
President's report
Proposed Debt Sustainability Framework grant
Kingdom of Tonga
Tonga Rural Innovation Project – Phase III

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Action: The Executive Board is invited to approve the recommendation contained in paragraph 65.

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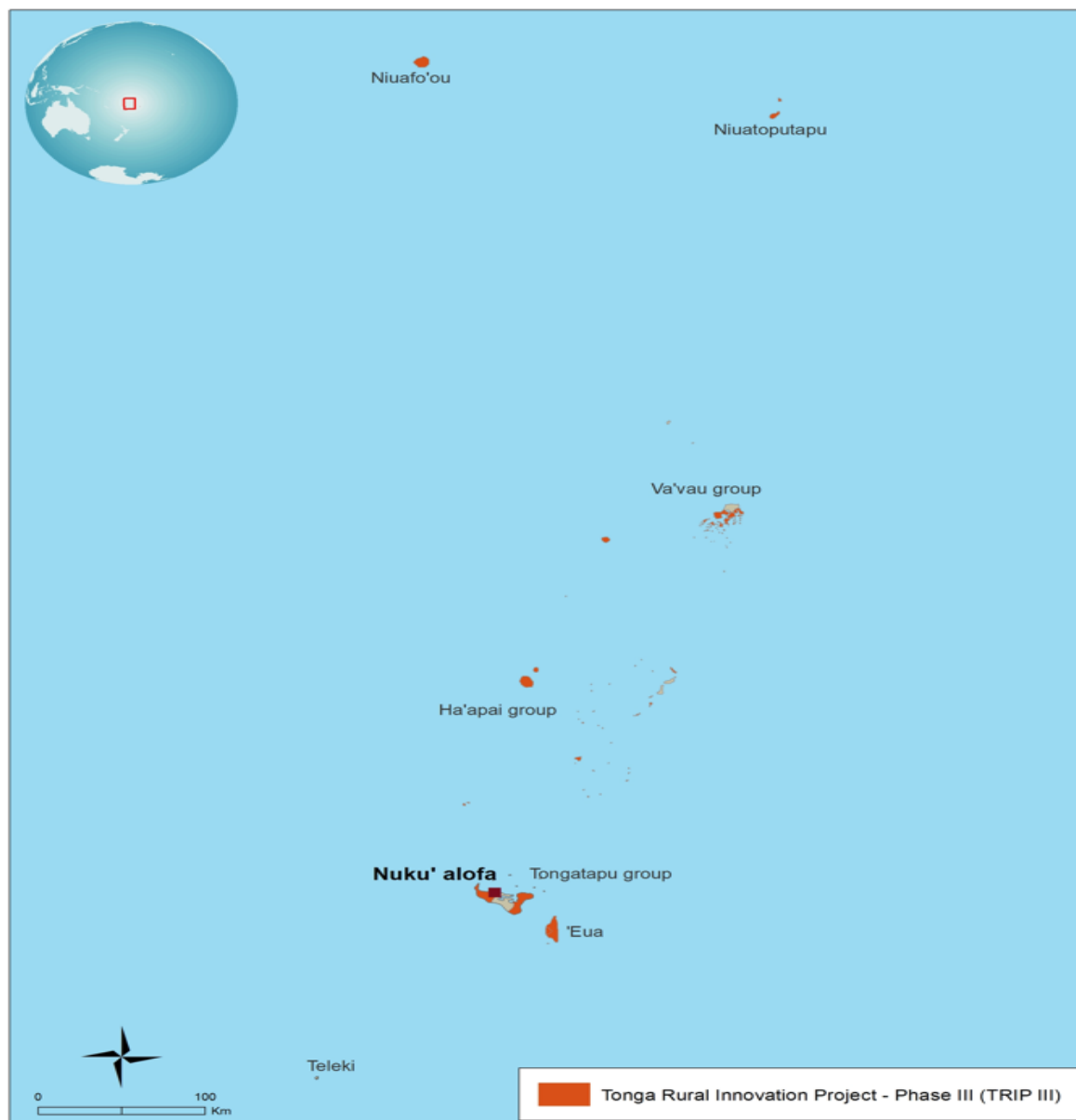
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Map of the project area



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 | 23-09-2025

Financing summary

Initiating institution:	IFAD
Recipient:	Kingdom of Tonga
Executing agency:	Ministry of Finance
Total project cost:	US\$19.36 million
Amount of IFAD grant:	US\$5.3 million
Cofinancier:	Global Environment Facility (GEF)
Amount of cofinancing:	US\$4.69 million
Terms of cofinancing:	Grant
Contribution of recipient:	US\$3.11 million
Contribution of beneficiaries:	US\$1.76 million
Financing gap:	US\$4.5 million
Amount of IFAD climate finance:	US\$4.959 million (US\$0.8 million of which is a climate top-up)

I. Context

A. National context and rationale for IFAD involvement

National context

1. The Kingdom of Tonga is classified as an upper-middle-income country, with a gross national income per capita (GNIPC) of US\$5,000. However, it faces significant challenges despite its economic status. Its score on the Human Development Index is below the regional average, indicating socioeconomic vulnerabilities. The population is predominantly rural, with 79 per cent living outside urban centres, and highly dependent on remittances, which constitute 40 per cent of GDP.
2. **Economic context.** Tonga faces economic challenges, with slow growth averaging 1.3 per cent annually over the past decade, due to its isolation as a Small Island Developing State (SIDS) and vulnerability to climate variabilities and natural disasters. Despite its majority rural population, the country's agriculture sector contributes only 16 per cent to GDP.
3. Poverty remains a concern, with multidimensional poverty affecting 24 per cent of the population and income poverty, 21 per cent. Rural areas, especially Tongatapu and 'Eua, have higher poverty rates. Vulnerable groups include children, the elderly, women and people engaged in informal employment. High food costs exacerbate poverty, with significant household expenditure on food.
4. **National policies and institutions.** Tonga's agricultural policy is a comprehensive framework aimed at promoting sustainable agriculture to ensure food security, economic development and environmental preservation. The Tonga Agricultural Sector Plan – Phase II (TASP II) 2025–2035 has been developed with the strategic objective of promoting sustainable rural livelihoods. The climate change policy, Nationally Determined Contribution and National Biodiversity Strategy and Action Plan highlight key issues and measures aimed at increasing community resilience and improving biodiversity conservation.
5. National strategies focus on improving food security and rural development, with key actors including the Mainstreaming of Rural Development Innovation Tonga Trust (MORDI TT), which leads community-based initiatives. The Government collaborates with international partners such as IFAD and the Global Environment Facility (GEF) to fund projects aimed at increasing resilience and reducing poverty.

Special aspects relating to IFAD's corporate mainstreaming priorities

6. In line with IFAD's mainstreaming commitments, the project has been validated as:
 - ☒ Including climate finance
 - ☒ Youth-sensitive
 - ☒ Prioritizing Indigenous Peoples
 - ☒ Including adaptive capacity
7. The Indigenous Peoples of Tonga, who make up nearly 97 per cent of the population, are predominantly of Polynesian descent, sharing deep cultural, linguistic and genetic ties with other Polynesian groups. Their traditions, social structures and language reflect a rich Polynesian heritage that has endured over centuries.
8. Tonga is among the countries of the world most vulnerable to climate variability due to its geographic location, SIDS status and reliance on natural resources for key economic sectors such as fisheries, agriculture and tourism. Irreversible loss and damage from extreme weather events and coastal erosion are jeopardizing the Government's poverty alleviation commitments and national development objectives.

9. Youth, some 32,000 people, account for one third of the population and are indisputably regarded as the country's greatest asset, representing the future of Tonga. Youth outmigration is high, and those who remain are often not attracted to agriculture.

Rationale for IFAD involvement

10. IFAD's involvement in the Tonga Rural Innovation Project – Phase III (TRIP III) is critical, given the persistent and emerging challenges faced by Tonga's rural communities. The project builds on the successes and lessons from TRIP I and II, which embedded a participatory community development process in Tonga's local government framework and boosted production capacity through cluster farms and community gardens. Despite progress, challenges such as frequent natural disasters, pandemic recovery and food insecurity remain. TRIP III aims to address them by further expanding and diversifying agricultural activities, supporting a transition to semi-commercial agriculture, promoting biodiversity and increasing climate resilience.
11. The Government of Tonga has requested IFAD's continued support to tackle new challenges such as the erosion of biodiversity, climate variability and high youth unemployment. IFAD's comparative advantage lies in its experience with community-based development and its ability to foster partnerships with key government bodies. TRIP III will support policymaking, decentralization of governance and agricultural innovation, focusing on transitioning households to semi-commercial agriculture, diversifying agricultural production to include fruit and vegetables and expanding non-farm income opportunities. This aligns with IFAD's mission to raise living standards and increase the local supply of nutritious food in rural areas.

B. Lessons learned

12. IFAD's experience in Tonga highlights the importance of effective stakeholder engagement for sustainable project implementation and fosters ownership. Decentralized management has proven beneficial, particularly in isolated outer islands, by improving oversight, lowering costs and strengthening local engagement. Capacity-building is critical, emphasizing the need for targeted training to upgrade technical skills and bolster institutional capacity, empowering stakeholders to take ownership.
13. The conditionality and competition approach has been effective in engaging rural communities, with support contingent on beneficiary contributions and prior actions. This approach encourages participation and provides additional support to communities that demonstrate strong ownership and commitment. However, it is essential to couple competition with empowerment to ensure that communities with less capacity can still compete.
14. Flexibility and responsiveness are vital for enabling projects to adapt quickly to natural disasters and economic crises. This adaptability allows for swift transition between development and crisis mitigation modes, ensuring continued progress despite external challenges.

