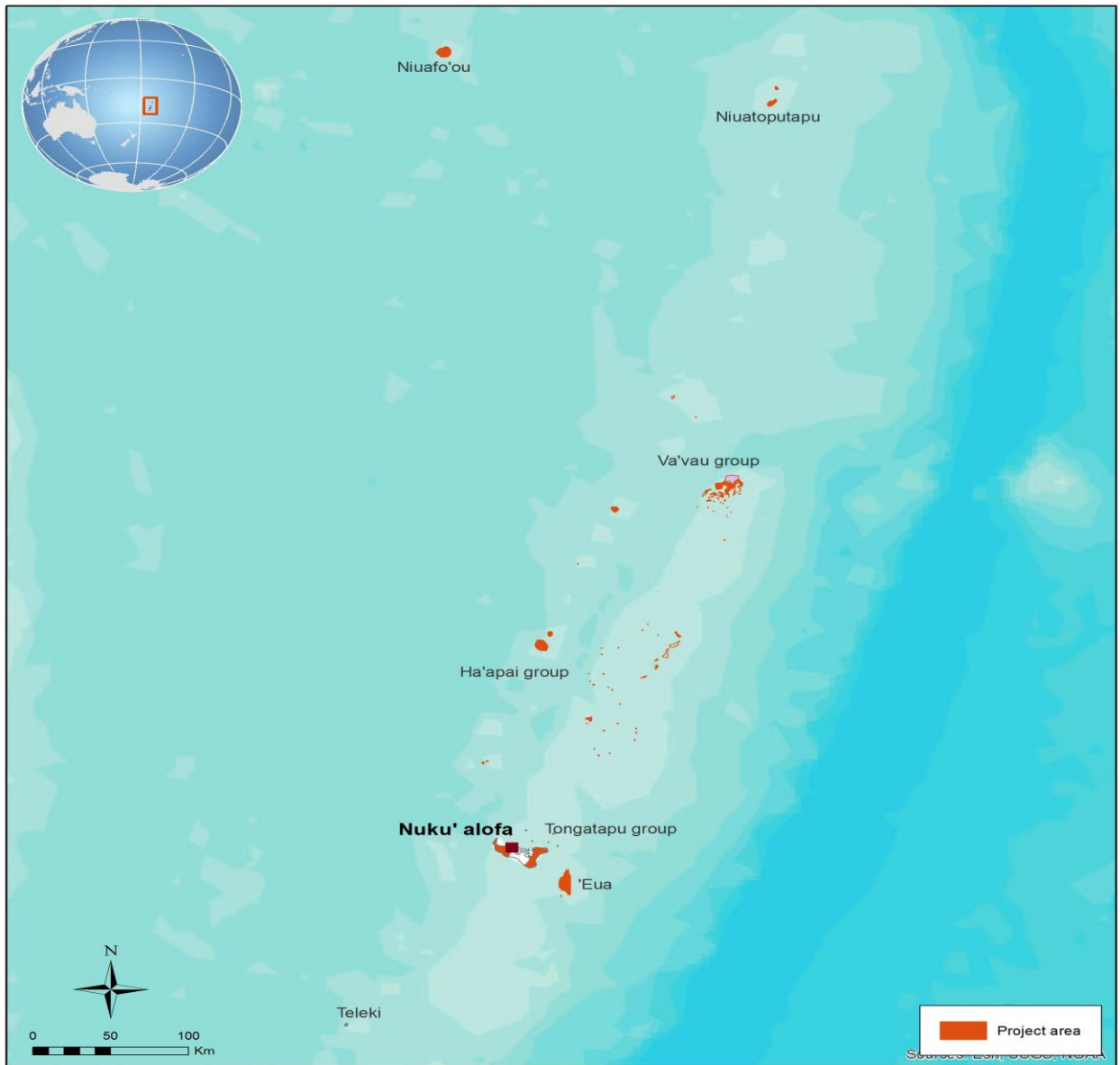
OAG	Office of the Auditor General
O&M	Operations and Maintenance
PAC	Project Advisory Committee
PACCSAP	Pacific-Australia Climate Change Science and Adaption Planning Programme
PACGEN	Pacific Genetic Resources Data Base
PBAS	Performance Based Allocation System
PCC	Project Procurement Committee
PEC	Procurement Evaluation Committee
PEFA	Public Expenditure and Accountability Assessment
PFM	Public Finance Management
PHAMA	Pacific Horticultural and Agricultural Market Access Programme
PICTs	Pacific Island Countries and Territories
PIFON	Pacific Island Farmers' Organization Network
PIM	Project Implementation Manual
PIP	Procurement Implementation Plan
PM	Project Manager
PMO	Prime Minister's Office
PMU	Project Management Unit
PNG	Papua New Guinea
PO	Procurement Officer
PRAC	Project Review and Appraisal Committee
PRRP	Pacific Risk Resilience Programme
RIMS	Results Impact Management System
SAM	Southern Annular Mode
SCF	Standard Conversion Factor
SIRDP	Solomon Islands Rural Development Programme
SOEs	Statements of Expenditures
SECAP	Social, Environmental and Climate Assessment Procedures
SIDS	Small Island Development States
SPCs	Secretariat of the Pacific Community
SPBD	South Pacific Business Development
SPDPs	Sub-Project Development Plans
SMA	Special Management Area
SRESOP	Sub-Regional Strategic Opportunities Paper
TASP	Tonga Agriculture Sector Plan
TBEC	Tonga Business Enterprise Centre
TDB	Tonga Development Bank
TFP	Tonga Forest Products (Ltd.)
TNAC	Tonga National Agriculture Census
TO	Town Officer
TOP	Tongan pa'anga
ToR	Terms of Reference
TRIP	Tonga Rural Innovation Project
TSDF	Tonga Strategic Development Framework
USP	University of South Pacific
VC	Village Council
VCA	Value Chain Analysis
VRADs	Village Resilient Agriculture Demonstrations
WA	Withdrawal Application

## Map of the project area

### Tonga

#### Tonga Rural Innovation Project - Phase II

*Design report*



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.  
Map compiled by IFAD | 04-07-2016



## Executive Summary<sup>1</sup>

### A. Background and rationale

1. The Tonga Rural Innovation Project II (TRIP II) builds on the success of a first-phase project that was implemented between 2012 to 2016. The first phase of TRIP achieved significant results in engaging with remote outer island communities and supporting improvement in their livelihoods through enhanced community planning and delivery of improved public and private goods and services. The *theory of change* for TRIP II is that enhanced community capacity for sustainable infrastructure planning and development, when linked with investment in resilient agriculture production systems, will contribute to improved and sustainable livelihoods for vulnerable households. Building resilience to climatic extremes and change is implicit in this approach, in line with the Tonga Strategic Development Framework (TSDF), the current Climate Change Policy, and the Tonga Agriculture Sector Plan (TASP). This hypothesis is underpinned by the following design features: (i) avoiding complexity by focusing on a few core constraints to agriculture and rural development – poor local infrastructure, declining farm incomes and lack of product diversity, and variable local Government skills; (ii) enhancing component complementarity by focusing on common income generating activities combined with the use of targeting mechanisms; (iii) strengthening and empowering rural communities to have greater influence on policy, and engagement with Government planning and sector support processes that are conducive to sustained community livelihood development; (iv) ensuring that addressing vulnerability to climatic extremes and climate change is integral to all project activities; (v) learning from experience of implementing similar projects in the Pacific Region; and (vi) minimising risk by adopting well-proven approaches (tested and validated by the Mainstreaming of Rural Development Innovation [MORDI] programme and TRIP I), especially for community planning and gender/youth empowerment. The latter point builds on sound results achieved by TRIP under management by MORDI Tonga Trust (MORDI TT), when for the first time in Tonga 60 isolated and marginalized rural communities were: (i) empowered to decide how to address local infrastructure issues and constraints; (ii) assisted to identify joint, community-based solutions; and (iii) trained and facilitated to plan, cost, and fund construction - with financial assistance from TRIP I.

2. The Project is aligned with priorities expressed in two Government strategy and policy documents (the TSDF and the TASP), and with IFAD's new Pacific Partnership Approach. The TSDF identifies seven National Outcomes in pursuit of “*a more progressive Tonga supporting a higher quality of life for all.*” National Outcome B is “*a more inclusive, sustainable and balanced urban and rural development across island groups.*” The TSDF recognises that: (i) population dispersion across small islands presents challenges for inclusive development through access to infrastructure and services; and (ii) there is a need for an improved balance, and therefore resource allocation, between urban and rural development across the island groups. The TASP has four programmes which will contribute to achieving National Outcome B, and aims to maximise agriculture's contribution to Tonga's economic growth and food security and nutrition in the face of a changing global economy, climate change and increased natural disasters. These programmes are: (i) Programme 1 (climate resilient environment); (ii) Programme 2 (enabling environment); (iii) Programme 3 (sustainable livelihoods and health foods); and (iv) Programme 4 (sustainable growth and foreign exchange earnings).

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<sup>1</sup> Mission composition: Ron Hartman, IFAD Country Director, Sakiusa Tubuna, IFAD Sub-regional Coordinator for Pacific Islands Mr. Philip Young, Agriculture Project Planner; Mr Soane Patolo, General Manager, MORD TT; Ms. Pari Bauman, Targeting, Social and Gender Specialist; Mr Anton Glaeser, Agriculture Specialist; Dr Gavin Kenny, Climate Risk Specialist; Dr Carlos Ludena, Agriculture Economist; Dr. Edilberto Angeles, Financial Management Specialist; and with assistance from all of MORDI TT's staff in Nuku'alofa.

## B. Rural context, geographic area and target groups

3. **Poverty and rural development context.** The last HIES (2009) reported an annual per capita income of TOP3,376 compared with TOP3,450 in 2001, a 2.2% decline over the decade. However, when adjusted for inflation, the annual per capita income has declined substantially. The average monthly per capita household expenditure in 2009 was TOP104, while for households below the poverty line the figure was TOP45. The 2009 HIES estimated that over 20% of households in Tonga lived below the basic needs poverty line - 23% of households were living below the basic needs poverty line in 2009, compared with 16% in 2001. Tonga's HDI in 2014 was 0.717 – a high human development score which reflects steady progress in life expectancy, health and education standards between 1980 and 2014. However, both the severity and depth of poverty have increased significantly in the last decade, and Tonga's HDI ranking in 2012 dropped to 87 because of the global financial crisis. The outer islands have experienced the sharpest increase in hardship, with almost twice as many people living below the basic needs poverty line in 2009, compared with 2001. About half of the Kingdom's poor live in the rural areas of Tongatapu.

4. Apart from these broad outlines, there are few data on poverty that enable a comparison of poverty characteristics between sub-national administrative or geographic locations. The 2009 HIES reported that the poorest households are those with many children, people with disabilities, high levels of unemployment, and no access to land. In general, poverty in Tonga as in most Pacific Islands does not mean destitution or hunger, but rather a lack of access to basic services, a lack of opportunities to participate in the socio-economic life of the community, and a lack of resources to meet daily living expenses and customary obligations. This is termed hardship in the Pacific Islands.

5. **Economic Issues.** Tonga faces a number of economic barriers related to its small size and geographic remoteness. Agriculture accounts for only 18% of Gross Domestic Product (GDP), 90% of total exports and about 35% percent of employment. It is incongruous that agriculture's share of GDP is declining at time when agricultural exports are increasing slowly, from a low base. This situation has arisen because the value of agriculture exports is very small compared with the total value of agriculture production. In 2015, 86% of households were engaged in agriculture and about 70% in fishing. The manufacture of handicrafts is an important source of income for remote island communities, and tourism is an important activity with about 45,000 visits per year. Wages and salaried employees account for about 40% of the labour force. Tonga achieved higher economic growth in 2015; a 3.4% increase in GDP (up to US\$520 million, and US\$5,100 per capita) as lower oil prices increased economic activity. However, despite this growth, pockets of poverty remain, particularly on the isolated and poorly-serviced outer islands. This is because of unequal distribution of benefits from this growth - in the form of services and access to infrastructure. GDP composition remains unbalanced, with agriculture contributing 18.3%, industry 18.8%, and services 62.9%. The trade deficit has grown from TOP270.4 million in 2009/10 to TOP393.5 million in 2014/15, as imports increased from TOP285.8 million to TOP428.9 million, while exports have been almost stagnant since 2011/12 (TOP25.35 million in 2011/12 and TOP28.14 million in 2014/15). At the same time the value of imported food increased from TOP77.2 million in 2009/10 to TOP103.8 million in 2014/15.

6. **Geographic scope and target group.** TRIP I focused on the outer islands because of the relatively higher incidence of poverty, and because smaller communities enabled more cohesive planning for community infrastructure. Building on the success of TRIP I, TRIP II will scale up interventions and support the TSDF's pillars of inclusive growth, with a balance across island groups. TRIP II has an estimated target of 28,650 people in 5,190 households in 122 communities. This includes almost all of the 22% of households identified as poor in the 2009 HIES. The targeting of Component 1 will ensure that almost all rural viable communities in Tonga, defined as those with more than fifteen households, will have been included in either TRIP I or TRIP II. Component 1 (Community Development) will target 60 communities across the five main island groups with a focus on Vava'u (20) and 'Eua (15); and Component 2 (Sustainable Economic Livelihoods) will work with 28 communities in Tongatapu, 19 in Ha'apai and 15 in Vava'u. Component 1 will be self-targeted at poor people who have a vested interest in the development of community infrastructure. Inclusion is supported by a participatory planning process, validated in TRIP I, that requires 80% participation of all adults (of whom 50% must be women) to take active part in decision-making. The validated planning process has indicators on inclusion to test readiness for sub-project implementation, as well

as a ranking matrix that prioritises the interests of women and youth. Inclusion and effective targeting for Component 2 is ensured through the comprehensive planning process in Component 1, as well as through the selection of activities that have been shown to be relevant to the needs of the poor. The design process, as well as the detailed community data available through TRIP I, establish that Component 2 will also be self-targeted, because the capacity building and consultation processes involved are unlikely to interest community members who have alternative economic livelihood strategies.

7. TRIP II's Component 2 (Sustainable Economic Livelihoods) will be implemented in 60 communities, all of which must have completed the community planning process under TRIP I's Component 1. The strategy will be to build TRIP I's activities to spread community development across Tonga, and to provide support for sustainable livelihood opportunities which build on the platform of broad-based community development. The activities supported under Component 2 will be targeted at communities using the following guidelines: (i) they must have completed a community planning process which is designed to ensure inclusion as well a community consensus on the sub-projects selected; (ii) they must have either potential for agricultural livelihoods which are replicable in other contexts in Tonga, and/or are vulnerable but with potential for climate risk adaptations which are also replicable; and (iii) are sufficiently "graduated" in the Component 1 community planning process with an established community consensus on options, regular participation of the entire adult community, verifiable achievement of gender and youth objectives and proven capacity for planning.

8. **Lessons learned from TRIP.** The first phase of TRIP generated essential knowledge that has provided the platform for the design of TRIP II. TRIP I has become a recognized regional success demonstrating that remote and disadvantaged outer islands communities can be empowered to be more self-reliant, have greater influence on policies and the allocation of resources that affect their livelihoods, and further, that rural communities can be innovative in mobilizing resources and identifying local solutions<sup>2</sup>. Key lessons relate to the need for clear and simple development activity designs that are appropriate to limited local capacities, that community-driven development processes require time to ensure the effective participation of people, especially women and the youth in fragile and challenging environments; that partnerships are important to leverage additional expertise and resources and to avoid duplication in small island environments.

### C. Key Project objectives

9. The **goal** is to *"contribute to improved and resilient livelihoods for Tonga's rural population"*. The **development objective** is *"communities are enabled to plan and manage resilient infrastructure and livelihood activities"*.

### D. Components

10. **Component 1: Community Development (US\$2.07 million, base cost).** The outcome will be *increased resilience of community infrastructure built to required standards*<sup>3</sup>. This is a continuation of TRIP I's Component 1 (also Community Development) with the objective of covering the whole Kingdom by the end of TRIP II. Component 1.1s will support development of *Community Development Plans (CDPs)* in target communities; for example, health, education and agriculture; and from which target communities select and develop (with Project support) priority economic infrastructure such as wharves and access roads. Component 1.2s will support development of *resilient community infrastructure based on CDPs*, with activities focused on the construction,

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<sup>2</sup> <http://www.tongalocal.gov.to/>

<sup>3</sup> Built to Ministry of Infrastructure (MoI) standards

operation and maintenance of priority small-scale economic infrastructure - as was the case for TRIP I.

**11. Component 2: Sustainable Economic Livelihoods (US\$3.64 million).** The outcome will be *“increased resilience of economic livelihoods based on climate smart nutrition-sensitive agriculture production systems”*. The Component is aligned with the TASP and contributes directly to Programme 1 (climate resilient environment) and Programme 3 (sustainable livelihoods). The Component also draws on IFAD’s “Adaptation for Resilient Agriculture in the Pacific Programme” (ARAP)<sup>4</sup>. Component 2.1s will support the development of Community Agriculture Development Plans (CADPs), which reflect embedded activities to address climate change and natural disasters and communities’ expressed wishes for support to improve their economic livelihoods, particularly when they have “graduated” from TRIP I’s Component 1 and are therefore ready to address fundamental constraints to improved standards of living. Component 2.2’s will support farmers engaged in sustainable economic livelihoods through improved and climate resilient practices to: (i) improve agro-forestry based food production systems on tax allotments<sup>5</sup> and demonstration farms; (ii) manage more productive homestead gardens; (iii) support agro-forestry production for handicraft raw material production; and (iv) construction of weaving halls for women.

**12. Component 3: Project Management (US\$4.46 million).** The outcome is *“enhanced Project management capacity for implementation and monitoring of rural development”*. This will be achieved through Component 3.1’s output which is *“an effective Project management team”*. MORDI TT will be appointed by the Ministry of Finance and National Planning on a sole source basis to implement the Project. MORDI TT will establish a Project Management Unit in Nuku’alofa and recruit staff. The Project Manager will have overall responsibility for implementing TRIP II and, importantly, for building and maintaining strategic partnerships, including proactively working to further institutionalize the TRIP II approach and processes into formal Government procedures. He/she will be assisted by five senior staff: (i) an Administrator; (ii) a Finance and Procurement Manager; (iii) an M&E and Knowledge Management Coordinator; and (iv) two Component Coordinators. These senior staff will manage smaller teams with the specific skills and experience required to implement TRIP II.

## E. Benefits

13. The major measurable benefits resulting from the Project will include: (i) increased community organization, social empowerment, and participation of women and youth; (ii) reduced loss of life, repair costs, and transport and communication costs associated with new and improved climate resilient infrastructure; (iii) increased household incomes from agriculture (annual and perennial crops) and handicraft production; and (iv) more diversified, healthy and nutritious diets. The Economic Internal Rate of Return (EIRR) for the Project is 20% and the Net Present Value at a discount rate of 12% is US\$8 million. Sensitivity analyses were completed based on changes in costs and benefits (marginal change as well as accrual of benefits over time). An increase in costs of up to 30% decreases the EIRR to 16% - the same impact as delaying benefits by two years. An increase in benefits of 20% changes the EIRR to 22%, while a decrease in benefits of 20% changes the EIRR to 17%.

## F. Implementation arrangements

14. The Project will adopt the same implementation arrangements as functioned effectively under the first phase of TRIP, with some adjustments based on lesson learning. MORDI TT, a locally registered NGO, will be the Lead Project Agency (LPA) and the Ministry of Finance and National Planning will be

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<sup>4</sup> ARAP is an IFAD-funded Pacific Regional Programme in the form of a grant - the design of this Programme is being finalized.

<sup>5</sup> Defined as an eight (8) acre plot of farm land which is officially registered with Government and heritable from father to son.

the representative of the Borrower/Recipient. MORDI TT will report to this Ministry of Finance and National Planning on matters related to TRIP II and a Project Advisory Committee will be established to guide Project implementation in areas of governance, policy, networking with other organizations, and strategic Project overview.

### **G. Links with other initiatives**

15. **Strategic partnerships** between MORDI TT and various partners and external service providers were integral to the success of TRIP I. For example, between MORDI and: (i) the Pacific Risk Resilience Programme for support to introduce Climate Change and Disaster Risk management concepts and requirements into infrastructure planning; (ii) the private sector for the development and testing of the Farmer Field School approach on 'Eua; and (iii) FAO and its TCP programme to test ways to increase awareness of climate change and the impact of natural disasters on farming practices. These productive partnerships, and associated leveraged technical support and direct funding, will continue under TRIP II and are likely to become even more important as the Project expands across the Kingdom.

16. MORDI TT will also build strategic partnerships with a number of agencies and organizations in Tonga, particularly with the Aid Management Division of the Ministry of Finance and National Planning, which is responsible for Government alignment and harmonisation initiatives. The Trust will run "lessons-learned" workshops involving relevant Government agencies: (i) Ministries of Agriculture, Food, Forests and Fisheries (MAFFF); Education and Women's Affairs; Labour, Commerce, Trade and Industries; and Training, Sports, Youth and Employment; (ii) representatives of non-Government agencies and development partners (e.g. Asian Development Bank, World Bank, New Zealand Aid Programme); and (iii) representatives of the private sector (e.g. commercial vanilla and vegetable growers, and exporters) who are working with and have a particular interest in rural development in Tonga. A feature of TRIP II will be a strengthened and more formal partnership with MAFFF for the provision of farmer extension services and tree seedlings, with the objective of developing extension packages, good practice modules, etc. for Kingdom-wide adoption and use by MAFFF and others beyond the Project. A close and ongoing partnership with the Ministry of Internal Affairs which employs cooperating Town and District Officers will be essential. These strategic partnerships, particularly those of Education and Women's Affairs and Training, Sports, Youth and Employment will ensure that TRIP II receives continual strategic support and monitoring to further social, economic and gender inclusion objectives.

### **H. Costs and financing**

17. The total Project cost over five years is estimated to be US\$ 10.98 million. Almost 60% of total costs will be for community development activities (four percent for Community Development Plans and Community Agricultural Development Plans; and 53% for resilient community infrastructure and sustainable economic livelihood grants). Project management costs are estimated to be 44% of total costs, noting that this includes the direct cost of all PMU staff and Government's contribution in terms of officer salaries. Government will finance the tax and duty element plus a share of the salary costs of Government officials. Community beneficiaries will be required to make a 25% contribution (about 12% cash and 13% in kind) towards resilient community infrastructure under Component 1; and a 40% contribution (about 15% cash and 25% in kind) towards sustainable economic livelihoods under Component 2. These cash contributions will be paid directly to the suppliers/contractors by the communities. In terms of sources of funding, IFAD will fund US\$ 6.75 million (61%), beneficiaries US\$ 1.43 million (13%) and Government US\$ 2.80 million (26%).

### **I. Risks**

18. TRIP II is considered as a lower risk investment for IFAD and the Government of Tonga as the design is based on the earlier MORDI Programme's and TRIP I's proven records of performance with community development in Tonga. Risks include: (i) remoteness, transport and communication obstacles, (ii) lack of finance for community economic infrastructure and sustainable livelihoods; (iii) declining population and migration of youths and able-bodied persons; (iv) non-conducive land tenure systems whereby land and tax allotments are allocated to elder male heirs and are often abandoned

and unproductive; (v) climate change risks, including extreme weather events; (vi) MORDI TT staff retention; (vii) the challenges related to adherence to financial management and procurement processes and documentation; and (viii) MAFFF is unable to fulfil its role in terms of providing extension officers for Farmer Field Schools and related extension activities. Most of these risks have been addressed within Project design, and strategies for mitigating others, such as climate change, are also integrated into the project approach and components.

## **J. Social, Environment and Climate Assessment Procedures (SECAP)**

19. Tonga has the world's third highest level of risk to disasters, with the effects of climate change increasing their frequency and intensity. This poses serious threats to people, the environment and livelihoods in Tonga - especially for communities on the outer islands who are often most vulnerable to climate change and disasters. A significant population - estimated at over 50 per cent of the total national population - has migrated to the cities and abroad. This has led to a depopulation of the outer islands, farm labour shortages, and a heavier reliance on mechanization and diesel consumption. As a result farm production costs have increased considerably. A significant proportion of the migrants are youth leading to an aging farming population. Even the youth that remain are less inclined to engage in farming as it is considered unsophisticated. Furthermore, emigration overseas is leading to vacant land tax allotments. Non-communicable diseases (NCDs), such as diabetes and cardiovascular disease due to malnutrition are endemic in Tonga and will present an increasing economic drain over coming years.

20. Concerning social aspects, the Project design is specifically tailored to engage with and reach rural communities, including 22 per cent of the communities identified as poor by the 2009 HIES. Social capital will be enhanced as the CDPs incorporate all sectors of importance (nutrition, health, education and agriculture) and are formulated and implemented in a participatory and socially inclusive manner. Benefits will include: increased community organization, social capital building, and women's and youth's empowerment; reduced loss of life (as a result of natural disasters and poor infrastructure); increased household income from agriculture (annual and perennial crops), handicraft production and other productive activities; and a more diversified, nutritious and healthier diet. Support for sustainable livelihoods is adapted to the needs of the poorest and most vulnerable community members, because interventions will be selected through the community planning processes. Communities will be empowered through building capacity for self-mobilisation and planning and the possibility to take on board development solutions built on household livelihood assets across extended family networks, enabling households to combine agricultural production, employment, migration and remittance incomes. TRIP II will support an inclusive approach to targeting, with particular attention paid to poor rural women and youth. The focus on women and youth is motivated more by their vulnerability and traditional exclusion from decision-making than their relative poverty. The Project will use the TRIP I approach to community mobilization, which targets women and youth directly and supports the prioritization of their concerns in community development plans. TRIP II will use socially and culturally appropriate gender mainstreaming and empowerment approaches, drawing on the successful experience of TRIP I to enable women to fill decision-making and planning roles.

21. IFAD's Environmental and Social Assessment Procedures confirm that the Project is rated as "Category B". Appropriate measures for screening community and livelihood investments are built into the Project and there will be strict adherence with the Environmental Impact Assessment requirements of the Ministry of Land, Survey and Natural Resources. In addition, as Tonga is rated as "High" for climate risks, the designs of development activities for Components 1 and 2 are underpinned with climate smart and resilient interventions which reduce the risk of climatic events impacting on Project outcomes. While the risk of climate change on agriculture and natural resources in Tonga is substantial in the long-term, the climate risk to TRIP II is assessed as moderate.

## K. Knowledge management, scaling up and innovation

**22. Knowledge management.** The main elements of knowledge management promoted by the Project include: (i) ensuring engagement with target communities and implementation partners; (ii) establishing an M&E framework that provides information and analysis for management decision-making on progress against Logical Framework indicators and Annual Work Plans and Budgets; (iii) ensuring that knowledge and results are documented and shared with all stakeholders; and (iv) continuing the close relationship between MORDI TT and IFAD on a broad range of knowledge management activities. An addition to TRIP II is the focus on building partnerships, with the objective of providing complete and timely information to key stakeholders and partners.

**23. Scaling-up and replication.** Activities under Component 1 scale up the best practices and processes established by the earlier MORDI Programme and the later TRIP I. For TRIP II's Component 1.1, MORDI TT will use the same participatory learning and action methods that were used by TRIP I in 62 new communities. By extending coverage to the larger and more complex communities in Tongatapu, the Project will also further develop its participatory and learning action methods, thereby increasing the opportunity for the MORDI and TRIP I approach to be applied across a wider range of communities. Additionally, MORDI TT will continue with the TRIP I practice of consolidating CDPs into District Development Plans and lodging copies of these Plans with District Officers, the Governors' Office or Governors' Representative, and the Prime Minister's Office. The CDPs will also be made available to development partners and other agencies which have interest in providing financial support for the implementation of development initiatives identified in the District Development Plans. IFAD has experience of implementing similar activities in the Pacific Region, with its funding of the on-going Solomon Islands Rural Development Programme (SIRD), which supported hundreds of "Sub-Projects" similar to TRIP's community economic infrastructure, and applies similar community-driven selection processes to those designed into TRIP II. TRIP II draws on lessons learned from IFAD-supported supervision missions of the MORDI Programme and TRIP I.

**24. Innovation.** The design of TRIP II builds on knowledge generated from earlier project interventions supported by IFAD, MORDI TT and the Government of Tonga. Based on lessons learned, the Project seeks to build on successful community development approaches to expand economic livelihood development opportunities through the delivery of sustainable resource management, technical services, and improving income and standards of living for communities with limited opportunities to enhance their livelihoods.

25. The design of TRIP II promotes innovation in rural empowerment and livelihood development, including: (i) impact on policy and local governance through collaboration with the Ministry of Internal Affairs; (ii) identifying and implementing strategic partnerships with, for example; (a) NGOs (Live & Learn Environmental Education), Pacific Risk Resilience Programme, and the Tonga Business Enterprise Centre; (iii) the negotiated partnership between Government, IFAD and MORDI TT which has proven to be one of the most effective in the Kingdom; (iv) responding to design problems with TRIP I's Component 2 with an innovative smallholder package of: (a) Farmer Field Schools for farmer training and learning, (b) short value chain analysis to define local and import replacement markets, (c) appropriately-timed microfinance support from South Pacific Business Development, (d) provision of farming inputs, and importantly (e) ensuring that the designs of community infrastructure and livelihood development activities contain interventions and response which address the looming impact of climate change and increased natural disasters. In this regard, specific support for women's handicraft manufacture in the forms of: (i) assistance to grow raw materials and (ii) provision of weaving sheds under Component 2 are important initiatives.

## Logical Framework

Indicators marked with (\*) will be disaggregated according to gender

tbd: to be determined by Project studies (i.e. baseline, special studies, mid-term and EOP (EOP) surveys

Annotations: Preliminary draft LogFrame describing the logic and main results should be included, as described in paragraph 9 of LogFrame instructions.

Results Hierarchy	Key Performance Indicators	Baseline	Mid-term Target	End Target	Means of Verification	Frequency	Responsibility	Assumptions (A), Risks (R)
<p><b>Goal:</b>  Contribute to improved and resilient livelihoods for Tonga's rural population</p>	<ul style="list-style-type: none"> <li>▪ (*) Improvement in household assets ownership index (RIMS)</li> <li>▪ Number of persons receiving services promoted or supported by the project</li> </ul>	Tbd	n/a	Tbd	<ul style="list-style-type: none"> <li>▪ RIMS impact surveys at baseline and completion</li> <li>▪ 2016 Household income and expenditure survey (HIES)</li> </ul>	Beginning and End of Project (EOP)	Project Mgmt. Unit (PMU); Government of Tonga (Government)	<ul style="list-style-type: none"> <li>▪ (A) No major changes in Government of Tonga's Strategic Development Framework (2015 - 2025)</li> </ul>
<p><b>Development Objective:</b>  Communities are enabled to plan and manage resilient infrastructure and livelihood activities (including addressing food security and nutrition)</p>	<ul style="list-style-type: none"> <li>▪ Percentage of persons/ HHS reporting adoption of environmentally sustainable and climate resilient technologies and practices (RIMS)</li> <li>▪ (Number) Percentage of persons/households reporting improved access to land, forests, water or water bodies for production purposes</li> </ul>	Tbd	n/a	Tbd	<ul style="list-style-type: none"> <li>▪ Construction supervision and inspection reports</li> <li>▪ EOP surveys</li> <li>▪ Focused group discussions</li> <li>▪ Case studies (rating based)</li> </ul>	EOP	PMU	<ul style="list-style-type: none"> <li>▪ (A) Communities are willing to participate in innovative forms of planning and support, and to contribute to their development - infrastructure and livelihoods</li> <li>▪ (A) MAFFF is prepared to cooperate with TRIP II at central, district and village levels</li> </ul>



Results Hierarchy	Key Performance Indicators	Baseline	Mid-term Target	End Target	Means of Verification	Frequency	Responsibility	Assumptions (A), Risks (R)
<b>Outcome 1</b> Increased community capacity to manage resilient infrastructure built to required standards	<ul style="list-style-type: none"> <li>Percentage of persons/ hhs reporting improved physical access to markets, processing, and storage facilities (RIMS)</li> </ul>	0	80%	80%	<ul style="list-style-type: none"> <li>Mid-Term and EOP surveys</li> <li>Focused group discussions including gender disaggregation</li> <li>Case studies</li> <li>Gender studies on roles of women in community planning.</li> <li>Study on youth inclusion.</li> </ul>	Annual and Mid-term and EOP	PMU	<ul style="list-style-type: none"> <li>(A) MIA and MAFFF officials and technical staff willing to support plan preparation</li> <li>(A) Communities prepared to participate in planning</li> <li>(A) Communities willing to make in-kind and/or cash contributions for development of economic infrastructure</li> <li>(A) Communities willing to maintain economic infrastructure</li> <li>(A) Communities willing to participate in self-monitoring and reporting activities</li> </ul>
<b>Outputs:</b> 1.1 Community Development Plans (CDP)	<ul style="list-style-type: none"> <li>People trained in community management topics specified for Town and District Officers (TOs, DOs), Committee Members (CM), and Community Facilitators (CF)</li> </ul>	0 DOs 0 TOs 0 CMs 0 CFs	15 DOs 62 TOs 300 CMs 62 CFs	15 DOs 62 TOs 620 CMs 62 CFs	<ul style="list-style-type: none"> <li>Project Records (Training Records)</li> <li>Gender study to track women's participation.</li> <li>Survey on youth inclusion.</li> </ul>	Biannual	PMU	
	<ul style="list-style-type: none"> <li>No. of community development plans formulated</li> </ul>	0	40	62	<ul style="list-style-type: none"> <li>Project Records</li> <li>Physical count of published CDPs</li> </ul>	Biannual	PMU	
1.2 Resilient community infrastructure based on CDPs	<ul style="list-style-type: none"> <li>Number of market, processing or storage facilities constructed / rehabilitated (RIMS)</li> </ul>	0	30	62	<ul style="list-style-type: none"> <li>Mid-Term and EOP surveys</li> <li>Community Development Plans</li> <li>Detailed grant applications</li> <li>Construction supervision and inspection reports</li> <li>Assessing if design standard was climate resilient as required by Mol</li> </ul>	Biannual	PMU	

Results Hierarchy	Key Performance Indicators	Baseline	Mid-term Target	End Target	Means of Verification	Frequency	Responsibility	Assumptions (A), Risks (R)
	<ul style="list-style-type: none"> <li>Number of community infrastructure management committees trained</li> </ul>	0	30	62	<ul style="list-style-type: none"> <li>Mid-Term, EOP Reports</li> <li>Detailed grant applications</li> <li>Construction supervision and inspection reports</li> </ul>	Annual and Mid-term and EOP	PMU	
<b>Outcome 2:</b> Increased resilience of economic livelihoods based on climate smart and nutrition-sensitive agricultural production systems.	<ul style="list-style-type: none"> <li>(Number) Percentage of persons/households reporting adoption of new/improved inputs, technologies or practices</li> </ul>	0	500	1,260	<ul style="list-style-type: none"> <li>Mid-Term and EOP surveys</li> <li>Projects Records (FFS Coordinator Reports)</li> </ul>	Annual and Mid-term and EOP	PMU	<ul style="list-style-type: none"> <li>(A) MIA and MAFFF officials and technical staff are willing to support CADP preparation</li> <li>(A) Communities prepared to participate in planning</li> <li>(A) Communities willing to make in-kind and/or cash contributions for the development of economic livelihoods</li> <li>(A) Communities willing to maintain their investments in economic livelihoods</li> <li>(A) Communities willing to participate in self-monitoring and reporting activities</li> <li>(A) Farmers willing to attend and participate in structured FFS activities</li> <li>(A) MAFFF significantly increases travel allowances beyond current levels</li> <li>(R) MAFFF has further reductions in operational funding</li> </ul>
<b>Outputs:</b> 2.1 Community Agricultural Development Plans (CADPs) - reflecting understanding of climate change and resilient agricultural systems	<ul style="list-style-type: none"> <li>Number of people trained in climate change risks and responses for increased resilience in agricultural systems</li> </ul>	Officials 0  FFS 0	Officials 800  FFS 600	Officials 800  FFS 1,200	<ul style="list-style-type: none"> <li>Annual Project Reports</li> <li>Mid-Term and EOP surveys</li> <li>Projects Records (Training Records)</li> </ul>	Biannual  Periodic	PMU	
	<ul style="list-style-type: none"> <li>No. of revised/updated village maps including data from village surveys, and included in the CADPs</li> </ul>	Tbd, current no, not known	60	60	<ul style="list-style-type: none"> <li>Projects Records</li> <li>Physical count of maps</li> </ul>	Biannual	PMU	
2.2 Improved practices for increased climate resilience of agroforestry systems on households' tax allotments	<ul style="list-style-type: none"> <li>Number of persons/ groups supported to sustainably manage natural resources and climate-related risks (RIMS)</li> </ul>	0	600	1,200	<ul style="list-style-type: none"> <li>Projects Records (Training Records)</li> <li>Focused group discussions</li> <li>Case studies</li> <li>Participatory end of FFS cycle evaluations by Project and participants, disaggregated by gender</li> </ul>	Biannual  Periodic Periodic Periodic	PMU	

Results Hierarchy	Key Performance Indicators	Baseline	Mid-term Target	End Target	Means of Verification	Frequency	Responsibility	Assumptions (A), Risks (R)
	Number of hectares of land brought under climate-resilient management (RIMS)	Model Farms: 0ha  Cluster Farms: 0ha	50 ha  900 ha	100 ha  1900 ha	<ul style="list-style-type: none"> <li>▪ Project records (village maps)</li> <li>▪ Mid-Term and EOP surveys</li> </ul>	Biannual	PMU	
2.3 Improved practices for increased climate resilience of homestead gardens	<ul style="list-style-type: none"> <li>▪ Number of persons trained in production practices and/or technologies (RIMS)</li> </ul>	0	400	900	<ul style="list-style-type: none"> <li>▪ Projects Records (Training Records)</li> </ul>	Biannual	PMU	
	<ul style="list-style-type: none"> <li>▪ Agricultural production facilities in vulnerable areas with increased water availability specified for rainwater tanks for 60 FFS model gardens</li> <li>▪ Increased dietary diversity score at hh level</li> </ul>	0  2	30  3	60  4	<ul style="list-style-type: none"> <li>▪ Project records (village maps, procurement records)</li> <li>▪ Mid-Term and EOP surveys</li> </ul>	Biannual	PMU	
2.4 Improved agro-forestry-based production and processing centres (weaving sheds) for handicrafts	<ul style="list-style-type: none"> <li>▪ No. of processing facilities constructed or rehabilitated specified for cyclone proof weaving sheds</li> </ul>	0	20	60	<ul style="list-style-type: none"> <li>▪ Project records (village maps, procurement records)</li> <li>▪ Mid-Term and EOP surveys</li> </ul>	Biannual	PMU	
	<ul style="list-style-type: none"> <li>▪ Number of women benefiting from the improved cyclone-proof weaving sheds</li> </ul>	0	400	900	<ul style="list-style-type: none"> <li>▪ Mid-Term and EOP surveys</li> <li>▪ Focused group discussions with weaving groups</li> </ul>	Biannual	PMU	

## I. Strategic context and rationale

### A. Country and rural development context

26. The Kingdom of Tonga is a small Pacific Island country with a population of 103,036. It covers a land area of 718 km<sup>2</sup> comprising numerous small islands spread in a north south line over 700 km of ocean. Tongatapu is the main island (73% of the population) and the main centre for commercial activity. Other Islands are 'Eua located about 18 km east of Tongatapu, the Ha'apai and Vava'u groups, and to the north the Niua's comprising two volcanic islands, Niuafo'ou and Niuaotoputapu. Tropical cyclones are a regular threat to economic activity and potentially destructive to infrastructure and livelihoods. In 2014/15 Tonga suffered from a serious Kingdom-wide drought. Agriculture accounts for only 18% of Gross Domestic Product (GDP), 90% of total exports (fisheries and agriculture) and about 35% percent of employment. In 2015, 86% of households were engaged in agriculture and about 70% in fishing. The manufacture of handicrafts is an important source of income for remote island communities. Tourism is an important activity with about 45,000 visits per year. Wages and salaried employees account for about 40% of the labour force.

27. Tonga is a constitutional monarchy and a parliamentary democracy with a Legislative Assembly. This consists of 26 elected members; nine are elected by and from 33 hereditary Nobles, and 17 on the basis of universal adult suffrage. All land belongs to the Crown with large estates allocated to the Nobles. By law, every male Tongan at age 16 is entitled to a small piece of agricultural land (8 acres - 3.25 ha) and a small town plot. In practice, there is insufficient allocated land and the majority of men have not been formally allocated any land. There have been recent objections to women's exclusion from land ownership, and land tenure reform is under constant discussion.

28. Tonga achieved higher economic growth in 2015; a 3.4% increase in GDP (up to US\$520 million, and US\$5,100 per capita) as lower oil prices increased economic activity and implementation of public infrastructure projects increased. However GDP composition remains unbalanced, with agriculture contributing 18.3%, industry 18.8%, and services 62.9%. Growth is predicted to decline to 2.8% in 2016, and inflation is expected to be almost zero. The trade deficit has grown from TOP270.4 million in 2009/10 to TOP393.5 million in 2014/15, as imports increased from TOP285.8 million in 2009/10 to TOP428.9 million in 2014/15 - while exports have been almost stagnant since 2011/12 (TOP25.35 million in 2011/12 to TOP28.14 million in 2014/15). At the same time, the value of imported food increased from TOP77.2 million in 2009/10 to TOP103.8 million in 2014/15.

29. Tonga remains heavily reliant on external resources (primarily development partner aid) and is one of the most remittance-dependent countries in the world. External aid accounted for US\$236.4 million in 2015/16 (cash and kind, of which US\$76.8 million was cash) compared with a budget of US\$146.3 million<sup>6</sup>. Remittance inflows were equivalent to US\$114 million in 2014 (Worldbank 2014) and were sent by about 30,000 migrants living abroad (UN-DESA 2015). Nearly all Tongan households rely on remittances from overseas members for a significant proportion of their incomes.

30. The last (2009) HIES reported an annual per capita income of TOP3,376 compared with TOP3,450 in 2001, representing a 2.2% decline over the decade. However, adjusted for inflation, the annual per capita income has declined substantially. The average monthly per capita household expenditure in 2009 was TOP104, while for households below the poverty line the figure was TOP45 per capita per month. The 2009 HIES estimated that over 20% of households in Tonga live below the basic needs poverty line. In 2014 Tonga's HDI was 0.717 – a high human development category (100/188 countries). This high HDI reflects steady progress in life expectancy, health and education between 1980 and 2014. However both the severity and depth of poverty have increased significantly in the last decade, and Tonga's HDI ranking in 2012 dropped to 87 because of the global financial crisis. The outer islands have experienced the sharpest increase in hardship, with almost twice as

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<sup>6</sup> <http://www.oecd.org/aidfortrade/countryprofiles/Tonga.pdf>.

many people living below the basic needs poverty line in 2009, compared with 2001. About half of the Kingdom's poor live in the rural areas of Tongatapu.

31. The largest domestic outputs (agriculture and fishing) have been stagnant since 2011/12 (about TOP24.0 million) and much of Tonga's productive agricultural land is left uncultivated in a fallow rotation, to rejuvenate land which has been cropped for some time, and because of limited interest in investing in the sector in the more isolated areas due to low profitability. The formal private sector is dominated by services with limited growth potential and purchasing power for services largely determined by remittance levels. Consequently the underlying structural constraints to Tonga's economic performance, as well as recent global economic developments, have resulted in a decline in real incomes for many households.

32. Successive economic shocks and continued outward migration along with growing urbanization continue to place pressure on traditional and informal social protection systems, and to increase the vulnerability of the poor. Although remittances have reduced poverty they have also introduced dependency, and raised expectations of living standards which are now hard to satisfy within traditional Tongan communities. Declining access to land, partly due to Tonga's complicated tenure systems, and the erosion of social networks, indicate that the State will not be able to continue to rely on traditional practices or informal social safety nets to reduce the vulnerability of the poor. The increasing challenge is to create more economic opportunities for people, especially youth in the communities where they reside. The agricultural sector will have to drive this growth.

33. **Policy and institutional environment.** The Project design aligns with three of Government's key strategy, policy, and planning documents: (i) the Tonga Strategic Development Framework (TSDF) (2015); the new Climate Change Policy (2016); and (ii) the Tonga Agriculture Sector Plan (TASP) (2015). The TSDF identifies seven National Outcomes in pursuit of "*a more progressive Tonga supporting a higher quality of life for all.*" National Outcome B is "*a more inclusive, sustainable and balanced urban and rural development across island groups*"; and Outcome F is "*a more inclusive, sustainable and effective land administration, environment management and resilience to climate and risk*".

34. The TSDF recognises that: (i) population dispersion across small islands presents challenges for inclusive development through access to infrastructure and services; and (ii) there is a need for an improved balance, and therefore resource allocation, between urban and rural development across the island groups. The TASP has four programmes which will contribute to achieving National Outcomes B and F. This document presents the vision and priorities to maximise the contribution of agriculture to Tonga's economic growth and food security in the face of a changing global economy, climate change and increased natural disasters. Relevant TASP Programmes are (i) a climate resilient environment; and (ii) sustainable livelihoods and healthy food.

35. **Climate extremes and climate change.** Tonga is classified as the second most at-risk country in the world (World Risk Report, 2015) in terms of its exposure and susceptibility to natural hazards and the unfolding effects of climate change. The main climate risks are tropical cyclones, extreme rainfall events, and drought. The most recent report from the Pacific-Australia Climate Change Science and Adaptation Planning Program (PACCSAP) provides the following projections to 2100 for Tonga: (i) El Niño and La Niña events will continue to occur in the future (*very high confidence*); (ii) it is not clear whether mean annual rainfall will increase or decrease, and the model average indicates little change (*low confidence*), with more extreme rain events (*high confidence*); (iii) drought frequency is projected to decrease slightly (*low confidence*); (iv) ocean acidification is expected to continue (*very high confidence*); (v) the risk of coral bleaching will increase (*very high confidence*); and (vi) sea level will continue to rise (*very high confidence*), an issue that is attracting recent development partner attention and financing.

36. Recent weather events in Tonga, particularly in Ha'apai (a sequence of drought, Cyclone Ian, and further drought) indicate a future which will increasingly involve multiple climate stresses, along with pre-existing environmental, social, and economic stresses. The recent 2014/15 drought affected the whole Kingdom. One consequence of this event was a greater dependence on weaving for household incomes, due to the impact on important agricultural crops.

37. Implementing effective responses to climatic extremes and the increasing influence of climate change is a high priority for Government which has recently produced a new climate change policy: "*To develop a resilient Tonga through an inclusive, participatory approach that is based on good*

*governance; builds knowledgeable and proactive communities; and supports a strong, sustainable development pathway.*” The goal is “A Resilient Tonga by 2035” with targets that include: (i) resilient homes, schools and community halls; (ii) resilient low chemical input or organic farming systems; (iii) 30% of land utilised for agroforestry or forestry; (iv) the capacity for food self-sufficiency in times of crisis; and (v) well managed water resources and sufficient water for all in times of shortage.

38. **There are considerable opportunities for agriculture development.** Tonga is well-placed to remain self-sufficient in traditional root and other food crops, and to develop a small export economy based on niche products which capitalize on seasonal market windows in New Zealand and Japan. In addition there are good opportunities to grow and export high-value perennial products such as vanilla and sandal wood. Soils and climate make the Kingdom ideal for the production of a wide range of tropical and subtropical horticultural crops but limited land areas and geographic isolation constrain production scale. Tonga has a small group of committed and active exporters (e.g. Nishi Trading and Tinopai Farms) who have continued to supply markets around the Pacific region. These markets have been opened under challenging circumstances. The design team consulted with these exporters (and others such as Heilala Vanilla, and smaller exporters of cassava and yams) and whilst it was not possible to gather confidential information on market sizes and current levels of access, concluded that in the context of TRIP II there are sufficient and diverse markets for the Project’s target farmers, including: (i) local subsistence and domestic markets for products such as root crops and vegetables, and livestock products; (ii) import replacement markets for products such as onions and potatoes from the main island of Tongatapu; (iii) formal and informal markets for handicraft products (mainly tapa and woven mats); and (for farmers on Tongatapu) intermittent and often risky international markets for products such as squash, coconuts (fresh and dried) and a wide range of root crops.

39. Tonga’s main export traders are interested in a range of products, provided the products comply with quality standards and can be delivered in reliable and timely quantities to meet orders and enable the sale of critical volumes to reduce shipping costs. Nishi Trading is prepared to enter into contracts with farmers on Tongatapu only - and only if these farmers are part of Nishi’s in-house Farmer Field School programme. On the other hand, Tinopai Farms only buys when export opportunities arise and does not enter into formal and long-term supply contracts. Nishi does not set prices, but agrees to pay supplying farmers a set percentage of Nishi’s net selling price.

40. The size of the domestic market is governed by a static population, and export markets are also small - in 2014 the main two exports were: (i) roots and tubers (US\$2.4 million); and (ii) vegetables (US\$1.3 million<sup>7</sup>). There are no up-to-date figures on the export of squash in 2016, when the market reportedly expanded into China and farmers on Tongatapu responded by growing increased areas of this crop. TRIP II intends to assist its target rural households to link with these markets in an informal way - by leveraging in product and marketing information from the private sector and organizations such as the Tonga Growers’ Federation (GroFed), and ensuring that agriculture development plans reflect market opportunities for the target commodities. This will require value chain analysis and market assessment as part for the Farmer Field School programme

41. **Recent infrastructure development, including:** (i) new fumigation and high temperature forced air (HTFA) facilities; (ii) new public and private sector pack-house facilities; (iii) positive approaches to open new market windows, strengthen quarantine and quality control, and build on the lessons of the past, are all positive indicators. An Agriculture Sector Growth Committee (ASGC) has been established to guide sector growth and development, and was responsible for formulation of the TASP. A National Growers Federation has been established with the objective of uniting farmers and providing a collective voice and a framework through which technical support can be delivered. A Growers Commodities Marketing Group coordinates crop production for export. The TASP sets out clear sector development strategies which have a balanced approach built on food self-sufficiency, import replacement and targeted exports.

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<sup>7</sup> <http://wits.worldbank.org/CountrySnapshot/en/TON/textview>

42. **Some agricultural activities show particular potential.** For example, the vanilla industry, with support from two international buyers (Heilala and Queen Vanilla) is showing signs of growth as farmers respond to good market outlets and very high world prices. Heilala has plans for expansion on the island of Vava'u which currently has 341 acres under production, producing only 2.6 Mt of green beans in 2015-16, valued at about T\$221,000. In addition there is growing interest in sandal wood production on the more remote islands as this high-value product can be shipped at competitive rates and is a robust medium term investment option for remote rural people. Another recently-opened export pathway is the 2016 agreement between China and Tonga for the export of winter squash. New Zealand has just agreed to accept HTFA-treated pawpaw, resulting in increased commercial plantings on Tongatapu; and a private sector initiative to encourage export vegetable production on 'Eua (with support in the form of micro-credit, hand tools and a Farmer Field School [FFS]) has just commenced. However, while there are niche opportunities to export agriculture products, it is important not to lose focus of the need to remain self-sufficient in staple food crops, and where feasible to address the imbalance related to imported foods - some of which could be replaced by domestic production.

43. **The core constraints to agriculture and rural development** include: (i) seasonal worker programmes in Australia and New Zealand result in reduced availability of farm labour particularly youth - and returnees often do not re-engage in the sector, resulting in declining land use and production; (ii) the land titling and allocation system is not conducive to a more modern sector, and results in limited investment in longer-term crops; (iii) access to working and investment capital is constrained - past failures with export crops (and loss of confidence between growers and exporters) are partly to blame for this situation<sup>8</sup>; (iv) technical and management skills of District and Town Officers (DOs and TOs, who are elected Government representatives in communities) remain variable, with those engage in the TRIP I having improved skills, but the remainder requiring increased support and capacity building; (v) the widespread dependence on rain-water, lack of rural water storage and reticulation, coupled with limited groundwater reserves and potential overuse of irrigation, and a poor understanding of the current soil fertility status are two unfolding constraints; (vi) varying levels of remittances in accordance with world economic conditions - and limited investment of these funds in the agriculture sector; (vii) strong rural to urban drift from the outer island to Tongatapu - resulting in declining farm labour and high youth unemployment; (viii) high sea transport costs from the outer islands to Tongatapu mean that only non-perishable and high value products can be sold in the main domestic and/or export markets; (ix) the Ministry of Agriculture, Food, Forestry and Fisheries' (MAFFF's) agriculture extension services are under pressure from declining operations budget and an aging work force; (x) free roaming livestock (pigs and cattle) mean that expensive, secure fencing is essential if agriculture production is to increase; (xi) lack of crop and livestock genetic diversity, and limited adoption of new farming systems, result in stagnant production levels and increasing land degradation; (xii) tropical cyclones and droughts impact directly on agricultural productivity and on the mental state of farmers; and (xiii) infrastructure such as roads, water tanks and wharves (particularly on the outer islands) are generally in a state of disrepair, compounded by heavy seasonal rains and cyclones.

44. **Rural poverty and targeting.** Despite the solid performance on human development, the 2009 HIES reported that the incidence of hardship has increased over the past decade - 23% of households were living below the basic needs poverty line in 2009, compared with 16% 2001. The severity and depth of poverty has also increased significantly in the last decade. The outer islands experienced the sharpest increase in hardship, with almost twice as many people living below the

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<sup>8</sup> The decline of the squash industry is a well-known "saga" and is often used as an example of how agriculture export markets can change and leave investors with large debts. For example, exports of squash declined from about 21,000 Mt in the early 2000s to 846 Mt in 2010/11. This decline in squash exports was a result of a complex set of factors including: (i) increased competition in the main markets (Japan and Korea) from Mexico; (ii) loose end-market linkages within Tonga; (iii) lack of industry collective action; (iv) side-selling and lack of trust between producers and exporters; and (v) weak producer-exporter linkages.

basic needs poverty line in 2009 compared with 2001. However in terms of absolute numbers, approximately half of the country's population facing hardship lives in Tongatapu (excluding Nuku'alofa). A new HEIS in late 2016 will provide more up-to-date figures.

45. Apart from these broad outlines, there are few data on poverty which enable a comparison of poverty characteristics between sub-national administrative or geographic locations, or a comprehensive analysis of the correlates of poverty. The 2009 HIES reported that the poorest households are those: (i) with many children; (ii) with people with disabilities; (iii) with high levels of unemployed; and (iv) with no access to land. In general, poverty in Tonga does not mean destitution or hunger, but rather a lack of access to basic services, lack of opportunities to participate in the socio-economic life of the community and a lack of resources to meet daily living expenses and customary obligations<sup>9</sup>.

46. The main livelihood strategies of the poor are a combination of remittance incomes, sale of handicrafts, food crop production, and internal migration and work. However over time there have been some dramatic changes in economic activity patterns. The relative importance of agriculture in rural livelihoods has declined, whilst handicrafts have become significantly more important as a source of income, reflecting the general decline in the value of agriculture (and fishing) outputs. Under Tonga's constitution males over the age of 16 are each entitled to a land allotment. However population growth has outstripped the land available - the 2015 Agricultural Census enumerated 16,122 households and found that only 8,708 (54%) own an agricultural allotment, meaning that 7,414 households live without a land allotment.

47. Paradoxically, whilst a shortage of agricultural land for subsistence production has been identified as one explanation for poverty and a source for conflict within communities, much agricultural land on the outer islands lies unused. Poor transport infrastructure, lack of institutional support, the low status of agriculture as a source of income, and migration abroad or to urban centres have contributed to the declining importance of agriculture. Handicrafts, which were traditionally made by women for their own households, have gained importance as a source of income, mainly because Tongans living overseas are willing to pay high prices for these goods. The main sources of subsistence income identified in the HIES 2009 were: handicrafts (40%), agriculture (29%), livestock (22%), fish and seafood (9%), and homemade produce (2%).

48. Social and economic changes in Tonga have had different impacts on men and women. About 25% all households (3,607) were headed by women in 2009. The 2006 Census also noted that 49% of women were included in the labour force with a high representation in the public sector, including at deputy CEO level (32%), middle management level (32%) and supervisory levels (47%). At a policy level, Tonga has ratified the Sustainable Development Goals (SDG's) and is committed to promoting gender equality. Whilst men hold the main leadership positions in politics and the formal economy, women (particularly the father's sister) have traditionally held high social status in communities and households. Very broadly, women's participation in social and economic spaces has increased over the last 15 years, but this progress still has to be carefully negotiated with male relatives<sup>10</sup>.

49. The characteristics of the 23% of households who live below the poverty line (2009 figures) are not easy to distinguish. Therefore following characterization of the poor in Tonga draws on available data and the findings from fieldwork undertaken during the design of the TRIP I and TRIP II:

- (i) The *extreme poor* are characterized as having no land, no employment, low education attainment, low skill levels, a high dependency ratio, disabled, abandoned women with children, limited support from extended family, limited access to social services, and few livestock. The

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<sup>9</sup> There is a striking lack of data on poverty in Tonga. A participatory poverty assessment; ADB (2004) *Priorities of the People: Hardship in Tonga*, together with the HIES (2001, 2009) are the main sources of information. A HIES will be completed in late 2016 and published in 2017 - in time for the new Project.

<sup>10</sup> This assessment is from ADB (2004) *ibid*.



livelihood strategies of this group tend to include community social transfers, coastal fishing, handicrafts and subsistence agriculture on relatives' land, household asset sales and migration to urban areas.

- (ii) The *poor* are characterized as having access to land, access to boats, secondary education, moderate skill levels, a medium dependency ratio, some remittance income, access to social services, support from extended families, and small livestock. Their livelihood strategies tend to include internal migration for education, semi-skilled part-time employment, subsistence agriculture, occasional remittance income used for consumption, and coastal fishing. The extreme poor and poor comprise an estimated 23% of all households in Tonga.
- (iii) The *non-poor* are characterized as having access to and or owning land, having access to and or owning boats, secondary and or tertiary education, low dependency ratio, regular remittance income, active participation in community life and some livestock, including cattle. The livelihood strategies of this group include internal and/or external migration for work, investment in higher education, small investment in agriculture, livestock and or fishing.

50. The main pillars of the Project's targeting strategy are geographic targeting, direct and inclusive targeting, self-targeting, empowerment and capacity building and a practical and solution oriented approach to developing policy and procedures to support inclusion of the poor. These points are outlined **in brief** below and developed further in the Component descriptions below as well as in Appendix 2.

- (i) Geographic targeting of Component 1 to ensure that all Tongan households in viable rural communities are included.
- (ii) Priority in geographic targeting of Component 2 to the remote and poor outer islands that have completed the community planning process and secondary targeting to communities in Tongatapu once these have completed a validated inclusive planning process.
- (iii) Direct and inclusive targeting of Component 1 is ensured through the requirement that 80% of adults are actively involved (of which 50% should be women) and that the interests of women and the youth are systematically prioritised through a community ranking matrix. The inclusive planning process is extensively validated before sub-projects are approved.
- (iv) Self-targeting in Component 2 is supported by the following: (i) the requirement that all activities are preceded by a validated Community Development Plan; (ii) the selection of technical interventions that are targeted to the needs of the poor; (iii) the unlikelihood of elite capture with only 1% of agricultural producers categorised as commercial and the strong correlation between agricultural production and rural poverty, and (iv) the lengthy process of inclusive planning required to access support from the Project.
- (v) Empowerment and capacity building is key to the targeting approach and is designed to ensure: (i) inclusion; (ii) community consensus on development interventions and; (iii) practical, replicable and transferable capacity to plan, organise and manage sub-projects, as well as advocate, network and act collectively towards development solutions.
- (vi) The targeting approach also builds on the strengths of TRIP I to address procedural and policy issues that affect inclusive development through: (i) working with public partners to integrate the development planning process in formal government processes; (ii) establishing partnerships that will support inclusion objectives, such as for micro-credit, nurseries, materials; (iii) piloting approaches, such as using social media, digital extension, capturing remittance investment, that are tailored to the specific constraints and resources of the Tongan community, as identified in the analysis, and (iv) seeking practical solutions to policy constraints such as the legislation on land which reduces the access of both women and younger siblings.

51. **Gender Inclusion.** The targeting and inclusion provisions outlined above largely address the specific needs of women. They will ensure that women are supported to take full part of the community planning process and that the sub-projects selected will reflect their priorities. Several additional design features of TRIP II support women to fully access the activities and interventions provided. These include: (i) two of the three outputs in Component 2, namely handicraft and homestead gardens, specifically address women's stated priorities; (ii) there will be a quota for 40% of Community Facilitators (CF) to be women; (iii) close collaboration with the MIA will ensure that the

Project benefits and learns from policy interventions to support women as leaders; (iv) two of the three members of the Common Interest Groups (CIGs) established to oversee community economic infrastructure grants (CEIGs) to be women and (v) capacity building of Town Officers and District Officers in gender mainstreaming approaches, specifically in how to include gender interests in CDPs, CADPs and VCA. Apart from these specific measures, the involvement of women in the participation, decision-making and leadership aspects of developing CEIGs, advocacy for needs and rights and their representation in the government planning processes will significantly and sustainably empower women.

52. **Youth inclusion.** Developing interventions that are relevant for Tongan youth of different social and economic profiles is a key objective of the Project, given the young demographic profile of Tonga, as well as the crisis of opportunity and social conflict that they face. There are likely to be variations in the uptake and interest of local youth depending largely on their economic options and alternatives. Whilst youth are not generally interested in agricultural production, a lack of alternatives and the experience of the Farmer Field Schools (FFSs) run by TRIP I suggest that there is a window of opportunity to interest young people, both men and women, in agricultural income generation. The extensive planning phase in Component 1 will enable a realistic assessment of options and opportunities for different categories of youth. TRIP I also established that the planning activities in Component 1 (particularly the development of capacities for planning, proposal writing, financial management, fund raising and Operations and Maintenance) were considered as valuable activities in themselves, as they contributed to a more general capacity for economic mobilisation. This aspect of the CDP process under Component 1 will be actively developed for youth, with links to broader vocational education opportunities. In addition, the design notes that agriculture is not in itself considered an attractive livelihood strategy for the majority of youth. Therefore the approach will be to examine how agriculture can be matched to broader livelihood strategies, as well as “modernised” through social networks, media, popular campaigns and awards.

## B. Rationale

53. This investment builds on the success and lessons learned from the first phase of the TRIP. **The project theory of change** is that enhanced community capacity for sustainable infrastructure planning and development, when linked with investment in resilient agriculture production systems, will contribute to improved and sustainable livelihoods for vulnerable households. Building resilience to climatic extremes and change is implicit in this approach, in line with the TSDf, the Climate Change Policy, and the TASP. This hypothesis is underpinned by the following design features: (i) avoiding complexity by focusing on a few core constraints to agriculture and rural development (poor local infrastructure, declining farm incomes and lack of product diversity, variable local Government skills); (ii) recognising the requirement of Small Island Development States (SIDS) and the proven approaches (“keep it simple”, “search for reliable partners” etc.); (iii) enhancing component complementarity by focusing on common income generating activities combined with the use of targeting mechanisms (especially selective targeting) to facilitate operational and geographical linkages between community and agriculture development activities; (iv) strengthening and empowering rural communities to have greater influence on policy, and engagement with Government planning and sector support processes which are supportive of sustained community livelihood development activities; (v) learning from experience of implementing similar projects in the Pacific Islands; and (vi) minimising risk by: (a) adopting well-proven approaches, (b) working with a proven implementation partner (MORDI Tonga Trust [MORDI TT] which will be appointed as the Lead Project Agency (LPA), and (c) gender empowerment.

54. **The IFAD-funded Adaptation for Smallholder Agriculture Programme (ASAP)** has allocated US\$6.5 million for the Pacific Islands in recognition of their acute vulnerability to climate change and its growing impact on agriculture. These resources are to be used to finance adaptation of agriculture in core IFAD-financed investments. This Programme is known as Adaptation for Resilient Agriculture in the Pacific (ARAP). US\$2.3 million from ARAP has been allocated to TRIP II, in particular those Project components which are focused on the development of Community Agriculture Development Plans (CADPs) and the implementation of associated agriculture investment activities. The rationale for the funding allocation from ARAP to Tonga is twofold: (i) the significant success of TRIP I; and (ii) Tonga’s high climate risk classification (see the SECAP in Appendix 12) which reflects Tonga’s number two ranking in the 2015 World Risk Report.

55. **Scaling up.** TRIP II is expected to involve a substantial scaling up of TRIP I. Government has already scaled up the community planning institutional model in 19 communities in Vava'u; and has expressed a strong desire for a Kingdom-wide coverage. This will entail engaging with an additional 62 rural communities whilst continuing to support the 60 communities participating in TRIP I, a total of 122 rural communities. This implies more activity on the main island of Tongatapu which is home to 71 communities, and over 70% of the population and half of the Kingdom's poor. This approach to community engagement will allow a scaling up of the institutional community planning model which has been validated and is now ready to be used in new communities. In the already-targeted communities, where a community plan is in place, there are opportunities to focus on and consolidate TRIP I activities, and to provide additional support to improve sustainable economic livelihoods. TRIP II will build on TRIP I's community platform as the basis for greater support for improved standards of rural living.

56. TRIP II will build on TRIP I's community planning platform as the basis for greater support for improved standards of rural living, recognising that there is a difference between the two phases of the Project in that: (i) the number and location of targeted communities has changed (as detailed in para 55); and (ii) whereas TRIP I focused on economic infrastructure (Component 1) and business development (Component 2 - which was not successful mainly due to policy changes in the banking sector), TRIP II will continue to focus on the former (for those communities which were not assisted during TRIP I) and introduce support for economic livelihoods as a "new" Component 2. The latter will have a strong focus on climate resilience, food production and related nutrition, farm income generation, and support for women's handicrafts. In summary, the main differences between TRIP I and TRIP II are the removal of the commercial business development activities, and replacing this with a set of activities (in the form of Component 2) that focus on improved and sustainable economic livelihoods. A central aspect of this redesign is recognition that poor households, and women who carry much of the social and economic pressure of uncertain livelihoods across geographic domains, require solid progress to be made on food security and climate resilience and that economic livelihoods have to be developed on this solid platform.

57. Developing, testing and implementing this process have required considerable time and investment. This is a common experience for IFAD's projects as they aim to empower often marginalized and resource-poor communities. Communities which benefitted from TRIP I are now ready to implement food, crop and handicraft production activities included in their Community Development Plans (CDPs). And some more advanced farmers could be supported to engage in more commercial agriculture which opens up import replacement and export opportunities. At the same time there is a need to support the agricultural development agenda in the TASP, particularly Programmes 1 and 3 which will be partly funded through ARAP with ASAP financing from IFAD.

58. TRIP I aimed to "strengthen the capacity of target communities to plan and manage their development priorities in order to achieve improved sustainable livelihoods". The Project's Community Development Component has been very successful and at the time of the Mid-Term Review (MTR) 52 of the 60 plans targeted in the design had been developed, or 87% of the total. This result demonstrates MORDI's capacity, and recipient communities' enthusiasm for economic development initiatives which are based on their priorities and plans. An additional indicator of success of the community planning and development process, is that the Ministry of Internal Affairs (MIA) has adopted the TRIP I community planning process as "a national policy and standard", with the objective of aligning all government planning exercises with TRIP I's approach. . In October 2016, the Tongan Government officially launched in Nuku'alofa 136 newly formulated Community Development Plans (CDPs) prepared by communities under the facilitation of District Officers and Town Officers and support from TRIP I, at the presence of the Prime Minister, Honourable Samuela 'Akilisi Pohiva (<http://www.tongalocal.gov.to>; <http://ifad-un.blogspot.co.id/2016/12/promoting-collective-action-for-rural.html>)

59. **Government of Tonga and IFAD priorities.** The Project (TRIP II) is aligned with the priorities expressed in three key Government strategies, policy and planning documents (the TSDF, the new Climate Change Policy, and the TASP - see above for details) and with IFAD's regional/country strategy which responds to demand for stronger support and services. IFAD has developed a new Pacific Partnership Approach. The goal is to "enable rural people in Pacific Islands to have food security and sustainable, resilient livelihoods". IFAD is pursuing two strategic objectives based on priorities and needs, and on IFAD's comparative advantage in financing rural poverty reduction: (i)

Strategic Objective 1 - *People in outer islands and remote areas produce and market more local foods in environmentally sustainable and business-oriented ways, and have more nutritious, healthy and diversified diets*; and (ii) Strategic Objective 2 - *This target population, particularly rural youth, has increased rural incomes, from farm and non-farm income generating and employment opportunities, and by supporting climate-resilient farming systems*. These strategic directions are aligned with the objectives defined by IFAD's approach in Small Island Developing States, namely promoting alternative livelihoods and reducing dependence on fisheries as well as opportunities and employment for smallholder agriculture, through financial inclusion and by channelling remittances to development opportunities.

60. This well-structured set of priorities for rural development planning is adequate to avoid TRIP II making short-term reactions in response to natural disasters. In some situations it will be tempting to use funding allocated for economic infrastructure and economic livelihood development for post-disaster recovery. This "dilemma" will need careful management during implementation, and it is impossible to provide precise guidelines in the design. The solution therefore is for MIA and MORDI TT to be mindful of these possible situations and to provide guidance to target communities on: (i) the importance of Government's sector development priorities; and (ii) the need to following community priorities expressed in Community Development Plans (CDPs) and the associated Community Agriculture Development Plans (CADPs).

61. **Development approach.** The Project is broadly consistent with the approach taken by other international development agencies in Tonga and in other Pacific Island countries; although IFAD's unique contribution will be to link community and agriculture development activities aimed at contributing to improved sustainable livelihoods of vulnerable communities in rural areas. IFAD has experience of a similar initiatives, including with the Mainstreaming of Rural Development Innovation (MORDI) Tonga Trust (TT) which implemented firstly the Pacific- wide MORDI Programme and then the follow-on TRIP I, with the latter (and now TRIP II) integrating many of the lessons learned (positive and negative) into Project design. In addition, the Solomon Island Rural Development Programme (SIRD) (US\$30 million) supports communities to develop small infrastructure using a community-driven selection process, and supports agriculture and rural businesses with project grant funds matched by business equity and commercial bank credit. SIRD has engaged with and supported extremely isolated communities on far-flung Islands.

## II. Project description

### A. Project area and target group

62. TRIP II will cover all 122 eligible rural communities in Tonga's five main island groups (48 out of 170 communities are too small or urban<sup>11</sup>. The 60 TRIP I communities will be assisted to review their CDPs with the objective of preparing Community Agriculture Development Plans (CADPs) as the basis for support for sustainable economic livelihoods<sup>12</sup> through TRIP II's Component 2. In addition, 62 new communities will be assisted to complete their first round of community infrastructure planning - a repeat of the activities completed under TRIP I's Component 1. In summary, the Project area for TRIP II will cover most of Tonga, with only the large urban communities, and those with very few households, being excluded<sup>13</sup>. Section I (A) provides a general description of this Project area, noting that natural resource bases vary between island groups, as does the potential for more commercial agriculture. The focus will continue to be on isolated and marginalized rural communities which are

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<sup>11</sup> Communities that have less than 15 households are not considered viable for project interventions due to resource requirements as well as the inherent economic unsustainability of most of these communities.

<sup>12</sup> Hereinafter referred to a "sustainable livelihoods".

<sup>13</sup> Some islands have less than 5 households, and although disadvantaged, the costs of inclusion would be high with limited economic and financial viability.

characterized by: (i) increasing vulnerability to the impact of climate change and natural disasters; (ii) having poor access to all types of services; (iii) suffering from higher levels of poverty (compared with Tongatapu); and (iv) facing limited market outlets for rural produce. Table 1 summarizes TRIP II's geographic targeting.

**Table 1: Number of communities targeted by TRIP II, by Island Group**

Island Group	Component 1	Component 2
Vava'u	15	20
Ha'apai	19	6
Tongatapu	28	7
'Eua		15
Niuafu'ou		4
Niuatoputapu		8
<b>Total</b>	<b>62</b>	<b>60</b>

63. **Target group, rationale and strategy.** The TSDF (2015-2025) provides the policy umbrella for TRIP II's targeting strategy. Its three central pillars are: (i) a more inclusive, sustainable and knowledge-based economy; (ii) more sustainable, inclusive and balanced development across island groups; and (iii) more inclusive human development with a focus on gender equality. TRIP II will therefore have a nationwide geographical focus and will combine ongoing support for capacity building in community planning with context specific and climate sensitive sustainable livelihood support. TRIP I focused on outer islands because of the relatively higher incidence of poverty, and because smaller communities enabled more cohesive planning for community infrastructure. Building on the success of TRIP I, TRIP II will scale up interventions and support the TSDF's pillars of inclusive growth, with a balance across island groups. TRIP II will have an estimated target of 28,650 people in 5,190 households in 122 communities. This will include almost all of the 22% of households which were identified as poor in the 2009 HIES - excluding those households which live in communities that have been identified as urban, non-viable or too large.

64. Adopting the targeting approach that was successful under the original phase, TRIP II's Component 1 activities will be self-targeted at poor people who have an interest in the development of community infrastructure. Selection criteria for Component 1.2 will support Sub-Projects<sup>14</sup> which directly or indirectly enhance the economic and social well-being of women and youth. This will be affected through the establishment of special interest groups in the community planning process and a ranking system that positively weighs the priorities of women and youth. The methodology has been extensively tested and is considered an effective and consensus building mechanism for ensuring inclusion. Component 1 interventions will require a minimum of 80% of adult community members to be present for all community planning activities, to ensure broad participation. Support for sustainable livelihoods under Component 2 is adapted to the needs of the poorest and most vulnerable community members, because interventions will be selected through the community planning processes. Component 2 will also be largely self-targeted, because the extensive capacity building and consultation processes required are unlikely to interest community members who have alternative economic livelihood strategies.

65. TRIP II's Component 2 (Sustainable Economic Livelihoods) will *only be implemented in the 60 communities* that were included under the first phase of TRIP and are therefore experienced with community development and planning processes. The strategy will be to build TRIP I's work to advance community development across Tonga, and to provide support for sustainable livelihood

<sup>14</sup> Sub-Projects are defined by MORDI TT and TRIP as activities which support the development of community infrastructure (Component 1), and sustainable economic livelihoods (Component 2).

opportunities which build on the platform of broad-based community development. The activities supported under Component 2 will be targeted at communities using the following guidelines: (i) they must have completed a community planning process; (ii) they must have either potential for agricultural livelihoods which are replicable in other contexts in Tonga, and/or are vulnerable but with potential for climate adaptations which are also replicable; and (iii) are sufficiently “graduated” in the community planning process - as assessed by the “readiness” criteria used by TRIP I which assess communities against 13 technical, institutional, economic and financial readiness indicators. The institutional readiness criteria include a thorough cross-checking of the extent to which participatory and inclusion objectives have been reached.

66. Whilst Component 2 target communities will initially be drawn from communities included under TRIP I<sup>15</sup> (as these are ready for assistance with livelihood investments) some non-TRIP I targeted communities (particularly those on Tongatapu) could potentially be included in TRIP II’s Component 2, depending on budget availability<sup>16</sup>. TRIP I’s target communities were selected mainly from the outer islands. Some of these islands do not have significant areas of agricultural potential, and therefore it will be important to include some of the larger communities in Tongatapu with greater potential for more commercial agriculture, in TRIP II. It is anticipated that agricultural planning will be introduced earlier in the community planning process for these latter communities.

## B. Development objective and impact indicators

67. The **goal** is “contribute to improved and resilient livelihoods for Tonga’s rural population”. The **development objective** is: “Communities are enabled to plan and manage resilient infrastructure and livelihood activities (including addressing food security and nutrition)”. The Results and Impact Management System (RIMS) indicators linked to the Project’s goal are: (i) improvements in household asset ownership index; and (ii) the number of households supported to cope with the effects of climate change, i.e. 3,000 households benefit from resilient infrastructure, and 2,100 households benefit from resilient agriculture systems. The **impact indicators linked to the development objective** are: (i) 62 communities with resilient infrastructure (number of completed and operational infrastructure Sub-Projects); and (ii) 60 communities with improved livelihoods (number of completed and operational agroforestry systems [tax allotments], homestead gardens, and weaving sheds). Achievement of the development objective will be verified using Mid-Term and End-of-Project surveys; and technical and operational surveys of community economic infrastructure, and agriculture and handicraft systems - see the Logical Framework.

68. **A Project overview** is presented in Figure 1 which shows the hierarchy of goal, development objective, outcomes and outputs, plus a summary of activities corresponding with each output and outcome. TRIP II comprises three components: (i) Component 1 (Community Development) will support communities to develop Community Development Plans (CDPs) and, linked to this, provide community economic infrastructure grant funds for rehabilitating or constructing infrastructure. Infrastructure might include: (i) transport and communications (e.g. roads, bridges and wharves); and (ii) communal facilities such as multi-purpose halls (cyclone-proof), and domestic water supplies (village pumps and tanks). (ii) Component 2 (Sustainable Economic Livelihoods) will build on the community cohesion and planning skills developed under TRIP I to prepare Community Agriculture Development Plans (CADPs) which reflect target communities’ aspirations and ambitions for improved standards of living through support for economic livelihood development activities. Activities are expected to focus on nutrition-sensitive agriculture (in particular, tax allotments), handicrafts and homestead gardens<sup>17</sup>. (iii) Component 3 (Project Management) will oversee Project implementation and monitoring.

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<sup>15</sup> The potential inclusion of “new” communities in Component 2 will be assessed at mid-term review

<sup>16</sup> Recognizing that MORDI TT is very successful in leveraging-in additional financial resources for development.

<sup>17</sup> In the event that communities prioritize fishing, support will be leveraged in from other development partners and MAFFF.

## C. Outcomes/Components

### **Component 1: Community Development**

69. **Component 1 Outcome** will be “*increased community capacity to manage resilient infrastructure built to required standards*”. **Component 1.1 Output** is Community Development Plans (CDPs) which will contain plans for all sectors of importance in target communities; for example, health, education and agriculture. See Table 2 in Appendix 4 for the planning steps for Components 1 and 2.

70. **Component 1.1 activities** will be implemented as follows: (i) 2019 - eight communities in Vava'u, 10 in Ha'apai, and 14 in Tongatapu; and (ii) 2020 - seven, nine and 14 communities respectively in the same island groups. 2018 will be spent reviewing the 60 completed CDPs in the five island groups with the objective of completing the CADPs for Component 2. Full planning support will be provided to the new TRIP II communities which, depending on their level of readiness, will result in either investment support for just Component 1 (if not ready for Component 2) or investment support for both components if ready, and there are good local opportunities to improve sustainable livelihoods. In addition, CDPs completed under TRIP I will be reviewed and updated, with the objective of identifying “second round” economic infrastructure investment opportunities (“rewarding champions”). This targeting process will ensure that project interventions follow a sequence that prioritises capacity building and inclusion as precursors of investment. Once communities have completed the preparation of their CDPs and CADPs, they will be assisted by the PMU, and the TOs and DOs to factor these into a Community Operations Manual which will reflect standard implementation and local M&E procedures and systems, and details on specific CDPs and CADPs.

