

Summary of Project Approval by PPCR SC

| PILOT PROGRAM FOR CLIMATE RESILIENCE | | | |
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| Summary - Project Approval Request | | | |
| 1. Country: | Kingdom of Tonga | 2. CIF Project ID#: | XPCRTO059A |
| 3. Project Title: | <i>Climate Resilience Sector Projects</i> | | |
| 4. Type of PPCR Investment | <i>Private:</i> | <i>Public:</i> <input checked="" type="checkbox"/> | <i>Mixed:</i> |
| 5. Funding Request (in USDmillion total) for Project/Program:: | <i>Grant:\$19.25 million</i> | | <i>Loan: None</i> |
| 6. Approved Preparation Grant | <i>Amount (USD):750,000</i> | | <i>Date: 30 April 2012</i> |
| 7. Implementing MDB: | <i>Asian Development Bank</i> | | |
| 8. Other MDB Involvement | <i>MDB: None</i> | | <i>Type of Involvement:</i> |
| 9. National Project Focal Point: | <i>Natalia Latu, Principal Economist, Aid Coordination, Ministry of Finance and National Planning</i> | | |
| 10. National Executing Agency for project/program: | <i>Ministry of Finance and National Planning</i> | | |
| 11. MDB PPCR Focal Point and Project/Program Task Team Leader (TTL): | <i>Headquarters-PPCR Focal Point: Charles Rodgers Senior Environment Specialist (Climate Adaptation)</i> | | <i>TTL: Maria Paniagua, Unit Head, Project Administration, Pacific Regional Department, Pacific Subregional Office in Suva, Fiji</i> |
| 12. Project Description: | | | |
| <p>Tonga is an island kingdom made up of 5 island groups, Tongatapu, 'Eua, Ha'apai, Vava'u and Niuaus, consisting of 176 islands with approximately 36 islands having permanent settlements. The population is estimated to be 102,000 inhabitants and over 75% of those population lives on Tongatapu. Over the last few decades, Tonga has observed a higher variability of rainfall causing localized flooding as well as droughts related to El Niño events. Increased ocean temperatures have caused coral bleaching and destruction of habitats for reef species. Sea level rise, estimated in the order of 6 millimeters per year, is contributing to coastal erosion and subsequent damage to infrastructure and properties. Coral bleaching destroys natural barriers that protect the coast and together with the increase in sea level rise, it puts coastal communities' livelihoods and infrastructure at risk. The culmination of these impacts across a variety of sectors has led to increased exposure to a variety of climate-induced natural disasters such as tropical cyclones and storm surges, which have caused significant economic losses to Tonga's economy (e.g. tropical cyclones Waka in 2002 and Rene in 2010 inflicted losses of \$60 million and \$22 million, respectively). Substantive investment is required to help adapt and manage these effects in Tonga. The proposed project represents a pilot program of investments increase the relevant capacity development and the adaptive resilience of ecosystems and infrastructure to effectively minimize climate change impacts in the most vulnerable communities.</p> <p>The proposed project appropriately focuses on addressing critical constraints to developing the institutional capacity to identify, design and implement climate adaptation practices and on financing a range of least cost, locally appropriate and often non-structural solutions for climate resilience. The project features strongly the engagement of civil society and local communities to identify, develop and implement climate resilient investment activities. Through project implementation, a key focus will be to generate valuable experience and lessons for learning and knowledge sharing in Tonga and by other Pacific islands countries as they introduce and expand CCA and DRM investment programs. The proposed project will assist Tonga to advance the integrated approach in national development planning and implementation. A sector financing</p> | | | |