II. Project description

A. Objectives, geographical area of intervention and target groups

15. The project aims to increase food and nutrition security, reduce poverty and bolster climate resilience in rural communities, strengthening community development and improving rural livelihoods by promoting diversified agricultural production and commercialization. This will be achieved by integrating climate-resilient practices, increasing biodiversity, fostering social inclusion and embracing innovative solutions.

B. Components, outcomes and activities

16. TRIP III has four main components. Component 1, community development, focuses on boosting the capacity for climate-resilient community and livelihood planning. It includes both community development plans (CDPs) and livelihood development plans (LDPs), which will identify community priorities, incorporate climate resilience and facilitate the transition from subsistence to semi-commercial farming, supported by community economic livelihood grants (CELGs).
17. Component 2, sustainable livelihoods, aims to improve household-level production and sales, expand areas under improved land management and create new livelihood opportunities, particularly for youth. Subcomponent 2.1 focuses on capacity-building for livelihood development, providing training in climate-resilient production, nutrition-oriented community gardening and financial and business literacy. Subcomponent 2.2 supports investment in climate-resilient LDPs and value chains through CELGs, facilitating partnerships with agribusiness and promoting agroforestry, community gardens and handicrafts. Subcomponent 2.3, the innovation facility, offers grants to test and demonstrate new technologies and business models, while subcomponent 2.4 improves access to agrometeorological (agromet) services to support climate-smart agriculture.
18. Component 3, project management and policy support, aims to increase institutional capacity for policy-making. It includes policy- and institutional capacity-building and the preparation of policy drafts. Project management will be handled by MORDI TT, which will establish a project management unit (PMU) for overall implementation of TRIP III.
19. Component 4, disaster recovery and rebuilding, addresses disaster recovery, establishing a mechanism for rapid emergency financing despite an initial zero budget allocation.

C. Theory of change

20. The proposed solution aims to transform Tongan agriculture, shifting it from traditional subsistence farming to a more resilient and commercially viable sector. This will be achieved through a three-pronged approach: participatory community development planning, sustainable livelihoods from the commercialization of agriculture and policy support. CDPs will be prepared and updated with a focus on climate adaptation, spanning agriculture, non-farm income-generating activities and community infrastructure. Subsequently, based on local value chain analyses, LDPs will detail agricultural and non-farm income-generating activities, supported by cost-sharing arrangements and training in climate-resilient techniques, financial literacy and business management. Establishment of the community infrastructure portion of the CDPs will be supported by the Tonga Australia Resilient Communities Program (TARCP), an Australia-funded parallel project
21. Guided by the LDPs, the project will increase access to improved inputs and technologies, fostering productivity while improving community resilience. Partnerships between farmer groups and agribusinesses in the form of outgrower agreements or contract farming will be facilitated. An innovation facility will support the testing of new technologies and youth-centric business models. Improved agromet services will help farmers utilize climate information effectively. Policy support will focus on updating regulatory frameworks to create an environment conducive to agricultural diversification and commercialization.
22. The assumptions underlying this theory include continued collaboration with local officials, sustained interest from community members and value chain actors and political will on the part of the Government to strengthen agricultural policies. The primary risk identified is natural disasters, which could damage infrastructure and delay activities.

D. Alignment, ownership and partnerships

23. TRIP III contributes to multiple Sustainable Development Goals (SDGs), including SDG 1 (no poverty), 2 (zero hunger), 5 (gender equality), 12 (responsible consumption and production), 13 (climate action), 14 (life below water), 15 (life on land) and 17 (partnerships for the goals).
24. The project will support important government policies and strategies, including: (i) the second phase of the Tonga Agriculture-Sector Plan (TASP II) 2025–2035; (ii) the third phase of the Tonga Strategic Development Framework (TSDF II) 2050, (iii) the Strategy for the Blue Pacific Continent; (iv) the Growing the Pacific 2050 Strategy for Agriculture and Forestry; (v) the Antigua and Barbuda Agenda for SIDS; (vi) the Tonga Climate Change Policy; (vii) Tonga’s Second Nationally Determined Contribution; and (viii) the Vision for Sustainable Food Systems for Tonga by 2030.
25. TRIP III is also strategically aligned with IFAD’s (draft) regional strategic opportunities programme for the Pacific and IFAD’s Strategy for Engagement in Small Island Developing States 2022–2027, as well as the Fund’s thematic policies and strategies, covering gender, youth, nutrition, climate variability and resilience, environment, biodiversity, Indigenous Peoples, participatory planning and private sector development.
26. **Ownership.** The Ministry of Agriculture, Food and Forests (MAFF); the Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (MEIDECC); the Ministry of Internal Affairs; the Prime Minister’s Office (Department of Local Government); and partner agencies have been actively involved throughout the TRIP III design process.
27. **Partnerships.** To ensure smooth implementation of the project to meet its development objectives, TRIP III considers partnership one of the critical paths. The project will forge strong partnerships with government agencies, youth organizations, private sector actors and development partners. It will also facilitate partnerships between different actors.

E. Costs, benefits and financing

Project costs

28. The total project cost is US\$19.36 million over a six-year period. Project investments are allocated as follows: 21.7 per cent to component 1, 59.1 per cent to component 2 and 19.2 per cent to component 3. Project management costs account for 17.0 per cent of the total (see table 1).
29. All project components are fully or partially counted as climate finance. As per the multilateral development banks’ methodologies for tracking climate change adaptation and mitigation finance, total IFAD climate finance is estimated at US\$4.959 million.

Table 1

Project costs by component and subcomponent and financier

(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>IFAD DSF grant</i>		<i>GEF</i>		<i>Beneficiaries</i>			<i>Financing gap</i>		<i>Government</i>			<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Cash</i>	<i>In kind</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Component 1: Community development	1 529	36.5	516	12.3	-	-	-	1 519	36.2	629	-	15.0	4 193	21.7
Component 2: Sustainable livelihoods														
Subcomponent 2.1: Capacity-building for livelihood development	1 420	31.9	845	19.0	-	-	-	1 515	34.1	667	-	15.0	4 446	23.0
Subcomponent 2.2: Investment in climate-resilient LDPs and value chains	354	5.7	2 670	42.8	1 493	1 493	47.9	186	3.0	40	-	0.6	6 235	32.2
Subcomponent 2.3: Innovation facility	-	-	130	50.0	65	65	50.0	-	-	-	-	-	260	1.3
Subcomponent 2.4: Agromet services	284	56.8	-	-	-	-	-	141	28.2	75	-	15.0	500	2.6
Subtotal component 2: Sustainable livelihoods	2 058	18.0	3 645	31.9	1 557.5	1 557.5	27.2	1 842	16.1	782	-	6.8	11 442	59.1
Component 3: Project management and policy support														
Subcomponent 3.1: Policy and institutional capacity-building	230	52.6	59	13.5	-	-	-	83	19.0	66	-	15.0	438	2.3
Subcomponent 3.2: Project management	1 482	45.1	470	14.3	-	-	-	1 053	32.0	282	-	8.6	3 288	17
Subtotal component 3: Project management and policy support	1 712	46.0	529	14.2	-	-	-	1 136	30.5	348	-	9.3	3 726	19.2
Component 4: Disaster recovery and rebuilding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5 300	27.4	4 690	24.2	1 557.5	1 557.5	16.1	4 496	23.2	1 758	-	9.1	19 360	100.0

Table 2

Project costs by expenditure category and financier

(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD DSF grant</i>		<i>GEF</i>		<i>Beneficiaries</i>		<i>Financing gap</i>		<i>Government</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
I. Investment costs												
A. Equipment and materials	240	85.0	-	-	-	-	-	-	42	15.0	283	1.5
B. Vehicles	188	85.0	-	-	-	-	-	-	33	15.0	221	1.1
C. Grants	129	2.1	2 800	44.9	3 115	50.0	186	3.0	0	-	6 231	32.2
D. Trainings and workshops	158	8.1	1 495	76.9	-	-	-	-	292	15.0	1 945	10.0
E. Consultancies and studies	2 971	40.2	-	-	-	-	3 308	44.8	1 108	15.0	7 387	38.2
F. Goods, services and inputs	496	85.0	-	-	-	-	-	-	88	15.0	584	3.0
Total investment costs	4 183	25.1	4 295	25.8	3 115	18.7	3 494	21.0	1 563	9.4	16 650	86.0
II. Recurrent costs												
A. Salaries and allowances	912	64.8	169	12.0	-	-	325	23.1	0	-	1 407	7.3
B. Operations and maintenance	205	15.7	226	17.3	-	-	677	51.9	196	15.0	1 304	6.7
Total recurrent costs	1 117	41.2	395	14.6	-	-	1 003	37.0	196	7.2	2 711	14
Total	5 300	27.4	4 690	24.2	3 115	16.1	4 496	23.2	1 758	9.1	19 360	100.0

Table 3

Project costs by component and subcomponent and project year

(Thousands of United States dollars)