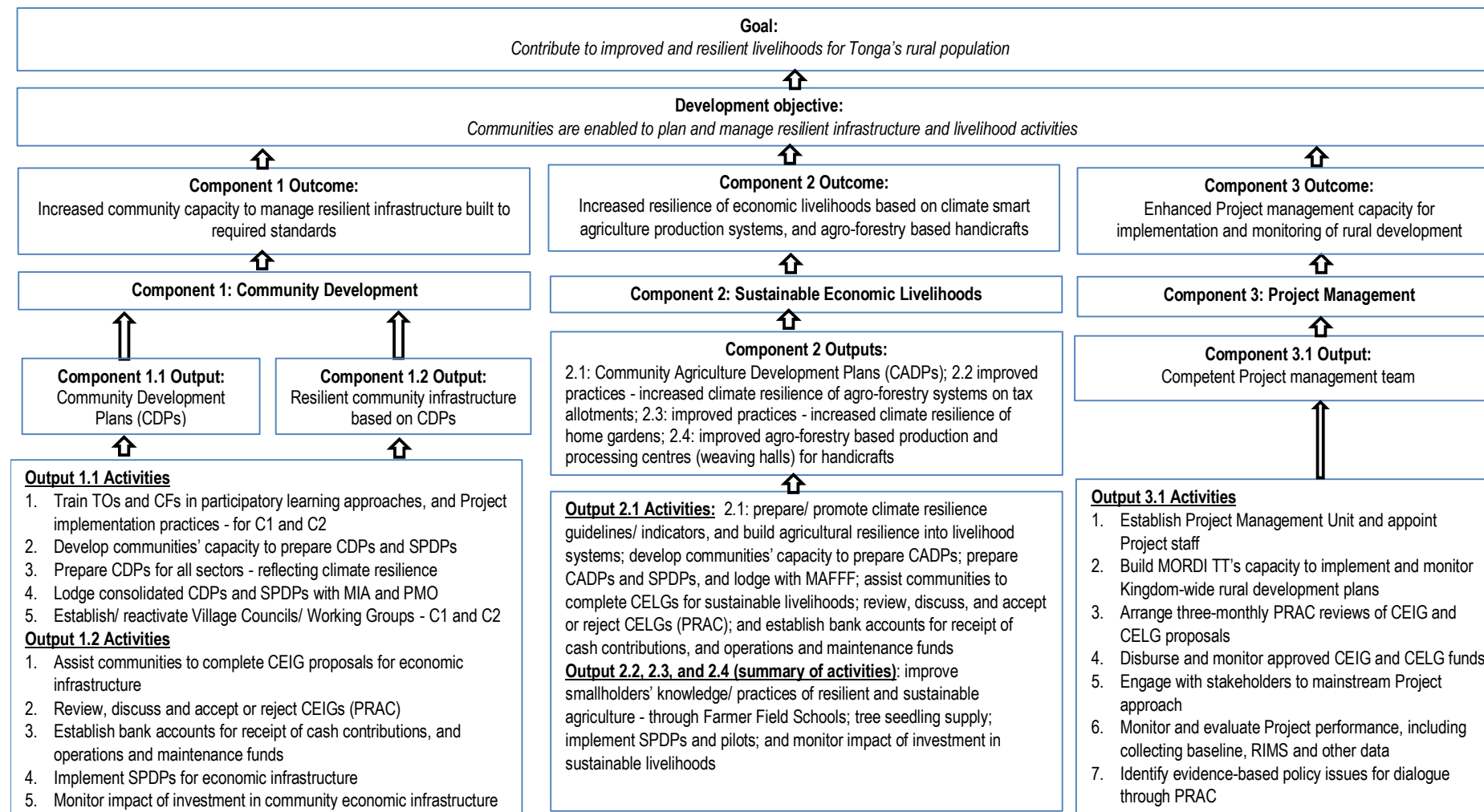
71. For communities covered by TRIP I, capacity is already in place. TRIP I worked (and will continue to work) with TOs and DOs who have been trained and capacitated. Furthermore, TOs and DOs are now more motivated and capable of undertaking their tasks and responsibilities, which TRIP I helped to fine-tune and clarify. For new communities which join TRIP II, MORDI TT will train TOs in: (i) the use of community participatory learning and action methods; (ii) the main-streaming of climate resilience strategies and techniques, and gender equality, into CDPs and CADPs; (iii) the more technical skills required for the design of CADPs - given that technical options will need to be introduced during this process<sup>18</sup>; and (iv) in Project implementation practices and gender mainstreaming. Where required, MORDI TT will identify volunteer Community Facilitators (CFs) to assist TOs with the preparation of CDPs (for Component 1) and CADPs (for Component 2). CFs will participate in training by MORDI TT on the topics listed above for the TOs. The selection of TOs and CFs<sup>19</sup> will follow MORDI TT's practices. The Project will set a quota for 40% of CFs to be women.

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<sup>18</sup> A feature of TRIP II's Component 2 will be the need for MORDI TT's staff to learn new community planning techniques which are related to resilient agriculture production systems. It cannot be assumed that skills learnt by these staff during TRIP I can be “automatically transferred” to the Component 2 planning process. A new set of skills will be required to ensure that CADPs reflect CCDRM and resilience themes, and include new production technologies.

<sup>19</sup> Not all TOs will require assistance from CFs, as some are quite capable of organizing their communities for support under both of TRIP's investment components. Others will require assistance and therefor. MORDI TT and the TOs will make this decision on a case-by-case basis.

**Figure 1: Project overview**





72. TOs will develop communities' capacity to develop CDPs. This will involve the TOs taking communities through the following steps: (i) different interest groups in communities (e.g. men, women, male and female youths) will discuss, identify and prioritize their needs; (ii) groups will revisit their list of needs in the context of the present day, rather than an historical context, and re-prioritize their needs; (iii) where communities are small enough, groups will come together in plenary and use a ranking matrix which enable the comparison of needs and identification of causes, potential solutions, outputs from the solutions, the final outcome from the action identified, and the people the group needs to partner with. This will be documented as CDPs. Where communities are larger or groups are more diverse, each interest group will develop a preliminary ranking matrix before being brought together in plenary to discuss and develop an overall CDP. In the few instances where CDPs already exist, TOs will locate all relevant documentation, identify who from within the community was involved in the process, revise and up-date the plans in consultation with the community, and document these plans using the process and matrix format of CDPs described above.

73. A key aspect of CDP revision and formulation will be community-based analysis of climate related risks and an overview of migration trends. For Component I's economic infrastructure development activities this process will need to include consideration of the impact of cyclones and associated impacts such as storm surges and tsunamis, and how to reduce or mitigate impacts. This means that all economic infrastructure Sub-Projects will need to be designed according to accepted Tongan standards, as is the case for TRIP I's Component 1. However, design to required standards is only the first step - construction to such standards requires supervision by qualified experts and therefore TRIP II will ensure that these personal are engaged and made available to target communities when they are designing and implementing their CDPs. In terms of responses to extreme weather events, this is a national responsibility and whilst TRIP II will fulfil its "corporate responsibility" in the event of a cyclone, it is unrealistic to expect that TRIP II will be responsible for providing cyclone response support services to its widely scattered target communities.

74. Upon completion, CDPs from each community will be consolidated into District Development Plans (DDPs) by MORDI TT. Copies of the DDPs will be lodged with District Officers (DOs), the Governor's Office or Governors' Representatives, and the Prime Minister's Office (PMO). These will be provided to development partners and agencies which have an expressed interest in providing financial support for the development and management of activities identified in the DDPs. TOs will assist communities to establish or reactivate Village Councils (VCs) to oversee the establishment of CDPs, and where required TOs will assist VCs to form Common Interest Groups (CIGs) to manage the planning and implementation of actions listed in the CDPs. The CIGs will include representatives of different interest groups in the communities and will be required to appoint a chairperson, a secretary and a treasurer, to meet regularly, to keep minutes and to post these in a public place. Women will hold at least two of these positions.

75. The CIGs are expected to cover topics such communal infrastructure (Component 1); and farmers, handicraft, and home garden groups (Component 2). At present, such groups are not supported by a legal framework and there are only general policies which govern their formation and operation. However the recent (late 2016) formalization of the community planning process by MIA, which leads to the preparation of CDPs and CADPs is a "step in the right direction" and indicates that TRIP II should be able to continue to strengthen this important community-based planning and development process. Ultimately, the aim will be to fully institutionalize the CDP and CDAP process by building on the start made by MIA in late 2016.

76. Ensuring that resilient economic infrastructure is built to national standards as prescribed by the Ministry of Infrastructure (MOI) will be an important Component 1 activity. MOI's standards are appropriate and reflect the Kingdom's climate-related risk profile; and TRIP I has considerable

experience with the engagement of suitably qualified local engineers<sup>20</sup> for both design and construction supervision purposes. In addition, it will be important for TRIP II to use suitably qualified and experienced local construction and building contractors for implementation of Component 1 activities; and also for construction supervision and quality monitoring purposes. MORDI TT has considerable experience from TRIP I of how to manage this important aspect of infrastructure planning and development, and has a cadre of experienced staff.

77. Another activity of providing explicit support to strengthen the national/annual outer island planning and budgeting process will be to engage in discussions on how annual Government budget allocations to outer islands might be channelled to annually prioritized activities in the DDPs. This will establish a clear link between annual DDPs and the annual budget envelopes provided to outer islands. In this regard, TRIP II will develop a process of annual DDP reviews, and five-year periodic updates, including the use of climate change scenarios. The latter is because more strategic longer-term plans are important to address climate change impacts at scales beyond communities and districts. This bottom-up planning process will ultimately collate community level resilience activities, framed within the mindsets and contexts of communities. Under this scenario, a more strategic plan may lead to the identification of activities required for longer term impacts, avoid mal adaptation, and encompass larger Sub-Projects which are beyond the capacity and scope of the outer islands.

78. **Component 1.2's Output** is "*resilient community infrastructure based on CDPs*". Component 1.2 activities will be implemented in accordance with the community development implementation schedule listed in Table 1. As communities become eligible for financing support, TOs will assist CIGs to complete community economic infrastructure grant (CEIG) proposal forms. These will have attached a technical design, bill of quantities, budget and description of social and environmental mitigation measures, proof of an agreement for use of land or other assets to be used during operation, and a detailed organizational and financial plan for community economic infrastructure operations and maintenance. In addition the CEIGs will reflect gender equality will support women's capacity to plan and organise and (in addition to TRIP I): (i) the mainstreaming of climate resilience activities; and (ii) an analysis of options to achieve the stated objective in the form of a simple Benefit/Cost Analysis - the latter to avoid inappropriate investment in unsuitable infrastructure. Completed CEIG application forms will be submitted to MORDI TT for checking against operational feasibility; and compliance with social, economic<sup>21</sup>, environmental, and climate resilience eligibility criteria.

79. In the case of physical infrastructure, such as bridges, roads and jetties, the technical design may require a Building Permit issued by the Ministry of Works, and an Environmental Impact Assessment (EIA) issued by the Ministry of Land, Survey and Natural Resources. MORDI TT will assist communities as required to secure Building Permits and EIAs. T

80. A Project Review and Appraisal Committee (PRAC) will meet every three months to screen, discuss and accept or reject CEIG proposals (and Community Economic Livelihood Grants (CELGs) for Component 2) against the above-listed criteria. Accepted Component 1 proposals will be eligible for a CEIG comprising: (i) 75% of the total Investment value matched by a 25% contribution from the community. Communities may submit more than one CEIG proposal as long as the total for all proposals does not exceed the allocation per community.

81. The criteria used by the PRAC to guide approval of CEIGs (and CELGs - see below) will be specified in the Project Implementation Manual (PIM), including the following indicative criteria: (i) a

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<sup>20</sup> Including the appointment of ex-military engineers.

<sup>21</sup> TRIP I did not require any financial or economic analyses infrastructure sub-projects. However, there are examples of Component I activities under TRIP I which are doubtful in terms of economic benefits. These should not continue into TRIP I, such as short village roads where there are only one or two vehicles, and good footpaths would be more suitable.

proposed infrastructure investment will be eligible, as defined in the PIM; (ii) the community must demonstrate its commitment to making a 25% contribution towards the total cost of the proposed investment; (iii) any proposed infrastructure investment will have been identified and prioritized by the whole community; (iv) the investment will be consistent with already existing and functional infrastructure, will respect to national objectives and priorities, and not overlap with existing facilities or services; (v) preparation and implementation of the investment will be based on fairness, and all community members will have non-discriminatory access to its social and economic benefits; and (vi) the investment must conform to sound economic, environmental, climate resilience, and gender equity principals; and must not result in degradation of the physical or human environment. Project staff and implementers are familiar with these criteria and have been using them effectively under TRIP I. The average grant allocation per community for Component 1 (expressed as 75% of the total value of the investment) will be about US\$18,182 (TOP40,000). Of the 62 target communities, five small communities (less than 100 people) will receive US\$13,636 (TOP30,000); 11 medium-sized communities (100-200 people) will receive US\$18,182 (TOP 40,000); and 46 larger communities (more than 200 people) will receive US\$ 22,727 (TOP 50,000).

82. Once proposals are approved by the PRAC, MORDI TT will inform communities both in writing and through the TOs. Grant approval letters will serve as grant agreements between communities and MORDI TT. MORDI TT will be responsible for the procurement and freight of goods in accordance with the agreed-upon allocation per community. The allocations exclude freight costs because the price differential for delivering goods to different islands is high. These freight costs, including organizing the procurement of goods, will be the responsibility of MORDI TT.

83. The TOs and CFs will assist CIGs with the operations and maintenance (O&M) of community economic infrastructure in accordance with the organizational and financial arrangements plan provided in the CEIG proposal. The plan will provide details on annual O&M costs, forms of eligible contributions (i.e. cash and or in kind), source of contributions including possible district, provincial and national Government contributions, and how and by whom cash contributions will be collected and disbursed, and for what purposes. This will also include the setting up of a WG bank account which will operate for deposited cash contributions during activity implementation and, upon completion, to finance O&M of community economic infrastructure. Women and youth will be involved in this process, which will build their capacity for planning and administration.

84. The TOs and MORDI TT will continue to monitor community economic infrastructure financed by the CEIGs, with a particular focus on the organizational and financial arrangements for O&M for at least one year following completion. Monitoring and periodic support will be ongoing.

85. **Scaling-up.** Component 1 scales up the best practices and processes established by the earlier MORDI Programme and the later TRIP I - see Scaling-Up Framework, Appendix 12. For TRIP II's Component 1.1, MORDI TT will use the same inclusive participatory learning and action methods (and CDP formats) which were used by TRIP I in 60 communities, in 62 new TRIP II Component 1 communities. By extending coverage to the larger and more complex communities in Tongatapu, the Project will also further develop its participatory and learning action methods, thereby increasing the opportunity for the MORDI and TRIP I approach to be applied across a wider range of communities. Additionally, MORDI TT will continue with the TRIP I practice of consolidating CDPs into District Development Plans (DDPs); and lodging copies of these Plans with District Officers (DOs), the Governors' Office or Governors' Representative, and the Prime Minister's Office (PMO). The CDPs will also be made available to development partners and other agencies which have expressed interest in providing financial support for the implementation of development initiatives identified in the DDPs.

86. In terms of scaling-up Component I, there is an opportunity to strengthen institutional sustainability, in addition to a simple rollout of the CDP planning process across the whole Kingdom.

The former relates to the need (and opportunity) for TRIP II to build on the recent Government decision to formalise and embed the CDP process within MIA<sup>22</sup>. However, this is just the first step in a complicated process and therefore TRIP II will provide support to MIA for further institutionalization of a fully integrated community planning and development process - in the form of additional support to institutionalize the approach as the standard local planning and budgeting process for all islands. This will be implemented by developing appropriate technical guidelines for nationwide use by Government staff, plus capacity development packages for relevant Government staff. Therefore supporting Government to institutionalize and utilize TRIP's approaches and packages within the context of national implementation will be an important step towards further scaling-up of good practices and the overall sustainability of TRIP II.

87. **Replication.** Component 1 activities are not new to TRIP II or to Tonga, nor are they new to the Pacific Region. IFAD has experience of implementing similar activities in the Pacific Region with its involvement in the on-going Solomon Islands Rural Development Programme (SIRDP). SIRDP is has supported hundreds of "Sub-Projects", which are similar to TRIP's community economic infrastructure, and applies similar community-driven selection processes to those designed into TRIP II. The design of TRIP II, and the community development component in general, draw on lessons learned (see Country Performance and Lessons Learned, Appendix 3) from IFAD-supported supervision missions of the MORDI Programme and TRIP I.

### **Component 2: Sustainable economic livelihoods**

88. **Component 2's Outcome** is "*increased resilience of economic livelihoods based on climate smart nutrition-sensitive agriculture production systems*". **Component 2 is aligned with the TASP** and will contribute directly to the achievement of TASP Programme 1 objectives (climate resilient environment) and Programme 3 objectives (sustainable livelihoods and healthy diets). The Component also draws directly from IFAD's "Adaptation for Resilient Agriculture in the Pacific Programme" (ARAP) Project document.

89. TRIP II will focus on objectives (ii) and (iii) from TASP Programme 1 by developing relevant baselines, guidelines and capacities in the area of enhancing climate resilience as a basis for climate resilient agricultural planning. It will also focus on objectives (i) and (iii) from TASP Programme 3 by running an extensive Farmer Field School (FFS) programme in collaboration with MAFFF and the private sector, to support the implementation of climate resilient agriculture production practices in 60 communities. The aim will be to assist farmers to link into existing and emerging rural markets - the latter through leveraging in market information from private traders and farmer organizations (e.g. Tinopai Farms and Nishi Trading) and the Growers' Federation of Tonga (GroFed). Village-specific agriculture marketing plans will be expressed in their CADPs and reflect the simple value chain analysis and market assessment exercises to be completed with support from the FFS programme. The aim will be to confirm the demand for products to be supported by the CADPs and to identify domestic and (possibly) export marketing channels - this is why working with PHAMA will be important<sup>23</sup>. The importance of compliance with scale (volume of production) and quality requirements will be emphasized, as will the implications for target farmers in terms of individual and collective behaviours and responsibilities.

90. Component 2.1 will develop the CADPs from the CDPs completed in Component 1. Development of essential baseline information and support to capacity building will provide a basis for implementation of the three climate resilient agriculture investment options in Component 2.2;

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<sup>22</sup> See <http://www.pireport.org/articles/2016/10/13/tonga-launches-first-community-development-plans>.

<sup>23</sup> The current phase ends on 30/6/17 and DFAT is considering a 12 month extension of the programme, during which a third phase will be designed.

agroforestry, homestead gardens, and handicrafts. The activities will be capacity building, training in the form of Farmer Field Schools, and support to nurseries to provide planting material to support recovery from cyclones and drought. The planning requirements are therefore more elaborate than for Component 1 (Community Development). Therefore TRIP II will support the up-skilling of MORDI TT's staff to enable them to assist target communities to complete their CADPs - with support from trained TOs and CFs. The importance of this step up from CDP to CADP planning should not be underestimated as CADPs will need to be phased over time and resourced from many sources.

91. TRIP II will also focus strongly on Thematic Area 1 (climate resilient nutrition-sensitive agricultural practices) from the ARAP Project design document and, to strengthen the nutritional aspect, will link up with the ongoing IFAD-funded regional grant for *Leveraging the Development of Local Food Crops and Fisheries Value Chains for Improved Nutrition and Sustainable Food Systems in the Pacific Islands*, implemented by CTA focus on promoting *inter alia* nutritionally sensitive value chains. Additionally it will draw on Thematic Area 2 (utilisation of agro-climate services) building on work currently underway in Tonga through an FAO TCP Project on "Enhanced Capacities for Integrating Disaster Risk Reduction in Agriculture." Where feasible, TRIP II will also draw on and contribute to ARAP's Thematic Areas 3 and 4.

92. Given Tonga's Climate Risk Classification as High (refer to the SECAP, Appendix 12), it is essential that climate resilience is integral to all Component 2 activities, from the development of relevant resilience baseline information as a basis for agricultural planning, through to the implementation of economic livelihood activities with farmers.

#### **Component 2.1 Community Agricultural Development Plans**

93. It is important to recognize that TRIP I's Component 2 intended to focus on large-scale commercial agribusiness opportunities with support in the form of commercial loans, and not on village-level economic livelihood activities. The main reason for the partial failure of this Component under TRIP I was unrealistic financial subsidies offered by the Tonga Development Bank which undercut and competed with the more commercial loans which were offered with support from TRIP II. In terms of the design of TRIP II, there is a distinct and important difference between TRIP I Component 2, and TRIP II Component 2, including the provision of commercial micro-finance services, and farmer-training through Farmer Field Schools (FFSs) for the latter.

94. Component 2.1 will develop the CADPs from the CDPs completed in Component 1, which are expected to include activities related to climate-resilient agricultural investments, agroforestry, homestead and community gardens, and handicrafts. CADPs will therefore finance both public (agroforestry, community gardens, community infrastructure) but also private goods (homestead gardens, handicrafts, etc.) and will make a distinction between public and private goods that will be financed.

95. Component 2.1 will have eight activities: (i) the preparation of baseline information as the foundation for planning and monitoring climate resilient nutrition-sensitive agriculture; (ii) building agriculture resilience into livelihood systems through training and capacity building, i.e. developing communities' capacity to prepare resilient CADPs; (iii) preparing CADPs and associated Sub-Project Detailed Plans (SPDPs) - see Table 2 for details on these steps, including the inclusion of simple value chain analysis and market assessment for agriculture commodities in order to understand existing and emerging market opportunities; (iv) lodging CADPs with MAFFF; (v) assisting communities to prepare CELG applications; (vi) reviewing, discussing and accepting/rejecting CELG applications - by the PRAC; (vii) opening bank accounts for receipt of community cash contributions; and (viii) implementing, and monitoring the impact of investment in sustainable livelihoods. Activities (iii) through to (viii) are the same as for Component 1 and therefore there is no further description of these six Component 2.1 activities.

96. The CADPs derived from the CDPs (see Table 2) will be supported and operationalized in the form of: (i) training in technical and social development skills and community planning; and (ii) implementation support (annual planning, M&E, and reporting) - for DOs and TOs, VCs and sub-committees, CFs and CIGs; and (iii) leveraging in non-Project funding to support expanded initial development and ongoing (post-Project) operations and maintenance. TRIP I was particularly

successful in this regard and gathered additional funding from: (i) other development partners; (ii) targeted Government funds; (iii) the private sector (e.g. Nishi Trading); (iv) Tongan and international NGOs; and (v) Parliamentary constituency funds. Continued use of this approach under TRIP II is therefore expected to contribute to CADP outcome sustainability.

97. In addition, the CADPs will include sufficient funds to cover the cost of regular meetings between all stakeholders (village households and the personal listed above). The CADPs (with matching grants in the form of CELGs) will be implemented by CIGs and not individual households, building on the successful community approach to development which was trialled and proven by TRIP I.

98. TRIP II will ensure that participatory climate change risk and vulnerability studies of target communities (and of livelihood development activities) are included in the preparation of the CADPs (and the CDPs for Component 1 - see above, and Table 2). This will serve as a community hands-on capacity building exercise on climate risks and vulnerabilities, and allow for the identification of disaster risk prone areas, water scarcity and excess management issues linked with soil quality, and vegetation cover in the targeted landscapes. Ground and rainwater management, and reversing deforestation trends on steep slopes and in mangrove swamps, are key issues in terms of improving the sustainability of the natural resources base for agriculture, and for disaster risk management.

99. In essence this is a broad landscape approach to natural resource management. Use of the GIS tool II will enable priority setting for intervention areas in the CDPs/CEIGs and the CADPs/CELGs, and allow the Project to address (in particular soil) water and disaster risk management needs, and their connectivity in the landscape which underpins the production units. In this regard, specific consideration of ground water and rainwater management will need careful attention in order to secure water for agriculture and households needs. In addition, TRIP II will support simple water budgeting (linked with cultivation and complementary irrigation plans - where appropriate such as on Tongatapu where ground water resources are under threat). Rainwater harvesting and aquifer recharge for complementary irrigation will also be taken into account. These activities will contribute examples and experiences to support implementation of the forth-coming Water Resources Bill.

100. Using IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) as a guide, CADPs' value chains will reflect the following key features of resilient agriculture supply chains: (i) information sharing and education along the supply chain from consumers to producers; (ii) diversifying or sharing out production to a wide number and geographically diverse suppliers, rather than relying on a few large producers; (iii) risk sharing; (iv) diverse forms of production ownership; (v) co-operation between producers; (vi) flexibility and adaptability in terms of product diversity and phased production cycles; and (vii) use of technology to enhance risk prediction, evaluation and response.

101. Therefore the design of TRIP II recognizes that the CADPs are in effect initial catalysts to spark interest in improved economic livelihoods, and that over time additional investment from targeted households and other sources will be required to drive multiplication of the initial CADP-supported activities. Initially, Component 2 will provide good examples of some of the opportunities for increased investment in Tonga's agriculture and handicraft sectors, and then communities will have to source funding and support (for expansion and broader commercialization) from other sources.

102. In this regard, important CADP-related support activities will be the provision of assistance to: (i) promote increased private sector funding ("crowding in") - recognizing that a scarcity of private sector actors is a major constraint to rural development in Tonga; and (ii) identify emerging markets

(mainly island-based domestic and import replacement for the non-Tongatapu islands, plus a greater focus on exports for the latter<sup>24</sup>). These market assessments will include analysis of the demand for micro-credit, and of South Pacific Business Development's (SPBD's) ability and capacity to deliver and support a considerably expanded farm credit programme. This will best be achieved through astute promotion of results in all forms of media. Continued good and sustainable results will result in "crowding in" success as a wider range of actors and stakeholder recognize the significance of TRIP II's impact, and that involvement will be a "win-win" outcome for a wide range of actors.

103. In terms of providing micro-finance services, the design team spent considerable time with Manager of the Tongan branch of SPBD, and with Nishi Trading which is a key co-operator in the TRIP I-brokered micro-finance trial on 'Eua. The aim was to understand SPBD's business model and their financial and management capacity to be an important ESP for TRIP II<sup>25</sup>. SPBD has an impressive record in the Pacific region, including: (i) 12 offices and 120 staff (in 2015); (ii) US\$10 million in assets; (iii) 40,000 active savings accounts; and (iv) US\$60 million in loans since inception in 2000. An important feature of SPBD's services is the offering of Overseas Worker Loans. This means that SPBD could play an important role in the pilot on community-based remittance management.

104. Activities (i) and (ii) are outlined in more detailed below, noting that more detailed planning will be required to develop the CADPs from the CDPs. This will ensure that essential baseline information is developed and relevant capacity building is provided as a basis for implementation of the three climate resilient agriculture investment options described in Component 2.2; agroforestry, homestead gardens, and handicrafts. These activities will be supported by capacity building, training in the form of Farmer Field Schools, and provision of nurseries which meet both immediate needs and provide planting material to support recovery from cyclones and drought. **Activity 1: Prepare baseline information for planning climate resilient agriculture.** This activity will focus on the preparation of baseline information which will provide the essential context for the development of climate resilient agriculture, and will be complementary to and supportive of the more comprehensive focus on implementation of climate resilient agriculture practices developed under Component 2.2. Specific activities are: (i) develop baseline village and estate maps using data layers held by the GIS unit in the Ministry of Lands and Natural Resources (MNLR); (ii) develop a template for assessing the current agricultural situation - food security, nutrition, and climate risk; (iii) complete a village survey to gather data to supplement the maps and agriculture baseline; (iv) undertake baseline soil fertility testing, with further testing in the final year of the Project; (v) develop a set of indicators for monitoring changes in resilience, encompassing soil, water, and crops; and (vi) develop a simple Cost Benefit Analysis (CBA) framework to enable assessment of Component 2.2's Sub-Projects, including basic Value Chain Analysis (VCA). The base-line data will build on the information available in the CDPs and employ gender sensitive enquiry in addressing the specific constraints of women in accessing land, resources, markets and value chains.

105. **Activity 2: Build agriculture resilience to the impact of climate change and climate disasters into the livelihood systems.** This activity will focus on building capacity to understand climate resilience, and associated responses, and subsequently ensure that resilience is integral to the livelihood/agricultural systems formulated in the CADPs. Specific activities will include: (i) develop and implement a capacity building package which addresses the identified need to link knowledge of climate change and related extreme events, and how to implement climate resilient agriculture systems; (ii) deliver capacity building at the national level to MAFFF staff, and Church representatives; and at island level to DOs and TOs, and representatives from village's men, women, and youth sub-

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<sup>24</sup> The exceptions to this general targeting will be increased sales of vanilla, and in the longer-term, sandal wood from the more remote island groups.

<sup>25</sup> See <http://www.spbdmicrofinance.com/about-spbd> for more details on SPBD.

committees; and (iii) MORDI TT will train volunteer CFs and TOs prior to the preparation of CADPs to ensure that climate resilience is mainstreamed.

### **Components 2.2: Farmers engaged in sustainable economic livelihoods**

106. The three outputs for Component 2.2 are improved practices and increased climate resilience for: (i) agro-forestry systems on tax allotments; (ii) homestead gardens; and (iii) agro-forestry production, and processing centres (weaving halls) for handicraft manufacture. Two key activities will be implemented to achieve these outputs: (i) improving smallholders' knowledge and practice of climate resilient agriculture production systems; and (ii) support for farmers (through the CELGs) to implement improved and sustainable agriculture production activities. In addition, there will "cross cutting" support for the three development options listed above (tax allotments, homestead gardens and handicrafts) in the form of: (i) seedling supplies for agro-forestry interventions; and (ii) implementation of a series of pilots.

107. **Activity 1: Improving smallholders' knowledge and practice of climate resilient agriculture.** This activity will involve participatory extension approaches in the form of Farmer Field Schools (FFSs), complemented with field demonstrations, farmer exchange and exposure visits, as well as classroom-based training sessions. The FFS-based training will be practical, and build on the experience from the FFS pilot on 'Eua which focused on horticultural production. The training materials prepared for the 'Eau exercise will form the basis of TRIP I's FFS manuals. Importantly, much of the FFS focus will be on women who will be assisted with homestead gardens, and the production of raw materials for handicraft manufacture.

108. **Activity 1: Improving smallholders' knowledge and practice of climate resilient nutrition-sensitive agriculture.** A summary of the FFS key elements is provided below.

- (i) In combination with FFS, the innovative use of ICT in the form of the "Digital Green Method" will be used to ensure consistency of communicated technical packages as well as to increase outreach and adoption rates, particularly amongst youth.
- (ii) The FFS curriculum will be guided by the objective of making farming more resilient to climate change, and farmers aware of market opportunities through simple value chain/BCA analysis and linkages with traders and organizations that can provide current and potential market information. The curriculum will be a mixture of generic training modules focused on activities proposed by the Project, plus specific modules requested by farmers. Progressive development of agribusiness skills will be included in these modules, with support from cooperative traders and using examples of successful agribusiness development - for example the recent opening of the squash market to China and increased exports of snap-frozen root crops to New Zealand and Australia. If the new pack-house in the eastern part of Tongatapu is constructed<sup>26</sup>, this will provide good opportunities for agribusiness training in exports. However, on the remoter islands it will be important not to over-estimate the importance of agribusiness development *per se*, at the expense of improved subsistence livelihoods and associated improved household nutrition.
- (iii) The FFS approach will be implemented in collaboration with MAFFF in order to build additional staff capacities (as well as the development of extension packages, good practice modules, etc. for Kingdom-wide use) within MAFFF's extension services, and to ensure sustainability beyond the Project's lifetime.
- (iv) TRIP II will establish an FFS organisational structure consisting of: (a) a FFS Program Coordinator in the PMU; (b) a FFS Focal Point in MAFFF's Extension Services; (c) FFS Master Trainers (from MAFFF and from the private sector); (d) FFS Facilitators (village lead farmers); and (e) key Subject Matter Specialists (from MAFFF and the private sector).

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<sup>26</sup> A feasibility study is being finalized in early 2017.



- (v) The training will consist of one FFS Orientation Course, one FFS Master Trainer Course, and five FFS Facilitator Courses.

109. **Activity 2: Implement agriculture production activities.** This activity will involve implementation of the economic livelihood activities identified in CADPs which incorporate climate resilient agriculture practices. The activities will be in the form of: (i) agroforestry systems focused on increasing agro-biodiversity and producing the raw materials for handicraft production; (ii) homestead gardens; and (iii) weaving sheds. Where possible the latter two activities will be implemented together with the objective of using water collected from the roofs of weaving sheds to supply associated homestead gardens. This is most likely to occur in the Niu'a's, Vava'u, and Ha'apai where weaving is a major contributor to household incomes, and where women have expressed the need for separate weaving sheds.

#### Agroforestry systems on tax allotments

110. TRIP II will support the establishment of 60 agroforestry-based model farms on the land of the FFS facilitators. An average model farm will cover five acres of food and annual cash crops, two acres of tree crops (one each of vanilla and sandal wood), and one acre of fallow, and will serve as the learning ground for the FFS dealing with resilient agroforestry systems. The farms will be developed in a participatory process between MAFFF, TRIP II and local farmers. Each model farm should be close to the village, so as to be easily accessible, especially to women, and will be protected with appropriate fencing.

111. To further encourage increased adoption rates of practices demonstrated on model farms, TRIP II will support the establishment of "cluster farms" - comprising up to six adjacent tax-allotments to enable cost-efficient joint or block fencing. These farms should be located away from villages and out of reach of roaming pigs. The Project will contribute to simple livestock-proof fencing and farmers will provide fence posts and also plant trees to serve as live posts in the future. The Project will develop these model farms after extensive consultation on food, tree and cash crops that meet the constraints and needs of resource poor households as well as women. Options for overcoming tenure and property rights constrained to grant women and younger siblings' security over investments will also be extensively explored as part of the development of options for tax allotments.

#### Homestead gardens

112. The Project will support the establishment of 60 model homestead gardens, one in each target community, each covering an area of up to approximately 400m<sup>2</sup>. The gardens will be located on community land, and ideally adjacent to weaving sheds constructed to Category 5 cyclone standards, and where roofs are available for rain-water collection. This "twinning" will increase the likelihood of sustainability as it will ensure easy access and security for women working their sheds, and the exclusive use of water for gardening. The model homestead gardens will be supported with pig-proof fences, one or two water tanks, basic gardening tools, and simple low cost nurseries. The model gardens focus on improved diets (consumption of nutrient dense and nutrient rich crops) to increase dietary diversity. Part of this component is Behaviour Change Communication and/or nutrition education to promote healthy diets to address malnutrition (here: over-nutrition and obesity). Only surplus production will be marketed. The homestead gardens, as established during the design phase, are of particular relevance to increasing women's control over food security, disposable income and reduced drudgery.

#### Weaving sheds

113. Women currently use their homes or poorly constructed small weaving sheds, which are neither cyclone nor rain proof. This is an unsatisfactory situation for such an important economic activity, noting that an additional challenge in some areas is the sustainable production of the raw materials required for weaving and tapa production. The Project will address these issues by supporting investments in improved and cyclone-proof weaving sheds. TRIP II will promote the combination weaving sheds with water tanks, and homestead gardens. This intervention is intended to support one of the main livelihood activities of women by improving their access to raw material, reducing their drudgery, enabling them to combine economic and social activities and supporting networking, collective action and collaboration with other women.

### Funding for Component 2

114. For Component 2's Community Economic Livelihoods Grants (CELGs) for which TRIP II will fund 60%, the average grant will be US\$ 23,825 (TOP 52,415). The allocation will vary depending on the size of each community. The 14 small communities will receive US\$ 21,328 (TOP 46,921), 21 medium sized communities US\$ 23,825 (TOP 52,415), and the 25 large communities US\$ 26,323 (TOP 57,910). Component 2 grants will support homestead gardens, weaving sheds, and cluster and model farms.

### Pilots

115. Several pilots will be tested for new technologies, which are acceptable to women and youth, within the model farms and the FFS curriculum, such as: (i) small biogas digesters - to be tested along-side homes where various types of waste can be used; (ii) simple food processing, preservation and storage techniques - with selected families in target communities who are interested in cooperation with TRIP II to test these technologies; (iii) composting techniques including vermicomposting and composting toilets - as for (ii); (iv) trials of new staple food plant varieties which are resistant to prevalent pests and diseases, and are resilient to climate change - on small plots on farms belonging to innovative farmers who are interested in trialling new crops; (v) trials on emerging cash crops such as fruits and nuts - as for (iv); (vi) use of electric fences to control roaming livestock, particularly pigs in villages -as for (v); and (vi) (non-model farm and FFS) testing community-based remittance management systems - based on Project-brokered agreements with absentee land owners and/or seasonal workers with the objective of increasing investment in idle land, particularly for longer-term forestry and cash tree crops.

116. The last pilot is the most innovate and will therefore take time and specific resources to design with potential stakeholders, some of whom will be overseas and difficult to contact. The starting point will be the preparation of a Concept Note on the idea, followed by workshops with: (i) MIA (the Ministry responsible for Tonga's seasonal worker programme); (ii) one or more Lords so that access to land for returnees can be discussed and clarified; (iii) representatives from the labour-hire companies in Australia and New Zealand which manage the programmes; and (iv) selected seasonal worker participants, including youth - with some about to depart and others just returned. The aim will be to design a comprehensive pilot to be run over the course of a few years during TRIP II.

117. Assuming a positive result from the remittance-focused activities outlined above, it is expected that there will be a Project-brokered agreement between: (i) MIA; (ii) one or more Lords; and (iii) (say) 20 returnee overseas workers, including youth. TRIP II will assist with pilot implementation and monitoring, but will not enter into any legally binding agreements related to how remittance are expended and what they spent on.

118. A positive outcome is expected which will enable TRIP II to capture at least some of the substantial financial benefits which flow into Tonga each year (US\$114 million) from remittances; and to build on TRIP I's experience with investment of remittances from Tongans living in India (see TRIP I website for details). Details on how to attract and manage remittances as investments rather than as sources of funding to cover increased consumption will be finalized as part of the pilot, but is reasonable to expect that some funding will be available for investment in Component 1's infrastructure development activities, and also in Component 2's sustainable farming activities. There are 3,000 seasonal agriculture workers from Tonga working in New Zealand and Australia<sup>27</sup>. These people could be targeted as sources of funding for specific investment in Component 2. In addition the Australian and New Zealand Governments have expressed interest in improving their respective seasonal worker programmes by including a "migrant home investment" activity - with the objective of assisting returnees to save and then invest in productive enterprises in Tonga. TRIP II will engage

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<sup>27</sup> <https://www.employment.gov.au/news/australian-government-expands-seasonal-worker-programme-further-agricultural-sector>.

with these programmes and form linkages as part of the pilot design and implementation. This should result in increased investment in Tonga's agriculture sector. IFAD's Financing Facility for Remittances (FFR) will be consulted for support and information exchange in identifying relevant lessons.

#### External Service Providers, including nurseries

119. Partnerships will be important for the successful implementation of the Component 1 and 2 activities. Important examples of cooperating ESPs include: (i) the Church with the decision as to which denomination to engage with being based on local situations and the purpose of engagement - for example, the use of Church land for toutu'u and cooperation with local clergy to assist with community organization; (ii) sourcing micro-finance services through South Pacific Business Development (SPBD) which until recently only supported women's groups, but has recently provided agriculture loans to farmers who attend the Farmer Field Schools (FFSs) on 'Eua; (iii) trainers of various types including the Tonga Business Enterprise Centre (TBEC) which provides business advisory and mentoring resources supported by an annual calendar of training; (iv) the Pacific Horticultural and Agricultural Market Access (PHAMA) Programme (Phase III) which can provide assistance with value chain analysis for promising import replacement and export products; and (v) various public and private sector nurseries (including those operated by MAFFF) from which TRIP II will purchase tree seedlings at a commercial value. The only TRIP II-specific nurseries will be small village-level vegetable seedling nurseries, plus nurseries to support post-disaster recovery.

120. At this stage of design the demand for micro-finance services from TRIP II's Component 2 target farmers is not known. However it was evident during design, and from the popularity of the micro-finance pilot on 'Eua, that lack of short-term operational funds is a major constraint to rural development in Tonga; and that the Tonga Development Bank (TDB) cannot fill this gap. Therefore it is expected that once farmers targeted under Component 2 become aware that at least some funds are available through SPBD's microfinance services, the demand for these funds will be high. Possible uses of these funds include: (i) value chain financing - especially the production part of the chain; and (ii) the use of contracts between producers and buyers as financing tools that can assist with smoothing income (and expense) flows for target farmers.

#### **Component 3: Project management**

121. The **Component 3 Outcome** is *"enhanced Project management capacity for implementation and monitoring of rural development"*. This will be achieved through the **Component 3.1 Output** which is *"an effective Project management team"*.

122. MORDI TT will be appointed by the Ministry of Finance and National Planning (MFNP) on a sole source basis to implement the Project (see Institutional and Implementation Arrangements, Appendix 5). A Memorandum of Understanding (MoU) will be signed between MFNP and MORDI TT for the Project implementation. MORDI TT is a registered Tongan national NGO which *"strives to improve sustainable livelihoods of all rural isolated communities of Tonga by 2015 by assuring that all have equal access to appropriate human resources, capacity building opportunities and rural development projects"* - MORDI TT's vision. The Trust *"empowers isolated rural communities to fight against poverty and this is achieved through the provision of skills development training and implementation of community development projects"* - MORDI TT's mission. MORDI TT is recognized as the leading NGO in Tonga (and indeed throughout the South Pacific) and is governed by a respected Board of Trustees (five members) all of whom are committed to the development of the Kingdom. MORDI TT's performance in terms of managing TRIP I has been scored as "very satisfactory" and this is why Government has requested that IFAD maintain this Lead Project Agency arrangement for TRIP II. Further details on MORDI TT can be found at: [www.morditonga.to/](http://www.morditonga.to/). The design process included an institutional review that assessed MORDI TT to be organizationally capable and institutionally sustainable as a Project implementer.

123. MORDI TT will establish a Project Management Unit (PMU) in Nuku'alofa and recruit staff for the positions shown in Figure 2. The Project Manager (PM) will have overall responsibility for implementing TRIP II, and importantly for building and maintaining strategic partnerships. In addition, the PM will work to further institutionalize the TRIP II approach and processes into formal Government procedures. He/she will be assisted by five senior staff: (i) an Administrator (AD); (ii) a Finance and Procurement Manager (FPM); (iii) an M&E and Knowledge Management (KM) Coordinator (MEKMC); and two Component Coordinators (C1C and C2C). These senior staff will manage small teams with

the specific skills and experience required to: (i) provide administration, and financial and procurement support (four staff); (ii) strengthened M&E and KM services (two staff, one each embedded in the Component teams); (iii) design and implement Component 1 (four community planners, two construction officers, a draftsman and a site supervisor); and (iv) design and implement Component 2 (two agriculture planners, one farming systems officer, one financial analyst/VCA/marketing officer, one Climate Change and Disaster Risk Management (CCDRM) officer, one FFS and micro-finance officer, and one a home garden and handicraft officer. As shown in Figure 2, these centrally based staff will be assisted by DOs, TOs, CFs and MAFFF's agriculture extension staff who are resident the target districts and communities; and most are farmers. The PMU will provide training on simple record keeping, cash custodianship and accounting, monitoring of field activities and preparation of periodic reports.

124. This staffing schedule for TRIP II is much larger than for TRIP I. However, the scale and scope of TRIP II are also much larger - TRIP II will be a Kingdom wide Project with two large investment Components, rather than one investment Component for TRIP I (recognizing that TRIP I's Component 2 was not successful). Therefore as TRIP II will be about twice the size of TRIP I, an approximate doubling of staff resources is justified, particularly when some of the additions will focus on some of TRIP I's weaknesses, such as M&E and KM. In addition, it is important to recognize that different skills sets and experience are required for (the new) Component 2, which focuses on sustainable economic livelihoods. Finally, the need to comply with IFAD's requirements for Climate Risk Assessment to be factored into the design of CADPs means that additional staff with new skills will be required.

125. Other than overall Project implementation responsibilities, MORDI TT will also have specific tasks, as follows: (i) train, mentor and supervise PMU staff, TOs and CFs in the use of participatory learning, action and planning methods, and in Project implementation practices; (ii) lodge consolidated CDPs and CADPs; (iii) arrange PRAC reviews of the CEIG and CELG proposals, and inform communities of the PRAC review outcomes; (iv) disburse approved CEIGs and CELGs; (v) engage with the broader stakeholder community to mainstream the Project's approach, and to share results and lessons; (vi) monitor and evaluate Project performance, including collecting baseline data; and (vii) identify evidence-based policy issues for dialogue through a Project Advisory Committee (PAC). MORDI TT will also be responsible for hosting an annual one-day "lessons-learned" workshop involving relevant Government agencies; and representatives of NGOs, development partners, and the private sector who are working with and have a particular interest in rural development in Tonga.

126. TRIP II's Component 3 is broader than just day-to-day Project management. In addition, important institutionalization and national capacity building activities will include: (i) ongoing support to and assistance for MIA to ensure that the CDPs and CADPs are embedded in regularly-updated DDPs, and that non-Project sources of funds are identified and leveraged in; (ii) working with Government with the objective of gaining approval for some direct Government funding of CDPs and CADPs, and therefore improved post-TRIP II sustainability; and (iii) identifying rural development policy issues (from experience with CDP and CADP implementation - and observations of more general community development issues through close personal and working relationships with target communities), followed by preparation and presentation of policy analytical papers at appropriate fora, including Parliament.

127. The foregoing Project management and institutionalization activities will require considerably more resources than were available to TRIP I. Accordingly, the design team completed an institutional review of MORDI TT<sup>28</sup> with the objective of assessing the Trust's management capability and its human resource base in terms of being capable and qualified to implement TRIP II. The main conclusions were: (i) MORDI TT is qualified and resourced to implement TRIP II; and (ii) the number of staff in TRIP II's PMU will need to double in order for MORDI TT to be able to implement a

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<sup>28</sup> Unpublished.

Kingdom-wide rural development Project which has two main development components. The TRIP II staffing schedule and associated costs (see Appendix 5, Figure 2) reflects these findings, meaning that TRIP II is adequately resourced.

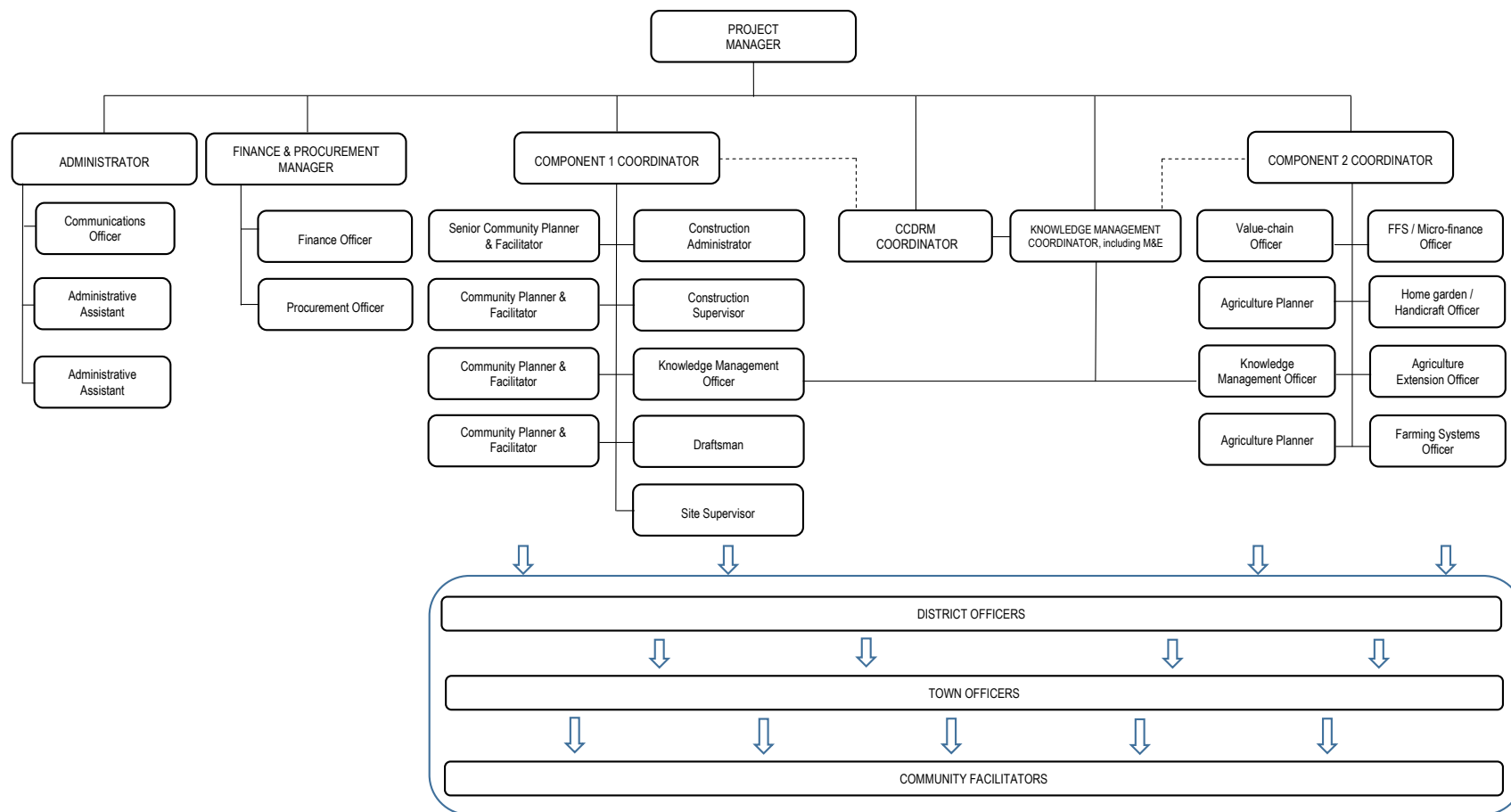
128. In order to mitigate the risks and challenges to adherence with financial management and procurement processes and documentation, MORDI TT will appoint a Bid Evaluation Committee (BEC). The BEC will be chaired by the PM and will include a senior staff member from MFNP, and senior officers from the Project who will review and endorse procurement with a value of TOP100,000 (US\$50,000) and above. A Procurement Evaluation Committee (PEC) which will include the FPM as the chairperson and an Administrator and Procurement Officer, will review and endorse to the PM procurement with a value of more than TOP7,500 (US\$3,000) and less than TOP100,000 (US\$50,000). The Government's Office of the Auditor General (OAG) will conduct periodic compliance audits (in addition to the annual external audit) of the Project on internal control and procurement processes and documentation, and provide audit reports to MFNP. Every six months IFAD will conduct either supervision or an implementation support mission and run training on financial management and procurement for the PMU staff.

129. MORDI TT will be responsible for all **Monitoring and Evaluation (M&E)** activities using a range of instruments to gather information to monitor the indicators specified in the Project Logical Framework. Input and output monitoring of financial and physical activities will be achieved through comparison with Annual Work Plans and Budgets (AWPBs), the financial management system, procurement process and reports, accepted CEIG and CELG proposals, and outputs captured through PMU staff's and TOs' monthly reports on community economic infrastructure and sustainable economic livelihoods. Process and outcome monitoring will be also based on PMU staff's and TOs', DOs' and Agriculture Extension staff reports which deal systematically with CDPs and CADPS, follow-up actions, issues arising and the presence and achievements of various village committees, plus annual participatory surveys for Component 1 and 2 activities. Budget will be available for a small number of special studies, which focus on topics and issues that require greater in-depth. MORDI TT will collect baseline data in the 62 new TRIP II communities before any Project-supported activities are implemented, and at the end of the Project to allow for before and after comparisons.

130. Building on the experience of TRIP I, greater human and financial support will be provided to strengthen KM and M&E. In addition to the staff mentioned above, the following measures will be adopted: i) a Senior Technical Advisor will be recruited to help to design the M&E framework; ii) stronger implementation support will be provided in KM and M&E, including through regular backstopping from HQs, as started to be done in 2016; iii) linking the project with a newly designed grant aiming to train project staff in KM and M&E; and iv) developing overall and annual M&E and KM action plans. TRIP I's Project Manager recently participated in an M&E scoping visit to IFAD's CCDP in Indonesia, which has a good M&E system, and this is also expected to have strengthened capacity for M&E under TRIP II.

131. The Government of Tonga will make an important contribution to Component 3 in the form of staff time - for field-based staff such as TOs, DOs and Agriculture Extension staff. It has been assumed that 50% of these staff's time will be allocated to TRIP II. The Project costing reflects this assumption.

**Figure 2: TRIP II staffing and organization**



## D. Lessons learned and adherence to IFAD policies

132. TRIP I, and MORDI before it, learned many specific lessons which informed and guided the design of TRIP II. These lessons and the key success factors can be summarized as follows:

- (i) Experience everywhere shows that a relatively simple design with realistic timelines and objectives increases the likelihood of success and sustainability, as was the situation for MORDI and then TRIP I. This recognises the requirement of Small Island Development States (SIDS) and the proven approaches ("keep it simple", "search for reliable partners" etc.). Furthermore, relatively simple designs combined with the phased approach adopted by IFAD (first testing institutional models through the MORDI grant and then scaling up through a larger project) enabled the Fund to better-understand the in-Kingdom context - which is challenging due to the small size, remoteness, geographic dispersion, and difficult communications/connections.
- (ii) Bottom-up, community-driven planning and development processes are instrumental to community empowerment and ownership and at the same time result in institutional changes to service provision and development interventions. Active community participation requires identification and ownership of the whole process, and results in people being in the frontline. This means more effective O&M mechanisms for small-scale infrastructure and other productive facilities which can be managed in a transparent and accountable manner.
- (iii) Community-driven development processes take time to work smoothly, consolidate, and to ensure effective participation of people, especially women and the youth in fragile and challenging environments. TRIP I has now worked for three years with various communities, some of whom were also supported by MORDI. This provides TRIP II with an opportunity to invest in productive activities selected by these communities, and to build on the TRIP I "foundation". Such an approach works where planning processes and related implementation skills are solid; and enable the model to be scaled-up to other communities, based on well-tested and validated experience. The main lesson regarding the inclusion of youth is that approaches have to accept that many youth will seek alternative employment and that effective approaches will have to carefully consider options in the context of other opportunities. Component 1 and 2 will be more effective if they identify means whereby the activities under the Project can be matched and facilitate youth's broader livelihood strategies and aspirations. More detail is provided in Appendix 2.
- (iv) It is critical to work closely with all players in the rural development scene in order to leverage resources, especially where transaction costs are high because of remoteness and there are challenges in internal connection and transportation. Establishing good relationships with Government institutions is also critical for smooth implementation and to be able to rely on/take advantage of/tap into existing human and financial resources (often in-kind) which result in value adding to Project financing.
- (v) Working with existing Government staff, especially at the local level, does not always translate into success. In order to overcome this challenge, IFAD's projects often mobilize community-based facilitators to complement existing extension staff, with mixed results. On the contrary, TRIP I was able to fully take advantage of MIA's DOs and TOs by making them feel part of the Project, providing them with the opportunities for skills development and professional growth through Project exposure, and strengthening their self-confidence and networking capacity for mutual learning and experience exchanges. This created a positive and healthy working environment which benefitted TRIP I implementation and sustainability.
- (vi) Support for a pluralistic extension service delivery modality (through NGOs, the private sector, and Government) is a necessary step towards the provision of more relevant, responsive, accessible, and accountable services to communities, especially those living in remote locations where public extension finds it challenging and difficult to operate. Similarly, provision of support packages, subject to farmers meeting certain conditions (such as only providing micro-finance services to farmers who graduate from FFSs) enhances effectiveness, and increases farmers' ownership and pro-activeness, as well as benefiting sustainability.

- (vii) TRIP I faced some difficulties in implementing Component 2, which focused on production and business related activities. Some difficulties related to the provision of rural finance services, the policy framework, and limited capacity of staff to implement the Component. The lesson is that now the institutional model for community planning and development is tested and consolidated, the focus of the design and implementation of TRIP II should be on defining simple but clear productive and sustainable development activities through specific interventions, deploying adequate and trained staff, and working closely with implementing partners.
- (viii) Tonga's geographic characteristics (five scattered islands) may require a decentralized Project management structure for greater effectiveness and reduced costs of implementation, supervision, monitoring and evaluation. Experience from TRIP I also shows that embedding Project management staff in Government systems results in greater ownership, reduced costs, and skills development of staff who remain in place, hence improving overall Project sustainability.
- (ix) TRIP I's PMU faces challenges with the preparation of basic Project management outputs as required by IFAD, including AWPBs, procurement plans and progress reports, thus making monitoring and evaluation of Project progress difficult. Some procurement activities under-taken by the PMU (as reported by TRIP I supervision missions) were not in line with procurement regulations, and procurement documents falling within value ceilings were not submitted to IFAD for no objection. These are important lessons indicating that earlier on and regular implementation support and training of Project staff in these aspects of Project management are required at start up in order to prevent these shortcomings during implementation which result in limited documentation of achievements.

133. **Compliance with IFAD's policies** (including the SECAP) is covered in detail in Appendix 12.

### III. Project implementation

#### A. Approach

134. The current focus of IFAD's engagement with Tonga is on reducing disparities between the outer islands and Tongatapu through the development of the agriculture and rural sectors. The MORDI Programme and TRIP I have been institutionalised by MIA because of their effectiveness in facilitating community and island planning. TRIP I has been successful in: (i) empowering remote communities to plan and influence the development process; (ii) facilitating public and private partnerships; (iii) influencing Government policy towards rural and outer island development; and (iv) mobilizing additional financing. Government now views TRIP I as an important platform for the delivery of public goods and services through its robust community and island planning processes. In addition the design and approval of the TASP provides an opportunity for IFAD to build on TRIP I by supporting selected TASP Programmes. This approach will support agriculture's contribution to economic growth and food security in the face of a changing global economy, climate change and increasing natural disasters.

135. There is widespread recognition of MORDI's and IFAD's positive contribution to agriculture and rural development in Tonga, by all stakeholders. These organizations are acknowledged as credible and respected development partners who deliver concrete results for rural people. Hence there is strong demand for MORDI and IFAD to continue their strategic engagement in Tonga. Furthermore through TRIP I the institutional model to engage, mobilize and empower communities to undertake planning and development processes has been validated and consolidated. Now that the model has been proven a new phase of TRIP can focus on delivering technical and other support services to boost sustainable agricultural production. Finally, there is scope to contribute to TASP implementation using an IFAD-funded operation as the entry point. Therefore IFAD will support the TASP objectives with a new phase of TRIP by building on the community-driven "foundation" laid by TRIP I and adding an additional Component in the form of Sustainable Economic Livelihoods.

136. Project implementation will be based on existing arrangements used by MORDI TT for the implementation of TRIP I (Country Performance and Lessons Learned, Appendix 3), with scaling-up additions with the objective of: (i) covering all eligible communities across the Kingdom for Component



I's Community Development activities; and (ii) building on community cohesion (from TRIP I) to introduce new Component 2 activities in the form of support for resilient economic livelihoods for those communities which have "graduated" from Component 1 and are ready to address fundamental constraints to improved standards of living.

137. **Enhancements/alternations to Component 1**, which will continue under TRIP II, include: (i) re-introduction of the use of CFs to assist TOs with their planning tasks, and to improve the timeliness and quality of reporting (CFs were used for MORDI but dropped during early implementation of TRIP I); (ii) a stronger focus on embedding climate change and disaster risk management principles into the community infrastructure planning process; (iii) the addition of simple CBA as a tool to assess options for infrastructure development objectives which might be more cost-effective, and in some cases, less maladaptive; and (iv) removal of TRIP I's practice of including items such as the provision of tractors, tools and seedlings in Component 1 activities, to a new Component 2 which, more logically, includes this type of support as part of more sustainable economic livelihoods.

138. **TRIP II's Component 2** (which replaces the unsuccessful TRIP I Component II) will be underpinned by a strong focus on climate change and disaster risk management principles in terms of CADP planning, and sustainable implementation. In addition, because Component 2 will be funded through ARAP, the guidelines used to formulate TRIP II will be embedded in the community-based design of the CADPs. These Plans will also be subject to simple BCA, and if required supported with Value Chain Analysis (VCA) to identify options for import replacement or targeted exports. In addition, the inclusion of a FFS programme (for the first time in Tonga) and closer working relationships with MAFFF will provide specific and sustainable support for farmers who elect to participate in Component 2 activities. Finally, support for Component 2 activities from ESPs such as South Pacific Business Development for the supply of micro-finance services will assist to overcome a major constraint to the development of Tonga's subsistence farming sector.

139. **The main changes to TRIP II's Component 3** will be: (i) the appointment of additional qualified and experienced staff according to the Component structure - to enable two large Components to be simultaneously planned, implemented and monitored (staffing numbers in the PMU will double); and (ii) a strengthened and better-resourced M&E and KM system (staff numbers and systems)

140. **TRIP II's overall approach to implementation** will be the same as for TRIP I, including the agreement with Government that MORDI TT will be appointed by MNFP on a sole source basis to implement the Project, and that this arrangement will be formalized with a Memorandum of Understanding (MoU) to be signed between MNFP and MORDI TT (Board of Trustees). Details on the reporting responsibilities between MORDI TT and MFNP, as well as the flow of funds between IFAD and MORDI TT are given in Appendix 7. The organizational arrangements between MFNP and MORDI TT are described below.

141. Building cohesive and united rural communities through Component 1 activities (planning and constructing resilient community infrastructure) will form a platform on which to design and implement Component 2 (sustainable economic livelihoods). There is strong complementarity and logical sequencing between these groups of activities, which when implemented by target communities will combine to improve economic livelihoods in a sustainable and climate smart way.

142. **TRIP II will continue to use a PRAC** to simultaneously screen, discuss and accept or reject grant proposals (CEIGs for Component 1 and CELGs for Component 2) against eligibility criteria. Simultaneity will be important because of the linkages between Components 1 and 2. In this regard it is important to note that TBEC and PHAMA will have reciprocal PRAC observer status, given their important roles in training and capacity building; and in assisting with the identification of pathways through which agriculture products grown with support from Component 2 might be marketed.

143. **A Project Advisory Committee (PAC)** will be established to advise in areas of governance, policy, networking with other organizations, and strategic Project overview. The membership and composition of the PAC, and the organizational arrangements between the PAC and MFNP are described below.

## B. Organizational framework

144. The decision to sole source Project management arrangements was based on: (i) an assessment of MORDI TT's implementation capacity (Country Performance and Lessons Learned, Appendix 3); and (ii) an institutional assessment of the Trust which identified some areas requiring attention - specifically the need for improved PMU gender balance, career paths for MORDI staff, and the appointment of additional staff to address the current unrealistic burden on the small TRIP I PMU team. These recommendations were addressed during the TRIP II design process and discussed with, and accepted by, MORDI TT.

145. **MORDI TT's implementation of TRIP I has been cost-effective and cost-efficient.** The Trust has developed a credible reputation with non-government and Government agencies, with Ministers expressing their desire to see the CDP planning process mainstreamed into MIA's planning processes. Development partners have expressed an interest in funding priorities identified in the CDPs - recognizing that MORDI TT was instrumental in introducing CDPs. In addition, the TRUST has: (i) spearheaded the innovative and efficient use of TOs; (ii) is the only agency in Tonga (Government or non-government) which is using a systematic process of community level planning as the basis for the implementation of economic infrastructure; and (iii) is now in a position to build on community trust and respect to add the next element of successful rural development - support for sustainable economic livelihoods.

146. **Strategic partnerships** between MORDI TT and various partners and ESPs were integral to the success of TRIP I. For example, between MORDI and: (i) the Pacific Risk Resilience Programme (PRRP) for support to introduce CCDRM concepts and requirements into infrastructure planning; (ii) the private sector for the development and testing of the FFS approach on 'Eua; and (iii) FAO and its TCP programme to test ways to increase awareness of climate change and the impact of natural disasters on farming practices. These productive partnerships, and associated leveraged technical support and direct funding, will continue under TRIP II and in fact are likely to become even more important as the Project expands across the whole Kingdom. A particularly important partnership will be with the DFAT-funded "Tonga Health Systems Support Programme" with the objective of capturing and building on the opportunity to address the nutrition issue as part of TRIP II's plan to assist women farmers with homestead gardens, and gardens associated with weaving halls.

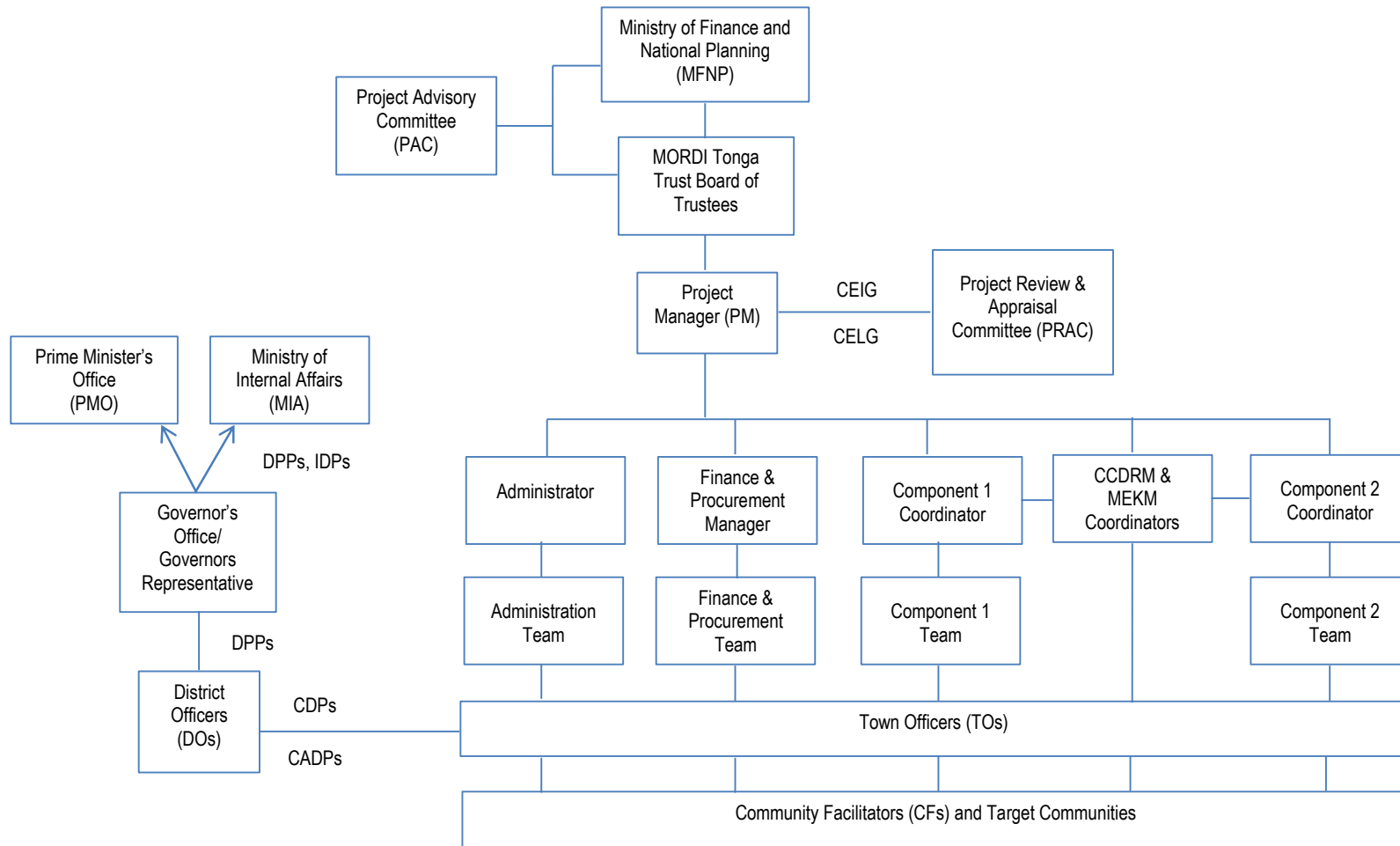
147. **The PAC will play an advisory role to MFNP and MORDI TT** in areas of governance, policy, networking with other organizations, and strategic Project overview. Terms of Reference outlining PAC responsibilities are provided in Working Paper 3. Membership of the PAC will include a representative each from MFNP, MAFFF, National Reserve Bank of Tonga, Chamber of Commerce, and Civil Society of Tonga. Responsibilities of the PAC will cover: (i) reviewing the Annual Work Plan and Budgets (AWPBs); (ii) overseeing six-monthly reviews in cooperation with IFAD's supervision missions; (iii) promoting cooperation and coordination between regional and national Government and non-government agencies; (iv) identifying evidence based policy issues for dialogue amongst partners; and (v) ensuring Project management transparency and accountability. Figure 3 outlines TRIP II's organization.

148. As described above, MORDI TT will establish a PMU Office in Nuku'alofa and recruit the staff for the positions listed in Figure 2. Draft Terms of Reference for these positions are outlined described in Working Paper 2. Reporting responsibilities within MORDI TT will be hierarchical as shown in Figure 2, with five small teams reporting to the two Component Coordinators, the Administrator, the Finance and Procurement Manager; and for the CCDRM Coordinator and the M&E and KM Coordinator, directly to the Project Manager. This PMU organization is different from that used for the implementation of TRIP I, in that no one person or team will have specific responsibility for a geographic area (such as an island group), and members of the Component teams will be specialists and not generalists (for CDP planning) as was the case for TRIP I. This change has been necessitated by the need to appoint more staff to the PMU and by the very nature of Component 2 - which is considerably different from Component 1.

149. MORDI TT will be responsible for interfacing with the PRAC. Draft Terms of Reference detailing the PRAC membership and responsibilities are provided in Working Paper 3. The overall purpose of the PRAC will be to provide an executive management function for the CEIGs and the CELGs. Membership of the PRAC will include a representative from the Tonga Community Development Trust, Ministry of Works, MFNP (Procurement) and the Aid Management Division (AMD). Once TRIP II is

operational, MORDI TT will be responsible for preparing the CEIG and CELG proposals for the Committee for screening, discussion, and reporting results to the Project Manager. Other than overall implementation responsibilities MORDI TT will have the specific tasks listed above.

**Figure 3: TRIP II's organization**



### C. Planning, M&E, learning and knowledge management

150. **The planning process** for Components 1 and 2 is described in Section II.C and covers the steps required to prepare CDPs and CADPs. More details are given in tabular form in Table 2 in Appendix 4 which includes comments on each of the 28 steps to be taken as CDPs and CADPs are prepared, implemented, and monitored.

151. **Draft Annual Work Plan and Budgets** (AWPBs) will be prepared by the Project Manager four months before the end of the Project year, using monitoring and financial information, and in consultation with the TOs. These documents will be presented three months before the end of the year to the PAC for review and endorsement to the MORD TT Board for approval. Draft AWPBs will be shared with MFNP, MAFFF, and provided to IFAD two months before the end of the year, for no objection. Once a no objection has been obtained, TRIP will post the AWPBs on websites in MIA and MAFFF for access by ESPs and members of civil society, development partners, etc. AWPBs will detail Project activities by linking with budget and draw down requirements for IFAD funds. AWPB completion, approval and use will be a performance indicator Component 3.

152. MORDI TT will provide **six monthly progress reports** to MFNP, MAFFF and IFAD, summarising progress against AWPBs and highlighting issues requiring action or decisions. These reports will contain financial and procurement statements and an annex which summarizes micro-finance agreements. **Annual reporting** will follow a similar format but will allow for a fuller description and analysis of progress by Component.

153. **Monitoring processes and outputs** are as critical for effective management as they are for assessing performance. The M&E framework will capture and cross-reference financial and procurement data on Components 1 and 2 activities. The FPM will be responsible for recording financial and procurement transactions and the M&EKM will be responsible for entering data related to Components 1 and 2 activities.

154. **Monitoring instruments.** A range of monitoring instruments will be used to gather information on “indicators” as specified in the Logical Framework. These will include information on the mandatory indicators for IFAD’s RIMS which are designed to measure IFAD’s contribution towards meeting the Millennium Development Goals.

155. Input and output monitoring. Financial expenditure and inputs will be monitored through AWPBs, the financial management system, procurement reports, and CEIG and CELG reports. Outputs will be primarily captured through: (i) TO’s monthly reports; (ii) community economic infrastructure reports (including technical and operational audits on the completion of infrastructure rehabilitation or construction); and (iii) reports on progress with community sustainable livelihoods.

156. Process and outcome monitoring. Monthly TO and PMU staff reports will detail progress with CDPs and CADPs, follow-up actions, issues arising, and the presence and achievements of various village committees. Information will be disaggregated to reflect the different interest groups within communities. There will also be two annual participatory surveys: (i) for Component 1 - a survey of a randomly selected sample of VCs and CIGs involved in Project-supported economic infrastructure; and (ii) for Component 2 - a survey of village groups which are recipients of CELGs.

157. Special studies. Budget will be available for a small number of special studies. These will focus on topics and issues which require greater in-depth study than other monitoring tools allow for. The subject matter for study will be identified by PMU staff, TOs, communities, ESPs and Government. Early indications are that one focus of the studies is likely to include: (i) success factors in mobilising and motivating youth; and (ii) strategies for investing remittances in productive local business opportunities. Both these topics are characterized by piloting and innovation aspects that will be important to scale-up once successful pathways have been identified.

158. Baseline. The PMU will collect RIMS baseline data in each community it engages with: (i) at Project commencement but before any activities are undertaken – including the CDP and CADP planning processes; and (ii) at the end of the Project, allowing before and after comparisons. The baseline survey will use standard RIMS methodology, with two exceptions: (i) chronic malnutrition (stunting or height-for-weight) is not required in Tonga as this is well below the level which justifies tracking; and (ii) rather than the standard sample of 30 clusters × 30 households, the Project will

survey 122 clusters × 15 households = 1,830 households. This equates with the 122 communities (62 for Component 1 and 60 for Component 2) as per the community development implementation. All of the data will be disaggregated by gender and age.

159. **Core elements of Knowledge and Partnership Management (KPM)** include: (i) ensuring full, timely and transparent engagement with target communities, ESPs, key Government Ministries, local TRIP II champions, etc.; (ii) establishing a framework which provides information and analysis for management decision-making on progress achieved against the Logical Framework and AWPBs; (iii) ensuring that the knowledge and results generated are shared with key stakeholders; and (iv) continuing the close relationship of MORDI TT with IFAD on a broad range of knowledge management activities. An important addition to TRIP II is the inclusion of Partnership Management under this heading, with the objective of providing complete and timely information to key stakeholders and partners. The measures used for this purpose are described in Appendix 6.

## **D. Financial management, procurement and governance**

160. Financial management arrangements are presented in Appendix 7 and the procurement arrangements in Appendix 8.

### **Financial management**

161. As at detailed design, the IFAD financing for the project shall be in Special Drawing Rights (SDR); fifty percent of it (50%) will be in the form of a loan established on “highly concessional” terms with the other fifty percent (50%) in the form of a DSF grant. The IFAD Loan on Highly Concessional terms shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund’s Executive Board.

162. **Annual Work Plan and Budgets.** (AWPBs) will be prepared by the PM four months before the end of the Project year, using monitoring and financial information, and in consultation with the TOs considering the provisions in the Community Development Plans (CDP) and the Community Agriculture Development Plans (CADP). These documents will be presented three months before the end of the year to the PAC for review and endorsement to the MORDI TT Board for approval. Draft AWPBs will be shared with MFNP, MAFFF, and provided to IFAD two months before end of the year, for no objection. Once a no objection has been obtained, TRIP II will post the AWPBs on websites in MIA and MAFFF for access by ESPs and members of civil society, development partners, etc.

163. MORDI TT will provide brief six monthly budget implementation progress reports to MFNP, MIA, MAFFF and IFAD, summarising progress against AWPBs and highlighting issues requiring action or decisions. These reports will also contain financial and procurement statements as well as an annex summarising any micro-finance agreements.

164. **Flow of Funds.** A Designated Account (DA) in US\$ will be opened by the MFNP as Borrower Recipient at a commercial bank acceptable to IFAD; this DA will be used to receive Loan and Grant funds. MFNP will designate the person/s authorized to jointly operate the DA and to withdraw funds. An Authorized Allocation equivalent to an average of six-months of eligible expenditure during implementation (US\$675,000 divided between the two accounts) will be deposited once the conditions for disbursement are met. The initial deposit of US\$675,000 will be considered as the Imprest Fund Level and could be replenished by way of submission of a WA and an SOE 90 days after the date of funds transfer for the previous WA advance. If however, the amount of expenditure to be reimbursed totals at least US\$540,000 (80% of the Imprest Level amount) the MFNP could submit a WA with the SOE for reimbursement/replenishment of the fund at any time. IFAD will open Grant and Loan Accounts in its books upon entry into force of the Financing Agreement. Withdrawals from the Grant and Loan Accounts will be made on the basis of WAs being prepared by MORDI TT and authorized by the person/s designated by the Recipient to sign WAs. The Borrower/Recipient will be MFNP.

165. The LPA will be the MORDI Tonga Trust (MORDI TT). MORDI TT will also open a checking account in TOP at a commercial bank acceptable to IFAD - to convert and transfer funds from the US\$ DA to the TOP bank account to cover payment of Project expenditure. MORDI TT will designate authorized signatories (including alternate signatories) to the TOP checking account with two signatures required, including the appointment of certifying and approving officers for payments against the TOP checking account with their alternates.

166. **Start-up costs.** The Project will be eligible for start-up costs for an amount of US\$120,000 to support Project start up activities in accordance with the 18-month procurement plan - such as completing the baseline study, the cost of equipment, vehicles and supplies, the cost of recruiting staff, and operational costs. This will become eligible from the time of entry into force of the Financing Agreement until conditions for disbursement are met. Categories of expenditures eligible for start-up costs will be highlighted in the Financing Agreement. Upon signing of the MOU between MORDI TT and MFNP for the appointment of MORDI TT as the LPA and the appointment of the PM and the FPM of TRIP II and opening of the DA, the MFNP will be able to submit a WA to IFAD for up to US\$120,000 equivalent to operationalize the Project. The start-up costs will be charged to the following expenditure categories: (i) Category I Vehicles, Equipment Materials and Transport; (ii) II Training and Capacity Building; (iii) III Technical Assistance Studies and M&E; and (iv) VI Recurrent Costs. It is expected that the availability of start-up costs will help Government and MORDI TT to accelerate the necessary measures for the fulfilment of the conditions for the first disbursement.

167. **Disbursement procedures and documentation supporting the WAs.** Replenishments of the DA will be effected through the submission of WAs and supporting documentation and/or Statements of Expenditure (SOE). The SOE threshold has been set at up to US\$50,000 maximum single disbursement for all expenditure except for vehicles, machinery and equipment, and consultancy - which will be fully documented upon submission and as an attachment to the WA. All WAs will be in line with projected expenditure as detailed in the approved AWPBs. MORDI TT will be responsible for the preparation and consolidation of SOEs, the reconciliation of the DA, and for filing appropriate documentation and the WAs, which will be approved and signed by respective signatories of MORDI TT and MFNP prior to being submitted to IFAD for payment. The Project may request IFAD for direct payment to contractors and/or suppliers for single payment with a value of TOP200,000 (US\$100,000) or more.