modality is proposed to support the relevant institutions in Tonga in selection, appraisal and implementation of subprojects for ecological infrastructure and resilience investments that will continue beyond the pilot program phase. The proposed project meets the criteria for sector financing and will also assist in improving some key elements of sector policy and institutional framework. The policies for development of Tonga's CCA and DRM initiative provided in the JNAP are appropriate and are supported by infrastructure investment priorities articulated in the NIIP. However, as JNAP was only approved in 2010 and existing legislation does not reflect CCA and DRM policies, legislation needs to be reviewed and amended, particularly in relation to building codes, natural resources and management of spatial planning. The JNAP Secretariat and its Technical Working Group provide the institutional framework for coordination and implementation; yet effective coordination and monitoring is hindered by lack of reliable data and weak national capacity to collect and analyze information, which will be addressed by Output 1 and 2 of the project. It is also envisaged that through the project, the Government will legally establish and operationalize a sustainable financing mechanism to provide communities and NGOs access to small grants to implement climate change adaptation and climate disaster risk management activities that are identified by communities. The financing mechanism is a first for Tonga and the region and it is fundamental in this context that the project will assist in putting in place appropriate, accountable and transparent fiduciary arrangements.

Sectors and Themes:

- (i) Capacity building to facilitate climate resilience mainstreamed into development planning of key vulnerable sectors;
- (ii) Improved monitoring and management of Tonga climate data and information by establishment of national hydro-meteorological and coastal monitoring and data dissemination systems; and improvement of water resource inventories and integrated water resource management (IWRM) and coastal zone monitoring;
- (iii) Sustainable financing mechanism to support community based climate responsive investments encompassing the establishment of Tonga climate change trust fund (CCTF); and
- (iv) Eco-system resilience and climate resilient infrastructure Investments encompassing increased ability of coral reefs to recover after climate related events; improved management of mangroves for climate adaptation; upgraded evacuation and post disaster access roads; Enhanced coastal protection; and upgraded Schools, and other critical infrastructure.

Please refer to the Report and Recommendations to the President (RRP) and the Project Administration Manual (PAM) for details.

13. Objective

The project will increase resilience of vulnerable communities to climate variability and change, and disaster risk in Tonga

14. Expected Outcomes:

The overall outcome will be a strengthened capacity of government and communities to finance, develop, implement and monitor investments to improve ecosystem resilience and climate proof critical infrastructure.

15. Key Results and Indicators for Success (consistent with PPCR Core indicators):

| Results | Indicator |
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| <p>Impact: Increased resilience of vulnerable communities to climate variability change and disaster risk in Tonga</p> | <p>Ten years after project completion (2028) compared to the baseline in 2012</p> <ul style="list-style-type: none"> (i) Increased coordination and knowledge management capacity of JNAP Secretariat to improve implementation of the JNAP CCA and DRM policies and coordinate implementation of NIIP, with institutional responsibilities by vulnerable sectors assigned (ii) Quality and extent to which climate responsive instruments/investment approaches are developed and tested against a zero baseline (iii) 30% of Tonga population (men and women) have been supported by the project to cope with effects of climate change, against a zero baseline; |
| <p>Outcome: Strengthened capacity of government and communities to finance, develop, monitor and implement investments to improve ecosystem resilience and climate proof critical infrastructure</p> | <p>By the end of the project (2018); Baseline: 2012</p> <ul style="list-style-type: none"> (i) 5 sector policies or plans integrate CCA and DRM against 2013 baseline of zero integration (ii) 20 investments apply climate proofing and resilience principles (iii) 5% increase of dedicated allocations for climate proofing through sector planning and budgeting (as % of overall budget) against a zero baseline. |

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| <p>Outputs:</p> <p>(a) Climate resilience mainstreamed into development planning of key vulnerable sectors</p> | <p>Degree of integration of climate change into national and community planning, demonstrated by:</p> <ul style="list-style-type: none"> (i) At least 330 persons in public, NGO and private sector are qualified to integrate climate resilience in their sector of expertise (of which at least 30% are women); (B1) (ii) At least 2 policies or sector specific legislation (pertaining to building codes, development planning, water and natural resources management) that integrate climate resilience are adopted (A2.1 core) (iii) Increased coordination and knowledge management capacity of JNAP Secretariat to improve implementation of the JNAP CCA and DRM policies and coordinate implementation of NIIP, with institutional responsibilities by vulnerable sectors assigned (B2 core) (iv) At least 6 knowledge products on CCA and DRM are developed and made available on-line (B1) (v) At least 30% of the population in Tonga are supported by PPCR to cope with effects of climate change, against a zero baseline (disaggregated by gender); (A1.3 core) |
| <p>(b) Enhanced monitoring and management of Tonga climate data and information.</p> | <p>Increased quality of and extent of climate monitoring and climate related prediction models and instruments, demonstrated by:</p> <ul style="list-style-type: none"> (i) Meteorological monitoring system covering 7 island groups and meeting WMO requirements (as stipulated in WMO Guide to Meteorological Instruments and Methods of Observation) installed and operational by 2017; (B1) (ii) Real time sea level monitoring system covering at least 7 island groups installed and operational by 2017; (B1) (iii) MET operates and maintains meteorological and coastal monitoring systems; (B1) (iv) Meteorological and coastal observations are available and used to improve forecasting, provide early warning and to monitor climate change. (B3 core) |