Component/subcomponent	Totals, including contingencies													
	2026		2027		2028		2029		2030		2031		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Component 1: Community development	377.8	0.09	752.1	0.18	874.0	0.21	910.8	0.22	706.7	0.17	571.7	0.14	4 193.2	0.22
Component 2: Sustainable livelihoods														
Subcomponent 2.1: Capacity-building for livelihood development	456.7	0.10	863.6	0.19	894.4	0.20	921.4	0.21	845.1	0.19	465.1	0.13	4 446.2	0.23
Subcomponent 2.2: Investment in climate-resilient LDPs and value chains	337.7	0.05	1 564.8	0.25	1 559.1	0.25	1 652.6	0.27	1 121.0	0.18	-	-	6 235.3	0.32
Subcomponent 2.3: Innovation facility	-	-	128.6	0.50	131.2	0.50	-	-	-	-	-	-	259.8	0.01
Subcomponent 2.4: Agromet services	-	-	27.6	0.06	326.9	0.65	57.4	0.11	58.6	0.12	29.9	0.06	500.4	0.03
Subtotal component 2: Sustainable livelihoods	794.4	0.07	2 584.6	0.23	2 911.5	0.25	2 631.5	0.23	2 024.7	0.18	495.0	0.05	11 441.7	0.59
Component 3: Project management and policy support														
Subcomponent 3.1: Policy and institutional capacity-building	97.4	0.22	99.6	0.23	101.6	0.23	115.3	0.26	11.9	0.03	12.2	0.03	438.0	0.02
Subcomponent 3.2: Project management	731.0	0.22	417.6	0.13	426.0	0.13	559.3	0.17	570.5	0.17	583.3	0.17	3 287.6	0.17
Subtotal component 3: Project management and policy support	828.4	0.22	517.2	0.14	527.5	0.14	674.6	0.18	582.4	0.16	595.4	0.15	3 725.6	0.19
Component 4: Disaster recovery and rebuilding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	2 000.6	0.10	3 853.9	0.20	4 313.1	0.22	4 216.9	0.22	3 313.9	0.17	1 662.0	0.09	19 360.5	1.00

Financing and cofinancing strategy and plan

30. The total project cost is US\$19.36 million, US\$5.3 million of which will be funded by IFAD (which includes US\$4.50 million from Tonga's IFAD13 performance-based allocation system [PBAS] allocation and an additional US\$0.80 million from the climate contribution) (27.4 per cent of the total cost) and US\$4.69 million (24.2 per cent) by GEF. The Government will contribute US\$1.76 million (9.1 per cent) and beneficiaries, US\$3.11 million (16.1 per cent). To ensure cost-efficiency, the project will identify potential areas for cost savings to inform a strategy for appropriately reducing recurrent costs.
31. There is a financing gap of US\$4.50 million (23.2 per cent), which may be sourced through subsequent PBAS cycles of and/or the Borrowed Resource Access Mechanism (BRAM) (under financing terms to be determined and subject to internal procedures and subsequent Executive Board approval) or other potential cofinancing identified during implementation. In the event the financing gap materializes and no additional resources become available, project performance will not be impacted, as the project's targets and design are based on the secured available resources.

Disbursement

32. Withdrawals of the IFAD grant will follow the revolving fund disbursement modality, based on the six-month cash forecast projected in the quarterly Interim Financial Reports (IFRs). Withdrawal application (WA) amounts will be supported by IFRs submitted to IFAD within 30 days of quarter end. The IFRs and WAs will be submitted through the IFAD Client Portal (ICP) Financial Execution Module. These arrangements will also apply to the GEF grant. Government financing of taxes and duties foregone will be through refunds claimed on a regular basis, and beneficiary cash contributions will be paid directly to suppliers and contractors; no funds will flow in cash to MORDI TT. The proceeds of the IFAD financing will not be used to pay taxes.

Summary of benefits and economic analysis

33. The analysis estimates an economic internal rate of return of 19.8 per cent, well above the social discount rate, demonstrating strong economic viability. The project yields a net present value of TOP 33.5 million (US\$14.1 million) and a benefit-cost ratio of 1.9, indicating that every TOP invested generates TOP 1.9 in economic benefits. Sensitivity analyses confirm the project's robust economic outlook. The robustness of the project's economic viability was tested through a series of sensitivity scenarios.

Exit strategy and sustainability

34. The project exit strategy focuses on building local capacity and institutional frameworks to ensure long-term sustainability. Key elements include training local stakeholders, establishing community-based organizations and integrating project activities into existing government programmes. Implementation will involve phased withdrawal of external support, allowing local entities to gradually assume full responsibility. This approach is designed to enhance the sustainability of benefits by fostering ownership and self-reliance among beneficiaries.

III. Risk management

A. Risks and mitigation measures

35. The project has been assessed with an overall inherent risk rating of "substantial," with a residual risk rating also considered "substantial" after mitigation measures. The top risks identified include climate variability, which could impact agricultural productivity, and institutional capacity constraints, which may hinder effective project implementation. Additionally, market access challenges could affect the sustainability of development outcomes.

36. To mitigate these risks, the project will implement several key measures. To address climate variability, it will facilitate climate risk identification and include adaptation measures in the CDP, promote climate-resilient agricultural practices and invest in infrastructure for effective water resource management.
37. To improve market access, it will facilitate value chain development and support the establishment of market linkages for smallholder farmers. This will include investments in infrastructure, such as roads and storage facilities, and the promotion of cooperatives to boost collective bargaining power.
38. **Financial risks.** The inherent financial management risk has been rated as “high”. Mitigation measures include: (i) capacity-building for finance staff; (ii) memorandums of understanding (MoUs) with local accounting bodies for training and recruitment pipelines; (iii) accounting software upgrading for timely reporting; (iv) timely budgeting and performance monitoring at the category level per financier; (v) separate bank accounts for each donor to avoid co-mingling; (vi) electronic filing system as part of the back-up plan; (vii) outdated-policy updates; (viii) internal audit arrangements to be put in place; (ix) enforcement of travel policy on advance acquittals; (x) structured performance reviews; (xi) material requisition and distribution documentation; (xii) limited cash transactions; (xiii) the development of guidelines for in-kind contributions; and (xiv) timely preparation and audit of financial statements.

Table 4

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Moderate	Moderate
Sector strategies and policies	Moderate	Moderate
Environment and climate context	Substantial	Substantial
Project scope	Moderate	Moderate
Institutional capacity for implementation and sustainability	Substantial	Substantial
Financial management	High	High
Project procurement	High	High
Environment, social and climate impact	Moderate	Moderate
Stakeholders	Low	Low
Overall	Substantial	Substantial

B. Environment and social category

39. Environmental and social risks are deemed “moderate”. The project will promote sustainable climate-smart agriculture, improve soil health and support agrobiodiversity. Special attention will be given to women, female-headed households, youth and marginalized communities. Free, Prior and Informed Consent will be ensured through the CDP process. Overall, TRIP III is expected to generate positive environmental and social benefits.

C. Climate risk classification

40. The project's climate risk is classified as “substantial”. Project areas are prone to cyclones, floods and water scarcity. Crops and livestock are affected by rainfall variability, temperature changes and pest and disease outbreaks. The CDP process will integrate climate issues and adaptation measures. The project will promote climate-resilient diversified agriculture and nature-based solutions. Agrometeorological services will be strengthened and made accessible to farmers.

D. Debt sustainability

41. Tonga is considered at high risk of debt distress. It is an upper-middle-income country, classified as a small state economy, with a GNIpc above the International Development Association (IDA) operational cut-off. It is eligible for IFAD's Debt

Sustainability Framework as a small state economy eligible for IDA financing. As Tonga is at high risk of debt distress, it is eligible for grants under the IFAD DSF in 2025. The country's debt obligations are largely external; debt repayments surged to 3.5 per cent of GDP in fiscal year (FY) 2024 and will remain elevated at over 3 per cent of GDP until FY2027. The Government's plan to refrain from new non-concessional borrowing will further reduce Tonga's risk of debt distress.

IV. Implementation

A. Organizational framework

Project management and coordination

42. Tonga, through the Ministry of Finance, will be the grant recipient, and MORDI TT will remain the lead project agency for TRIP III. MORDI TT will also implement the TARCP under parallel financing, sharing some costs and resources between projects. MORDI TT will engage several project parties, including MAFF, MEIDECC, the Ministry of Internal Affairs and the Prime Minister's Office (Department of Local Government [DLG]) through MoUs.
43. A project advisory committee (PAC) comprising Chief Executive Officers from the Ministry of Finance, MAFF, MEIDECC, the DLG, the Ministry of Internal Affairs and the Civil Society Forum of Tonga will provide governance and strategic oversight. MORDI TT will host and facilitate the PAC, with meetings held quarterly. A PMU for TRIP III will be set up in MORDI TT's office in Nuku'alofa, while a separate PMU will manage the TARCP.

Financial management, procurement and governance

44. The financial management and procurement arrangements will be enhanced to accommodate an increase in the magnitude and scope of the activities under parallel financing and TRIP III. The parallel financing arrangements will require separate annual workplans, budgets, accounting and reporting systems and protocols for sharing the cost of some activities between the two projects, including the preparation of CDPs, and PMU staff. Financial management operations will be guided by the IFAD Project Financial Management and Financial Control Handbook and the project implementation manual (PIM).
45. MORDI TT will set up a national PMU in Nuku'alofa, headed by the project director. TRIP II finance staff will transition to TRIP III, and an additional finance manager will be recruited. The finance unit will be headed by the operations manager for finance and administration, supported by a finance manager and finance officer.
46. The annual workplan and budget (AWPB) will be prepared in consultation with communities endorsed by MORDI TT, approved by the Ministry of Finance and submitted to IFAD 60 days before the start of the fiscal year. The approved AWPB amount will be reflected in the national annual budget.
47. Project financial statements will be prepared using an upgraded version of the Mind Your Own Business accounting software or a new system to be installed that supports multiple financiers and report automation. The project will adopt International Public Sector Accounting Standards (cash basis) as the basis for accounting. Supporting documents will be retained permanently with authorized access. IFRs will be submitted on a quarterly basis through the ICP system within 30 days of quarter end. Current internal control systems and processes will be improved, and the PIM will be updated.
48. Tonga's Office of the Auditor General will oversee the annual external audit of financial statements and, under its guidance, an audit firm will be hired as per procurement procedures. The auditor will follow international auditing standards and the terms of reference agreed upon with the recipient. The audit report will be submitted within six months of fiscal year end and will be disclosed as per IFAD's

Policy on Disclosure of Documents for Non-Sovereign Private Sector Operations 2022.