168. **Internal Control System - approvals, acquittals and authorisations.** MORDI TT will be solely responsible for handling payments on behalf of the Project, subject to the approval process and authorizations. All transfers from IFAD to the Project's DA must be in line with the current AWPB and will be subject to satisfactory acquittal of previous advances. Each AWPB must be formally endorsed by the MORDI TT Board through the approval of the PAC and submitted to IFAD for "no objection" prior to any expenditure being incurred against these plans and budgets; and all WAs (and accompanying SOEs) must be approved by MORDI TT and MFNP prior to submission to IFAD. The FPM will certify while the PM will approve all disbursements from the Project TOP accounts. An alternate certifying officer and approving officer will be appointed by the MORDI TT Board. All payments against the TOP account will be processed subject to completion of a payment request form which will provide the details of the payments with reference to the budget category and component code in the AWPB; and properly supported with appropriate procurement documents, invoices, delivery receipts and other relevant financial documentation.

169. **Government and beneficiary contributions.** Government will be making a financial contribution to the Project in the form of tax exemption on Consumption and Services Tax (CST) and services contributions from Government staff. The tax contribution and Government share of staff salaries will be reflected in the terms of the Financing Agreement to be established between IFAD and MFNP by providing the Project with official tax-exempt status. Every six months, MAFFF and MIA will provide a list of Government staff from their ministries with corresponding cost shares to the Project and this will be reflected in the Project's six monthly and annual financial reports. Community beneficiaries will be required to make a 25% contribution (12% cash and 13% in kind) towards community economic infrastructure costs (Component 1) and a 40% contribution (about 15% cash and 25% in kind) towards Component 2's livelihood development activities. The contributions were defined based on the pattern of beneficiary contributions in TRIP I, which show that communities were prepared to contribute these costs. The cash contributions for infrastructure and livelihood costs will be paid directly to suppliers/contractors.

170. **Project book of accounts.** MORDI TT will maintain a full set of accounts in accordance with IFAD's requirements and internationally acceptable accounting standards. TRIP I's PMU is currently using MYOB accounting software. For TRIP II, the PMU will upgrade the current version of MYOB or procure new accounting software which will automatically produce all financial reports in line with the requirements of IFAD, such as SOEs, Sources and Uses of Funds, Balance Sheets, WAs, Reconciliation of US\$ DA, Bank Reconciliations for TOP account, AWPB Financial and Physical Progress, Procurement Contract Register, and Payment Monitoring Register. IFAD will be responsible for periodic reviews of Project accounts to ensure adherence with acceptable standards of transparency and accuracy. An annual audit of the Project accounts will be undertaken by an external auditor. MORDI TT's staffing will include a qualified FPM and a Finance Officer (FO). The Government OAG will undertake periodic compliance audits on internal control and procurement processes, and documentation of the Project, and provide audit reports to MFNP. The FPM will manage the overall accounting system and be responsible for ensuring that MORDI TT's staff maintain records and adequate documentation of field-level expenditure. He/she will be supported by a Procurement Officer (PO) and a FO.

### **Procurement**

171. **Procurement procedures.** IFAD's revised "Project Procurement Guidelines" dated September 2010 emphasize the possibility of using the Borrower's or Recipient's procurement regulations to the extent that such regulations are consistent with IFAD's Guidelines. Tonga updated its Public Procurement Regulations in 2015. The new regulations are based on procurement guidelines used by the World Bank and the Asian Development Bank with some adjustment and simplification to allow for different conditions in Tonga. The regulations apply to all procurement carried out by Government and are now used by several development partners in Tonga under an initiative to align and harmonize the procurement process in recognition of the Paris Declaration on Aid Effectiveness. Consequently Tonga's Procurement Regulations (2010) will be used for TRIP II. However IFAD's Procurement Guidelines will have to be consulted to ensure conformity to national guidelines and to policies and principles contained in IFAD Procurement Guidelines, during Project implementation. The procurement methods to be followed under the Project will be selected from the list in Attachment 3 in Appendix 8, noting that the design has chosen not to use the "procurement with community participation" process for reasons of efficiency and cost - see Appendix 8 for details.

172. **Procurement - MORDI TT staffing.** Staff for the PMU will be appointed by MORDI TT. The positions are detailed in Figure 2 and Draft Terms of Reference are listed in Working Paper 3. The PM and the Administrator will be responsible for managing the staff recruitment and appointment processes.

173. **Eighteen-month procurement plan.** Before commencing implementation and annually thereafter, the Recipient will provide together with the AWPB an 18-month Procurement Plan to IFAD for approval. A draft Procurement Plan for the first eighteen-months of the Project is presented in Attachment 1 in Appendix 8. This will be revised and further detailed at Project start-up by MORDI TT and submitted to IFAD for a "no objection". Procurement will only be undertaken during the Project implementation period (from entry into force plus five years) except for: (i) start-up financing from the date of approval of the Project by IFAD's Executive Board; and (ii) for winding up expenditure after the Project completion date and before the Grant closing date. No procurement will be undertaken if it entails a payment to persons or entities, or an import of goods, prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

174. **Procurement decisions.** MORDI TT will establish a BEC for the evaluation of bids related to the procurement of goods and services with a contract value of TOP100,000 (US\$50,000) and above. This Committee will involve the PM as the chair person, the FPM, and a senior finance and a procurement staff member from the MFNP with designated responsibilities for the Project. Independent technical specialists will be invited to participate in bid evaluations on an as-required basis. The Project will also establish a PEC for evaluation of quotations for the procurement of goods and services with a contract value of more than TOP7,500 (US\$3,000) but less than TOP100,000 (US\$50,000). The PEC will involve the FPM as the chairperson, the Administrator and the PO as members. The award of any contract for goods and services costing equivalent to US\$100,000 or more per contract will be subject to prior review and a "no objection" from IFAD. The Terms of Reference and award of contracts for consulting services, or core studies, will be subject to an IFAD



prior review. The procurement contract register will be updated monthly and a copy will be provided to the IFAD sub-regional office in the Pacific.

175. All bidding documents and contracts for the procurement of goods and consulting services will include a provision requiring bidders, suppliers, contractors, subcontractors and consultants to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by Fund-appointed auditors and investigators. This provision will require bidders, suppliers, contractors, sub-contractors and consultants to: (i) maintain all documents and records related to activities performed for three years after completion of the contract; and (ii) require the delivery of any document necessary for the investigation of allegations of fraud or corruption (and the availability of employees or agents of the bidders, suppliers, contractors, sub-contractors or consultants with knowledge of the activities financed by IFAD) to respond to questions from IFAD's personnel or any properly designated Auditor, investigator, agent or consultant relating to review or audit of the document. If the bidder, supplier, contractor, subcontractor or consultant fails to comply with IFAD's request, or otherwise obstructs IFAD's review of the matter. IFAD, at its sole discretion, may take appropriate action against the bidder, supplier, sub-contractor or consultant, including the imposition of sanctions in accordance with the administrative procedures of the Fund.

#### **Audit**

176. **Audit provisions.** An independent External Auditor or the Government's OAG with TOR acceptable to IFAD will be contracted to undertake an annual audit of the Project's accounts. The audit will review withdrawals from the US\$ DA and the TOP accounts at various levels on the basis of furnished SOEs and related documentation, examine the application of USD exchange rates against TOP to be consistent with IFAD's policy regarding the flow of funds from the DA in US\$ to the operating account in TOP, review the procurement processes and documentation, analyse internal controls, and provide an opinion on whether such expenditures fully comply with expenditures eligible for IFAD disbursements in line with IFAD's 2011 Projects Audit Guidelines. An Audit Report and Management Letter will be submitted to IFAD through MFNP no later than six months after the end of each financial year.

#### **Governance**

177. Government has taken steps to improve governance and address corruption - this is reflected in the earlier TSDF which has as one of its core strategic actions: "*better governance, by adopting the qualities of good governance, accountability, transparency, anti-corruption, security and rule of law*". As a sign of commitment Government is continuing with reform efforts made under the Economic Public Sector Reform Programme (EPSRP) to improve effectiveness in the provision of Government services by focusing on three areas of public sector management – public administration, public financial management, and public enterprise reform. To ensure effective governance the Project will incorporate the following measures to be monitored through a good governance framework.

178. **Transparency of information.** Enhanced disclosure provisions: (i) making publicly available all key documents, (ii) informing all bidders promptly of contract awards and bid evaluation summaries; (iii) allowing representatives of end-users of the goods or works being procured to attend the public bid openings and provide a certification of delivery of goods, works and services; (iv) making available the details of all contracts awarded; and (v) making available the date of request for all contract payments and the date of each payment, with an explanation of the reasons for any delays. Standardization of communication items and materials: (i) use of standard wording in advertisements; (ii) agreement on the list of newspapers of nation-wide circulation in which specific advertisements will be placed; (iii) use of standard bidding and contract documents and request for proposals (for consultancy service), with no further changes to be made without IFAD's prior approval; (iv) publication of bids in agreed newspapers and on the Government web site; and (v) publication of prices paid for items in different locations.

179. **Training and Capacity Building.** Training of staff as part of the start-up process will be undertaken by MORDI TT as well as IFAD. Ongoing training and capacity building of staff in Project management and implementation, financial management, procurement and governance will be undertaken during IFAD's implementation support missions.

180. **Participation and consultation.** Enhanced community and public involvement includes recognition that the implementation of TRIP II will be driven by a community planning process. In this regard, a consistent communication process at various stages of engagement will facilitate a more active participation by communities in Project activities. In addition, a complaints handling mechanism (and the use of sanctions), whereby targeted households and the general public in targeted districts can channel complaints or inquiries will enhance community and public involvement. Complaints and inquiries will be systematically recorded and followed up; and Project planning and review events will be undertaken periodically to provide and encourage feedback and exchange between the Project, partners, ESPs and beneficiaries.

181. **Monitoring and oversight.** Enhanced supervision and monitoring will be achieved by: (i) direct supervision by IFAD, involving two missions per year, with the participation of relevant Project partners; (ii) establishing an operational M&E system to ensure accountability to key implementation partners and continuous learning and improvement; (iii) in-depth and intensive initial supervision of fiduciary aspects and procurement to ensure efficient and effective implementation; (iv) subjecting the Project to a higher level and expanded scope of ex-post reviews by IFAD to include checks for indicators of collusion, end-use deliveries, and procedural compliance, amongst other measures; (v) coordination mechanisms to ensure effective monitoring and oversight; (vi) participatory surveys and special studies to provide feedback on Project performance; and (vii) subject the Project to independent and external auditing in line with IFAD's procedures and requirements.

182. **Fraud and corruption.** Fraud and corruption can undermine the effectiveness of the IFAD's operations in different ways. IFAD will apply a zero-tolerance policy where it has determined (through an investigation performed by IFAD, the borrower or another competent entity) that fraudulent corrupt, collusive or coercive actions have occurred in Projects financed through its loans and grants. The Fund will enforce a range of sanctions in accordance with provisions of applicable IFAD rules and regulations and legal instruments. "Zero tolerance" means that IFAD will pursue all allegations falling under the scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. This policy applies to all IFAD-funded activities. IFAD ensures that it is effective in preventing, detecting and investigating fraudulent, corrupt, collusive and coercive practices. IFAD will take all possible actions to protect from reprisals individuals who help reveal corrupt practices in the Project or grant activities, and individuals or entities subject to further unfair or malicious allegations. This policy is in line with policies adopted by other international financial institutions.

## E. Supervision

183. Direct supervision by IFAD will take place on a bi-annual basis with missions scheduled to coincide with the preparation of AWPBs, and MORDI TT's and MFNP's approval of WAs. IFAD has strengthened its presence in the Pacific Islands with the appointment of a Sub-Regional Coordinator based in UNDP in Suva, Fiji. In addition, IFAD recently established an office in Jakarta which is managed by an out-post Country Programme Manager with responsibility for Tonga.

184. Supervision review missions will focus on: (i) progress with development impact against agreed indicators; (ii) joint identification of problems and solutions with recipients and implementers, and agreement on actions to achieve the Project's objectives; and (iii) ensuring compliance with loan covenants, procurement, disbursement and the end-use of funds. There will be a Mid-Term Review and the final supervision mission will include a Project Completion Review.

## F. Risk identification and mitigation

185. Table 2 lists the risks, possible consequences and mitigation measures. The Project is considered risk, particularly as the design builds on the recognized success of TRIP I and is based on MORDI TT's proven record of performance with community development in Tonga. Some of the risks outlined in Table 2 have been addressed within Project design, and others will need to be taken into account during implementation. Some of these risks are impossible to avoid such as unforeseen climatic events, and others can be managed through adjustments to detailed design as the Project progresses.

**Table 2: Risks, possible consequences and mitigation measures**

<b>Risks</b>	<b>Possible Consequences</b>	<b>Mitigation Measures</b>
Remoteness, transport and communication obstacles	Under achievement of Project objectives, outcomes and outputs	Realistic activities and realistic targets in the Logical Framework; with the design recognizing the impact of this situation
Lack of community financial contributions for community economic infrastructure and sustainable livelihoods	Poor operation, maintenance and sustainability of infrastructure; and limited interest in investing in economic livelihoods	Monitor and record in-kind and in-cash contributions from communities (which are matched by Project grant funds), provide training in maintaining records of in-kind and cash contribution, leverage funds from other development partners, and use micro-finance to partially fund Component 2 investments
Declining population and migration of youths and able-bodied persons; plus impact of seasonal work programmes	Activities only reach and benefit some of the target population	Identification, preparation and implementation of income-generating activities which offer investment opportunities to youth and able-bodied persons - focus on products with import replacement and export potential
Land tenure system whereby land and tax allotments are allocated to elder male heirs	Limits benefits, in particular for agriculture development activities implemented by the poor, and women	Identification, preparation and implementation of income generating activities, which favours employment opportunities for the poor, and for women
Climate change risks, including extreme weather events	Threatens community economic infrastructure (Cpt. 1) and agriculture investment activities (Cpt.2)	Provide training to communities, e.g. disaster risk management training provided under MORDI Programme. Cooperation with development partners who place emphasis on aligning Tonga's aid flows with fund environment interventions in the area of climate change and related fields. Implement climate resilient infrastructure and climate resilient agriculture activities
MORDI TT experiences ongoing staff losses due to heavy work-loads and limited career options	Project implementation will be delayed	The Board of MORDI II is aware of this risk following an internal institutional review during design - and is therefore expected to respond accordingly. PMU staffing, training and needs assessment will be a continuing process.
MORDI TT's PMU staff experience difficulty in transitioning from community planners for economic infrastructure (Cpt. 1) to planners of sustainable economic livelihoods (Cpt. 2)	The Project is not able to assist target communities to prepare multi-product CADPs which encompass more than one Sub-Project	The design includes training and capacity building support for MORDI TT's TRIP II staff, and for TOs and DOs, including short-term specialists
MAFFF is unable to fulfil its role in terms of providing extension officers for FFS and ongoing extension activities	TRIP II will have to depend entirely on FFS facilitators (lead farmers) selected from target communities; and not rely on public sector services	TRIP II will train 10 Master FFS Trainers from MAFFF and 10 from the private sector, and/or lead farmers - as an "insurance" policy against this possible risk.
Marketing risks for priority high value crops such as vanilla and sandal wood	Farmers lose interest in investing in these crops on their tax allotments	Encourage farmers to take a longer-term view to these types on investments; and provide support in the form of market prices, volumes and opportunities to link with the private sector.
Disbursed communities and businesses	High delivery costs	Centralizing Project management working with TOs, VCs CIGs, agriculture and rural businesses, and community, Government and NGOs.
MORDI TT's TRIP II PMU does not follow IFAD's	Procurement costs obtained may not be the lowest, and	Creation of the BEC and the PEC, and strict adherence to procurement regulations will be

Risks	Possible Consequences	Mitigation Measures
procurement processes and documentation requirements	procurement quality and quotes/bids responsiveness are compromised	reviewed during supervision missions, and by Government's OAG.

## IV. Project costs, financing, benefits and sustainability

### A. Project costs

186. **Project duration.** The Project is expected to commence implementation at the earliest in mid-2017, run over a period of five years, and be completed by mid-2022.

187. **Price contingencies, exchange rates and inflation.** The Project costs have been calculated in prices current in Tonga in June 2016. The allowance for price contingencies (3%) is related to projected international and domestic inflation rates over the implementation period and is based on projected inflation for Tonga by the Asian Development Bank in mid-2016, which for international inflation is related to the World Bank's Manufactures Unit Index (MUI) for G-5 countries. The costs have been calculated in Tonga Pa'anga (TOP) and US\$ at an exchange rate of US\$ 1.0 = TOP 2.2.

188. **Physical contingencies, taxes and foreign exchange content.** Physical contingencies have been included at a rate of 4% for most items except for those for which the cost is reliably known. Almost all manufactured and construction items in Tonga are imported, mostly from Fiji, New Zealand and Australia and the US\$ equivalent cost in Tonga is subject to changes in the relative exchange rate between these countries and the US\$. Duties and taxes are based on the current tax regime in Tonga, which applies a consumption services tax (CST) of 15% for all goods and services. Major items imported for the Project are assumed to be duty free except for transport and vehicle operating costs.

189. **Project costs by component** are summarised in Table 3. The total cost over five years is estimated to be US\$10.98 million, including physical and price contingencies, which amount to 4% and 3% percent of base costs, respectively. The foreign exchange element is estimated to be US\$1.98 million, or 18% of total costs. Approximately 20% of the base cost has been allocated to Component 1 (Community Development) of which the majority will be for resilient community infrastructure. Component 2 has been allocated 36% of the base costs, with most being allocated to support economic livelihoods in the form of grants. Project management costs, including costs for Project PMU and participating Government staff, are estimated at 44% of base costs.

**Table 3: Project Costs by Component (TOP, US\$)**

	(Pa'anga)			(US\$)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>A. Community Development</b>								
Community Development Plans	497,525	64,901	562,426	226,148	29,500	255,648	12	3
Resilient Community Infrastructure	2,695,605	1,297,749	3,993,354	1,225,275	589,886	1,815,161	32	18
<b>Subtotal</b>	<b>3,193,130</b>	<b>1,362,650</b>	<b>4,555,780</b>	<b>1,451,423</b>	<b>619,386</b>	<b>2,070,809</b>	<b>30</b>	<b>20</b>
<b>B. Sustainable Economic Livelihoods</b>								
Community Agriculture Development Plans	244,262	31,918	276,181	111,028	14,508	125,537	12	1
Sustainable Economic Livelihoods	5,534,915	2,188,694	7,723,610	2,515,871	994,861	3,510,732	28	35
<b>Subtotal</b>	<b>5,779,178</b>	<b>2,220,613</b>	<b>7,999,790</b>	<b>2,626,899</b>	<b>1,009,369</b>	<b>3,636,268</b>	<b>28</b>	<b>36</b>
<b>C. Project Management</b>	<b>9,578,437</b>	<b>227,490</b>	<b>9,805,927</b>	<b>4,353,835</b>	<b>103,405</b>	<b>4,457,240</b>	<b>2</b>	<b>44</b>
<b>Total BASELINE COSTS</b>	<b>18,550,746</b>	<b>3,810,752</b>	<b>22,361,498</b>	<b>8,432,157</b>	<b>1,732,160</b>	<b>10,164,317</b>	<b>17</b>	<b>100</b>
Physical Contingencies	640,142	235,722	875,864	290,974	107,146	398,120	27	4
Price Contingencies	611,253	147,795	759,047	277,842	67,179	345,021	19	3
<b>Total PROJECT COSTS</b>	<b>19,802,140</b>	<b>4,194,269</b>	<b>23,996,409</b>	<b>9,000,973</b>	<b>1,906,486</b>	<b>10,907,459</b>	<b>17</b>	<b>107</b>
Interest During Implementation	-	152,274	152,274	-	69,216	69,216	100	1
<b>Total Costs to be Financed</b>	<b>19,802,140</b>	<b>4,346,543</b>	<b>24,148,683</b>	<b>9,000,973</b>	<b>1,975,702</b>	<b>10,976,674</b>	<b>18</b>	<b>108</b>

### B. Project financing

190. The proposed financiers of the Project are the Government of Tonga, beneficiaries and IFAD. Government will finance the tax and duty elements of Project expenditure. Component 1 beneficiaries will make a matching payment for community grants to support economic infrastructure, equivalent to 25% of the value of infrastructure investment. Component 2 beneficiaries (as they have already participated in TRIP I) will be required to make a matching payment for economic livelihood grants of 40%

of the value of the support. This contribution will be in the form of their labour contribution and/or the in-kind value of materials. IFAD will provide grant financing for all other Project costs. The overall financing plan is summarised in Table 4.

**Table 4: Project Costs by Financier**

Financier	US\$	%
IFAD loan	3,375,182	30.7%
IFAD grant	3,375,182	30.7%
Communities	1,427,989	13.0%
Government <sup>a/</sup>	2,798,320	25.5%
Total	10,976,674	100.0%

a/ Includes cost of Government staff time.

191. **Other contributions.** Government will contribute US\$0.87 million in the form of taxes foregone, and about US\$1.67 million in the form of imputed salaries for Government staff actively engage on TRIP II, such as TOs, DOs and MAFFF's Extension Officers. In addition it is expected that the private sector will contribute in the (non-quantified) form of assistance with product accumulation, processing and marketing; and participation in training events associated with FFSs (as is the case on 'Eua). Finally, contributions from the target communities towards investments in Components 1 and 2 will also be considerable and are estimated to be US\$1.5 million.

### C. Summary benefits and economic analysis

192. Benefits and beneficiaries. The major measurable benefits resulting from the Project will include: (i) reduced loss of life, repair costs, and transport and communication costs associated with new and improved climate resilient infrastructure; and (ii) increased household incomes from agriculture (annual and perennial crops) and handicraft production.

193. Other benefits, which are not easily measurable in monetary terms, include: (i) improved community organization, empowerment and quality of life in remote communities; and (ii) improved food security and nutrition, The development of more social cohesion in communities through the learning experience of the participatory consultation process, and the more enabling environment for attracting other development partner support (generated by CDPs) will also be an important investment. The increase in community well-being and livelihoods will make the community environment a more attractive place in which to live which could reduce the pressure for outward migration and may attract expatriate members of the community to return and reside in villages, thereby contributing to more viable and balanced communities.

194. The Project will be implemented in 62 communities under Component 1 and 60 communities in Component 2. It is estimated that about 28,650 people will benefit from resilient community infrastructure, and sustainable economic livelihoods activities. The Project is expected to directly benefit 3,090 households under Component 1 and 2,100 households under Component 2.

#### Financial Analysis

195. Component 1 will assist communities to formulate CDPs and to implement selected economic infrastructure. Specific activities will be defined as implementation of the Project proceeds. The aim of the financial analysis was to provide an indicative assessment of likely "with Project" outcomes compared to "without Project" scenarios of no change in the present situation.

196. Component 2 will provide support for farmers' engagement in sustainable economic livelihoods through improved and resilient practices related to: (i) agroforestry-based food production systems on tax allotments and demonstration farms; (ii) additional and more productive homestead gardens; and (iii) agroforestry-based handicraft production and processing centres in the form of weaving halls for women.

197. Based on the experience of TRIP I, and the design of TRIP II, the types of climate resilient investments likely to be made under Component 1 have been separated into four categories - with 25% of the funding for: (i) resilient community halls (new construction as well as upgrading and renovation); (ii) wharfs (new and upgraded); (iii) roads and bridges; and (iv) agricultural machinery, mainly tractors. For Component 2, the investment analysis follows the three major support categories: (i) agroforestry systems on tax allotments; (ii) homestead gardens; and (iii) weaving halls for handicraft manufacture. The benefits have been estimated separately for each type of investment.

198. The financial impact of the Project on beneficiary households will be significant, as it is assumed that the improved practices increase crop productivity and reduce labour use. For example, “average” (over the 20-year Project life) returns per family labour-day would increase from about US\$14 per day to about US\$24 per day. The benefits accruing to individual households will vary because households in a community may not all benefit from or participate in particular investments. The Financial Internal Rate of Return (FIRR) for the Project is 6%. Sensitivity analysis shows that the FIRR is relatively stable.

199. An appropriate indicator with which to compare FIRRs is the weighted average cost of capital. The weighted lending rate in April 2016 from the Reserve Bank of Tonga was 7.97%, with a weighted deposit rate of 2.26% (a proxy for the business cost of capital) and inflation of less than 2%. These rates indicate a weighted average cost of capital of less than 4%. That is, any investment proposal considered for funding under Component 1 or 2 should be funded.

### **Economic Analysis**

200. A partial economic analysis has been completed, based on: (i) the benefits anticipated from Components 1 and 2; (ii) the investment costs of Components 1, 2 and 3 (Project Management); and (iii) estimated annual operating and management costs for the life of the Project. The estimated benefits described above are the incremental benefits accruing under the “with Project” scenario. “Without the Project”, none of these benefits would accrue and the situation would continue as at present.

201. For the economic analysis the prices of domestic resources were adjusted with a standard conversion factor (SCF) of 0.88. Key imported inputs were valued at border prices. The shadow wage rate factor for labour was set at 1.0 because rural communities are more constrained by a lack of labour available, than by surplus labour. The analysis was completed using constant 2016 prices and an exchange rate of US\$1 = TOP 2.2. The Project life is assumed to be 20 years.

202. The economic analysis accounts for costs and benefits for each of the four types of investments for Component 1, and the support packages for sustainable economic livelihoods under Component 2. The EIRR for the Project is 20% and the Net Present Value (NPV) at a discount rate of 12% is US\$8 million. An important share of the NPV is generated by the agroforestry systems, which include high value crops such as sandalwood and vanilla, making up almost 72% of the net benefits. The sensitivity analyses focuses on testing the impact of changes in costs and benefits on the Project EIRR. An increase in costs of up to 30% decreases the EIRR to 16%, which is the same impact as delaying benefits by two years. An increase in benefits of 20% changes the EIRR to 22%, while a decrease of 20% changes the EIRR to 17%.

## **D. Sustainability**

203. The Project will contribute to scaled-up, improved and sustainable livelihoods of vulnerable communities in Tonga’s rural areas by: (i) assisting beneficiaries with planning and prioritization processes; (ii) mandating that beneficiaries contribute to the development, operation and maintenance of community economic infrastructure, and sustainable livelihood investments; (iii) linking beneficiaries with markets, micro-finance services and improved FFSs and agriculture extension services; and (iv) embedding participating and learning methods in CDPs and CADPs, in Government processes and systems; and (v) importantly, leveraging co-financing from cooperating development partners for support; for example, working with DFAT and UN-Women to build linkages

with their national programmes on gender, and with DFAT for specific support in the area of improved nutrition<sup>29</sup>.

204. An important aspect of sustainability is reflected in the decision to base TRIP II on TRIP I, with an additional investment Component in the form of sustainable economic livelihoods. The latter will build on TRIP I's "foundation" of empowered and cohesive communities which are now ready to take the next step forward in their development agendas and invest in productive enterprises which have the potential to increase incomes and thereby raise living standards. The importance of the complementarity between TRIP I's Component I and the development interventions designed into TRIP II should not be under-estimated.

205. Project has three key features which have been designed to establish ownership and maintain intervention sustainability: (i) for community development (especially the planning and prioritization processes) a key feature is the use of VCs (and CIGs) whose role will be to oversee the development of CDPs and CADPs which address local needs and priorities (for Components 1 and 2); (ii) for the development of community economic infrastructure and sustainable livelihoods, a key feature will be cash and or in-kind contributions, as well as long term operations and maintenance; and (iii) for sustainable livelihoods, inclusion of specific support for women and handicraft manufacture, plus micro-finance services for all three agriculture development options, will also contribute towards long-term sustainability.

206. In addition, Government and the private sector will play large roles. In community development (Component 1) Government's TOs (with the support of DOs, Governor's Office or Governors Representative, the PMO, and other relevant agencies) will contribute to the planning and monitoring of community development activities. For economic livelihood development (Component 2) Government will assist with improved agriculture extension services, and the private sector will provide support in the form of market outlets for import replacement and export crops. The provision of micro-finance services from an international NGO (SPBD) will also contribute to sustainability.

207. MORDI TT is an independent NGO which has built significant experience and recognition through the successful implementation of the MORDI Programme and TRIP II. The fact that the Government of Tonga has agreed to partner with civil society (and vice versa) to deliver TRIP II remains innovative in the Tongan context. The Project will ensure that this relationship is further developed so that by completion the capacity and relationship to further support and develop Tonga's rural sector is enhanced and embedded in national systems. The institutional sustainability was assessed during the design process and was found to be robust, as detailed in a separate, stand-alone report.

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<sup>29</sup> See <http://dfat.gov.au/geo/tonga/development-assistance/Pages/development-assistance-in-tonga.aspx> (objective 2 - which focuses on a more effective, efficient and equitable health system).

## Appendix 1: Country and rural context background

### Introduction

1 IFAD does not have an existing Country Strategic Opportunities Paper (COSOP) for Tonga, but does have a draft Country Strategy Note (CSN) which was prepared as part of this Project Design exercise. Therefore this Appendix is based on: (i) this CSN; (ii) the Government of Tonga's current Tonga Strategic Development Framework (TSDF, 2015-2025); (iii) IFAD's new Pacific Partnership Approach, the latter was prepared in response to demand for stronger IFAD support and services. In addition, the recently approved Tonga Agriculture Sector Master Plan (TASP) is now the main "driver and guide" of agriculture sector investment initiatives funded by Tonga's development partners.

2 The goal of IFAD's Pacific Partnership Approach is to "enable rural people in Pacific Islands to have food security and sustainable, resilient livelihoods". The approach supports Governments to achieve sustainable reductions in food insecurity and rural poverty in isolated and disadvantaged areas. IFAD is pursuing two strategic objectives based on priorities and needs, and IFAD's comparative advantage in financing rural poverty reduction. These are: (i) Strategic Objective 1 - people in outer islands and remote areas produce and market more local foods in environmentally sustainable and business-oriented ways, and have more nutritious, healthy and diversified diets; and (ii) Strategic Objective 2 - this target population has increased rural incomes, from farm and non-farm income generating and employment opportunities. This Detailed Design report reflects these Strategic Objectives - see the Logical Framework in Appendix 4.

3 Table 1 is a summary of development partner-supported projects in Tonga. During the past five years there have been 12 fisheries projects, 10 agriculture projects, two forestry projects, two climate change projects, two environment projects and two social infrastructure projects; total 30 projects. The latter two include the Tonga Rural Innovation Project (TRIP). The combined value of these projects is about US\$3.2 million, noting that there is no budget information available from the Ministry of Finance and National Planning (MFNP) on some projects<sup>30</sup>. The major development partners supporting the general agriculture and rural development sectors in Tonga are: (i) the European Commission (EC); (ii) the Australian Department of Foreign Affairs and Trade (DFAT); (iii) the New Zealand Aid Programme (NZAP); and IFAD for TRIP.

### Recent Government and donor strategies

#### Government strategies and political objectives for agricultural development

4 Cultural and rural development policy of Tonga is governed by the Tonga Strategic Development Framework (TSDF, 2015-2025), and the current sector plans for the Ministries responsible for agriculture and the rural sector (i.e. (i) the Ministry of Agriculture, Food, Forests and Fisheries [MAFFF] - through the TASP; (ii) MFNP; and (iii) the Ministry of Internal Affairs [MIA]). The national impact sought within the vision of the TSDF is "a more progressive Tonga supporting a higher quality of life for all". This latest version of the TSDF builds on the 2010 National Strategic Development Framework (NSDF) which directed Government departments to become more accountable and focused on providing core services.

5 This high level societal impact is supported by seven National Outcomes which contribute to the National Impact through more inclusive and sustainable growth and development. Focusing on inclusive and sustainable growth is expected to ensure long-term progress which is broader based and fairer to all.

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<sup>30</sup> Table 1 was extracted from MFNP's data base on projects.



**Table 1: Summary of development partner supported projects in Tonga**

Donor	Project Name	DAC Sector	Location	Status	Actual
					2014/2015
Australian - Other	Evaluating Processing Sea Cucumbers	Production (Fisheries)	Nationwide	Ongoing	-
Australian - Other	Evaluating Processing Sea Cucumbers	Production (Fisheries)	Tongatapu	Ongoing	34,977
Australian - Other	Evaluating Processing Sea Cucumbers	Production (Fisheries)	Vava'u	Ongoing	-
Australian - Other	Farming Research	Production (Agriculture)	Tongatapu	Ongoing	-
Australian - Other	Farming Research	Production (Fisheries)	Tongatapu	Ongoing	-
Australian - Other	PHARMA	Production (Fisheries)	Tongatapu	Ongoing	-
New Zealand Bilateral	Tonga Forest Products Ltd	Forestry	Tongatapu	Ongoing	140,000
New Zealand Bilateral	Tonga Forest Project	Forestry	Tongatapu	Ongoing	369,569
IFAD	Tonga Rural Innovation Projects	Other Social Infrastructure and Services	Tongatapu	Ongoing	138,567
IFAD	Tonga Rural Innovation Projects	Other Social Infrastructure and Services	Vava'u	Ongoing	157,339
IFAD	Tonga Rural Innovation Projects	Other Social Infrastructure and Services	Ha'apai	Ongoing	140,585
IFAD	Tonga Rural Innovation Projects	Other Social Infrastructure and Services	'Eua	Ongoing	104,902
IFAD	Tonga Rural Innovation Projects	Other Social Infrastructure and Services	Niua Toputapu	Ongoing	17,110
Asian Development Bank (ADB)	Small Management Areas - CRSP	Production (Fisheries)	Vava'u	Ongoing	-
Secretariat of the Pacific Community	Farming Research	Production (Agriculture)	Tongatapu	Ongoing	-
Secretariat of the Pacific Community	Farming Research	Production (Fisheries)	Tongatapu	Ongoing	-
Secretariat of the Pacific Community	Global Climate Change Alliance Project	Climate Change	Nationwide	Ongoing	500,000
Secretariat of the Pacific Community	Global Climate Change Alliance Project	Climate Change	Tongatapu	Ongoing	821,785
Secretariat of the Pacific Community	LVGI Food Security	Production (Agriculture)	Tongatapu	Completed	76,048
Secretariat of the Pacific Community	LVGI Food Security	Production (Agriculture)	Tongatapu	Ongoing	22,862
Secretariat of the Pacific Community	LVGI Food Security	Production (Agriculture)	Vava'u	Completed	10,974
Secretariat of the Pacific Community	LVGI Food Security	Production (Agriculture)	'Eua	Completed	1,990
Secretariat of the Pacific Community	SPC funds fisheries & LVGI Food Security	Production (Fisheries)	Tongatapu	Ongoing	29,670
Secretariat of the Pacific Community	SPC Funds-Fisheries	Production (Fisheries)	Tongatapu	Completed	830
Secretariat of the Pacific Community	SPC Funds-Fisheries	Production (Fisheries)	Tongatapu	Ongoing	-
South Pacific Regional Environmental Prog	Prevention, Control & Mgmt Invasive Alien Spe	General Environmental Protection	Nationwide	Ongoing	223,703
South Pacific Regional Environmental Prog	Prevention, Control & Mgmt Invasive Alien Spe	General Environmental Protection	Vava'u	Ongoing	1,783
United National Development Program	MAFFF - Pacific Risk Resilience Programme	Production (Agriculture)	Tongatapu	Ongoing	-
United National Development Program	Pacific Risk Resilience Program	Other Social Infrastructure and Services	Tongatapu	Ongoing	36,495
Food & Agriculture Organisation	Food Security and Sustainable	Production (Agriculture)	Tongatapu	Ongoing	300,000
Forum Fisheries Agencies	FFA Funds - Fisheries	Production (Fisheries)	Tongatapu	Completed	188
Forum Fisheries Agencies	FFA Funds - Fisheries	Production (Fisheries)	Tongatapu	Ongoing	40,868
Forum Fisheries Agencies	Small Scale Fisheries Projects	Production (Fisheries)	Nationwide	Ongoing	<b>Total</b>
Other Donor	Improve Agriculture productivity	Production (Agriculture)	Tongatapu	Ongoing	<b>\$3,170,245</b>

6 **The seven National Outcomes** are a more inclusive and: (A) sustainable and dynamic knowledge-based economy; (B) sustainable and balanced urban and rural development across island groups; (C) sustainable and empowering human development with gender equality; (D) sustainable and responsive good-governance with law and order; (E) sustainable and successful provision and maintenance of infrastructure and technology; (F) sustainable and effective land administration, environment management, and resilience to climate and risk; and (G) sustainable and consistent advancement of our external interests, security and sovereignty. In terms of where TRIP II fits into and supports the current TSDF, Outcomes B and F (underlined above) are the most relevant.

7 In support of the seven National Outcomes, there are twenty-nine TSDF II Organisational Outcomes. These Organisational Outcomes are grouped into five Pillars which, working together, support the National Outcomes. There are three Institutional Pillars (economic, social and political institutions) and two Input Pillars: (i) infrastructure and technology inputs; and (ii) natural resource and environment inputs. Further details are available in the TSDF (2015- 2035).

8 The Government of Tonga believes that all parts of the country should enjoy similar economic and social opportunities, enabling the outer islands and rural development programmes to contribute to national prosperity. Community development is at the core of their strategic framework and will support many other initiatives. In order to achieve this goal Government introduced the following fundamental changes to the previous TSDF:

- (i) A change in governance structures for rural communities and outer islands to support a process which empowers communities and builds more self-reliance at all levels to address community development needs - and as demonstrated by MORDI and TRIP I.
- (ii) Further, this strategy assisted rural communities to gain a clearer understanding of the development processes and possible sources of development assistance which could support development needs and priorities - again, as demonstrated by MORDI and TRIP I.

9 As part of this change process, District Officer (DOs) and Town Officers (TOs) were allocated enhanced roles, responsibilities and resources to engage with their communities to help address their development needs. TRIP I built on this change and worked through these Ministry of Internal Affairs (MIA) staff to prepare Community Development Plans (CDPs). In addition, Government, in consultation with local communities formulated Island Development Plans (IDPs) for 'Eua, Vava'u and Ha'apai. These are now due for revision and at the time of designing TRIP II, only 'Eua had an IDP which could be considered as up-to-date.

10 To help provide the skills and resources required to support growth in the rural economy the TSDF provides strategic direction for the creation of employment opportunities through "improving the output of the productive sectors" through improvements in the performance of the three key productive sectors (agriculture, fishing and tourism). This approach is consistent with the overall focus of MAFFF's TASP, and is in line with the main sectoral support projects such as: (i) the Pacific Horticulture, Agriculture and Market Access (PHAMA) project; (ii) the Pacific Risk Resilience Project (PRRP); and (iii) a number of Climate Change and Disaster Risk Management (CCDRM) projects.

11 While MAFF is primarily responsible for rural development relating to production activities, other ministries such as the Ministry for the Environment (MEIDECC), the Ministry of Infrastructure (MOI), and the Ministry of Labour Commerce & Industries (MLCI) share responsibility for the development of Government services and the construction of rural infrastructure. The supporting Ministry's sector plans acknowledge the need to focus on specialist technical areas in order to provide an enabling environment for small farmers and the private sector to operate effectively. The TSDF acknowledges that the private sector is the key driver of economic growth in the rural sector.

12 **The TASP** was finalized in mid-2015 and reflects MAFFF's and Government's aspirations for Tonga's agriculture sector. The TASP focuses on four sub-sectors and four corresponding supporting development Programmes, as follows:

- (i) Programme 1: climate-resilient agricultural production systems which are determined by healthy soils, secure and sustainable water supplies, diverse farming systems, and adaptive communities;
- (ii) Programme 2: the enabling environment in which the sector operates - in terms of country systems and international relationships, human resource availability and capacity, regulations and compliance, quarantine, etc.;
- (iii) Programme 3: subsistence-level staple food, cash crop and livestock production, associated with rural livelihoods, and including income from local domestic sales; and
- (iv) Programme 4: an increasingly active and export-orientated sub-sector with a strong focus on vegetables, plus an emerging but not yet operational import replacement sub-sector.

13 TRIP II has been designed around: (i) a continuation of TRIP I's Component I's activities for those communities which were not assisted under TRIP I (for support with the development of economic infrastructure); and (ii) a new initiative which focuses on economic livelihoods. The latter has been based on TASP Programmes 1 and 3 and supports the TRIP II objectives of supporting: (i) climate resilient agriculture production systems; and (ii) subsistence-level staple food, cash crop production. TRIP II will be first new rural development Project to directly support implementation of parts of the TASP. This initiative has been welcomed by the Agriculture Sector Growth Committee (ASGC) which supervised the design of the TASP.

14 **Crosscutting issues** The TSDF highlights the need for implementing Government's gender and development policy for women, as well as promoting an increase in the level of gender-balanced economic opportunities and activities throughout Tonga by promoting skills, enterprises and innovation through the training of men, women and youth at the community level and in the informal sectors. Alongside this gender policy the TSDF draws attention to the need for increasing institutional care and support services for the elderly and other vulnerable groups

15 The TSDF is predicated on the statement that "*the livelihoods of many households in Tonga depend on the land, the sea and maintaining the environmental balance and biodiversity as an attraction for tourists*". To ensure this goal is not lost, Government will undertake to promote environmental protection and sustainability by integrating climate change into all planning and project implementation initiatives, as well as implementing solid waste management; enforcing environmental

legislation; and creating renewable energy policies and disaster risk management strategies. The responsible Government Ministries are empowered to achieve these goals.

## Donor strategies and objectives for agricultural and rural development

16 From the mid-1990s to 2008 there were few development partner-funded Projects or Government initiatives which specifically supported agriculture and rural development in Tonga. However, Government's proactive approach to initiate social and economic change, first outlined in the NSDF (2010), then in the TSDF (2011), and now in the TSDF (2015-2035), provides a broad framework around which sectoral development initiatives can be planned.

17 The 30 current projects supported by Government and development partners fall into five general categories: (i) agriculture; (ii) fisheries; (iii) forestry; (iv) social infrastructure; and (v) climate change and general environment protection:

- (i) **Agriculture** covers 10 projects relating to: (a) research, with support from the Australian Centre for International Agriculture Research (ACIAR) on horticulture; (b) marketing (including the large Pacific Horticultural and Agricultural Market Access [PHAMA] Program, co-funded by DFAT and NZAP, AUS\$12.0 million across the region) and aimed at improving product quality, market access and export volumes; (c) food security; and (d) increased agriculture production, e.g. the China-supported intensive pig farming, and biogas and vegetable production project. The TASP is an important national planning initiative which is managed by ASGC. ASGC is currently attempting to identify a source of funds to cover the appointment of a TASP Coordinator<sup>31</sup>. An important agriculture project which concluded in 2008 was the STABEX (EU) Project which: (i) encouraged the planting of kava, vanilla, and vegetables; and (ii) funded the procurement of tractors and farm implements and most notably the construction of quarantine facilities. Community development projects include support for the Tonga Business Enterprise Centre (TBEC), and the Civil Society Forum of Tonga (NZAP).
- (ii) **Climate change and environmental protection** projects include: (a) the Secretariat of the South Pacific (SPS)-funded Global Climate Change Alliance Project; (b) the South Pacific Regional Environmental Programme which focuses on the prevention, control and management of invasive alien species; (c) the Third National Climate Change Communication Project; (d) Climate Resilience Sector Project (Asian Development Bank [ADB], US\$23.0 million); (e) Adaptation to Climate Change and Sustainable Energy Project (EU); (f) Revised JNAP Project (EU); (g) Integrated Land and Agro-Ecosystem Management Systems for Tonga (GEF/FAO, US\$2.3 million); (h) Pacific Risk Resilience Programme (DFAT, Government, UNDP and Live and Learn); and (i) Pacific Risk Resilience Programmes (World Bank).
- (iii) **Fisheries** support focuses on sea cucumber production, research Special Management Areas (SMAs) - the latter with support from the ADB, and food security. **Forestry** support (from NZAP) covers the commercial sector and the Government's plantations on 'Eua Island. **Social infrastructure** support includes IFAD's current investment in TRIP I, and the UNDP-funded Pacific Risk Resilience Programme which is funding some of TRIP I's staff positions through the NGO "Live and Learn".

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<sup>31</sup> Note that TRIP II intends to partially fund TASP Programmes 1 and 3 - see Appendix 4 for details.

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Partner	Product categories	Indicator Type	Indicator	Indicator Value
New Zealand	All Products	Export	Trade (US\$ Mil)-Top 5 Export Partner	4.377102
Hong Kong, China	All Products	Export	Trade (US\$ Mil)-Top 5 Export Partner	3.348616
Unspecified	All Products	Export	Trade (US\$ Mil)-Top 5 Export Partner	2.920535
United States	All Products	Export	Trade (US\$ Mil)-Top 5 Export Partner	2.481265
Japan	All Products	Export	Trade (US\$ Mil)-Top 5 Export Partner	2.053957
New Zealand	All Products	Import	Trade (US\$ Mil)-Top 5 Import Partner	62.424969
Singapore	All Products	Import	Trade (US\$ Mil)-Top 5 Import Partner	46.101535
United States	All Products	Import	Trade (US\$ Mil)-Top 5 Import Partner	23.684055
Japan	All Products	Import	Trade (US\$ Mil)-Top 5 Import Partner	17.46215
Fiji	All Products	Import	Trade (US\$ Mil)-Top 5 Import Partner	17.063674
World	Animal	Export	Export(US\$ Mil)	6.666294
World	Vegetable	Export	Export(US\$ Mil)	6.783076
World	Food Products	Export	Export(US\$ Mil)	0.454691
World	Minerals	Export	Export(US\$ Mil)	0.000618
World	Fuels	Export	Export(US\$ Mil)	2.928009
World	Chemicals	Export	Export(US\$ Mil)	0.314968
World	Plastic or Rubber	Export	Export(US\$ Mil)	0.073535
World	Hides and Skins	Export	Export(US\$ Mil)	0.001813
World	Wood	Export	Export(US\$ Mil)	0.503585
World	Textiles and Clothing	Export	Export(US\$ Mil)	0.022754
World	Footwear	Export	Export(US\$ Mil)	0.001006
World	Stone and Glass	Export	Export(US\$ Mil)	0.132596
World	Metals	Export	Export(US\$ Mil)	0.261054
World	Mach and Elec	Export	Export(US\$ Mil)	0.491708
World	Transportation	Export	Export(US\$ Mil)	0.106328
World	Miscellaneous	Export	Export(US\$ Mil)	0.137463
World	Raw materials	Export	Export(US\$ Mil)	10.6043
World	Intermediate goods	Export	Export(US\$ Mil)	3.18403
World	Consumer goods	Export	Export(US\$ Mil)	4.489794
World	Capital goods	Export	Export(US\$ Mil)	0.588704
World	Raw materials	Import	Import(US\$ Mil)	24.575585
World	Intermediate goods	Import	Import(US\$ Mil)	26.906801
World	Consumer goods	Import	Import(US\$ Mil)	117.579394
World	Capital goods	Import	Import(US\$ Mil)	42.44623
World	All Products	Export	Exports (in US\$ Mil)	18.879495
World	All Products	Import	Imports (in US\$ Mil)	218.18576
World	All Products	Tariff	Duty Free Imports (US\$ Thousand)	110141.591
...	...	Development	Trade Balance (current US\$ Mil)	-156.3743317
...	...	Development	GDP (current US\$ Mil)	434.3863077
...	...	Tariff	No. Of Tariff Agreement	1
...	...	Import	No. Of Import partners	86
...	...	Import	No. Of Import products	2798
...	...	Export	No. Of Export partners	47
...	...	Export	No. Of Export products	636
...	...	Others	Population	105782
...	...	Others	Ease of Doing Business Rank	78
...	...	Others	Trading Across Borders Rank	87
...	...	Others	CPIA Trade Ratings	4.5
...	...	Others	Overall Trade Restrictiveness Index -	0.028153
...	...	Others	Overall Trade Restrictiveness Index - I	0.028153
New Zealand	All Products	Export	Partner share(%)-Top 5 Export Partner	23.1844
Hong Kong, China	All Products	Export	Partner share(%)-Top 5 Export Partner	17.7368
Unspecified	All Products	Export	Partner share(%)-Top 5 Export Partner	15.4693
United States	All Products	Export	Partner share(%)-Top 5 Export Partner	13.1426
Japan	All Products	Export	Partner share(%)-Top 5 Export Partner	10.8793
New Zealand	All Products	Import	Partner share(%)-Top 5 Import Partne	28.6109
Singapore	All Products	Import	Partner share(%)-Top 5 Import Partne	21.1295
United States	All Products	Import	Partner share(%)-Top 5 Import Partne	10.855
Japan	All Products	Import	Partner share(%)-Top 5 Import Partne	8.0033
Fiji	All Products	Import	Partner share(%)-Top 5 Import Partne	7.8207

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Partner	Product categories	Indicator Type	Indicator	Indicator Value
World	Animal	Export	Export Product share(%)	35.3097
World	Vegetable	Export	Export Product share(%)	35.9283
World	Food Products	Export	Export Product share(%)	2.4084
World	Minerals	Export	Export Product share(%)	0.0033
World	Fuels	Export	Export Product share(%)	15.5089
World	Chemicals	Export	Export Product share(%)	1.6683
World	Plastic or Rubber	Export	Export Product share(%)	0.3895
World	Hides and Skins	Export	Export Product share(%)	0.0096
World	Wood	Export	Export Product share(%)	2.6674
World	Textiles and Clothing	Export	Export Product share(%)	0.1205
World	Footwear	Export	Export Product share(%)	0.0053
World	Stone and Glass	Export	Export Product share(%)	0.7023
World	Metals	Export	Export Product share(%)	1.3827
World	Mach and Elec	Export	Export Product share(%)	2.6045
World	Transportation	Export	Export Product share(%)	0.5632
World	Miscellaneous	Export	Export Product share(%)	0.7281
World	Raw materials	Export	Export Product share(%)	56.1683
World	Intermediate goods	Export	Export Product share(%)	16.865
World	Consumer goods	Export	Export Product share(%)	23.7813
World	Capital goods	Export	Export Product share(%)	3.1182
World	Raw materials	Import	Import Product share(%)	11.2636
World	Intermediate goods	Import	Import Product share(%)	12.3321
World	Consumer goods	Import	Import Product share(%)	53.8896
World	Capital goods	Import	Import Product share(%)	19.4542
World	Raw materials	Tariff	Weighted Average (%)	2.112576624
World	Intermediate goods	Tariff	Weighted Average (%)	7.245165162
World	Consumer goods	Tariff	Weighted Average (%)	5.557466293
World	Capital goods	Tariff	Weighted Average (%)	4.598611382
World	All Products	Trade Indicator	World Growth (%)	-4.443338355
World	All Products	Trade Indicator	Country Growth (%)	-5.100114875
World	All Products	Tariff	Simple Average (%)	11.0836587
World	All Products	Tariff	Weighted Average (%)	5.173759596
World	All Products	Tariff	Maximum Rate (%)	20
World	All Products	Tariff	Duty Free Tariff Lines Share (%)	20.77311818
...	...	Trade Indicator	Index of export market penetration	1.194535722
...	...	Trade Indicator	HH Market concentration index	0.137087291
...	...	Development	Trade Balance (% of GDP)	-35.99890902
...	...	Development	Trade (% of GDP)	71.76521154
...	...	Development	GNI per capita, Atlas method (current	4280

## Appendix 2: Poverty, targeting and gender

1. **Poverty.** Tonga has a population of 103,036 people (52,100 male and 51,035 female) and a young population with a median age of 21 years. Net emigration is equivalent to 80% of the natural population increase ensuring very slow population growth. Within Tonga, there has been substantial internal migration from the outer islands to Tongatapu and especially urban Nuku'alofa because of remoteness, isolation and lack of livelihood opportunities on the outer islands. Tongatapu has a predominant share of 73% of the total population, followed by Vava'u 15%, Ha'apai 7%, 'Eua 5%, and the Niua's 1%.

2. The last HIES (conducted in 2009) estimates that over one-fifth of households in Tonga live below the basic needs poverty line. Tonga's HDI value in 2014 was 0.717 – which puts the country in the high human development category, positioning it at 100 out of the 188 countries. The high HDI value reflects steady progress in life expectancy, health and education between 1980 and 2014. However both the severity and depth of poverty have increased significantly in the last decade and Tonga's HDI ranking in 2012 dropped to 87 because of the global financial crisis. While the outer islands have experienced the sharpest increase in hardship, with almost twice as many people living below the basic needs poverty line in 2009 compared with 2001, about half of the country's poor people live in the rural areas of Tongatapu - see Table 1.

**Table 1: Poverty incidence and poverty gap index**

	Population below poverty line (%)		Poverty Gap Index a/		TOP/capita/weekly basic needs poverty line
	2001	2009	2001	2009	2009
<b>National Average</b>	16.2	22.5	4.4	6.3	49.73
Nuku'alofa	18.0	21.4	4.9	6.3	61.15
Rest of Tongatapu	18.8	23.5	5.3	6.7	48.12
Other Islands	11.8	22.9	2.8	5.6	47.32

a/ Source: HEIS, 2009.

3. Apart from these broad outlines, there are very little data on poverty in Tonga and certainly not enough to enable a comparison of poverty characteristics between sub-national administrative or geographic locations, or a comprehensive analysis of the correlates of poverty. The 2009 HIES which focused its analysis of difference between rural and urban areas, shows that the poorest households are those with many children, people living with disabilities, the unemployed and those with no access to land. The data are most striking on children; around 50% of children live in households in the bottom expenditure deciles and conversely poor households tend to have many children. Women, elderly and youth are vulnerable for evident social, gender and life-cycle reasons but there are no data to suggest that they are poorer. In general, poverty in Tonga does not mean destitution or hunger but a lack of access to basic services, lack of opportunities to participate in the socio-economic life of the community, and a lack of adequate resources to meet daily living expenses and customary obligations. With increasing resource scarcity and climate change induced vulnerability, there is a risk that poverty will become more severe and entrenched.

4. In the last ten years Non-Communicable Diseases (NCDs), caused by poor nutrition, changing diets, physical inactivity and substance abuse have become a burden on Tongan society as a whole and the poor in particular due to the proportionately higher cost of health care on household incomes. Tonga faces a "double burden" with 25% of premature deaths occurring through communicable perinatal, maternal and nutritional conditions and 75% of premature deaths through NCDs. The relatively young and fast growing population does not yet suffer from NCDs but the predictions are that there will be a sharp increase in NCDs as this cohort of young adults move into middle and old age. In the meantime, NCDs drain financial resources and erode household human capacity. In this context, it is not logical for TRIP II to attempt to address this national health crisis on its own, but to form strategic partnerships with development partners who are fully engaged across this issue, such as the DFAT-funded "Tonga Health Systems Support Programme" (AUUS\$ 12 million over five years).

5. **Livelihood Options and Strategies.** In the past poverty has been associated closely with geographic location and a lack of opportunity rather than failure to fulfil basic needs. About 76% of Tonga's population lives in rural areas, with agriculture and fisheries constituting key components of complex livelihood strategies and providing vital food security as well as a means to fulfil social obligations. The main livelihood strategies of the poor are a combination of remittance incomes, semi-subsistence and subsistence production, sale of handicrafts and internal migration for school and work. Strong social networks underpin economic strategies whereby migration, remittances and semi-subsistence production provide for basic needs across an extended family network. These also enabled the children of outer islanders to be educated on the main islands, and for subsistence food production to support food security amongst migrants to the main islands. Whilst development partners play a considerable role in HDI improvements, it is largely household level adaptations that enabled Tongans to overcome geographical constraints of remoteness with the attendant lack of services, infrastructure and economic opportunity.

6. Many of the social and economic factors which enabled poverty reduction and HDI gains are changing: (i) the global financial crisis had a negative impact on the entire economy with a decline of remittances from which the economy has not yet fully recovered; (ii) an increasingly monetised economy, even on the outer islands, requires cash incomes; (iii) migration from the outer islands continues as a push factor caused by a lack of opportunities and climate change induced vulnerabilities; (iv) a lack of opportunities and unemployment on the main islands; and (v) subsistence production is increasingly unable to provide for household subsistence needs and social obligations. Whilst the social fabric of Tongan livelihood strategies remains strong, poverty is increasing amongst households not able to benefit from the economic opportunities provided by increasing development and migration. These households tend to include outer island migrants to Tongatapu; and households with no land, many dependents and female-headed households. Strong social expectations to contribute to community and religious events mean that a loss of income can lead to further alienation from social support structures which provide a substantial buffer to natural and economic shocks.

7. Whilst the design of TRIP II is not able to draw on a recent HIES and labour survey, a recent Agricultural Census provides some insights into the Project target group, which will be drawn from the 76% of the population living in rural areas. As noted, all Tongan males are given a bush allotment of approximately 8 acres, which can be inherited by males and which in practice the household is required to cultivate to retain ownership, though in practice this law is not enforced. The Agricultural Census estimates that 86% of households are agriculturally active in cropping, livestock, fishery, forestry or handicrafts, though in most cases households are involved in more than one of these activities. Agriculturally active households are distributed across the island groups as follows: 71% in Tongatapu, 16% in Vava'u, 7% in Ha'apai, 4% in Eua and 2% in the Niuas. The Census divides agricultural households into the following categories:

- (i) Commercial (1%): more than 8 acres cultivated, as this requires commercial organisation to sustain.
- (ii) Semi-subsistence (63%): more than 1 acre cultivated, which produces more food than one family can consume and therefore assumes a formal or informal trade, even if this is just to satisfy social obligations.
- (iii) Subsistence (37%): 1 acre cultivated, this is usually only sufficient for one household.

8. The data do not enable an analysis of how these agricultural household types are divided into poverty categories. The subsistence and semi-subsistence categories will include a large part of the 22% of the population which is poor, however it will also include households whose subsistence production may be an adjunct to substantial remittance incomes. The high level of vulnerability to economic and natural shocks, and the deterioration of support structures to withstand these, renders a high percentage of the population above the poverty line vulnerable to increased poverty. Agriculturally active households face numerous risks to their livelihood strategies, including: (i) climate change induced impacts on soil, water and temperature which affect productivity; (ii) market access, both international and domestic; (iii) land tenure systems which discourage investment, do not optimise land use and leave vulnerable household landless; (iv) outmigration and labor shortage; and (v) limited financial products for agricultural investments.

9. **Gender dynamics.** The Tonga Strategic Development Framework (TSDf) recognises women's empowerment and inclusion as an objective. However Tonga has an extremely low Gender Equality Index of 0.66 and is ranked 148 out of 188 countries, reflecting traditional gender norms, the lack of landownership rights for women and a legal framework which does not fully protect their social and economic interests. Tongan society is patrilineal with decision-making, public roles, economic responsibilities and the cultivation of bush allotments mainly undertaken by men. Within traditional societies Tongan women are responsible for homestead cultivation and enjoy considerable status and power in the domestic domain. Women have equal access to education (with increasingly higher qualifications) and increasing labour force participation rates. The central recognition of gender equity as an objective in the TSDf will provide much needed policy and legal support.

10. Several trends in gender dynamics are apparent: (i) whilst inclusion in the formal economy have been found to support women's empowerment, the majority of women remain in the informal and subsistence sectors; (ii) the gradual decline of the extended family has also led to a decline in the status women enjoyed and the web of informal arrangements which provided women with access to resources and social privileges; (iii) in this context the fact that women do have rights to land contributes to their economic dependency and vulnerability; (iv) women are increasingly dependent on men in nuclear units and with urbanisation and economic stress, often vulnerable to domestic violence; (v) women constitute a large part of subsistence and semi-subsistence producers, in homesteads but increasingly also on bush allotments; and (vi) single women with children and no support from the extended family are particularly vulnerable - this is a growing group as many male migrants abandon their families.

11. **Youth.** Tongan youth face specific challenges of which unemployment is the most pressing - the youth unemployment rate is high, accounting for 43% of total unemployment. Young males comprise 54% of the male unemployed and females 37% of the female unemployed. Schools have a strong academic bias and do not provide technical and vocational education, leaving young school leavers with few practical applications and opportunities. A number of Churches have however been proactive in developing vocational programmes, including some in agriculture. Young Tongan women, despite inherent gender related disadvantages, of which violence is a notable factor, are performing increasingly well in education at all levels with comparable levels of adult literacy and higher enrolment rates in tertiary education; 8% compared with 4% of males. For both young men and women, higher secondary and tertiary education invariably does not result in related employment. Emigration and seasonal worker programmes still constitute one of the most promising options for young people.

12. The data do not allow a categorisation of youth by income groups and geographical location, particularly as a notable feature of young people is their transience between extended family networks on outer islands, Tongatapu and abroad. This includes Tongan youth who were raised abroad but are sent back to extended families in Tonga to be culturally integrated and often to separate them from delinquent behaviour developed abroad. Youth are also most affected by the conflict between traditional values and expectations, and modern aspirations which contribute to personal and social conflict. Whilst there is a notable lack of data on Tongan youth, the CDPs prepared under TRIP I provide some valuable insights that can support a broad categorisation. Tongan youth can be categorised into:

- (i) Youth whose main nuclear family belongs to the **extreme poor group** characterized by having no land, no employment and in families with a high dependency ratio with low levels of education. Many of these families have lost support from social networks due to their incapacity to reciprocate. Economic options include social transfers, coastal fishing, handicrafts, subsistence agriculture, and migration to urban areas. Youth from these networks have limited economic options and may not have the resources and networks to access the higher-paying migrant jobs abroad. Their economic situation and lack of options can also contribute to delinquent behaviour patterns when they migrate to urban Tonga. Given relatively limited mobility, this group will benefit from investments in local infrastructure in Component 1, whilst the proposed negotiations to ensure access to land, and Component 2 activities, will open up new livelihood opportunities as well as decrease their vulnerability.



- (ii) Youth whose nuclear family belongs to the **poor group** will most likely have secondary education and moderate skill levels, as well as some access to land and support from extended family networks. They will benefit from both Component 1 investments in infrastructure, as well Component 2 investments that expand livelihood options. They are potentially more mobile than the extreme poor, and strategies to support their commitment to locally-developed livelihood options will have to place these in the context of other economic opportunities.
- (iii) Youth whose nuclear family belongs to the **non-poor group** are most likely to have higher education and a skill-set and contacts that enable them to access higher income earning opportunities in Tonga and abroad. They will most likely to have the means for agricultural investments to be supported under Component 2 that have commercial potential, although their interest in doing so will be balanced against alternative employment opportunities. Whilst they will benefit from Component 1 activities, they are less likely to consider locally place-based investments as relevant to their futures. They will be the group most able to invest remittances in local economic activities.

13. As noted, there are likely to be variations in the uptake and interest of local youth depending largely on their economic options and alternatives. Whilst youth are not generally interested in agricultural production, a lack of alternatives and the experience of Farmer Field Schools (FFSs) run by TRIP I suggest that there is a window of opportunity to interest young people, both men and women, in agricultural income generation. The extensive planning phase in Component 1 will enable a realistic assessment of options and opportunities for different categories of youth. TRIP I also established that the planning activities in Component 1 (particularly the development of capacities for planning, proposal writing, financial management, fund raising and Operations and Maintenance) were considered as valuable activities in themselves, as they contributed to a more general increased capacity for economic mobilisation. This aspect of the CDP process will be actively developed for youth, with links to broader vocational education opportunities. In addition, the design notes that agriculture is not in itself considered an attractive livelihood strategy for the majority of youth. The approach will therefore be to examine how agriculture can be matched to broader livelihood strategies, as well as “modernized” through social networks, media, popular campaigns and awards.

14. **The target group, targeting rationale and targeting strategy.** The TSDF (2015-2025) provides the policy umbrella for TRIP II’s targeting strategy. Its three central pillars are: (i) a more inclusive, sustainable and knowledge-based economy; (ii) more sustainable, inclusive and balanced development across island groups; and (iii) more inclusive human development with a focus on gender equality. TRIP II will have a nationwide geographical focus and will combine ongoing support for capacity building in community planning with context specific and climate sensitive economic livelihood support. TRIP I focused on outer islands because of the relatively higher incidence of poverty and because smaller communities enabled more cohesive planning around community infrastructure. Building on the resounding success of TRIP I, TRIP II will scale up interventions and support the TSDF pillars of inclusive growth in a balanced way across island groups.

15. TRIP II will have an estimated target group of 28,650 people in 5,190 households in 122 communities. This will include almost all of the 22% of households which have been identified as poor in the 2009 HIES, excluding only households which live in communities that have been identified as urban, non-viable or too large. Sixty communities are expected to have benefited from TRIP I’s community development, capacity building and community infrastructure activities by Project closure in mid-2017 and will be eligible for support through Component 2 of TRIP II. A further 62 communities which were not part of TRIP I will be provided with support for community development planning through Component 1 of TRIP II. Table 2 provides an overview of community level targeting.

16. Component 2 will be implemented in 60 communities, all of which have to have completed the community planning process under Component 1. The strategy will build on the work of TRIP I to advance community development work across Tonga, as well as provide economic livelihood opportunities which build on broad-based community development. The Component 2 activities will be targeted at communities along the following guidelines: (i) they must have completed the community planning process; (ii) they must have either potential for agricultural livelihoods which are replicable in other contexts in Tonga; or (iii) vulnerability with potential for climate adaptations which are replicable

in other contexts in Tonga; and (iv) are sufficiently “graduated” in the community planning process, as assessed by the “readiness” criteria developed in TRIP I. These criteria assess communities against 13 indicators of technical, institutional, economic and financial readiness. The assessment will be completed towards the end of TRIP I and will provide detailed information for the targeting of Component 2.

**Table 2: Overview of community-level targeting**

Island Group	Total No. of communities	Unqualified communities	Coms. too big or too urban	Coms. already covered	Coms. for TRIP II
<i>Tongatapu</i>	71	9	26	7	28
<i>Ha'apai</i>	28	1	2	6	19
<i>Vava'u</i>	45	8	2	20	15
<i>'Eua a/</i>	15	0	0	15	0
<i>Niuaotupatapu</i>	4	0	0	4	0
<i>Niuafo'ou</i>	8	0	0	8	0
<b>TOTAL</b>	<b>171</b>	<b>18</b>	<b>30</b>	<b>60</b>	<b>62</b>

a/ 'Eua Island has 14 communities, excluding Ta'anga which has its own Town Officer.

17. Whilst many Component 2 communities will be drawn from TRIP I, as these are ready for livelihood investments, a number of new communities, particularly those on Tongatapu, will also be included. TRIP I communities were mainly drawn from the outer islands, many of which do not have significant agricultural potential, and therefore it will be important to draw some of the larger communities in Tongatapu with more potential for agriculture into TRIP II. In the case of these communities, it is anticipated that agricultural planning will be introduced earlier in the community planning process.

18. A note on the definition of community used in the design report is relevant. TRIP II will include a more diverse set of communities, particularly through the inclusion of Tongatapu communities that are larger, more diverse, are often peri-urban, and have a more transient population. The TRIP I approach was to target the community both as a formal entity (the administrative village headed by a Town Officer), a traditional entity (respected leaders with the fon'ō as the main forum of discussion) and informal economic and social structures (based on age, economic activity and gender). This approach worked well as it supports consensus building, as well as formalisation of the approach and the representation of the community as a united interest group in governance processes. TRIP II will take the same approach, defining community as the integration of all three of these aspects.

19. TRIP II will support community based and economic livelihood planning to address all of the various manifestations of poverty in Tonga - remote outer islanders with a lack of opportunity and markets, internal migrants with limited access to land, households struggling with a lack of local employment opportunities, households where production is impacted by climate change, households failing to integrate remittances into long-term household livelihood strategies, youth without economic prospects and vulnerable households (women-headed, elderly, many children) who are failing to meet obligations and benefit from social support networks. TRIP II will build on the extensive experience gathered in TRIP I to include larger and less cohesive communities and build within them a capacity for planning and problem solving. The Project supports an inclusive approach to targeting, with particular attention paid to poor rural women and youth. The focus on women and youth is motivated more by their vulnerability and traditional exclusion from decision-making than their relative poverty. The Project will use the TRIP I approach to community mobilization, which targets women and youth directly and supports the prioritization of their concerns in community development plans. This

incremental and practice-oriented approach to the empowerment of vulnerable groups has demonstrated concrete results and is well-suited to the social and cultural context of Tonga.

20. The Project activities in Component 1 will be largely self-targeted at poor people who have a vested interest in the development of community infrastructure. Selection criteria for Sub-Component 1.2 will support Sub-Projects<sup>32</sup> which directly or indirectly enhance the economic and social well-being of women and youth. Component 1 interventions require a minimum of 80% of adult community members to be present for all community planning activities; this ensures very broad participation. The economic livelihood activities in Component 2 are adapted to the needs of the poorest and most vulnerable community members because Sub-Projects will be selected through the community planning process. These are also largely self-targeted, because the extensive capacity building and consultation process required is unlikely to interest community members who have alternative economic livelihood strategies. This assumption was reviewed extensively during the design process and considered legitimate. Nevertheless, the targeting of activities under Component 2 (which will include support for private investments) will carefully assess candidates for inclusion, with cross-checking against community poverty criteria and information from the base-line surveys.

21. Apart from these direct economic benefits, TRIP II has several provisions to empower local communities, as well as to support the procedural, enabling and policy environment for poverty reduction, including:

- (i) The development of an inclusive system of bottom-up planning which is structurally linked – through District and Island Development Plans - to national planning frameworks and the TSDF.
- (ii) Practical support and adherence to the gender objectives of the TSDF, particularly through MIA's initiatives to support women's economic and political empowerment. The MIA initiative to support women as leaders, especially as Town and District Officers, will inform and support the selection of women Community Facilitators and Town Officers.
- (iii) Community empowerment through building capacity for self-mobilisation and planning, which will also enhance women's capacities to enter the formal sector.
- (iv) Development solutions built on household livelihood assets across extended family networks, enabling households to combine agricultural production, employment, migration and remittance incomes. These activities will be based both on economic and social networks, will strengthen women's access to resources and will be targeted to combining traditional and modern coping strategies.
- (v) Socially and culturally appropriate gender mainstreaming and empowerment drawing on the successful experience of TRIP I to enable women to fill decision-making and planning roles.
- (vi) Pragmatic and context specific support to maximise land-use and to overcome obstacles imposed by current land tenure arrangements. The solutions will be particularly relevant for supporting women and younger men to access land for production.
- (vii) The development of partnerships between the public and private sector to maximise support and complementarities for specific development interventions.

22. TRIP I has established numerous institutional linkages which will support TRIP II's targeting objectives. These include: (i) established working relations with the MIA; (ii) a network of Town Officers (TOs) experienced in community development planning; (iii) established working relations with MAFFF in the joint implementation of Farmer Field Schools; (iv) effective linkages with micro-credit providers, particularly those supporting women, and functional models for tripartite agreements

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<sup>32</sup> Sub-Projects are defined by TRIP I as specific development initiatives within a Community Development Plan. This terminology is used throughout the PDR.

between communities, the rural financier and private sector buyers; (v) operational and active linkages with a network of External Service Providers (ESPs) and suppliers for Sub-Project management and training and; (vi) operational and active linkages to national associations of growers and civil society organisations.

208. In summary, the main pillars of the Project's targeting strategy are geographic targeting, direct and inclusive targeting, self-targeting, empowerment and capacity building and a practical and solution oriented approach to developing policy and procedures to support inclusion of the poor, specifically:

- (i) Geographic targeting of Component 1 to ensure that all Tongan households in viable rural communities are included.
- (ii) Priority in geographic targeting of Component 2 to the remote and poor outer islands that have completed the community planning process and secondary targeting to communities in Tongatapu once these have completed a validated inclusive planning process.
- (iii) Direct and inclusive targeting of Component 1 is ensured through the requirement that 80% of adults are actively involved (of which 50% should be women) and that the interests of women and the youth are systematically prioritised through a community ranking matrix. The inclusive planning process is extensively validated before sub-projects are approved.
- (iv) Self-targeting in Component 2 is supported by the following: (i) the requirement that all activities are preceded by a validated Community Development Plan; (ii) the selection of technical interventions that are targeted to the needs of the poor; (iii) the unlikelihood of elite capture with only 1% of agricultural producers categorised as commercial and the strong correlation between agricultural production and rural poverty, and (iv) the lengthy process of inclusive planning required to access support from the Project. The selection of Component 2 activities, the extensive planning process, as well as the experience from TRIP I convinced the design team that there is unlikely to be elite capture of the Project. Nevertheless, the baselines, M&E activities and the Mid-Term Review will be valuable means to cross-check and evaluate the distribution of benefits across income and social groups. This attention to the profile of Project beneficiaries will be especially monitored for activities implemented under Component 2.
- (v) Empowerment and capacity building is key to the targeting approach and is designed to ensure: (i) inclusion; (ii) community consensus on development interventions and; (iii) practical, replicable and transferable capacity to plan, organise and manage sub-projects, as well as advocate, network and act collectively towards development solutions.
- (vi) The targeting approach also builds on the strengths of TRIP I to address procedural and policy issues that affect inclusive development through: (i) working with public partners to integrate the development planning process in formal government processes; (ii) establishing partnerships that will support inclusion objectives, such as for micro-credit, nurseries, materials; (iii) piloting approaches, such as using social media, digital extension, capturing remittance investment, that are tailored to the specific constraints and resources of the Tongan community, as identified in the analysis, and (iv) seeking practical solutions to policy constraints such as the legislation on land which reduces the access of both women and younger siblings.

209. **Gender Inclusion.** The targeting and inclusion provisions outlined above largely address the specific needs of women. They will ensure that women are supported to take full part of the community planning process and that the sub-projects selected will reflect their priorities. Several additional design features of TRIP II support women to fully access the activities and interventions provided. These include: (i) two of the three outputs in Component 2, namely handicraft and homestead gardens, specifically address women's stated priorities; (ii) there will be a quota for 40% of Community Facilitators (CF) to be women; (iii) close collaboration with the MIA will ensure that the Project benefits and learns from policy interventions to support women as leaders; (iv) two of the three members of the Common Interest Groups (CIGs) established to oversee community economic infrastructure grants (CEIGs) to be women and (v) capacity building of Town Officers and District Officers in gender mainstreaming approaches, specifically in how to include gender interests in CDPs, CADPs and VCA. Apart from these specific measures, the involvement of women in the participation, decision-making and leadership aspects of developing CEIGs, advocacy for needs and rights and

their representation in the government planning processes will significantly and sustainably empower women.

23. **M&E and Knowledge Management.** TRIP II's M&E systems will ensure the systematic collection of gender- and age-disaggregated data on key Project indicators, as well as qualitative and participatory monitoring of outputs and outcomes. Lessons will be incorporated from TRIP I as well as other Projects in the IFAD portfolio which have successful M&E performance in similar geographically remote and isolated project contexts. A senior Project Management Unit staff member will be responsible for M&E as well as Knowledge Management. The Community Development Plans and the Community Agriculture Development Plans will be used as M&E tools to assess the base-line before intervention situation, as well the expected outcomes and targets set by communities and the impact and benefits realised. The appointment of a Monitoring, Evaluation and Knowledge Management (MEKM) Officer with gender training (as an integrated part of the training programme) will support an improved focus on gender both for Project management and to identify and disseminate lessons that have wider policy implications.

Project Components/Activities	Targeting Mechanisms	Key Benefits derived by Target Group
<b>Component 1 – Community Development</b>		
1.1 Community Development Plans	<ul style="list-style-type: none"> <li>• Broad nationwide targeting to ensure coverage of all eligible rural communities, excluding only communities that are too small or urban.</li> <li>• Inclusive targeting within the communities through mandatory participation of 80% of community members to engage Project support. <b>Participation of women targeted at 50%.</b></li> <li>• Vulnerable households supported to participate through joining in sub-groups that represent their interests.</li> <li>• <b>Gender targeting</b> through women’s groups and supporting women to take leadership positions. Two of the Working Group members will be women.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased capacity for inclusive planning</li> <li>• <b>Women and youth empowered to participate in <i>fono</i> and planning fora usually led by men.</b></li> <li>• Capacity for collective action towards specific economic and social objectives</li> <li>• Improved knowledge of development support services and opportunities through government and other agencies</li> <li>• Integration of community development plans into Government and other agency planning processes and action.</li> </ul>
1.2 Resilient community infrastructure	<ul style="list-style-type: none"> <li>• Sub-Project selection process is self-targeting and inclusive, representing majority needs and priorities.</li> <li>• The selection criteria systematically prioritise the preferences and needs of <b>women’s groups</b> and youth groups. This ranking system is reflected upwards to national level planning.</li> <li>• PRAC quality assurance and advisory services support investments which maximize benefits for vulnerable households.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved quality of life through access to improved basic services</li> <li>• <b>Reduced burden of labour, especially for women.</b></li> <li>• Increased capacity for collective operation and maintenance of resources and assets</li> <li>• Increased capacity of elected representatives and local Government to link communities with development support.</li> </ul>
<b>Component 2 – Sustainable Economic Livelihoods</b>		
Community Agriculture Development Plans	<ul style="list-style-type: none"> <li>• Targeting of rural communities which have proven capacity for planning as assessed through 13 indicators of financial, economic, administrative and technical readiness.</li> <li>• Targeting of rural communities which have agricultural potential and vulnerability to climate change.</li> <li>• Selection of three agricultural interventions that are self-targeting.</li> <li>• Directly supporting women’s economic livelihoods through selection of relevant interventions (weaving and homestead gardens).</li> <li>• <b>Women’s groups and women-headed households given priority in accessing training and</b></li> </ul>	<ul style="list-style-type: none"> <li>• Increased capacity to adapt agricultural and livelihood strategies to climate induced vulnerabilities.</li> <li>• Households able to secure investments of time and labour against climate induced risk.</li> <li>• Capacity increased for long-term planning of agricultural investment strategies.</li> <li>• <b>Women empowered to take on planning for climate resilient agriculture</b></li> <li>• <b>Women have improved capacity to manage household nutrition and generate economic livelihoods.</b></li> </ul>

Project Components/Activities	Targeting Mechanisms	Key Benefits derived by Target Group
	interventions.	