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| <p>(c) Climate responsive investment approaches have been identified and implemented by vulnerable communities</p> | <p>Establishment of a sustainable and proficient national mechanism to fund CCA and DRM community based projects, demonstrated by:</p> <ul style="list-style-type: none"> (i) Tonga Climate Change Trust Fund legally established and operational; (B4) (ii) Increased capacity of government to identify, select, administer and monitor CCA and DRM community based project. (B2) (iii) At least 15 communities successfully complete CCA and DRM investments financed by the CCTF against a baseline of 0 (of which at least 30% are awarded to women's groups); (B4) (iv) 50% of the projects financed by CCTF directly benefit women or other vulnerable groups (elderly, handicapped) (B4) |
| <p>(d) Climate responsive investments approaches have been identified and implemented by government with focus on ecosystem resilience and climate resilient infrastructure</p> | <p>Number of communities supported by the project to cope with the effects of climate change, demonstrated by:</p> <ul style="list-style-type: none"> (i) 126 hectares of mangrove ecosystems rehabilitated to provide protection to coastal communities; (ii) 1000 people in 6 communities benefit from increased ability of coral reefs to recover after climate related events; (iii) 90% reduction in number of schools days lost due to climate change related events percent in 5 schools; (iv) 2000 people have access to evacuation roads; (v) 370 households in Hahake are better protected from flooding during storm surges; (vi) 8 km of road protected from coastal erosion. |

16. Budget:

| Expenditures | Amount (USD million) - estimates | |
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| A. Base Costs: | | |
| 1. Mainstreaming of Climate Resilience in Planning | 1.68 | |
| 2. Improved Monitoring of Climate Data and Information | 3.30 | |
| 3. Establishment of Climate Change Trust Fund | 5.35 | |
| 4. Ecosystem Resilience and Climate Resilient Infrastructure Investments | 9.34 | |
| 5. Project Management | 2.02 | |
| Subtotal (A) | 21.69 | |
| Contingencies | 1.42 | |
| Total (A+B) | 23.11 | |
| SCF Financing | 19.25 | |
| Co-Financing: | <i>Amount (USD million):</i> | <i>Type of contribution</i> |
| Government | 3.86 | Recurrent costs, taxes and duties, and environmental fees |
| Co-Financing Total | 3.86 | |

17. **Project/Program Timeframe**

Expected Board/MDB Management approval date: 4 December 2013

Expected Mid-Term review date: March 2016

Expected Project closure date: Physical completion December 2018, financial closure July 2019

18. **Role of other Partners involved in project/program:**

Recognition of the crosscutting nature of work in CCA and DRM in small island states like Tonga and the crowded space for the multitude of CCA and DRM development partners, led to significant attempts to consolidate development partner efforts in the attempt to avoid duplication and upscale on similar CCA and DRM initiatives. Donor efforts have focused on risk assessment studies, sector policy recommendations, working on disaster risk and adaptation with communities through NGOs and biodiversity studies and conservation. Lack of national data on climate change, weak capacity at national level to coordinate CCA and DRM initiatives and limited financial and human resources to integrate CCA and DRM considerations into infrastructure investments; have been identified as gaps in the sector. ADB experience in building capacity of government institutions and managing infrastructure investment projects provides ADB with a comparative advantage to fill these gaps in the sector.