49. **Flow of funds and disbursement.** A designated account (DA) in United States dollars will be opened at the National Reserve Bank of Tonga. The IFAD grant will be disbursed into the DA based on the revolving fund mechanism, and WAs supported by the six-month cash forecast projected in the quarterly IFRs will be submitted through the ICP system. A project account in pa'anga will be opened at a commercial bank and will be funded from the DA upon requests to the Ministry of Finance, for transaction purposes.
50. The first disbursement will be made on submission of a MoU signed by the Ministry of Finance and MORDI TT and acceptable to IFAD, to appoint MORDI TT as the lead project agency; the appointment of key project personnel; approval of the first AWPB and procurement plan; the submission of designated account details and banking instructions; the designation of authorized signatories; and the registration of users in the ICP system.
51. Procurement will follow IFAD's Project Procurement Guidelines and Handbook, with a dedicated procurement unit established to mitigate identified risks. Procurement processes will be simplified to suit the decentralized context, with e-procurement tools such as Xero enterprise resource planning and IFAD's Online Project Procurement End-To-End System (OPEN) system improving transparency and oversight. Regular training and capacity-building will be provided for staff. Lower prior review thresholds and annual external audits will ensure effective oversight.
52. Governance will be strengthened through robust anti-corruption measures aligned with IFAD's policies. The Anti-Corruption Commissioner's Office will handle high-level complaints, supported by Tonga's Office of the Auditor General and the Transactions Reporting Authority.¹ A whistleblower protection mechanism will be established, ensuring non-retaliation and transparency.

Target group engagement and feedback and grievance redress

53. The project will employ a bottom-up approach to engage target groups, ensuring at least 85 per cent participation by the population aged 16 to 65. This includes the preparation of development plans by women, youth and men that will be integrated into community plans. Sector-specific subcommittees, with required representation of women and youth, will develop plans for priority areas such as infrastructure and livelihoods.

Grievance redress

54. Grievance redress mechanisms include channels for filing complaints, the assessment of complaint validity and dialogue or mediation to resolve issues, with independent arbitration, if needed. Monitoring ensures compliance with IFAD/GEF policies, and confidentiality is maintained to protect complainants from retaliation.

B. Planning, monitoring and evaluation, learning, knowledge management and communications

55. The project will implement a comprehensive knowledge management and communication system. AWPBs will be developed collaboratively and shared for transparency. Progress reporting will be semi-annual, providing updates on technical and financial aspects. The monitoring and evaluation system will track financial and procurement data, using various instruments. Surveys will be conducted at the baseline, midline and endline stages. Knowledge products, including training materials, documentation and digital content, will be tailored to different audiences.

¹ <https://www.reservebank.to/index.php/financial-intelligence/transactions-reporting-authority>.

Innovation and scaling up

56. TRIP III is designed to accelerate inclusive, climate-resilient and commercially viable rural transformation through the innovation facility. The facility provides targeted support through small grants aimed at testing, demonstrating and scaling up innovative solutions that boost productivity, promote value addition, strengthen environmental sustainability and expand equitable participation in priority value chains.
57. The innovation facility enables communities and local actors to pilot and validate solutions that address systemic constraints or unlock new opportunities in the market.
58. Importantly, innovations supported under subcomponent 2.3 are not intended to be one-off experiments. Each proposal must demonstrate clear relevance to value chain priorities identified through value chain analysis, alignment with LDPs and a plausible pathway for scale up or replication.

C. Implementation plans

Implementation readiness and start-up plans

59. To ensure implementation readiness, MORDI TT will develop new procurement guidelines aligned with IFAD's framework to address capacity gaps. Governance will adhere to IFAD's anti-corruption policy, with the Tonga Anti-Corruption Commission handling complaints. TRIP III incorporates disaster risk management and adheres to social, climate and environmental safeguards. Notwithstanding, a satisfactory roadmap is in place for transitioning from TRIP II to TRIP III.

Supervision, midterm review and completion plans

60. IFAD supervision will apply to all parts of TRIP III, including those funded by GEF. At least one annual supervision mission, jointly conducted by IFAD, MORDI TT and the Government with the involvement of other project stakeholders, will assess project performance and achievements, lessons learned and compliance with the financing agreement.
61. A midterm review will be conducted in the second quarter of 2029 at the latest, building on the findings of a midline impact survey. Based on the endline survey, the PMU, in consultation with MAFF, MEIDECC and the DLG, will prepare a final project report to be submitted to IFAD, GEF and the Government of Tonga within three months of project completion.

V. Legal instruments and authority

62. A financing agreement between the Kingdom of Tonga and IFAD will constitute the legal instrument for the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as appendix I.
63. The Kingdom of Tonga is empowered under its laws to receive financing from IFAD.
64. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

65. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a Debt Sustainability Framework grant to the Kingdom of Tonga in an amount of five million three hundred thousand United States dollars (US\$5,300,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Negotiated financing agreement

(Negotiations concluded on 01 September 2025)

FINANCING AGREEMENT

Grant No: _____

Project name: Tonga Rural Innovation Project – Phase III (“TRIP III”/ “the Project”)

The Kingdom of Tonga (the “Recipient”), through the Ministry of Finance

and

The International Fund for Agricultural Development (the “Fund” or “IFAD”)

(each a “Party” and both of them collectively the “Parties”)

WHEREAS the Recipient has requested a Debt Sustainability Fund (DSF) grant from the Fund for the purpose of financing the Project described in Schedule 1 to this Agreement;

WHEREAS the Recipient has undertaken to provide additional support, financially or in kind that may be needed to the Project;

WHEREAS, the Fund has agreed to provide financing for the Project;

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2022, and as may be amended hereafter from time to time (the “General Conditions”) are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Grant (the “Financing”) to the Recipient, which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Financing is Five Million and Three Hundred Thousand United States dollars (US\$ 5,300,000)

2. The first day of the applicable Fiscal Year shall be July 1.

3. There shall be a Designated Account in United States Dollars, for the exclusive use of the Project opened in the National Reserve Bank of Tonga. The Recipient shall inform the Fund of the officials authorized to operate the Designated Account.
4. There shall be a Project Account in local currency, Tongan Pa'anga for the benefit of the project in a commercial Bank.
5. The Recipient shall provide counterpart financing for the Project in the amount of One Million Seven Hundred and Sixty Thousand United States dollars (US\$ 1,760,000) in the form of taxes and duties.

Section C

1. The Ministry of Finance shall be the Executing Agency of this Agreement.
2. The Lead Project Agency shall be the Mainstreaming of Rural Development Innovation (MORDI) Tonga Trust.
3. The following are designated as additional Project Parties: the Ministry of Agriculture, Food and Forests (MAFF), the Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (MEIDECC), Ministry of Internal Affairs and the Prime Minister Office (Department of Local Government (DLG)).
4. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.
5. The Project Completion Date shall be the sixth (6) anniversary of the date of entry into force of this Agreement and the Financing Closing Date shall be 6 months later, or such other date as the Fund may designate by notice to the Recipient.
6. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

Section D

1. The Fund will administer the Grant and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:
 - (a) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Project.
2. The following are designated as additional grounds for cancellation of this Agreement:
 - (a) In the event that the Recipient did not request a disbursement of the Financing for a period of at least 12 consecutive months without justification subsequent to the first eighteen (18) months from the Effective Date.

3. The following are designated as additional specific conditions precedent to withdrawal:

- (a) A Memorandum of Understanding has been signed between Ministry of Finance (MoF) and MORDI TT, acceptable to IFAD, to appoint MORDI TT as the LPA,
- (b) Key Project Personnel has been appointed as per section 12 Schedule 3 of this Agreement.
- (c) The first AWPB have been submitted and received no-objection from IFAD.
- (d) The Designated Account shall have been duly opened, and IFAD must have received a duly completed Authorised User(s) Letter, from the designated representative or a sufficiently senior delegated official, designating the name (s) of the official(s) authorised to approve Withdrawal Applications and Interim Financial Reports (IFR).

4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Minister of Finance
Ministry of Finance
Taufa'ahau Road, St George Building,
Nuku'alofa
Kingdome of Tonga

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

KINGDOM OF TONGA

Dr. 'Aisake Valu Eke
Minister for Finance

Date: _____

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Alvario Lario
President
Date: _____

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit 35,143 people in 128 communities.
2. *Project area.* The Project will cover six island groups (Vava'u, Eua, Tongatapu, Ha'apaí, the Niua Fo'ou & Niua Toputapu) (the "Project Area").
3. *Goal.* The Project goal aims to contribute to food and nutrition security and poverty reduction and improve climate resilience among rural communities.
4. *Objectives.* The objective of the Project is to strengthen community development and improve rural livelihoods by promoting diverse agricultural production and commercialization. This will be achieved through the integration of climate-resilient practices, improvement of biodiversity, fostering of social inclusion, and incorporation of innovative solutions.
5. *Components.* The Project shall consist of the following Components:

Component 1, Community Development, focuses on enhancing capacities for climate-resilient community and livelihood planning. It includes Community Development Plans (CDPs) and Livelihood Development Plans (LDPs), which involve climate risk assessments and training for local government officials and community members. These plans will identify community priorities, incorporate climate resilience, and facilitate the transition from subsistence to semi-commercial farming, supported by Community Economic Livelihood Grants (CELGs).

Component 2, Sustainable Livelihoods, aims to improve household-level production and sales, increase areas under improved land management, and create new livelihood opportunities, particularly for youth.

Sub-component 2.1 focuses on capacity building for livelihood development, providing training on climate-resilient production, nutrition-oriented community gardening, financial and businesses literacy.

Sub-component 2.2 supports investment in climate-resilient LDPs and value chains through CELGs, facilitating partnerships with agribusinesses and promoting agroforestry, community gardens, and handicrafts.