### Combined TARGETING and Gender CHECKLIST

OBJECTIVES	Design
1. Does the main target group - those expected to benefit most- correspond to IFAD's target group as defined by the targeting policy (poorer households and food insecure)?	Yes. Component 1 will be targeted at all rural communities, apart from those that are non-viable (less than 15 households) or urban. Component 1 will include all community members, regardless of poverty level, but through a validated process extensively described will ensure that the interests of poor households are represented and that the interests of socially vulnerable groups are prioritised. Component 2 has self-targeting and direct targeting features that will support inclusion. The risk of elite capture has been evaluated and considered negligible.
2. Have target sub-groups been identified and described according to their different socio-economic characteristics, assets and livelihoods - with attention to gender and youth differences? (matrix on target group characteristics completed?)	Yes, with the caveat that national datasets are dated and that the 2016 HIES is not ready and that migration and remittances complicate the correlation of assets, resources and livelihood strategies. Nevertheless, the analysis characterises the target group based on the available data, as well as a wealth of information available from the TRIP I CDPs.
3. Is evidence provided of interest in and likely uptake of the proposed activities by the identified target sub-groups? What is the evidence? (matrix on analysis of project components and activities by principal beneficiary groups completed?)	There is strong evidence proving the interest and likely uptake of component 1 activities through the ongoing trip i activities in which beneficiary contributions have surpassed targets, communities have requested further support and initiated their own investments drawing on the experience gained. There is strong evidence of interest in the component 2 activities, especially homestead gardens and weaving. There is also evidence of interest in the tax allotments; however this is a riskier activity due to the greater investment of time and resources required, as well as greater risks to climate, tenure security and fluctuations in the economy. Nevertheless, this is relevant and the benefits, particularly for the youth, are significant and were consistently validated by stakeholders.
4. Does the design document describe a feasible and operational <b>targeting strategy</b> in line with the targeting policy, <i>involving some or all of the following measures and methods:</i>	
<b>4.1 geographic targeting</b> – based on poverty data or proxy indicators to identify, for area-based projects or programmes, geographic areas (and within these, communities) with high concentrations of poor people	The geographic targeting approach has been extensively outlined despite the absence of recent and detailed national economic data. Geographic targeting is based on the national 2009 HIES dataset as well as more recent and qualitative livelihood studies and the design fieldwork itself. Differences in the concentrations of poverty, type of poverty, the needs and constraints of poor people in different locations and the opportunities to support poverty reduction have been identified. The sequence of project interventions and the types of interventions are differentiated across geographic areas, to enable the Project to learn, adapt and target the needs of specific poverty groups.
<b>4.2 direct targeting</b> - when services or resources are to be channelled to specific individuals or households	<ul style="list-style-type: none"> <li>▪ The design has quotas for 50% participation of women in Component 1 planning.</li> <li>▪ The leadership of the Working Group will have two of the</li> </ul>

	<p>three main positions filled by women.</p> <ul style="list-style-type: none"> <li>▪ The Community Facilitators has a quota for 40% women.</li> <li>▪ The Project will collaborate with the Ministry of Internal Affairs and their women in leadership programme to support women to become Town Officers, though it is not possible to set quotas for these positions.</li> <li>▪ The handicraft activities are directly targeted to women; there is no need for a quota as this is exclusively a female activity.</li> <li>▪ The home gardening activities are directed at women.</li> <li>▪ The FFS, especially on tax allotments, will be directed at youth although no quotas have been established.</li> </ul>
<p><b>4.3 self-targeting</b> – <i>when goods and services respond to the priority needs, resource endowments and livelihood strategies of target groups</i></p>	<ul style="list-style-type: none"> <li>▪ The core of the Project is a rigorous and inclusive participatory planning process, which is likely to be less interesting to wealthy households.</li> <li>▪ Involvement in community planning exercises, such as those for the CDP, CADP and the CEIG, is unlikely to interest wealthier households with access to employment but is an effective way to build the capacities of poor community members, as well as their potential employment prospects.</li> <li>▪ Commercial farmers make up less than 1% of Tongan farmers and it is unlikely that the agricultural interventions supported by the Project will be relevant to their needs.</li> <li>▪ Agricultural production is strongly associated with subsistence and semi-subsistence activities of the poor and is therefore self-targeting.</li> <li>▪ The handicraft activities are self-targeted to women (though not necessarily poor women) and the home gardening activities are also self-targeted to women (most likely poor).</li> <li>▪ All three agricultural interventions have potential for promoting food security, local sales, are low input, low risk, close to home and develop local processing and value-adding opportunities.</li> <li>▪ The activities that have been identified for piloting are similarly means to leverage low hanging fruit with low capital investments, quick returns and low risks, building on the experience of TRIP I.</li> <li>▪ The technologies that have been selected, such as home-gardening, weaving sheds and water tanks as an integrated whole specifically address women’s labour constraints, as does the location of the FFS close to the village.</li> <li>▪ The food processing and conservation pilots are also means to reduce waste, reduce drudgery and optimise returns from scarce resources.</li> </ul>
<p><b>4.4 empowering measures</b> - <i>including information and communication, focused capacity- and confidence-building measures, organisational support, in order to empower and encourage the more active participation and inclusion in planning and decision making of people who traditionally have less voice and power</i></p>	<p><b>Household level</b></p> <ul style="list-style-type: none"> <li>▪ The Project promotes rural household planning for resource use, livelihood strategies and benefits sharing both through the CDP and the CADP.</li> <li>▪ The Project reduce women’s workloads through promoting women’s interests in the CDP process, supporting labour-saving technologies (e.g. in collecting water, home gardening), improved infrastructure (through the CEIG), improving women’s working conditions (through weaving sheds).</li> <li>▪ Support for both women and youth to participate in the <i>fono</i> empowers them at the household level.</li> </ul> <p><b>Community</b></p> <ul style="list-style-type: none"> <li>▪ The Project mobilizes gender and youth to participate in project activities.</li> <li>▪ The Project initiates community-led planning with a participatory methodology that is rigorously inclusive yet based on the traditional principles of the <i>fono</i>, thereby</li> </ul>



	<p>pulling together the formal, informal and traditional aspects of community.</p> <ul style="list-style-type: none"> <li>▪ The Project enables community-based consultation on public investment in rural infrastructure and ensures these correspond to identified needs.</li> <li>▪ The Project provides leadership opportunities for women and youth.</li> </ul> <p><b>Service delivery</b></p> <ul style="list-style-type: none"> <li>▪ Services will be delivered through an experienced NGO with a recognised track record in all aspects of inclusion.</li> <li>▪ The Project disseminates public information about the project to ensure activities and services are accessible to all and to enhance transparency.</li> <li>▪ The Project will formulate a project-level communication strategy to ensure that lessons are scaled-up and replicable.</li> <li>▪ The lessons from TRIP I on gender, youth and targeting issues will be disseminated in launch workshops and community sensitisation meetings.</li> <li>▪ Gender sensitisation will be integrated into all agricultural extension and FFS.</li> </ul>
<p><b>4.5 enabling measures</b> –to strengthen stakeholders’ and partners’ attitude and commitment to poverty targeting, gender equality and women’s empowerment, including policy dialogue, awareness-raising and capacity-building</p>	<p><b>Policy strengthening</b></p> <ul style="list-style-type: none"> <li>▪ TRIP I has and TRIP II will continue dialogue with government and donors to influence their attitudes and policies towards investments in smallholders, youth and women.</li> <li>▪ TRIP I has and TRIP II will continue collaboration and partnership with MIA to support the community planning process to be effectively mainstreamed.</li> <li>▪ The adoption of community planning as the main instrument for policy formation by MIA will continue to be supported as a means to support pro-poor and inclusive planning.</li> <li>▪ The Project recognises the constraints to inclusiveness of Tongan land tenure legislation and will seek practical solutions in the Project to be scaled-up and replicated.</li> <li>▪ The Project will support national level authorities to influence the vulnerability context favourably by reducing exposure to shocks or by increasing preparedness for shocks and supporting the capacity of the community to prepare for these through the climate resilience activities.</li> </ul> <p><b>Service provision</b></p> <ul style="list-style-type: none"> <li>▪ The Project will use communication channels that are accessible by the target group and ensure that communication, extension materials and knowledge packages are gender sensitive.</li> </ul> <p><b>Capacity building</b></p> <ul style="list-style-type: none"> <li>▪ The Project sensitises and trains government staff (Town Officers and District Officers) as well as Agricultural Extension workers in pro-poor and gender sensitive planning approaches.</li> <li>▪ TRIP II will organize awareness raising visits of decision-makers to project sites, continuing the existing practice of TRIP I to encourage and support local initiatives.</li> <li>▪ The Project will participate in in-country networks, formation of partnerships and alliances and public forums, as noted in the outline of strategic linkages. The PAC and PRAC are both established to ensure the Project both benefits from and contributes to these networks.</li> <li>▪ The Project will advocate to ensure commitment to pro-poor development and gender empowerment among leadership at all levels, including senior management, partners, local leaders (political, civil society, religious) and community and household members. Again, the membership of the PAC</li> </ul>

	<p>and the close partnership with the MIA supports this objective.</p> <ul style="list-style-type: none"> <li>▪ The Project will train project-related staff and core implementation partners in participatory planning procedures and participatory M&amp;E.</li> <li>▪ The Project will sensitise and build capacity of government staff and local authorities to understand the difference between a top-down, message-driven delivery system and one in which they respond to the felt needs of client farmers and communities. TRIP I made considerable progress towards this objective and the institutional processes established in TRIP II will enable these to be continued.</li> </ul>
<p><b>4.6 attention to procedural measures</b> - that could militate against participation by the intended target groups</p>	<ul style="list-style-type: none"> <li>▪ TRIP II draws on the experience of TRIP I for Component 1 which has enabled a streamlining of procedures, adjusted beneficiary contributions that do not penalise small communities and experienced technical assistance for the development of Sub-Projects and CEIGs.</li> </ul>
<p><b>4.7 operational measures</b> - appropriate project/programme management arrangements, staffing, selection of implementation partners and service providers</p>	<p>The appointment of MORDI as the Project implementing partner is a key aspect of the design and supports effective targeting and inclusion based on the experience of TRIP I. The staffing and management arrangements draw on extensive review of TRIP I with the expansion of capacity specifically to support CDP, as well as the M&amp;E and knowledge management aspects of the Project. The PAC and PRAC both draw on diverse Tongan experience to support project inclusion objectives.</p>
<p><b>5. Monitoring targeting performance.</b> Does the design document specify that targeting performance will be monitored using participatory M&amp;E, and also be assessed at mid-term review? Does the M&amp;E framework allow for the collection/analysis of gender-disaggregated data and are there gender-sensitive indicators against which to monitor/evaluate outputs, outcomes and impacts?</p>	<p>Participatory and continual M&amp;E, the centrality given to community readiness criteria and their continual evaluation, as well as the appointment of additional capacity for M&amp;E and Knowledge management are key aspects of the M&amp;E approach. The project provides for participatory planning as well as the collection of gender-and youth-disaggregated data. The knowledge management agenda will monitor, analyse and disseminate information on several key areas that have potential for either innovation or scaling-up, or both, namely: (i) the effectiveness of the planning process for productive investment of remittances; (ii) livelihood options and strategies for Tongan youth that can be replicated; and (iii) the potential of the approach for scaling-up, especially in the Pacific Island context.</p>



## Appendix 3: Country performance and lessons learned

### Introduction

1. The goal of IFAD's new Pacific Partnership Approach is to “enable rural people in Pacific Islands to have food security and sustainable, resilient livelihoods”. Appendix 1 contains further details on this recent initiative which builds on the former Sub-Regional Strategic Opportunities Paper (SRESOP) for the Pacific Islands. The latter aimed to enable the rural poor to overcome poverty and hardship by enhancing livelihood opportunities and by reducing vulnerability. These two key sequential documents identify the need and opportunity to promote and support interventions based on the principles of community ownership, self-reliance and sustainability. They also identify future interventions in the sub-region within the following overall themes: (i) development of rural communities in atolls, outer islands and upland areas; (ii) support for vulnerable groups, rural youth and women; (iii) improvements in local food security and import substitution; (iv) development of market opportunities and income generation in rural areas; (v) participation in multi-stakeholder partnerships; and (vi) support for the development of effective local governance.

2. Geography is the starting point for targeting IFAD assistance. The Agency finances activities in areas where poverty prevalence is higher (outer islands, atolls and remote rural areas) while taking efficiency into account. IFAD's approach is to: (i) prioritize communities where environmental degradation and climate change risk are highest; and (ii) specifically target young women and men according to their respective needs and roles in rural society. This approach supports governments to achieve sustainable reductions in food insecurity and rural poverty in isolated and disadvantaged areas. IFAD is pursuing the two strategic objectives outlined above, based on priorities and needs, and on the Agency's comparative advantage in financing rural poverty reduction.

3. IFAD has a long history of providing support to Tonga, with five previous projects: (i) the Agricultural Credit Project (closed in 1988); (ii) the Rural Credit Project (closed in 1993); (iii) the Outer Islands Credit Project (closed in 1999); (iv) the Mainstreaming of Rural Development Innovation Project (MORDI) (closed June, 2012); and (v) the MORDI follow-on Project - TRIP I, which will close in December 2016. In addition, apart from MORDI there have been other relevant regional projects and these are listed in Table 1. The most relevant Project in the pipeline is the Adaptation for Resilient Agriculture in the Pacific (ARAP) which will target Tonga, Fiji, Kiribati and the Solomon Islands. About US\$2.3 million has been earmarked for Tonga. These funds will be allocated to TRIP II's Component 2 which focuses on supporting climate resilient economic livelihoods.

**Table 1: IFAD's Regional Grant Activities**

Project Name	Agricultural Credit Project	Rural Credit Project	Outer Islands Credit Project	MORDI Programme	Tonga Rural Innovation Project I
Loan No.	I-129-TA	I-220-TA	I-327-TA	G-731	I-DSF-8099-TO
Cost (US\$) mill	\$7.00	\$3.40	\$6.70	\$3.00	\$4.00
Project Type	Credit & Financial Services	Credit & Financial Services	Credit & Financial Services	Rural Development	Rural Development
Approval Date	Sept 12, 1983	Apr 26, 1988	Apr 06, 1993	Dec 02, 2004	Apr 03, 2012
Status	Complete	Complete	Complete	Complete	Ongoing

4. This Appendix provides a summary assessment of TRIP I and the lessons learned based on: (i) Supervision, Project Evaluation, and Mid-Term Review (MTR) Reports; and (ii) discussions with MORDI's Project staff, beneficiary rural households, Government ministers and officials, civil society and development partners. The Detailed Design Mission was preceded by an Inception Mission and this resulted in the collation of ideas, opinions and suggestions from a wide range of stakeholders. The detailed design exercise was conducted well before the completion of TRIP I (about six months), so a Project Completion Report and its valuable impact analysis was not available to the designers of TRIP II.

## Project background

5. TRIP I is a five-year Project which is currently under implementation in the Kingdom of Tonga. The Project will end at the end of 2016 and is implemented by MORDI Tonga Trust (MORDI TT) under a contractual arrangement with the Tongan Ministry of Finance and National Planning (MFNP). This is an unusual implementation arrangement for the delivery of an IFAD-funded project as in effect line Ministries in the Government of Tonga have been bypassed, with the delivery of expected Project outcomes and impact contracted to the MORDI TT which is Tonga registered Trust. MORDI TT has implemented TRIP I since 2012 and is considered to have provided a high standard of services in terms of Project implementation, and the delivery of services and infrastructure to its target communities in isolated areas.

6. The **goal** of TRIP I is to “contribute to the improved sustainable livelihoods of vulnerable communities in rural areas of Tonga”. The **development objective** is to “strengthen the capacity of target communities to plan and manage their development priorities in order to achieve improved sustainable livelihoods”. **Component 1, Community Development** focuses on supporting communities to develop Community Development Plans (CDPs), providing community economic infrastructure grant funds for rehabilitation or construction, and overseeing the operations and maintenance of infrastructure Sub-Projects. The outcome of this Component is expected to be enhanced community capacity for sustainable planning and action. **Component 2, Business Development** focuses on assisting commercial banks to publicise and promote financing and provide supplemental equity grant funds to agriculture and rural businesses through commercial banks. The outcome of this component is expected to be enhanced business capabilities for sustainable financing and investment. **Component 3: Project Management** oversees Project implementation and monitoring by MORDI TT which was appointed by MFNP on a sole source basis to implement the Project. MORDI TT has established a Project Management Unit (PMU) in Nuku'alofa. TRIP I is financed through an IFAD grant of TOP4.95 million (approximately US\$2.5 million). Table 2 presents expenditures per TRIP I's components from 2012 to 2015.

**Table 2: TRIP I expenditure per component**

Component	Financial Years (T\$)			Total	%
	2013	2014	2015		
Community Development	94,802	1,010,590	769,202	1,874,594	63.6%
Business Development	7,457	114,746	18,903	141,106	4.8%
Project Management	370,330	280,306	278,913	929,549	31.6%
<b>Total</b>	<b>474,602</b>	<b>1,407,656</b>	<b>1,069,033</b>	<b>2,945,249</b>	<b>100.0%</b>

Source: Adapted from TRIP I Financial Audit Reports.

## Implementation progress

### Overview

7. The latest report on TRIP I's progress is the Mid-Term Review (MTR) which was completed in June 2015. There have been no IFAD Supervision Missions since then and therefore the design team used the MTR as the basis for this Appendix.

8. The MTR Team found that TRIP I had achieved excellent results in a very challenging environment over a short time. The Project has built on the foundation laid by the previous MORDI Project by introducing the same fundamental community planning processes which are well-suited to the Tongan context. TRIP I received strong appreciation for the Project during the MTR, from development partners and stakeholders across the board ranging from Government ministry counterparts, to fellow NGOs, to international development agencies, to farmers and fishers, women, men and young people; and feedback from beneficiaries and colleagues on TRIP I's Project staff and Project management was very positive. At the time of the MTR, TRIP I had achieved almost all of the outputs and outcomes targeted at the time of Project design. The Project is expected to exceed expectations in a number of areas, especially in its contribution to improving local governance in the outer islands of Tonga through collaboration with local Government staff and officials.

9. The Project had been requested by Government to assist with scaling-up its work and to increase outreach nationwide, by the time of the MTR. Plans produced by communities in the context of the Project have been aggregated to prepare District Plans and at the Island level to formulate Island Development Plans which are consolidated into documents which reflect people's needs as they are defined through a fully participatory processes. By mid-2015, TRIP I had had a major impact on policy and local governance through its collaboration with the Ministry of Internal Affairs (MIA). This led to the formalization of TRIP I's approach to community-based planning as the Kingdom's one and only development planning mechanism, noting that the CDPs are not just for infrastructure and agriculture (the latter in the form of CADPs) but also for health, education, etc. In October 2016, the Tongan Government officially launched in Nuku'alofa 136 newly formulated Community Development Plans (CDPs) prepared by communities under the facilitation of District Officers and Town Officers and support from TRIP I, at the presence of the Prime Minister, Honourable Samuela 'Akilisi Pohiva (<http://www.tongalocal.gov.to/>; <http://ifad-un.blogspot.co.id/2016/12/promoting-collective-action-for-rural.html>). The Government has indicated that in future all development partners will be expected to use the CDPs as the basis for identifying aid options. This national outcome is a major achievement for TRIP I.

10. Other important outcomes include: i) more relevant, responsive and effective services provided to target communities as a result of their direct participation in the planning process, starting from services provided by the MIA's District and Town Officers; ii) improved skills and enhanced capacity of District and Town Officers to perform their duties and through a clearer definition of their TORs, exposure to Project activities (primarily carrying out local planning) and changed institutional behaviour towards carrying out their duties through participatory and bottom-up processes; and iii) greater participation of women and youth, traditionally voiceless groups, in the community life and decision-making processes.

11. Beyond its close relationship with MIA, MORDI TT has been dynamic and active in identifying and successfully implementing strategic development partnerships with: (i) NGOs - Live & Learn, Environmental Education for the Pacific Risk Resilience Programme (PRRP), Tonga Business Enterprise Centre, and the Pacific Island Farmers' Organization Network; (ii) the private sector - South Pacific Business Development (SPBD), Heilala Vanilla, and Pacific Timber and Hardware; (iii) development partners (University of the South Pacific, the United Nations Development Programme, the Australian Department of Foreign Affairs and Trade, New Zealand Aid, the Australian Centre for International Agriculture Research, and the Tokyo Agriculture University; and (iv) other Government agencies such as the Ministry of Food, Fisheries and Forestry (MAFFF). These innovative and largely ad hoc initiatives have provided communities with a wide range of resources and opportunities for further development.

12. The MTR found that the main challenge for TRIP I was related to progress with the Business Development Component (Component 2). There is limited demand for business finance in the outer islands, and lack of evidence that access to grant funds is leading businesses to expand. In response to this situation, TRIP I has formed a partnership with SPBD to trial the provision of micro-finance services to vegetable growers on 'Eua Island. The objective of this exercise is to identify a way to overcome some of the (now apparent) issues related to the design of TRIP I's Component 2.

13. An important MTR finding was that despite TRIP I's impressive record of physical outputs, the Project continues to face significant challenges with respect to planning, reporting, administration, financial management and procurement. It seems that this aspect of Project management has become an issue for IFAD, and the Agency used the MTR to express its concern about non-compliance with the Financing Agreement and procurement regulations in this respect.

### **Specific results**

14. The TRIP I Community Development Component has two main output targets: (i) the number of Community Development Plans (CDPs) which have been formulated; and (ii) the number of Sub-Projects which have been implemented from the plans. By MTR, 52 of the total of 60 plans targeted in the Project design had been developed - 87% of the total. In addition, and at the request of MIA, TRIP I had also facilitated the formulation of 19 additional CDPs by MTR. This means that 71 CDPs, or 118% of the original target, had been finalized by MTR. This is a commendable result and one which demonstrates MORDI's staff skills and dedication, and recipient communities' enthusiasm for

economic development initiatives which are based on their priorities and plans. An additional indicator of the success of TRIP I's Component 1 is that its community planning and development process (which is amalgamated into District, Island and National Development Plans) is that MIA has adopted the TRIP I community planning process as "a national standard", with the objective of aligning all national planning exercises with TRIP I's approach.

15. In terms of progress with Sub-Projects<sup>33</sup>, by MTR 44 of the planned 60 Sub-Projects had been successfully completed and were operational - 73% of the overall target mid-way through the implementation period. The MTR Team reported that this is a considerable increase compared with the previous joint review when the Project had achieved just 22% of this target. However, many of the 44 communities which had completed Sub-Projects with facilitation and support by TRIP, by MTR had completed more than one Sub-Project. Therefore the number of small scale infrastructure, services or activities undertaken by communities was much higher at the time of the MTR.

16. The MTR reported that the quality of Sub-Projects was generally satisfactory, and in some cases, very satisfactory. Furthermore, the design specifications met with communities' expectations, and operation and maintenance arrangements were in place, and convincing. In a few cases, community sub-groups had decided to implement their Sub-Projects differently, adapting them to local circumstances. This too confirms the high degree of ownership, and demonstrates that TRIP I has been successful in terms of "putting rural communities in the drivers' seat".

17. One of TRIP I's major strengths is the Project's ability to mobilise other resources. As noted by the MTR, a number of Sub-Projects benefitted from MORDI TT's skills in networking and engaging in partnerships to leverage additional financial and technical resources from other sources, including development partners. For example, for the five renovated and four new community halls in 'Eua, Community Economic Infrastructure Grant (CEIG) funding amounted to TOP275,669; mobilisation costs TOP2,700; Government's contribution TOP 103,004; community contributions TOP121,085; and contributions from other sources TOP289,816.55. This last figure clearly shows that funds from the TRIP I's CEIG budget are not the main source of funds, and that the joint planning and implementation strategy MORDI has been promoting, is working very well.

18. TRIP I has also been successful in forming complementary partnerships. For example, the Project's collaboration with the Pacific Risk Resilience Programme (PRRP) with the objective of integrating climate change risk adaptation into the community planning process. The MTR reported that field visits revealed some heightened community awareness of climate change-related risks, and of the need to rank and prioritise these risks within the wider context of income-generating infrastructure and related activities.

19. TRIP I aims to improve the planning skills of some 4,000 adults and young people. By MTR, TRIP I had achieved 85% of this target, reached about 3,400 people who had acquired new skills through training and direct involvement in planning for their communities. Of the total 16,900 people who are expected to benefit from TRIP I, about 12,000 had been reached at the time of the MTR.

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<sup>33</sup> TRIP I uses the term "sub-project" to describe any activity or group of activities which is planned and implemented by target communities.

**Table 2: Summary of TRIP I Sub-Projects (to end December, 2015)**

Sub-Project (SP) Type	No.	Cost (T\$)	Av. Cost per SP a/
Agriculture General	4	162,196	40,459
Agric. Machinery (tractor +)	7	244,308	34,901
Agriculture Fence	16	861,829	53,864
Infrastructure	17	1,772,317	104,254
<b>Total</b>	<b>44</b>	<b>3,040,650</b>	<b>69,106</b>

a/ Includes cost of community contribution.

20. Concerning productive activities supported under the community development plans, the following main results and outcomes have been achieved so far in some of the targeted communities through the implementation of TRIP:

- Provision of agricultural tools and equipment, such as tractors, contributed to enhance productivity and household income, as shown by a financial internal rate of return (FIRR) of 80% and annual cash surpluses generated through tractor hiring of about T\$400 (about USD 180) per household. Additional benefits include saved labour inputs, increased cropped areas, improved transportation and reduced costs to hire a tractor, and enhanced ability of the community to carry out reconstruction work to replace damaged areas by cyclone Ian by using the tools financed by the Project.
- Construction of animal-proof fences and provision of agricultural tools helped the communities to enhance their farming outputs. The fence generated a FIRR of 130% and annual cash surpluses of about T\$1,500 (about 650 USD) - due to reduced time allocated to farming as well as to increased yields (and sales) of surplus produce. Additional benefits include: saved time by each household when accessing 'pig-free' outer gardens and reduced damage of harvest by free roaming pigs by 50%.
- Climate-smart seawalls financed by TRIP with community and Government contribution helped to reverse land erosion and protect community pandanus trees from inland flooding. The trees even remained un-damaged at the impact of cyclone Ian.
- Construction of communal wharfs generated a FIRR of 50% due to increased fishing incomes and reduced maintenance costs for the old wharf. Additional benefits included: greater access to markets in other islands and increased safety for community members to travel, including children, women and the elderly.
- Purchasing of patrol boats as per the community plans contributed to stop overfishing by enabling affected communities catch illegal fishers and fine them.
- The district development plans acted as a catalysing force to mobilize local institutions to respond to the needs of the communities. For example, the Agriculture Council and the Sea Transportation Council of EUA community allocated funds to purchase a new ferry and supported the community in applying for project funds to build a marketplace. Both the ferry and marketplace greatly enhanced small producers' market access and empowerment of women, who are among the main market vendors. On average, individual vendors collect TOP\$300-400 (about USD 130-180) on a daily basis or TOP\$ 1,500 (about 650 USD) weekly.
- Small-scale economic infrastructure schemes in Eua, Vaváú and Tongatapu are managed and operated in a transparent, open and accountable manner. Effective O&M mechanisms are also in place, showing a strong likelihood of sustainability.



### Key issues and lessons learned

21. TRIP I, and MORDI before it, have learned many lessons which should be heeded and factored into the design of TRIP II. These can be gleaned from anecdotal and evidenced-based facts and opinions provided by TRIP I's numerous partners, from the MTR, and other Project reports. TRIP I's key success factors, some of which are reflected in the above points on specific results, can be summarized as follows:

- (i) The first and foremost lesson is that the appointment of MORDI TT as an equal partner (and LPA) in the arrangement between IFAD, Government and MORDI TT for TRIP I implementation, produced sound results and assisted 60 rural communities. Prior to TRIP I these isolated communities had not received their share of Tonga's development benefits. TRIP I was able to engage with and empower these communities, and then assist them to jointly plan and implement sub-projects which addressed problems associated with the lack of community infrastructure. Government has recognized the success of TRIP I by: (i) formally embedding the community planning process in MIA, and requiring all development partners to use CDPs as the basis for support programmes; and (ii) requesting TRIP II to expand across the whole Kingdom and include a new economic livelihoods component.
- (ii) A relatively simple design with clear gender, poverty- and isolation-based foci, and realistic timelines, increase the probability of sustainable success. In addition, strong and experienced management (MORDI TT in the case of TRIP I) at national and community levels, and with strong official and unofficial networks throughout the sector, are also key drivers of success.
- (iii) Bottom-up, community-based rural development planning (with the resulting plans being embedded into local [island] Government development plans) is essential for community empowerment and ownership, and for ongoing maintenance and operations. This may seem to be an obvious point, but until MORDI this approach to community development had not been tested in Tonga, let alone been successful. In addition, MORDI and TRIP I have learnt that this process takes considerable time and resources before the results are firmly entrenched in community ownership. Once community empowerment and development planning processes have been completed, the delivery of sustainable resource management, technical (agriculture, fisheries and handicraft production) services, and domestic and export market information, becomes relatively straight forward for a "captive" audience.
- (iv) Good quality CDPs provide community, Government, the private sector and development partners with information on priority issues. This is evidenced by examples of communities completing successful negotiations for additional financial support for infrastructure Sub-Projects from development partners other than IFAD. In such cases, CDPs are the key factor in terms of demonstrating a community's capacity to prepare and implement Sub-Projects. In addition, other development partners and Projects such as PRRP have expressed their interest in working with the TRIP I communities, because their plans demonstrate a good level of community organization and ownership as well as providing a basis for involvement with communities.
- (v) It is critical to work closely with all players in the rural development scene in a small country such as the Kingdom of Tonga. No one project has sufficient resources to enable country-wide impact and therefore forming partnerships and leveraging support are essential implementation strategies. In addition, and as demonstrated by TRIP I with its formal planning relationship with MIA, it is important to identify and engage with all parts of Government which are mandated to improve the livelihoods of its rural constituents.
- (vi) Combining and integrating extension services (which for TRIP I were sourced from NGOs, the private sector, and Government [MAFFF] - depending on geographic locations and topics) is an efficient way to assist rural households. Similarly, building conditionality into support packages (such as the provision of micro-finance services provided that farmers attend and graduate from Farmer Field Schools) is an approach which engenders sustainability and appeals to cooperating farmers.

- (vii) Training is popular especially training in financial literacy and project proposal writing for target communities. In addition TRIP I supported a range of training activities in areas such as small engine maintenance, boat safety, agricultural production for a range of products, wood and bone carving, sewing and weaving. Training materials prepared by TRIP I are of a high standard and communities consistently indicate their need for follow-up training on many of the topics already delivered.
- (viii) Community sub-committees are successful in facilitating local ownership and community level structures to assist with the management of Project activities. These working committees have a responsibility to assist with planning processes, and resource and community mobilization. Sub-committees' responsibility is to facilitate implementation and to provide support to Sub-Projects.
- (ix) Tonga is striving to increase exports and to reduce its dependency on imported food stuffs. The key players in this space should be private sector entrepreneurs and not Government agencies - the latter's role is to address constraints and policy issues in the public arena which are impeding the efficiency with which Tonga's private sector can operate. The Tonga Agriculture Sector Plan (TASP) makes this point very clear, and therefore as TRIP II will incorporate key elements of TASP Programmes 1 and 3 into Component 2, it is important that this lesson be reflected in the design.
- (x) Tonga's geographic characteristics mean that a decentralized management structure may be required for targeted Project implementation activities, and for effective monitoring and evaluation. TRIP I's management was centralized but as TRIP II will be considerably larger and cover most of the Kingdom it may be necessary to appoint local staff (i.e. Community Facilitators [CFs]) and to ensue formal links into Local Government. Greater use of electronic dash board reporting, and alignment of TRIP II's M&E systems with those implemented by Government to track progress towards the Tonga Strategic Development Framework's (TSDF's) 2015-2025 objectives, will assist in this regard. The decentralised management structure and revised M&E structure will also support the institutionalisation of the Project approach, and reduce the staff burden of routine follow-up and administration.
- (xi) The Project Review and Appraisal Committee (PRAC) was not particularly effective for TRIP I, as the requirement for regular meetings, the need to read a large number of documents, and the deliberation of proposals received for funding through Community Economic Infrastructure Grants (CEIGs), proved to be arduous. TRIP I's team provided a high level of support for the PRAC by summarizing proposals and managing the process of obtaining additional information from communities, where this was required by the PRAC. However a review during detailed design indicated a need for adjustments and alterations to this approval process, with the appointment of PRAC members who are available when required and are able to commit time to this important task. The conclusion was that the PRAC approval procedure should continue as TRIP II will expand to include approval of Component 2 Sub-Projects which will be funded through Community Economic Livelihood Grants (CELGs).
- (xii) TRIP I's M&E and Knowledge Management, whilst improving, is still not satisfactory. MORDI TT intends to address this deficiency with a study tour to The IFAD-funded Coastal Community Development Project (CCDP) in Indonesia in 2016, and the design of TRIP II includes short-term technical assistance for the design of an M&E framework. The development of an effective and efficient M&E system has been an on-going issue since the start of the MORDI programme, and the current TRIP I system is not yet fully ineffective for Project management and learning. There has been significant informal learning under MORDI and TRIP I, particularly within communities. While this is important in informing the Town Officers (TOs), and helps to improve TRIP I's work programme, much information is being captured and documented, but some is *ad hoc*. M&E activities are often completed for the sake of compliance and reporting, rather than being used as instruments to improve Project performance and to measure and maximise the positive impacts of Project activities. While recommendations have been made by various IFAD supervision missions, more work remains, particularly at the level of goal impact indicators. It is noteworthy that the 2015

MTR did not report on the early impact of TRIP I. This deficiency could be because the necessary information and data were not available.

- (xiii) Women and youth are core target groups for TRIP II. Historically these groups have often been marginalised in community decision-making and development processes. MORDI and TRIP I have generally been successful in strengthening the voice of these groups. Almost all communities have strong and functional women's and youth groups, which are well-linked into the development planning structure and Sub-Project implementation. Identification of development priorities is usually conducted separately for men, women and youth; and many women's and youth groups have already been direct recipients of TRIP I-supported training and Sub-Projects. As a result of these capacity-building activities, these groups have proceeded to implement additional activities which are not funded through TRIP I. The strength of many groups is evidenced through group savings activities and a focus on the next major activity to be implemented by the group. Many groups describe a heightened sense of purpose, recognition within the community, and self-worth as a direct result of MORDI and TRIP I.
  - (xiv) MORDI and TRIP I have applied an inclusive targeting approach in which entire communities benefit from Sub-Project activities. To ensure a poverty focus, MORDI and TRIP I have selected specific districts on the basis of poverty incidence, levels of other development assistance, and socio-economic development indicators. Areas selected are the poorest and remotest in Tonga. These communities have limited access to markets, tend to face issues of food security and in many cases are particularly vulnerable to the impacts of climate change and natural disasters. While this targeting approach is appropriate, TRIP II will need to continue to ensure inclusive participation of all community members, and to manage the risk of benefit capture by community elites.
  - (xv) Considerable progress has been made on linking communities with policy and planning processes at all levels. At the community level, efforts are made to ensure that communities understand Local Government structures and processes, and are equipped to approach Government officials at local, district and national levels with Sub-Project proposals. MORDI and TRIP I worked successfully with Government-appointed TOs and District Officers (DOs) for the planning and implementation of Sub-Projects. These officers are now the core focal points in target communities and attitudes have changed - they are slowly moving away from traditional top-down planning approaches as the benefits of a more inclusive community-based process are demonstrated in practical terms.
22. There have been a number of lessons which have emerged from past development partner - supported programmes and/or projects in Tonga, and from experience implementing similar interventions which apply to TRIP II. Some of the most pertinent are:
- (i) Experience with community empowerment confirms that empowering the poor and disenfranchised should not be seen as an end in itself but rather a means to facilitate other activities which can bring about concrete social and economic returns and increase household incomes.
  - (ii) It is important to place the community at the centre of development initiatives to enable communities to drive development processes, and to ensure that sustainable development is within the capacity and social and cultural context of each community, and capitalises on traditional knowledge and customary practices.
  - (iii) When using group structures and local institutions as the focus for implementation in community empowerment programmes and or projects, it is necessary to build capable local organisations and ensure that related institutions help ensure intervention sustainability.
  - (iv) Mainstreaming gender is an important part of development projects - this requires special attention and effective support mechanisms.
  - (v) Income generating activities, and in particular production related initiatives, need to be aligned with market demand and specific products to have a reasonable chance of success and sustainability.

- (vi) For livelihood development the private sector can and should play an important role in the development process and in providing communities with improved access to markets for their products and services.
- (vii) Matching grant financing is an important tool to enable smallholders to access credit and to link enterprise initiatives of communities and businesses.
- (viii) Government, non-governmental and other service providers can work together, but this requires adjustment on both sides, and specific training packages.



## Appendix 4: Detailed Project description

### Title, Goal and Objective

1. Title: Rural Development Innovation Project Phase II (TRIP II). The goal is “to contribute to improved and resilient livelihoods for Tonga’s rural population”. The development objective is: “Communities are enabled to plan and manage resilient infrastructure and livelihood activities”.

### Key design principles, priorities, poverty and targeting

2. **Design principles.** The design is based on the development hypothesis that enhanced community capacity for sustainable infrastructure planning and action, linked with enhanced capability to invest in sustainable economic livelihood activities, will contribute to improved and sustainable livelihoods for vulnerable households in rural areas. This is underpinned by the following design features:

- (i) Avoiding complexity by focusing on several of the core constraints to agriculture and rural development – variable local Government skills, poor local infrastructure, and declining agriculture production and incomes<sup>34</sup>;
- (ii) Component complementarity by focusing on common income generating activities for communities, combined with the use of targeting mechanisms (especially selective targeting) to facilitate operational and/or geographical linkages between communities, local Government, and external service providers;
- (ii) Engagement with Government’s planning processes, and private sector and development partners’ programmes and facilities which are supportive of sustained community development and improved livelihood activities;
- (iii) Assisting Common Interest Groups (CIGs) to tap into local domestic and import replacement markets and if appropriate on Tongatapu, into emerging export markets for agriculture products. Engagement with international markets for handcraft products will also be important, especially for the island of Ha’apai. Such market research will be an integral part of designing the Community Agriculture Development Plans (CADPs), with specific steps to be included in their formulation, and units on this important topic included in the Farmer Field School (FFS) programme.
- (iv) Minimising risk by adopting well-proven approaches which have been developed by MORDI TT under the previous MORDI Programme and TRIP I, particularly for community planning and development, and gender empowerment.

3. **The Design rationale** which underpins TRIP II’s new Component 2 (Sustainable Economic Livelihoods), given that TRIP II’s Component 1 (Community Development) will be the same as for TRIP I, is that TRIP I communities are now well-positioned to build on their community cohesiveness and planning expertise to enable an expansion of activities which focus on improved economic livelihoods. Component 1 in TRIP I has built “community foundations” on which improved, climate resilient, economic livelihood activities can now be based and supported through TRIP II.

4. **The design scales-up TRIP I** (Appendix 12, Scaling-up Framework), based on a proven record of performance with community development (Appendix 3, Country Performance and Lessons Learned). By the time of the Mid-Term Review (MTR) TRIP I had prepared 52 of the 60 targeted Community Development Plans (CDPs) - 87% of the total. In addition and at the request of the Ministry of Internal Affairs (MIA), TRIP I facilitated the formulation of 19 additional CDPs - total of 71

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<sup>34</sup> Reference to “agriculture” includes all rural economic activities - handicrafts, home gardens and tax allotments

CDPs, or 118% of the target. In terms of the Sub-Projects<sup>35</sup> implemented, by MTR, 44 of the planned 60 Sub-Projects had been successfully completed and were operational - 73% of the overall target. TRIP I also aims to improve the planning skills of 4,000 adults and young people. By MTR, the Project had achieved 85% of this target, and reached about 3,400 people who have acquired new skills through training and direct involvement in planning.

5. **Priorities.** The design complies with and supports: (i) the Government of Tonga's current Tonga Strategic Development Framework (TSDF, 2015-2025); (ii) IFAD's new Pacific Partnership Approach; (iii) the recently approved Tonga Agriculture Sector Master Plan (TASP); and (iv) IFAD's draft Country Strategy Note (CSN). More specifically the design of TRIP II reflects the objectives expressed in these key planning documents, as follows: (i) it supports the national impact sought within the vision of the TSDF - *"a more progressive Tonga supporting a higher quality of life for all"*, and particularly Outcome B which is *"a more inclusive, sustainable and balanced urban and rural development across island groups"*; and to a lesser extent Outcome F which includes *"environment management and resilience to climate and risk"*. The TASP reflects MAFFF's and Government's aspirations for Tonga's agriculture sector. It focuses on four sub-sectors and four corresponding supporting development Programmes, of which two are directly relevant for TRIP II: (i) Programme 1: climate-resilient agricultural production systems which are determined by healthy soils, secure and sustainable water supplies, diverse farming systems, and adaptive communities; and (iii) Programme 3: subsistence-level staple food, cash crop and livestock production, associated with rural livelihoods, and including income from domestic sales. TRIP II will be first new rural development Project to directly support the implementation of parts of the TASP and this initiative has been welcomed by the Agriculture Sector Growth Committee (ASGC) and Government.

6. This solid and well-structured set of priorities for rural development planning in Tonga is considered to be adequate to avoid TRIP II making short-term and "knee jerk" reactions in response to inevitable events of natural disasters during the Project implementation. In some situations it will be tempting to use funding allocated for economic infrastructure and economic livelihood development for post disaster recovery. There will be some situations when this decision is logical on the grounds of humanity and the need to provide emergency services and supplies. This "dilemma" will need careful management during implementation as it is impossible to provide precise guidelines in the design. The solution therefore will be for MIA and MORDI TT to be mindful of these possible situations, and to provide guidance to target communities on: (i) the ongoing importance of Government's sector development priorities (see above); and (ii) the need to following community priorities expressed in CDPs and the associated Community Agriculture Development Plans (CADPs) - see below for details on these two Plans.

7. **Poverty and targeting.** Tonga has 170 communities and TRIP II plans to work in 122 of these communities and in all of the communities which are viable for rural community development work (18 are too small and 30 are too big and urban). TRIP I targeted 60 households for community development work and TRIP II will target a further 62 through Component 1, as well as 60 communities for economic livelihoods investments through Component 2. The 62 communities to be involved in Component 1 will include 29 from Tongatapu, 19 from Ha'apai and 15 from Vava'u.

8. Component 2 (Sustainable Economic Livelihoods) will be implemented in 60 communities, all of which have to have completed the community planning process under Component 1. The strategy will build on the work of TRIP I to advance community development work across Tonga, as well as provide climate resilient economic livelihood opportunities which build on broad-based community development. The activities in this Component will be targeted at communities along the following

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<sup>35</sup> TRIP I uses the term "sub-project" to describe any activity or group of activities which is planned and implemented by target communities.

guidelines: (i) they must have completed a community planning process; (ii) they must have potential for climate resilient agricultural livelihoods which are replicable in other contexts in Tonga; and (iii) are sufficiently “graduated” in the community planning process, as assessed by the “readiness” criteria developed for TRIP I. These criteria will assess communities against 13 indicators of technical, institutional, economic and financial readiness. The assessment will be completed towards the end of TRIP I and will provide detailed information for Component 2 targeting.

9. In terms of poverty targeting, TRIP II will include almost the entire population – the 22% who have been identified as poor, with the exception of the urban poor. TRIP II will support community based economic livelihood planning to address all of the various manifestations of poverty in Tonga: (i) remote outer islanders with a lack of opportunity and markets; (ii) internal migrants with limited access to land; (iii) households struggling with a lack of local employment opportunities; (iv) households where production is impacted by climatic extremes and climate change; (v) households failing to integrate remittances into long-term household livelihood strategies; (vi) youth without economic prospects; and (vii) vulnerable households (women-headed, elderly, many children) who are failing to meet obligations and benefit from social support networks. TRIP II will build on the extensive experience gathered in TRIP I to include larger and less cohesive communities and build within them a capacity for planning and problem solving. Within communities gender and socially inclusive mechanisms include the following:

- (i) Component 1 interventions require a minimum of 80% of adult community members to be present for all of the community planning activities; this ensures very broad participation.
- (ii) The community is divided into demographic and interest groups to enable extensive discussion of needs; the priorities of women and youth groups are given preference in final decisions.
- (iii) The economic livelihood activities will be adapted to the needs of the poorest and most vulnerable community members.

10. Whilst many Component 2 communities will be drawn from the TRIP I target communities, as these are ready for sustainable livelihood investments, a number of new communities, particularly those on Tongatapu, will also be included. TRIP I communities were mainly drawn from the outer islands, many of which do not have significant agricultural potential. Therefore it will be important to draw some of the larger communities in Tongatapu with more potential for agriculture into TRIP II. In the case of these communities, it is anticipated that agricultural planning will be introduced earlier in the community planning process.

**Table 1: TRIP II targeting**

Island Group	Total No. of communities	Unqualified communities	Coms. too big or too urban	Coms. already covered	Coms. for TRIP II
<i>Tongatapu</i>	71	9	26	7	28
<i>Ha'apai</i>	28	1	2	6	19
<i>Vava'u</i>	45	8	2	20	15
<i>'Eua a/</i>	15	0	0	15	0
<i>Niuaotupapu</i>	4	0	0	4	0
<i>Niuafo'ou</i>	8	0	0	8	0
<b>TOTAL</b>	<b>171</b>	<b>18</b>	<b>30</b>	<b>60</b>	<b>62</b>

a/ 'Eua Island has 14 communities, excluding Ta'anga which has its own Town Officer.

## Description of Project and Components

### Project overview

11. The **Project overview** is presented in Figure 1, which shows the hierarchy of goal, development objective, outcomes and outputs, and a summary of activities corresponding to each of the outcomes and outputs.

12. The Project comprises three components. Component 1 (Community Development) will support communities to develop Community Development Plans (CDPs) and, linked to this, provide



community economic infrastructure grant funds for rehabilitating or constructing infrastructure. Infrastructure might include: (i) transport and communications (e.g. roads, bridges and wharves); and (ii) communal facilities such as multi-purpose halls (cyclone-proof) and domestic water supplies (village pumps and tanks). Component 2 (Sustainable Economic Livelihoods) will build on the community cohesion and planning skills developed under TRIP I to prepare Community Agriculture Development Plans (CADPs) which reflect target communities' aspirations and ambitions for improved standards of living through support for economic development activities. Activities are expected to focus principally on tax allotment agriculture production, agro-forestry handicrafts and homestead gardens. Component 3 (Project Management) will oversee Project implementation and monitoring.

### **Components and outcomes**

#### **Component 1: Community Development**

13. **Component 1 Outcome** will be "increased community capacity to manage resilient infrastructure built to required standards". This will be achieved through the two outputs summarized below. **Component 1.1 Output** is Community Development Plans (CDPs). The CDPs will contain sector plans for all sectors of importance in target communities, for example, health, education and agriculture. See Table 2 below for the detailed planning steps for Components 1 and 2.

**Table 2: Steps to complete CDPs and CADPs**

1. Preparation Phase			
Planning and Operation Steps	Key Points		
1. Sign MOU between MORDT II and MFNP	➤ As for TRIP I		
2. Sign MOU between MORDT II and MIA	➤ As for TRIP I		
3. Sign MOU between MORDT II and MAFFF	➤ See design for suggested areas of cooperation		
4. Recruit Project staff	➤ Need new specialist staff for C2, plus M&E and KM, and other support and administration skills		
5. Train Project staff on TRIP II	➤ Induction training for existing and new staff, with focus on new design, especially Component 2. Need to include simple BCA and VCA as these topics are new to TRIP II		
2. Capacity Building and Training Phase			
Planning and Operation Steps	Component 1	Component 2	Key Points
6. Run induction programme for District and Town Officers (DOs and TOs)	➤ Same for both Components		<ul style="list-style-type: none"> <li>➤ Introduce TRIP II design, including need to mainstream Climate Resilience (CR) into all Sub-Projects designs - C1 and C2</li> <li>➤ Describe how C2 is different from C1 - with its focus on sustainable livelihoods</li> <li>➤ Important to use this induction process to build understanding of new design, and of the need for different plans for C1 and C2</li> </ul>
7. Design and test M&E framework	➤ Same for both Components		<ul style="list-style-type: none"> <li>➤ Build on CCDP's experience from Indonesia</li> <li>➤ Address M&amp;E short-comings in TRIP I</li> </ul>
8. Run RIMS and baseline surveys	➤ RIMS is adequate for basic C1 and C2 data	➤ Need additional data for C2 - village baselines and estate maps	<ul style="list-style-type: none"> <li>➤ Standard IFAD requirement - adjusted for Tongan situation</li> <li>➤ Add non-RIMS questions to cover specific C2.1 info and data required by ASAP - current agricultural situation, food security and climate risk</li> <li>➤ Consider use of TRIP I and TRIP II baselines as "with" and "without Project" situations</li> </ul>
9. Recruit Community Facilitators (CFs)	➤ Same for both Components - but need different mix of skills for C1 and C2		<ul style="list-style-type: none"> <li>➤ Will be required to assist TOs with C1 and C2 plan preparation and implementation</li> <li>➤ TOs must be involved in this step as CFs will come from target communities, and could graduate to TOs, once experienced</li> </ul>

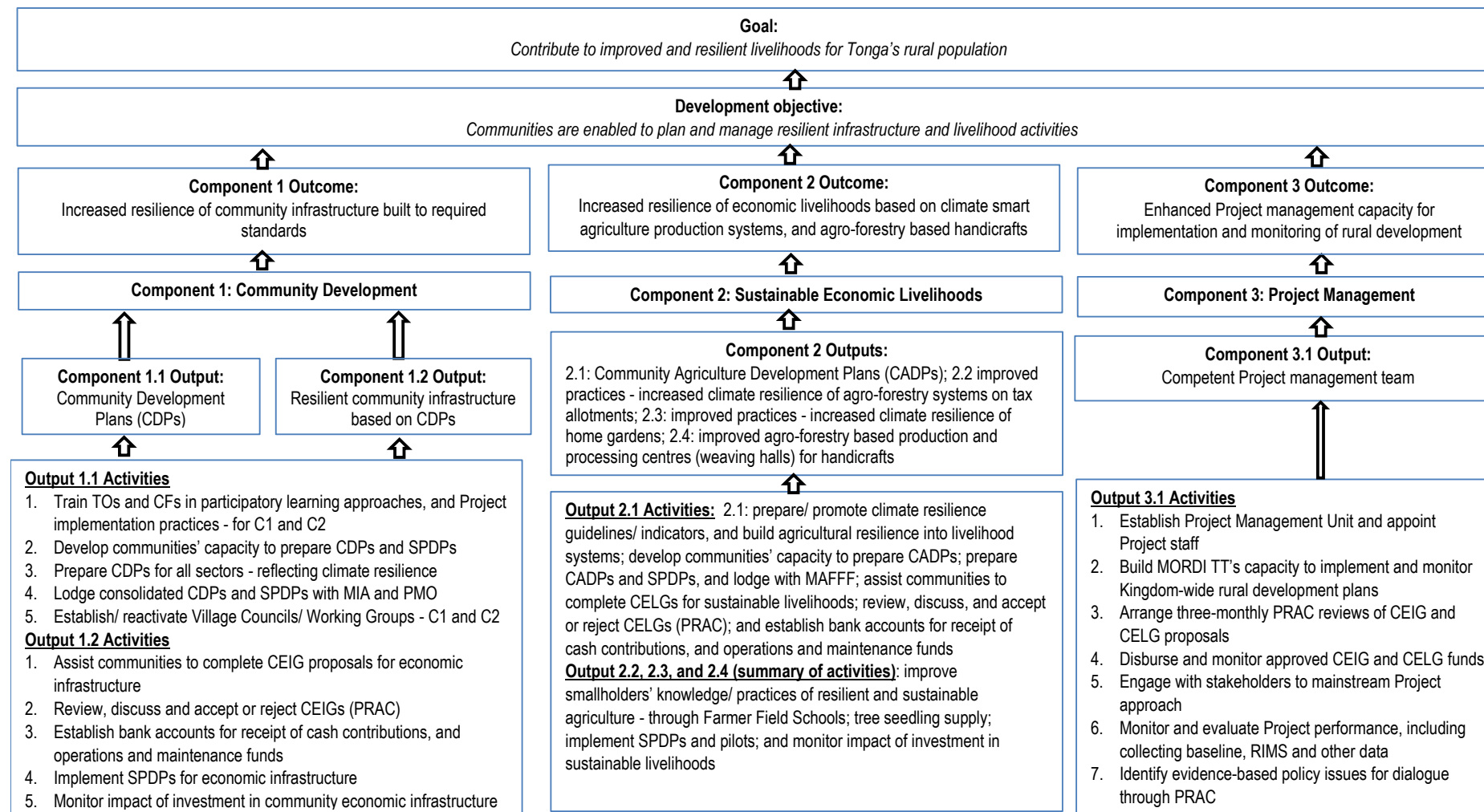
10. Run induction and promotion campaigns for target communities	➤ Same for both Components		<ul style="list-style-type: none"> <li>➤ Communities learn about what TRIP can offer, how the Project will operate, and gain clarity on expected community contributions</li> <li>➤ Need promotional materials and posters about TRIP II - videos would be useful</li> </ul>
11. Train DOs, TOs and CFs	➤ Specific for planning C1	➤ Specific for planning C2	<ul style="list-style-type: none"> <li>➤ C1 and C2 require different planning skills, therefore specific training will be required for C1 and C2</li> <li>➤ TRIP II has numerous Sub-Project options which need to be factored in the CDPs and the CADPs - DOs, TOs and CFs will need to understand these options</li> <li>➤ Staff will need to be aware of the new farming systems technologies expected to be included in C2 plans</li> <li>➤ Also include simple BCA and VCA in training curricula</li> </ul>
<b>3. General Planning Phase</b>			
<b>Planning and Operation Steps</b>	<b>Component 1</b>	<b>Component 2</b>	<b>Key Points</b>
12. Train Village Sub-Committees in sectoral planning for C1 and C2.	➤ Same as TRIP I, but with more explicit focus on CR, with specific section in CDPs	➤ More complicated - need to comply with IFAD's guidelines on Climate Risk Assessment	<ul style="list-style-type: none"> <li>➤ This is preparing the Sub-Committees for Steps 16, 17, 18 and 20; and importantly the development and implementation of climate resilience guidelines and indicators, so that resilience to the impact of climate variability and change is built into the agricultural planning, design and implementation of livelihood systems (Sub-Component 2.1 activities)</li> <li>➤ Needs a specific CR capacity building package, plus basic CBA</li> </ul>
13. Prepare village maps as basis for CR assessment and Risk Mapping	➤ Not required, interventions are one-off and do not cover whole village	➤ Needed to plan and monitor village development	<ul style="list-style-type: none"> <li>➤ This is what TRIP I refers to as risk mapping - the FAO TCP on 'Eua is piloting risk mapping</li> <li>➤ Use digitized maps from Ministry of Lands which show tax allotment boundaries and house allotments</li> </ul>
14. Formulate Group Development Plans (GDPs)	➤ Need plans for community infrastructure	➤ Need plans for sustainable livelihoods	➤ This is the first planning step - women, men and youth prepare their own plans
15. Formulate Community Development Plans (CDPs). <b>LF Output 1.1</b>	➤ Must include general plans for C1	➤ Must include general plans for C2	<ul style="list-style-type: none"> <li>➤ This is the first general plan which is an amalgamation of the Step 14 plans. The CDPs are then further broken down into sector plans (Sub-Committee Development Plans) for health, education, agriculture, etc. - see Step 17</li> <li>➤ Preparation of the CDPs will include community-based analysis of climate-related risks; and vulnerabilities based on climate change scenarios, historical trends and current experiences</li> </ul>

16. Reorganize communities, Sub-Committees	➤ Separate committee for C1	➤ Separate committee for C2	➤ Communities are organized into Sub-committees which reflect the Sub-Committee Development Plans to be prepared under Step 17
<b>4. Detailed Planning Phase</b>			
<b>Planning and Operation Steps</b>	<b>Component 1</b>	<b>Component 2</b>	<b>Key Points</b>
17. Formulate Sub-Committee Development Plans (SCDPs) for all sectors - CADP covers agriculture. <b>LF Output 1.2</b>	➤ Separate plan for C1	➤ Separate plan for C2	<ul style="list-style-type: none"> <li>➤ These are the more detailed sector plans which are developed from the CDPs</li> <li>➤ The CADPs include simple VCA and market assessments and quantification - for domestic, import replacement and export markets. Close liaison with local marketing agents (e.g. Nishi Trading) and projects such as PHAMA will be important as these organizations have ready access to market information. TRIP II will therefore leverage in this secondary market information from others, and not set out to be the primary provider of such information.</li> <li>➤ The CADPs are based on a landscape approach to the sustainable use of resources for agriculture production - and address (in particular soil; (i) water and disaster risk management needs; and (ii) their connectivity within the landscape which underpins each production unit</li> <li>➤ The CADPs will include Sub-Projects to at attempt to reduce the impact of extreme weather events such as cyclones, and droughts during El Nino years</li> <li>➤ There is one plan for each sector, including the Community Agriculture Development Plan (CADP)</li> <li>➤ The CADP is based on activities in Sub-Component 2.1 - the development and implementation of CR guidelines and indicators</li> </ul>
18. Identify Sub-Projects for C1 and C2. <b>Note: Sub-Projects are the support packages offered under C1 and C2</b>	➤ Separate list of Sub-Projects for C1	➤ Separate list of Sub-Projects for C2	<ul style="list-style-type: none"> <li>➤ This is where communities select development options for inclusion in the component plans. Options for C1 cover economic infrastructure; and for C2, sustainable livelihoods</li> <li>➤ Important to revise/update village maps at this stage and complete baseline soil sampling</li> </ul>
19. Prepare Sub-Project Concept Notes (SPCNs)	➤ Separate SPCN for C1, and include simple BCA	➤ Separate SPCN for C2, and include simple BCA	➤ The SPCNs are the basis for CEIG and CELG applications which are presented to the PRAC
20. Formulate District Development Plans (DDPs)	➤ C1 and C2 are included in the DDPs		➤ A separate plan amalgamation step which results in CDPs and CADPs being fed into MIA's hierarchical system which ends at the TSDf level

21. Prepare Sub-Project Detailed Plans (SPDPs) and submit to PRAC	➤ Separate SPDPs for C1, and include simple BCA	➤ Separate SPDP for C2, and include simple BCA	<ul style="list-style-type: none"> <li>➤ SPDPs for C1 cover economic infrastructure and for C2, sustainable livelihoods</li> <li>➤ The CADP developed under Step 17 is broken down into resourced and costed SPDPs for C2</li> <li>➤ SPDPs will be required to comply with IFAD's requirements for CR</li> <li>➤ PRAC needs to be more rigorous in screening out un-economic Sub-Projects</li> <li>➤ SPDPs will be subjected to basic Financial and Economic Analyses, and VCA if appropriate</li> </ul>
22. Cross-check against CR guidelines and indicators, and risk map	➤ Separate for C1	➤ Separate for C2	➤ An important step to comply with IFAD's Climate Risk Assessment requirements
<b>5. Plan Implementation Phase</b>			
<b>Planning and Operation Steps</b>	<b>Component 1</b>	<b>Component 2</b>	<b>Key Points</b>
23. Formulate Island Development Plans (IDPs)	➤ C1 and C2 are included in the IDPs		➤ A separate plan amalgamation step which results in CDPs and CADPs being fed into MIA's hierarchical system which ends at the TSDF level
24. Procure and disburse for C1 and C2	➤ Separate for C1	➤ Separate for C2	<ul style="list-style-type: none"> <li>➤ This is implementation of the economic infrastructure plans under C1, and the sustainable livelihood CADPs under C2</li> <li>➤ Both Components will be supported by the PMU's Procurement Officer</li> <li>➤ The SPDPs for C2 will also be supported by the PMU's technical staff assigned to C2</li> </ul>
25. Formulate Island Strategic Development Plans (ISDPs)	➤ C1 and C2 are included in the IDPs		<ul style="list-style-type: none"> <li>➤ A separate plan amalgamation step which results in CDPs and CADPs being fed into MIA's hierarchical system which ends at the TSDF level</li> <li>➤ Includes topics not covered by TRIP II - for example transport and infrastructure</li> </ul>
26. Operate and maintain SPDPs. <b>LF Outputs 1.2; and 2.2, 2.3 and 2.4</b>	➤ Implement the plans for C1, and maintain infrastructure	➤ Implement the plans for C2 (over more than one year) train women, men and youth in new technologies	<ul style="list-style-type: none"> <li>➤ For infrastructure for C1</li> <li>➤ For C2, a wider range of activities - depending on the selection of Sub-Projects from fishing, handicrafts, homestead gardens and tax allotment packages</li> <li>➤ C2 will also need ongoing support in the form of farmer training through use of FFSS</li> </ul>

27. Final inspection and completion of Sub-Projects	➤ For infrastructure	➤ Ongoing support will be required for C2 - training and mentoring	<ul style="list-style-type: none"> <li>➤ For infrastructure for C1</li> <li>➤ For C2, a wider range of activities - depending on the selection of Sub-Projects from fishing, handicrafts, homestead gardens and tax allotment packages</li> </ul>
28. Monitoring and Evaluation of Sub-Projects	➤ For infrastructure - periodic for two years	➤ This will be ongoing for C2 as agriculture production levels change	<ul style="list-style-type: none"> <li>➤ Ongoing for C1 and C2, noting that benefits from some C2 activities (e.g. perennial tree planting) will take time to materialize</li> <li>➤ Include use of checklist to monitor implementation of CR agriculture activities</li> </ul>

**Figure 1: Project overview**



14. Component 1.1 activities (specifically, planning support for the preparation of CDPs) will be implemented as follows: (i) 2019 - eight communities in Vava'u, 10 in Ha'apai, and 14 in Tongatapu; and (ii) 2020 - seven, nine and 14, respectively in the same island groups. 2018 will be spent reviewing the 60 completed CDPs in five island groups. Full planning support will be provided to the new TRIP II communities which, depending on their level of readiness, will result in either investment support for just Component 1 (if not ready for Component 2) or investment support for both components if ready, and there are good local opportunities to improve economic livelihoods. CDPs completed under TRIP I will be reviewed and updated, with the objective of identifying "second round" economic infrastructure investment opportunities ("rewarding champions"). Table 2 shows the steps to be completed for the design of CDPs (and the associated CADPs for Component 2.1). It contains explanatory comments on each step. Note: the comments below on how Component 1's CDPs will be formed, operated, supported and institutionalized apply equally to Component 2's CADPs - see below for details. In addition, once communities have completed the preparation of their CDPs and CADPs, they will be assisted by the PMU, and the TOs and DOs to factor these into Community Operations Manuals which reflect standard implementation and M&E procedures and systems, and specific CDPs and CADPs.

15. For new communities which join TRIP II, MORDI TT will train Government Town Officers (TOs) in: (i) the use of community participatory learning and action methods; (ii) the main-streaming of climate resilience strategies and techniques, and gender equality, into CDPs (and CADPs for Component 2.1); (iii) the more technical skills required for the design of CADPs - given that technical options will need to be introduced during this process<sup>36</sup>; and (iv) in Project implementation practices and gender mainstreaming. TOs will be closely supervised and mentored by TRIP staff during their first year. They will then receive additional training as necessary, including visits to other Project areas for cross and experience learning. Where required, MORDI TT will identify volunteer Community Facilitators (CFs) to assist TOs with: (i) the preparation of CDPs (for Component 1) and CADPs (for Component 2.1). CFs will participate in training by MORDI TT on the topics listed above for the TOs. The selection of TOs and CFs<sup>37</sup> will follow MORDI TT's programme practices.

16. TOs will develop communities' capacity, based on their training in community participatory learning and action methods, to develop CDPs and CADPs. This will involve the TOs taking communities through the following steps: (i) different interest groups in communities (e.g. men, women, male and female youths) will discuss, identify and prioritize their needs; (ii) groups will revisit their list of needs in the context of the present day, rather than an historical context, and re-prioritize their needs; (iii) where communities are small enough, groups will come together in plenary and use a ranking matrix which allows for comparison of needs and identification of causes, potential solutions, outputs of the solutions, the final outcome of the action identified, and the people who the group needs to partner with. This result will be documented as a CDP. Where communities are larger or groups are more diverse, each interest group will develop a preliminary ranking matrix before being brought together in plenary to discuss and develop an overall CDP. In the few instances where CDPs already exist, TOs will locate the relevant documentation, identify who from within the community was involved in the process, revise and up-date the plans in

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<sup>36</sup> A feature of TRIP II Component 2 will be the need for MORDI's staff to learn new community planning techniques which are related to resilient agriculture production systems. It cannot be assumed that skills learnt by MORDI's staff during TRIP I can "automatically" be transferred to the Component 2 planning process. A new set of skills will be required to ensure that the CADPs reflect CCDRM and resilience themes, and include new production technologies.

<sup>37</sup> Not all TOs will require assistance from CFs, as some are quite capable of organizing their communities for support under both of TRIP's investment components. Others will require assistance. MORDI and the TOs will make this decision on a case-by-case basis



consultation with the community, and document these using the process and matrix format of CDPs described above.

17. A key aspect of CDP revision and formulation will be community-based analysis of climate-related risks. For Component 1's economic infrastructure development activities this process will need to include consideration of the impact of cyclones and associated impacts such as storm surges and tsunamis, and how to reduce and/or mitigate these impacts. This means that all economic infrastructure Sub-Projects will need to be designed according to accepted Tongan standards, as was the case for TRIP I's Component 1. However, design to these required standards is only the first step, as construction to such standards requires supervision by qualified experts. Therefore TRIP II will ensure that appropriately-qualified personnel are engaged and made available to target communities when they are designing and implementing their CDPs. TRIP I used this approach to managing risks associated with climate-related events and the results are impressive - high quality and resilient economic infrastructure (e.g. cyclone-proof multi-purpose community halls, and local wharves which are able to withstand storm surges).

18. In terms of responses to extreme weather events, this is a national responsibility and whilst TRIP II will fulfil its "corporate responsibility" in the event of a cyclone (as was the case when Cyclone Ian hit Ha'apai in January, 2014<sup>38</sup>), it would be unrealistic to expect that TRIP II would be responsible for providing cyclone response support services to its widely scattered target communities.

19. Upon completion, CDPs from each community will be consolidated into District Development Plans (DDPs) by MORDI TT. Copies of the DDPs will be lodged with District Officers (DOs), the Governor's Office or Governors' Representative and the Prime Minister's Office (PMO). These will be made available to development partners and other agencies which have expressed interest in providing financial support for the development and management of actions identified in the DDPs. TOs will assist communities to establish or reactivate existing Village Councils (VCs) to oversee the preparation of CDPs and, where required, TOs will assist VCs to form CIGs to manage the development and implementation of activities identified in the CDPs (and the CADPs under Component 2).

20. The CIGs are expected to embrace topics such as communal infrastructure (Component 1); and farmers, handicraft, and home garden groups (Component 2). At present, such groups are not supported by a legal framework and there are only general policies which govern group formation and operation. However the recent (late 2016) formalization of the community planning process by MIA, which leads to the preparation of CDPs and CADPs, is a "step in the right direction" and indicates that TRIP II should be able to continue to strengthen this important community-based planning and development process. Ultimately the aim will be to fully institutionalize the CDP and CDAP process by building on the start made by MIA.

21. An option worthy of consideration once implementation commences is for TRIP II to work with MIA to see if a regular share of Government's development budgets (as well as some constituency funds from representative Parliamentarians) can be allocated directly to VCs with the objective of driving longer-term institutionalization and sustainability. This process could take some time to finalize as the suggestion will have to be approved by Government during an annual budget preparation cycle - and therefore could lag by at about a year.

22. In terms of scaling-up Components 1 and 2, there is an opportunity to strengthen institutional sustainability, in addition to the simple rollout of the CDP/CADP planning processes across the

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<sup>38</sup> TRIP I supplied support in the form of food crop planting materials and short-term supplies of emergency food.

whole Kingdom. The former relates to the need (and opportunity) for TRIP II to build on the recent Government decision to formalize and embed the CDP process within MIA<sup>39</sup>. However, this is just the first step in a complicated process, and therefore TRIP II will provide support to MIA for further institutionalization of a fully integrated community planning and development process - in the form of additional support to institutionalize the approach as the standard local planning and budgeting process for all islands. This will be done by developing appropriate technical guidelines for nationwide use by Government staff, plus capacity building packages for relevant Government staff. Supporting Government to institutionalize and utilize TRIP's approaches and packages within the context of national budgeting and implementation will be an important step towards further scaling-up of good practices and the overall sustainability of TRIP II.

23. The CIGs will include representatives of different interest groups in communities and they will be required to appoint a chairperson, a secretary and a treasurer, to meet regularly, to keep minutes of their meetings, and to post these in a public place within the community. Women will hold at least two of these positions. TOs will develop the CIGs' capacity, based on their training in Project implementation practices, to manage the identification and implementation of activities listed in the CDPs (and the CADPs), specifically community economic infrastructure approved for Project financial support.

24. Component 1.2's Output is "resilient community infrastructure based on CDPs". This will be achieved through the following activities. Component 1.2 activities, specifically grant financing and monitoring support, will be implemented in accordance with the community development implementation schedule listed in Table 1. As communities become eligible for financing support, TOs will assist CIGs to complete standard community economic infrastructure grant (CEIG) proposal forms. These forms will have attached a technical design, bill of quantities, budget and full description of any social and environmental mitigation measures to be undertaken as necessary, provide proof of an agreement for use of land or other assets to be used during operation, and include a detailed organizational and financial arrangements plan for operation and maintenance (O&M) of the community economic infrastructure. In addition, the CEIGs must reflect gender equality and, as additions to TRIP I: (i) the mainstreaming of climate resilience activities into the plan; and (ii) a basic analysis of options to achieve the stated objective in the form of a simple Benefit/Cost Analysis - the latter aimed at avoiding inappropriate investment in unsuitable infrastructure. The completed CEIG forms will be submitted to MORDI TT to be checked for operational feasibility and compliance with social, economic<sup>40</sup>, environmental, and climate resilience eligibility criteria.

25. In the case of physical infrastructure, such as bridges, roads and jetties, the technical design may require a Building Permit issued by the Ministry of Works, and an Environmental Impact Assessment (EIA) issued by the Ministry of Land, Survey and Natural Resources. MORDI TT will assist communities as is necessary in securing Building Permits and EIAs. These will be attached to the completed CEIG forms.

26. A Project Review and Appraisal Committee (PRAC) will meet once every three months or more frequently as is deemed necessary to screen, discuss and accept or reject CEIG proposals (and Community Economic Livelihood Grants [CELGs] for Component 2) against the above-listed

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<sup>39</sup> See <http://www.pireport.org/articles/2016/10/13/tonga-launches-first-community-development-plans>.

<sup>40</sup> TRIP I did not require any financial or economic analyses of infrastructure Sub-Projects. However, there are examples of Component I activities under TRIP I which are doubtful in terms of economic benefits. These should not continue into TRIP I, such as short village roads where there are only one or two vehicles, and good footpaths would be more suitable.

criteria. Accepted Component 1 proposals will be eligible for a CEIG comprising: (i) 75% of the total value of an investment, matched by a 25% contribution by the community. Communities may submit more than one CEIG proposal as long as the total amount for all proposals does not exceed the annual allocation per community. More details on CELGs are given in the section on Component 2.

27. The criteria the PRAC will use to guide its approval of CEIGs (and CELGs - see below) will be specified in detail in the Project Implementation Manual (PIM), which will elaborate the following indicative criteria: (i) a proposed infrastructure investment will be eligible, as defined in the PIM; (ii) the community must demonstrate its commitment to making its contribution of 25% of the total cost of the proposed investment; (iii) any proposed infrastructure investment will have been identified and prioritized by the whole community through a community development planning process, which amongst other things, ensures significant participation in the expression of needs and choices by all groups, including women, youth and any other marginalized people; (iv) given Tonga's high climate risk classification, all proposed infrastructure investments will need to meet Category 5 cyclone design standards (for buildings), with consideration of alternatives where feasible to ensure that investments are resilient rather than maladaptive buildings; (v) the investment will be consistent with already-existing and functional infrastructure, will respect national objectives and priorities, and not overlap with existing facilities or services; (v) preparation and implementation of the investment will be based on fairness, and all community members will have non-discriminatory access to its social and economic benefits; and (vi) the investment must conform to sound economic, environmental, climate resilience, and gender equity principals, and must not result in degradation of the physical or human environment.

28. The average grant allocation per community for Component 1 (Community Development - (expressed as 75% of the total value of the investment) will be about US\$ 18,182 (TOP 40,000). Of the 62 target communities, five small communities (less than 100 people) will receive US\$ 13,636 (TOP 30,000); 11 medium-sized communities (100-200 people) will receive US\$ 18,182 (TOP 40,000); and 46 large communities (more than 200 people) will receive US\$ 22,727 (TOP 50,000).

29. The following examples, based on information from recent Sub-Project construction by TRIP I provide an indication of the costs of various types of community economic infrastructure which might fall within these grant allocations and be funded through TRIP II:

- (i) The upgrading/ renovation of five community town halls in 'Eua cost an average of US\$35,181 (TOP77,400), ranging from US\$15,909 (TOP35,000) up to US\$48,636 (TOP107,000). TRIP contributed an average US\$13,424 (TOP 29,800) for these Sub-Projects.
- (ii) The construction of four community multipurpose halls in 'Eua cost an average US\$102,985 (TOP226,700), ranging from US\$90,455 (TOP199,000) up to US\$120,909 (TOP266,000). TRIP contributed an average of US\$14,545 (TOP32,000) for these construction activities.
- (iii) The upgrading and maintenance of five wharfs in the Motu District of Vava'u cost on average US\$28,596 (TOP62,900). The costs ranged from US\$11,727 (TOP25,800) in the community of Kapa, up to US\$36,818 (TOP81,000) in the community of Ovaka.
- (iv) The construction of the 'Eua market cost US\$22,444 (TOP49,400), of which the TRIP contribution was US\$13,873 (TOP30,500). The construction of a sea wall in the island of Kotu cost US\$22,444 (TOP49,400) and the TRIP I contribution was US\$9,991 (TOP22,000).
- (v) At the time of Project design, TRIP I was implementing a series of large domestic potable water supply Sub-Projects across the island of Vava'u. Total costs were not available, but more than 200 x 10,000 plastic water tanks were being manufactured on the island and distributed to communities who had included water supplies in their CDPs. In addition, TRIP I was assisting communities with the construction of water pumping and distribution systems to supply water to storage tanks. Not all tanks rely on pumped water as some communities do not have suitable aquifers and therefore opted to catch rain water off house and other building roofs. Until TRIP I CDPs are revised (and new CDPs prepared

for new target communities) it is impossible to predict the demand for this type of economic infrastructure. However it is not unreasonable to assume that there will be a strong demand for this type of support under TRIP II - in addition to the agriculture water-related activities which are expected to be funded under TRIP II's Component 2 - see below. In this event, TRIP II will support domestic water supplies under Component 1, provided that target communities do not exceed their Project budget allocation - see above for financial details.

30. Once proposals are approved by the PRAC, MORDI TT will inform communities both in writing and through the TOs. Grant approval letters will serve as grant agreements between the communities and MORDI TT. MORDI TT will be responsible for the procurement and freight of goods in accordance with the agreed-upon allocation per community. This allocation excludes freight costs because the price differential for the delivery of goods to different islands is high. Freight costs, including organizing the procurement of goods, will be the responsibility of MORDI TT.

31. The TOs and CFs will assist CIGs with the operations and maintenance (O&M) of community economic infrastructure in accordance with the organizational and financial arrangements plan provided in the CEIG proposal form submitted to and agreed upon by the PRAC. The plan will provide details on annual O&M costs, forms of eligible contribution (i.e. cash and or in kind), sources of contributions including possible district, provincial and national Government contributions, and how and by whom cash contributions will be collected and disbursed and for what purposes<sup>41</sup>. This will also include the setting up of a WG bank account which will enable the deposit of cash contributions for implementation and, upon completion, to finance ongoing O&M of community economic infrastructure. TRIP I focused on ensuring that its Working Groups (now called CIGs) continued to function after the construction of economic infrastructure - through ongoing support for TOs and DOs, and specific training courses for CIGs.

32. Therefore TRIP II has a sound base on which to build - TRIP I proved that that the TO/DO/VC/WG approach works well in Tonga, provided that support from the PMU is available whenever required. TRIP I was able to build the capacity of these actors to work together, and plan and construct community infrastructure - to the point where some communities are now receiving their third round of funding support<sup>42</sup>. In this regard it is important to note that TOs and DOs are democratically elected officers who report to MIA; and that during TRIP I there were instances where communities replaced TOs who failed to perform and support their development initiatives.

33. The TOs and MORDI TT will continue to monitor community economic infrastructure financed by the CEIGs, with a particular focus on the organizational and financial arrangements for O&M, for at least one year following completion. Monitoring and periodic support will be ongoing. The design includes specific and ongoing support for TOs (and DOs) to ensure that they have the capacity and skills to fulfil their important community support and monitoring roles post-Project and into the period when it is expected that non-Project funding will be available. It also includes ongoing support for CIGs and other stakeholders to ensure adequate incentives and capacity during planning and construction, with the objective of maintaining ongoing CIG contributions and continued infrastructure maintenance and operation. In addition, the design recognizes the

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<sup>41</sup> Experience with TRIP I indicates that TRIP II will be able to leverage in substantial non-Project funding from other sources once CADPs have been completed and embedded in DDPs. Based on TRIP I experience, it is expected that funding will come from: (i) direct Government allocations through line ministries; (ii) Parliamentary constituency funds from local politicians; (iii) other development partners seeking to add value to well-performing projects; and (iv) the numerous "green funds" and environmentally and climate change-focused programmes.

<sup>42</sup> In late 2016.

importance of supporting (and providing some start-up funding) for VCs and CIGs. Ultimately, through institutionalization activities to be funded under Component 3, it is expected that the complete act of TOs, DOs, VCs and CIGs will remain functional beyond the Project because of the significant support and capacity building activities which have been designed into TRIP II.

34. **Scaling-up.** Component 1 will scale up the best practices and processes established under the MORDI Programme and TRIP I in 60 existing communities (see Scaling-Up Framework, Annex 12). In particular, in Component 1.1 TRIP II will use the participatory learning and action methods, and the CDP formats which have been used by in TRIP I in 60 existing communities, in 62 new Component 1 communities. By extending its coverage to the larger and more complex communities in Tongatapu, the Project will also further develop participatory and action learning methods, thereby increasing the opportunity for the approach to be applied across a wider range of communities. Additionally TRIP II will continue with the TRIP I practice of consolidating CDPs into District Development Plans (DDPs); and lodging copies with District Officers (DOs), the Governors' Office or Governors' Representative, and the Prime Minister's Office (PMO). The CDPs will also be made available to development partners and other agencies who have expressed interest in providing financial support for the implementation of development initiatives identified in the DDPs.

35. In addition, there is an opportunity to strengthen institutional sustainability, in addition to a simple rollout of the CDP planning process across the whole Kingdom. The former relates to the need (and opportunity) for TRIP II to build on the recent Government decision to formalize and embed the CDP process within MIA<sup>43</sup>. However, this is just the first step in a complicated process and therefore TRIP II will provide support to MIA for further institutionalization of a fully integrated community planning and development process - in the form of additional support to institutionalize the approach as the standard local planning and budgeting process for all islands. This will be implemented by developing appropriate technical guidelines for nationwide use by Government staff, plus capacity development packages for relevant Government staff. Therefore supporting Government to institutionalize and utilize TRIP II's approaches and packages within the context of national implementation will be an important step towards further scaling-up of good practices and overall sustainability.

36. Another activity of providing explicit support to strengthen the national/annual outer island planning and budgeting process will be to engage in discussions on how annual Government budget allocations to outer islands might be channelled to annually prioritized activities in the DDPs. This will establish a clear link between annual DDPs and the annual budget envelopes provided to outer islands. In this regard, TRIP II will develop a process of annual DDP reviews, and five-year periodic updates, including the use of climate change scenarios. The latter is because more strategic longer-term plans are important to address climate change impacts at scales beyond communities and districts. This bottom-up planning process will ultimately collate community level resilience activities, framed within the mindsets and contexts of communities. Under this scenario, a more strategic plan may lead to the identification of activities required for longer term impacts, avoid mal adaptation, and encompass larger Sub-Projects which are beyond the capacity and scope of the outer islands.