The CCTF will fund communities that have developed CCA and DRM plans with the support of NGOs currently funded by other donors. The project will support MLECCNR to (i) standardize a common methodology for preparing and monitoring CCA and DRM community plans; and (ii) establish and maintain GIS data bases on CCA and DRM related activities implemented by communities with support donors and NGOs.

The Joint National Action Plan Technical Working Group (JNAP-TWG) has multi-agency/organization representation to help coordinate, inform and monitor CCA and DRM initiatives/progress. The JNAP-TWG now reviews all corporate plans for each ministry and ensures the inclusion of a strategy to commit the ministry to the implementation of the JNAP for CCA and DRM. Each ministry's annual management plan must also reflect a commitment to the implementation of actions under the JNAP for which they are responsible. The project will support JNAP-TWG in coordinating different ministries and development partners.

Please refer to linked document on Development Coordination for details

19. **Implementation Arrangements** (incl. procurement of goods and services):

Ministry of Finance and National Planning (MFNP) will be the executing agency and Ministry of Land, Environment, Climate Change and Natural Resources (MLECCNR) will be the main coordinating and implementing agency. A PMU will be established under MLECCNR to assist the ministry in coordinating and overseeing the overall project implementation. To mainstream CCA and DRM into line ministries and ensure implementation capacity, the following ministries will be implementing agencies for activities relevant to their mandates, i.e. the MLECCNR will be responsible for mangrove assessment, knowledge management activities, operation of the CCTF, and IWRM plans, Ministry of Infrastructure (MOI) will be responsible for all infrastructure investments (evacuation roads, coastal protection, and schools upgrading) and hydro meteorology and coastal monitoring systems, the Ministry for Agriculture, Forestry, Food and Fisheries (MAFFF) will be responsible for establishment of SMAs and the Ministry of Education and Training (MOET) will be responsible for administration of professional training and scholarships. A PIU will be established in each of the ministries. A project steering committee (PSC) comprising the executive of the above ministries and a representative of the Civil Society Forum of Tonga will provide policy guidance for project implementation and a procurement project committee will oversee procurement activities.

All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines. ADB's Standard Bidding Documents (SBD) will be used for all procurement involving international competitive bidding (ICB) for works and goods, national competitive bidding (NCD) for works, and shopping for goods. International consultants and consulting firms will be recruited according to ADB's Guidelines on the Use of Consultants. All advance contracting will be undertaken in conformity with ADB's Procurement Guidelines (2013, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

Advance contracting shall be undertaken to proceed with the initial steps of procurement to accelerate project implementation. The types of advance contracts will include (i) tendering, and bid evaluation for civil works packages; (ii) preparation of tender documents and request for quotation to procure materials and equipment; (iii) evaluation of bids; and (iv) recruitment of the PMU and PIU consultants.

Design, procurement and construction packages will be led by the respective IA and leading department with the support of the PMU. A project procurement committee, chaired by MFNP will make decision on recommendations for contract awards and recruitment. Preparation of bidding documents and evaluation of proposals for each subproject will be led by the respective IA and leading division with support of the PMU. The PIUs will undertake day to day supervision and monitoring of all project activities for the subprojects under their mandate, with the assistance and capacity building support of the PMU.

Please refer to linked document: Project Administration Manual, for details

20. Other Information:

Regional Cooperation, Collaboration and Information Sharing

The Tonga SPCR will be used to pilot new approaches in recognition of the country's capacity and development priorities. Its focus on activities that are community driven, using least cost technologies and implemented through existing government mechanisms makes the project highly relevant to neighbouring countries in the region. Success of these proposed activities will build upon the regional SPCR which focuses on those activities that are of greatest relevance to the countries in the region and which are best implemented on a regional basis, provide technical support in the form of advice and information, training, regional monitoring, coordination of regional workshops and the facilitation of the sharing of lessons among Pacific countries. It will promote replication, up-scaling and leveraging of investments as well as monitoring and developing integrated lessons learned and examples of good practice. At the same time, the activities undertaken at the country level will support the sharing of lessons at the regional level, but also, through mechanisms established at a regional level, enable the acceleration of their implementation at the national level. In this way, the country-level and regional components would be mutually reinforcing.