Sub-component 2.3, the Innovation Facility, offers grants to test and demonstrate new technologies and business models.

Sub-component 2.4 enhances access to agrometeorological services to support climate-smart agriculture.

Component 3, Project Management and Policy Support, aims to improve institutional capacities for policy development. It includes policy and institutional capacity development through multistakeholder consultations and the creation of policy drafts.

Component 4, Disaster Recovery and Rebuilding, focuses on delivering disaster response and recovery packages. The component will have an initial zero budget allocation and financing but provides a mechanism for the Project to gain rapid access to financing to respond to an eligible crisis or emergency.

II. Implementation Arrangements

6. *Lead Project Agency.* MORDI TT is tasked with implementing the Project. A memorandum of understanding (MOU) will be signed between MORDI TT and MOF formalising the arrangement.

7. *Project Oversight Committee.* A Project Advisory Committee (PAC) will provide governance and strategic oversight, comprising CEOs from MOF, MAFF, MEIDECC, the Prime Minister Office (Department of Local Government (DLG)), the Ministry of Internal Affairs, and the Civil Society Forum Tonga. MORDI TT will host and facilitate the PAC, with meetings held quarterly.

8. *Project Management Unit.* A Project Management Unit (PMU) will be established within MORDI TT's office in Nuku'alofa, dedicated to TRIP III, while a separate PMU will manage TARCP. The PMU will handle planning, grant disbursement, procurement, financial management, and liaise with the government as needed.

9. *Project Parties.* MORDI TT will engage several implementing partners through MOUs, including the Ministry of Agriculture, Food and Forests (MAFF), the Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (MEIDECC), and Ministry of Internal Affairs and the Prime Minister Office (Department of Local Government (DLG)).

10. *Monitoring and Evaluation.* The M&E system will track financial and procurement data, using various instruments to capture indicators specified in the Logical Framework. Surveys will be conducted at baseline, midline, and endline stages to assess project impact.

11. *Knowledge Management.* Knowledge products, including training materials, documentation, and digital content, will be tailored for different audiences.

12. *Project Implementation Manual.*

A Project Implementation Manual with the associated annexes will be finalized at Project inception, approved by the PAC and subjected to IFAD's no objection. Any amendment to the PIM must receive an IFAD's no objection prior to it becoming effective.

Schedule 2

Allocation Table

1. *Allocation of Grant Proceeds.* (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Grant and the allocation of the amounts to each category of the Financing and the percentages of expenditures for items to be financed in each Category:

Category Number	Category Description	Grant Amount Allocated (expressed in USD)	Percentage (net of tax, co-financiers and beneficiary contributions)
I.	Vehicles, Equipment & Materials	387 000	100%
II.	Grants	117 000	100%
III.	Consultancies & Studies	2 673 000	100%
IV.	Goods, Services & Inputs	585 000	100%
V.	Recurrent Costs	1 008 000	100%
	Unallocated	530 000	100%
	TOTAL	5 300 000	

(b) The terms used in the Table above are defined as follows:

- (i) Category I-Vehicles, Equipment & materials includes eligible expenditure also for vehicles.
- (ii) Category II-Grants shall mean eligible expenditure incurred on Matching Grants.
- (iii) Category III-Consultancies & Studies also includes TA travel.
- (iv) Category IV-Goods, services & inputs includes Trainings & Workshops.
- (v) Category V-Recurrent costs include salaries and allowances and operating costs.

2. *Disbursement arrangements*

- (a) *Start-up Costs.* Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD200,000 Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible. The activities relating to the Project's start-up and preparatory activities are recruitment of PMU staff; costs related to tendering, selection, and recruitment of service providers; costs related to the finalization of the program implementation manual; start-up workshop; accounting software licensing, and baseline survey.

Schedule 3

Special Covenants

I. General Provisions

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the Grant Account if the Recipient has defaulted in the performance of any covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Project.

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customized accounting software as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.

2. Within 6 months of entry into force of the Financing Agreement, IFAD no objection to the Project Implementation Manual (PIM) shall have been obtained.

3. Within 2 months of entry into force, submission of a tax exemption certificate providing Project with official tax-exempt status

4. Within six (6) months of entry into force of the Financing Agreement, the Project will enter into Memorandum of Understandings (MoU) with Project Parties that will structure the collaboration, define roles, responsibilities and duties with regards to implementation, financial management, accounting and reporting.

5. Planning, Monitoring and Evaluation. The Recipient shall ensure that (i) a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.

1. Gender. The Recipient shall ensure that appropriate measures will be taken in order to support women and youth in integrated approach that promotes gender empowerment of women and youth in an integrated approach to youth sensitive and climate change.

7. Indigenous People (IP) Concerns. The Recipient shall ensure that the concerns of IPs are given due consideration in implementing the Project and, to this end, shall ensure that:

- (a) the Project is carried out in accordance with the applicable provisions of the relevant IP national legislation;
- (b) indigenous people are adequately and fairly represented in all Community Development Planning (CDP), Livelihood Development Plan (LDP), and local planning for Project activities;
- (c) Free, Prior, and Inform Consent (FPIC) is obtained during CDP process.
- (d) IP rights are duly respected;
- (e) IP communities, participate in policy dialogue and local governance;
- (f) The terms of Declarations, Covenants and/or Conventions ratified by the Recipient on the subject are respected²;
- (g) The Project will not involve encroachment on traditional territories used or occupied by indigenous communities.

8. Anticorruption Measures. The Recipient shall comply with IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations.

² Refer to ILO 169, 1989 when ratified.

9. Sexual Harassment, Sexual Exploitation and Abuse. The Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy on Preventing and Responding to Sexual Harassment, Sexual Exploitation and Abuse, as may be amended from time to time.

10. Use of Project Vehicles and Other Equipment. The Recipient shall ensure that:

- (a) all vehicles and other equipment procured under the Project are allocated to the Lead Program Agency for Project implementation;
- (b) The types of vehicles and other equipment procured under the Project are appropriate to the needs of the Project;
- (c) All vehicles and other equipment transferred to or procured under the Project are dedicated solely to Project use;
- (d) At Project completion, the Parties shall agree on the final use of Project equipment, in accordance with the Government's Asset Management Framework. In the event there is a subsequent phase of the Project, the Parties may agree to transfer the equipment to the next phase of the Project.

11. IFAD Client Portal (ICP) Contract Monitoring Tool. The Recipient shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Recipient shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Recipient shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

12. The Key Project Personnel are: Project Manager, Financial Specialist, Officer for Monitoring and Evaluation, Knowledge Management Officer, Procurement Officer, Social Inclusion and Gender Specialist, and Environment and Climate Assessment Specialist. In order to assist in the implementation of the Project, the PMU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be seconded to the PMU in the case of government officials or recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, Public Service policy and instructions, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour regulations or the ILO International Labour Standards (whichever is more stringent) in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. For projects presenting moderate social, environmental and substantial climate risks, the Recipient shall carry out the implementation of the Project in accordance with the measures and requirements set forth in the Environmental, Social and Climate Management Plans (ESCMPs), Free, Prior and Informed Consent (FPIC) detailed in the CDP process, , and Targeted Adaptation Assessment (TAA), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Recipient shall not amend, vary or waive any provision of the Management Plan(s), unless: (i) agreed in writing by the Fund and (ii) Recipient has complied with the requirements applicable to the original adoption of the Management Plan(s).

2. The Recipient shall not, and shall cause the Executing Agency and LPA, all its contractors, its sub-contractors, and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific FPIC and/ or the agreed works and compensation schedule.

3. The Recipient shall disclose the draft and final ESCMP reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project -affected area, in a form and language understandable to Project-affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

4. The Recipient shall ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. This section applies to any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

- (i) has direct or potential material adverse effect;
- (ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or
- (iii) gives rise to material potential liabilities.

In the occurrence of such event, the Recipient shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project-affected parties on how to mitigate the risks and impacts;
- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project -level grievance mechanism according to the SECAP requirements; and
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur in the context of the grant or within the Recipient's activities. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Recipient (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and violence involving Project workforce or in relation to severe threats to

public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegations that require intervention by the police/other law enforcement authorities such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

6. The Recipient shall ensure or cause the Executing Agency, Implementing Agency, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the Management Plan(s) (if any) are respected.

7. Without limitation on its other reporting obligations under this Agreement, the Recipient shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semi-annual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Recipient will disclose relevant information from such reports to affected persons promptly upon submission of the said reports; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

8. In the event of a contradiction/conflict between the Management Plan(s), if any, and the Financing Agreement, the Financing Agreement shall prevail.