37. **Replication.** Component 1 activities are not new to TRIP II or Tonga, nor are they new to the Pacific Region. IFAD has experience of implementing similar activities in the Pacific Region with its involvement in the on-going Solomon Islands Rural Development Programme (SIRD). SIRD has supported hundreds of "Sub Projects", which are similar to community economic infrastructure, using similar community-driven selection processes to those which will be implemented under TRIP II. The design of TRIP II and its community development component in general draw on lessons

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<sup>43</sup> See <http://www.pireport.org/articles/2016/10/13/tonga-launches-first-community-development-plans>.

learned (see Country Performance and Lessons Learned, Appendix 3) from IFAD-supported supervision missions of the MORDI TT Programme and TRIP I.

### **Component 2: Sustainable Economic Livelihoods**

38. The **Component 2 Outcome** is “increased resilience of economic livelihoods based on climate smart agriculture production systems”. **Component 2 is aligned with the TASP** and contributes directly to the achievement of the objectives for TASP Programme 1 (Climate Resilient Environment) and Programme 3 (Sustainable Livelihoods and Health Foods). It also draws directly from IFAD’s “Adaptation for Resilient Agriculture in the Pacific Programme” (ARAP) Project document.

39. TRIP II will focus on objectives (ii) and (iii) from TASP Programme 1 by preparing relevant baselines, guidelines and capacities in the area of enhancing climate resilience as a basis for climate resilient agricultural planning. It will also focus on objectives (i) and (iii) from TASP Programme 3 by running an extensive Farmer Field School (FFS) programme in collaboration with MAFFF and the private sector, to support the implementation of climate resilient agriculture production practices in 60 communities; and to assist farmers to link into existing and emerging rural markets - the latter through leveraging in market information from private traders (e.g. Tinopai Farms and Nishi Trading) and the Growers’ Federation of Tonga (GroFed). Village-specific agriculture marketing plans will be expressed in their CADPs and reflect the simple value chain analysis and market assessment exercises to be completed with support from the FFS programme. The aim will be to confirm the demand for products to be supported in the CADPs and to identify domestic and (possibly) export marketing channels. This is why working with PHAMA will be important<sup>44</sup>. The importance of compliance with scale (volume of production) and quality will be emphasized, as will the implications for target farmers in terms of individual and collective behaviors and responsibilities

40. TRIP II will also focus strongly on Thematic Area 1 (Climate Resilient Agricultural Practices) from the ARAP Project design document. Additionally it will draw on Thematic Area 2 (Utilization of Agro-climate Services) building on work currently underway in Tonga through an FAO TCP Project on “Enhanced Capacities for Integrating Disaster Risk Reduction in Agriculture.” Where feasible, TRIP II will also draw on and contribute to Thematic Areas 3 and 4 in ARAP.

41. Given Tonga’s Climate Risk Classification as High (refer to the SECAP, Appendix 12), it is essential that climate resilience be integral to all Component 2 activities, from the development of relevant resilience baseline information as a basis for agricultural planning, through to the implementation of livelihood development activities with farmers.

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<sup>44</sup> The current phase ends on 30/6/17 and DFAT is considering a 12 month extension of the existing programme, during which a third phase will be designed.

### **Component 2.1 Community Agricultural Development Plans**

42. At the outset, it is important to recognize that TRIP I's Component 2 intended to focus on large-scale commercial agribusiness opportunities with support in the form of commercial loans, and not on village-level economic livelihood activities. The main reason for the partial failure of TRIP I's Component 2 was unrealistic financial subsidies offered by the Tonga Development Bank which under-cut and competed with the more commercial loans which were offered with support from TRIP II. In terms of the design of TRIP II, there is a distinct and important difference between TRIP I's Component 2, and TRIP II's Component 2, including the provision of micro-finance services, and Farmer Field Schools (FFSs) for the latter.

43. Component 2.1 will have eight activities: (i) the preparation of baseline information as a the foundation for planning and monitoring climate resilient agriculture; (ii) building agriculture resilience into livelihood systems through training and capacity building, i.e. developing communities' capacity to prepare resilient CADPs; (iii) preparing CADPS and associated Sub-Project Detailed Plans (SPDPs) - see Table 2 and the more detailed comments below for details on these steps; (iv) lodging CADPs with MAFFF; (v) assisting communities to prepare CELG applications; (vi) reviewing, discussing and accepting/rejecting CELG applications - by the PRAC; (vii) opening bank accounts for receipt of community cash contributions; and (viii) implementing, and monitoring the impact of investment in sustainable livelihoods. Activities (iii) through to (viii) are the same as for Component 1 and therefore there is no further description of these six Component 2.1 activities in this appendix.

44. The CADPs derived from the CDPs (see Table 2) will be supported and operationalized in the form of: (i) training in technical and social development skills and community planning; and (ii) implementation support (annual planning, M&E, and reporting) - for DOs, TOs, VCs and sub-committees, CFs and CIGs; and (iii) leveraging in non-Project funding to support initial development and ongoing (post-Project) operations and maintenance. TRIP I was particularly successful in this regard and gathered additional funding from: (i) other development partners; (ii) targeted Government funds; (iii) the private sector (e.g. Nishi Trading); (iv) Tongan and international NGOs; and (v) Parliamentary constituency funds. Continued use of this approach under TRIP II is therefore expected to contribute to CADP's outcome sustainability.

45. In addition, the CADPs will include sufficient funds to cover the cost of regular meetings between all stakeholders (village households and the personal listed above). The CADPs, with matching grants in the form of CELGs, will be implemented by CIGs and not individual households, building on the successful community approach to development which was adopted by TRIP I.

46. TRIP II will ensure that participatory climate change risk and vulnerability studies of different target groups and livelihood development activities are included in the preparation of the CADPs (and the CDPs for Component 1 - see above, and Table 2). This will serve as a community hands-on capacity building exercise on climate risks and vulnerabilities; and allow for the identification of disaster risk prone areas, and water scarcity and excess management issues linked with soil quality and vegetation cover in the landscape. Ground and rainwater management, reversing deforestation trends on steep slopes and in mangrove swamps are key issues in terms of improving the sustainability of the natural resources base for agriculture, and in disaster risk management.

47. In essence this is a broad landscape approach to natural resource management. Therefore use of the GIS tool by TRIP II will enable priority setting for intervention areas in the CDPs/CEIGs and the CADPs/CELGs, and allow the Project to address (in particular soil) water and disaster risk management needs and their connectivity in the landscape which underpins each production unit. In this regard, specific consideration of ground water and rainwater management will need careful attention in order to secure water for agriculture and households needs. In addition, TRIP II will support simple water budgeting (linked with cultivation and complementary irrigation plans - where appropriate such as on Tongatapu where ground water resources are under threat). Rainwater harvesting and aquifer recharge for complementary irrigation will also be taken into account. These activities will contribute examples and experiences for implementation of the forth-coming Water Resources Bill.

48. Using IFAD's Social, Environmental and Climate Assessment Procedures (SECAP) as a guide, the CADP value chains will reflect the following key features of resilient agriculture supply chains: (i) information sharing and education along the supply chain from consumers to producers; (ii) diversifying or sharing out production to a wide number and geographically diverse suppliers, rather than relying on a few large producers; (iii) risk sharing; (iv) diverse forms of production ownership; (v) co-operation between producers; (vi) flexibility and adaptability in terms of product diversity and phased production cycles; and (vii) use of technology to enhance risk prediction, evaluation and response.

49. The design of TRIP II recognizes that the CADPs are in effect initial catalysts to spark interest in improved economic livelihoods, and that over time additional investment from targeted households and other sources will be required to drive multiplication of the initial CADP-supported activities. Component 2 will provide good examples of some of the opportunities for increased investment in Tonga's agriculture and handicraft sectors, and then communities will have to source funding and support (for expansion and broader commercialization) from other sources.

50. In this regard, important CDAP-related support activities will be the provision of assistance to: (i) promote increased private sector funding ("crowding in") - recognizing that a scarcity of private sector actors is a major constraint to rural development in Tonga; and (ii) identify emerging markets (mainly island-based domestic and import replacement for the non-Tongatapu islands, plus a greater focus on exports for the latter<sup>45</sup>). Such market assessments will include specific analysis of the demand for micro-credit, and of South Pacific Business Development (SPBD's) ability and capacity to deliver and support a considerably expanded farm credit programme. Support for private sector "crowding in" will be engendered through the promotion of results in all forms of media. Continued good and sustainable results will bring "crowding in" success as a wider range of actors and stakeholder recognize the significance of TRIP II's impact, and that involvement will be "win-win" outcomes for all participants.

51. In terms of providing micro-finance services, the design team spent considerable time with Manager of the Tongan branch of SPBD, and with Nishi Trading which is a key co-operator in the TRIP I-brokered micro-finance trial on 'Eua. The aim was to understand SPBD's business model and their financial and management capacity to be an important ESP for TRIP II<sup>46</sup>. SPBD has an impressive record in the Pacific region, including: (i) 12 offices and 120 staff (in 2015); (ii) US\$10 million in assets; (iii) 40,000 active savings accounts; and (iv) US\$60 million in loans disbursed since inception in 2000. An important feature of SPBD's services is the offering of Overseas Worker Loans for workers who travel to New Zealand or Australia for a period of four months. This means that SPBD could play an important role in the pilot on community-based remittance management systems.

52. At this stage of design the demand for micro-finance services from TRIP II's Component 2 target farmers is not known. However it was evident during design, and from the popularity of the micro-finance pilot on 'Eua, that lack of short-term operational funds is a major constraint to rural development in Tonga - and that the Tonga Development Bank (TDB) cannot fill this gap because of its inflexible and unsuitable rural loan conditions. Therefore it is expected that once farmers targeted under Component 2 become aware that at least some funds are available through SPBD's microfinance services, the demand for these funds will be high. Possible uses of these funds include: (i) value chain financing - especially the production part of the chain; and (ii) the use of

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<sup>45</sup> The exceptions to this general targeting will be increased sales of vanilla, and in the longer-term, sandal wood from the more remote island groups.

<sup>46</sup> See <http://www.spbdmicrofinance.com/about-spbd> for more details on SPBD.



contracts between producers and buyers as financing tools that assist with smoothing income (and expense) flows for target farmers.

53. Activities (i) and (ii) in Component 2.1 are outlined in more detailed below, noting that more detailed planning will be required to develop the CADPs. This will ensure that essential baseline information is developed and relevant capacity building is provided as a basis for implementation of the three climate resilient agriculture investment options described in Component 2.2; agroforestry, homestead gardens, and handicrafts. These activities will be supported by capacity building, training in the form of FFSs, and provision of nurseries which meet immediate needs and provide planting material to support the recovery from cyclones and drought. TRIP II will support the up-skilling of MORDI TT's staff to enable them to assist target communities to complete their CADPs - with support from trained TOs and CFs. The importance of this step up from CDP to CADP planning should not be under-estimated as CADPs will need to be phased over time and resourced from many sources.

54. **Activity 1: Prepare baseline information for planning climate resilient agriculture.** This activity is focused on the preparation of baseline information which will provide the essential context for the development of climate resilient agriculture, and will be complementary to and supportive of the more comprehensive focus on implementation of climate resilient agriculture practices under Component 2.2. Specific activities are summarized below:

- (i) Develop baseline village and related estate maps using existing data layers held by the GIS unit at Ministry of Lands and Natural Resources (MLNR). The maps should show: (i) locations of village households; (ii) the village boundary and boundaries of tax allotments around the village; (iii) tax allotment estate boundaries; (iv) land slopes, soil types and production potentials; and (v) current land use and types of crops grown/ livestock raised. Over time it is expected that this list will be refined as communities gain experience with natural resource use planning based on a landscape approach
- (ii) Develop a template for assessing the current agricultural situation, food security, and climate risk. Use the agriculture census data for baseline information and gather supplementary information by adapting relevant templates provided in the "Integrated Vulnerability Assessment Framework for Atoll Islands" and/or from other relevant sources.
- (iii) Complete a village survey to gather relevant data to supplement the maps and agricultural baseline. This should include an inventory (including GPS locations) of all rain-water tanks and water bores, locations of existing household and tax allotment fences (including GPS locations), a crop mix/type inventory, and an assessment of the food security status of the village. Relevant village survey data will be sent to the GIS unit to produce and print revised/updated village maps.
- (iv) Given the lack of knowledge of the current soil fertility status throughout Tonga, and indications that agricultural yields are declining, it is essential that some baseline soil fertility testing be completed, with further testing in the final year of the Project. The cost of undertaking extensive soil sampling would be prohibitive and therefore a soil sample will be collected from each half (4 acres) tax allotment identified for model farms (see Component 2.2) in each of the 60 Component 2 communities.
- (v) Plan for extreme weather events (cyclones and droughts), and incorporate mitigating measures. For cyclones these should include: (i) phased planting of food crops; (ii) establishment of cyclone-proof seedling and planting materials centres; and (iii) staple food reserves. In terms of managing the impact of drought, the following measures should be factored into the CADPs: (i) conservation agriculture practices - such as minimum or zero tillage, use of cover and smother crops, and retention of crop residues; (ii) mulching with weeds and crop stover; (iii) (with support from MAFFF's research division) increased use of drought-tolerant crop varieties; and (iv) storage of surplus grasses and crop stovers for later use as livestock feed.
- (vi) Develop a set of indicators for monitoring changes in resilience, encompassing: (i) locations of village households; (ii) village boundaries; (iii) tax allotment estate boundaries; (iv) land slopes, soil types and agriculture production potential; and (v)

current land use and types of crops grown/ livestock raised. Over time it is expected that this list will be refined as communities gain experience with natural resource use planning based on a landscape approach. This process will require baseline soil testing for selected GPS sites, and a water resources inventory for each Project village (rainwater collection and bore water). Changes in agrobiodiversity, and shifts to more climate resilient practices, will be monitored by drawing on relevant information provided in Working Paper 1: Agriculture and Climate Change in Tonga.

- (vii) Develop a simple Cost Benefit Analysis (CBA) framework to enable assessment of Component 2.2's Sub-Projects, including basic Value Chain Analysis (VCA) for products with import replacement and/or export potential. These CBAs and VCAs are expected to be "climate-proofed" through the incorporation of a monitoring system which keeps track changes in the above-listed points; and will form the basis of an effective disaster risk reduction strategy for the Project.

**55. Activity 2: Build agriculture resilience to the impact of climate change and climate disasters into livelihood systems.** This activity will focus on building capacity to understand climate resilience, and associated responses, and subsequently ensuring that resilience is integral to the livelihood/agricultural systems formulated in the CADPs. The CADPs will then provide the basis for the implementation of Component 2.2 activities. Specific activities will include:

- (i) Develop and implement a capacity building package which addresses the identified need to link knowledge of climate change and related extreme events (cyclones, droughts) and how to implement climate resilient agriculture systems. This will draw on information developed in Activity 1, along with additional supporting information on climate resilient agriculture practices, including an overview of the activities outlined in Components 2.2, 2.3, and 2.4.
- (ii) Deliver capacity building at the national level to MAFFF staff, and Church representatives; and at island level to DOs and TOs, and representatives from village's men, women, and youth sub-committees. For TOs in particular this will involve training in the more technical skills required for the design of CADPs - given that technical options will need to be introduced during this process<sup>47</sup>.
- (iii) Where required, MORDI TT will identify volunteer CFs to assist TOs with the preparation of CADPs. They will then work with communities to develop their CADPs, ensuring that climate resilience is mainstreamed. This will be based, as much as possible, on the agriculture priorities identified in the CDPs as entry points. Information prepared under Activity 1 will then be introduced to facilitate the preparation of a CADP along with information on the options for support outlined under Component 2.2.

#### **Components 2.2-2.4: Farmers engaged in sustainable economic livelihoods**

56. The budgets for Component 2.2, 2.3 and 2.4 activities have been prepared as lump sums, as is the case for Component 2 (see Appendix 9 for details). At this stage of design and before CADPs are prepared it is impossible to predict which particular economic livelihood development activities might be selected by the target communities. This means that the descriptions of the budget lines in the cost schedules and the outputs in the Logical Framework for Components 2.2, 2.3 and 2.4 do not "match perfectly".

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<sup>47</sup> A feature of TRIP II Component 2 will be the need for MORDI's staff to learn new community planning techniques which are related to sustainable agriculture production systems. It cannot be assumed that skills learnt by MORDI's staff during TRIP I can "automatically" be transferred to the Component 2 planning process. A new set of skills will be required to ensure that the CADPs reflect CCDRM and resilience themes, and include new agriculture production technologies.

57. Table 3 has therefore been prepared to assist readers to understand the links between: (i) the Component 2.2 cost schedules which are listed as 2.2 (A) Farmer Field Schools, 2.2 (B) tax allotments, homestead gardens, and weaving sheds (lump sums), and 2.2 (C) pilots; and (ii) Logical Framework outputs which are described as 2.2 for tax allotments, 2.3 for homestead gardens, and 2.4 for weaving sheds.

58. The three outputs associated with Components 2.2, 2.3 and 2.4 are improved practices and increased climate resilience for: (i) agro-forestry systems on tax allotments; (ii) homestead gardens; and (iii) agro-forestry production, and processing centres (weaving halls) for handicraft manufacture. Two key activities will be implemented to achieve these outputs: (i) improving smallholders' knowledge and practice of climate resilient agriculture production systems; and (ii) support for farmers (through the CELGs) to implement improved and sustainable agriculture production activities. In addition, there will "cross cutting" support for the three development options listed above (tax allotments, homestead gardens and handicrafts) in the form of: (i) seedling supplies for agro-forestry interventions; and (ii) implementation of a series of pilots.

**Table 3: Links between cost schedules and Component 2 outputs**

<b>Component 2: Sustainable Economic Livelihoods</b>				
<b>Text: (App. 4) &amp; PDR (Sect II C)</b>		<b>Log Frame Output</b>	<b>Cost Schedule Heading</b>	
<b>Component 2.1: Community Agriculture Development Plans</b>				
		2.1	Cpt. 2.1	<b>2.1</b>
Activity 1: Baseline information for climate resilient agriculture				
Activity 2: Agriculture resilience in livelihood systems				
<b>Component 2.2: Sustainable Economic Livelihoods</b>				
Activity 1: Improving knowledge and practice of climate resilient agriculture				
Activity 2: farmers engaged in sustainable economic livelihoods				
Farmer Field Schools *			Cpt. 2.2	<b>2.2 (A)</b>
Nurseries *	Lump sum per community		Cpt. 2.2	<b>2.2 (B)</b> - lump sum per community
Tax Allotments		2.2	Cpt. 2.2	
Home Gardens		2.3	Cpt. 2.2	
Weavings Sheds		2.4	Cpt. 2.2	
Pilots *			Cpt. 2.2	<b>2.2 (C)</b>

\*Services to generate outputs 2.2, 2.3 and 2.4

59. **Activity 1: Improving smallholders' knowledge and practice of climate resilient agriculture.** This activity will involve participatory extension approaches in the form of FFSs, complimented with field demonstrations and farmer exchange and exposure visits, as well as classroom-based training sessions. A detailed description of the FFS programme is provided in Working Paper 1: Agriculture and Climate Change in Tonga. A summary of its key elements is provided below.

60. In combination with FFS, the innovative use of ICT in the form of the "Digital Green Method" will be used to ensure consistency of communicated technical packages as well as to increase outreach and adoption rates. This method uses short 5-10 minutes video clips produced in villages with farmers as actors demonstrating best practices on their own fields.

61. The FFS Curriculum will be guided by the objective of making farming more resilient to climate change. Accordingly the curriculum will be a mixture of generic training modules focused on activities proposed by the Project along with specific modules as requested by farmers. Generic modules will include climate change risk management which integrates soil and water management, agrobiodiversity, nurseries, and post-harvest storage, i.e. the landscape approach. Specific modules will cover information on particular crops of interest, additional resilience-building activities such as biogas production, simple market assessment and value chain analysis, and formation and operation of farmer organizations based on CIGs with an interest in agriculture. The FFS Facilitators (see below) will be responsible for identifying and supporting such opportunities for all types of CIGs.

62. The FFS approach will be implemented in collaboration with MAFFF in order to build additional staff capacities (as well as the development of extension packages, good practice modules, etc. for Kingdom-wide use) within MAFFF's extension services and to ensure sustainability beyond the Project's lifetime. However, due to limited human as well as operational resources within MAFFF, extensive training and some operational support will be required in the initial years.

63. For effective deployment of the FFS programme the Project will establish an organizational structure consisting of: (i) a FFS Program Coordinator in the PMU; (ii) a FFS Focal Point in MAFFF's Extension Services; (iii) FFS Master Trainers (from MAFFF and from the private sector); (iv) FFS Facilitators (village lead farmers); and (v) key Subject Matter Specialists (from MAFFF and the private sector).

64. The training will consist of one FFS Orientation Course, one FFS Master Trainer Course, and five FFS Facilitator Courses. The Master Trainer course will develop a pool of 20 FFS Master Trainers, with 10 from MAFFF and 10 from either the private sector and/or lead farmers. Gender balance will be ensured with equal involvement of men and women, particularly as there will be a strong focus on support for weaving sheds and homestead gardens. The FFS Master Trainers will train a total of 120 farmers to become FFS Facilitators in TRIP II's target communities. Therefore each community will have one female and one male FFS Facilitator who will work with the FFS weaving and home garden group, and the FFS agro-forestry group respectively. FFS Facilitators will be selected in collaboration with the communities.

65. **Activity 2: Implement agriculture production activities.** This activity will involve implementation of the economic livelihood activities identified by communities in their CADPs which reflect the incorporation of climate resilient agriculture practices. Following detailed discussions with target communities during the design phase with a focus on their preferred agriculture development activities, the economic livelihood activities are likely to include: (i) agroforestry systems focused on increasing agrobiodiversity; (ii) homestead gardens; and (iii) weaving sheds. Where possible the latter two activities will be implemented together with the objective of using water collected from the roofs of weaving sheds to supply associated homestead gardens. This is most likely to occur in the Niua's, Vava'u, and Ha'apai where weaving is a major contributor to household incomes, and where women have expressed the need for separate weaving sheds. Note that whilst the design is based on these initial priority economic livelihood activities, these could change once target communities commence to prepare their CADPs based on activities 1 and 2 in Component 2.1. The risks associated with these three initially selected development options are covered in Table 2 and relate mainly to land tenure issues and climate change impacts.

66. Three core elements to all activities will be: (i) soil management; (ii) water management, and (iii) strategic use of climate resilient tree species, particularly for agro-forestry on model farms, and homestead gardens. The selection of appropriate tree species and planting design is important and should draw on available information and guidance (see Table 4 in the Agriculture and Climate Change in Tonga Working Paper). Trials of different planting patterns and species mixes will be established with an emphasis on tree species which provide multiple benefits including wide climatic tolerance, cyclone resistance, timber products, and other products of potential economic value. For example, *Casuarina equisetifolia* is an excellent wind break, is drought tolerant, is a nitrogen fixer, provides firewood and timber, and is recommended as a host for sandal wood. Plantings of feta'u trees at a density of 100 trees/ha is another option which could be trailed on the outer islands. These trees tolerate a wide climate range, are cyclone resistant, provide excellent coastal protection, produce nuts which are a source of valuable oil for medicinal and cosmetic purposes, and grow excellent timber.

### Output 2.1: Homestead gardens

67. Homestead gardens are characterized by: (i) a location near the residence and cover a small area; (ii) contains high plant diversity; (iii) nutrients are recycled in a sustainable manner; (iv) plants are planted densely and are layered to mimic natural forests; and (v) garden production is a supplemental rather than the main source of family consumption or income.<sup>48</sup>

68. The Project will support the establishment of 60 model homestead gardens, one in each target community, each covering an area of approximately 400m<sup>2</sup> (half a town allotment). The gardens will be located on community land, and ideally adjacent to weaving sheds constructed to Category 5 cyclone standards, and where roofs are available for rain-water collection. This “twinning” will increase the likelihood of sustainability as it will ensure easy access and security for women working regularly in their sheds, and the exclusive use of water for home gardening.

69. The model homestead gardens will be supported with pig-proof fences, one or two water tanks (5-10,000 litres), basic gardening tools, and simple low cost nurseries using poly-, or net-tunnels. Gardens will include a mix of high-value tree species such as sandal wood, fruit and medicinal trees, important handicraft plants such as pandanus cultivars and paper mulberry (*Broussonetia papyrifera*), planted on the garden perimeter as well as selected vegetables and root crops. Based on lessons learnt from previous failed home garden interventions, priority will be given to vegetables which enable seed saving.

### Output 2.2: Agroforestry systems

70. TRIP II will support the establishment of 60 agroforestry-based model farms on the tax allotments owned by the Farmer Field School Facilitators, in 60 communities. An average model farm will cover five acres of food and annual cash crops, two acres of tree crops (one each of vanilla and sandal wood), and one acre of fallow, and will serve as the learning ground for the FFS dealing with resilient agroforestry systems.

71. The model farms will be designed as an agroforestry system in line with the prevailing agro-ecological conditions in the respective island groups. They will be developed in a participatory process between MAFFF, external experts, and concerned farmers. Each model farm should be close to the village and will be protected with a pig-proof fence. Support will be provided in the form of various tree seedlings, drawing on information on suitable climate resilient species discussed in the Agriculture and Climate Change in Tonga Working Paper. Seed of legumes such as *Mucuna pruriens* will be provided. Additional support may consist of simple farming tools, especially those which enable farmers to transition to conservation farming. FFS participants will be supported with small “starter packs” consisting of seedlings and seeds.

72. To further encourage increased adoption rates of at least three best practices demonstrated on model farms, the Project will support the establishment of “cluster farms”, which consist of up to six adjacent tax-allotments to enable cost-efficient joint or block fencing. Cluster farms should be located away from villages and out of reach of roaming pigs. The Project will contribute to simple livestock-proof fencing by providing barbed wire to protect crops from straying cattle. Farmers will provide the fence posts and also plant trees to serve as live posts in the future.

### Output 2.3: Weaving sheds

73. Women currently use their homes or poorly constructed small weaving sheds (which are neither cyclone nor rain proof) as their place of handicraft manufacture. This is an unsatisfactory

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<sup>48</sup> FAO, 2004, R.Mitchell and T.Hanstad, Small home garden plots and sustainable livelihoods for the poor.

situation for such an important economic activity, noting that an additional challenge in some areas is the sustainable production of the raw materials required for weaving and tapa production. The Project will address these issues by supporting investments in improved and cyclone-proof weaving sheds, as well as the development of nurseries to ensure a ready supply of new planting material, particularly following a cyclone. Although weaving sheds may be stand-alone activities, TRIP II will promote the complementary combination of rainwater tanks, weaving sheds and homestead gardens. If more than one weaving group exists in a village, the community will be guided to apply a set of criteria (such as degree of dependence on income derived from handicrafts, women headed households, poverty levels, etc.) to select the group most in need of support in the form of new weaving sheds.

74. For Component 2's Community Livelihood Economic Grants (CELGs) for which TRIP II will fund 60%, the average grant will be US\$18,182 (TOP40,000). As for Component 1, the allocation will vary depending of the size of each community. Each of the 14 small communities will receive US\$13,636 (TOP30,000), 21 medium sized communities will receive US\$18,182 (TOP40,000), and the 25 large communities will receive US\$ 22,727 (TOP50,000). The Component 2 grants will finance homestead gardens, weaving sheds, and model and cluster farms.

- (i) Homestead gardens. The total allocation for home garden is about US\$4,077 (TOP8,970), which includes a water tank (a 10,000 litre water tank costs US\$2,727 [TOP6,000] installed on site), 110 m of fence (cost of TOP18/m), seedlings, seeds and tools.
- (ii) Weaving sheds. The cost is about US\$18,181 (TOP40,000) for a 20m x 10m hall.
- (iii) Cluster farms. These groups of 5 to 8 acre tax allotments will cost about US\$4,162 (TOP9,160), which includes wire for fencing (TOP267 for 500 m), tree seedlings (350 trees per tax allotment at TOP3 per seedling), tools, and Mucuna (legume) seed. Depending on the size of the community there will be 1-3 cluster farms per community financed by TRIP II.
- (iv) Model farms. There will be one model farm per community, costing around US\$4,941 (TOP10,880), which includes a sheet iron metal pig fence (715m at TOP18/m), trees (700 trees at TOP3 per seedling), tools and seeds. TRIP II will finance 100% of this investment as way of compensating the farmer for his commitment to the Sub-Project.

75. The pilots will test new technologies such as: (i) small biogas digesters; (ii) simple food processing, preservation and storage techniques; (iii) composting techniques including vermicomposting and composting toilets; (iv) trials of new staple food plant varieties which are resistant to prevalent pests and diseases, and are resilient to climate change; (v) trials on emerging cash crops such as fruits and nuts; and (vi) use of electric fences to control roaming livestock, particularly pigs in villages. In addition there will be pilots with various ESPs such as: (i) the Church for the sharing of land for toutu'u (for FFSS and demonstrations), and for cooperation with local clergymen to improve community coordination; and (ii) testing community-based remittance management systems - based on Project-brokered agreements with absentee land owners and/or seasonal workers with the objective of increasing investment in idle land, particularly for longer-term forestry and cash tree crops.

### **Component 3: Project Management**

76. The **Component 3 Outcome** is "*enhanced Project management capacity for implementation and monitoring of rural development*". This will be achieved through the **Component 3.1 Output** which is "an effective Project management team". This output will be achieved through the following activities:

77. Other than overall Project implementation responsibilities, MORDI TT will also have some specific tasks, namely: (i) train, mentor and supervise TOs and CFs in the use of participatory learning, action and planning methods, and in Project implementation practices; (ii) lodge consolidated CDPs and CADPs; (iii) arrange three-monthly PRAC reviews of the CEIG and CELG proposals for Components 1 and 2, inform communities of the outcomes from PRAC reviews, and prepare briefing policy notes on issues/topics forthcoming from the PRAC process; (iv) disburse

approved CEIGs and CELGs; (v) engage with the broader stakeholder community to mainstream the Project approach, and to share results and lessons; (vi) monitor and evaluate Project performance including collecting baseline data; and (vii) identify evidence-based policy issues for dialogue through a Project Advisory Committee (PAC). MORDI TT will also be responsible for hosting an annual one-day “lessons-learned” workshop involving relevant Government agencies, representatives of NGOs, development partners, and representatives of the private sector who are working with and have a particular interest in rural development in Tonga.

78. TRIP II’s Component 3 is broader than just day-to-day Project management. In addition, important institutionalization and national capacity building activities will include: (i) ongoing support to and assistance for MIA to ensure that the CDPs and CADPs are embedded in regularly-updated DDPs, and that non-Project sources of funds are identified and leveraged in; (ii) working with Government with the objective of gaining approval for some direct Government funding of CDPs and CADPs, and therefore improved post-TRIP II sustainability; and (iii) identifying rural development policy issues (from experience with CDP and CADP implementation - and observations of more general community development issues through close and ongoing personal and working relationships with target communities), followed by preparation and presentation of policy analytical papers at appropriate fora, including Parliament.

79. The foregoing Project management and institutionalization activities will require considerably more resources than were available to TRIP I. Accordingly, the design team completed an institutional review of MORDI TT<sup>49</sup> with the objective of assessing the Trust’s management capability and its human resource base in terms of being capable and qualified to implement TRIP II. The main conclusions were: (i) MORDI TT is qualified and resourced to implement TRIP II; and (ii) the number of staff in TRIP II’s PMU will need to double in order for MORDI TT to be able to implement a Kingdom-wide rural development Project which has two main development components. The TRIP II staffing schedule and associated costs (see Appendix 5, Figure 2) reflect these findings, meaning that TRIP II is adequately resourced.

80. An important aspect of Component 3 is the involvement of many Government staff from MIA and MAFF - TOs, DOs and Extension staff. Fifty percent of the cost of these staff has been included in the Component 3 costs as a Government contribution.

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<sup>49</sup> Unpublished.

## Appendix 5: Institutional aspects and implementation arrangements

### Approach and implementation arrangements

#### Overview

1. Project implementation arrangements will be based on the existing arrangements used by MORDI TT for the implementation of TRIP I (Country Performance and Lessons Learned, Appendix 3), with several scaling up and institutional changes/ improvements. Arrangements for the implementation of Component 1 (Community Development) will remain much the same as for TRIP I, with some fine-tuning of approach and improved coordination with all levels of Government. Component 2 (Sustainable Economic Livelihoods) is a new TRIP II initiative and will therefore require MORDI TT to recruit (and develop in-house) the skills required to engage with and support rural communities to plan, implement and monitor development initiatives which focus on climate resilient agriculture production.

2. TRIP I used Town Officers (TOs) to implement the participating learning and action methods to develop Community Development Plans (CDPs). TRIP II will use the same approach, and TOs will be trained, supervised and mentored in the use of these methods in a structured and sequential process - see Table 2 in Appendix 4 for details. TOs will be responsible for lodging CDPs with Districts Officers (DOs) who will compile these Plans into District Development Plans (DDPs), and in turn lodge the DDPs with the Ministry of Internal Affairs (MIA) and the Prime Minister's Office (PMO) through the Governor's Office or Governors Representative. At the time of Project commencement, the Prime Minister's Office will send a directive to the Governor's Office and Governors Representative (and MIA will do the same for DOs and TOs) explaining their respective roles and responsibilities in the community planning and Sup-Project implementation processes to be implemented by the Project. The inclusion of TOs is intended to build sustainability following Project completion, and also means that Government will absorb some of the implementation costs. TRIP II will re-introduce the MORDI practice of using Community Facilitators (CFs) to: (i) assist TOs with the preparation of CDPs and CADPs; and (ii) assist with the implementation of community economic infrastructure activities, and implementation of Component 2 CADPs. CFs will participate in training by MORDI TT in the use of community participatory learning and action practices, and in Project implementation practices - for both investment Components.

3. An important aspect of the required capacity building and support for TOs and DOs came from TRIP I's MTR. TOs and DOs highlighted that functional VC sub-committees made their own tasks and responsibilities more manageable and their work outcomes more effective. Importantly, interviewed TOs and DOs reported that some sub-committees still need more strengthening and external, regular support for longer periods - if these sub-committees are to eventually function on their own. Accordingly, the TRIP II budget contains allocations for these activities.

#### Partnerships with External Service Providers (ESPs)

4. Partnerships will be important for the successful implementation of the Component 1 and 2 activities. Important examples of cooperating ESPs include: (i) the Church, with the decision as to which denomination to engage with being based on local situations and the purpose of engagement - for example, the use of Church land for toutu'u and cooperation with local clergy to assist with community organization; (ii) sourcing micro-finance services through South Pacific Business Development (SPBD) which until recently only supported women's groups, but has recently provided agriculture loans to farmers who attend the Farmer Field Schools (FFSs) on 'Eua; (iii) trainers of various types including the Tonga Business Enterprise Centre (TBEC) which provides business advisory and mentoring resources supported by an annual calendar of training; (iv) the Pacific Horticultural and Agricultural Market Access (PHAMA) Programme (Phase III) which can provide assistance with value chain analysis for promising import replacement and export products; and (v) various public and private sector nurseries (including those operated by the Ministry of Food, Forestry and Fisheries [MAFFF]) from which TRIP II will purchase tree seedlings



at a commercial value. The only TRIP II-specific nurseries will be small village-level vegetable seedling nurseries, plus nurseries to support post-disaster recovery.

### **Project Review and Appraisal Committee**

5. TRIP I uses a Project Review and Appraisal Committee (PRAC) to screen, discuss and accept or reject grant proposals against eligibility criteria. This important, independent approval process will continue for TRIP II, with the PRAC being used to assess Community Economic Infrastructure Grants (CEIGs) and Community Economic Livelihoods Grants (CELGs) proposals<sup>50</sup>. Simultaneity is important because of the operational linkages between Component 1's community infrastructure development activities and Component 2's livelihood development activities. To formalize this partnership, as noted below, it has been agreed that PHAMA and TBEC will have reciprocal observer status on the PRAC.

### **Ministry of Finance and National Planning**

6. For TRIP II, the Ministry of Finance and National Planning (MFNP) will be the Borrower of the Loan portion of the financing, and will be the Recipient for the Grant portion. Details of the reporting responsibilities between MORDI TT and MFNP, as well as the flow of funds between MORDI TT and IFAD, are presented in Appendix 7 - Financial Management and Disbursement Arrangements. It has been agreed with Government that MORDI TT will be appointed by MNFP on a sole source basis to implement the Project and that this arrangement will be formalized with a Memorandum of Understanding (MoU) to be signed between MNFP and MORDI TT (Board of Trustees). The organizational arrangements between MFNP and MORDI TT are described below.

### **Project Advisory Committee**

7. The Board of Trustees of MORDI TT has been responsible for the implementation of TRIP I. As shown in Figure 1, MORDI TT and MFNP will be advised by a Project Advisory Committee (PAC) on areas such as governance, policy, networking with other organizations and strategic overview of the Project. The membership and composition of the PAC and the organizational arrangements between the PAC and MFNP are described below.

### **Organization framework**

8. It has been agreed with Government, as noted above, that MORDI TT will be appointed by MNFP to implement TRIP II. This arrangement is based on an assessment of MORDI TT's implementation capacity (Country Performance and Lessons Learned, Appendix 3), and an independent review of MORDI TT - see Working Paper 2. MORDI TT's implementation of TRIP I has: (i) been cost-effective and cost-efficient; (ii) developed a credible reputation with non-government and Government agencies (with Ministers supporting the mainstreaming of the CDP planning process into Government's planning processes) - evidenced by development partners expressing interest in funding the priorities identified in the CDPs; (iii) been instrumental in introducing CDPs; (iv) spearheaded the use of TOs as local development agents; and (v) demonstrated that it is the only agency in Tonga (Government or non-government) which is providing a systematic process to community-level planning and development implementation.

9. The detailed institutional review undertaken as part of the design process also considered the institutional sustainability of MORDI TT, particularly in the light of fairly high staff turn-over. The following points were noted: (i) whilst the approach in TRIP I was developed and spearheaded by management, there has since been increasing skill transfer as well as an institutionalisation of the

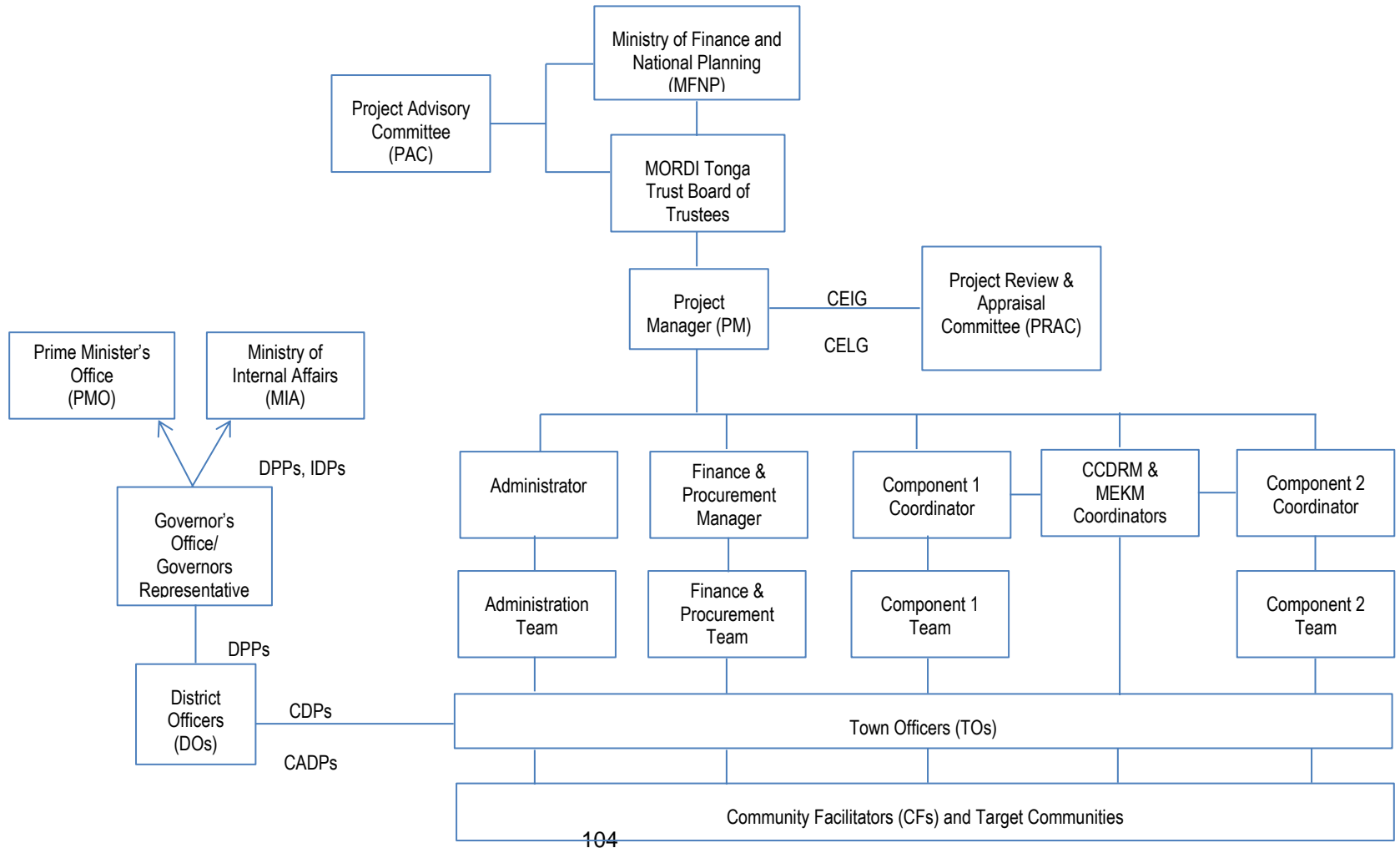
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<sup>50</sup> The PRAC for TRIP II will require some additional skills because of the need to screen agriculture development proposals which include simple BCAs and CVA.

approach, rendering it much less sensitive to the turn-over of individual staff members: (ii) the legitimacy and respect gained by MORDI TT has improved the capacity of MORDI TT to recruit and retain staff; (iii) the new Project management structure (in particular the appointment of KM and M&E Officers and the reinstatement of Community Facilitators) will reduce the workload of key field staff; and (iv) whilst there has been high staff turn-over, many were interns. It is accepted that this is a legitimate and necessary means to test the willingness and capacity of potential staff to contribute the necessary hours, and therefore ultimately part of the explanation following the success of TRIP I.

10. **A PAC will play an advisory role to MFNP and MORDI TT** in areas of governance, policy, networking with other organizations, and strategic Project overview. Draft Terms of Reference detailing the PAC membership and responsibilities are provided in Working Paper 3. Membership of the PAC will include a representative each from MFNP, MIA, MAFFF, National Reserve Bank of Tonga, Chamber of Commerce, Civil Society Forum of Tonga, and IFAD. Responsibilities of the PAC will include: (i) reviewing Annual Work Plan and Budgets (AWPBs); (ii) overseeing six-monthly reviews in cooperation with IFAD's supervision missions; (iii) promoting cooperation and coordination between regional and national governmental and non-governmental agencies; (iv) identifying evidence-based policy issues for dialogue; and (v) ensuring transparency and accountability in Project management. Figure 1 below shows the Project's organizational framework.

**Figure 1: Project organizational framework**



### **Scaling up implications**

11. The staffing schedule for TRIP II is much larger than for TRIP I. However, the scale and scope of TRIP II are also much larger. TRIP II will be a Kingdom wide Project with two large investment Components, rather than one Component for TRIP I (recognizing that TRIP I Component 2 was not successful). Therefore as TRIP II will be about twice the size of TRIP I, and incorporates a new investment programme in the form of Component 2, an approximate doubling of staff resources is justified, particularly when some of the additions will be focusing on some of TRIP I's weaknesses, such as M&E and KM. In addition, it is important to recognize that different skills sets and experience are required for the new Component 2, which focuses on sustainable livelihoods. Finally, the need to comply with IFAD's requirements for Climate Risk Assessment to be factored into the design of CADPs means that additional staff with new skills will be required.

### **PRAC**

12. MORDI TT will be responsible for interfacing with the PRAC. Draft Terms of Reference detailing the PRAC's membership and responsibilities are provided in Working Paper 3. The overall purpose of the PRAC will be to provide an executive management function for the Community Economic Infrastructure Grants (CEIGs) and the Community Economic Livelihood Grants (CELGs). Membership of the PRAC will include a representative each from the Tonga Community Development Trust, Ministry of Works, MFNP (Procurement) and the Aid Management Division (AMD). As noted above PHAMA and TBEC will be given reciprocal observer status on the PRAC. Once operational MORDI TT will be responsible for preparing CEIG and CELG proposals for the Committee for screening, discussing and reporting results.

### **Specific tasks**

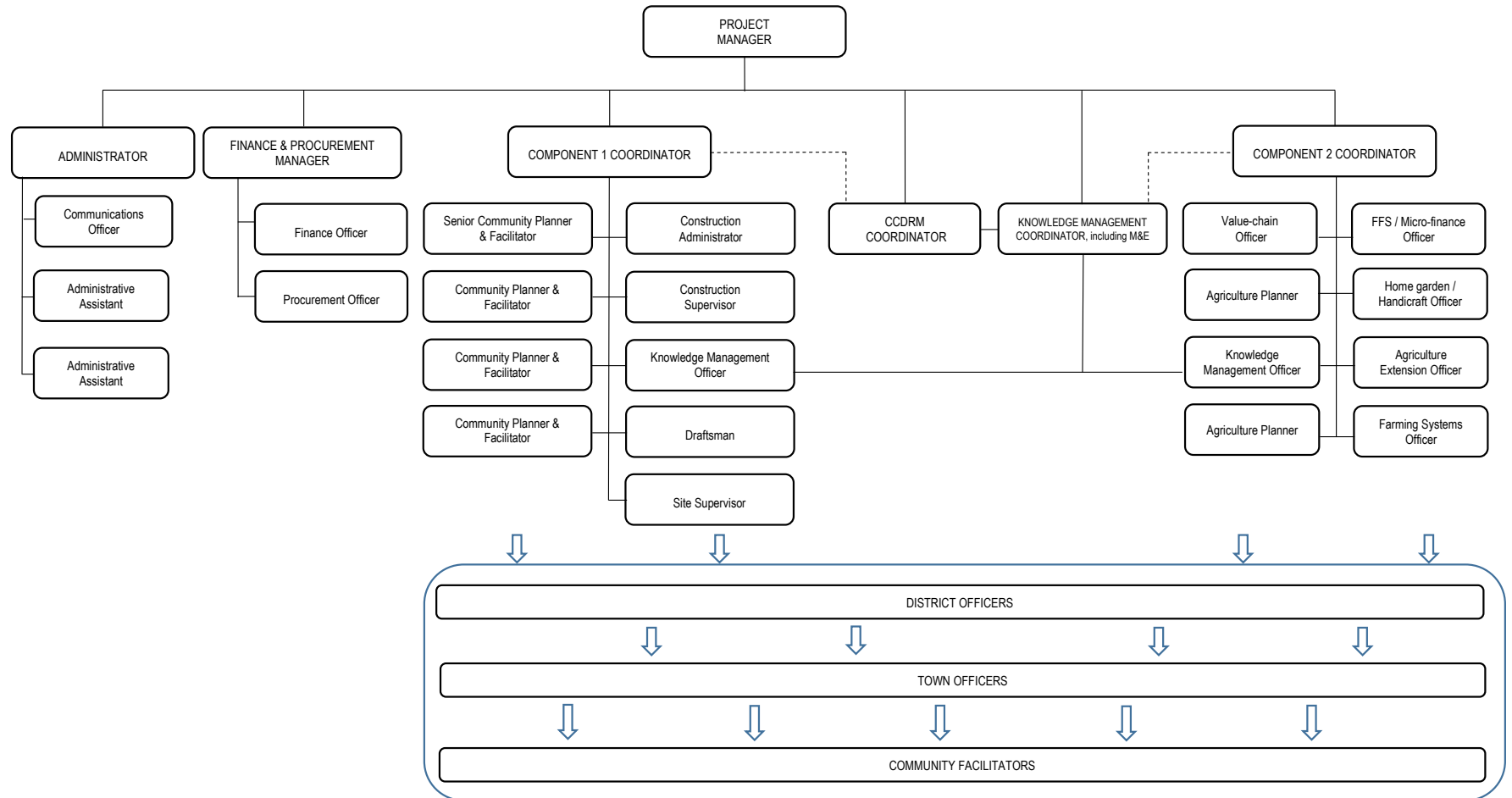
13. The specific tasks for the PMU staff are listed in their Terms of Reference in Working Paper 3, noting that the PM will also have overall responsibility for MEKM including the collection of baseline data at the time of Project commencement and at the end of the Project period (see Planning, monitoring and evaluation, learning and knowledge management - Appendix 6 for details). In addition, other than overall implementation responsibilities MORDI TT will have the following specific tasks:

- (i) Training, mentoring and supervising TOs and CFs in the use of participatory learning and action methods, and in Project implementation practices for the purpose of developing and implementing CDPs and CADPs.
- (ii) Consolidating CDPs and CADPs into DDPs, and lodging these with DOs, the Governor's Office or Governors Representative, MIA and the PMO. This process is shown in the left-hand side of Figure 1. These plans will be distributed to development partners and other agencies which have expressed interest in providing financial support for the development and implementation of the Sub-Project plans listed in the DDPs. This process will enable improved engagement with the broader stakeholder community, and a mainstreamed Project approach.
- (iii) Supervise the quality of support provided by ESPs, to ensure the delivery of agreed services and community support.
- (iv) Arrange for three-monthly PRAC reviews of CEIG proposals for Component 1 and CELG proposals for Component 2; and informing communities, development partners, and target communities of the outcomes from PRAC; followed by disbursement of approved CEIGs and CELGs.
- (v) MORDI TT will develop a strategic partnership with the AMD, which is responsible for Government alignment and harmonisation initiatives under the Paris Declaration of Aid Effectiveness - with the objective of leveraging financial support from development partners for the implementation and management of development initiatives identified in the DDPs.

- (vi) Identify evidence-based policy issues for dialogue through the PAC. One issue in particular which may be dealt with by the PAC concerns idle and unproductive land, and the possibilities for promoting access to land for the poor and landless women.

14. MORDI TT will also be responsible for hosting an annual one-day “lessons-learned” workshop involving relevant government agencies (e.g. Ministries of Agriculture, Food, Forests and Fisheries; Education and Women’s Affairs; Labour, Commerce, Trade and Industries; Training, Sports, Youth and Employment; representatives from non-governmental agencies (e.g. Asian Development Bank, World Bank, NZAP), development partners, and representatives of the private sector (e.g. commercial vanilla and vegetable growers, and exporters) who are working with and have a particular interest in rural development in Tonga.

**Figure 2: TRIP II staffing**





## Appendix 6: Planning, M&E and learning and knowledge management

### Planning, monitoring and reporting

#### Planning

1. **Component 1 - community planning processes.** Community-based planning and implementation are key features of TRIP II's Components 1 and 2. The participatory learning and action methodology developed during MORDI TT and TRIP I results in the production of Community Development Plans (CDPs) for Component 1 which then drive further activities (including the production of Community Agriculture Development Plans [CADPs] for Component 2) and the financing of economic infrastructure at the community level. Each CDP takes up to a month to produce from the time of entry into a community. The outputs from this planning process will be documented by MORDI TT and, along with a summary of baseline data (including Results Impact Management System [RIMS]) gathered during the planning process, be returned to the Town Officers (TOs) and the community that s/he represents. Continuing the practice developed under TRIP I, MORDI TT will then assist with the consolidation of CDPs into District Development Plans (DDPs) and lodge these plans with the District Officers (DOs), the Ministry of Internal Affairs (MIA) and Governor's Office, and/or the Governor's Representative office. In the interest of post Project sustainability (to ensure that the CDPs and DDPs are embedded in the national planning process) TRIP II will also assist with the accumulation of DDPs into Island Development Plans (IDPs). The latter two plans will feed into the National Strategic Plan (NSP) and ultimately the TSDF. This integrated planning approach has been completed for 'Eua and the two Niua's (combined) and will be completed for the remaining three island groups during TRIP II.

2. After CDP preparation, MORDI TT staff will work with TOs, Community Facilitators (CFs) and communities to take the planning forward into community driven and managed implementation of economic infrastructure development. With TRIP II assistance, the TOs and their communities will prepare Community Economic Infrastructure Grant (CEIG) proposals to be financed under Component 1.2 (resilient community infrastructure based on CDPs). Co-financing and partnering with other agencies will be encouraged, and community contributions (cash and/or kind) will be mandatory. Once approved by the Project Review and Appraisal Committee (PRAC) these proposals will be provided to DOs, MIA and the Governor's Office and/or Governor's Representative. Communities might also develop proposals for separate financing outside of TRIP II. In this event TOs will keep records of such activities.

3. **Community planning processes for Component 2.** This planning process will build on the CDPs prepared under Component 1 and be expanded out to encompass plans for Sub-Projects to support sustainable economic livelihoods. These are the Community Agriculture Development Plans<sup>51</sup> (CADPs) which are equivalent to the Village Resilient Agriculture Plans (VRAPs) in the TASP. Once completed, the CADPs will follow the same "upwards" path as the CDPs, with one important addition. The CDAPs will also be collated in the Ministry of Food Forestry and Fisheries (MAFFF) as it is likely that TRIP II will be unable to fund all requested Component 2 Sub-Projects, noting that there are three options: (i) homestead gardens; (ii) handicrafts; and (iii) tax allotments. In addition there will be two "cross-cutting" Sub-Projects: (i) Farmer Field Schools (FFSs) to deliver technical messages to target farmers; and (ii) and small, village-level seedling nurseries.

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<sup>51</sup> Note: in this context the use of the word "agriculture" covers the optional Component 2 Sub-Projects.



4. Once the CDAPs have been prepared and communities have selected their priority Sub-Projects, TRIP II staff and CFs (if appointed<sup>52</sup>) will work with TOs and MAFFF's Extension Officers to prepare CADP implementation plans (these are the agriculture Sub-Project Detailed Plans [SPDPs] which are mentioned in step 21 of Table 2 in Appendix 4). SPDPs will be costed, time-phased, and resourced, and include community contributions. The SPDPs will then be used as the basis of an application for Community Economic Livelihood Grants (CELGs). The SPDPs will then pass through the same hierarchical steps as the CDPs, including approval by a PRAC with suitably qualified and experienced members<sup>53</sup>.

5. **Annual Work Plan and Budgets (AWPBs).** Draft AWPBs will be prepared by MORDI TT on the basis of monitoring and financial information, and in consultation with TOs. These plans will be presented to the MORDI TT Board of Trustees for approval at least one month before the end of each project year. Draft AWPBs will be shared with the Ministry of Finance and National Planning (MFNP), MAFFF, and IFAD for no objection. In addition, once a no objection has been issued by IFAD, TRIP will post its AWPBs on websites in MIA and MAFFF which can be accessed by all External Service Providers (ESPs) and interested members of civil society, development partners, etc. This is in the interest of improved TRIP II transparency and reduced overlap and duplication of rural development initiatives across the Kingdom. More details on Knowledge Management are provided below.

6. AWPBs will detail all TRIP II activities by month, and as these plans form the basis for Project expenditure, they will link with budget and draw down requirements on IFAD funds. AWPB completion, approval and use will also provide a key performance indicator for gauging Component 3's progress, and form the basis for measuring planned against actual implementation progress. TRIP I has the experience required to complete this important annual task without additional resources.

7. MORDI TT will provide brief **six monthly progress reports** to MFNP, MIA, MAFFF and IFAD, summarising progress against the AWPB and highlighting issues requiring action or decisions. These reports will also contain financial and procurement statements as well as an annex summarising any micro-finance agreements. Annual reporting by MORDI TT to IFAD and MFNP will follow a similar format but allow for a fuller description and analysis of progress by each Component. The Annual Reports will: (i) include discussions of issues and recommended responses; and (ii) utilize monitoring data, and information and lessons from special studies as the basis for recommendations. All reports will be prepared and made available two weeks prior to IFAD's six month supervision missions.

## Monitoring

8. TRIP I's M&E system and associated reporting needs to be strengthened as it is currently difficult to measure outputs, and progress towards outcomes and impact. The 2008 regional MORDI programme Mid-Term Review found that monitoring and evaluation needed improvement. A subsequent consultancy resulted in a report documenting arrangements for monitoring, including identification of monitoring instruments, periodicity and responsibility. However it seems that this work has not been fully translated into TRIP I as expected, even though there was a mission by an FAO M&E Specialist in 2014. Data collection remains some-what *ad hoc* (there is one M&E Officer in TRIP I) and the analysis and interpretation of the large amounts of data collected is not undertaken in a systematic way. Considerable amounts of data have been collected but much of the analysis is undertaken manually and on the basis of narrative reporting. Therefore TRIP II's Component 3 has been resourced with the objective of improving MORDI TT's M&E performance, through: (i) two additional M&E staff in the Nuku'alofa office; (ii) design of a TRIP II M&E Framework early during the

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<sup>52</sup> Note that not all communities will be supported with VFs. This will depend on whether the TOs request this form of assistance. Some TOs with experience from TRIP II may not need assistance, whereas those TOs engaged under TRIP II may require support.

<sup>53</sup> The composition of the PRAC will need to be adjusted slightly to take into account the different technical topics included in the Sub-Project Detailed Plans which focus on agriculture development.

inception phase with support from a short-term M&E Specialist; and (iii) introduction of the Indonesia Coastal Community Development Project's (CCDP's) dashboard reporting system. The latter uses tablets and WhatsApp to collate and transmit weekly progress reports and achievements from hundreds of isolated rural communities. TRIP I will send a small mission to Indonesia in 2016 to study this monitoring and reporting system, and possibly to engage an Indonesian consultant to assist with the design and testing of a similar system for TRIP II.

9. M&E processes and outputs are as important for effective Project management as they are for assessing and evaluating performance, and ultimately measuring impact. TTRIP II's M&E Framework will include data entry formats, and reporting protocols and formats. The M&E and Knowledge Management coordinator (MEKM), under the guidance of the Project Manager (PM), will be tasked with operating this system. He/she, the two M&E support staff, and the TOs and the CFs will be trained in their specific tasks related to M&E, including the use of the dashboard reporting system. Importantly, the Nuku'alofa-based staff will also be trained in the analysis and interpretation of monitoring data, with the objective of guiding changes to implementation strategies. Staff will also be trained in the use of Open Data Base Connectivity (ODBC) which will allow the financial data stored on Mind Your Own Business (MYOB) to be downloaded and cross-referenced with the M&E data on Project progress. Training on gender aspects of KM and ME will be included as an integrated part of the training package for all MEKM staff.

10. Once the Indonesian CCDP M&E system has been installed, it is expected that TOs and CFs will complete the initial data entry online. The Finance and Procurement Manager will be responsible for recording all financial and procurement transactions, and the MEKM coordinator will be responsible for entering data related to Component 1 and 2 activities and results. Data will be sourced from the range of instruments described below. M&E results will be published every six months to enable progressive building of results and impact, which will be required for the Mid-Term Review (MTR) and the Project Completion Report (PCR) exercises.

11. **Monitoring arrangements and instruments.** Monitoring Key Performance Indicators (KPIs) will be aligned with the Project's Logical Framework. Activities and outputs designed to achieve the outcomes specified by the KPIs are detailed in the Logical Framework in Appendix 4, and will be incorporated into the M&E Framework early during the inception phase. These KPIs include the mandatory indicators for RIMS which are designed to measure IFAD's contribution towards meeting Millennium Development Goals No. 1 and No. 3. The range of instruments used to gather this information by TRIP II will include:

- (i) Input and Output Monitoring: Financial and other inputs will be monitored through AWPBs, the financial management system, procurement reports, and CEIG and CELG reports. Outputs will be primarily captured through: (i) TOs' monthly reports; and (ii) community economic infrastructure and sustainable livelihood reports. The latter will include: (i) technical and operational audits after the completion of infrastructure rehabilitation or construction for CEIGs (for Component 1); and (ii) progress, quality achievement and initial reports on the impact of CELGs for Component 2.
- (ii) Process and Outcome Monitoring: Monthly TO reports will systematically detail progress with CDPs and CADPs, follow-up actions, issues arising, and the operations and achievements of various village committees. Information will be disaggregated to reflect different interest groups within communities. There will be annual participatory surveys of a randomly selected sample of Village Committees (VCs) and Common Interest Groups (CIGs) who manage Project-supported economic infrastructure and sustainable livelihood activities, for Components 1 and 2, respectively. These will focus on the operational effectiveness of community and village groups, and the outcomes of their actions. The survey for Component 2 will focus on: (i) the same topics as for Component 1; (ii) opinions and early indicators of progress towards the achievement of the sustainable livelihood objectives stated in the CADPs; (iii) the performance of ESPs; and (iv) early indications of increased household earnings from Component 2's Sub-Projects. At least one round of outcome monitoring will be completed in time for the MTR, and then continue annually through to the Project Completion Report stage. The outcome monitoring methodology will be based on triangulated qualitative tools such as focus group discussions, key informant interviews, and direct observations.

Efforts will be made to balance quantitative data on outputs and impacts with qualitative narratives on intermediate outcomes.

- (iii) Special Studies. Budget is available for five special studies. These will focus on topics and issues which require greater in-depth study than other monitoring tools allow for or cover. The subject matter under study will be identified by TRIP II's staff, TOs, and target communities, or emerge from analysis of the monitoring data. Such studies could focus on, for example: (i) the market and/or employment effects of a rehabilitated jetty (for Component 1); and (ii) how household incomes are changing as more sustainable farming systems are adopted on tax allotments (for Component 2). Studies will also include a review of initiatives to support the productive investment of remittances, and effective ways to engage youth in Component 1 and Component 2 activities. Once implementation has commenced it will be possible to group Sub-Projects for Components 1 and 2 under general headings, and to then complete at least one case study for each group. As with the participatory surveys, data from Project monitoring will be used as the basis of these studies, with field work enquiry and additional specific data collection extending this activity beyond the database. All studies will have a practical and strategic gender focus, detailing impact as well as implications for policy and scaling-up.

### **Baseline**

12. TRIP II will collect baseline data in each community it engages with. Data will be collected at the time of Project commencement but before any Project-supported activities are undertaken – including preparation of the CDPs and the CADPs; and at the end of the Project period, allowing before and after comparisons. The baseline survey will be based on IFAD's standard RIMS methodology with two exceptions: (i) chronic malnutrition (stunting or height-for-weight) is not required in Tonga as this is well below prevalence levels which justify Project tracking; and (ii) rather than the standard RIMS sample of 30 clusters × 30 households, TRIP II will survey 122 clusters × 15 households = 1,830 households. The 122 clusters equates with 122 communities (62 for Component 1 and 60 for Component 2) as per the community development implementation schedule in the Detailed Project Design (Appendix 4). Approximately US\$40,000 has been allocated to cover the costs of the baseline and end-of-Project surveys, and data handling. TRIP I has a standard RIMS questionnaire format which has been translated into Tongan. This will be used for the baseline survey for TRIP II. The data will be disaggregated by gender and age to enable the Project to track progress on gender and the impact on youth.

### **Knowledge and partnership management**

13. Core elements of Knowledge and Partnership Management (KPM) include: (i) ensuring full, timely and transparent engagement with target communities, External Service Providers (ESPs), key Government Ministries, local TRIP II champions, etc.; (ii) establishing a framework which provides information and analysis for management decision-making on progress achieved against the Logical Framework and AWPBs; (iii) ensuring that the knowledge and results generated are shared with key stakeholders; and (iv) continuing the close relationship of MORDI TT with IFAD on a broad range of knowledge management activities. The latter will include information exchange between TRIP II and IFAD's Financing Facility for Remittances (RFR), as strategic directions are explored and experiences from the field gathered. An important addition to TRIP II is the inclusion of Partnership Management under this heading, with the objective of providing complete and timely information to key stakeholders and partners. Therefore improved KPM will be achieved by the following:

- (i) Awareness raising about the Project by TOs, CFs, VCs and CIGs within communities, with special attention paid to target groups. This process will initially take place when Project staff enter communities for preliminary awareness raising and will continue through monitoring visits. Information about the Project will be posted in a prominent position in villages - probably in meeting halls. All Committees will be required to keep minutes of meetings and include decisions, procurement activities, and financial transactions.
- (ii) DOs will be updated on progress and issues by TOs during monthly district meetings. TRIP II's Project Management Unit (PMU) in Nuku'alofa will receive monthly reports from the TOs through a new electronic reporting system which is hooked into MIA and MAFFF. Communities and ESPs will be involved in Project performance assessment through annual participatory surveys and Special Studies.

- (iii) TOs and community groups will visit other communities working on similar issues or in similar ways. These visits will be organised as peer review events and focus on problem solving, information sharing and knowledge generation.
- (iv) TRIP II will organise an annual “lessons learned” workshop involving relevant Government agencies, ESPs; and other groups, including development partners, NGOs and academics.
- (v) The Project will maintain close informal links with relevant programmes and projects to ensure that adequate information sharing is a foundation for the development of operational links and complementary outcomes.
- (vi) TRIP II will continue to use its joint web-site with MIA, and establish a similar arrangement with MAFFF. These sites will display TRIP information - all CDPs and CADPs, progress reports, outputs from monitoring studies, other reports, case studies, contact information, etc. The ICT Specialist will assist in this regard.
- (vii) The Project will share key results with IFAD at regional levels through the IFAD ASIA Pacific Website.



## **Appendix 7: Financial management and disbursement arrangements**

### **Summary of Financial Management Arrangements**

1. The Lead Project Agency (LPA) will be MORDI TT which will sign an MOU with MFNP, as the Representative of the Borrower/ Recipient, for Project implementation.
2. As in TRIP I, MORDI TT will establish a Project Management Unit (PMU) in Nuku'alofa which will be headed by a Project Manager (PM). The PM will have overall responsibility for implementing TRIP II. PMU staffing will include among others an Administrator (AD) and a Finance and Procurement Manager (FPM) and will manage small teams with the specific skills and experience required to provide administration, and financial and procurement support (Procurement Officer, Finance Officer, two Administrative Assistants, and a Communication Officer). The PMU will provide training on simple record keeping, cash custodianship, accounting and documentation, monitoring of field activities and preparation of periodic reports.
3. A Project Designated Account (DA) in US\$ will be opened by Ministry of Finance and National Planning at a commercial bank acceptable to IFAD to receive fund transfers from IFAD, based on Withdrawal Applications (WA). MORDI TT as LPA will also open a checking account in TOP at a commercial bank acceptable to IFAD to convert and transfer funds from the US\$ DA to the TOP bank account to cover Project expenditure.
4. The Project will be eligible for start-up costs to support Project start up activities (inclusive of retro-active financing). The start-up costs could be provided from the financing proceeds, immediately after entry into force (execution of the Financing Agreement) and prior to the satisfaction of the general conditions precedent to withdrawal. The start-up costs will be charged to the following expenditure categories: (i) Category I Vehicles, Equipment Materials and Transport; (ii) Training and Capacity Building; (iii) Technical Assistance Studies and M&E; and (iv) Recurrent Costs.
5. MORDI TT will maintain a full set of accounts in accordance with IFAD's requirements and internationally acceptable accounting standards. The PMU will upgrade the MYOB accounting software currently being used for TRIP I, or procure accounting software that will automatically produce financial reports and documents such as: SOEs, WAs, Source and Uses of Funds, AWPB Actual vs. Budget, financial and physical progress, DA and TOP bank accounts reconciliations, procurement contract register, payment monitoring register, and fixed asset register.
6. The fiduciary summary report for IFAD's Tonga portfolio prepared in July 2016 by the Controller and Financial Services Division (CFSD) in IFAD provided an overall risk assessment of Medium. The implementation TRIP I by MORDI TT requires improvement - with the main challenges including limited Financial Management (FM) capacity, staff turnover in the finance unit, and difficulties in complying with IFAD's FM requirements - especially for WAs preparation. In addition, the MTR reported non-compliance with some procurement processes and documentation. These issues have been addressed in the detailed design of TRIP II.
7. The latest Public Expenditure and Accountability Assessment (PEFA) assessment in 2010 indicates an improvement in Tonga's Public Finance Management (PFM) systems over three years following the 2007 PEFA assessment. For the 27 indicators, Tonga received 20 satisfactory ratings in 2010, up from 17 in 2007. While some indicators are positive (budget credibility and its execution) other indicators are in need of improvement. The assessment highlights some major weaknesses for the following items: (i) effectiveness of internal audit; (ii) quality and timeliness of annual financial statements; (iii) scope, nature and follow-up of external audit; (iv) legislative scrutiny of the annual budget law and external audit reports; and (v) financial information provided by donors for budgeting on project and program aid.
8. Considering the successful implementation of TRIP1 by MORDI TT, the overall risk assessment of the Project is Medium. Some risks identified in financial management included: (i) challenges and lack of adherence to financial management and procurement processes and documentation; (ii) rapid staff turnover; and (iii) delays in submissions of AWPBs and Annual Procurement Plans which resulted in difficulty in controlling and monitoring budgets. The risks will be mitigated through the

proposed arrangements in the design such as: (i) the creation of Project Advisory Committee (PAC); (ii) continued operation of the PRAC; (iii) creation of Bid Evaluation Committee (BEC) for procurement with a value of TOP100,000 (US\$50,000) and above; (iv) establishment of a Project Procurement Committee (PPC) for procurement with a value of less than TOP100,000 (US\$50,000); (v) intervention from Government's Office of Auditor General (OAG) for periodic compliance audits; (vi) recruitment of qualified finance and procurement officers and staff; (vii) annual Project audits conducted by an independent external auditor or the OAG; (viii) recruitment of additional qualified and experienced finance and administration staff; and (ix) supervision and implementation support missions by IFAD every six months, plus staff training during the start-up process and follow-up missions.

## Project financial profile

9. TRIP II will cover all 122 eligible rural communities in Tonga's five main island groups (48 out of total 170 communities in Tonga are too small, big or urban). The 60 TRIP I communities will be assisted to review their CDPs with the objective of preparing Community Agriculture Development Plans (CADPs) as the basis for support of sustainable livelihoods through TRIP II's Component 2. In addition, 62 new communities will be assisted to complete their first round of community infrastructure planning - a repeat of the activities completed under TRIP I's Component 1.

**Table 1: Number of communities targeted by TRIP II, by Island Group**

Island Group	Component 1	Component 2
Vava'u	15	20
Ha'apai	19	6
Tongatapu	28	7
'Eua		15
Niufo'ou		4
Niuatoputapu		8
<b>Total</b>	<b>62</b>	<b>60</b>

10. The total Project cost over five years is estimated to be US\$ 10.98 million. Almost 60% of total costs will be for community development activities (four percent for Community Development Plans and Community Agricultural Development Plans; and 53% for resilient community infrastructure and sustainable economic livelihood grants). Project management costs are estimated to be 44% of total costs, noting that this includes the direct cost of all PMU staff and Government's contribution in terms of officer salaries. Government will also finance the tax and duty elements. Community beneficiaries will be required to make a 25% contribution (about 12% cash and 13% in kind) towards resilient community infrastructure under Component 1; and a 40% contribution (about 15% cash and 25% in kind) towards sustainable economic livelihoods under Component 2. These cash contributions will be paid directly to suppliers/contractors by the communities. In terms of sources of funding, IFAD will fund US\$ 6.75 million (61%), beneficiaries US\$ 1.43 million (13%), and Government US\$ 2.80 million (26%).

**Table 2: Project costs by Financier**

Financier	US\$	%
IFAD loan	3,375,182	30.7%
IFAD grant	3,375,182	30.7%
Communities	1,427,989	13.0%
Government <sup>a/</sup>	2,798,320	25.5%
<b>Total</b>	<b>10,976,674</b>	<b>100.0%</b>

a/ Includes cost of Government staff time.

11. IFAD financing (in the form of a grant [50%] and a loan [50%]) will come from: (i) the allocation for the IFAD-funded Adaptation for Smallholder Agriculture Programme (ASAP) - US\$2.3 million of the US\$6.5 million ASAP allocation will be for TRIP II; and (ii) US\$3.0 million from IFAD's Performance Based Allocation System (PBAS) where Tonga is eligible for a US\$3.0 million for the 2016-2018 PBAS cycle. The financing gap will be funded from the US\$3.0 million PBAS allocation for Tonga for the next

cycle (2018- 2021). The loan will be under concessional terms, free of interest but with a service charge of 0.75% with a maturity period of 40 years, including a 10 year's grace period.

12. Government will finance the tax and duty element plus a share of the salary costs of Government officials and staff engaged on the Project. Community beneficiaries will be required to make a 25% contribution (projected at 12% cash and 13% in kind) towards resilient community infrastructure under Component 1, and a 40% contribution (at about 15% cash and 25% in kind) towards sustainable economic livelihoods under Component 2. The cash contributions will be paid directly to the suppliers/contractors by the communities.

13. Funds will be disbursed by the PMU at the central level mostly for operations, equipment and supplies, staff training, and salaries and technical assistance; and at the field level in the target communities. Disbursement in the island groups will be through PMU staff in the form of advances. Liquidation of advances will be through a summary of expenditure with supporting documentation and will be submitted to the Finance Officer for review, FPM for certification, and the PM for approval.

### **Implementation arrangements**

14. As in TRIP I, MORDI TT will establish a Project Management Unit (PMU) in Nuku'alofa. The Project Manager (PM) will have overall responsibility for implementing TRIP II, and importantly for building and maintaining strategic partnerships. MORDI TT will recruit five senior staff to assist the PM: (i) an Administrator (AD); (ii) a Finance and Procurement Manager (FPM); (iii) an M&E and Knowledge Management (KM) Coordinator (MEKMC); and two Component Coordinators (C1C and C2C). These senior staff will manage small teams with the specific skills and experience required to: (i) provide administration, and financial and procurement support (Procurement Officer, Finance Officer, two Administrative Assistants, and a Communication Officer); (ii) strengthened M&E and KM services (two staff, one each embedded in the Component teams); (iii) design and implement Component 1 (four community planners, two construction officers, a draftsman and a site supervisor); and (iv) design and implement Component 2 (two agriculture planners, one farming systems officer, one financial analyst/VCA/marketing officer, one Climate Change and Disaster Risk Management (CCDRM) officer, one FFS and micro-finance officer, and one a home garden and handicraft officer. These centrally-based staff will be assisted by DOs, TOs and CFs and MAFF's agriculture extension staff, who are resident of the target districts and communities; and most are farmers. The PMU will provide training on simple record keeping, cash custodianship, accounting and documentation, monitoring of field activities, and preparation of periodic reports. The proposed organizational structure for finance management and administration, coupled with adequate training of central and field staff, is sufficient for the proper disbursement and documentation of Project funds, records maintenance, and timely submission of required financial reports.

15. The PMU will upgrade the current MYOB accounting system used for TRIP I, or procure appropriate accounting software for the management of financial inputs, records, and timely production of financial reports such as Statements of Expenditure (SOEs), WAs, Reconciliation of the US\$ DA, Bank Reconciliation of the TOP Account, Sources and Uses of Funds, Contract Register, Contract Payment Monitoring Register, Budget Register, AWPBs, and comparison of Actual Expenditures against Budget.

### **Financial management risk assessment**

16. The Project is not considered high risk as the design is based on the earlier MORDI Programme's, and TRIP I's, proven records of success in their performance with community development in Tonga. Some risks identified include: (i) remoteness, transport and communication obstacles, (ii) lack of finance for community economic infrastructure, and sustainable livelihoods; (iii) declining population and migration of youths and able-bodied persons; (iv) non-conducive land tenure systems whereby land and tax allotments are allocated to elder male heirs and are often abandoned and unproductive; (v) climate change risks, including extreme weather events; (vi) MORDI TT experiences ongoing staff losses due to heavy workloads and limited career paths; (vii) MAFFF is unable to fulfil its role in terms of providing Extension Offices for Farmer Field Schools and related extension activities; and (viii) challenges in adherence to financial management and procurement processes and documentation. Some of these risks have been addressed within the Project design, and others will be taken into account during implementation. No risks are considered insurmountable, with the exception of climate-related risks.



17. The fiduciary summary report for the Tongan portfolio prepared in July 2016 by the Controller's and Financial Services Division (CFS) in IFAD provided an overall risk assessment of Medium. The financial management performance of the only active project being implemented by MORDI TT (TRIP I) in the country is in need of some improvements, with the main challenges including limited FM capacity, staff turnover in the finance unit, and difficulties in complying with IFAD's FM requirements especially for withdrawal applications preparation. In addition, the TRIP I MTR identified the non-compliance with some procurement processes and documentation. These have been addressed in the Design Report. The fiduciary report likewise covered Tonga's position in the following three topics:

#### **Transparency International (TI)**

18. The only available data for Tonga are dated 2010 and relate to the "Control of Corruption". This index reflects perceptions of the extent to which public power is exercised for private gain. In 2010 the country score was -0.305 (public governance perceived as in need of substantial improvements).

#### **Public Expenditure and Financial Accountability (PEFA)**

19. The latest PEFA assessment was in May 2010. A new one is currently under preparation. The assessment indicates an improvement in Tonga's PFM systems over the three years following the 2007 PEFA assessment. For the 27 indicators, Tonga received 20 satisfactory ratings in 2010, up from 17 in 2007. While some indicators are positive (budget credibility and its execution) other indicators are in need of improvement. The assessment highlights some major weaknesses for the following topics: (i) effectiveness of internal audit; (ii) quality and timeliness of annual financial statements; (iii) scope, nature and follow-up of external audit; (iv) legislative scrutiny of the annual budget law and external audit reports; and (v) financial information provided by donors for budgeting on project and program aid.