Logical framework

Results Hierarchy	Indicators				Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project/				Progress Reports	Biannual/Annual	Project PMU	
	Males - Males	0	8,516	21,290				
	Females - Females	0	5,678	14,194				
	Young - Young people	0	4,258	10,645				
	Indigenous people - Indigenous people	0	14,059	35,143				
	Total number of persons receiving services - Number of people	0	14,059	35,143				
	1.b Estimated corresponding total number of households members				Progress Report	Biannual/Annual	Project PMU	
	Household members - Number of people		14,059	35,143				
	1.a Corresponding number of households reached				Progress Report	Biannual/Annual	Project PMU	
	Women-headed households - Households		530	1,326				
	Non-women-headed households - Households		3,007	7,517				
	Households - Households		3,537	8,843				
Project Goal: Contribute to food security, poverty reduction and improve climate resilience among rural communities.	per cent of rural HH under national poverty line				HIES	5 Years	Tonga Statistic	No major changes in Government of Tonga's Strategic Development Framework Phase III and Agricultural Sector Strategy II 2025-2035.
	HH experiencing multi-dimensional poverty (%) (2121 HIES)	24	22	20				
	FIES Food Insecurity Experience Scale				HIES	5 Years	Tonga Statistic	
	FIES Food Insecurity Experience Scale - Number	5	4	3				
Development Objective Strengthen community development and	2.2.2 Supported rural enterprises reporting an increase in profit				Progress Reports	Annual	PMU	Eighty per cent of households in target communities are expected to have
	Number of enterprises		287	718				

improve rural livelihoods by promoting diverse agricultural production and commercialisation, integrating climate-resilient practices, fostering social inclusion, and incorporating innovative solutions”.	Per centage of enterprises - Per centage (%)		32	80				increased incomes by project completion.
Outcome Outcome 1. Community development capacities enhanced	SF.2.2 Households reporting they can influence decision-making of local authorities and project-supported service providers				Progress Reports	Annual	PMU	All 122 TRIP II communities revise CDPs by mid-term

	Climate-Resilient LDPs revised/updated - Number		431	718				Five LDPs per community
Outcome Outcome 2. Livelihood enhanced and new opportunities created	1.2.4 Households reporting an increase in production				Progress Reports	Annual	PMU	10,221 households in target communities 5 CIGs per community x 10 members x 128 communities x 70 per cent success rate Two cluster farms per community x 8 acres (3.2 ha)
	Total number of household members - Number of people		10,612	21,223				
	Households - (%)		30	60				
	Households - Households		2,653	5,306				
	2.2.1 Persons with new jobs/employment opportunities				Progress Reports	Annual	PMU	
	Males - Males		1,805	3,008				
	Females - Females		2,242	3,737				
	Indigenous people - Indigenous people		4,047	6,745				
	Young - Young people		2,816	3,755				
	Total number of persons with new jobs/employment opportunities - Number of people		4,047	6,745				
	2.2.5 Rural producers’ organisations reporting an increase in sales				Progress Reports	Annual	PMU	
	Number of Rural POs - Organisations		431	718				
	Total number of POs members - Number		4,047	6,745				
	Women PO members - Number		2,242	3,737				
	Men PO members - Number		1,805	3,008				
	Young PO members - Number		2,816	3,755				
Output Output 2.1 Capacity development for climate resilient production and off farm livelihood opportunities	3.1.4 Area of Land managed for climate resilience (GEF SCCF Core Indicator 4, also IFAD)				Progress Reports	Annual	PMU	Two cluster farms per community x 8 acres (3.2 ha)
	Hectares of land - Area (ha)		641	1,068				
	Area of landscapes under improved management to benefit biodiversity (GEF biodiversity indicator)							
	Hectares of land - Area (ha)		301	534				
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks				Progress Reports	Annual	PMU	90 per cent of groups 10 per cent of groups 20 per cent of groups 100 per cent of groups Two community gardens per community
	Total size of groups - No of people		1,603	2,672				
	Groups supported – Groups		200	334				
	Males – Males		200	334				
	Females – Females		0	0				

	Young - Young people		40	66	Progress Reports	Annual	PMU	x 15 members, of whom 90 per cent are women. 0.1 acres per garden. Includes handicrafts. 2 groups per community x 20 members, of whom 90 per cent are women.
	Indigenous people - Indigenous people		1,603	2,672				
	Acreage/# of multiplication/ demo plots/model gardens established (GEF)							
	Acreage/# of model gardens established – Number		19	19	Progress Reports	Annual	PMU	
	2.1.2 Persons trained in income-generating activities or business management							
	Males – Males		3,760	3,760				
	Females – Females		4,672	4,672				
	Indigenous people - Indigenous people		8,432	8,432				
	Young - Young people		1,686	1,686				
	Persons trained in IGAs or BM (total) - Number of people		8,432	8,432				
Output Output 2.2: CR input and technologies provided to facilitate adoption	1.1.3 Rural producers accessing CSA production inputs and/or technological packages/ / People benefitting from GEF-financed investments (GEF Core indicator 11 – biodiversity and SCCF)				Progress Reports	Annual	PMU	Includes all beneficiaries of cluster farms and community gardens.
	Males – Males		2,256	3,760				
	Females – Females		2,803	4,672				
	Young - Young people		1,011	1,686				
	Indigenous people - Indigenous people		5,059	8,432				
	Total rural producers -# of people		5,059	8,432				
	Agribusiness partnerships (e.g. contract farming, outgrower arrangement, etc.) established							
	Agribusiness partnerships - Number		10	20				
Output Output 2.3 Innovation facility	# private sector enterprises/civil organisations engaged in climate change adaptation and resilience action through Innovation Facility (GEF)				Progress Reports	Annual	PMU	Assumes 25 innovation grants awarded, each involving 20 households in testing and demonstrating innovations
	# private sector enterprises/civil organisations		10	25				
	# of knowledge products (e.g. manuals, how to notes, extension sheets) (GEF)				Progress Reports	Annual	PMU	
	Knowledge products (e.g. manuals, how to notes, extension sheets) - #		10	25				
	# of people trained/ exposed to new technologies through the innovation facility (GEF SCCF)				Progress Reports	Annual	PMU	
	Total – Number		200	500				
	Male – Number		100	250				
	Female – Number		100	250				

	Young – Number		40	100				
	IP – Number		200	500				
Output Output 2.4: Agromet services	3.1.2 Persons provided with climate information services (also a GEF indicator)				Progress Reports	Annual	PMU	All adults (40 per cent of population) in target communities are able to access climate information and services.
	Males – Males		4,127	6,879				
	Females – Females		4,308	7,180				
	Young - Young people		1,012	1,687				
	Indigenous people - # of people		8,435	14,059				
	Persons provided with climate information services - # of people		8,435	14,059				
Outcome Outcome 3: Key policy papers drafted, institutional capacities for policy development enhanced	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment				Progress Reports	Annual	PMU	
	MAFF- GEF		0	1				
	MEIDECC – GEF		0	1				
	Local Government Department		0	1				
Output Output 3.1. Agriculture, Climate, Local govt policy	# of policy relevant knowledge products developed				Progress Reports	Annual	PMU	
	Policy relevant knowledge product developed that will mainstream climate resilience – MAFF – GEF SCCF		0	1				
	Policy relevant knowledge product developed that will mainstream climate resilience – MEIDECC – GEF SCCF		0	1				
	Policy relevant knowledge product developed – Local Government		0	1				
	# of multi-stakeholder consultations facilitated				Progress Reports	Annual	PMU	
	Multi-stakeholder consultation facilitated – MAFF – GEF		1	2				
	Multi-stakeholder consultation facilitated – MEIDECC - GEF		1	2				
	Multi-stakeholder consultation facilitated - LGU		1	2				

Integrated project risk matrix

Risk Category / Subcategory	Inherent risk	Residual risk
Country Context	Moderate	Moderate
Political Commitment	Moderate	Moderate
Risk: Constant change in government remain a risk that may affect project delivery and implementation. There will be Presidential elections in November, and that a change in government may (or may not) have an impact on the approval/implementation of the project.	Moderate	Moderate
Mitigations: The Board and management of MORDI Tonga Trust, have a very good and excellent relationship with the Government. They will continue to promote and intensify engagement with the government.		
Governance	Substantial	Substantial
Risk: The risk that the country exhibits governance failures that may undermine project implementation and achievement of project development objectives is low because the project is commissioned by the Government to a civil society organisation.	Substantial	Substantial
Mitigations: The project has been commissioned to a civil society organisation with extensive track record and long partnership with IFAD. IFAD has invested substantially in building capacity of the CSO and of Government.		
Macroeconomic	Substantial	Substantial
Risk: Over the last decade, Tonga's real GDP averaged around 1.3 per cent growth per annum. This figure, which is well below the regional average, has been further reduced by the impact of the global economic crisis particularly with the onset of the corona virus, volcano eruption and tsunami.	Substantial	Substantial
Mitigations: (i) Fundamental change in the governance structures for rural communities and outer islands beginning a process that will empower communities and build more self-reliance at all levels to address community development needs. (ii) Further, this strategy will assist the communities to gain a clear understanding of the development process and the possible sources of development assistance that will support their development needs and priorities'.		
Fragility and Security	Moderate	Moderate
Risk: Tonga is one of the highest ranked countries in terms of vulnerability to climate variability and resilience and natural disasters (e.g. cyclones)	High	High
Mitigations: Community will be trained in the formulation of Community Disaster Preparedness Plan so that they can better adapt to natural disasters. Drawing on the assessment of potential hazards, the plan outlines the formulation of response strategies and emphasizes broad-based community participation to enhance resilience. This document provides a framework for residents, local organizations, and government agencies to coordinate effectively in times of crisis.		
Sector Strategies and Policies	Moderate	Moderate
Policy alignment	Moderate	Moderate
Risk: Non-conducive land tenure systems under which land and tax allotments are allocated to elder male heirs and are often abandoned and unproductive.	Moderate	Moderate
Mitigations: Identification, preparation and implementation of income generating activities, which favours employment opportunities for the poor, landless community members and for women.		
Policy Development and Implementation	Moderate	Moderate
Risk: Government policies and strategies particularly those relating to poverty reduction and agriculture are responsive to the needs of rural people. However, there is a risk in the implementation of these strategies with more emphasis on supply driven and production-oriented approach that does not always align with market conditions.	Moderate	Moderate
Mitigations: Project emphasis on a more market-informed and bottom-up approach, with investments to ensure that farmers have the technical skills to be better linked to identified agricultural value chains.		
Environment and Climate Context	Substantial	Substantial
Project vulnerability to environmental conditions	Substantial	Substantial
Risk: The unsustainable practices of commercial agriculture and overharvesting are contributing to the degradation of land and marine ecosystems. Prolonged monocropping is depleting soil quality and overall soil health. Additionally, the unregulated use of chemical fertilisers and pesticides is causing further deterioration of the soil, air, and surrounding environment. Moreover, Tonga is highly vulnerable to natural disasters, particularly cyclones. These challenges are further exacerbated by population growth and migration to urban centres. The root causes are often linked to a lack of technical information, expertise, and capacity, as well as limited public awareness and appreciation of conservation efforts. Moreover, socioeconomic and ecological assessments are often incomplete, highlighting the need for additional resources and comprehensive statistical evaluations.	Substantial	Substantial
Mitigations: (i) Integration of biodiversity, climate variability and resilience and natural disaster early on in the CDP planning process; (ii) promotion of climate smart and disaster resilient agricultural practices such as using Agro-Met services, climate resilient crop varieties; (iii) promotion of intercropping, crop rotation and agroforestry; (iv) discouragement and regulation of chemical inputs; (v) promotion of local and indigenous species; (v) training of communities in the formulation of Community Disaster Preparedness Plans to enable them to adapt better to natural disasters. Activation of the RED component in the case of national emergency for TRIP III target communities.		
Project vulnerability to climate variability and resilience impacts	Substantial	Substantial