#### **Inherent Risks**

20. The PEFA assessment was a joint exercise by Government and development partners. The Team comprised of two technical experts engaged by AusAID, a Government official, and the focal point in Tonga for the ADB/WB. The details of key risks issues identified in the report relating to each group of PEFA indicators were as follows:

- **Credibility of the budget:** In aggregate, expenditure and revenue out-turns have broadly matched budget plans over the past three years and, importantly, the system is equipped to exert aggregate fiscal discipline over total expenditure. However, the credibility of the disaggregated budget items is undermined by significant variances in the composition of out-turn at the agency level, as significant resources are shifted between Ministries, Department and Agencies (MDAs) during the course of the budget year. These in-year budget adjustments are made using the Contingency Fund, rather than through any formal supplementary budget process.
- **Comprehensiveness and transparency:** Budget documentation and fiscal information are generally comprehensive and clear about underlying fiscal operations. Areas for possible improvement include: (i) presentation of the budgetary impacts of policy changes and information on financial assets in the budget papers; (ii) collection and publication of more comprehensive financial information for public enterprises (including balance sheets and the assessment of fiscal risks); and (iii) public release of the individual audit reports for MDAs.
- **Policy-based budgeting:** The annual budget formulation process now appears to be running smoothly and MDAs are provided with sufficient guidance and time to prepare and debate proposals with the central agencies. First steps towards a multi-year budgeting system are relatively recent (and welcome); these were made in the lead-up to the 2008-09 budget. To continue this work, the Government could now: (i) look at building the capacity and will of MDAs to accurately cost the objectives set out in their Corporate Plans on a multi-year basis; and then (ii) establish a system to ensure that these costings are properly factored into the forward estimates. This will help to ensure that the forward estimates are credible. The Government might also consider publishing its forward estimates in the budget documents and financial statements – currently they are not published anywhere.
- **Predictability and control in budget execution:** The Government has made good progress in improving taxation administration. The collection transparency and effectiveness

arrangements have improved markedly since the last assessment in terms of publicly available information on policy and tax rulings. The **procurement policy** provides a good basic framework and establishes open competition as the method for tendering above what are sensible thresholds. The Procurement Regulations was revised in 2015. Overall, **expenditure controls** for salaries and non-salary expenditures are operating effectively. **Internal audit** is operational and has a strengthened framework since the Public Audit Act 2007 was introduced. However, most auditing is not focused on systemic issues; audit reports are not published for public consideration and MDAs have poor response rates to management letters. There is room for improvement with regard to **accounting, reporting and recording**. In particular, the PFM report draws attention to delays in clearing suspense accounts, the timely submission of financial statements (which are often a year or two overdue) and in-year budget reports not detailing information at the commitment level. Public information on service delivery units' resources is rated as below average, reflecting the lack of publication information. However, Tonga's centralized PFM system and lack of sub-national Government means this result is not a first order issue of concern.

- **External scrutiny and audit:** The Audit Office effectively operates as a hybrid internal and external auditor as there is no Supreme Audit Institution. There are long lags in the tabling and approval of reports to the Legislative Assembly. Overall, there is limited scrutiny of external audit reports by the Legislative Assembly, since it only receives a summary of audit activities.
- **Donor practices:** The ratings highlight lags in donors (development partners) providing financial information to the Government, and often this information is not accurate. Predictability of donor resources remains an issue in Tonga. Although donor ratings have not changed since the last assessment, the Government has become more active in coordinating with donors to improve the completeness of the budget papers and financial statements.

21. The PEFA Assessment Report provided that Government has shown its commitment to reform by undertaking some measures that have strengthened the PFM system, both in policy and in practice. This work has not yet necessarily or fully impacted on the PEFA assessment results, but include among others:

- The gradual roll out of the SunSystem at a larger number of MDAs;
- Enhancing the presentation of information in the budget papers and financial statements, including work to introduce functional classifications and accounting of assets;
- The move to a multiyear budgeting perspective and implementation of the National Strategic Planning Framework;
- Contemplating greater devolution of financial responsibility to MDAs;
- The continuing and deepening of reforms to taxation and revenue administration;
- The work of the relatively new Ministry of Public Enterprises to try to improve information flows and enhance the performance focus of the public enterprises;
- The *Public Audit Act 2007*, which creates opportunities for the audit function to occur in a more independent manner by requiring the Audit Office to report to the Speaker of the Legislative Assembly (i.e. the Legislature) rather than the Prime Minister (i.e. the Executive); and
- Considering the establishment of a specialized internal audit unit in MFNP, which Government expects will provide the opportunity for consideration of any systemic issues that impact on the PFM system.

### Control risks

22. Considering the successful implementation of TRIP1 by MORDI TT, the overall risk assessment of the Project is Medium - see Table 3. The risks identified will be mitigated by some proposed arrangements in the design such as the creation of a PAC, continued operation of the PRAC, creation of a BEC and a PPC, intervention from OAG for periodic compliance audits, and recruitment of qualified finance and procurement officers and staff.

**Table 3: Summary of financial management risks and mitigating actions**

Inherent Risk	Final Risk Assessment	Proposed Mitigation
1. TI Index	<b>M</b> Index: <b>31</b> in 2011 ( <b>ranking 95</b> out of 183 surveyed countries)	
2. RSP Score	<b>M</b> Score: 3.52 (2015) a/	
<b>Control Risks</b>		
1. Organization and Staffing	<b>M</b>	<ul style="list-style-type: none"> <li>The PMU will hire an Administrator in addition to the FPM and a Procurement Officer.</li> <li>Ensure the recruitment process of contracted staff provides the Project with qualified and experienced human resources</li> <li>Creation of a BEC and PPC</li> </ul>
2. Budgeting	<b>M</b>	<ul style="list-style-type: none"> <li>Ensure timely preparation and submission of AWPB and APP</li> <li>Incorporation of budget monitoring in all payment and procurement requests as against the AWPB</li> </ul>
3. Funds flow and Disbursement Arrangements	<b>M</b>	<ul style="list-style-type: none"> <li>Efficient and timely preparation and submission of WA and SOEs within 90 days from the last WA or 80% spent against the imprest fund</li> </ul>
4. Internal Controls	<b>M</b>	<ul style="list-style-type: none"> <li>The PMU should ensure adherence to financial management and procurement processes and documentation and appropriate certification and approvals are obtained.</li> </ul>
5. Accounting Systems, Policies & Procedures	<b>M</b>	<ul style="list-style-type: none"> <li>Hiring of competent FPM, strict adherence to PIM and finance manuals.</li> <li>Procurement of appropriate accounting software</li> </ul>
6. Reporting and monitoring	<b>L</b>	<ul style="list-style-type: none"> <li>PIM to detail reporting and monitoring requirements and rules</li> <li>To ensure finance staff to full understanding of IFAD reporting requirements</li> </ul>
7. Internal Audit	<b>M</b>	<ul style="list-style-type: none"> <li>The Internal Audit Office of MFNP will conduct quarterly compliance audit of the Project</li> </ul>
8. External Audit	<b>M</b>	<ul style="list-style-type: none"> <li>Ensure External Auditor is provided with appropriate TOR and audit report and management letter are submitted on time.</li> </ul>
<b>Project Fiduciary Risk at Design</b>	<b>M</b>	

a/ <http://www.ifad.org/operations/pbas/>

## Financial management and disbursement arrangements

### Financial management organization and staffing

23. MORDI TT is the implementing agency for the IFAD-funded TRIP I Project. The TRIP II design team agreed with the TRIP I supervision reports and the MTR in terms of MORDI TT's performance which can be summarized as - *some lapses and challenges particularly in relation to adherence to financial management and procurement processes and documentation.*

24. MORDI TT's Board and management work closely on strategic and operational issues. The Board members are financial signatories for TRIP I. The management capacities of MORDI TT's senior officer (the General Manager [GM]) are extensive and include results oriented management, detailed engagement in all aspects of the Project, and the facilitation of varied and numerous partnerships supporting Project activities. Each staff has TORs and a detailed understanding of all

Project work areas and can undertake a range of development activities. All staff members undertake extensive fieldwork and are involved in community development planning, training, and M&E.

25. TRIP I supervision and MTR reports (and the design mission) noted that financial management and procurement procedures need to be improved; and that adherence to finance and procurement regulations, processes and documentation should be observed. MORDI TT and the design team agree that significant additional qualified human resources will be required in the areas of finance and administration for adequate maintenance of records, timely submission of reports, and proper supporting documentation including from the field and the monitoring of budgets.

26. The FPM will be responsible for ensuring that financial management and procurement processes and documentation are in accordance with the Project Implementation Manual and the Finance and Administration Manual. The Administrator will be responsible for the general administration, communications and logistics of the Project, and will also provide support to the procurement processes and documentation.

27. MORDI TT has currently a Finance Officer who joined the TRIP I PMU in January 2016; and a Financial Analyst since 2015. There was no Procurement Officer at the time of the design mission. MORDI TT has to recruit (as proposed in the Design Report), a FPM (the last FPM resigned in 2015) a Finance Officer, a Procurement Officer, an Administrator, a Communication Officer and two Administrative Assistants. The staff will be funded initially by IFAD as part of the start-up process, and be supported with training in financial management and procurement. Continued staff training will be provided by the PMU.

28. The PAC and PRAC will be created to support the PMU. The PAC will play an advisory role to MFNP and MORDI TT in areas of governance, policy, networking with other organizations, and strategic Project overview. Terms of Reference outlining PAC responsibilities are provided in Working Paper 3. Responsibilities of the PAC will cover: (i) reviewing the Annual Work Plan and Budgets (AWPBs); (ii) overseeing six-monthly reviews in cooperation with IFAD's supervision missions; (iii) promoting cooperation and coordination between regional and national Government and NGOs; (iv) identifying evidence-based policy issues for dialogue amongst partners; and (v) ensuring Project management transparency and accountability. The PRAC will assess Community Economic Infrastructure Grants (CEIGs) and Community Economic Livelihoods Grants (CELGs) proposals.

2. Further, MORDI will also create a Bids Evaluation Committee (BEC) which will include as members senior Finance and Procurement staff from MFNP for evaluation of procurement with a value of TOP100,000 (US\$50,000) and above; and a Project Procurement Committee (PPC) for the evaluation of procurement quotations with a value of TOP7,000 (US\$3,000) up to less than TOP100,000 (US\$50,000).

## **Budgeting**

29. **Annual Work Plan and Budgets.** (AWPBs) will be prepared by the PM four months before the end of the Project year, using monitoring and financial information, and in consultation with the TOs considering the provisions in the Community Development Plans (CDP) and the Community Agriculture Development Plans (CADP). These documents will be presented three months before the end of the year to the PAC for review and endorsement to the MORDI TT Board for approval. Draft AWPBs will be shared with MFNP, MAFFF, and provided to IFAD two months before end of the year, for no objection. Once a no objection has been obtained, TRIP II will post the AWPBs on websites in MIA and MAFFF for access by ESPs and members of civil society, development partners, etc.

30. AWPBs will detail all TRIP II activities by month, and as these plans form the basis for Project expenditure they will link with budget and draw down requirements for IFAD funds. AWPB completion, approval and use will also provide a key performance indicator for gauging Component 3's progress, and form the basis for measuring planned against actual implementation progress. TRIP I has the experience required to complete this important annual task without additional resources.

31. MORDI TT will provide brief **six monthly progress reports** to MFNP, MIA, MAFFF and IFAD, summarising progress against AWPBs and highlighting issues requiring action or decisions. These reports will also contain financial and procurement statements as well as an annex summarising any micro-finance agreements. Annual reporting by MORDI TT to IFAD and MFNP will follow a similar format but allow for a fuller description and analysis of progress by each Component. The Annual

Reports will: (i) include discussions of issues and recommended responses; and (ii) utilize monitoring data, and information and lessons from special studies as the basis for recommendations. All reports will be prepared and made available two weeks prior to IFAD's six-month supervision missions.

32. TRIP I's PMU is currently using MYOB accounting software. For TRIP II, the PMU will upgrade the current MYOB system or procure new accounting software which will automatically produce all financial reports in line with the requirements of IFAD, such as SOEs, Sources and Uses of Funds, Balance Sheets, WAs, Reconciliations of the US\$ DA account, Bank Reconciliations of the TOP Account, Bank AWPB Financial and Physical Progress, Procurement Contract Register, and Payment Monitoring Register.

### **Disbursement arrangements and flow of funds**

33. **Flow of Funds.** A Designated Account (DA) in US\$ will be opened by the MFNP representing the Borrower/ Recipient at a commercial bank acceptable to IFAD. MFNP will designate the person/s authorized to jointly operate the Designated Account and to withdraw funds. An Authorized Allocation equivalent to an average of six-months of eligible expenditure during implementation (US\$675,000) will be deposited once the conditions for disbursement are met. The initial deposit of US\$675,000 will be considered as the Imprest Fund Level and could be replenished by way of submission of a WA and a SOE every 90 days, from the date of fund transfer from the previous WA advance. If however, the amount of expenditure to be reimbursed totalled at least US\$540,000 (80% of the Imprest Level amount), the MFNP could submit a WA with the SOE for reimbursement/replenishment of the fund. IFAD will open Grant and Loan Accounts in its books upon entry into force of the Financing Agreement. Withdrawals from the Grant and Loan Accounts will be made on the basis of WAs being prepared by MORDI TT and authorized by the person/s designated by the Recipient to sign WAs. The Recipient will be MFNP.

34. MORDI TT will also open a checking account in TOP at a commercial bank acceptable to IFAD to convert and transfer funds from US\$ DA to the TOP bank account to cover Project expenditure. MORDI TT will designate authorized signatories (including alternate signatories) to the TOP checking account with two signatures required, including the appointment of certifying and approving officers for payments against the TOP checking account with their alternates.

35. **Start-up costs.** The Project will be eligible for start-up costs for an amount of US\$120,000 (as retroactive financing) in accordance with the 18-month procurement plan. Such activities will include: (i) a baseline study; (ii) the cost of equipment, vehicle and supplies; (iii) costs associated with staff recruitment; and (iv) operational costs. These start-up costs will become eligible from the time of Executive Board approval and will be highlighted in the Financing Agreement. The start-up costs could be provided from the financing proceeds, immediately after entry into force (execution of the Financing Agreement) and prior to the satisfaction of the general conditions precedent to withdrawal. Upon signing of the MOU between MORDI TT and MFNP for the appointment of MORDI TT as the LPA and the appointment of the PM and the FPM, and the opening of the DA, the MFNP shall be able to submit a WA to IFAD for up to US\$120 000 equivalent to operationalize the Project and reimburse any expenditure incurred during the period of retroactive financing. The start-up costs will be charged to the following expenditure categories: (i) Category I Vehicles, Equipment Materials and Transport; (ii) II Training and Capacity Building; (iii), III Technical Assistance Studies and M&E; and (iv) VI Recurrent Costs. It is expected that the availability of start-up costs will help Government and MORDI TT to accelerate the necessary measures for the fulfilment of the conditions for the first disbursement.

36. **Disbursement procedures and documentation supporting the WAs.** Replenishments of the DA will be effected through the submission of WAs and supporting documentation and/or SOEs. The SOE threshold will be up to US\$50,000 maximum single disbursement for all expenditure except for vehicles, machinery and equipment, and consultancies, which will be fully documented upon submission and as attachment to the WA. All WAs will be in line with projected expenditure as detailed in the approved AWPBs. MFNP will be responsible for the preparation and consolidation of SOEs, the reconciliation of the DA, and for filing appropriate documentation and the WAs, which will be approved and signed by respective signatories of MORDI TT and MFNP prior to being submitted to IFAD for payment. The Project may request IFAD for direct payment to contractors and/or suppliers for single payment with a value of TOP200,000 (US\$100,000) or more.

37. **Disbursement schedule.** The proceeds from IFAD's Grant and Loan will be disbursed over five years with an indicative completion date of 31 December 2022. An indicative disbursement schedule by years is provided in the Design Report appendices.

### **Internal Controls**

38. **Internal control system - approvals, acquittals and authorisations.** MORDI TT will be solely responsible for handling payments on behalf of the Project, subject to the approval process and authorizations. All transfers from IFAD to the Project's DA must be in line with the current AWPB and will be subject to satisfactory acquittal of previous advances. Each AWPB must be formally endorsed by MORDI TT's Board with the approval of the PAC and submitted to IFAD for "no objection" prior to any expenditure being incurred against these plans and budgets; and all WAs (and accompanying SOEs) must be approved by MORDI TT and MFNP prior to submission to IFAD. The FPM will certify while the PM will approve all disbursements from the US\$ DA and Project TOP accounts. An alternate certifying officer and approving officer will be appointed by MORDI TT's Board. All payments against the TOP account will be processed subject to completion of a payment request form which will provide the details of the payments with reference to the budget category and component code in the AWPB, and proper support with appropriate procurement documents, invoices, delivery receipts and other relevant financial documentation.

### **Accounting systems, policies and procedures**

39. **Project books of accounts and manuals.** MORDI TT/PMU will update and align the current PIM (containing financial management policies and procedures), and the Finance and Administration Manual, to include details of accounting and procurement processes and documentation. These documents will be submitted to IFAD for NOL which will be a precondition to the first release of funds for the Project (except for the funds for start-up). MORDI TT will maintain a full set of accounts in accordance with IFAD's requirements and internationally acceptable accounting standards. IFAD will be responsible for periodic reviews of Project accounts to ensure adherence with acceptable standards of transparency and accuracy. An annual audit of Project accounts will be undertaken by an external auditor. MORDI TT's staffing will include a qualified FPM and FO.

40. The Government's OAG will undertake quarterly compliance audits of the Project on internal control and procurement processes, and documentation of the project, and provide audit reports to MORDI TT Board and MFNP. The FPM will manage the overall accounting system and will also be responsible for ensuring that all Project personnel maintain required records (with receipts) at the central- and field-levels of expenditures.

41. **Government and beneficiary contributions.** Government will be making a financial contribution in the form of: (i) tax exemption of Consumption and Services Tax (CST); and (ii) a services contribution from Government staff. The tax contribution will be reflected in the terms of the Financing Agreement to be established between IFAD and MFNP by providing the Project with official tax-exempt status. Every six months MAFF and MIA will provide a list of Government staff from their ministries who have worked with the Project (with a corresponding share of costs) and this cost will be reflected in six monthly and annual financial reports. Community beneficiaries will be required to make a 25% contribution (12% cash and 13% in kind) towards community economic infrastructure costs (Component 1), and a 40% contribution (about 15% cash and 25% in kind) towards Component 2's livelihood development activities. The cash contributions from beneficiaries will be paid directly to suppliers/contractors. The PMU will provide training to beneficiaries in accounting of the in-kind contributions with simple recording of services, materials and supplies. Reports will be provided to the PMU so that cash and in kind contributions can be reflected in financial reports.

42. **Taxes.** The proceeds from IFAD financing may not be used to pay taxes. The taxes waived will be part of Government's contribution to the Project and will be accounted for and included by PMU in financial reports.

### **External audit**

43. For audit purposes, Government's OAG (or as an option an independent External Auditor with TORs acceptable to IFAD) will be selected by MORDI TT (see Annex 4) through national competitive bidding (open to foreign auditors) within six months of Project start-up, for "no objection" by IFAD. The

Auditor will be contracted to undertake an annual audit of the Project's accounts on the basis of financial statements prepared at latest two months after the end of the fiscal year.

44. The audit will review withdrawals from the DA at various levels on the basis of furnished SoEs, and related documentation, examine the application of USD exchange rates against TOP so as to be consistent with IFAD's policy regarding flow of funds from the DA in US\$ to the operating account in TOP, review the procurement processes, analyse internal controls, and provide an opinion on whether such expenditures fully comply with expenditures eligible for IFAD disbursements in line with IFAD's 2003 Projects Audit Guidelines (Opinion on the financial statements plus opinion on the use of the DA and on the documentation kept by MORDI TT to support the SOEs). The Certified Audit Report and the Management Letter will be submitted to IFAD through MFNP no later than six months after the end of each financial year

#### **Conditions for disbursement from the Grant and Loan Accounts**

45. An Authorized Allocation equivalent to an average of six-months of eligible expenditure during Project implementation (US\$675,000) will be deposited once the following conditions for disbursement are met:

- (i) A Memorandum of Understanding (MoU) has been signed between MFNP and MORDI TT in order to appoint MORDI TT as the LPA for the implementation of the project;
- (ii) MFNP has duly opened a Designated Account and MORDI TT has opened a Project Account;
- (iii) PMU within MORDI TT shall have been established and key Project staff, as defined in Schedule 1, shall have been appointed to the satisfaction of IFAD;
- (iv) MORDI TT has prepared a draft PIM as described in section II of Schedule 1, in form and substance satisfactory to the Fund.

46. The only exception will be Project start-up expenditures, which may be disbursed prior to meeting the aforementioned conditions for disbursement. This exception will be indicated in the Financing Agreement.

#### **Implementation Readiness**

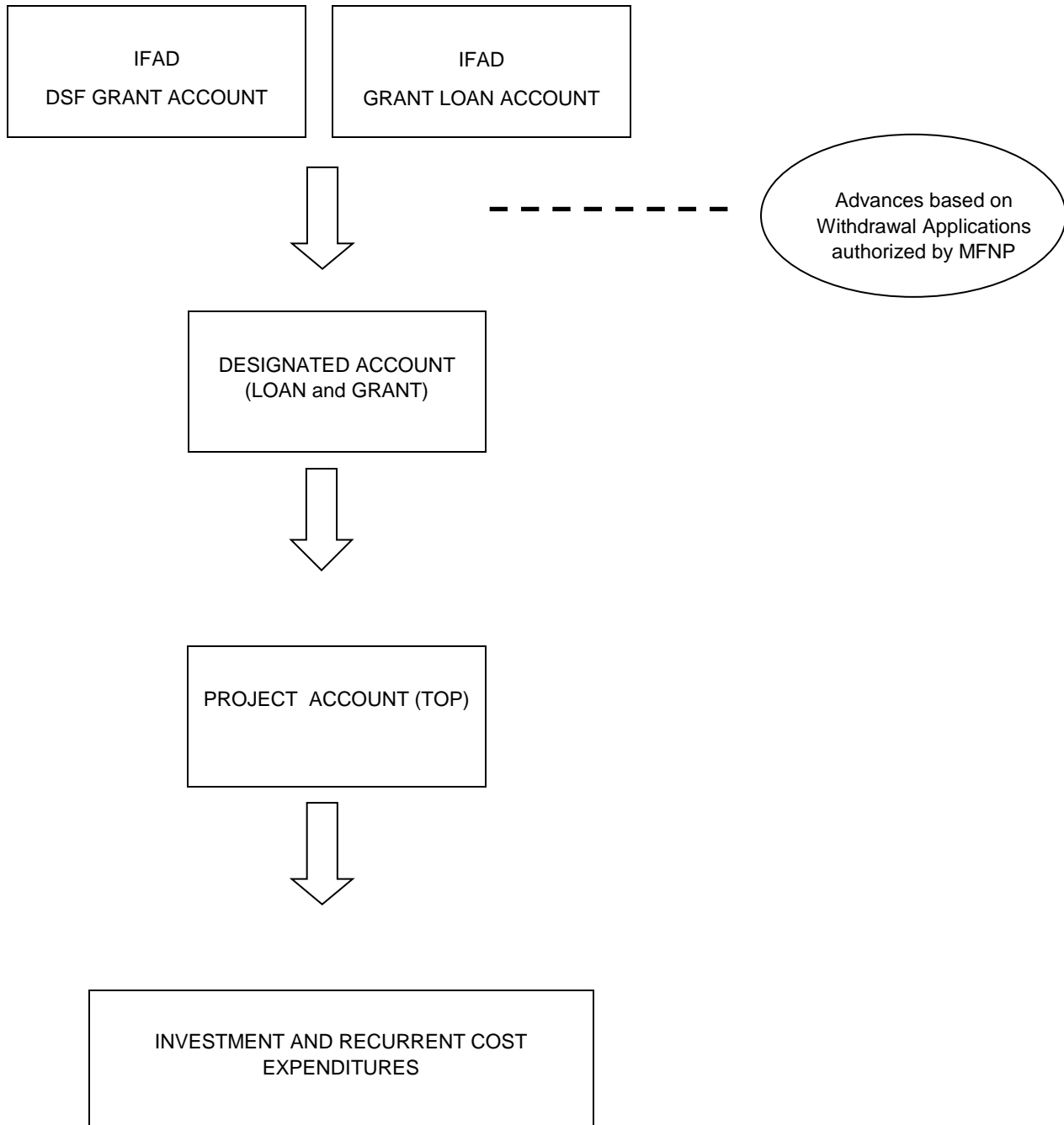
47. The actions needed to mitigate the Project's financial management risks are summarised in Table 4.

**Table 4: Financial management action summary**

	<b>Action</b>	<b>Responsible Party</b>	<b>Target Date / Covenants</b>
1	Opening of US\$DA and TOP Project Bank Account	MORDI TT PMU	One month after the date of entry into force of the Financing Agreement, condition precedent of the 1 <sup>st</sup> fund release (except funds for the start-up costs)
2	Creation of PMU	MORDI TT	One month after the date of entry into force of the Financing Agreement, condition precedent of the 1 <sup>st</sup> fund release (except funds for the start-up costs)
3	Recruitment of Finance and Procurement Officers and Staff	MORDI TT	Two months before execution of the Financing Agreement entry in force (part of start-up process retro-active financing; Should be in place as the PMU one month after the date of entry into force; The recruitment Project Manager, Finance and Procurement Manager and Administrator is a condition precedent of the 1 <sup>st</sup> fund release (except funds for the start-up costs)
4	Preparation, Finalization of Draft PIM and submission to IFAD for NOL	MORDI TT PMU	Within three months after date entry into force as a condition of the 1 <sup>st</sup> fund release (except funds for the start-up costs)
5	Preparation, Finalization of Draft Finance and Administration Manual and submission to IFAD for NOL	MORDI TT PMU	Within three months after entry in force
6	Submission of signed MOU between MORDI TT and MFNP, MORDI TT and MAFFF, and MORDI TT and MIA	MORDI TT PMU	Within one month after date entry into force, the MOU between MORDI TT and MFNP is a condition precedent for the 1 <sup>st</sup> fund release (except funds for the start-up costs)
7	Submission of 1 <sup>st</sup> AWPB and 18 month Procurement Plan	MORDI TT PMU	Within three months after date entry into force as a condition precedent to the 1 <sup>st</sup> fund release (except funds for the start-up costs)
8	Submission to IFAD of tax exemption certificate on Consumption and Services Tax (CST) providing the Project with official tax-exempt status	MORDI TT PMU /MFNP	Within one month after date entry into force, the MOU between MORDI TT and MFNP is a condition precedent to the 1 <sup>st</sup> fund release (except funds for the start-up costs)



### Annex 1: Flow of funds



## Annex 2: Expenditure accounts by year (US\$)

	Base Cost					Foreign Exchange		
	2018	2019	2020	2021	2022	Total	%	Amount
<b>I. Investment Costs</b>								
<b>A. Community Development</b>								
Community Consultations	27,764	17,619	17,622	-	-	63,006	13.1	8,235
Civil Works	575,210	1,967,618	2,054,556	-	-	4,597,384	32.5	1,494,137
Transportation	109,837	129,668	149,469	-	-	388,973	32.5	126,384
<b>Subtotal</b>	<b>712,811</b>	<b>2,114,905</b>	<b>2,221,647</b>	<b>-</b>	<b>-</b>	<b>5,049,364</b>	<b>32.3</b>	<b>1,628,756</b>
<b>B. Vehicles &amp; Equipment</b>								
Vehicles	46,110	-	-	-	-	46,110	32.5	14,982
Equipment	72,300	-	-	-	-	72,300	32.5	23,491
<b>Subtotal</b>	<b>118,410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,410</b>	<b>32.5</b>	<b>38,473</b>
C. Training & Capacity Building	286,911	156,026	170,096	16,432	21,457	650,922	-	-
<b>D. Technical Assistance &amp; Studies</b>								
Technical Assistance	110,537	91,524	93,334	43,537	21,768	360,700	-	-
Studies	15,075	15,075	15,075	15,075	15,075	75,375	-	-
Monitoring & Evaluation	24,865	7,147	8,508	-	20,100	60,620	-	-
<b>Subtotal</b>	<b>150,477</b>	<b>113,745</b>	<b>116,918</b>	<b>58,612</b>	<b>56,943</b>	<b>496,695</b>	<b>-</b>	<b>-</b>
<b>Total Investment Costs</b>	<b>1,268,608</b>	<b>2,384,676</b>	<b>2,508,661</b>	<b>75,043</b>	<b>78,400</b>	<b>6,315,389</b>	<b>26.4</b>	<b>1,667,229</b>
<b>II. Recurrent Costs</b>								
Salaries and allowances	688,934	688,934	688,934	688,934	688,934	3,444,672	-	-
Utilities & Rent	47,393	47,393	47,393	47,393	47,393	236,963	5.7	13,514
Vehicle operating costs	9,936	9,936	9,936	9,936	9,936	49,678	30.5	15,162
Staff Travel & Meetings	14,393	13,379	13,379	13,379	13,379	67,909	29.6	20,106
Audit, Insurance & Bank Charges	9,941	9,941	9,941	9,941	9,941	49,706	32.5	16,150
<b>Total Recurrent Costs</b>	<b>770,597</b>	<b>769,583</b>	<b>769,583</b>	<b>769,583</b>	<b>769,583</b>	<b>3,848,928</b>	<b>1.7</b>	<b>64,931</b>
<b>Total BASELINE COSTS</b>	<b>2,039,205</b>	<b>3,154,259</b>	<b>3,278,244</b>	<b>844,626</b>	<b>847,983</b>	<b>10,164,317</b>	<b>17.0</b>	<b>1,732,160</b>
Physical Contingencies	60,385	153,755	157,532	13,308	13,141	398,120	26.9	107,146
Price Contingencies	13,061	72,628	140,604	50,157	68,572	345,021	19.5	67,179
<b>Total PROJECT COSTS</b>	<b>2,112,651</b>	<b>3,380,641</b>	<b>3,576,380</b>	<b>908,091</b>	<b>929,696</b>	<b>10,907,459</b>	<b>17.5</b>	<b>1,906,486</b>
Taxes	197,749	354,005	376,483	26,859	27,913	983,009	-	-
Foreign Exchange	294,075	764,310	817,330	15,233	15,538	1,906,486	-	-

### Annex 3: Financial Management Assessment Questionnaire

<b>Project: Tonga Rural Innovation Project II (TRIP II)</b>	<b>Date : 5 September 2016</b>
<b>Implementing Entity: Mainstreaming of Rural Development Innovation Tonga Trust (MORDI TT), Tonga</b>	
<b>Assessment completed by: Edilberto Angeles, Financial Management Specialist</b>	

Topic		Response	Remarks
<b>1</b>	<b>Organization and Staffing</b>		
	<b>Implementing Entity</b>		
1.1	Which entity is the LPA? What is the entity's legal status?	MORDI TT, registered as non-government organization	Full details about MORDI II in design report
1.2	Will financial management of the project be the responsibility of a the LPA or be undertaken within the-PIU?	MORDI TT will set-up a Project Management Unit (PMU) with adequate and experienced staff for project's management, including FM	
1.3	Has the entity implemented a donor financed project in the past - if so, please provide details?	Yes	MORDI Project since 2007 as funded by IFAD and in 2010 additional funding from New Zealand and TRIP 1 as funded by IFAD on going started in May 2012
	<b>Staffing</b>		
1.4	What is the (proposed) organizational structure of the accounting department?	Finance and Procurement Manager, Finance Officer, Procurement Officer, will also be supported by an Administrator and two Administrative Assistants especially in fixed asset management and receipt and disposition of materials and supplies for the sub-project infrastructure and construction activities. All staff will be procured at the market using procurement process as will be detailed in the PIM and the Finance and Administrative Manual  At the District and Community Level, the Project will be assisted by the Town Officer, MAFFF extension services staff and Communities Committees volunteers and community facilitators	
1.5	Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Staff hired on the market will be in charge for financial reporting and WA preparation, coordination and consolidation responsibilities	TORs are provided in the Design Report
1.6	Are written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	YES	
1.7	Is the finance and accounts staff adequately qualified and experienced?	MORDI has to advertise the positions in order to recruit qualified and experienced staff. The current staff a Finance Officer and Finance Analyst will have to compete with other applicants at the time of procurement process	
1.8	Are the project accounts and finance staff trained in IFAD procedures?	Only the current one Finance Officer, but has to be properly trained further	Staff hired on the market will be trained on IFAD procedures
1.9	Are any Finance Staff appointed on contract What is the duration of the contracts Indicate key positions not contracted yet, and the estimated date of appointment	Currently the Finance Officer and Finance Analyst are with a one-year contract with MORDI TT for the TRIP I	
1.1	What is training policy for the finance and accounting staff?	Training will be provide as part of the start- up process and will be continuous with the follow up implementation support from IFAD	
1.11	Is there evidence that finance staff are regularly transferred to other Government departments At what frequency are personnel transferred?	In TRIP I, the experience was high turnover of staff, transferring either to the government agencies or to another NGO	The Design Report has provided appropriate salary structure in order to attract qualified and experienced staff
1.12	Is the project finance and accounting function staffed adequately	YES at design stage. PMU still to be created and adequate staff will be recruited for the finance and accounting functions	

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	Topic	Response	Remarks
<b>2</b>	<b>Budgeting</b>		
2.1	Who is responsible for preparation and approval of project budgets?	The PMU will prepare the AWPB and Annual Procurement Plan and will be endorsed by the Project Advisory Committee, for No Objection from IFAD	
2.2	Are project budgets prepared for all significant project activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, the community plans will be considered annually in the preparation of the AWPB	
2.3	Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	YES	MORDI II will utilize its experience in developing annual AWPB from inputs from the target communities' development and agriculture plans.
<b>3</b>	<b>Funds Flow/Disbursement Arrangements</b>		
3.1	Does the Implementing Entity have previous experience of using imprest fund and donor funding SOE procedures? Were there any problems or issues encountered by project staff in the operation of the imprest fund or SoE procedures in the past?	Yes, on-going under TRIP 1	The application of appropriate exchange rate from USD to TOP, the SOE will be adjusted accordingly in the latest submission of WA in September 2016.
3.2	Does the Implementing Entity have experience in the management of disbursements from IFAD or other donors? Have there been the major problems in the past in receipt of funds by the entity?	Yes	IFAD, AusAID, New Zealand Aid
3.3	Does the entity have/need to develop capacity to manage foreign exchange risks?	Yes, proper training in the application of foreign exchange in the SOE	Risks are not foreseen since the rate to be used will be the rates used by the bank to convert US\$ to TOP on first in first out basis.
3.4	Are the beneficiaries required to contribute to project costs? How are payments made for the counterpart funds? If counterpart funds are to be contributed in kind (in the form of labour), are proper guidelines formulated to record and value the labour contribution?	YES  Government counterpart funds in terms of tax exemption and share of government staff salaries involved in the Project. The beneficiaries contributions are in kind and cash, paid directly to contractors/suppliers with appropriate official receipt to support payment in line with the sub-project agreement with MORDI PMU TRIP I  Procedure of accounting and reporting of in kind contribution labor and materials – to be developed in PIM, Finance and Administration Manual	
3.5	Is part of the project implemented by communities or NGOs? Does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	Communities  The PIM will include detailed process and records and reports formats to capture these payments.	
3.6	Describe (proposed) project funds flow arrangements; (attach flow chart and explanation of the flow of funds from IFAD, government and other financiers.	Refer to appendix 7 design report	
3.7	In which bank will the Imprest Account be opened?	Bank of the South Pacific	
3.8	Are the (proposed) arrangements to transfer the proceeds of the financing (from the government / Finance Ministry) to the Implementing Entity satisfactory?	N.A., direct to MORDI II US\$ DA and then to Project TOP account	

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4	Internal Controls		
4.1	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	YES, provided in the staff TORs as working paper in the Design Report	
4.2	Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes will be elaborated in the PIM and Finance and Administration Manual	
4.3	Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes, this is being done in the current TRIP I	
5	Accounting Systems, Policies and Procedures		
5.1	Does the entity have an integrated accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	The current TRIP I uses the MYOB. The PMU of TRIP II will upgrade the MYOB or buy a new accounting software in order to comply with all the recording and reporting requirements of the IFAD.	
5.2	Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	YES	
5.3	Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Yes	
5.4	Can cost allocations to the various funding sources be made accurately?	Yes – IFAD to finance a certain % of expenditures	
5.5	Are the General Ledger and subsidiary ledgers reconciled and in balance?	Yes	
5.6	Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Yes	
5.7	What is the basis of accounting (e.g., cash, accrual)?	Cash basis	
5.8	What accounting standards are followed?	National standards mainly in accordance with IPSAS	
5.9	Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes	It needs to be reviewed and revised accordingly to suit the implementation of TRIP II
5.1	Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes	
5.11	Is there a written policies and procedures manual covering all routine project financial management activities?	Yes – PIM and Finance and Administration Manual to be developed	
	Are manuals distributed to appropriate personnel?		

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	<b>Payments</b>		
5.12	Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	Yes - all invoices to be stamped paid	
	<b>Cash and Bank</b>		
5.13	Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	In the MYOB system	
5.14	Are bank and cash reconciled on a monthly basis?	Yes	
5.15	Positions of authorized signatories of project bank accounts.	Project Manager and any of the Member of the Board of MORDI TT	
	<b>Safeguard over Assets</b>		
5.16	Is there a Fixed Asset accounting system, with a Fixed Asset Register, fully implemented - as part of an integrated accounting system Is the system maintained up to date ?	To be set-up – to be detailed in the PIM	
5.17	Are there periodic physical reconciliation of fixed assets and stocks?	To be set-up – to be detailed in the PIM	
	<b>Other</b>		
5.18	Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	To be included in the PIM	
5.19	Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	To be defined in the PIM	
5.2	Do controls exist for the preparation of the project payroll and are changes to the payroll properly authorized	Yes, directly credited to the staff bank account	
<b>6</b>	<b>Reporting and Monitoring</b>		
6.1	Does the reporting system need to be adapted to report on the project components?	MYOB need to be upgraded or a new accounting software will have to be purchased, for compliance to IFAD requirements	
6.2	Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and the frequency of production.?	To be specified in the PIM	
6.3	What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?	To be provided in the PIM financial reports	
6.4	Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Comparison of Actual and Budget in the AWPB has to be prepared periodically	
6.5	Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Prepared through excel from data taken from the MYOB system	
6.6	(In case of need of consolidated financial statements) Is the accounting system sufficiently equipped to ensure proper consolidation of entities' financial data?	MYOB needs to be upgraded	

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<b>Information Systems</b>			
6.7	Is the financial management system computerized?	Yes	
6.8	Can the system produce the necessary project financial reports?	Needs to be upgraded, to satisfy IFAD requirements	
6.9	Is the staff adequately trained to maintain the system?	Yes	
6.1	Are adequate systems in place to "back up" financial records	Yes	
<b>7 Internal Audit</b>			
7.1	Is there an internal audit department in the LPA?	No	The Design Report proposed that the GoT General Audit Office does internal audit
7.2	What are the qualifications and experience of internal audit department staff?	Government staff	
7.3	To whom does the internal auditor report?		The Design Report proposed the report is provided to the MORDI TT and the Ministry of Finance and National Planning
7.4	Will the internal audit department include the project in its work program?	Yes, it will be provided in the PIM	
7.5	Are actions taken on the internal audit findings?	Yes, actions have to be taken for internal audit findings	
<b>8 External Audit</b>			
8.1	Who is the external auditor of the entity?	Independent External Auditor or General Audit Office of GoT	
8.2	Are there any delays in audit of the entity? When are the audit reports issued?	Standard is 6 months after end of fiscal year	
8.3	Is the audit of the entity conducted according to the International Standards on Auditing?	Yes	
8.4	Were there any major accountability issues brought out in the audit report of the past three years?	Some issues noted in the 2013 audit reports were non-refund yet of payments of tax, lack of agreement between MORDI TT and the Ministry of Internal Affairs (MIA) for the involvement of Town Officers with the Project, misunderstanding of communities on economic infrastructure activities, and insufficient awareness of public and business community of the availability of business development funds	The taxes were already refunded by the government, there is already an agreement with the MIA and continued collaboration with the communities on infrastructure sub-projects. The component 2 for the development funds is slow progressing. The project continues to promote and work with the banks for the public and private sectors to avail of these funds. There is no major issue cited in the Audit Report of 2014. The Audit for 2015 will be commissioned and the report to be submitted at a later date.
	Were there any issues noted in prior audit reports related to the operation of project imprest accounts or use of SOE procedures?		
8.5	Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Either Independent External Auditor of the GoT GAO	
8.6	Has the project prepared acceptable terms of reference for an annual project audit?	Yes, provided in the Design Report	

## **Annex 4: Terms of reference for an audit of the IFAD funded Tonga Rural Innovation Project (TRIP) II**

The following are the terms of reference (TORs) on the basis of which **the Mainstreaming of Rural Development Innovation Tonga Trust (MORDI TT)** agrees to engage the [insert name of auditor] (“the auditor”) to perform an audit and to report in connection with the agreement with the International Fund for Agricultural Development (IFAD) concerning **Tonga Rural Innovation Project (TRIP) II**.

### **1.1 Responsibilities of the parties to the engagement**

**MORDI TT** refers to the entity that executes the Project on behalf of the Government of the **Kingdom of Tonga** and that has signed the agreement with IFAD.

- **MORDI TT** is responsible for providing financial statements for the activities financed by the financing agreement and for ensuring that these financial statements can be properly reconciled to the **MORDI TT** records and accounts in respect of these services.
- **MORDI TT** accepts that the ability of the auditor to perform the procedures required by this engagement effectively depends on the **MORDI TT**'s providing full and free access to its staff and records and accounts.
- **MORDI TT** shall provide the auditor with all necessary documentation to perform the assignment properly; in particular, the following information shall be provided to the auditor before the beginning of the assignment:
  - Financing agreement;
  - Project Financial Statements (PFS)
  - Annual progress report;
  - Project implementation manual;
  - Financial management manual;
  - Organizational charts along with names and titles of senior managers;
  - Names and qualifications of officers responsible for financial management, accounting and internal audit;
  - Description of information technology facilities and computer systems in use; and
  - Copies of the minutes of negotiations, the Project design document, the annual work programme and budget, and the Letter to the Recipient, if available.

“**The auditor**” refers to the auditor who is responsible for performing the agreed procedures as specified in these TORs, and for submitting a report of factual findings to the **MORDI TT**.

The auditor shall provide:

**A primary opinion on the Project Financial Statements (PFSs) for the year ended [insert date DD/MM/YYYY] certifying the truth and fairness of the same**

Minimum content of the PFSs to be provided by the Project:

- Yearly and cumulative statements of sources and application of funds, which should disclose separately IFAD's funds, other donors' funds and beneficiaries' funds and amount budgeted for each category of expenditure;
- Yearly and cumulative Statement of Expenditure (SOEs) by withdrawal application and category of expenditures;
- Reconciliation between the amounts shown as received by the Project and those shown as being disbursed by IFAD should be attached as an annex to the Project Financial Statements (PFSs). As part of that reconciliation, the auditor will indicate the procedure used for disbursement (SA funds, letters of credit, special commitments, reimbursement or direct payment) and indicate whether the expenditure is fully documented or uses the summary of expenditures format;
- Cumulative status of funds by category;
- Reconciliation of Special Account/Designated Account (SA/DA) account statement;
- Notes accompanying the PFSs;
- Full disclosure of cash balances; and



- Other statements or disclosures relevant to the Project, e.g. financial monitoring reports, credit lines, etc.

**A separate opinion on the use of the SA/DA.** The auditor is also required to audit the activities of the SA/DA associated with the Project, including the initial advance, replenishments, interest that may accrue on the outstanding balances, and the year-end balances. The auditor must form an opinion as to the degree of compliance with IFAD procedures and the balance of the SA/DA at year-end. The audit should examine: (i) the eligibility of withdrawals from the SA/DA during the period under review; (ii) the operation of the SA/DA in accordance with the financing agreement and other instructions provided to the borrower/recipient by IFAD; (iii) the adequacy of internal controls within the Project appropriate for this disbursement mechanism; and (iv) the use of correct exchange rate(s) to convert local currency expenditures to the denominated currency of the SA.

**A separate opinion on withdrawal applications/statements of expenditure (SOEs) / summary application sheet.** The audit will include a review of SOEs used as the basis for submitting withdrawal applications. The auditor will carry out tests and reviews as necessary and relevant to the circumstances. SOE expenditures will be carefully compared for eligibility with relevant financial agreements and the disbursement letter, with reference to the Project Design Report for guidance when necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, auditors will note these separately. A schedule listing individual SOEs withdrawal applications by reference number and amount should be attached to the PFSs. The total withdrawals under the SOE procedure should be part of the overall reconciliation of IFAD disbursements described above. The auditor's opinion should deal with the adequacy of the procedures used by the Project for preparing SOEs and should include a statement that amounts withdrawn from the Project account on the basis of such SOEs were used for the purposes intended under the agreement.

**A separate management letter** addressing the adequacy of the accounting and internal control systems of the programme, including compliance with the IFAD Procurement Guidelines and such other matters as IFAD may notify the MORDI TT to include in the audit.

The auditor is requested to comment on:

- Economy, efficiency and effectiveness in the use of Project resources;
- Achievement of planned Project results;
- Legal and financial obligations and commitments of the Project and the extent of compliance or non-compliance thereof;
- Systems and procedures such as improvements in accounting, information technology or computer systems, and operations that may be under development, on which the auditor's comments are necessary to ensure effective controls; and
- Other activities on which the auditor may consider it appropriate to report.

**Auditors shall certify:**

- Whether the PFSs are drawn up in conformity with internationally accepted accounting standards;
- Whether the PFSs are accurate and are drawn up from the books of accounts maintained by the Project;
- Whether the PFS give a true and fair view of the state of affair and result of operation of the Project as on **[insert date of reference DD/MM/YYYY]**
- Whether the provisions of the financing agreement are adhered to;
- Whether procurement has been undertaken by the Project in accordance with applicable procurement procedures and the IFAD Procurement Guidelines;
- The existence of any significant assets purchased and confirm their existence and use for Project purposes;
- Whether the Project has an effective system of financial supervision or internal audit at all levels; and
- Whether the expenditures claimed through SOEs are properly approved, classified and supported by adequate documentation.

The auditor is a member of the Institute of Registered Auditors of the Kingdom of Tonga, which in turn is a member of the International Federation of Accountants (IFAC). In the case of supreme audit

institutions, these should be members of the International Organization of Supreme Audit Institutions (INTOSAI).

## **1.2 Subject of the engagement**

The subjects of this engagement are the financial statements dated **[insert date of reference DD/MM/YYYY]** in connection with the agreement for the period covering **[insert reference period to be audited DD/MM/YYYY]**.

The information, both financial and non-financial, that is subject to verification by the auditor is all information that makes it possible to verify that the expenditures claimed by the MORDI TT in financial statements have occurred, and are accurate and eligible. Annex 1 to these TORs contains an overview of key information about the agreement and the services concerned.

## **1.3 Reason for the engagement**

The MORDI TT is required to submit to IFAD an audit report produced by an external auditor under article IX of the General Conditions for Agricultural Development Financing.

## **1.4 Engagement type and objective**

This constitutes an engagement to perform specific agreed procedures following the IFAD Guidelines on Project Audits provided to the auditors by the MORDI TT in annex 2 of these TORs. The objective of this audit is for the auditor:

- To verify that the expenditures claimed by the MORDI TT in the financial statements for the activities covered by the agreement have occurred (“reality”), are accurate (“exact”) and are eligible (i.e. that expenditure has been incurred in accordance with the terms and conditions of the agreement); and
- To submit a report of factual findings with regard to the agreed procedures performed.

## **1.5 Scope of work**

1.5.1 The auditor shall undertake this engagement in accordance with these TORs and with:

- International Standards on Auditing (ISAs) to perform agreed procedures regarding financial information as promulgated by IFAC;
- The Code of Ethics for Professional Accountants issued by IFAC. Although the International Standard on Related Services 4400 provides that independence is not a requirement for agreed procedures engagement, IFAD requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants.
- IFAD Guidelines on Project Audits.

1.5.2 Terms and conditions of the agreement

The auditor verifies that the funds provided by the agreement were spent in accordance with the terms and conditions of the agreement.

1.5.3 Planning, procedures, documentation and evidence

The auditor should plan the work so that an effective audit can be performed. For this purpose, the auditor performs the procedures specified in the IFAD Guidelines on Project Audits and uses the evidence obtained from these procedures as the basis for the report of factual findings. The auditor should document matters that are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with ISAs and these TORs.

## **1.6 Reporting**

The report on this audit should describe the purpose and the agreed procedures of the engagement in sufficient detail to enable the MORDI TT and IFAD to understand the nature and extent of the procedures performed by the auditor. Use of financial and audit reporting is governed by IFAD rules.

## **1.7 Other terms [As necessary]**

## Appendix 8: Procurement

### Procurement guidelines

- 1. Introduction.** IFAD's revised "Project Procurement Guidelines" approved in September 2010 emphasize the possibility of using the borrower/ recipient's procurement regulations, to the extent that such regulations are consistent with IFAD's Guidelines. The revised IFAD Procurement Guidelines focus less on the details of procurement methods and more on the general principles, standards and policies that borrowers/ recipients must adhere to when implementing IFAD-financed projects. These guidelines refer to a procurement method defined as "procurement with community participation". Therefore the design process: (i) considered this approach and its suitability for TRIP II; and (ii) assessed whether the TRIP I Community Rating System could be used to assess readiness for "graduation and phasing out". The conclusion was that whilst this particular procurement process is not suitable for TRIP II, continued use of the "graduation and phasing out" process is logical.
2. The "procurement with community participation" process was tested during TRIP I using local rather than centralized procurement and found to be inefficient and expensive: (i) because of the need to procure large numbers of small items for wide distribution throughout the outer islands; and (ii) a lack of suppliers on the outer islands and therefore higher unit prices even when the cost of sea freight is taken into account. Therefore TRIP II will continue to use a centralized approach to procurement, except when building materials are available locally
3. Tonga updated its Public Procurement Regulations in 2015 which are based on procurement guidelines used by the World Bank and the Asian Development Bank. The regulations apply to all procurement carried out by Government contracting entities and are now used by several development partners in Tonga under an initiative to standardize the procurement process in recognition of the Paris Declaration on Harmonization and Alignment.
4. The regulations state "Where these Regulations conflict with the procurement rules of a donor or funding agency, the application of which are mandatory pursuant to or under an obligation entered into by the Government, the requirements of those rules shall prevail, but in all other respects, procurement shall be governed by the provisions of these Regulations". The Regulations provide for the establishment of a Government Procurement Committee (GPC) which has the objective of providing advice on regulating and monitoring public procurement in the Kingdom on issues relating to public procurement. The committee is composed of the Minister for Finance (Chairperson), Chief Executive Officer (CEO) for Finance (Deputy Chairperson), Chief Secretary and Secretary to Cabinet, Secretary for Foreign Affairs, Solicitor General, and CEO for Revenue and Custom. The Procurement Division (MFNP) shall provide secretariat services to the GPC. The Procurement Division shall review and endorse procurement proposals submitted by the procurement unit above a threshold of Pa'anga (TOP) 7,500 but below TOP 10,000. For larger contracts above TOP 100,000 the GPC is responsible for reviewing the bidding process and issuing a "Letter of No-objection" to the procuring entity, prior to the issue of the Notification of Award. For smaller contracts the Head of Department or Board of Trustees can approve procurement.
5. Consequently, Tonga's Procurement Regulations 2015 will apply to the financing of the Tonga Rural Innovation Project II (TRIP II), except for provisions specifically included in the final Project design, the Financing Agreement, and Letter to the Borrower, will be consistent with IFAD's procurement regulations. For TRIP II, a Central Procurement Unit will be created by the Procurement Division and will carry out procurement with a value of TOP10,000 and above.
6. An IFAD Project Procurement Handbook will be sent to the Recipient upon Grant signing to assist the MORDI TT with procurement processes and forms. As is the practice under IFAD projects, in case of need, MORDI TT can use the World Bank's sample Standard Bidding Documents.
7. The list of procurement methods to be followed can be selected from the list in Annex 2 and will be reflected in the 18-month Procurement Implementation Plan. This plan will be prepared by MORDI TT. A provisional 18-month Procurement Implementation Plan with the procurement and IFAD prior approval thresholds is detailed in Annex 1.
- 8. Procurement MORDI TT staffing.** Procurement management will be exercised by MORDI TT which will be staffed with a PM, a FPM, an Administrator, and a Procurement Officer. Terms of Reference for these positions are detailed in Working Paper 5. These staff will be appointed on a

competitive basis and to the satisfaction of IFAD. The PM and the FO will be responsible for managing the procurement process. The Recipient, through the Bid Evaluation Committee, will have the opportunity to participate in major procurement decisions.

9. **18-month procurement plan.** Before commencing implementation and annually thereafter, the Recipient will provide a Procurement Plan to IFAD for approval as described in IFAD's Procurement Guidelines. IFAD will provide a template for a Procurement Plan which will specify the method of procurement (see Annex 2 for details on the methods) for each contract to be financed, including thresholds, ceilings and preferences. The Procurement Plan will also specify any additional requirements as set out in IFAD's Procurement Guidelines with respect to certain methods of procurement. A draft Procurement Plan for the first 18 months of the Project is presented in Annex 1. This will be revised and further detailed at the start-up of the Project by the MORDI TT and submitted to IFAD for a "no objection".

10. Procurement will be exclusively undertaken only during the Project implementation period (from entry into force plus five years) except for: (i) retroactive financing starting from the date of approval of the Project by IFAD's Executive Board; and (ii) for winding up expenditures after the Project completion date and before the Grant closing date. No procurement will be undertaken if it entails a payment to persons or entities, or an import of goods prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

11. **Procurement decisions.** A Bid Evaluation Committee (BEC) will be established by MORDI TT for the evaluation of bids related to procurement of goods and services with a contract value of TOP100,000 (US\$50,000) and above. The Committee will involve the PM as chairperson, the Administrator, the FPM, the Procurement Officer, and senior finance and procurement staff from the Procurement Division of MFNP with designated responsibilities for the Project. Independent technical specialists may be invited to participate in bid evaluations on an as-required basis.

12. The MTR completed a fiduciary risk assessment of the financial and administrative management of TRIP I. The overall risk level is medium - see MTR, Appendix 7. The design mission for TRIP II recommends that steps be taken to immediately address TRIP I's shortfalls in procurement and financial management, including:

- Recruitment of the FPM, the Administrator, and the Procurement Officer as part of the start-up process;
- In addition to the BEC, setting up a Procurement Evaluation Committee (PEC) within the PMU, with the FPM as chairperson (alternate in case of FPM absence to be the Finance Administration Officer), and the Procurement Officer as Secretary to the Committee to record the minutes. The PEC will evaluate and recommend procurement awards with a value of TOP7,500 (US\$3,000) up to less than TOP100,000 (US\$50,000) covered with at least one quotation, provided the required number of a minimum of three Requests for Quotations (RFQs) have been obtained;
- Establishing a process for monitoring the total amount of resources being mobilised by the Project including contributions in-kind and parallel financing which is being supervised by TRIP II's Project management staff; and
- Monthly submission of a procurement contract register to IFAD's Sub-Regional Coordinator, and maintenance of fixed asset and contract payment monitoring registers.

13. The award of any contract for goods and services costing TOP200,000 (US\$100,000) or more per contract will be subject to prior "no objection" from IFAD. The Terms of Reference and award of contracts for consulting services or core studies will be subject to IFAD Prior Review.

14. **Procurement methods and thresholds** Procurement will be undertaken using four general methods: (i) International Shopping (IS); (ii) National Competitive Bidding (NCB); (iii) Local Shopping (LS); and (iv) Quality and Cost-Based Selection (QCBS)/ Cost-Based Selection (CBS):

- For works costing TIP1,000,000 (US\$500,000) or more International Shopping (IS) or International Competitive Bidding (ICB).
- For vehicles, equipment and materials costing TOP 150,000 (US\$ 75,000) or more per

expenditure: IS or ICB.

- For Goods costing TOP 7,500 (US\$ 3,000) up to less than TOP 10,000 (US\$ 5,000) per expenditure: National Competitive Bidding (NCB) or Local Shopping (LS), requiring three Request for Quotations (RFQ), depending on availability, with at least one responsive quote.
- For Supply of Services costing less than TOP 7,500 (US\$ 3,000); Local Shopping (LS) requiring one quotation.
- For Supply of Services costing TOP 7,500 (US\$ 3,000) up to TOP 50,000 (US\$ 25,000); Local Shopping (LS) requiring three RFQs with at least one responsive quote.
- For Supply of Services costing above TOP 50,000 (US\$ 25,000); National Competitive Bidding (NCB) or International Shopping (IS).
- For Works and Physical Services costing less than TOP 7,500 (US\$ 3,000); Local Shopping (LS) requiring one quote;
- For Works and Physical Services costing TOP 7,500 (US\$ 3,000) up to TOP 100,000 (US\$ 50,000); Local Shopping (LS) requiring three RFQs minimum with at least one responsive quotation.
- For Works and Physical Services costing TOP 100,000 (US\$ 50,000) up to TOP 1,000,000 (US\$ 500,000); National Competitive Bidding (NCB).
- For Works and Physical Services costing over TOP 1,000,000 (US\$ 500,000); International Competitive Bidding (ICB).
- For individual consulting services, Technical Assistance (TA), training services, studies, and other implementation support services: costing TOP 7,500 (US\$ 3,000) up to TOP 100,000 (US\$ 50,000); Cost-Based Selection (CBS), Direct Contracting (DC), with selection based on quality, cost and experience considerations; or selection under Fixed Budget with at least three Request for Proposal (RFP) plus an interview.
- For consulting firm services, Technical Assistance (TA), training services, studies, and other implementation support services provided through a firm: costing TOP 7,500 (US\$ 3,000) up to TOP 100,000 (US\$ 50,000); Quality and Cost-Based Selection (QCBS)/Cost-Based Selection (CBS), Direct Contracting (DC), with selection based on quality, cost and experience considerations; or selection under Fixed Budget following RFP without Expression of Interest (EOI) and a minimum of three responses.

15. Note that these methods and thresholds are indicative and subject to adjustment by IFAD. Other procurement methods such as those listed in Annex 2 may be permitted where justified and acceptable to IFAD.

16. To the extent possible, procurement contracts will be bulked into sizeable bid packages by MORDI TT in order to permit the optimal use of competitive bidding (i.e. IS or NCB). Procurement of vehicles will generally require the use of international procedures. Procurement of miscellaneous equipment, materials, and operating supplies will generally be much lower cost and fall under NCB, LS or DC procedures.

17. For procurement of consulting services and studies, Terms of Reference, conditions and terms of contracts, and the qualifications and experience of consultants, will be subject to prior review and approval of IFAD, if requested by IFAD at the time of submission of the AWPB. Before agreeing to any material modification or waiver of the terms and conditions of any contract, granting an extension of the stipulated time for performance of such a contract, or issuing any change order (except in cases of extreme urgency) which would increase the cost of the contract by more than 10% of the original price, MORDI TT will seek IFAD's approval of the proposed modification.

18. **Audit provisions.** All bidding documents and contracts for the procurement of goods and consulting services financed by the Project will include a provision requiring bidders, suppliers, contractors, subcontractors and consultants to permit IFAD to inspect their accounts, records and other documents relating to the bid submission and contract performance, and to have them audited by Fund-appointed auditors and investigators. This provision will require bidders, suppliers, contractors, sub-contractors and consultants to: (i) maintain all documents and records related to activities performed for three years after completion of the contract; and (ii) require the delivery of any document necessary for the investigation of allegations of fraud or corruption (and the availability of employees or agents of the bidders, suppliers, contractors, sub-contractors or consultants with knowledge of the activities financed by IFAD) to respond to questions from IFAD's personnel or any properly designated auditor, investigator, agent or consultant relating to review or audit of the document. If the bidder, supplier, contractor, subcontractor or consultant fails to comply with IFAD's request, or otherwise obstructs IFAD's review of the matter, IFAD, at its sole discretion, may take appropriate action against the bidder, supplier, sub-contractor or consultant, including the imposition of sanctions in accordance with the administrative procedures of the Fund.

19. **Procurement documentation.** Disbursements for vehicles, machinery, and equipment and consultant services will be fully documented. Disbursements for expenditures equal to or less than US\$50,000<sup>54</sup> per contract for training, workshops, local salaries and allowances, materials, office supplies and other operating expenses will be made against certified Statements of Expenditure (SOEs).

20. Supporting documents, including suppliers' invoices, evidence of payment, analysis of bids, contracts, payment vouchers and receipts, will be retained in an organised manner by MORDI TT for inspection during Supervision Missions, and examination by auditors. This will also apply to documentation kept at the regional and/or district levels where the place of location will be determined by MORDI TT.

21. Proposed financial management and disbursement arrangements are detailed in Appendix 7. Funds will flow directly from IFAD to a Project Account (Designated Account) to a TOP bank account managed by MORDI TT through an MOU with MFNP.

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<sup>54</sup> Subject to adjustment as may be acceptable to IFAD.

### Annex 1: Draft 18 - Month Procurement Implementation Plan

#### A. Retroactive Expenditures:

Project Component and Description	Procurement Category	Estimated Costs (US)	Procurement Methods	Review by IFAD (Prior/Posts)
<b>1. RETROACTIVE EXPENDITURES</b>				
<b>Component 3. Vehicles, Equipment &amp; Materials</b>				
Vehicles	Goods (Vehicles)	45,455	Local Shopping	Prior
Office Furniture	Goods (Equipment)	20,932	Local Shopping	Post
Computer Systems and Electronics	Goods (Equipment)	41,023	Local Shopping	Post
Office Equipment	Goods (Equipment)	9,318	Local Shopping	Post
<b>Sub-total</b>		<b>116,727</b>		
<b>Component 3. Staff Recruitment</b>				
Project Manager	Staff Recruitment	Advance Contracting	CQBS: National Basis	Prior
Administrator	Staff Recruitment	Advance Contracting	CQBS: National Basis	Prior
Finance and Procurement Manager	Staff Recruitment	Advance Contracting	CQBS: National Basis	Prior
Component 1 Coordinator	Staff Recruitment	Advance Contracting	CQBS: National Basis	Prior
Component 2 Coordinator	Staff Recruitment	Advance Contracting	CQBS: National Basis	Prior
Other Employees	Staff Recruitment	Advance Contracting	CQBS: National Basis	Post
Miscellaneous Expenses ( Advertising, Bids)	Supply of Services	1,000	Local Shopping (LS)	Post
<b>Sub-total</b>		<b>1,000</b>		
<b>TOTAL RETROACTIVE EXPENDITURES</b>		<b>117,727</b>		

Note: The retroactive procurement implementation period, assumed to be 6 months, could be reduced depending on the date of signing the Financing Agreement and its Entry into Force.



## B. Rest of Year 1 Expenditures:

Project Component and Description	Procurement Category	Estimated Costs (US)	Procurement Methods	Review by IFAD ( Prior/Posts)
<b>2. REST OF EXPENDITURES</b>				
<b>COMPONENT 1. COMMUNITY DEVELOPMENT</b>				
<b>A. Component 1.1 Community Development Plans (CDPs)</b>				
Support to Town Officers	Supply of Services	5,182	Direct Contract	Post
Materials	Goods (Materials)	10,442	Local Shopping (LS)	Post
Training of TOs and Communities	Supply of Services	2,549	Local Shopping (LS)	Post
Technical assistance	Consulting Services - Individual	68,457	QCBS and QBS	Post
HQ Staff supervision visits	Services	45,309	Other	Post
<b>Subtotal</b>		<b>131,939</b>		
<b>B. Component 1.2 Resilient community infrastructure</b>				
Community Grants and Transport Costs	Goods	323,182	Local Shopping (LS)	
<b>Subtotal</b>		<b>323,182</b>		
<b>TOTAL COMPONENT 1</b>		<b>455,121</b>		
<b>COMPONENT 2. SUSTAINABLE ECONOMIC LIVELIHOODS</b>				
<b>Component 2.1. Community Agriculture Development Plans (CADPs)</b>				
Support to Town Officers	Supply of Services	1,670	Direct contract	Post
Materials	Goods (Materials)	3,366	Local Shopping (LS)	Post
Training of TOs and Communities	Services	822	Direct contract	Post
Technical assistance	Consulting Services - Individual	22,068	QCBS and QBS	Post
HQ Staff supervision visits	Supply of Services	14,606	Other	Post
Baseline Data	Supply of Services	8,271	Other	Post
<b>Subtotal</b>		<b>50,804</b>		

<b>Component 2.2. Sustainable Economic Livelihoods</b>					
<b>A. Farmer Field Schools</b>					
Master Trainers Course - Logistics & Accomodation	Supply of Services	49,818	Other		Prior
Master Trainers Course - Int. Trainers Cost	Consulting Services - Individual	109,500	QCBS and QBS		Prior
Mobilization of MAFFF Master Trainers and Specialists	Supply of Services	51,673	Other		Post
Mobilization of non-MAFFF Master Trainers	Supply of Services	60,582	Other		Post
FFS Facilitator Courses	Consulting Services - Individual	140,661	QCBS and QBS		Prior
Development and printing of training materials	Supply of Services	13,067	Local Shopping (LS)		Post
Extension Digital Tool	Consulting Services – Firm	36,750	QCBS and QBS		Prior
<b>Subtotal</b>		<b>462,050</b>			
<b>B. Community Economic Livelihoods</b>					
Communtiy Grants and Transport Costs	Goods, Works & Physical Services	566,931	Local Shopping (LS)		Prior/Post
<b>Subtotal</b>		<b>566,931</b>			
<b>C. Pilots</b>					
Pilot Grants	Goods, Works & Physical Services	133,636	Int. Shopping (IS)/Local Shopping (LS)		Prior/Post
<b>Subtotal</b>		<b>133,636</b>			
<b>TOTAL COMPONENT 2</b>		<b>1,213,421</b>			
<b>COMPONENT 3. PROJECT MANAGEMENT</b>					
<b>I. Investments Costs</b>					
Technical Support & Training	Consulting Services - Individual	133,392	QCBS and QBS		N/A
<b>Sub totals</b>		<b>133,392</b>			
<b>II. Recurrent Costs</b>					
<b>A. Salaries and Allowances</b>					
Project Manager	Staff salary & wages	54,545	According with Contract Agreement		N/A*
Administrator	Staff salary & wages	27,273	According with Contract Agreement		N/A*
Finance and Procurement Manager	Staff salary & wages	47,727	According with Contract Agreement		N/A*
Component 1 Coordinator	Staff salary & wages	47,727	According with Contract Agreement		N/A*
Component 2 Coordinator	Staff salary & wages	47,727	According with Contract Agreement		N/A*
Other Employees	Staff salary & wages	302,045	According with Contract Agreement		N/A*
<b>B. Office Operating Costs</b>	Supply of Services	105,120	Local Shopping (LS)		Prior/Post
<b>C. Vehicle operation &amp; maintenance</b>	Supply of Services	14,700	Local Shopping (LS)		Post
<b>Sub totals</b>		<b>646,865</b>			
<b>TOTAL COMPONENT 3</b>		<b>780,257</b>			
<b>TOTAL PROCUREMENT PLAN FOR 18 MONTHS DRAFTS</b>		<b>2,566,527</b>			

\*Per terms of contract awarded.

### Annex 2: Tonga Procurement Regulations 2010 – Procurement Thresholds & Authorizations

Threshold	Up to TOP7,500	TOP7,500-150,000		Over TOP150,000 – 1,000,000	Over TOP1,000,000
		Up to TOP100,000	More than TOP100,000		
<b>Approving Authority</b>	<b>HOD</b>			<b>GPC</b>	
Goods	RFQ (1 quote)	RFQ + min 3 quotes up to TOP50,000	NCB	ICB	
Supply of Services	RFQ (1 quote)	RFQ + min 3 quotes (LS) up to TOP50,000	NCB		ICB
Works	RFQ (1 quote)	RFQ + min 3 quotes (LS) up to TOP100,000	NCB		ICB
Consulting Services - Individual	None	RFP + Interview min 3 quotes (QCBS)		ICB	
Consulting Services – Firm <sup>1</sup>	None	RFP (without EOI) (QCBS)		EOI (Opt) + RFP	EOI + RFP

Source: GOT Procurement Regulations Oct 2010

Note 1. Not cost effective below TOP75,000

Procurement Division: MOFEP Must approve all Solicitation Documents above a threshold of TOP\$75,000 before they are advertised

Annual Bids (GPC must approve all)

HOD – Head of Department

GPC – Government Procurement Committee

RFQ Request for Quotation

NCB - National Competitive Bidding

ICB - international Competitive Bidding

EOI - Expression of Interest

### Annex 3: Summary of Appropriate Procurement Methods

#### I. Procurement of Goods and Works

Method	Description	Applicability/Characteristics	Advertising	Remarks
International Competitive Bidding (ICB)	Procedure for procurement of goods and works on the international market with open competition	<ul style="list-style-type: none"> <li>▪ High value procurement</li> <li>▪ Interest for international business community</li> <li>▪ Equal opportunity to bid</li> </ul>	General Procurement Notices (GPN) Open ITB or invitation to pre-qualify UNDB/dgMarket International press	- Margin of preference for domestic goods and works may be applied
Limited International Bidding (LIB)	ICB by direct invitation (no open advertisement)	<ul style="list-style-type: none"> <li>▪ Smaller value</li> <li>▪ Limited number of suppliers</li> </ul>	Restricted ITB	- Domestic preference not applicable
National Competitive Bidding (NCB)	Procedure for public procurement in Borrower Country	<ul style="list-style-type: none"> <li>▪ Small value contracts</li> <li>▪ Geographically scattered, labour-intensive or time-spread works</li> <li>▪ Local prices below international market</li> <li>▪ No or limited interest from international business community</li> <li>▪ ICB advantages outweighed by financial and administrative costs</li> </ul>	Local press Internet Open ITB	- IFAD to establish acceptability of national procedures - Foreign suppliers allowed to bid
International Shopping	Comparison of price quotations from at least 3 suppliers in 2 different countries	<ul style="list-style-type: none"> <li>▪ Small value procurement</li> <li>▪ Off-the-shelf goods, standard specification commodities, simple civil works</li> </ul>	Request for quotation (restricted)	- Purchase order or brief contract
National Shopping	Comparison of price quotations from at least 3 suppliers	<ul style="list-style-type: none"> <li>▪ Same as International Shopping</li> <li>▪ Goods available locally from several sources at competitive prices</li> </ul>	Request for quotation (restricted)	- Purchase order or brief contract
Direct Contracting	Single or sole-source selection	<ul style="list-style-type: none"> <li>▪ Extension of existing contract</li> <li>▪ Standardization for vehicles, equipment</li> <li>▪ Proprietary equipment obtainable from one source only</li> <li>▪ Condition of performance guarantee</li> <li>▪ Emergency procurement</li> </ul>	No advertising No competition	

Method	Description	Applicability/Characteristics	Advertising	Remarks
Procurement from Commodity Markets	Procurement of goods from commodity markets	<ul style="list-style-type: none"> <li>▪ Grains, animal feed, cooking oil, fuel, fertilizers, pesticides, metals</li> <li>▪ Multiple award for partial quantities to secure supply and prices</li> </ul>	Pre-qualified bidders Issuance of periodic invitations	Short bid validity Single (market) currency for bid and payment
Work by Force Account	Use of the Borrower's own personnel and equipment to perform construction work	<ul style="list-style-type: none"> <li>▪ Difficulty in defining work quantities</li> <li>▪ Small, scattered works in remote locations</li> <li>▪ Risk of unavoidable work interruptions</li> <li>▪ No disruption of on-going operations</li> <li>▪ Emergency situations</li> </ul>	No advertising No competition	IFAD ensure that - force account units are properly staffed, equipped and organized - costs are reasonable
Procurement from UN Agencies	Procurement of specific goods from specialized UN agencies	Small quantities of off-the-shelf products	No advertising No competition	- Use of UN agency rules and procedures - Indication in loan agreement

Refer to the IFAD Procurement Guidelines for the following procurement methods:

- Procurement by agents and use of inspection agents
- Procurement by financial intermediaries or sub-loan beneficiaries
- Procurement with community participation

## II. Procurement of Consulting Services

Method	Description	Applicability/characteristics	Advertising	Remarks
Quality and Cost Based Selection	Competitive selection from short-listed firms based on quality and cost of proposal	Two-step evaluation: quality (technical proposal) and cost (financial proposal)	GPN (large contracts) Request for Proposal (RFP)	Preferred selection method for most consulting services
Selection Under a Fixed Budget	Competitive selection from short-listed firms based on best technical proposal within budget	<ul style="list-style-type: none"> <li>▪ Simple and precisely defined assignment</li> <li>▪ Consulting firms requested to bid within a fixed budget</li> </ul>	Request for proposal	Rejection of proposals above fixed budget
Quality Based Selection	Competitive selection from short-listed firms based on quality only	<ul style="list-style-type: none"> <li>▪ Complex/highly specialized assignments</li> <li>▪ High downstream impact</li> <li>▪ No comparability of proposals</li> </ul>	GPN (large contracts) Request for Proposal	Only technical proposals may be invited
Selection Based on Consultants' Qualifications	Selection from short-listed firms based on consultant's experience and competence	<ul style="list-style-type: none"> <li>▪ Very small assignments</li> <li>▪ Cost of RFP preparation and evaluation not justified</li> </ul>	Request for expression of interest	Submission of combined technical-financial proposals
Single Source Selection	Selection of a firm without any competition	<p>Must be exceptional:</p> <ul style="list-style-type: none"> <li>▪ Continuation of previous work</li> <li>▪ Emergency situation</li> <li>▪ Very small assignments</li> <li>▪ Only one firm is qualified/experienced</li> </ul>	No competition	Clear advantage over competition or impossibility to compete must be demonstrated
Selection of Individual Consultants	Individuals selected based on qualifications, references and other relevant criteria, with limited or no competition	<ul style="list-style-type: none"> <li>▪ Teams of personnel not required</li> <li>▪ No additional professional support required</li> <li>▪ Main requirement is experience and qualification of individual consultant</li> </ul>	Request for expression of interest or Direct contact	Individuals may be selected on a single source basis

Refer to the IFAD Procurement Guidelines for the following procurement methods:

- Procurement agents and inspection agents
- UN agencies, Civil Society Organizations, Auditors and Service Delivery Contractors



## Appendix 9: Project cost and financing

### Project cost by Component

1 **Project costs by Component.** The total Project cost over five years is estimated to be US\$10.98 million (Table 1) inclusive of physical and price contingencies (4% and 3%, respectively). The foreign exchange element is estimated to be US\$1.98million. US\$8.78 million will be financed by IFAD, US\$1.51 million will come from contributions from communities/beneficiaries, and US\$2.54 million from the Government of Tonga - for taxes and duties (the Project will be exempt), and a share of salaries for Government officials (50% of the salary cost for officials engaged on TRIP II). The foreign exchange element is estimated to be US\$1.19 million, or 9% of total costs.

2 IFAD financing (in the form of a grant [50%] and a loan [50%]) will come from: (i) the allocation for the IFAD-funded Adaptation for Smallholder Agriculture Programme (ASAP) - US\$2.3 million of the US\$6.5 million ASAP allocation will be for TRIP II; and (ii) US\$3.0 million from IFAD's Performance Based Allocation System (PBAS) under which Tonga is eligible for a total of US\$3.0 million for the 2016-2018 PBAS cycle. The financing gap will be funded from the US\$3.0 million PBAS allocation for Tonga for the next cycle (2018- 2021).

3 Approximately 20% of the base cost has been allocated to Component 1 (Community Development) of which the majority will be for resilient community infrastructure. Component 2 has been allocated 36% of the total costs, with most being allocated to support economic livelihoods in the form of grants. Project management costs, including costs for Project PMU and participating Government staff, are estimated to be 44% of base costs.

**Table 1: Project Costs by Component**

(TOP; US\$)

	(Pa'anga)			(US\$)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
<b>A. Community Development</b>								
Community Development Plans	497,525	64,901	562,426	226,148	29,500	255,648	12	3
Resilient Community Infrastructure	2,695,605	1,297,749	3,993,354	1,225,275	589,886	1,815,161	32	18
<b>Subtotal</b>	<b>3,193,130</b>	<b>1,362,650</b>	<b>4,555,780</b>	<b>1,451,423</b>	<b>619,386</b>	<b>2,070,809</b>	<b>30</b>	<b>20</b>
<b>B. Sustainable Economic Livelihoods</b>								
Community Agriculture Development Plans	244,262	31,918	276,181	111,028	14,508	125,537	12	1
Sustainable Economic Livelihoods	5,534,915	2,188,694	7,723,610	2,515,871	994,861	3,510,732	28	35
<b>Subtotal</b>	<b>5,779,178</b>	<b>2,220,613</b>	<b>7,999,790</b>	<b>2,626,899</b>	<b>1,009,369</b>	<b>3,636,268</b>	<b>28</b>	<b>36</b>
C. Project Management	9,578,437	227,490	9,805,927	4,353,835	103,405	4,457,240	2	44
<b>Total BASELINE COSTS</b>	<b>18,550,746</b>	<b>3,810,752</b>	<b>22,361,498</b>	<b>8,432,157</b>	<b>1,732,160</b>	<b>10,164,317</b>	<b>17</b>	<b>100</b>
Physical Contingencies	640,142	235,722	875,864	290,974	107,146	398,120	27	4
Price Contingencies	611,253	147,795	759,047	277,842	67,179	345,021	19	3
<b>Total PROJECT COSTS</b>	<b>19,802,140</b>	<b>4,194,269</b>	<b>23,996,409</b>	<b>9,000,973</b>	<b>1,906,486</b>	<b>10,907,459</b>	<b>17</b>	<b>107</b>
Interest During Implementation	-	152,274	152,274	-	69,216	69,216	100	1
<b>Total Costs to be Financed</b>	<b>19,802,140</b>	<b>4,346,543</b>	<b>24,148,683</b>	<b>9,000,973</b>	<b>1,975,702</b>	<b>10,976,674</b>	<b>18</b>	<b>108</b>

### Financing plan

4 The proposed financiers of the Project are the Government of Tonga, beneficiaries and IFAD. Government will finance the tax and duty elements of Project expenditure; plus a major contribution in the form of 50% of officer and staff salaries for Government personnel directly engaged in Project activities. Component 1 beneficiaries will make a matching payment for community grants to support economic infrastructure, equivalent to 25% of the value of infrastructure investment. Component 2 beneficiaries will be required to make a matching payment for economic livelihood grants of 40% of the value of the support. This contribution will be in the form of their labour contribution and/or the in-kind value of materials. IFAD will provide a mix of grant and loan financing for all other Project costs. The overall financing plan is summarised in Table 2.



**Table 2: Project costs by Financier**

<b>Financier</b>	<b>US\$</b>	<b>%</b>
IFAD loan	3,375,182	30.7%
IFAD grant	3,375,182	30.7%
Communities	1,427,989	13.0%
Government <sup>a/</sup>	2,798,320	25.5%
<b>Total</b>	<b>10,976,674</b>	<b>100.0%</b>

a/ Includes cost of Government staff time.

5 **Co-financing.** No allowance has been made for any forming co-financing at this stage. However it is envisaged that additional financing could be utilised by increasing allocations to communities.