Risk: Tonga is among the world's most vulnerable countries to climate variability due to its geographic location, status as a SIDS, and reliance on natural resources for key economic sectors such as fisheries, agriculture, and tourism. The effects of climate variability, including sea level rise, ocean acidification, rising temperatures, and increasingly intense cyclones, continue to threaten the people of Tonga, their livelihoods, society, and natural environment. Irreversible loss and damage from extreme weather events and coastal erosion are jeopardising the Government's poverty alleviation commitments and national development objectives.	Substantial	Substantial I
Mitigations: (i) Training for communities, e.g., disaster risk management training provided under MORDI Programme. (ii) Cooperation with development partners who place emphasis on aligning Tonga's aid flows with funding environment interventions in the area of climate variability and resilience and related fields. (iii) Climate resilient infrastructure will be implemented under a parallel funding from Australian government and TRIP III will mainstream climate resilient agriculture activities. (iv) Climate resilience integration into the community development plans.		
Project Scope	Moderate	Moderate
Project Relevance	Moderate	Moderate
Risk: The project targets isolated rural communities and including to women and youth whose economic opportunities are limited and where there is comparatively lower efficacy in Government support. The risks outlined elsewhere, such as cyclones or natural disasters, may however require recalibration of work plans from time to time to ensure short-term recovery needs are in place for communities.	Moderate	Moderate
Mitigations: The project will collaborate with Disaster Response Authority and internalise natural disaster risks in its strategy, including planning for additional resource/staffing mobilisation for recovery efforts.		
Technical Soundness	Moderate	Moderate
Risk: (i) Remoteness, transport and communication obstacles which could result to under achievement of Project objectives, outcomes and outputs. (ii) Lack of community financial contributions for sustainable livelihoods	Moderate	Moderate
Mitigations: (i) Phased implementation approach to access remote areas. (ii) In-kind contributions are possible relieving the financial burden, furthermore PRAC can further assess community's financial capacity and decide on lower beneficiary contributions on a case-by-case basis with IFAD NO.		
Institutional Capacity for Implementation and Sustainability	Substantial	Substantial I
Implementation Arrangements	Substantial	Substantial I
Risk: (i) MORDI TT staff retention. (ii) Inability of MAFF to fulfil its role of providing extension officers for farmer field schools and related extension activities. (iii) Communities, especially those in remote islands, will require intensive support to develop community and livelihood development plans and implement the sustainable livelihood component.	Substantial	Substantial I
Mitigations: (i) All staff positions have been filled. (ii) FFS approach will be used with extension and project officers serving as Master trainer and community leaders serving as facilitators in their respective community. (iii) A suite of capacity enhancement on CDP and LDP formulation (including market/value chain analyses, land suitability, facilitation) will be conducted targeting District Officers, Town Officers and community facilitators who will provide on-the-ground support to communities, including those in remote islands, to develop and implement CDPs and LDPs.		
Monitoring and Evaluation Arrangements	Substantial	Substantial I
Risk: M&E processes and systems within the implementing agency are weak or inefficient. This result in a limited ability to monitor, validate, analyse and communicate results, capture lessons, and adjust implementation to seize opportunities and take corrective actions in a timely manner.	Substantial	Substantial I
Mitigations: (i) Strengthen the M&E system to effectively capture and analyse data in line with TRIP III requirements. (ii) Provide targeted training to equip staff with the skills needed to operate and manage the M&E system		
Project Financial Management	High	High
Project Organisation and Staffing	High	High
Risk: (i) Lack of familiarity with donor policies affecting compliance with diverse donor requirements posing potential risk of errors, processing and report delays. FM staff limited field presence which can affect financial monitoring and documentation at community level. (iii) Difficulties to attract and retain qualified and experienced FM staff partly due to limited qualified and experienced personnel, limited-term contracts linked to project duration and staffing affected by the labour migration to other countries.	High	High
Mitigations: (i) FM Staff immersion in the various donor reporting requirements and conduct regular refresher trainings. (ii) Develop partnerships and MOUs with local accounting bodies for training and recruitment pipelines.		
Budgeting	Substantial	Substantial I
Risk: (i) Delays in AWPB submissions. (ii) Budget over-runs at category level above allowable per cent with no prior approvals	Substantial	Substantial I
Mitigations: (i) Early engagement of communities for activity plans and budget preparation to allow enough time to seek necessary clearances before submission, 60days before start of fiscal year. (ii) Regular budget monitoring at category level per financing instrument and prior re-allocation requests before spending where category over-runs are foreseen		
Project Funds Flow/Disbursement Arrangements	Substantial	Substantial I
Risk: (i) Delays in withdrawal applications approvals affecting timely availability of resources. (ii) Delays in appointing new signatories and appointed or replacement signatories not familiar with project details and activities and ICP systems and processes. (iii) Co-mingling resources from different donors.		

Mitigations: (i) Timely submission of WAs. (ii) Close follow up with the Ministry for appointment of new signatories and submission of official letter ICP onboarding. (iii) Conduct trainings for MoF Authorised signatories on ICP System and organize regular familiarization sessions for MoF on project activities. (iv) Open separate bank accounts for each of the donors to avoid co-mingling.		
Project Internal Controls	High	High
Risk: (i) Project operates in a fragile context prone to natural disasters. Documents are filed in hard copies with no further back-up and can be affected in the event of a natural disaster. (ii) Grievance redress mechanism is outdated. Code of conduct has not safeguards defined to protect the project from conflict of interests or related party transactions. (iii) While MORDI TT does not have its own Internal Audit department, it is necessary for the project. (iv) Non-consistent adherence to some sections of travel and employment policies; incomplete audit trails on some transactions including materials and cash payments; incomplete record of in-kind contributions due to absence of guideline.		
Mitigations: (i) To mitigate risk of losing project financial records due to effects of natural disasters, develop and introduce electronic-filing system as part of the back-up plan. (ii) Update policies to incorporate safeguards for related party transactions and conflict of interests and reporting and grievance handling mechanisms. (iii) MoF Internal audit services to conduct project internal audits. (iv) Enforce travel policy on advance acquittals within 7days from duty travel including the stipulation of staff not to receive next travel advance before acquittals. Include new measure in travel policy to deduct overdue advance on next payroll. (v) Implement a structured performance review calendar aligned with employment policy. (v) Consistently record all material requisitions from stores for distribution to communities. (vi) Payments should be processed via cheque/or bank transfers, and cash payments made on exceptional basis. For the exceptional cash payments, document the acknowledgement consistently. (vi) Develop a guideline for in-kind Contributions		
Project Accounting and Financial Reporting	Substantial	Substantial
Risk: (i) Accounting software not customised to prepare required reports such as Statement Of Sources and Uses of Funds, category/component wise and not customised per financier. It becomes crucial with the multi-donor projects under implementation. (ii) Delayed submission of IFRs. (iii) Recording counterpart contributions transactions outside of the system posing risk of incomplete records and possibility of errors.		
Mitigations: (i) MORDI TT is assessing the existing MYOB system with a view to upgrade it or procure a new software with required specification The outcome of the assessment is expected to mitigate the issues experienced with the current system. LPA to inform IFAD on the decision-either MYOB upgraded or new software to be installed which will be used by TRIP III. (ii) Ensure timely preparation of accurate quarterly IFRs. (iii) Record all accounting transactions including counterpart contributions in the accounting system.		
Project External Audit	Substantial	Substantial
Risk: The audit report and management letter are supposed to be submitted within 6months following the end of the fiscal year. (i) With the multiple donor requirements, preparation of unaudited financial statements may face delays. (ii) This will delay the audit process and timely submission of the audit report. (iii) Additionally, audit appointment and clearance processes if not started on time will affect the audit.		
Mitigations: (i) Engage Tonga Office of Auditor General (TOAG) early to oversee external audit arrangements and under the guidance of TOAG, procure an audit firm as per procurement procedures and seek the necessary clearances and No Objection timely. (ii) Advance preparation of financial statements to have unaudited financial statements ready at commencement of audit.		
Project Procurement	High	High
Risk: The risk related with the project procurement are high considering that the project Process starting from the procurement planning to the contract award are implemented by the non-procurement officer dedicated to for the procurement. Despite the value of the procurement packages are relatively low value, however it is need to be led and implemented by dedicated procurement officer/ consultant to make sure meet the procurement principles and compliance with procurement regulation.	High	High
Mitigations: 1). Provide the Project Procurement consultant dedicated to implement the project procurement. 2). Improve the project structure and make sure the procurement position implemented by the dedication procurement person who understand both Tonga Procurement and IFAD Procurement. 3) Consult and accommodate any input related with procurement implementation performance, recommendation during the supervision		
Legal and Regulatory Framework	Moderate	Moderate
Risk: The risk that the Borrower's regulatory are generally adequate, however the institutional capacity and practices (including compliance with the laws) The Tongan Public Procurement unit under the Tongan Ministry of Finance having moderately risk due to the Tongan procurement unit is not independent entity and still under the Ministry of finance and risk of the oversight to each of public procurement project including TRIP II is not day to day report to this unit.	Moderate	Moderate
Mitigations: 1). Review periodically the application procurement in accordance with the Project Procurement Manual. 2). The project should consul periodically to Tongan procurement unit in Ministry of Finance and together with IFAD procurement unit. 3). The project should provide procurement specialist person to liaise between the project, Tongan National Procurement Unit and IFAD.		
Accountability and Transparency	High	High

Risk: The risk that accountability, transparency and oversight arrangements from the project to Tongan National Procurement Unit and IFAD are at the high Risk. Due to there are no availability of the procurement document during the supervision which implicate that there are remain unclear procurement process which also could related with transparency and oversight.	High	High
Mitigations: <ol style="list-style-type: none"> 1. Provide confidential report of complains received, under investigation and resolved. 2. Establish appropriate level of procurement reviews post and prior based on risk. 3. Identify and report on risk flags during procurement supervision. 4. Use IFAD standard bidding documents which include provisions for prohibitive practises and safeguards. 5. Establish and improve better project record management for any procurement process. 6. More transparent in any procurement process by providing the supporting procurement document. 		
Capability in Public Procurement	Moderate	Moderate
Risk: Implementing Agency in principle have sound process sound processes, procedures, systems and personnel in place for the administration, supervision and management of contracts resulting in adverse impacts to the development outcomes of the project. However, the Executing Agency in this regard are not providing the dedication person to process and conduct the procurement cycles accordance with the Tongan Procurement System and required by IFAD. The IFAD procurement training is attended by project finance person and project manager who has no direct responsible for procurement. Therefore, the procurement implementation face delay due to no one prioritise procurement process and planning.	Moderate	Moderate
Mitigations: 1). Retain procurement professional (Project Procurement Specialist) to support the project intermittently. 2). Provide retaining a qualified Procurement Officer. 3). Periodic training and support to be provided to various implementing agencies teams.		
Environment, Social and Climate Impact	Moderate	Moderate
Biodiversity Conservation	Moderate	Moderate
Risk: The National Biodiversity Strategy and Action Plan to 2030 has identified two major threats to sustainable development: the unchecked expansion of commercial agriculture and the overharvesting of land and marine ecosystems. Key risks include monocropping, excessive use of chemical inputs, the potential unintentional introduction of invasive species, human-wildlife conflicts, and the purchase and use of natural resources from unsustainable service providers.		
Mitigation: (i) Support environmentally sustainable agricultural practices on existing farmlands; (ii) continue to support building fences, where possible; (iii) promote bio-fencing including living posts; (iv) encourage adding distraction crops to the crop mix; (v) Promote and incentivise pig farming within designated boundaries; (vi) promote use of government approved local and indigenous species; (vii) raise community awareness on invasive species and their management; and (viii) promote agrobiodiversity.		
Resource Efficiency and Pollution Prevention	Moderate	Moderate
Risk: Use of pesticides is common in Tonga. Improper handling of chemicals could contaminate soil. Further, there are risks associated with improper management of agricultural waste, excessive use of chemical fertiliser, particularly in farming cash crops. Because of monocropping, there is nutrient loss from the soil, increase of pests and the risk of crops being adversely impacted from climate induced disasters or climate variability. Risks from livestock production are unchecked use of antibiotics and lack of sanitation in livestock rearing practice. Regarding fishery and onshore aquaculture, there is a risk of habitat destruction from clearing of coastal vegetation, use of exotic fish varieties, use of uncertified fish feed or reduction in fish biodiversity from overfishing or discarding by-catch.		
Mitigations: (i) The Project will not support purchase of highly hazardous pesticides under IFAD guidelines; (ii) it will raise community awareness about safe use of chemicals; (iii) promote bio inputs such as biofertilisers; (iv) waste processing and marketing facility; (v) management of soil fertility by using nutrient rich cover crop during fallow period; (vi) crop rotation, intercropping and agroforestry for pest management; (vii) use of water-efficient drip irrigation system or sprinklers; (viii) use of climate resilient crop varieties; (ix) use of agro met services for informed agriculture practice; (x) awareness on safe use of antibiotics; (xi) training on good agricultural practices; and (xii) promotion of local and indigenous species.		
Cultural Heritage	Low	Low
Risk: The project will utilise the traditional practice of making Tapa which has immense cultural significance in Tonga. There is a possibility of this knowledge being misappropriated and commercialised without the knowledge of indigenous people.		
Mitigation: (i) Support community halls for handicraft production such as Tapa making and mat weaving; (ii) participatory and inclusive community planning anchors activity planning and supports traditional knowledge; (iii) assist communities with markets and marketing; (ii) capacity building on branding; and (iii) awareness on use and promotion of their cultural heritage.		
Indigenous People	Moderate	Moderate
Risk: The project will utilise IPs land, natural resources, and their cultural and traditional practices. There is a possibility of encroaching rights and tradition of IPs.		
Mitigation: Indigenous assets and livelihoods are supported by the project, no encroachment. All TRIP III beneficiaries will be indigenous Tongans who have been involved in developing Community Development Plans (CDPs) since the first phase of TRIP. These plans, identified and prioritised by community members, are entirely community-driven, ensuring local ownership of both development and implementation. Integration of Free, Prior, and Informed Consent (FPIC) process into the existing CDP framework.		
Labour and Working Conditions	Moderate	Moderate
Risk: As TRIP III promotes production and processing facilities, communities may be exposed to chemicals and machinery. To mitigate risks, the project will ensure that all business partnerships, agricultural activities, and income-generating initiatives are fully aware of labour regulations and that compliance is mandatory for receiving project support. When it comes to income generation, because of limited access to resources, women are often unable to generate income for themselves.		

Mitigation: No impact on formal nor informal labour. Cooperation with ILO is planned towards recognising and enhancing conditions in the informal economy. Promotion of equal wages and opportunity for women (ii)Capacity building on IGAs (iii) Women focused income generating activities.		
Community Health and Safety	Moderate	Moderate
Risk: As TRIP III may support rearing of livestock, fishery and aquaculture, if these are selected as livelihood development priorities by the communities. In these cases, there are risks associated with zoonotic diseases or pathogenic contamination from poor handling and processing of fish.		
Mitigation: (i) Introduction of health and hygiene modules for livestock producers in the extension services; (ii) establishment of community-based disease alert system; (iii) awareness on maintenance of good shed and hygiene and sanitation.		
Physical and Economic Resettlement	Low	Low
Risk: TRIP III will not initiate physical or economic resettlement but may be called upon to support communities resettled in the aftermath or natural disasters, as was the case following the 2022 volcanic eruption and tsunami.		
Mitigation: We don't see this as a potential risk. Like that the project shall not promote activities that lead to the resettlement of smallholder farmers. This will be insured by closely working with Ministries working on disaster and resettlement. Component 4 of TRIP III provides for disaster recovery and rebuilding support in the event of a natural disaster triggering declaration of a state of emergency. A disaster response manual will be prepared to define eligible recovery and re-building activities, such as distribution of seeds, planting materials, breeding livestock, tools and equipment, repair or replacement of buildings and civil works etc. Resettlement will only be supported in cases where the original location of a community becomes un-inhabitable or too risky to rebuild, and the community agrees that relocation and resettlement is unavoidable. This is consistent with the principles of full, prior and informed consent (FPIC) generally applied to resettlement conditions.		
Greenhouse Gas Emissions	Low	Low
The project will not foresee any use of chemical, fertilizer, emissions through livestock. Sustainable land management supported by the community development and agriculture component will improve carbon capture.		
Vulnerability of target populations and ecosystems to climate variability and hazards	Substantial	Substantial
Risk: Climate variability and resilience risks, including extreme weather events threaten community economic infrastructure and agriculture investment activities.		
Mitigations: (i) Provide training to communities, e.g., disaster risk management training provided under MORDI Programme. (ii) Cooperation with development partners who place emphasis on aligning Tonga's aid flows with fund environment interventions in the area of climate variability and resilience and related fields. (iii) Implement climate resilient infrastructure and climate resilient agriculture activities. (iv) Climate Resilience integration into the CDP.		
Stakeholders	Low	Low
Stakeholder Engagement/Coordination	Low	Low
Risk: MAFF is unable to fulfil its role in terms of providing extension officers for FFS and ongoing extension activities. TRIP III will have to depend entirely on FFS facilitators (lead farmers) selected from target communities; and not rely on public sector services.		
Mitigations: TRIP III will train 10 Master FFS Trainers from MAFF and 10 from the private sector, and/or lead farmers - as an "insurance" policy against this possible risk. MODRI will keep engaging communities in CDP process with minimum 85 per cent community participation. The TRIP III design mission will assess TRIP II and MOORDI Stakeholder Engagement Plan (SEP) and will update accordingly.		
Stakeholder Grievances	Low	Low
Risk: The inclusive and participatory CDP approach ensures that public investments respond to priorities established by a broad range of households and not only to the leadership/elite. Channels for expressing grievances exist but the country is small and stakeholders may be concerned of retribution risks.		
Mitigations: MORDI, the lead implementing partner, is re-visiting its delivery mechanisms and IFAD will support in ensuring that safe grievance channels are part of its approach. The TRIP III design mission will assess Grievance Redress Mechanism (GRM) of TRIP II and MORDI and will update GRM accordingly.		
Overall assessment	Substantial	