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**Components by Financiers**  
(US\$)

	IFAD - Loan		IFAD - Grant		Funding Gap		Communities		The Government		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>A. Community Development</b>															
Community Development Plans	86 423	31.8	86 423	31.8	57 928	21.3	-	-	40 725	15.0	271 499	2.5	30 248	200 526	40 725
Resilient Community Infrastructure	192 975	9.6	192 975	9.6	938 697	46.5	424 092	21.0	268 147	13.3	2 016 886	18.3	660 293	1 088 446	268 147
<b>Subtotal</b>	279 398	12.2	279 398	12.2	996 625	43.6	424 092	18.5	308 872	13.5	2 288 384	20.8	690 541	1 288 972	308 872
<b>B. Sustainable Economic Livelihoods</b>															
Community Agriculture Development Plans	33 462	24.5	33 462	24.5	48 953	35.9	-	-	20 449	15.0	136 325	1.2	15 003	100 874	20 449
Sustainable Economic Livelihoods	593 415	15.7	593 415	15.7	1 106 816	29.3	1 003 897	26.5	486 158	12.8	3 783 701	34.4	1 183 843	2 113 700	486 158
<b>Subtotal</b>	626 877	16.0	626 877	16.0	1 155 769	29.5	1 003 897	25.6	506 607	12.9	3 920 026	35.6	1 198 846	2 214 574	506 607
C. Project Management	591 592	12.6	591 592	12.6	1 605 009	34.1	-	-	1 914 115	40.7	4 702 308	42.7	113 925	4 420 363	168 019
<b>Total PROJECT COSTS</b>	1 497 866	13.7	1 497 866	13.7	3 757 403	34.4	1 427 989	13.1	2 729 594	25.0	10 910 719	99.1	2 003 312	7 923 909	983 498
Interest During Implementation	-	-	-	-	-	-	-	-	96 789	100.0	96 789	0.9	-	-	-
<b>Total Disbursement</b>	1 497 866	13.6	1 497 866	13.6	3 757 403	34.1	1 427 989	13.0	2 826 383	25.7	11 007 508	100.0	2 003 312	7 923 909	983 498

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**Expenditure Accounts by Financiers**  
(US\$)

	IFAD - Loan		IFAD - Grant		Funding Gap		Communities		The Government		Total		For. Exch.	Local (Excl. Taxes)	Duties & Taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
<b>I. Investment Costs</b>															
A. Works	573 519	11.3	573 519	11.3	1 836 165	36.3	1 427 989	28.3	642 231	12.7	5 053 423	45.9	1 653 613	2 757 580	642 231
B. Equipment & Materials	30 949	42.5	30 949	42.5	-	-	-	-	10 923	15.0	72 822	0.7	23 726	38 172	10 923
C. Vehicles	19 738	42.5	19 738	42.5	-	-	-	-	6 966	15.0	46 443	0.4	15 132	24 345	6 966
D. Goods, Services & Inputs	122 929	26.5	122 929	26.5	148 028	31.9	-	-	69 509	15.0	463 395	4.2	138 948	254 938	69 509
E. Training	162 452	29.6	162 452	29.6	142 362	25.9	-	-	82 459	15.0	549 724	5.0	96 826	370 439	82 459
F. Workshops	30 266	24.4	30 266	24.4	44 892	36.2	-	-	18 604	15.0	124 030	1.1	-	105 425	18 604
G. Consultancies	123 629	22.3	123 629	22.3	224 802	40.5	-	-	83 305	15.0	555 364	5.0	-	472 059	83 305
<b>Total Investment Costs</b>	<b>1 063 483</b>	<b>15.5</b>	<b>1 063 483</b>	<b>15.5</b>	<b>2 396 248</b>	<b>34.9</b>	<b>1 427 989</b>	<b>20.8</b>	<b>913 997</b>	<b>13.3</b>	<b>6 865 200</b>	<b>62.4</b>	<b>1 928 244</b>	<b>4 022 958</b>	<b>913 997</b>
<b>II. Recurrent Costs</b>															
Salaries and Allowances	357 462	10.0	357 462	10.0	1 121 159	31.3	-	-	1 746 096	48.7	3 582 178	32.5	-	3 582 178	-
Operating Costs /a	76 922	16.6	76 922	16.6	239 996	51.8	-	-	69 501	15.0	463 341	4.2	75 067	318 772	69 501
<b>Total Recurrent Costs</b>	<b>434 384</b>	<b>10.7</b>	<b>434 384</b>	<b>10.7</b>	<b>1 361 155</b>	<b>33.6</b>	<b>-</b>	<b>-</b>	<b>1 815 597</b>	<b>44.9</b>	<b>4 045 519</b>	<b>36.8</b>	<b>75 067</b>	<b>3 900 951</b>	<b>69 501</b>
<b>Total PROJECT COSTS</b>	<b>1 497 866</b>	<b>13.7</b>	<b>1 497 866</b>	<b>13.7</b>	<b>3 757 403</b>	<b>34.4</b>	<b>1 427 989</b>	<b>13.1</b>	<b>2 729 594</b>	<b>25.0</b>	<b>10 910 719</b>	<b>99.1</b>	<b>2 003 312</b>	<b>7 923 909</b>	<b>983 498</b>
Interest During Implementation	-	-	-	-	-	-	-	-	96 789	100.0	96 789	0.9	-	-	-
<b>Total Disbursement</b>	<b>1 497 866</b>	<b>13.6</b>	<b>1 497 866</b>	<b>13.6</b>	<b>3 757 403</b>	<b>34.1</b>	<b>1 427 989</b>	<b>13.0</b>	<b>2 826 383</b>	<b>25.7</b>	<b>11 007 508</b>	<b>100.0</b>	<b>2 003 312</b>	<b>7 923 909</b>	<b>983 498</b>

/a Includes utilities, vehicle operating costs, travel and meetings, audit, insurance and bank charges.

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Local/Foreign/Taxes by Financiers**  
(US\$)

	IFAD - Loan		IFAD - Grant		Funding Gap		Communities		The Government		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
I. Foreign	345 610	17.3	345 610	17.3	806 565	40.3	505 528	25.2	0	-	2 003 312	18.2
II. Local (Excl. Taxes)	1 152 257	14.5	1 152 257	14.5	2 950 838	37.2	922 461	11.6	1 746 096	22.0	7 923 909	72.0
III. Taxes	-	-	-	-	-	-	-	-	983 498	100.0	983 498	8.9
<b>Total Project</b>	<b>1 497 866</b>	<b>13.7</b>	<b>1 497 866</b>	<b>13.7</b>	<b>3 757 403</b>	<b>34.4</b>	<b>1 427 989</b>	<b>13.1</b>	<b>2 729 594</b>	<b>25.0</b>	<b>10 910 719</b>	<b>99.1</b>
Interest During Implementation	-	-	-	-	-	-	-	-	96 789	100.0	96 789	0.9
<b>Total Disbursement</b>	<b>1 497 866</b>	<b>13.6</b>	<b>1 497 866</b>	<b>13.6</b>	<b>3 757 403</b>	<b>34.1</b>	<b>1 427 989</b>	<b>13.0</b>	<b>2 826 383</b>	<b>25.7</b>	<b>11 007 508</b>	<b>100.0</b>

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Financing of Investment/Recurrent Costs and Financial Charges by Year**  
(US\$)

	Financing					Total
	2018	2019	2020	2021	2022	
<b>I. Investment Costs</b>						
IFAD - Loan	480 075	583 408	-	-	-	1 063 483
IFAD - Grant	480 075	583 408	-	-	-	1 063 483
Funding Gap	-	491 460	1 755 987	72 215	76 586	2 396 248
Communities	187 960	589 272	650 757	-	-	1 427 989
The Government	184 678	340 416	362 644	12 744	13 515	913 997
<b>Total Investment Costs</b>	1 332 787	2 587 964	2 769 388	84 959	90 101	6 865 200
<b>II. Recurrent Costs</b>						
IFAD - Loan	215 951	218 432	-	-	-	434 384
IFAD - Grant	215 951	218 432	-	-	-	434 384
Funding Gap	-	-	444 764	453 659	462 732	1 361 155
Communities	-	-	-	-	-	-
The Government	351 221	355 813	362 228	369 473	376 862	1 815 597
<b>Total Recurrent Costs</b>	783 124	792 677	806 992	823 132	839 594	4 045 519
<b>III. Financial Charges</b>						
IFAD - Loan	-	-	-	-	-	-
IFAD - Grant	-	-	-	-	-	-
Funding Gap	-	-	-	-	-	-
Communities	-	-	-	-	-	-
The Government	1 305	7 645	19 046	32 412	36 381	96 789
<b>Total Financial Charges</b>	1 305	7 645	19 046	32 412	36 381	96 789
<b>Total Financing of Costs</b>	2 117 216	3 388 287	3 595 426	940 502	966 076	11 007 508

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Components Project Cost Summary**

	(Pa'anga)			(US\$)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
<b>A. Community Development</b>								
Community Development Plans	497 525	64 901	562 426	226 148	29 500	255 648	12	3
Resilient Community Infrastructure	2 695 605	1 297 749	3 993 354	1 225 275	589 886	1 815 161	32	18
<b>Subtotal</b>	<b>3 193 130</b>	<b>1 362 650</b>	<b>4 555 780</b>	<b>1 451 423</b>	<b>619 386</b>	<b>2 070 809</b>	<b>30</b>	<b>20</b>
<b>B. Sustainable Economic Livelihoods</b>								
Community Agriculture Development Plans	244 262	31 918	276 181	111 028	14 508	125 537	12	1
Sustainable Economic Livelihoods	5 330 030	2 399 602	7 729 632	2 422 741	1 090 728	3 513 469	31	35
<b>Subtotal</b>	<b>5 574 292</b>	<b>2 431 521</b>	<b>8 005 813</b>	<b>2 533 769</b>	<b>1 105 237</b>	<b>3 639 006</b>	<b>30</b>	<b>36</b>
C. Project Management	9 578 437	227 490	9 805 927	4 353 835	103 405	4 457 240	2	44
<b>Total BASELINE COSTS</b>	<b>18 345 860</b>	<b>4 021 660</b>	<b>22 367 521</b>	<b>8 339 027</b>	<b>1 828 027</b>	<b>10 167 055</b>	<b>18</b>	<b>100</b>
Physical Contingencies	640 142	235 722	875 864	290 974	107 146	398 120	27	4
Price Contingencies	610 293	149 904	760 197	277 406	68 138	345 544	20	3
<b>Total PROJECT COSTS</b>	<b>19 596 295</b>	<b>4 407 286</b>	<b>24 003 581</b>	<b>8 907 407</b>	<b>2 003 312</b>	<b>10 910 719</b>	<b>18</b>	<b>107</b>
Interest During Implementation	-	212 936	212 936	-	96 789	96 789	100	1
<b>Total Costs to be Financed</b>	<b>19 596 295</b>	<b>4 620 222</b>	<b>24 216 517</b>	<b>8 907 407</b>	<b>2 100 101</b>	<b>11 007 508</b>	<b>19</b>	<b>108</b>

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Expenditure Accounts Project Cost Summary**

	(Pa'anga)			(US\$)			%	% Total
	Local	Foreign	Total	Local	Foreign	Total	Foreign Exchange	Base Costs
<b>I. Investment Costs</b>								
A. Works	6 827 145	3 287 101	10 114 246	3 103 248	1 494 137	4 597 384	32	45
B. Equipment & Materials	107 378	51 681	159 060	48 808	23 491	72 300	32	1
C. Vehicles	68 481	32 960	101 441	31 128	14 982	46 110	32	-
D. Goods, Services & Inputs	698 192	296 161	994 354	317 360	134 619	451 979	30	4
E. Training	961 822	210 908	1 172 730	437 192	95 867	533 059	18	5
F. Workshops	265 320	-	265 320	120 600	-	120 600	-	1
G. Consultancies	1 092 728	-	1 092 728	496 695	-	496 695	-	5
<b>Total Investment Costs</b>	<b>10 021 067</b>	<b>3 878 812</b>	<b>13 899 879</b>	<b>4 555 031</b>	<b>1 763 096</b>	<b>6 318 127</b>	<b>28</b>	<b>62</b>
<b>II. Recurrent Costs</b>								
Salaries and Allowances	7 578 278	-	7 578 278	3 444 672	-	3 444 672	-	34
Operating Costs /a	746 515	142 849	889 363	339 325	64 931	404 256	16	4
<b>Total Recurrent Costs</b>	<b>8 324 793</b>	<b>142 849</b>	<b>8 467 641</b>	<b>3 783 997</b>	<b>64 931</b>	<b>3 848 928</b>	<b>2</b>	<b>38</b>
<b>Total BASELINE COSTS</b>	<b>18 345 860</b>	<b>4 021 660</b>	<b>22 367 521</b>	<b>8 339 027</b>	<b>1 828 027</b>	<b>10 167 055</b>	<b>18</b>	<b>100</b>
Physical Contingencies	640 142	235 722	875 864	290 974	107 146	398 120	27	4
Price Contingencies	610 293	149 904	760 197	277 406	68 138	345 544	20	3
<b>Total PROJECT COSTS</b>	<b>19 596 295</b>	<b>4 407 286</b>	<b>24 003 581</b>	<b>8 907 407</b>	<b>2 003 312</b>	<b>10 910 719</b>	<b>18</b>	<b>107</b>
Interest During Implementation	-	212 936	212 936	-	96 789	96 789	100	1
<b>Total Costs to be Financed</b>	<b>19 596 295</b>	<b>4 620 222</b>	<b>24 216 517</b>	<b>8 907 407</b>	<b>2 100 101</b>	<b>11 007 508</b>	<b>19</b>	<b>108</b>

/a Includes utilities, vehicle operating costs, travel and meetings, audit, insurance and bank charges.

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Expenditure Accounts by Components - Base Costs**  
(US\$)

	Community Development		Sustainable Economic Livelihoods			Total	Physical Contingencies	
	Community Development	Resilient Community Infrastructure	Agriculture Development Plans	Sustainable Economic Livelihoods	Project Management		%	Amount
	Plans	Infrastructure	Plans	Livelihoods	Management			
<b>I. Investment Costs</b>								
A. Works	-	1 815 161	-	2 782 224	-	4 597 384	6.7	309 781
B. Equipment & Materials	-	-	-	-	72 300	72 300	-	-
C. Vehicles	-	-	-	-	46 110	46 110	-	-
D. Goods, Services & Inputs	124 344	-	48 764	278 871	-	451 979	-	-
E. Training	20 844	-	2 028	452 375	57 813	533 059	1.1	5 781
F. Workshops	-	-	-	-	120 600	120 600	-	-
G. Consultancies	110 460	-	74 745	-	311 490	496 695	8.5	42 132
<b>Total Investment Costs</b>	<b>255 648</b>	<b>1 815 161</b>	<b>125 537</b>	<b>3 513 469</b>	<b>608 312</b>	<b>6 318 127</b>	<b>5.7</b>	<b>357 694</b>
<b>II. Recurrent Costs</b>								
Salaries and Allowances	-	-	-	-	3 444 672	3 444 672	-	-
Operating Costs /a	-	-	-	-	404 256	404 256	10.0	40 426
<b>Total Recurrent Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 848 928</b>	<b>3 848 928</b>	<b>1.1</b>	<b>40 426</b>
<b>Total BASELINE COSTS</b>	<b>255 648</b>	<b>1 815 161</b>	<b>125 537</b>	<b>3 513 469</b>	<b>4 457 240</b>	<b>10 167 055</b>	<b>3.9</b>	<b>398 120</b>
Physical Contingencies	11 046	137 130	7 474	172 651	69 818	398 120	-	-
<b>Price Contingencies</b>								
<b>Inflation</b>								
Local	4 057	38 743	2 820	60 564	171 222	277 406	-	-
Foreign	747	25 851	494	37 017	4 028	68 138	-	-
<b>Subtotal Inflation</b>	<b>4 804</b>	<b>64 595</b>	<b>3 314</b>	<b>97 581</b>	<b>175 250</b>	<b>345 544</b>	<b>-</b>	<b>-</b>
Devaluation	-	-	-	-	-	-	-	-
Subtotal Price Contingencies	4 804	64 595	3 314	97 581	175 250	345 544	3.6	12 409
<b>Total PROJECT COSTS</b>	<b>271 499</b>	<b>2 016 886</b>	<b>136 325</b>	<b>3 783 701</b>	<b>4 702 308</b>	<b>10 910 719</b>	<b>3.8</b>	<b>410 529</b>
Taxes	40 725	268 147	20 449	486 158	168 019	983 498	6.3	61 579
Foreign Exchange	30 248	660 293	15 003	1 183 843	113 925	2 003 312	5.6	111 196

/a Includes utilities, vehicle operating costs, travel and meetings, audit, insurance and bank charges.



Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Expenditure Accounts by Components - Totals Including Contingencies**  
(US\$)

	<b>Community Development</b>		<b>Sustainable Economic Livelihoods</b>			<b>Total</b>
	<b>Community Development</b>		<b>Community Livelihoods</b>		<b>Project Management</b>	
	<b>Plans</b>	<b>Resilient Community Infrastructure</b>	<b>Agriculture Development Plans</b>	<b>Sustainable Economic Livelihoods</b>		
	<b>Plans</b>	<b>Infrastructure</b>	<b>Plans</b>	<b>Livelihoods</b>		
<b>I. Investment Costs</b>						
A. Works	-	2 016 886	-	3 036 537	-	5 053 423
B. Equipment & Materials	-	-	-	-	72 822	72 822
C. Vehicles	-	-	-	-	46 443	46 443
D. Goods, Services & Inputs	126 740	-	50 092	286 563	-	463 395
E. Training	21 196	-	2 076	460 601	65 850	549 724
F. Workshops	-	-	-	-	124 030	124 030
G. Consultancies	123 562	-	84 157	-	347 645	555 364
<b>Total Investment Costs</b>	<b>271 499</b>	<b>2 016 886</b>	<b>136 325</b>	<b>3 783 701</b>	<b>656 789</b>	<b>6 865 200</b>
<b>II. Recurrent Costs</b>						
Salaries and Allowances	-	-	-	-	3 582 178	3 582 178
Operating Costs /a	-	-	-	-	463 341	463 341
<b>Total Recurrent Costs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 045 519</b>	<b>4 045 519</b>
<b>Total PROJECT COSTS</b>	<b>271 499</b>	<b>2 016 886</b>	<b>136 325</b>	<b>3 783 701</b>	<b>4 702 308</b>	<b>10 910 719</b>
Taxes	40 725	268 147	20 449	486 158	168 019	983 498
Foreign Exchange	30 248	660 293	15 003	1 183 843	113 925	2 003 312

/a Includes utilities, vehicle operating costs, travel and meetings, audit, insurance and bank charges.

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Tonga Rural Innovation Project - Phase II (TRIP II)  
Final project design report  
Appendix 9: Project cost and financing

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
Project Components by Year -- Base Costs

	Base Cost (Pa'anga)					Total	Base Cost (US\$)					Total
	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022	
<b>A. Community Development</b>												
Community Development Plans	276 603	147 522	138 302	-	-	562 426	125 729	67 055	62 864	-	-	255 648
Resilient Community Infrastructure	-	1 948 671	2 044 683	-	-	3 993 354	-	885 760	929 401	-	-	1 815 161
<b>Subtotal</b>	<b>276 603</b>	<b>2 096 193</b>	<b>2 182 984</b>	<b>-</b>	<b>-</b>	<b>4 555 780</b>	<b>125 729</b>	<b>952 815</b>	<b>992 266</b>	<b>-</b>	<b>-</b>	<b>2 070 809</b>
<b>B. Sustainable Economic Livelihoods</b>												
Community Agriculture Development Plans	64 442	96 663	115 075	-	-	276 181	29 292	43 938	52 307	-	-	125 537
Sustainable Economic Livelihoods	1 915 513	2 817 751	2 996 368	-	-	7 729 632	870 688	1 280 796	1 361 986	-	-	3 513 469
<b>Subtotal</b>	<b>1 979 955</b>	<b>2 914 414</b>	<b>3 111 444</b>	<b>-</b>	<b>-</b>	<b>8 005 813</b>	<b>899 980</b>	<b>1 324 734</b>	<b>1 414 293</b>	<b>-</b>	<b>-</b>	<b>3 639 006</b>
C. Project Management	2 235 716	1 928 763	1 917 708	1 858 177	1 865 562	9 805 927	1 016 235	876 711	871 686	844 626	847 983	4 457 240
<b>Total BASELINE COSTS</b>	<b>4 492 275</b>	<b>6 939 370</b>	<b>7 212 136</b>	<b>1 858 177</b>	<b>1 865 562</b>	<b>22 367 521</b>	<b>2 041 943</b>	<b>3 154 259</b>	<b>3 278 244</b>	<b>844 626</b>	<b>847 983</b>	<b>10 167 055</b>
Physical Contingencies	132 846	338 260	346 570	29 277	28 910	875 864	60 385	153 755	157 532	13 308	13 141	398 120
<b>Price Contingencies</b>												
<b>Inflation</b>												
Local	21 369	110 489	222 394	108 099	147 942	610 293	9 713	50 222	101 088	49 136	67 246	277 406
Foreign	8 515	49 292	86 935	2 246	2 916	149 904	3 870	22 406	39 516	1 021	1 325	68 138
<b>Subtotal Inflation</b>	<b>29 884</b>	<b>159 781</b>	<b>309 330</b>	<b>110 345</b>	<b>150 858</b>	<b>760 197</b>	<b>13 584</b>	<b>72 628</b>	<b>140 604</b>	<b>50 157</b>	<b>68 572</b>	<b>345 544</b>
Devaluation	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Price Contingencies	29 884	159 781	309 330	110 345	150 858	760 197	13 584	72 628	140 604	50 157	68 572	345 544
<b>Total PROJECT COSTS</b>	<b>4 655 004</b>	<b>7 437 411</b>	<b>7 868 036</b>	<b>1 997 800</b>	<b>2 045 330</b>	<b>24 003 581</b>	<b>2 115 911</b>	<b>3 380 641</b>	<b>3 576 380</b>	<b>908 091</b>	<b>929 696</b>	<b>10 910 719</b>
Taxes	436 124	778 810	828 262	59 091	61 409	2 163 696	198 238	354 005	376 483	26 859	27 913	983 498
Foreign Exchange	859 982	1 681 483	1 798 126	33 513	34 183	4 407 286	390 901	764 310	817 330	15 233	15 538	2 003 312

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Tonga Rural Innovation Project - Phase II  
**Project Components by Year -- Totals Including Contingencies**

	Totals Including Contingencies (Pa'anga)					Total	Totals Including Contingencies (US\$)					Total
	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022	
<b>A. Community Development</b>												
Community Development Plans	290 311	157 056	149 931	-	-	597 297	131 959	71 389	68 150	-	-	271 499
Resilient Community Infrastructure	-	2 145 337	2 291 811	-	-	4 437 148	-	975 153	1 041 732	-	-	2 016 886
<b>Subtotal</b>	290 311	2 302 393	2 441 742	-	-	5 034 446	131 959	1 046 542	1 109 883	-	-	2 288 384
<b>B. Sustainable Economic Livelihoods</b>												
Community Agriculture Development Plans	68 694	104 520	126 702	-	-	299 916	31 225	47 509	57 592	-	-	136 325
Sustainable Economic Livelihoods	2 012 277	3 033 677	3 278 189	-	-	8 324 143	914 671	1 378 944	1 490 086	-	-	3 783 701
<b>Subtotal</b>	2 080 971	3 138 197	3 404 891	-	-	8 624 058	945 896	1 426 453	1 547 678	-	-	3 920 026
C. Project Management	2 283 723	1 996 822	2 021 402	1 997 800	2 045 330	10 345 077	1 038 056	907 646	918 819	908 091	929 696	4 702 308
<b>Total PROJECT COSTS</b>	4 655 004	7 437 411	7 868 036	1 997 800	2 045 330	24 003 581	2 115 911	3 380 641	3 576 380	908 091	929 696	10 910 719

Kingdom of Tonga  
Tonga Rural Innovation Project - Phase II  
**Expenditure Accounts by Years -- Base Costs**  
(US\$)

	Base Cost					Foreign Exchange		
	2018	2019	2020	2021	2022	Total	%	Amount
<b>I. Investment Costs</b>								
A. Works	575 210	1 967 618	2 054 556	-	-	4 597 384	32.5	1 494 137
B. Equipment & Materials	72 300	-	-	-	-	72 300	32.5	23 491
C. Vehicles	46 110	-	-	-	-	46 110	32.5	14 982
D. Goods, Services & Inputs	137 601	147 287	167 091	-	-	451 979	29.8	134 619
E. Training	254 473	120 851	139 946	8 894	8 894	533 059	18.0	95 867
F. Workshops	35 175	35 175	30 150	7 538	12 563	120 600	-	-
G. Consultancies	150 477	113 745	116 918	58 612	56 943	496 695	-	-
<b>Total Investment Costs</b>	<b>1 271 346</b>	<b>2 384 676</b>	<b>2 508 661</b>	<b>75 043</b>	<b>78 400</b>	<b>6 318 127</b>	<b>27.9</b>	<b>1 763 096</b>
<b>II. Recurrent Costs</b>								
Salaries and Allowances	688 934	688 934	688 934	688 934	688 934	3 444 672	-	-
Operating Costs /a	81 663	80 648	80 648	80 648	80 648	404 256	16.1	64 931
<b>Total Recurrent Costs</b>	<b>770 597</b>	<b>769 583</b>	<b>769 583</b>	<b>769 583</b>	<b>769 583</b>	<b>3 848 928</b>	<b>1.7</b>	<b>64 931</b>
<b>Total BASELINE COSTS</b>	<b>2 041 943</b>	<b>3 154 259</b>	<b>3 278 244</b>	<b>844 626</b>	<b>847 983</b>	<b>10 167 055</b>	<b>18.0</b>	<b>1 828 027</b>
Physical Contingencies	60 385	153 755	157 532	13 308	13 141	398 120	26.9	107 146
<b>Price Contingencies</b>								
<b>Inflation</b>								
Local	9 713	50 222	101 088	49 136	67 246	277 406	-	-
Foreign	3 870	22 406	39 516	1 021	1 325	68 138	100.0	68 138
<b>Subtotal Inflation</b>	<b>13 584</b>	<b>72 628</b>	<b>140 604</b>	<b>50 157</b>	<b>68 572</b>	<b>345 544</b>	<b>19.7</b>	<b>68 138</b>
Devaluation	-	-	-	-	-	-	-	-
Subtotal Price Contingencies	13 584	72 628	140 604	50 157	68 572	345 544	19.7	68 138
<b>Total PROJECT COSTS</b>	<b>2 115 911</b>	<b>3 380 641</b>	<b>3 576 380</b>	<b>908 091</b>	<b>929 696</b>	<b>10 910 719</b>	<b>18.4</b>	<b>2 003 312</b>
Taxes	198 238	354 005	376 483	26 859	27 913	983 498	-	-
Foreign Exchange	390 901	764 310	817 330	15 233	15 538	2 003 312	-	-

/a Includes utilities, vehicle operating costs, travel and meetings, audit, insurance and bank charges.

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**Expenditure Accounts by Years -- Totals Including Contingencies**  
(US\$)

	<b>Totals Including Contingencies</b>					<b>Total</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>I. Investment Costs</b>						
A. Works	616 949	2 150 948	2 285 526	-	-	5 053 423
B. Equipment & Materials	72 822	-	-	-	-	72 822
C. Vehicles	46 443	-	-	-	-	46 443
D. Goods, Services & Inputs	138 564	150 681	174 150	-	-	463 395
E. Training	257 722	124 518	146 571	10 353	10 560	549 724
F. Workshops	35 368	35 846	31 279	7 976	13 559	124 030
G. Consultancies	164 919	125 972	131 862	66 630	65 981	555 364
<b>Total Investment Costs</b>	<b>1 332 787</b>	<b>2 587 964</b>	<b>2 769 388</b>	<b>84 959</b>	<b>90 101</b>	<b>6 865 200</b>
<b>II. Recurrent Costs</b>						
Salaries and Allowances	692 723	702 085	714 733	729 028	743 609	3 582 178
Operating Costs /a	90 400	90 592	92 259	94 104	95 986	463 341
<b>Total Recurrent Costs</b>	<b>783 124</b>	<b>792 677</b>	<b>806 992</b>	<b>823 132</b>	<b>839 594</b>	<b>4 045 519</b>
<b>Total PROJECT COSTS</b>	<b>2 115 911</b>	<b>3 380 641</b>	<b>3 576 380</b>	<b>908 091</b>	<b>929 696</b>	<b>10 910 719</b>

/a Includes utilities, vehicle operating costs, travel and meetings, audit, insurance and bank charges.

## **List of Detailed Cost Tables**

Table 1 – Community Development Plans - Detailed Costs

Table 2 – Resilient Community Infrastructure – Detailed Costs

Table 3 – Community Agriculture Development Plans – Detailed Costs

Table 4 – Sustainable Economic Livelihoods – Detailed Costs

Table 5 – Project Management Costs

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Tonga Rural Innovation Project - Phase II  
Table 1. Community Development Plans  
Detailed Costs

Unit	Quantities						Unit Cost (US\$)	Base Cost (US\$)						Totals Including Contingencies (US\$)						
	2018	2019	2020	2021	2022	Total		2018	2019	2020	2021	2022	Total	2018	2019	2020	2021	2022	Total	
<b>I. Investment Costs</b>																				
<b>A. Vava'u</b>																				
Support to Town Officers	community	20	8	7	-	-	35	68	1 364	545	477	-	-	2 386	1 378	559	498	-	-	2 434
Materials (Town Officers)	community	20	8	7	-	-	35	137	2 745	1 098	961	-	-	4 805	2 805	1 140	1 016	-	-	4 961
Support to District Officers	community	20	8	7	-	-	35	68	1 364	545	477	-	-	2 386	1 378	559	498	-	-	2 434
Materials (District Officers)	community	20	8	7	-	-	35	137	2 745	1 098	961	-	-	4 805	2 774	1 125	1 002	-	-	4 901
Training of Town Officers & Communities	community	20	8	7	-	-	35	34	673	269	235	-	-	1 177	680	276	245	-	-	1 201
Capacity Building & Support for VC Sub-committees	community	20	8	7	-	-	35	68	1 364	545	477	-	-	2 386	1 378	559	498	-	-	2 434
Capacity Building & Support for CIGs	community	20	8	7	-	-	35	68	1 364	545	477	-	-	2 386	1 378	559	498	-	-	2 434
Technical Assistance	community	20	8	7	-	-	35	901	18 018	7 207	6 306	-	-	31 532	20 029	8 120	7 233	-	-	35 381
HQ Staff Supervision Visits	community	20	8	7	-	-	35	596	11 927	4 771	4 175	-	-	20 873	12 187	4 953	4 415	-	-	21 554
<b>Subtotal</b>									41 564	16 625	14 547	-	-	72 736	43 986	17 847	15 902	-	-	77 735
<b>B. Ha'apai</b>																				
Support to Town Officers	community	6	10	9	-	-	25	68	409	682	614	-	-	1 705	413	698	640	-	-	1 752
Materials (Town Officers)	community	6	10	9	-	-	25	137	824	1 373	1 235	-	-	3 432	842	1 425	1 307	-	-	3 573
Support to District Officers	community	6	10	9	-	-	25	68	409	682	614	-	-	1 705	413	698	640	-	-	1 752
Materials (District Officers)	community	6	10	9	-	-	25	137	824	1 373	1 235	-	-	3 432	832	1 406	1 288	-	-	3 526
Training of Town Officers & Communities	community	6	10	9	-	-	25	34	202	336	303	-	-	841	204	344	316	-	-	864
Capacity Building & Support for VC Sub-committees	community	6	10	9	-	-	25	68	409	682	614	-	-	1 705	413	698	640	-	-	1 752
Capacity Building & Support for CIGs	community	6	10	9	-	-	25	68	409	682	614	-	-	1 705	413	698	640	-	-	1 752
Technical Assistance	community	6	10	9	-	-	25	901	5 405	9 009	8 108	-	-	22 523	6 009	10 150	9 299	-	-	25 458
HQ Staff Supervision Visits	community	6	10	9	-	-	25	596	3 578	5 964	5 367	-	-	14 909	3 656	6 191	5 676	-	-	15 523
<b>Subtotal</b>									12 469	20 782	18 704	-	-	51 955	13 196	22 309	20 445	-	-	55 950
<b>C. Tongatapu</b>																				
Support to Town Officers	community	7	14	14	-	-	35	68	477	955	955	-	-	2 386	482	978	995	-	-	2 455
Materials (Town Officers)	community	7	14	14	-	-	35	137	961	1 922	1 922	-	-	4 805	982	1 995	2 032	-	-	5 009
Support to District Officers	community	7	14	14	-	-	35	68	477	955	955	-	-	2 386	482	978	995	-	-	2 455
Materials (District Officers)	community	7	14	14	-	-	35	137	961	1 922	1 922	-	-	4 805	971	1 968	2 004	-	-	4 943
Training of Town Officers & Communities	community	7	14	14	-	-	35	34	235	471	471	-	-	1 177	238	482	491	-	-	1 211
Capacity Building & Support for VC Sub-committees	community	7	14	14	-	-	35	68	477	955	955	-	-	2 386	482	978	995	-	-	2 455
Capacity Building & Support for CIGs	community	7	14	14	-	-	35	68	477	955	955	-	-	2 386	482	978	995	-	-	2 455
Technical Assistance	community	7	14	14	-	-	35	901	6 306	12 613	12 613	-	-	31 532	7 010	14 210	14 466	-	-	35 685
HQ Staff Supervision Visits	community	7	14	14	-	-	35	596	4 175	8 349	8 349	-	-	20 873	4 265	8 667	8 830	-	-	21 762
<b>Subtotal</b>									14 547	29 095	29 095	-	-	72 736	15 395	31 233	31 804	-	-	78 431

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<b>D. Eua</b>																		
Support to Town Officers	community	15	-	-	-	-	15	68	1 023	-	-	-	-	1 023	1 033	-	-	1 033
Materials (Town Officers)	community	15	-	-	-	-	15	137	2 059	-	-	-	-	2 059	2 104	-	-	2 104
Support to District Officers	community	15	-	-	-	-	15	68	1 023	-	-	-	-	1 023	1 033	-	-	1 033
Materials (District Officers)	community	15	-	-	-	-	15	137	2 059	-	-	-	-	2 059	2 081	-	-	2 081
Training of Town Officers & Communities	community	15	-	-	-	-	15	34	505	-	-	-	-	505	510	-	-	510
Capacity Building & Support for VC Sub-committees	community	15	-	-	-	-	15	68	1 023	-	-	-	-	1 023	1 033	-	-	1 033
Capacity Building & Support for CIGs	community	15	-	-	-	-	15	68	1 023	-	-	-	-	1 023	1 033	-	-	1 033
Technical Assistance	community	15	-	-	-	-	15	901	13 514	-	-	-	-	13 514	15 021	-	-	15 021
HQ Staff Supervision Visits	community	15	-	-	-	-	15	596	8 945	-	-	-	-	8 945	9 140	-	-	9 140
<b>Subtotal</b>									31 173	-	-	-	-	31 173	32 990	-	-	32 990
<b>E. Niuafo'ou</b>																		
Support to Town Officers	community	4	-	-	-	-	4	68	273	-	-	-	-	273	276	-	-	276
Materials (Town Officers)	community	4	-	-	-	-	4	137	549	-	-	-	-	549	561	-	-	561
Support to District Officers	community	4	-	-	-	-	4	68	273	-	-	-	-	273	276	-	-	276
Materials (District Officers)	community	4	-	-	-	-	4	137	549	-	-	-	-	549	555	-	-	555
Training of Town Officers & Communities	community	4	-	-	-	-	4	34	135	-	-	-	-	135	136	-	-	136
Capacity Building & Support for VC Sub-committees	community	4	-	-	-	-	4	68	273	-	-	-	-	273	276	-	-	276
Capacity Building & Support for CIGs	community	4	-	-	-	-	4	68	273	-	-	-	-	273	276	-	-	276
Technical Assistance	community	4	-	-	-	-	4	901	3 604	-	-	-	-	3 604	4 006	-	-	4 006
HQ Staff Supervision Visits	community	4	-	-	-	-	4	596	2 385	-	-	-	-	2 385	2 437	-	-	2 437
<b>Subtotal</b>									8 313	-	-	-	-	8 313	8 797	-	-	8 797
<b>F. Niuatoputapu</b>																		
Support to Town Officers	community	8	-	-	-	-	8	68	545	-	-	-	-	545	551	-	-	551
Materials (Town Officers)	community	8	-	-	-	-	8	137	1 098	-	-	-	-	1 098	1 122	-	-	1 122
Support to District Officers	community	8	-	-	-	-	8	68	545	-	-	-	-	545	551	-	-	551
Materials (District Officers)	community	8	-	-	-	-	8	137	1 098	-	-	-	-	1 098	1 110	-	-	1 110
Training of Town Officers & Communities	community	8	-	-	-	-	8	34	269	-	-	-	-	269	272	-	-	272
Capacity Building & Support for VC Sub-committees	community	8	-	-	-	-	8	68	545	-	-	-	-	545	551	-	-	551
Capacity Building & Support for CIGs	community	8	-	-	-	-	8	68	545	-	-	-	-	545	551	-	-	551
Technical Assistance	community	8	-	-	-	-	8	901	7 207	-	-	-	-	7 207	8 011	-	-	8 011
HQ Staff Supervision Visits	community	8	-	-	-	-	8	596	4 771	-	-	-	-	4 771	4 875	-	-	4 875
<b>Subtotal</b>									16 625	-	-	-	-	16 625	17 595	-	-	17 595
<b>Total</b>									124 691	66 502	62 345	-	-	253 538	131 959	71 389	68 150	271 499



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Table 2. Resilient Community Infrastructure  
Detailed Costs

	Unit	Quantities					Total	Unit Cost (US\$)	Base Cost (US\$)					Total	Totals Including Contingencies (US\$)					Total	
		2018	2019	2020	2021	2022			2018	2019	2020	2021	2022		2018	2019	2020	2021	2022		
<b>I. Investment Costs</b>																					
<b>A. Vava'u</b>																					
<b>1. Project Contributions</b>																					
Medium Communities	community	-	4	-	-	-	4	18,182	-	72 727	-	-	-	72 727	-	83 047	-	-	-	83 047	
Large Communities	community	-	4	7	-	-	11	22,727	-	90 909	159 091	-	-	250 000	-	103 808	185 076	-	-	288 885	
Transport of Goods	community	-	8	7	-	-	15	455	-	3 636	3 182	-	-	6 818	-	4 152	3 702	-	-	7 854	
<b>Subtotal</b>										-	167 273	162 273	-	-	329 545	-	191 007	188 778	-	-	379 785
<b>2. Community Contributions</b>																					
Medium Communities	community	-	4	-	-	-	4	6,060	-	24 242	-	-	-	24 242	-	25 138	-	-	-	25 138	
Large Communities	community	-	4	7	-	-	11	7,576	-	30 304	53 031	-	-	83 335	-	31 424	56 021	-	-	87 444	
<b>Subtotal</b>										-	54 545	53 031	-	-	107 577	-	56 561	56 021	-	-	112 582
<b>Subtotal</b>										-	221 818	215 304	-	-	437 122	-	247 569	244 798	-	-	492 367
<b>B. Ha'apai</b>																					
<b>1. Project Contributions</b>																					
Small Communities	community	-	5	-	-	-	5	18,182	-	90 909	-	-	-	90 909	-	103 808	-	-	-	103 808	
Medium Communities	community	-	5	-	-	-	5	18,182	-	90 909	-	-	-	90 909	-	103 808	-	-	-	103 808	
Large Communities	community	-	-	9	-	-	9	22,727	-	-	204 545	-	-	204 545	-	-	237 955	-	-	237 955	
Transport of Goods	community	-	10	9	-	-	19	455	-	4 545	4 091	-	-	8 636	-	5 190	4 759	-	-	9 950	
<b>Subtotal</b>										-	186 364	208 636	-	-	395 000	-	212 807	242 714	-	-	455 521
<b>2. Community Contributions</b>																					
Small Communities	community	-	5	-	-	-	5	4,545	-	22 727	-	-	-	22 727	-	23 567	-	-	-	23 567	
Medium Communities	community	-	5	-	-	-	5	6,060	-	30 302	-	-	-	30 302	-	31 422	-	-	-	31 422	
Large Communities	community	-	-	9	-	-	9	7,576	-	-	68 183	-	-	68 183	-	-	72 026	-	-	72 026	
<b>Subtotal</b>										-	53 030	68 183	-	-	121 213	-	54 989	72 026	-	-	127 016
<b>Subtotal</b>										-	239 393	276 820	-	-	516 213	-	267 796	314 741	-	-	582 537
<b>C. Tongatapu</b>																					
<b>1. Project Contributions /a</b>																					
Medium Communities	community	-	2	-	-	-	2	18,182	-	36 364	-	-	-	36 364	-	41 523	-	-	-	41 523	
Large Communities	community	-	12	14	-	-	26	22,727	-	272 727	318 182	-	-	590 909	-	311 425	370 152	-	-	681 578	
<b>Subtotal</b>										-	309 091	318 182	-	-	627 273	-	352 948	370 152	-	-	723 101
<b>2. Community Contributions</b>																					
Medium Communities	community	-	2	-	-	-	2	6,060	-	12 121	-	-	-	12 121	-	12 569	-	-	-	12 569	
Large Communities	community	-	12	14	-	-	26	7,576	-	90 911	106 063	-	-	196 974	-	94 271	112 041	-	-	206 312	
<b>Subtotal</b>										-	103 032	106 063	-	-	209 095	-	106 840	112 041	-	-	218 881
<b>Total</b>										-	873 334	916 368	-	-	1 789 702	-	975 153	1 041 732	-	-	2 016 886

/a No transport cost for goods; suppliers usually deliver to construction site

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Table 3. Community Agriculture Development Plans  
Detailed Costs

Unit	Quantities						Unit Cost (US\$)	Base Cost (US\$)						Totals Including Contingencies (US\$)						
	2018	2019	2020	2021	2022	Total		2018	2019	2020	2021	2022	Total	2018	2019	2020	2021	2022	Total	
<b>I. Investment Costs</b>																				
<b>A. Vava'u</b>																				
Support to Town Officers	community	5	8	7	-	-	20	68	341	545	477	-	-	1 364	344	559	498	-	-	1 401
Materials	community	5	8	7	-	-	20	137	686	1 098	961	-	-	2 745	701	1 140	1 016	-	-	2 858
Training of Town Officers & Communities	community	5	8	7	-	-	20	34	168	269	235	-	-	673	170	276	245	-	-	691
Technical Assistance	community	5	8	7	-	-	20	901	4 505	7 207	6 306	-	-	18 018	5 007	8 120	7 233	-	-	20 360
HQ Staff Supervision Visits	community	5	8	7	-	-	20	596	2 982	4 771	4 175	-	-	11 927	3 047	4 953	4 415	-	-	12 414
Baseline Data	community	5	8	7	-	-	20	339	1 693	2 709	2 370	-	-	6 773	1 882	3 052	2 719	-	-	7 653
<b>Subtotal</b>									10 375	16 600	14 525	-	-	41 500	11 152	18 099	16 126	-	-	45 376
<b>B. Ha'apai</b>																				
Support to Town Officers	community	-	4	2	-	-	6	68	-	273	136	-	-	409	-	279	142	-	-	422
Materials	community	-	4	2	-	-	6	137	-	549	275	-	-	824	-	570	290	-	-	860
Training of Town Officers & Communities	community	-	4	2	-	-	6	34	-	135	67	-	-	202	-	138	70	-	-	208
Technical Assistance	community	-	4	2	-	-	6	901	-	3 604	1 802	-	-	5 405	-	4 060	2 067	-	-	6 126
HQ Staff Supervision Visits	community	-	4	2	-	-	6	596	-	2 385	1 193	-	-	3 578	-	2 476	1 261	-	-	3 738
Baseline Data	community	-	4	2	-	-	6	339	-	1 355	677	-	-	2 032	-	1 526	777	-	-	2 303
<b>Subtotal</b>									-	8 300	4 150	-	-	12 450	-	9 049	4 607	-	-	13 657
<b>C. Tongatapu</b>																				
Support to Town Officers	community	1	3	3	-	-	7	68	68	205	205	-	-	477	69	209	213	-	-	492
Materials	community	1	3	3	-	-	7	137	137	412	412	-	-	961	140	428	436	-	-	1 003
Training of Town Officers & Communities	community	1	3	3	-	-	7	34	34	101	101	-	-	235	34	103	105	-	-	243
Technical Assistance	community	1	3	3	-	-	7	901	901	2 703	2 703	-	-	6 306	1 001	3 045	3 100	-	-	7 146
HQ Staff Supervision Visits	community	1	3	3	-	-	7	596	596	1 789	1 789	-	-	4 175	609	1 857	1 892	-	-	4 359
Baseline Data	community	1	3	3	-	-	7	339	339	1 016	1 016	-	-	2 370	376	1 145	1 165	-	-	2 686
<b>Subtotal</b>									2 075	6 225	6 225	-	-	14 525	2 230	6 787	6 911	-	-	15 928
<b>D. Eia</b>																				
Support to Town Officers	community	1	4	10	-	-	15	68	68	273	682	-	-	1 023	69	279	711	-	-	1 059
Materials	community	1	4	10	-	-	15	137	137	549	1 373	-	-	2 059	140	570	1 452	-	-	2 162
Training of Town Officers & Communities	community	1	4	10	-	-	15	34	34	135	336	-	-	505	34	138	351	-	-	522
Technical Assistance	community	1	4	10	-	-	15	901	901	3 604	9 009	-	-	13 514	1 001	4 060	10 333	-	-	15 394
HQ Staff Supervision Visits	community	1	4	10	-	-	15	596	596	2 385	5 964	-	-	8 945	609	2 476	6 307	-	-	9 393
Baseline Data	community	1	4	10	-	-	15	339	339	1 355	3 386	-	-	5 080	376	1 526	3 884	-	-	5 786
<b>Subtotal</b>									2 075	8 300	20 750	-	-	31 125	2 230	9 049	23 037	-	-	34 316

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<b>E. Niufo'ou</b>																				
Support to Town Officers	community	1	-	3	-	-	4	68	68	-	205	-	-	273	69	-	213	-	-	282
Materials	community	1	-	3	-	-	4	137	137	-	412	-	-	549	140	-	436	-	-	576
Training of Town Officers & Communities	community	1	-	3	-	-	4	34	34	-	101	-	-	135	34	-	105	-	-	139
Technical Assistance	community	1	-	3	-	-	4	901	901	-	2 703	-	-	3 604	1 001	-	3 100	-	-	4 101
HQ Staff Supervision Visits	community	1	-	3	-	-	4	596	596	-	1 789	-	-	2 385	609	-	1 892	-	-	2 501
Baseline Data	community	1	-	3	-	-	4	339	339	-	1 016	-	-	1 355	376	-	1 165	-	-	1 542
<b>Subtotal</b>								2 075	-	6 225	-	-	8 300	2 230	-	6 911	-	-	9 141	
<b>F. Nuiatoputapu</b>																				
Support to Town Officers	community	6	2	-	-	-	8	68	409	136	-	-	-	545	413	140	-	-	-	553
Materials	community	6	2	-	-	-	8	137	824	275	-	-	-	1 098	842	285	-	-	-	1 127
Training of Town Officers & Communities	community	6	2	-	-	-	8	34	202	67	-	-	-	269	204	69	-	-	-	273
Technical Assistance	community	6	2	-	-	-	8	901	5 405	1 802	-	-	-	7 207	6 009	2 030	-	-	-	8 039
HQ Staff Supervision Visits	community	6	2	-	-	-	8	596	3 578	1 193	-	-	-	4 771	3 656	1 238	-	-	-	4 894
Baseline Data	community	6	2	-	-	-	8	339	2 032	677	-	-	-	2 709	2 259	763	-	-	-	3 022
<b>Subtotal</b>								12 450	4 150	-	-	-	-	16 600	13 382	4 525	-	-	-	17 907
<b>Total</b>								29 050	43 575	51 875	-	-	-	124 500	31 225	47 509	57 592	-	-	136 325

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Table 4. Sustainable Economic Livelihoods  
Detailed Costs

Unit	Quantities						Unit Cost (US\$)	Base Cost (US\$)						Totals Including Contingencies (US\$)						
	2018	2019	2020	2021	2022	Total		2018	2019	2020	2021	2022	Total	2018	2019	2020	2021	2022	Total	
<b>I. Investment Costs</b>																				
<b>A. Farmer Field Schools</b>																				
<b>1. Farmer Field Schools</b>																				
Master Trainers Course - logistics & accommodation	course	1	-	-	-	-	1	49,818	49 818	-	-	-	-	49 818	50 343	-	-	-	-	50 343
Master Trainers Course - Int. Trainers	course	1	-	-	-	-	1	109,500	109 500	-	-	-	-	109 500	113 913	-	-	-	-	113 913
Mobilisation of MAFFF Trainers & Specialist	community	14	21	25	-	-	60	2,109	29 527	44 291	52 727	-	-	126 545	30 169	45 978	55 763	-	-	131 910
Mobilisation of non-MAFFF Master Trainers	community	14	21	25	-	-	60	2,473	34 618	51 927	61 818	-	-	148 364	35 371	53 905	65 378	-	-	154 653
FFS Facilitator Training Courses	community	14	21	25	-	-	60	2,768	38 755	58 132	69 205	-	-	166 091	39 163	59 538	72 155	-	-	170 855
Development & Printing of Training Materials	community	14	21	25	-	-	60	533	7 465	11 197	13 330	-	-	31 991	7 543	11 468	13 898	-	-	32 909
Extension Digital Tool	community	14	21	25	-	-	60	1,500	21 000	31 500	37 500	-	-	90 000	21 221	32 262	39 099	-	-	92 582
<b>Subtotal</b>									290 683	197 047	234 580	-	-	722 309	297 722	203 150	246 293	-	-	747 164
<b>B. Community Economic Livelihoods</b>																				
<b>1. Vava'u</b>																				
<b>a. Project Contributions</b>																				
Small Communities	community	5	-	-	-	-	5	21,328	106 639	-	-	-	-	106 639	119 852	-	-	-	-	119 852
Medium Communities	community	-	8	-	-	-	8	23,825	-	190 600	-	-	-	190 600	-	217 645	-	-	-	217 645
Large Communities	community	-	-	7	-	-	7	26,323	-	-	184 259	-	-	184 259	-	-	214 355	-	-	214 355
Transport of Goods	community	5	8	7	-	-	20	455	2 273	3 636	3 182	-	-	9 091	2 554	4 152	3 702	-	-	10 408
<b>Subtotal</b>									108 911	194 236	187 441	-	-	490 589	122 407	221 797	218 057	-	-	562 260
<b>b. Community Contributions</b>																				
Small Communities	community	5	-	-	-	-	5	14,218	71 091	-	-	-	-	71 091	72 572	-	-	-	-	72 572
Medium Communities	community	-	8	-	-	-	8	15,883	-	127 065	-	-	-	127 065	-	131 761	-	-	-	131 761
Large Communities	community	-	4	7	-	-	11	17,548	-	70 193	122 837	-	-	193 030	-	72 787	129 761	-	-	202 548
<b>Subtotal</b>									71 091	197 258	122 837	-	-	391 186	72 572	204 548	129 761	-	-	406 881
<b>Subtotal</b>									180 002	391 495	310 278	-	-	881 775	194 978	426 345	347 818	-	-	969 141
<b>2. Ha'apai</b>																				
<b>a. Project Contributions</b>																				
Medium Communities	community	-	4	-	-	-	4	23,825	-	95 300	-	-	-	95 300	-	108 822	-	-	-	108 822
Large Communities	community	-	-	2	-	-	2	26,323	-	-	52 645	-	-	52 645	-	-	61 244	-	-	61 244
Transport of Goods	community	-	4	2	-	-	6	455	-	1 818	909	-	-	2 727	-	2 076	1 058	-	-	3 134
<b>Subtotal</b>									-	97 118	53 555	-	-	150 673	-	110 898	62 302	-	-	173 200
<b>b. Community Contributions</b>																				
Medium Communities	community	-	4	-	-	-	4	15,883	-	63 533	-	-	-	63 533	-	65 881	-	-	-	65 881
Large Communities	community	-	-	2	-	-	2	17,548	-	-	35 096	-	-	35 096	-	-	37 075	-	-	37 075
<b>Subtotal</b>									-	63 533	35 096	-	-	98 629	-	65 881	37 075	-	-	102 955
<b>Subtotal</b>									-	160 651	88 651	-	-	249 302	-	176 779	99 377	-	-	276 156

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<b>3. Tongatapu</b>																				
<b>a. Project Contributions /a</b>																				
Small Communities	community	1	-	-	-	-	1	21,328	21 328	-	-	-	-	21 328	23 970	-	-	-	-	23 970
Medium Communities	community	-	3	-	-	-	3	23,825	-	71 475	-	-	-	71 475	-	81 617	-	-	-	81 617
Large Communities	community	-	-	3	-	-	3	26,323	-	-	78 968	-	-	-	-	-	91 867	-	-	91 867
<b>Subtotal</b>									21 328	71 475	78 968	-	-	171 771	23 970	81 617	91 867	-	-	197 454
<b>b. Community Contributions</b>																				
Small Communities	community	1	-	-	-	-	1	14,218	14 218	-	-	-	-	14 218	14 514	-	-	-	-	14 514
Medium Communities	community	-	3	-	-	-	3	15,883	-	47 650	-	-	-	47 650	-	49 411	-	-	-	49 411
Large Communities	community	-	-	3	-	-	3	17,548	-	-	52 645	-	-	52 645	-	-	55 612	-	-	55 612
<b>Subtotal</b>								14 218	47 650	52 645	-	-	-	114 512	14 514	49 411	55 612	-	-	119 537
<b>Subtotal</b>								35 546	119 125	131 613	-	-	-	286 283	38 485	131 027	147 478	-	-	318 990
<b>4. Eia</b>																				
<b>a. Project Contributions</b>																				
Small Communities	community	1	-	-	-	-	1	21,328	21 328	-	-	-	-	21 328	23 970	-	-	-	-	23 970
Medium Communities	community	-	4	-	-	-	4	23,825	-	95 300	-	-	-	95 300	-	108 822	-	-	-	108 822
Large Communities	community	-	-	10	-	-	10	26,323	-	-	263 227	-	-	263 227	-	-	306 222	-	-	306 222
Transport of Goods	community	1	4	10	-	-	15	455	455	1 818	4 545	-	-	6 818	511	2 076	5 288	-	-	7 875
<b>Subtotal</b>								21 782	97 118	267 773	-	-	-	386 673	24 481	110 898	311 510	-	-	446 889
<b>b. Community Contributions</b>																				
Small Communities	community	1	-	-	-	-	1	14,218	14 218	-	-	-	-	14 218	14 514	-	-	-	-	14 514
Medium Communities	community	-	4	-	-	-	4	15,883	-	63 533	-	-	-	63 533	-	65 881	-	-	-	65 881
Large Communities	community	-	-	10	-	-	10	17,548	-	-	175 482	-	-	175 482	-	-	185 373	-	-	185 373
<b>Subtotal</b>								14 218	63 533	175 482	-	-	-	253 233	14 514	65 881	185 373	-	-	265 768
<b>Subtotal</b>								36 000	160 651	443 255	-	-	-	639 906	38 996	176 779	496 883	-	-	712 658
<b>5. Nuafo'ou</b>																				
<b>a. Project Contributions</b>																				
Small Communities	community	1	-	-	-	-	1	21,328	21 328	-	-	-	-	21 328	23 970	-	-	-	-	23 970
Large Communities	community	-	-	3	-	-	3	26,323	-	-	78 968	-	-	78 968	-	-	91 867	-	-	91 867
Transport of Goods	community	1	-	3	-	-	4	1,364	1 364	-	4 091	-	-	5 455	1 533	-	4 759	-	-	6 292
<b>Subtotal</b>								22 691	-	83 059	-	-	-	105 750	25 503	-	96 626	-	-	122 129
<b>b. Community Contributions</b>																				
Small Communities	community	1	-	-	-	-	1	14,218	14 218	-	-	-	-	14 218	14 514	-	-	-	-	14 514
Large Communities	community	-	-	3	-	-	3	17,548	-	-	52 645	-	-	52 645	-	-	55 612	-	-	55 612
<b>Subtotal</b>								14 218	-	52 645	-	-	-	66 863	14 514	-	55 612	-	-	70 126
<b>Subtotal</b>								36 910	-	135 704	-	-	-	172 613	40 017	-	152 238	-	-	192 255
<b>6. Nuiatoputapu</b>																				
<b>a. Project Contributions</b>																				
Small Communities	community	6	-	-	-	-	6	21,328	127 966	-	-	-	-	127 966	143 823	-	-	-	-	143 823
Medium Communities	community	-	2	-	-	-	2	23,825	-	47 650	-	-	-	47 650	-	54 411	-	-	-	54 411
Transport of Goods	community	6	2	-	-	-	8	1,364	8 182	2 727	-	-	-	10 909	9 196	3 114	-	-	-	12 310
<b>Subtotal</b>								136 148	50 377	-	-	-	-	186 525	153 018	57 525	-	-	-	210 544
<b>b. Community Contributions</b>																				
Small Communities	community	6	-	-	-	-	6	14,218	85 309	-	-	-	-	85 309	87 086	-	-	-	-	87 086
Medium Communities	community	-	2	-	-	-	2	15,883	-	31 766	-	-	-	31 766	-	32 940	-	-	-	32 940
<b>Subtotal</b>								85 309	31 766	-	-	-	-	117 075	87 086	32 940	-	-	-	120 026
<b>Subtotal</b>								221 457	82 144	-	-	-	-	303 601	240 104	90 466	-	-	-	330 570
<b>Subtotal</b>								509 915	914 065	1 109 500	-	-	-	2 533 480	552 580	1 001 396	1 243 793	-	-	2 797 770
<b>C. Pilots</b>																				
Vava'u	pilot	1	2	-	-	-	3	19,091	19 091	38 182	-	-	-	57 273	21 456	43 600	-	-	-	65 056
Ha'apai	pilot	-	1	-	-	-	1	19,091	-	19 091	-	-	-	19 091	-	21 800	-	-	-	21 800
Tongatapu	pilot	-	3	-	-	-	3	19,091	-	57 273	-	-	-	57 273	-	65 399	-	-	-	65 399
Eua	pilot	-	2	-	-	-	2	19,091	-	38 182	-	-	-	38 182	-	43 600	-	-	-	43 600
Nuafo'ou	pilot	1	-	-	-	-	1	19,091	19 091	-	-	-	-	19 091	21 456	-	-	-	-	21 456
Nuiatoputapu	pilot	1	-	-	-	-	1	19,091	19 091	-	-	-	-	19 091	21 456	-	-	-	-	21 456
<b>Subtotal</b>								57 273	152 727	-	-	-	-	210 000	64 369	174 398	-	-	-	238 767
<b>Total</b>								857 871	1 263 839	1 344 080	-	-	-	3 465 789	914 671	1 378 944	1 490 086	-	-	3 783 701

ia No transport of goods cost for Tongatapu as suppliers usually deliver to site.

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Table 5. Project Management Costs  
Detailed Costs

	Unit	Quantities					Total	Unit Cost (US\$)	Base Cost (US\$)					Total	Totals Including Contingencies (US\$)					Total
		2018	2019	2020	2021	2022			2018	2019	2020	2021	2022		2018	2019	2020	2021	2022	
<b>I. Investment Costs</b>																				
<b>A. Technical Assistance</b>																				
TA External Provider	month	2	2	2	2	1	9	21,660	43 320	43 320	43 320	43 320	21 660	194 940	48 154	48 804	49 684	50 677	25 845	223 164
<b>B. Baseline Surveys &amp; Studies</b>																				
Baseline Survey	survey	1	-	-	-	1	2	20,000	20 000	-	-	-	20 000	40 000	22 232	-	-	-	23 865	46 096
Special Studies	study	1	1	1	1	1	5	15,000	15 000	15 000	15 000	15 000	75 000	15 158	15 363	15 640	15 952	16 271	78 384	
<b>Subtotal</b>																				
<b>C. Staff Support</b>																				
Staff Training	training	3	3	3	2	2	13	4,425	13 275	13 275	13 275	8 850	8 850	57 525	14 756	14 956	15 225	10 353	10 560	65 850
Kick-Off Workshop	workshop	1	-	-	-	-	1	5,000	5 000	-	-	-	-	5 000	5 053	-	-	-	-	5 053
<b>Subtotal</b>																				
<b>D. Institutionalisation Support</b>																				
Workshops with Senior MA Staff	workshop	2	2	2	-	-	6	5,000	10 000	10 000	10 000	-	-	30 000	10 105	10 242	10 426	-	-	30 773
Workshops with Senior MFNP Staff	workshop	2	2	2	-	-	6	5,000	10 000	10 000	10 000	-	-	30 000	10 105	10 242	10 426	-	-	30 773
Workshops on Policy Development	workshop	2	2	1	1	2	8	5,000	10 000	10 000	5 000	5 000	40 000	10 105	10 242	5 213	5 317	10 848	41 725	
Presentation of Rural Development Policy Papers	workshop	-	2	2	1	1	6	2,500	-	5 000	5 000	2 500	2 500	15 000	-	5 121	5 213	2 659	2 712	15 705
<b>Subtotal</b>																				
<b>E. Vehicles &amp; Equipment</b>																				
<b>1. Vehicles</b>																				
Mini-Van	unit	1	-	-	-	-	1	22,727	22 727	-	-	-	-	22 727	23 221	-	-	-	-	23 221
Truck - 1 ton	unit	1	-	-	-	-	1	22,727	22 727	-	-	-	-	22 727	23 221	-	-	-	-	23 221
<b>Subtotal</b>																				
<b>2. Equipment</b>																				
Office Desks	unit	20	-	-	-	-	20	355	7 091	-	-	-	-	7 091	7 245	-	-	-	-	7 245
Office Chairs	unit	20	-	-	-	-	20	202	4 045	-	-	-	-	4 045	4 133	-	-	-	-	4 133
Bookshelves	unit	10	-	-	-	-	10	267	2 668	-	-	-	-	2 668	2 726	-	-	-	-	2 726
Cabinets	unit	10	-	-	-	-	10	509	5 091	-	-	-	-	5 091	5 202	-	-	-	-	5 202
Cabinets - 4 draw ers	unit	4	-	-	-	-	4	509	2 036	-	-	-	-	2 036	2 081	-	-	-	-	2 081
Server (with licenses)	unit	1	-	-	-	-	1	21,364	21 364	-	-	-	-	21 364	21 828	-	-	-	-	21 828
Laptops (i-7)	unit	6	-	-	-	-	6	1,364	8 182	-	-	-	-	8 182	8 360	-	-	-	-	8 360
Thin Client	unit	15	-	-	-	-	15	364	5 455	-	-	-	-	5 455	5 573	-	-	-	-	5 573
Fiat Screen Monitor	unit	15	-	-	-	-	15	136	2 045	-	-	-	-	2 045	2 090	-	-	-	-	2 090
Keyboards & Mouse	unit	15	-	-	-	-	15	23	341	-	-	-	-	341	348	-	-	-	-	348
UPS	unit	15	-	-	-	-	15	182	2 727	-	-	-	-	2 727	2 787	-	-	-	-	2 787
UPS Server	unit	1	-	-	-	-	1	909	909	-	-	-	-	909	929	-	-	-	-	929
Digital Camera	unit	8	-	-	-	-	8	182	1 455	-	-	-	-	1 455	1 486	-	-	-	-	1 486
Projector	unit	1	-	-	-	-	1	1,818	1 818	-	-	-	-	1 818	1 858	-	-	-	-	1 858
Video Camera	unit	2	-	-	-	-	2	909	1 818	-	-	-	-	1 818	1 858	-	-	-	-	1 858
Router (24 board)	unit	1	-	-	-	-	1	591	591	-	-	-	-	591	604	-	-	-	-	604
Tablets	unit	10	-	-	-	-	10	364	3 636	-	-	-	-	3 636	3 715	-	-	-	-	3 715
<b>Subtotal</b>																				
<b>Subtotal</b>																				
<b>Total Investment Costs</b>																				
									243 322	106 595	101 595	74 670	78 010	604 192	254 932	114 969	111 827	84 959	90 101	656 789

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II. Recurrent Costs																				
A. Project Staff																				
Project Manager	year	1	1	1	1	1	5	36,364	36,364	36,364	36,364	36,364	36,364	181,818	36,746	37,243	37,914	38,672	39,446	190,021
Finance & Procurement Manager	year	1	1	1	1	1	5	31,818	31,818	31,818	31,818	31,818	31,818	159,091	32,153	32,588	33,175	33,838	34,515	166,269
Component 1 Co-ordinator	year	1	1	1	1	1	5	31,818	31,818	31,818	31,818	31,818	31,818	159,091	32,153	32,588	33,175	33,838	34,515	166,269
Component 2 Co-ordinator	year	1	1	1	1	1	5	31,818	31,818	31,818	31,818	31,818	31,818	159,091	32,153	32,588	33,175	33,838	34,515	166,269
Administrator	year	1	1	1	1	1	5	18,182	18,182	18,182	18,182	18,182	18,182	90,909	18,373	18,622	18,957	19,336	19,723	95,011
Communications Officer	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
Finance Officer	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
Procurement Officer	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
Senior Community Planner & Facilitator	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
Construction Administrator	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
CCDRM Coordinator	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
Knowledge Management Coordinator	year	1	1	1	1	1	5	13,636	13,636	13,636	13,636	13,636	13,636	68,182	13,780	13,966	14,218	14,502	14,792	71,258
Value Chain Officer	year	1	1	1	1	1	5	6,818	6,818	6,818	6,818	6,818	6,818	34,091	6,890	6,983	7,109	7,251	7,396	35,629
FFS / Micro Finance Officer	year	1	1	1	1	1	5	6,818	6,818	6,818	6,818	6,818	6,818	34,091	6,890	6,983	7,109	7,251	7,396	35,629
Community Planner & Facilitator	year	1	1	1	1	1	5	6,364	6,364	6,364	6,364	6,364	6,364	31,818	6,431	6,518	6,635	6,768	6,903	33,254
Construction Supervisor	year	1	1	1	1	1	5	6,364	6,364	6,364	6,364	6,364	6,364	31,818	6,431	6,518	6,635	6,768	6,903	33,254
Agricultural Planner	year	1	1	1	1	1	5	6,364	6,364	6,364	6,364	6,364	6,364	31,818	6,431	6,518	6,635	6,768	6,903	33,254
Home Garden / Handicraft Officer	year	1	1	1	1	1	5	6,364	6,364	6,364	6,364	6,364	6,364	31,818	6,431	6,518	6,635	6,768	6,903	33,254
Administrative Assistant	year	1	1	1	1	1	5	6,364	6,364	6,364	6,364	6,364	6,364	31,818	6,431	6,518	6,635	6,768	6,903	33,254
Community Planner & Facilitator	year	1	1	1	1	1	5	5,909	5,909	5,909	5,909	5,909	5,909	29,545	5,971	6,052	6,161	6,284	6,410	30,878
Knowledge Management Officers (2)	2 year	1	1	1	1	1	5	5,909/year	11,818	11,818	11,818	11,818	11,818	59,091	11,943	12,104	12,322	12,568	12,820	61,757
Agricultural Officer	year	1	1	1	1	1	5	5,909	5,909	5,909	5,909	5,909	5,909	29,545	5,971	6,052	6,161	6,284	6,410	30,878
ICT Officer	year	1	1	1	1	1	5	5,909	5,909	5,909	5,909	5,909	5,909	29,545	5,971	6,052	6,161	6,284	6,410	30,878
Administrative Assistant	year	1	1	1	1	1	5	5,455	5,455	5,455	5,455	5,455	5,455	27,273	5,512	5,586	5,687	5,801	5,917	28,503
Community Planner & Facilitator	year	1	1	1	1	1	5	5,455	5,455	5,455	5,455	5,455	5,455	27,273	5,512	5,586	5,687	5,801	5,917	28,503
Draftsman	year	1	1	1	1	1	5	5,455	5,455	5,455	5,455	5,455	5,455	27,273	5,512	5,586	5,687	5,801	5,917	28,503
Agricultural Planner	year	1	1	1	1	1	5	5,455	5,455	5,455	5,455	5,455	5,455	27,273	5,512	5,586	5,687	5,801	5,917	28,503
Farming Systems Officer	year	1	1	1	1	1	5	4,545	4,545	4,545	4,545	4,545	4,545	22,727	4,593	4,655	4,739	4,834	4,931	23,753
Site Supervisor	year	1	1	1	1	1	5	4,545	4,545	4,545	4,545	4,545	4,545	22,727	4,593	4,655	4,739	4,834	4,931	23,753
GOT Staff	year	1	1	1	1	1	5	334,143	334,143	334,143	334,143	334,143	334,143	1,670,716	337,661	342,224	348,389	355,357	362,464	1,746,096
<b>Subtotal</b>									<b>685,507</b>	<b>685,507</b>	<b>685,507</b>	<b>685,507</b>	<b>685,507</b>	<b>3,427,534</b>	<b>692,723</b>	<b>702,085</b>	<b>714,733</b>	<b>729,028</b>	<b>743,609</b>	<b>3,582,178</b>

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Final project design report  
Appendix 9: Project cost and financing

B. Operating Costs																				
1. Utilities & Rent																				
Rent	month	12	12	12	12	12	60	2,500	30 000	30 000	30 000	30 000	30 000	150 000	33 347	33 798	34 407	35 095	35 797	172 445
Electricity	month	12	12	12	12	12	60	40	480	480	480	480	480	2 400	534	541	551	562	573	2 759
Water	month	12	12	12	12	12	60	200	2 400	2 400	2 400	2 400	2 400	12 000	2 668	2 704	2 753	2 808	2 864	13 796
Telephone	month	12	12	12	12	12	60	300	3 600	3 600	3 600	3 600	3 600	18 000	4 002	4 056	4 129	4 211	4 296	20 693
Internet	month	12	12	12	12	12	60	200	2 400	2 400	2 400	2 400	2 400	12 000	2 668	2 704	2 753	2 808	2 864	13 796
Consumables	month	12	12	12	12	12	60	400	4 800	4 800	4 800	4 800	4 800	24 000	5 395	5 481	5 584	5 696	5 810	27 965
Equipment maintenance	month	4	4	4	4	4	20	100	400	400	400	400	400	2 000	450	457	465	475	484	2 330
Printing	month	12	12	12	12	12	60	250	3 000	3 000	3 000	3 000	3 000	15 000	3 372	3 426	3 490	3 560	3 631	17 478
<b>Subtotal</b>									47 080	47 080	47 080	47 080	47 080	235 400	52 434	53 166	54 131	55 213	56 318	271 262
2. Staff Travel & Meetings																				
Staff travel	month	12	12	12	12	12	60	1,000	12 000	12 000	12 000	12 000	12 000	60 000	13 487	13 703	13 960	14 239	14 524	69 913
Staff Recruitment	recruitment	1	-	-	-	-	1	1,000	1 000	-	-	-	-	1 000	1 124	-	-	-	-	1 124
Board meetings	quarter	4	4	4	4	4	20	150	600	600	600	600	600	3 000	667	676	688	702	716	3 449
PRAC meetings	quarter	4	4	4	4	4	20	150	600	600	600	600	600	3 000	667	676	688	702	716	3 449
<b>Subtotal</b>									14 200	13 200	13 200	13 200	13 200	67 000	15 945	15 055	15 336	15 643	15 956	77 935
3. Vehicle operating costs																				
Fuel & Oil	week	52	52	52	52	52	260	100	5 200	5 200	5 200	5 200	5 200	26 000	5 844	5 938	6 049	6 170	6 294	30 296
Repairs & Maintenance	quarter	4	4	4	4	4	20	250	1 000	1 000	1 000	1 000	1 000	5 000	1 124	1 142	1 163	1 187	1 210	5 826
Insurance	year	1	1	1	1	1	5	3,000	3 000	3 000	3 000	3 000	3 000	15 000	3 372	3 426	3 490	3 560	3 631	17 478
Registration	quarter	4	4	4	4	4	20	150	600	600	600	600	600	3 000	667	676	688	702	716	3 449
<b>Subtotal</b>									9 800	9 800	9 800	9 800	9 800	49 000	11 007	11 181	11 391	11 619	11 851	57 049
4. Financial Costs																				
Annual Audit	year	1	1	1	1	1	5	8,000	8 000	8 000	8 000	8 000	8 000	40 000	8 991	9 135	9 307	9 493	9 683	46 609
Insurance	year	1	1	1	1	1	5	1,200	1 200	1 200	1 200	1 200	1 200	6 000	1 349	1 370	1 396	1 424	1 452	6 991
Bank Charges	month	12	12	12	12	12	60	50	600	600	600	600	600	3 000	674	685	698	712	726	3 496
<b>Subtotal</b>									9 800	9 800	9 800	9 800	9 800	49 000	11 014	11 191	11 401	11 629	11 861	57 096
<b>Subtotal</b>									80 880	79 880	79 880	79 880	79 880	400 400	90 400	90 592	92 259	94 104	95 986	463 341
<b>Total Recurrent Costs</b>									766 387	765 387	765 387	765 387	765 387	3 827 934	783 124	792 677	806 992	823 132	839 594	4 045 519
<b>Total</b>									1 009 709	871 982	866 982	840 057	843 397	4 432 126	1 038 056	907 646	918 819	908 091	929 696	4 702 308





## Appendix 10: Economic and financial analysis

### Approach, Assumptions and Data

1. This economic and financial analysis for TRIP II presents results for the assessment of the overall project as well as the assessment of the seven specific interventions envisaged for implementation under its components 1.2 and 2.2. The project will be implemented in 122 communities throughout the country.<sup>55</sup>

2. The interventions to be implemented by the project focus on the increased resilience of community infrastructure and the increased resilience of livelihoods based on climate smart nutrition-sensitive agriculture production systems. The objective of this analysis is to determine the economic and financial viability of these interventions and their potential impacts for family labour and household incomes. Models have been prepared to demonstrate the economic and financial viability of the proposed investments in infrastructure and livelihood activities which will generate direct, quantifiable benefits. Data for these models was collected during the design missions in Tonga, principally from local sources, including meetings and discussions during visits to local communities. Other sources of data include the databases of the Asian Development Bank, the World Bank and the International Monetary Fund as well as commercial banks and other local institutions and agencies.

3. The analysis uses the domestic price numeraire as the basis for calculations. Financial prices are those applying in mid 2016 when the analysis was initially prepared. A standard conversion factor (SCF) for Tonga was calculated using import and export data from World Bank and IMF sources for 2013 to 2015. The SCF was estimated to be 0.8 and therefore the shadow exchange rate factor (SERF) is 1.25. To convert financial to economic prices, taxes and duties are removed and the traded portion of the price is multiplied by the SERF. Domestic resources are not adjusted. The weighted average cost of capital for the project based on the cost of funds from the IFAD loan and grant, the Government of Tonga and participating communities. For Government and the communities the nominal cost of funds was taken as the Reserve Bank of Tonga's weighted average lending rate. For the economic analysis, the cost of unskilled labour was adjusted by a shadow wage rate factor of 0.9, but since it is uncertain what the value of this factor should be, the sensitivity analysis includes tests for alternative values. The opportunity cost of capital (OCC) used for the project is 12%. While a lower OCC may be more appropriate in this case, it has not been possible for this revision of the original economic assessment of the project to obtain sufficient data on which to base an alternative rate. Furthermore, the overall project and all but two of the individual interventions are economically viable at an OCC of 12% and will therefore be viable at any selected lower rate

### Interventions

#### A Benefits and Beneficiaries

4. **Benefits.** The major measurable benefits resulting from the Project include: (i) increased agricultural and handicraft production resulting in improved household incomes, (ii) avoided damage and losses due to cyclones, (iii) savings in labour from increased on-farm mechanisation, and (iv) time savings from improved access due to the upgrading of roads and bridges.

5. Other benefits, which are not easily quantifiable, include: (i) improved community organization, empowerment and quality of life in remote communities; and (ii) increased food security and improved nutrition. The development of more social cohesion in communities through the learning experience of the participatory consultation process and an improved enabling environment for attracting other development partner support which the community development plans will generate will also be an

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<sup>55</sup> For the detailed assessment of the project, please refer to Working Paper 4.

important benefit. The increase in community well-being and improved livelihoods will make community environments more attractive places in which to live. This outcome should reduce the pressure for outward migration and attract expatriate community members to return from overseas and reside in their villages, thereby contributing to more viable and balanced communities.

6. **Beneficiaries.** The Project will be implemented in 62 communities under Component 1 and 60 communities under Component 2. Component 1 communities have a total of 3,863 households with 21,998 people and Component 2 communities include 2,576 households with 13,550 people, for a project total of 6,349 households with 35,538 household members.

7. **Cyclone Proof Community Halls.** The project will provide an estimated 16 community halls at an average cost of TOP 156,700 (USD71,227). Quantified benefits are the value of lives saved during severe cyclones, small fees for the use of the hall by community groups (to defray utilities costs) and 50% of the benefits accruing to weaving sheds (see below) as a proxy for the use of the halls for handicraft activities. Community halls have many uses and also play an important role in developing and sustaining community cohesion.

8. **Wharf Upgrading.** For many of Tonga's communities the sea is both a source of food and marketable produce and the highway to local markets and social services. Wharves are an important part of local economic infrastructure and when properly designed and constructed protect local boats from damage during cyclones. The average cost of upgrading a wharf is estimated at TOP 65,000 (USD 29,545). The quantified benefits of wharf upgrading include the prevention of damage to boats during cyclones and the incremental income from fishing that will accrue to boats that would otherwise have been damaged and been out of action for a typical three week repair period. Damage to boats can also disrupt a community's communications with markets and other services, at a cost which has not been quantified.

9. **Tractors.** Some communities may choose to invest in a tractor to help with on-farm production. A tractor costs TOP 29,550 (USD 13,432) plus TOP 8,000 (USD3,636) for accessories and has an average life of 7 years. The benefit of having a tractor in the community is the significant labour saving for households that hire the tractor for ploughing and other on-farm tasks: an hour of the tractor's time can save several person-days of labour. This labour saving may make possible increased on-farm crop production, although this potential has not been included with the quantified benefits.

10. **Roads and Bridges.** An option for community infrastructure upgrading will be the improvement of short sections of road and small local bridges. The purpose would be to improve access to farms, markets and other economic and social services. The average cost would be TOP 48,000 (USD 21,818) and the quantifiable benefits are the time savings arising from improved access for each household in the community.

11. **Weaving Sheds.** The purpose of weaving sheds is to provide women's groups an improved environment for weaving pandanus mats. Sheds are estimated to cost TOP 40,000 (USD 18,180) each and as many as 30 may be constructed under the project. The sheds lead to more efficient production and better quality. It is estimated that with the sheds there will be a 10% reduction in the time required to produce mats with a corresponding increase in the number of mats produced. At the same time there will be an improvement in quality, estimated at about 5%.

12. **Home Gardens.** Support for home gardens will include the provision of water tanks and fencing as well as tools and seeds. The purpose is to provide income from the sale of vegetables, but also to support improvements in households diets and the health of members. The investment for each garden is TOP8,245 (US\$3,830) and at least is expected to be implemented in each of the communities in Component 2. The benefit of the investment is the net value of vegetables produced.

13. **Model Farms, Cluster Famers and Farmer Field Schools.** A major project intervention under Component 2 will be the introduction and development of Farmer Field Schools nationwide. It is anticipated that a total of 1200 farmers will be trained during the course of the project, of whom 876 will adopt what they have learned into their farming practices. Some of these will participate in model farms (planned for one per Component 2 community) or in cluster farms (i.e. several farms working together to coordinate production) and others will adopt the practices learned in the FFS on their own farms. The improvements in farm production and output induced by the FFS are estimated using a single farm crop model for a standard allotment of 8 acres. In the without project situation yams and

manioc are cultivated on 4 acres with the remainder left fallow. With the project, manioc and yams are planted on a total of 5 acres and 1 acre each of vanilla and sandal wood are added. Both vanilla and sandal wood are cash crops that provide good returns at existing prices. Vanilla begins cropping from the fifth year after planting and crops for an average of 9 years. Sandalwood is in high demand and can be milled in two parts after 16 and 20 years, and then replanted. The benefits are increased production of manioc and yams and the new production of vanilla and sandalwood. the investment per 8 acre allotment is TOP 9,628 (USD 4,376).

## Economic and Financial Analysis

### A Results of the Analysis

14. The EIRR for the whole project was estimated based on the costs and benefits for the 7 interventions above together with the costs for Components 1.1 and 1.2 and all project management costs. The EIRR for the project is 17.0% and the FIRR is 14.6%. Switching values for costs and benefits are +17% and -14% respectively in economic prices and +15% and -13% respectively for financial prices.<sup>56</sup>

15. Key results for the seven interventions assessed are given in the table. Two have EIRRs below the assumed OCC of 12%, although in the case of home gardens it is only slightly so. Community halls suffer from relatively high cost and the limited range of quantifiable benefits. Non-quantifiable benefits also need to be taken into consideration. On the financial side, the FIRR for community halls is only a little below the WACC of 1.6%. For home gardens, while the FIRR is below the OCC but safely above the WACC.

**Table 5: Results of the Economic and Financial Analysis (IRR and switching values)**

Item	Economic			Financial		
	IRR	costs	benefits	IRR	costs	benefits
<b>Project</b>	<b>17.0%</b>	<b>+17%</b>	<b>-14%</b>	<b>14.6%</b>	<b>+15%</b>	<b>-13%</b>
Community halls	-0.4%	-30%	+43%	1.1%	-28%	+29%
Wharf upgrading	39.8%	+90%	-44%	44.2%	+65%	-54%
Tractors	44.4%	+22%	-18%	32.8%	+13%	-6%
Roads and bridges	16.7%	+19%	-16%	18.1%	+35%	-26%
Weaving sheds	41.4%	+117%	-54%	46.2%	+153%	-57%
Home gardens	11.1%	-2%	+2%	6.0%	-9%	+7%
FFS, Model & cluster farms	23.7%	+19%	-13%	19.8%	+16%	-12%

Notes: 1) Switching values for economic analysis at 12%; for financial analysis at 10%

### B Financial Impacts for Beneficiary Households

16. All the interventions except community halls and roads and bridges will have a direct impact on household incomes.

17. **Wharf Upgrading.** An upgraded wharf will prevent damage to boats and loss of income while boats are being repaired. On average, three boats (two large and one small) are damaged per year and are out of action, during repairs, for three weeks. This loss is estimated to average TOP8,750 (USD3,977) in income per year for affected boats. Since there is no information on the number working on each boat this amount cannot be apportioned to households.

<sup>5656</sup> For more detailed results for the whole project and the individual interventions refer to Working Paper 4

18. **Tractors.** The benefits accruing to tractors are the savings for households that substitute tractor use for manual, household labour. The net savings after paying for the tractor amount to TOP 288 (USD 131) per household per year assuming that each household has 2 acres ploughed per year. This does not include the benefit to the household if the saved time is applied to other productive activities.

19. **Weaving sheds.** Labour is the largest input into the weaving of mats. Benefits accrue from more efficient working in the improved space, with a 10% decrease in the labour required per mat and a 10% increase in the number of mats produced. The overall result is incremental income per weaving group of TOP4,512 (USD2,050) or TOP1,128 (USD512) per weaver. The estimated total work days required for this production is 505 per group, to give an incremental return to labour of TOP8.94 (USD4.06) per day.

20. **Home gardens.** Half of home garden production is assumed to be sold and half consumed by the household. Cash income from half the production less all cash expenses comes to TOP 1,017 (USD 462). In addition, the value of household labour is TOP 1,680 (USD 764). Considering all production, both consumed and sold, the incremental return to labour is TOP24 (USD11.90) per labour day while the return to family labour is TOP80 (USD36.40) per day.

21. **FFS, Model and Cluster Farms.** The adoption of the FFS practices by farmers, including improved production of field crops, and the introduction of vanilla and sandalwood as cash crops generates significant benefits for households over time. Vanilla only produces from the fifth year after planting and sandalwood is only harvested 16 and 20 years after planting. Estimated income from this farm varies from year to year as production varies. Incremental income averages TOP 6,160 (USD2,800) over the 20 year project life but is over TOP26,000 (USD 11,818) in the years when sandalwood is harvested. Incremental returns to labour, once the crops are established varies between TOP 22 and TOP 63 (USD10 and USD28.60) per year.

## **Appendix 11: Draft project implementation manual**

1. An outline of the PIM is shown below. It is based on the PIM for TRIP I, plus the addition of sections which cover the new Component 2 activities. This suggested table of contents will be used to generate a full PIM for TRIP II once the design has been finalized.

### **TRIP II PIM SUGGESTED TABLE OF CONTENTS**

Map of the Project Area  
Currency Equivalent  
Weights and Measures  
Fiscal Year  
Abbreviation and Acronyms

#### **SECTION 1: PREFACE**

- 1.1 Purpose of this Document
- 1.2 Record of Amendments
- 1.3 List of Effective Pages
- 1.4 Manual Structure
- 1.5 Authority

#### **SECTION 2: SUMMARY DESCRIPTION OF THE PROJECT**

- 2.1 Background
- 2.2 Project Goal, Objectives and Target Group
- 2.3 Guiding Principles and Overall Approach
- 2.4 Project Components
- 2.5 Target, Duration and Phasing
- 2.6 Project Overview

#### **SECTION 3: PROJECT ORGANISATION & MANAGEMENT**

- 3.1 Project Organisation
- 3.2 Ministry of Finance and National Planning
- 3.3 Project Advisory Committee (PAC)
- 3.4 MORDI Tonga Trust
- 3.5 Project Review and Approval Committee (RAC)
- 3.6 Town Officers
- 3.7 MAFFF Extension Staff
- 3.8 External Service Providers
- 3.9 Project Management Unit

#### **SECTION 4: MANAGEMENT OF COMMUNITY PLANNING - COMPONENTS 1 and 2**

- 4.1 Community Representation
- 4.2 Community Engagement Processes
- 4.3 Selection of Target Community
- 4.4 Project Induction and Promotion Campaign
- 4.5 Baseline Survey
- 4.6 Training of District and Town Officers, Community Committees, and Community Facilitators
- 4.7 Community Planning
- 4.8 Sub-project Identification
- 4.9 District Development Planning
- 4.10 Community Organisation

- 4.11 Submission of Sub-Project Concepts
- 4.12 Sub-project Detail Design
- 4.13 Sub-project Procurement
- 4.14 Sub-project Implementation and Completion
- 4.15 Sub-project Operation, Maintenance and M&E
- 4.16 Baseline Survey

#### **SECTION 5: COMMUNITY ECONOMIC INFRASTRUCTURE GRANTS (CEIGs) - COMPONENT 1**

- 5.1 Introduction to Community Economic Infrastructure Grants
- 5.2 Eligible Sub-Projects to be funded under CEIG
- 5.3 Non-eligible Sub-Projects
- 5.4 Selection Criteria for Sub-Projects to be funded under CEIG
- 5.5 Application Procedures
- 5.6 Approval Procedures
- 5.7 Sub-Project Design
- 5.8 Sub-Project Implementation
- 5.9 Financial Management
- 5.10 Monitoring and Reporting

#### **SECTION 6: COMMUNITY ECONOMIC LIVELIHOOD GRANTS (CELGs) - COMPONENT 2**

- 6.1 Introduction to Community Economic Livelihood Grants
- 6.2 Eligible Sub-projects to be funded under CELGs
- 6.3 Non-eligible Sub-projects
- 6.4 Selection Criteria for Sub-projects to be funded under CELG
- 6.5 Application Procedures
- 6.6 Approval Procedures
- 6.7 Sub-project Design
- 6.8 Sub-project Implementation
- 6.9 Financial Management
- 6.10 Monitoring and Reporting

#### **SECTION 7: PROJECT PLANNING PROCEDURES**

- 7.1 Annual Working Plan and Budget
- 7.2 Procurement Plan

#### **SECTION 8: REPORTING PROCEDURES**

- 8.1 MORDI to IFAD
- 8.2 MORDI to PAC
- 8.3 Project Manager to MORDI
- 8.4 Components 1 and 2 Coordinators to Project Manager
- 8.5 Administrator and Finance and Procurement Manager to Project Manager
- 8.6 Component 1 Staff to Component 1 Coordinator
- 8.7 Component 2 Staff to Component 2 Coordinator
- 8.8 Town and District Officer to Project Manager
- 8.9 External Service Providers to PMU

## **SECTION 9: FLOW-OF-FUNDS AND FINANCIAL MANAGEMENT PROCEDURES**

- 9.1 Project Account (USD)
- 9.2 Withdrawal Applications
- 9.3 Project Operating Account (TOP)
- 9.4 Replenishment of Accounts
- 9.5 Roll-over of Funds Between Periods
- 9.6 Permitted Use of Funds
- 9.7 Account Operating Rules
- 9.8 Financial Accounts Management
- 9.9 Audit Procedures
- 9.10 Procurement Policies and Procedures
- 9.11 Financial Procedures and Control Manual

## **SECTION 10: PROJECT MONITORING AND EVALUATION**

- 10.1 Project Outputs
- 10.2 Goal and Objective Levels
- 10.3 Outcome Levels
- 10.4 TRIP I's M&E System
- 10.5 Results Impact Management System (RIMS)

## **SECTION 11: PROJECT SUPERVISION AND IMPLEMENTATION SUPPORT**

- 11.1 Project Supervision
- 11.2 Mid-Term Review
- 11.3 Implementation Support
- 11.4 Project Completion Report





## Appendix 12: Compliance with IFAD policies

### Introduction

1. This Appendix is based on the “IFAD Strategic Framework: 2011-15”. The contents reflect IFAD’s core principles of engagement (targeting, empowering poor rural people, innovation, learning and scaling-up, effective partnerships, sustainability, and economic efficiency). The Appendix also contains an Attachment on Scaling-Up and the note on Social, Environmental and Climate Assessment Procedures (SECAP).

### Major landscape characteristics and issues (Social, Natural Resources and Climate)

#### Compliance with IFAD’s relevant policies

2. **IFAD’s targeting policy.** This is detailed in Appendix 2 on poverty, targeting and gender. The main target group corresponds with IFAD’s target group and is expected to include almost all of the 22% of rural poor, excluding the rural poor which are urban, in non-viable small communities or in large communities. The National Poverty Census and the HIES are dated, as noted in Appendix 2, however alternative studies have been extensively reviewed. The targeting policy draws on the experience of TRIP I as well as extensive consultation with beneficiaries who have expressed their interest in and need for Project interventions. The high beneficiary contribution to community economic infrastructure is one expression of interest and suggests a successful model which can be replicated. The Project is largely self-targeting as both Component 1 and Component activities will only be of interest to households who remain reliant on local economies and resources for their livelihoods. Component 1 has inclusive targeting, requiring 80% participation of all adults to initiate and plan interventions. Component 2 will build on this broad and inclusive groundwork to identify interventions which are relevant and accessible to all households. Women and youth will be directly targeted through sub-groups and empowered with leadership and decision-making responsibilities. The target for women’s involvement is 50%. Geographically the Project is targeted at all poor rural communities whilst Component 2 is targeted at communities which have a capacity for planning and agricultural potential, as well as vulnerability to climate change. The targeting policy is supported by a feasible and operational design which builds on the experience of TRIP I as well as an extensive and established institutional support network in the public and private sectors.

3. **Principle of engagement: empowerment of poor rural people.** Empowerment of poor rural people will be manifested through improved capacity for community planning as well as improved livelihood resilience, and increased capacity to generate income and coordinate diverse livelihood strategies at the household level. The activities will support Project participants to engage in long-term planning based on climate resilient strategies and to draw on private and public sector resources. Through connecting community development planning to national processes, the Project will empower poor rural communities to have a direct impact on national planning. The inclusive approach and extended participatory planning will ensure that even the poorest households have the opportunity to benefit from Project interventions.

4 **Principle of engagement: promoting gender equality and women’s empowerment.** Gender dynamics are reviewed in Appendix 2. The proposed gender strategy will be based on the successful experience of TRIP I in supporting women’s participation as well as women’s influence on traditional leadership forum such as the *fono*. TRIP II will draw on this experience with a simple yet targeted gender strategy comprised of: (i) supporting 50% women’s participation; (ii) enabling women to gain power through joining women-only sub-groups; (iii) supporting women’s strategic needs by according a higher rank to Sub-Projects selected by women when selecting investments in Sub-Component 1.2; (iv) targeting homestead gardening activities in Sub-Component 2.1 principally at women; (v) ensuring that gender impact is an indicator for PRAC Sub-Project approval; (vi) supporting the recent Tonga Strategic Development Framework policies on gender, in particular through working closely with MIA which is supporting women in leadership interventions; and (vii) working with institutional partners, such as the Churches, who are a legitimate voice for social justice in Tonga.

5 TRIP II's adherence to IFAD's policies is presented in tabular format (Table 1) and uses the above-listed points as policy statements against which comments are provided on the relevant design features of the Project. If an IFAD policy is considered not to be relevant to the Project, then such points have not been included in the table.

**Table 1: Adherence with IFAD's policies**

IFAD's policies	Comments
<p><b>Principle of engagement 1: a differentiated approach based on country context</b></p>	<p>The Project design is based on the development hypothesis that enhanced community capacity for sustainable planning and action (the basis of Components 1 and 2), if combined with support for complementary development of economic livelihoods which are under-pinned with practical disaster risk management and climate change adaptation interventions, will result in improved and sustainable standards of living in rural Tonga.</p> <p>This approach is broadly consistent with that used by other international development agencies in Tonga and in other Pacific Island countries. IFAD's unique contribution will be to link community infrastructure and economic livelihoods which aim to improve the overall livelihoods of vulnerable communities in isolated rural areas.</p> <p>IFAD has first-hand experience from the earlier MORDI and TRIP I initiatives in Tonga, and with the Solomon Islands Rural Development Project (SIRD) - now in a second phase, and hence brings considerable experience to bear on the design of the Project. SIRD supports communities to develop small infrastructure using a community-driven selection process, and supports agriculture and rural businesses with Project grant funds matched by business equity and commercial bank credit. This design is very much in-line with the design of TRIP II, which also builds on the recognized success of TRIP I.</p>
<p><b>Principle of engagement 2: Targeting</b></p>	<p>Compliance with IFAD's targeting policy is detailed in Appendix 2 (Rural Poverty, Targeting and Gender). The main <u>target groups correspond with IFAD's target group</u>. However, the lack of data on poverty, the community development approach taken and the extended scope of household economies across numerous geographical locations make it impossible to target the poor in terms of their geographical location, or demographic or livelihood characteristics. However the Project is largely self-targeting. Component 1 (Community Development) will include poor people who remain dependent on community development planning processes, and community economic infrastructure. Component 2 (Sustainable Economic Livelihoods) will be both self-targeting and directly targeted to the poor and vulnerable through Project selection: (ii) <u>the target sub-groups have been identified and described</u> according to their existing socio-economic characteristics, assets and livelihoods – because the data do not allow for a detailed analysis of the economic characteristics of poverty analysis based more on social and livelihood characteristics: (iii) <u>evidence of interest and likely up-take of the proposed activities</u> by the identified target group - the fact that beneficiary contributions to community infrastructure are currently very high and that many communities and households are exploring options for similar economic livelihood activities suggests that the target group interest is high; (iv) the design is based on a <u>feasible and operational targeting strategy</u> - targeting describes geographic, direct and self-targeting, and empowerment mechanisms; (v) <u>geographic targeting</u> – because poverty is fairly evenly distributed throughout Tonga (although the causes and manifestations of poverty are slightly different between the outer islands and Tongatapu) the Project will work across all rural areas of Tonga; (vi) enabling measures – the policy environment is supportive and enabling; (vii) <u>direct targeting</u> – Component 1 (Community Development) is largely self-targeted to poor people who have a vested interest in the development of community economic infrastructure which directly or indirectly enhances the economic and social well-being of women and youth; and Component 2 (Sustainable Economic Livelihoods) expects target community groups to self-select; (viii) <u>empowerment and capacity building</u> are integrated into</p>

IFAD's policies	Comments
	<p>Components 1 and 2; and (ix) <u>procedural issues</u> – the main procedural issues identified which could mitigate against the Project benefits reaching the poor are policies on land and access to rural credit.</p>
<p><b>Principle of engagement 3: supporting the empowerment of poor rural people</b></p>	<p>The empowerment of poor rural people in the Project will be provided in the form of Community Development in Component 1 and support for Economic Livelihoods in Component 2. Community Development activities will focus on supporting communities to develop Community Development Plans (CDPs) for Component 1 and Community Agriculture Development Plans (CADPs) for Component 2. Linked to this planning process will be the provision of funds for Community Economic Infrastructure Grants (CEIGs) and Community Economic Livelihood Grants (CELGs) through the Project for: (i) rehabilitating or constructing priority community infrastructure; and (ii) investing in sustainable production activities which increase household incomes. Infrastructure might include transport and communication (e.g. roads, bridges and wharves), and livelihoods investment is expected to focus on homestead gardens, handicrafts, and the development of tax allotments into multi-product subsistent and semi-commercial farms. The outcome from Component 1 will be <i>“increased community capacity to manage resilient infrastructure built to required standards”</i>; and from Component 2, <i>“increased resilience of economic livelihoods based on climate smart agriculture production systems”</i>.</p>
<p><b>Principle of engagement 4: promoting gender equality and women’s empowerment</b></p>	<p>Gender, equality and women’s issues are covered in the poverty analysis supporting the design of the Project. In particular, women in rural communities are more likely to be gainfully employed than men, and more likely to be active in community roles, yet women, especially abandoned women with children, tend to be more prevalent amongst the “extreme poor” compared with the “poor”, which comprise the 23% of households who live below the poverty line in Tonga.</p> <p>Gender will also be addressed with specific operational paths in all three Components. In developing CDPs and CADPs the Project will identify different interest groups within communities, including men, women and youths, to identify and prioritize their needs. In implementing priorities identified in the CDPs and CADPs, the Project will assist the (re) establishment of Village and Agriculture Committees which represent different interest groups within communities, including men, women and youth. Also, gender and youth will be represented on the Project Review and Appraisal Committee (PRAC), whose purpose will be to screen, discuss and accept or reject the CEIGs and the CELGs proposals under Components 1 and 2. The PRAC will comprise, amongst others, a representative from the Ministries of Education and Women’s Affairs; and Training, Sports, Youth and Employment.</p>
<p><b>Principle of engagement 5: creating viable opportunities for rural youth</b></p>	<p>The creation of specific opportunities for youth is dealt with in a number of general and specific operational ways across Components 1 and 2. The poverty analysis has noted the specific challenges faced by Tongan youth, which include: (i) no employment opportunities; (ii) limited access to vocational training; (iii) fast changing social norms contributing to alienation; (iv) migration as a main livelihood strategy; and (v) the pressure of all these factors leading to social alienation, substance abuse, crime and NCDs. The proposed approach: (i) mobilises youth specifically into youth groups around their common interests; (ii) supports youth to engage in planning, proposal writing and Sub-Project execution; (iii) supports youth to create sustainable linkages with both public and private sector actors in pursuit of economic objectives; (iv) specifically supports youth to invest remittances in meaningful Sub-Projects; (v) engages youth in agricultural livelihood solutions compatible with continued study, migration and other types of income generation; (vi) collaborates with the Church and other actors to support modern vocational training in agriculture; (vii) uses social media and “digital extension” which uses youth connectivity as a resource to build on as well as an incentive to pursue agricultural livelihoods; and (viii) supports youth to combat NCDs by picking up best practice lessons, collaborating with other actors and demonstrating simple methods for healthy</p>

IFAD's policies	Comments
	homestead gardening. The cornerstone of the TRIP II approach is the recognition that few youth want to “become farmers” so agricultural livelihood options have to be adapted to other livelihood objectives.
<b>Principle of engagement: innovation, learning and scaling up</b>	<p>TRIP I achieved its targeted outcomes through <u>considerable innovation in rural empowerment and agriculture development</u>, including:</p> <ul style="list-style-type: none"> <li>(i) A <u>major impact on policy and local governance</u> through its collaboration with MIA, which is expected to continue into TRIP II. This is why TRIP I has been requested by Government to assist in scaling-up its development plans and increase outreach nationwide. Plans produced by communities have been aggregated to into District Plans, and at the Island level to produce Island Development Plans. These are consolidated documents which reflect people’s needs as the plans are defined through fully participatory processes.</li> <li>(ii) <u>Identifying and successfully implementing strategic partnerships</u> with; (a) NGOs (Live &amp; Learn Environmental Education), Pacific Risk Resilience Programme (PRRP), and the Tonga Business Enterprise Centre (TBEC); (b), the private sector (South Pacific Business Development [SPBD]), Heilala, and Nishi Trading; (c) other development partners, e.g. University of South Pacific, United Nations Development Programme, Australian Department of Foreign Affairs and Trade, New Zealand Aid, the Australian Centre for International Agriculture Research, and the Tokyo Agriculture University; and (d) other Government agencies (the Ministry of Food, Forestry and Fisheries [MAFFF] and the Tonga Development Bank). These innovative and largely <i>ad hoc</i> initiatives have given communities access to a wide range of resources and opportunities. TRIP I has been very successful in mobilising resources (funding and human) from other resources for a “pooled” approach to Sub-Project funding. This approach will be maintained and strengthened.</li> <li>(iii) More specifically, the <u>negotiated partnership at the time of TRIP I finalization between Government, IFAD and MORDI TT has proven to be one of the most effective in the Kingdom</u>. During TRIP I, MORDI TT has not only implemented and managed the Project to a high standard (see Mid-Term Report [MTR]) but led the way in Tongan rural development by building team capacity and skills to the point where MORDI TT and the TRIP I staff are recognized by peers as leaders in their field. This partnership has laid the foundation for the next major step in rural development in Tonga, which is building the capacity of rural communities to improve their economic livelihoods. Importantly, TRIP II will expand the use of External Service Providers (ESPs) as the Project moves into providing support under Component 2 - for example: (i) through the possible contracting of the Tonga Trust to provide the skills and resources needed for homestead gardens and improved household nutrition; and (ii) forming and maintaining a strategic partnership with DFAT’s “Tonga Health Systems Support Programme”, noting that the Programme is already assisting TRIP I with a nutrition module for the pilot FFSs programme.</li> <li>(iv) TRIP I’s Component 2 (Business Development) has not been particularly successful<sup>57</sup> and has been effectively closed down. However TRIP I has responded to this failure to provide “commercial” business support to larger farmers and local agribusinesses by developing and piloting an innovative smallholder package of; (a) Farmer Field Schools (FFSs) for farmer training and learning; (b) short value chain analysis to define local and import replacement markets; (c) appropriately-timed microfinance support from South</li> </ul>

<sup>57</sup> See TRIP MTR for explanations.

IFAD's policies	Comments
	<p>Pacific Business Development (SPBD), and (d) provision of farming inputs. This is the first time that such an integrated farmer support package has been offered in Tonga and it augers well for an expansion of economic livelihood activities under TRIP II. The design of Component 2 incorporates results from this pilot which has been assessed as ready for scale-up across the Kingdom.</p> <p>(v) There is also a set of more “generic” lessons which have emerged from past donor-supported programmes and/or Projects, and from experience implementing similar interventions which might apply to TRIP II. Some of the most pertinent are; (a) considerable experience in IFAD programmes and/or Projects with community empowerment confirms that <u>empowering the poor and disenfranchised should not be seen as an end in itself</u> but rather as a means to facilitate other activities which can bring about concrete social and economic returns, and increased household incomes; (b) it is important to place the <u>community at the centre of development initiatives</u> to enable communities to drive development processes and to ensure that sustainable development is within the capacity and social and cultural context of each community, and capitalises on traditional knowledge and customary practices; (c) when using group structures and local institutions as the focus for Project implementation in community empowerment programmes and/or Projects, it is necessary to <u>build capable local organisations and ensure that related institutions (rules) help ensure sustainability</u> of interventions; (d) <u>mainstreaming gender</u> is an important part of development Projects which require special attention and effective support mechanisms; (e) income-generating activities and in particular production related initiatives need to be <u>aligned with market demand</u> and specific products to have a reasonable chance of success and sustainability; (f) for livelihood development the <u>private sector can and should play an important role</u> in the development process and assist communities with improved access to markets for products and services; (g) <u>matching grant financing</u> is an important tool to enable investors to access credit from other sources (banking and micro-finance) and to link enterprise initiatives of communities and businesses; and (h) <u>Government, non-governmental and other service providers can work together</u>, but this requires adjustment on both sides, plus specific technical training.</p> <p><b>Scaling-up.</b> The Government of Tonga has identified TRIP I as a model which can support progress towards achievement of national development goals (see the TSDF), and has submitted a request for IFAD financing and technical support. Building on the lessons learned from TRIP I and other IFAD-supported interventions in the country and the Pacific region, TRIP II will: (i) expand the original TRIP I approach to community development across the whole Kingdom (targeting those communities which were not assisted during TRIP I); and (ii) support the integration of sustainable economic livelihood systems into Tonga's main-stream farming systems in communities in which empowerment and a community planning processes result in the preparation of CDPs and CADPs. It is expected that the TRIP I approach, plus the TRIP II “add-on” of economic livelihoods, will be scaled up with a combination of two sources of IFAD funding. TRIP I's scaling up strategy is therefore based on these two complementary approaches, backed-up with a good knowledge management, evidence-based policy dialogue, and farmer and institutional capacity building.</p> <p>There are good prospects for sustainability and further scaling up the results achieved by TRIP II after it is completed. By the end of TRIP II it is expected that 122 rural communities in Tonga will be empowered and “own” CDPs which, as agreed with MIA, will be basis for community development across all island groups. In addition, about 60 rural communities will “own” CADPs. These powerful and community-embedded plans should therefore form the basis for a further scaling up of the TRIP II economic livelihoods initiative. <u>Attachment 1 is a detailed note on scaling up and introduces the idea that scaling up of TRIP should include support for the institutionalization of the community planning process (this has commenced - see reference in Attachment 1). The next logical step in terms of sustainable scaling up would be support for budget allocation reform - with communities receiving direct</u></p>

IFAD's policies	Comments
	<u>Government funding to implement their CDPs and CADPs.</u>
<b>Principle of engagement 7: effective partnerships and resource mobilization</b>	<p>The Project will build a strategic partnership with the Aid Management Division (AMD) of MFNP, which is responsible for Government alignment and harmonisation initiatives under the Paris Declaration of Aid Effectiveness. The Project will also sponsor an annual one-day “lessons-learned” workshop involving relevant Government agencies (e.g. Ministry of Agriculture, Food, Forests and Fisheries, Ministry of Education and Women’s Affairs, the Ministry of Labour of Commerce, Trade and Industries, the Ministry of Training, Sports, Youth and Employment), representatives of non-governmental agencies (e.g. Ministries of Agriculture, Food, Forests and Fisheries; Education and Women’s Affairs; Labour, Commerce, Trade and Industries; Training, Sports, Youth and Employment; representatives from non-governmental agencies (e.g. Asian Development Bank, World Bank, NZAP), development partners, and representatives of the private sector (e.g. commercial vanilla and vegetable growers, and exporters) who are working with and have a particular interest in rural development in Tonga.</p>
<b>Principle of engagement 8: sustainability</b>	<p>The Project will contribute to improved and sustainable livelihoods of vulnerable communities in rural areas by engaging beneficiaries in the planning and prioritization processes, having beneficiaries contribute to the development, operation and maintenance of community economic infrastructure, and livelihood development activities, linking Project beneficiaries with agriculture and rural businesses, and bringing participating and learning action methods and CDPs into the Government’s own processes and structures.</p> <p>There are several key features of the two main Component activities which have been designed to establish ownership and maintain sustainability of interventions. For community development (the planning and prioritization process) a key feature will be the village development committees whose role will be to develop local plans to address local needs and priorities of beneficiaries which serve community interests. For the development of community economic infrastructure, a key feature will be in-cash and or in-kind contributions by communities as well as long term operation and maintenance. And, in agriculture and rural businesses development a key feature will be matching equity contributions by recipients with grant and micro-finance funds.</p>

## ATTACHMENT 1: SCALING UP

<p><b>TRIP I interventions to be scaled up (for Group A) but includes comments on Component 2 which is broadening and not scaling up</b></p>	<ul style="list-style-type: none"> <li>- Community empowerment, community-based planning, and support to implement priority economic livelihood interventions</li> <li>- Comprehensive support packages to assist with community-based operation and maintenance of rural development interventions</li> <li>- Wide range of private, public and NGO partnerships in the rural development sector, to improve efficiency and leverage additional resources</li> <li>- Scaling-up the planning process from the community to the district, island and national level in a coherent process giving unique grassroots voice to the planning process, gaining economies of scale in the implementation of plans and providing the Tongan national planning framework with unprecedented access to information about local needs and priorities as well as a methodology to periodically update and review this information.</li> <li>- for Component 2 (broadening - not scaling) - support (mainly training and inputs) for farmers to become more commercially focused, whilst at the same time recognizing the importance of using resilient and sustainable farming systems. The scaling-up consists of building on the community planning process and the capacity for consensus based planning which has been created and taking this to the next logical step, namely to create economic livelihood plans. Community readiness is assessed through a detailed and tested “readiness” assessment which will establish areas in which additional support is needed to support scaling-up from community planning to economic livelihoods planning.</li> </ul>
<p>Whose idea?</p>	<p>The Government of Tonga, through the Ministry of Finance and National Planning (MFNP), has requested IFAD’s support in scaling up TRIP I to TRIP II. This will facilitate nationwide scaling up (in TRIP II Project areas) of the TRIP I community-driven development model. The Government of Tonga explicitly requested the scaling-up of the exact same approach as has been tested and to be found relevant for all rural development contexts in Tonga.</p>
<p>Piloting/ testing/ evaluation</p>	<p>Activities to be scaled up under TRIP II have been tested and proven under TRIP I, and other IFAD-supported investments in the Pacific Region, particularly the Solomon Islands Rural Development Project (SIRDP). TRIP I supported the testing and piloting of the approach in Tongatapu during the third Project year to ensure that the planning approach works in larger, more diverse and less cohesive communities. TRIP II also supported MIA to directly implement this community planning process. There has been significant learning, evaluation and where necessary evaluation of the TRIP I approach. The piloting in Tongatapu and support for MIA was not in the original TRIP I design and demonstrates the viability of the approach, as well as the commitment of the PMU to ensure that TRIP I processes are relevant, scaled-up, institutionalized and sustainable.</p>
<p><b>Vision/Target scale</b></p>	<p>The vision is outlined in the Tonga Strategic Development Framework II (TSDF) (2015-2025). The TSDF identifies seven National Outcomes in pursuit of “a more progressive Tonga supporting a higher quality of life for all.” <u>National Outcome B</u> is “a more inclusive, sustainable and balanced urban and rural development across island groups.” It recognises that: (i) population dispersion across small islands presents challenges for inclusive development through access to infrastructure and services; and (ii) there is a need for an improved balance, and therefore resource allocation, between urban and rural development across the island groups.</p> <p>The Tonga Agriculture Sector Plan (TASP) supports this broad vision. Both documents give prominence to agricultural sector development, in particular ensuring food security, self-sufficiency, and food sovereignty through increased (and more varied) domestic production capacity; whilst at the same time focusing on climate resilience and sustainable farming systems which can respond to import replacement and export opportunities.</p> <p>The envisioned longer-term target scale would be Kingdom-wide once the communities which were not assisted under TRIP I are assisted by</p>



	<p>TRIP II. This is a specific request from MFNP, which is related to the issues of community and political equity. The SDF (2015-2025) provides the policy umbrella for TRIP II's targeting strategy. The three central pillars of the TSDF are: (i) a more inclusive, sustainable and knowledge-based economy; (ii) more sustainable, inclusive and balanced development across island groups; and (iii) more inclusive human development with a focus on gender equality. TRIP II will have a nationwide geographical focus and will combine ongoing support for capacity building in community planning with context specific and climate sensitive economic livelihood support. TRIP I focused on outer islands because of the relatively higher incidence of poverty there and because smaller communities enabled more cohesive planning around community infrastructure. Building on the resounding success of TRIP I, TRIP II will scale up interventions and support the TSDF pillars of inclusive growth with a balance across the island groups.</p>
<p><b>Drivers:</b></p>	
<p>Champions</p>	<p>MFNP, and all stakeholders, have identified TRIP I as one of the most successful Projects in Tonga. Based on numerous formal and informal assessments of TRIP I, and quantified and anecdotal evidence from many sources, MFNP and TRIP I's partners envisage that the TRIP I model is an approach which the Government of Tonga should adopt and replicate across the country. The Government has requested IFAD's support in scaling up. In addition, the Ministry of Internal Affairs (MIA) which works closely with TRIP I at the community planning level, is also a champion - to the point that this joint rural development planning method is now the preferred national planning methodology. TRIP I is appreciated by the 60 TRIP I local communities who have been assisted to address their main constraints to livelihood improvement. Finally, the Ministry of Food Forestry and Fisheries (MAFFF) is a TRIP I champion at the district and village levels where the Ministry's technical staff are engaged in farmer training.</p> <p>Champions at the village level are the TRIP I targeted rural households who have brought about changes to their livelihoods through communal planning and implementation of priority economic infrastructure development interventions. Building on communities' practical ideas and willingness to contribute in cash and kind has assisted in this regard.</p> <p>TRIP I also has private sector champions in the form of agribusiness, transporters, external service providers for technical services and equipment suppliers who have found communities which are mobilised and "able to do business" as they take increasing ownership of their own economic mobilisation. The fact that communities have widely contributed more than their required portion of funding for infrastructure Sub-Projects contributes to their increasing attraction as independent customers.</p>
<p>External catalysts</p>	<p>The main catalysts are a desire by isolated rural communities in Tonga: (i) to be better-served by Government, the private sector, and development partners; (ii) to be more actively engaged in Tonga's domestic economy; and (iii) to a limited extent, have improved connection with export opportunities. This scenario has generated significant private and public sector (and development partner) interest. IFAD's experience in this space (from TRIP I) strongly positions the Fund as a mediator and broker of the services required to achieve these objectives, and to build public and private partnerships. In addition, although there has been significant recovery from the Global Financial Crisis, communities are increasingly aware that with the external risks posed both by climate change and the global economy, that livelihood solutions in Tonga (building on Tongan natural, social and economic resources) are increasingly important as a buffer.</p>

Local drivers	Rural communities and their constituent farmers themselves will be the main drivers of scaling up. TRIP I demonstrated that the Project can scale up successful techniques and technologies, and there is now demand for such assistance throughout the parts of the Kingdom not assisted under TRIP I. Significantly, TRIP I target communities are requesting on-going support and assistance to ensure that their newly empowered state is not lost over time. A network of trained and experienced TOs supported by MIA will provide a critical resource for scaling-up, and driving the planning and implementation processes.
Incentives	<p><u>Economic incentives:</u> Improved access to services, reduced transport and communication constraints, better community meeting and cyclone safety facilities, increased household incomes, and other outcomes from TRIP I, all promote TRIP I as a model which will improve rural livelihoods and enable isolated and poor rural communities to work together and, with assistance, to solve their own problems.</p> <p><u>Political incentives:</u> Government is conscious that TRIP I only targeted 60 out of 170 rural communities (villages) in Tonga. Therefore there is a strong political incentive to scale up TRIP I to assist the remaining 110 communities on the grounds of social (and importantly) political equity. Local Governments also have a political incentive to improve the livelihoods of their rural constituents. In addition, and as described in the TSDF and the TASP, Government's objective for Tonga's rural sector is to maximise the contribution of the sector to Tonga's economic growth and food security in the face of a changing global economy, climate change and increased natural disasters. This is a political incentive in itself. In addition, politicians have found the planning process provides a useful tool for the allocation of their "constituent funds" to community priorities.</p> <p><u>Social incentives:</u> As demonstrated by TRIP I, isolated rural communities in Tonga are willing to organize into self-help groups to improve access to inputs and services, and to investment (part payments) in infrastructure and equipment to improve their livelihoods. The TRIP approach has broad support from all social demographic and economic groups because of its inclusive foundations. The incremental and locally-adapted approach to gender has brought significant practical success without crossing social boundaries. The potential for social cohesion is widely recognised and there has been considerable interest from all Churches to collaborate with TRIP in the pursuit of creating social and economic balance in fast changing Tongan communities.</p>
<b>Spaces:</b>	
Policy, legal and regulatory space	<p>The policy space is defined by the TSDF (2015-2025) and the TASP (five years). Tonga's agriculture policies (recently defined in the TASP) recognize the environmental, social and economic imperative of resilient and sustainable agriculture in the Kingdom; and of developing a more commercial approach to agriculture. TRIP I has demonstrated that an important precursor to achieving these objectives is community cohesion and removal of constraints related to isolation.</p> <p>In terms of the legal and regulatory spaces, Tonga's Land Law and the District and Town Officers' Act are the two most relevant. A new Local Government Law for the Ministry of Internal Affairs is under preparation. <i>Note that during the course of the Detailed Design of TRIP, TOs were temporarily transferred to the Prime Minister's Office - out of MIA. However, by the time the Detailed Mission was complete, this decision had been reversed and the TOs were back in MIA.</i></p> <p>Land in Tonga is administered by the laws defined by the Land Act of Tonga, and is particularly relevant to TRIP II because about 50% of land is currently un-productive. The Kingdom has a unique system of land ownership and management, and all land is the property of the Crown. Landholder's interest in any hereditary estate, tax allotment (for farming - eight acres or 3.27 ha) or town allotment exists as long as that person is alive. The Minister of Land and Natural Resources is the representative of the Crown in all matters concerning land in Tonga.</p>

	<p>According to the Land Act, the Minister of Lands grants leases and permits with the consent of Cabinet. Only the registered holder of a town or tax allotment may grant a lease over the whole or part of the allotment, but only if the consent of the Tongan Cabinet has been given in the manner dictated by the Land Act. The Ministry of Land and Natural Resources is in the process of digitizing all tax allotments and printing maps at varying scales.</p> <p>Government is searching for successful models of community-driven development. TRIP I with its approach of linking community-driven planning and economic livelihood development, can provide important input to the policy debate on land issues in Tonga. The Ministry of Land and Natural Resources has expressed interest in working with TRIP II to provide practical solutions to land constraints which optimise access to land for the landless.</p>
Financial and fiscal space	<p>The Government of Tonga has requested IFAD to fund TRIP II to support its and other development partners' initiatives and efforts to improve rural livelihoods throughout the Kingdom. The national budget is under pressure and nearly 50% is provided in the form of budget support from development partners.</p> <p>MAFFF's budget for the agriculture sector (excluding fisheries) has remained fairly static (TOP6.653 million [US\$3.327 million] in 2014-15, and not likely to change much in the future). The budget for agricultural extension has remained static when there is a strong demand for services from rural communities on the ground. Hence there is a strong need within Government for effective and efficient rural and agricultural development models. TRIP I is the standout example, and is ready for to be scaled-up and broadened under TRIP</p>
<b>Political space - for scaling up and broadening</b>	<p>There is a strong support for TRIP at all political levels for: (i) community empowerment and local-level planning and development in all districts, not just the TRIP I targeted districts; and (ii) associated small-scale development of economic livelihoods. This is because resilient and sustainable agricultural productions systems, and food sovereignty, are national priorities. Tonga recognizes, through its long-term development plan (TSDP) that it is essential for the Kingdom to continue to programme growth which is equitable and inclusive - as demonstrated by TRIP I. More specifically, the TASP is aiming for: (i) increased agriculture exports (mainly vegetables) by an ambitious 10% compound per year from a base of TOP12.43 million to TOP19.7 million; and (ii) decreased meat imports - minus 10% compound per year from a base of TOP32.1 million to TOP22.8 million. The broadening, rather than scaling up, of TRIP I into TRIP II's Component 2 (resilient and sustainable economic development) will directly support these targets, and this will facilitate the scaling up and broadening processes.</p> <p>In addition, there is potential for TRIP II to support scaling-up in the form of fully institutionalizing TRIP's approach to local planning and budgeting. To an extent, this process has already commenced with formal acceptance by MIA of TRIP I's CDPs as official community planning documents (see (i) <a href="http://www.pireport.org/articles/2016/10/13/tonga-launches-first-community-development-plans">http://www.pireport.org/articles/2016/10/13/tonga-launches-first-community-development-plans</a>; and (ii) <a href="http://www.tonga-broadcasting.net/?p=2967">http://www.tonga-broadcasting.net/?p=2967</a>). The next logical step for TRIP II would therefore be to work with MIA to plan and implement new budget allocation processes and procedure so that communities are supported directly with Government's annual budget allocations.</p>
Institutional / organisation space	<p>TRIP II will be implemented through existing institutions. Mainstreaming of Rural Development Innovation Tonga Trust (MORDI TT) will be officially appointed to as the Project Manager by MFNP, and establish a Project Management Unit for TRIP II. This approach worked well during TRIP I, Government has requested that the status quo be maintained, and there are no compelling reasons to change this implementation responsibility. In addition it is expected that formal Memoranda of Understanding will be signed between TRIP II and MIA, and TRIP II and MAFFF, which clearly define their implementation roles in terms of responsibilities, and the provision of resources - mainly staff and funding. TRIP I has maintained a close focus on social inclusion around local development constraints and therefore has remained non-aligned and able to scale-up without having to negotiate political space. In addition, MORDI TT's Board has solid legitimacy and is able to</p>

	support the Project in negotiating political spaces as required.
Natural Resource / environmental space	TRIP I is aligned with Government's desire to: (i) promote sustainable rural development and economic livelihood intensification; (ii) promote sustainable use of surface and aquifer water, and soil conservation; (iii) introduce climate-resilient production systems to manage the impact of climate change; and (iv) reduce greenhouse gas emissions. Modalities for the design and implementation of land use planning and landscape approaches which link communities and districts (and other stakeholders) will be developed for implementation under TRIP II. These are referred to as Community Agriculture Development Plans (CADPs) which are the same as the Village Resilient Agriculture Plans (VRAPs) in the TASP.
Cultural space	TRIP II will be implemented across the whole of the Kingdom of Tonga and its diverse range of socio-cultural settings. Targeting will take into account each major island group's particular history. TRIP II will use an approach which will enable the Project to work effectively within this space. The hallmark of the TRIP I approach has been awareness of traditional and modern cultural spaces and the capacity to combine these for effective planning. The traditional fono-based community planning process was revitalised in TRIP I villages and modernised (for example, through the inclusion of women) to modern needs. TRIP I has shown awareness of local sensitivities, as well as being willing to be flexible to accommodate local needs (such as having planning sessions in the evening, respecting seasonal constraints, and ensuring that planning is sensitive and able to incorporate migrant schedules, etc.). By working with local partners and with an implementing agency comprised of women and men of all age groups and representing all island groups, TRIP II is well-placed to ensure that the process builds on and contributes towards a cultural space which is self-defined and inclusive.
Partnerships	The Project will bring together the expertise of: (i) MFNP (for financing, and national policy and planning), MAFFF (District Officers and technical staff); (ii) MIA (local Town and District Officers, and Governors and Government Representatives of island groups); and (iii) other development partners, the private sector, NGOs, and external service providers. Partnerships enabled TRIP I to leverage resources and funding beyond expectations and this innovation will be retained and expanded during Phase II. Partnerships are the cornerstone of the TRIP I approach, and have been one of the key factors for success. Partnerships have also been used to leverage and showcase learning and to build capacity within the private, public and community sectors for cooperation. The types of partnerships facilitated include: (i) tripartite cooperation between a microcredit supplier; (ii) a private sector agribusiness; (iii) extension services from MAFFF; (iv) an MOU with MIA which supports TRIP I to be institutionalised as a comprehensive community planning process linking community, district, island and national planning processes <sup>58</sup> ; (v) direct linkages between suppliers and local communities; (vi) integration of Tongan emigrants and their funds flow

<sup>58</sup> This process has now been formalized and fully integrated into MIA's approach to rural development planning and funding. See: (i) <http://www.pireport.org/articles/2016/10/13/tonga-launches-first-community-development-plans>; and (ii) <http://www.tonga-broadcasting.net/?p=2967>. This means that risks associated with some reliance on the availability of "constituency funds" for some development activities has been reduced to a manageable level, and therefore this risk has not been included in the risk matrix.

	into the funding of community development plans; (vii) the integration of “constituency funds” into community planning, and the leveraging of development partners’ contributions towards selected community economic infrastructure; (viii) the integration of other projects, such as the Pacific Risk Resilience Project (PRRP) into the community planning process; (ix) regular cooperation and membership of several Associations active in rural planning in Tonga; and (x) collaboration with the University of the South Pacific, Tokyo University and the Australian Centre for International Agricultural Research (ACIAR) on specific research projects. These partnerships are still active and it is expected that these and new partnerships will continue to support TRIP II.
Knowledge / learning space	TRIP II will feature grant-supported knowledge management and policy dialogue initiatives aimed at: (i) building the capacities of public institutions (particularly MIA and MAFFF) so that they have the knowledge and skills to mainstream successful models into their regular programmes, and therefore gradually take over Project-supplied services; (ii) systematically strengthening knowledge management and M&E systems to generate evidence-based lessons; (iii) undertaking analytical work on public investment and assessing the effectiveness and impact of policies to guide public expenditure decisions; and (iv) utilizing Project knowledge and data to engage in policy dialogue aimed at addressing policy gaps and promoting the mainstreaming of an already successful model (TRIP I) into national development strategies and supporting policies. IFAD will use its international networks to disseminate this knowledge regionally and globally. Attendance at regional and international conferences by Government and MORDI TT staff who will be expected to present papers, will assist in this regard. TRIP II will improve its Knowledge Management by ensuring that dedicated staff members are responsible for assembling and disseminating knowledge generated within TRIP II. In addition, whilst TRIP I was fairly insular in the development of approaches and methodologies, now that these have been established and tested, TRIP II will be more outward looking, both in sharing experiences, but also in drawing from methodologies, (for example in M&E across remote spaces, ITC for extension, livelihoods planning, etc.) developed in the international development arena. In addition, and as part of ARAP, TRIP II will expect to learn from as well as contribute to the growing body of knowledge on how to support smallholders to adapt their agricultural practices to a rapidly changing world.
Implementing space	The implementing space will be in villages, districts and island groups across all of Tonga, with the specific focus dependent on whether villages are targeted by Component 1 or 2.
<b>Pathways:</b>	
Time horizon	Project time frame: July 2017 – June 2022.
Dimensions	In terms of outreach and horizontal scaling up, TRIP II will aim to reach a larger number of households, and add in and support a new dimension in terms of climate resilient and sustainable economic development. Functionally, TRIP II will be adding to and upgrading the TRIP I approach by adding this important new and complementary dimension - one which has a specific focus on climate change and disaster risk management in relation to agriculture development. In summary, there will be a two-pronged approach to rural development: (i) community empowerment and investment in rural infrastructure (TRIP I); and (ii) building on this platform as the basis for improved and more sustainable economic livelihoods, with the latter having a strong focus on balanced food supplies and increased farm incomes.
Scaling up milestones	Appropriate milestones are reflected in the TRIP II Logical Framework

<p>Role of drivers and spaces</p>	<p>The policy, institutional, fiscal and political spaces all demonstrate the priority being given by Government for IFAD's support for TRIP II. The Project will be the largest in Tonga's rural development sector and reflects Government's core priorities for the Kingdom's farmers.</p> <p>Local level drivers and experience from TRIP I show that Tonga's rural population will be very receptive to the proposed interventions for Component. In terms of the receptiveness of the target for Component 2 for assistance and support with climate resilient and sustainable economic livelihoods development, pilots of this approach on 'Eua implemented by TRIP I, MAFFF, and the private sector have proven that farmer enthusiasm will drive this added on and broadened initiative which is feature of TRIP II's Component 2.</p>
<p>IFAD's role</p>	<p>IFAD will continue to build on the Fund's strong regional and country background in community empowerment and agricultural development under TRIP II. IFAD will facilitate and coordinate support through a network of partner organisations including Government agencies, NGOs and the private sector. IFAD will also support Government to develop agricultural investment strategies and policies, using lessons from TRIP II as a guide. The Fund will provide technical support and guidance through its newly established country office in Jakarta, Indonesia; and fund short term specialists and trainers as required.</p>
<p>Impact of scaling up processes</p>	<p>TRIP II will contribute to sustainable improvement in the livelihoods of rural women and men through community empowerment followed by support to implement priority economic and livelihood development activities (Components 1 and 2). The impact of the broadening process (Component 2 targets) will be more resilient and sustainable economic livelihood systems which result in more diverse crop and livestock production, improved diets and increased farm incomes. The scaling-up process will show that it is possible to have fully participatory planning processes which inform national development planning. The extent to which this is replicable in other national contexts is questionable, as Tonga's small population size contributes to the feasibility of the approach. Nevertheless in the Tongan context the scaling-up of the approach has already contributed to economies of scale and greater capacity in the implementation of development interventions, and this experience is likely to be relevant and replicable for many similar social and geographical contexts.</p>

## Attachment 2: SECAP Review Note

Title of Project: Tonga Rural Innovation Project II (TRIP II)

### Major landscape characteristics and issues (social, natural resources, and climate)

#### Socio-cultural context<sup>59</sup>

1. Tonga has a population of 103,036 people (52,100 male and 51,035 female); and with a median age of 21 years it is a young population. Net emigration is equivalent to 80% of the natural population increase ensuring very slow population growth. Within Tonga, there has been substantial internal migration from the outer islands to Tongatapu and especially urban Nuku'alofa because of the remoteness, isolation and lack of livelihood opportunities on the outer islands. Tongatapu has a predominant share of the total population (73%), followed by Vava'u 15%, Ha'apai 7%, 'Eua 5%, and Niua's 1%.

2. The last HIES, conducted in 2009, estimates that over one-fifth of households in Tonga live below the basic needs poverty line. Tonga has a fairly high Human Development Index (HDI), valued at 0.717 in 2014. However the severity and the depth of poverty have both increased in the last decade. The outer islands have experienced the sharpest increase in hardship, with almost twice as many people living below the basic needs poverty line in 2009 compared with 2001. However around 73% of the population and half of the country's poor people live in the rural areas of Tongatapu. About 76% of Tonga's population lives in rural areas, with strong social networks supporting economic strategies combining migration, remittances, semi-subsistence production for basic needs and social obligations across extended family networks. Agriculturally active households face numerous risks to their livelihood strategies, including: (i) climate change induced impacts on soil, water and temperature which affect productivity; (ii) limited market access, both international and domestic; (iii) land tenure systems which discourage investment, do not optimize land use, and leave vulnerable household landless; (iv) outmigration and labour shortage; and (v) limited financial products for agricultural investments.

3. The social fabric of Tongan livelihood strategies remains strong, however poverty is increasing amongst households not able to benefit from the economic opportunities provided by increasing development and migration. These households tend to include outer island migrants to Tongatapu, households with no land, many dependents, and female-headed households. Strong social expectations to contribute to community and religious events means that a loss of income can lead to further alienation from social support structures which provide a substantial buffer to natural and economic shocks. Manifestations of declining HDIs due to both social and economic stresses include rising incidence of Non-Communicable Diseases, crime and social conflict.

4. The Tonga Strategic Development Framework (TSDF) (2015-2025) recognizes women's empowerment and inclusion as an objective. However Tonga has a low Gender Equality Index of 0.66 and is ranked 148 out of 188 countries, reflecting traditional gender norms, the lack of landownership rights for women and a legal framework which does not fully protect their social and economic interests. Women have equal access to education (with increasingly higher qualifications), increasing labour force participation rates, and within traditional societies Tongan women are responsible for homestead cultivation and enjoy considerable status and power in the domestic domain. However internal and external migration, the declining importance of extended social capital networks, as well as an increase in domestic violence, have a negative impact, particularly on poor women.

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<sup>59</sup> See Appendix 2 for more details.

5. The recently prepared TSDf sets out the following main outcomes: (i) a more inclusive, dynamic and knowledge-based economy; and (ii) more balanced development between the outer and main islands. These outcomes are supported by the approach taken in the Project, which supports broad-based planning as well as tailored solutions specific to both outer and main island contexts. The social opportunities for the Project include: (i) high unemployment rates and availability of land and labour; (ii) the continuing importance of agriculture for subsistence, semi-subsistence and social obligations; (iii) the vulnerability of the poor and urgent need for climate resilient livelihood strategies; (iv) the national focus on reducing imports and fighting non-communicable diseases through, amongst other strategies, local agricultural production; and (v) a generally literate population with sufficient immediate food security to enable sustainable planning. The immediate social constraints are internal migration and emigration, a declining interest in agricultural production, the land tenure systems and fast changing social fabric with a significant decline in the authority of traditional leadership structures. Appendix 2 provides further detail of the risks, as well as the risk mitigation and targeting strategies.

### **Land and water**

6. The Tongan archipelago lies in a North - South direction between latitudes 18 and 20 degrees south of the equator. The total area is 718 km<sup>2</sup> and comprises of a chain of islands which includes raised atolls, low lying atolls and volcanic islands stretching across the ocean from Tongatapu in the south, 695 km to Niuafu'ou in the north. The main island of Tongatapu is a low lying atoll rising only a few metres above sea level.

7. The soils of Tonga are derived from a mixture of volcanic ash and coral. Because the island groups are isolated from each other, and are physically and economically different, the country is described in four parts. Tongatapu Island is a mainly flat land area of 259 km<sup>2</sup>. With the exception of a few salt-affected coastal areas, soils are highly productive, easily cultivated and suited to a range of vegetable, root and tree crops as well as pastoral farming. 'Eua island lies 40 km south-east of Tongatapu. It is a high volcanic island with soils derived from andesitic tephra overlying tuffaceous materials and/or coral. Soils are fertile, and with the exception of southern areas where coral outcrops are found, are easily cultivated. Ha'apai, 150 km north of Tongatapu is a group of 43 coral islands, 18 of which are permanently inhabited, with very low topography and coralline soils. The total land area is 110 km<sup>2</sup>. The higher, older islands with more than one terrace possess good quality soils capable of producing a wide range of crops and forages, while the younger lower islands have less fertile, drought prone sandy soils of very limited productive capacity. Vava'u is the main northern group of islands. It is the second largest group with a total land area of 119 km<sup>2</sup>. The main islands of the Vava'u group originated from raised coral. The best agricultural soils in Vava'u are found in the west and central districts whilst those in eastern areas tend to be shallower, have old very hard clay, and are of lower natural fertility.

### **Natural Resources and NRM**

8. Water will increasingly be a critical issue for the agriculture sector in Tonga, with reliance on rain-water fed agriculture and cropping systems which are attuned to the historical seasonality of rainfall. For the most part there has been, and continues to be, sufficient rainfall for subsistence agriculture. However the recent 2014/2015 drought was a reminder that reliance on rainfall can't be taken for granted and enhancements to agricultural production systems could provide greater resilience. Additionally, on Tongatapu there is some use of ground water for the irrigation of commercial crops, and there is interest in expanding irrigation for vegetable production. A comprehensive hydro-geological study for all of Tonga was published in 1993<sup>60</sup> covering the inhabited islands. Most islands are dependent on limited groundwater resources supplemented with rainwater collection. This study notes that "there have been numerous programmes involving the installation of

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<sup>60</sup> Furness, L.J. and Helu, S.P. 1993. The hydrogeology and water supply of the Kingdom of Tonga



water catchments and tanks”. This situation is on-going with many repairable concrete tanks now being replaced by plastic tanks. A comprehensive report on the Vulnerability of Ground Water in Tongatapu was completed in 2009<sup>61</sup>. The main threat to groundwater was found to be institutional with “*no legal basis for protecting groundwater from harmful activity or over use.*” A Water Resources Bill has been under development for the last 10 years, but has yet to be passed by Parliament. The lack of salinity bores to enable effective monitoring of seasonal and long-term changes in the depth of the fresh water lens is a major issue, along with the on-going lack of control over water bore drilling. Faecal coliform contamination of ground water is an issue on lower-lying islands with an urgent need for alternative human waste disposal systems such as composting toilets. While a number of informative water resource studies have been completed it is clear that more research is needed to establish better estimates of how much water is available throughout Tonga.

9. A definitive soil survey of Tonga was completed by the former New Zealand Department of Scientific and Industrial Research (DSIR) between 1975 and 1978<sup>62</sup>. Detailed soil maps (1:25,000) and reports were prepared on the status of soils including identification of nutrient deficiencies which limited plant growth. Unfortunately there has been no on-going soil fertility testing and therefore, apart from a few, very site-specific tests the current status of soil fertility in Tonga is unknown. As Tonga’s agriculture sector becomes subjected to increasing pressure to feed the Kingdom in the face of climate change and other global changes and pressures, it is essential that the status of this most fundamental agriculture resource be understood. The objectives of this are to ensure: (i) fertilizer is not over-used when following general application recommendations and therefore contaminating shallow ground-water; and (ii) deficiencies which may have developed since the 1970s are addressed.

10. Declining biodiversity is another major issue. Much of the original forest of Tonga is gone, with an on-going lack of management plans for the conservation and protection of endemic species. Threats include uncontrolled and illegal harvesting, commercial farming, and lack of control of invasive species. Loss of agro-biodiversity is also an issue. In general there are fewer traditional crop species on the smaller islands compared with Tongatapu<sup>63</sup>. The variety of fruit trees has decreased due to increased competition for land use, especially for commercial farming and as a result of population increase. In Ha’apai the sequence of drought in 2013, Cyclone Ian, and drought again in 2014/2015 had severe effects on agro-biodiversity.

11. Effective management of coastal and marine resources in Tonga is essential for the protection of vulnerable coastal areas, management of sediment flows from agricultural land, and as an essential source of food and livelihoods. There are various Projects and activities underway aimed at addressing these issues. These include a GEF Project on ‘Integrated Environmental Management of the Fanga’uta Lagoon Catchment, funding for at least seven additional fisheries Special Management Areas (SMAs) under the ADB funded Climate Resilience Sector Project, and a soon to be published comprehensive Integrated Water and Coastal Management Plan for Vava’u. Component 1 of the Tonga Fisheries Sector Plan includes three sub-components focused on “**Goal 1. Sustainable community fisheries and use of coastal marine ecosystems** by developing strong inclusive communities and links to climate change adaptation and disaster risk management initiatives”. Sub-components 1 and 2 are focused on enhancement and expansion of SMAs.

12. The need for more effective monitoring and management of water resources, the lack of knowledge of soil fertility status, and the threats to biodiversity (including agrobiodiversity) are all

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<sup>61</sup> White, I, Falkland, T., Fatai, T. 2009. Vulnerability of groundwater in Tongatapu, Kingdom of Tonga. Groundwater evaluation and monitoring assessment. Australian National University, Canberra, Australia.

<sup>62</sup> See: Tonga Soil and Land Use Programme (1975–78).

<sup>63</sup> Kingdom of Tonga’s Fifth National Report to the Convention on Biological Diversity, 2014.

significant constraints to agricultural productivity, livelihoods, and the building of long-term resilience in Tonga. On the other hand the opportunities are significant. Tonga has very good soils which have sustained agriculture in various forms for 3,000 years, rainfall is on average very good, and there is significant potential for biodiverse and productive environments if managed effectively. The importance of good soil and water management, and well planned functional diversity, collectively provide the foundation for the development of climate resilient and sustainable agricultural systems in Tonga. This was central to the design of the Tonga Agricultural Sector Plan (TASP) and is also central to the design of TRIP II.

### Climate

13. Tonga is currently classified as the second most at risk country in the world (World Risk Report, 2015) in terms of its exposure and susceptibility to natural hazards and the unfolding effects of climate change. The main climate risks are tropical cyclones, extreme rainfall events, and drought. The most recent report from the Pacific-Australia Climate Change Science and Adaptation Planning Programme (PACCSAP) provides the following future projections to 2100 for Tonga:

- (i) El Niño and La Niña events will continue to occur in the future (*very high confidence*), but there is little consensus on whether these events will change in intensity or frequency;
- (ii) It is not clear whether mean annual rainfall will increase or decrease and the model average indicates little change (*low confidence in this model average*), with more extreme rain events (*high confidence*);
- (iii) Drought frequency is projected to decrease slightly (*low confidence*);
- (iv) Ocean acidification is expected to continue (*very high confidence*);
- (v) The risk of coral bleaching will increase in the future (*very high confidence*);
- (vi) Sea level will continue to rise (*very high confidence*).

14. Recent weather events in Tonga, particularly in Ha'apai ( a sequence of drought, Cyclone Ian, and further drought), are a window to a future which will increasingly involve multiple stresses from the above along with the pre-existing environmental, social, and economic stresses. Ha'apai is considered the most drought-prone of the main islands/island groups in Tonga. However the recent 2014/15 drought affected the whole country. The whole of Tonga is exposed to tropical cyclones. While a given cyclone will normally directly affect a particular island, such as Cyclone Ian in Ha'apai, the impacts of such events are felt across the whole country.

15. In agriculture the impacts of drought and cyclone affect, in different ways, the activities of male farmers on their tax allotments. The sequence of events in Ha'apai had a big impact on men, with the Governor of Ha'apai referring to a "loss of pride in agriculture". For women cyclones can cause damage to the crops they rely on for their weaving, such as pandanus, and can directly affect their poorly-constructed weaving sheds. One consequence of the 2014/15 drought was a greater dependence on weaving for household income, due to the impacts on important agricultural crops. For example the effects of the drought on the kava crop, an important source of income for subsistence farmers, are still being felt with continued higher reliance on weaving.

### Key Issues

16. Five key issues which are of importance in the Project area are:

- (i) Water. Many households are reliant on rain-water collection for their water supply. With the exception of limited amounts of water used for irrigation in Tongatapu, the majority of agriculture in Tonga is dependent on rain-water. Access to groundwater for irrigation is at best limited in Tongatapu and 'Eua, and elsewhere is not viable.
- (ii) Roaming pigs. Pigs first came to Tonga with the Lapita people approximately 3,000 years ago. They are an integral part of village environments, and are of high importance for ceremonial occasions. Pigs are free ranging and cause considerable damage to

homestead gardens and tax allotments, and thus have a huge impact on agricultural productivity.

- (iii) Weaving. Weaving provides at least 50% of household income in the outer islands (the Niua's, Vava'u, and Ha'apai), but this important activity is very vulnerable. The highest incomes are earned from the weaving of large traditional mats which are sold to expatriate Tongans. Very few, if any, are pre-sold and there is a very limited market.
- (iv) Labour. Many of the men, most often the youngest and strongest, travel to Australia and New Zealand for seasonal work. There is also movement of young people to Tongatapu and overseas, leaving an ageing farmer population.
- (v) Exposure to extreme weather events and climate change. The above issues, and more, are affected by climatic extremes. Climate change is already an underlying influence and its effects will further exacerbate current vulnerabilities over the coming decades.

## Potential Project's social, environmental, and climate change impacts

### Key potential impacts

17. Key potential social, environmental, and climate change impacts and risks for the issues identified above are:

- (i) Water. Households can suffer severe water shortages during the dry season and even more so during a drought. For the most part, agriculture is well adapted to the November to April wet season and the May to October dry season, but as experienced in 2014/2015 a drought can have severe effects throughout the country. While some degree of water reticulation to tax allotments in Tongatapu and 'Eua might be feasible, this requires a comprehensive study and effective monitoring as recommended in the TASP. Elsewhere in Tonga the only option is to focus on soil and water conservation practices, diversification, and food storage for times of shortage.
- (ii) Roaming pigs. Pigs are free ranging and unless fenced out destroy homestead gardens and tax allotments (farmland) near the village. This is a major impediment to the development of agriculture and is a situation which becomes worse following a cyclone or during a drought. This was observed in Ha'apai in December 2014, and again in March 2015.
- (iii) Weaving. The most common weaving material, pandanus, can be damaged in a severe cyclone as happened in Ha'apai with Cyclone Ian. Furthermore women's weaving sheds are poorly built, are not rain proof, and are certainly not cyclone-proof.
- (iv) Labour. The absence of young men from villages is detrimental to agricultural productivity in Tonga. To compensate for their absence those on seasonal work schemes often send money home on a regular basis which leads to greater consumption of imported food. Furthermore the derived income from seasonal work schemes is spent on items such as cars, rather than invested in agriculture.
- (v) Extreme weather events and climate change. As already discussed cyclones and droughts can have severe impacts on Tongan communities and their agriculture.

18. Risk management measures related to climate risk are addressed below.

### Climate change and adaptation

19. As identified in Tonga's "Intended Nationally Determined Contribution" (INDC): *"building greater resilience to extreme natural events and the threat of climate change is essential to ensure the sustainable progress that is desired. These and other potential threats require Tonga to become better at planning and responding to the unexpected. This requires more foresight in planning and improved monitoring and evaluation of progress."*

20. Building on the experience of TRIP I, the Project will continue to collaborate with the Pacific Risk Resilience Programme (PRRP) through UNDP, with the objective of integrating climate change risk adaptation into the community planning process supported under Component 1. The Mid-term

Review Mission of TRIP I reported that field visits revealed some heightened community awareness of climate change-related risks, and of the need to rank and prioritise these risks within the wider context of income-generating infrastructure and related activities. TRIP II will ensure that participatory climate change risk and vulnerability studies of different target groups and livelihood development activities are included in the preparation of the CADPs for Component 2 and the CDPs for Component 1. This will serve as a community hands-on capacity building exercise on climate risks and vulnerabilities; and allow for the identification of disaster risk prone areas, and water scarcity and excess management issues linked with soil quality and vegetation cover in the landscape. Ground and rainwater management, reversing deforestation trends on steep slopes and in mangrove swamps are key issues in terms of improving the sustainability of the natural resources base for agriculture, and in disaster risk management.

21. Climate change and adaptation responses are integral to TRIP II's Component 2, with a focus on development of resilience baselines, capacity building, a farmer field school programme which has a climate resilience focus, and climate resilient agricultural practices including sustainable soil and water management, and crop diversification.

22. TRIP II will also focus strongly on Thematic Area 1 (climate resilient nutrition-sensitive agricultural practices) from the ARAP Project design document and Thematic Area 2 (utilisation of agro-climate services) building on work currently underway in Tonga through an FAO TCP Project on "Enhanced Capacities for Integrating Disaster Risk Reduction in Agriculture."

23. The above approach is discussed further below.

### **Environmental and social category**

24. The Project has been classified as Category B. TRIP II has a limited social risk because the Kingdom of Tonga has no significant ethnic or linguistic minorities and is generally socially and politically stable. Recent national policies, such as the Tongan Strategic Development Strategy, are consensus driven and supportive of Project goals as well as the detailed modalities and activities in the design. TRIP I developed an effective and tested method for consensus based capacity building, which will provide the broad framework for all TRIP II engagements. The main social risk is: (i) that the methods developed for small and cohesive outer island communities cannot be transferred to larger main island communities and (ii) that the social and economic push and pull of migration erode participant interest in developing local economic livelihoods. Whilst both social risks will certainly affect Project outcomes, the first risk will be mitigated by adaptations in the planning process and the second will be mitigated by the growing need for local solutions and the development of realistic livelihood options based on the needs and priorities of different interest groups.

### **Climate risk category**

25. The climate risk category for the Project is "High". This classification reflects Tonga's number 2 ranking on the World Risk Index, its high exposure to damaging tropical cyclones, and high dependence on rain-water for household consumption, and agriculture production.

### **Recommended features of Project design and implementation**

26. The current TRIP I gains community buy-in by focusing firstly on their immediate needs. Consideration of climate risk is then progressively introduced alongside these issues. It is recommended that this approach be sustained in Component 1 of TRIP II, but with inclusion of climate risk screening and consideration of alternatives before Project activities are implemented. Consideration of climate change and adaptation is a much more explicit part of Component 2, which draws from the climate resilience focus of Objectives 1 and 3 in the Tonga Agriculture Sector Plan (TASP) and folds in the climate resilient agriculture activities from the ARAP Project for Tonga. Two new features which are proposed to strengthen community understanding and implementation of activities which build climate resilience are:

- (i) Development of Community Agriculture Development Plans (CADPs) which are founded on climate resilience baselines. This will require village mapping to identify key resources, Project activity locations, and to guide communities in their planning to reduce risks;

development of baseline data for monitoring (e.g. soil testing, crop diversity by crop type); and development of a simple Cost Benefit Analysis framework.

- (ii) Development and implementation of a Farmer Field School programme, which will build the capacity of MAFFF and other extension providers in relation to climate resilient agriculture, and deliver this to all participating Project communities.

## **Analysis of alternatives**

27. The only clear alternative to the above approach would be to adopt a more top-down climate change Project. The experience in Tonga is that while many such Projects have short-term success they often aren't sustained beyond the Project lifetime. The defining feature of the approach developed through TRIP is the genuine bottom up approach with communities, and a community planning approach that is strongly aligned with the Ministry of Internal Affairs. The recommended features in Section 5 above are designed to build on and add value to this work.

## **Institutional analysis**

### **Institutional framework**

28. The Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (MEIDECC) is responsible for all environmental and climate-related matters. Three of the Divisions within MEIDECC are responsible for various climate-related matters. The Meteorology Division (Tonga Meteorological Service) is responsible for short-term and seasonal forecasting; the National Emergency Management Office (NEMO) is responsible for coordinating responses and building capacity to natural disasters (including earthquakes, tsunamis, volcanic eruptions, cyclones and droughts); and the Climate Change Division is responsible for all climate change related matters.

29. The above MEIDECC divisions coordinate with other ministries through the JNAP committee. Additionally the Climate Change Division holds bi-monthly meetings with NGOs. In addition to this formal Government structure the UNDP-funded Pacific Risk Resilience Program (PRRP) has appointed staff with a Climate Change and Disaster Risk Management (CCDRM) mandate in the Ministry of Internal Affairs (MIA), the Ministry of Finance and National Planning (MFNP), the Ministry of Agriculture (MAFFF), and NEMO.

30. MORDI TT will be responsible for managing all relevant activities, drawing on expertise from others through both formal and informal relationships. Formal relationships have been established with MIA through TRIP I, including strong interactions with the PRRP-funded CCDRM positions. In addition there have been interactions with NEMO. These linkages will be continued in TRIP II's Component 2. In addition a formal relationship will be established with MAFFF, including linkages with their CCDRM person. Other climate related interactions will be developed over time.

### **Capacity building**

31. The principal capacity building need is how to link an understanding of climate change and climate-related disasters to implementation of resilience building measures. This is addressed in the Project design through the capacity building in Component 2.1 and the Farmer Field School program in Component 2.2

### **Additional funding**

32. Component 2 of the Project will be funded through ARAP.

## **Monitoring and evaluation**

33. MORDI TT will be responsible for Monitoring and Evaluation (M&E) activities using a range of instruments to gather information for monitoring the indicators in the Logical Framework. Social, environmental, and climate impacts will be monitored through process and outcome monitoring undertaken by Town Officers (TOs) and PMU staff. Budget will be available for a small number of special studies, which will focus on topics and issues that require greater in-depth study than other monitoring instruments allow for or cover. The current land tenure systems and potential solutions for

matching fallow land with landless wishing to cultivate may be one such study. MORDI TT will collect baseline data in each community both before any Project-supported activities are implemented and at the end of the Project to allow for before and after comparisons.

34. TRIP II's M&E systems will ensure the systematic collection of gender-disaggregated data on key Project indicators, as well as qualitative and participatory monitoring of outputs and outcomes. Lessons will be incorporated from TRIP I as well as other Projects in the IFAD portfolio which has had successful M&E performances in similar geographically remote and isolated Project contexts. A senior member the PMU staff will be responsible for M&E as well as Knowledge Management. The Community Development Plans and the Community Agriculture Development Plans will be used as M&E tools to assess the base-line before intervention situation, as well the expected outcomes and targets set by communities, and the impact and benefits realised.

### **Further information required to complete screening, if any**

35. No further information is required.

### **Budgetary resources and schedule**

36. Not required.

### **Record of consultations with beneficiaries, civil society, and general public**

37. Extensive consultations have been carried out throughout Tonga involving beneficiary communities, the Government of Tonga, NGOs, private sector, and development partner agencies. Two of the Project design team prepared the Tonga Agriculture Sector Plan (TASP), which Component 2 is drawn from. This work involved five weeks in country, and many meetings with individuals and communities. This included separate consultations with men's and women's groups in Tongatapu, Vava'u, Ha'apai, and 'Eua. Further consultations were completed for Project design, which have both affirmed and added value to information and guidance gained previously. There has been a strong focus on ensuring that the needs of both men and women are addressed.

## Annex 1.2

Guiding Questions for Climate Risk Screening Question	Yes	No	Additional Explanation of 'Yes' response
Is the target group of the Project dependent on climate-sensitive natural resources (such as drought-prone crops, rainwater-fed agricultural plots, migratory fish stocks)?	Yes		The majority of agriculture throughout Tonga is rainwater-fed and is exposed to the effects of tropical cyclones and droughts.
Has the Project area been subject to extreme weather events in the past, such as flooding, drought, tropical storms, or heat waves?	Yes		Tonga has historically been subject to tropical cyclones and droughts. Recent significant events include Cyclone Ian Ha'apai in 2014 and the country-wide drought in 2014/2015.
Could changes in temperature, rainfall, or extreme weather affect the Project impact, sustainability or cost over its lifetime?	Yes		Catastrophic risk modelling indicates that Tonga is expected to incur, on average, US\$15.5 million per year in losses due to earthquakes and tropical cyclones. In the next 50 years, Tonga has a 50% chance of experiencing a loss exceeding US\$175 million and casualties higher than 440 people, and a 10% chance of experiencing a loss exceeding US\$430 million and casualties higher than 1,700 people. Disasters, climate and weather extremes and projected changes in climate, are increasingly recognized as a core development challenge, as they adversely impact social and economic development.
Will climate variability likely affect agricultural productivity within the Project (crops/ livestock/fisheries) or incidence of pests and diseases?	Yes		With its rainwater-fed agriculture system climate variability already affects agricultural productivity in Tonga, which is further exacerbated by extreme events as summarised above. It is therefore highly likely that climate variability will affect agricultural productivity within the Project.
Would weather-related risks or climatic extremes adversely impact upon key stages of identified value chains in the Project (from production to markets)?			
Does the Project have potential to integrate climate resilience measures without extensive additional costs (such as applying improved building codes; expanding capacity building programmes; or including climate risk issues in policy processes)	Yes		Climate resilience measures are integral to the Project design, through development of resilient agricultural plans and implementation of climate resilient agriculture practices.

Guiding Questions for Climate Risk Screening Question	Yes	No	Additional Explanation of 'Yes' response
<p>Would the Project benefit from a more detailed climate risk and vulnerability analysis to identify the most vulnerable rural population, improve targeting and identify additional complementary investment actions to manage climate risks?</p>		No	<p>A detailed climate risk and vulnerability analysis would probably be of marginal benefit, for the following reasons:</p> <p>Firstly, the Project will be country wide which both spreads the risk and ensures that vulnerable communities throughout the country are targeted.</p> <p>Secondly, there are some major limitations to climate risk mapping. With data from only seven meteorological stations it would be very difficult to derive sensible climate risk maps, such as drought risk, for the country. Additionally, with the exception of Tongatapu and Pangai in Ha'apai, existing land elevation data are at 5 and 10m contour intervals. Thus there is limited scope for assessing sea level rise. What would be of greatest value would be the completion of the comprehensive soil fertility and water studies recommended in the TASP.</p> <p>Further to the above, climate resilience is integral to the Project design, including a folding in of key elements of the recently designed ARAP Project into Component 2. The climate resilience planning requirements in Component 2.1 and associated capacity building, along with the integration of climate resilience into a Farmer Field School programme in Component 2.2, will ensure a strong emphasis on building resilience and reducing vulnerabilities.</p>





## Appendix 13: Contents of the Project Life File

1. These are listed below under general headings: (i) Project related files such as the PDR for TRIP I and associated Appendices and Working Papers; and (ii) reports, papers etc. which provide important background information on the Kingdom of Tonga, and on technical and social topics which are of interest to potential readers.

### Project-related files

1. List of TRIP I Community Infrastructure Sub-Projects.xlsx
2. Audit Report TRIP Project Final-7.pdf
3. TRIP I Audit Report FY 2014.pdf
4. TRIP I Audit Report PY3.pdf
5. TRIP I PIM Final.docx
6. TRIPI Stories from the Field
  - (i) Case Study - Community Sustainability in Tonga.pdf
  - (ii) Case Study Heilala Vanilla Final.pdf
  - (iii) Stories from the field-MORDI Programme.pdf
  - (iv) Stories from the field-TRIP Project.pdf
7. TRIP I PDR Annexes Jan2012.pdf
8. TRIP I PDR Main Report Jan2012.pdf
9. TRIP I MTR Report.pdf
10. TRIPI Progress Report Final.pdf
11. Development Partner Projects (from MNFP).xlsx

### Other Project files

12. Tonga Strategic Development Framework 2015-2025.pdf
13. Tonga Vanilla Concept Note Final.docx
14. TR 44 TONGA09 Feasibility Study Various Products to NZ 050413.doc
15. TR 45 TONGA08 Processing Packaging Infrastructure Study Final 290413.doc
16. Tonga Agriculture Sector Plan
  - (i) Brochure -TASP-Overall.pdf
  - (ii) Summary Paper -TASP.pdf
  - (iii) Tonga Agriculture Sector Plan Final.pdf
17. Mapping of Civil Society in Tonga (Sia).pdf
18. Agriculture Census Report 2001.pdf
19. Agriculture Census Report 2016.pdf
20. ARAP Main Report and Appendices 281115.docx
21. ARAP Working Paper 11: Costs and Financing 281115.docx
22. Farmer Field Schools - FAO Key practices.pdf

23. Tonga PIF GEF MAFFF 2013.pdf
24. Tonga Climate Change Policy 2016 final.pdf
25. Tonga INDC.pdf
26. Revised Tonga GEF 27 August 2015.pdf
27. Institutional Review of MORDI TT for TRIP 2 (Final) (06-06-16).doc
28. MAFFF Functional Review Draft18 Jan 2016 (1).docx
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37. FAO 2008; Climate change and food security in Pacific Island Countries
38. FAO, 2009, S.Lee; Tonga - Country Pasture/Forage Resource Profiles
39. FAO, 2010 Fisheries and Aquaculture Department; "Fishery and Aquaculture Country Profiles – The Kingdom of Tonga"
40. FAO, 2015; Agroecology for Food Security and Nutrition - Proceedings of the FAO International Symposium
41. FAO, 2016, Promotion of Fruit and Vegetables for Health - Report of the Pacific Regional Workshop
42. Government of Tonga, 2014; Kingdom of Tonga's Fifth National Report to the Convention on Biological Diversity
43. Ian Anderson, 2013; The Economic Costs of Non-communicable Diseases in The Pacific Islands - A Rapid Stocktake
44. Ministry of Agriculture, Food, Forests and Fisheries, 2015; Tonga National Agricultural Census Main Report
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47. Statistics Department Tonga, 2013; Tonga 2011 Census of Population and Housing, Vol. 1
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