The country-driven approach adopted in the three country pilot activities will, by definition, lead to diversity in country-level PPCR support, and therefore diversity in the knowledge gained in their implementation. The proposed PNG, Samoa and Tonga components and regional component are all meant to maximise the effectiveness of adaptation support and country-level efforts. This is consistent with the *Cairns Compact on Strengthening Development Coordination in the Pacific* agreed by Pacific Leaders at the 2009 Pacific Islands Forum, a key element of which is to improve the effectiveness of Pacific region development. As such, the PPCR aims to ensure that adaptation is effective in meeting *regional* and *national* development priorities.

Region-wide PPCR activities will be implemented through existing regional organizations, in full consultation with and with the agreement of national governments, and with the support of development partners and other regional stakeholders. The Pacific Islands Forum Secretariat (PIFS), Secretariat of the Pacific Regional Environment Programme (SPREP), Pacific Islands Applied Geoscience Commission, SOPAC and the Secretariat of the Pacific Community (SPC) have been closely involved in the design of PPCR support for the region, and continue to be closely engaged in its implementation.

Sustainability and maintenance of 'core' meteorological and coastal monitoring stations established under the project will be supported after through the Pacific Islands Global Climate Observing System which is jointly supported by AusAID, World Meteorology Organization, National Oceanic and Atmospheric Administration and New Zealand Meteorological Service.

Monitoring and Reporting Systems:

Within 6 months of the grant effectiveness, the PMU will establish a project performance and monitoring system. Based on PPCR Guidelines and the Results Framework approved in January 2013, ADB and the government will agree on a set of indicators for monitoring and to evaluate to what extent the project is achieving goals and purposes as envisaged under the PPCR. These

indicators will be refined and monitored during project implementation. The PMU shall monitor and evaluate the indicators according to the agreed design and monitoring framework (DMF) on a quarterly basis to determine the efficiency and effectiveness of the project. PMU through MFNP will provide quarterly progress reports, and after each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance reporting system. Beneficiaries will be involved in project monitoring and evaluation. In addition, the PSC will oversee and monitor overall implementation of the project.

With reference to gender and social dimension monitoring, the Monitoring and Evaluation Specialist (Gender & Communication) will provide guidance to the PMU in developing and establishing an effective monitoring and reporting systems and processes. Baseline surveys will be undertaken at the start of project implementation and all indicators in the Gender Action Plan will be continuously monitored and reported. These will be included in the PMU quarterly reports and project monitoring reports. A mid-term review will be carried out and a project completion report will be undertaken at project end.

MLECCNR and MFNP will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system including but not limited to indicators that contribute to the impact and outcome of the project and the program; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions; (c) updated procurement plan and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the EA AFSs, together with the associated auditor's report, should be adequately reviewed. **Please refer to the linked document: Project Administration Manual for details**

Climate Change Trust Fund

The project will support climate responsive investments approaches identified and implemented by vulnerable communities, particularly women by supporting the establishment of CCTF. The CCTF has been established in accordance with the Public Finance Management Act 2002. The CCTF will be managed by MFNP and will initially be endowed with a capital sum of USD\$ 5 million, which will be placed in two accounts (i) an Endowment Account with an initial capital sum of \$4 million and (ii) an Operational Account with an initial capital of \$1 million to finance projects to finance small community projects of up to \$30,000 and small to medium scale climate government projects of up to \$250,000.

The operational principles and criteria to select projects are described in Annex I of the Project Administration Manual (PAM). The CCTF will be managed by MFNP, with the Board of the CCTF chaired by MLECCNR. Selected ministries will be members of the CCTF Board which will also include a nominated development partner representative. MLECCNR, with the support of consultants, will develop the CCTF Operational Manual, which will cover among others: (a) detailed eligibility and selection criteria for subprojects; (b) procedures and requirements for submission of applications; (c) implementation arrangements with communities and NGOs; (d) supervisory mechanisms by government; and (e) monitoring and reporting on use of funds.

The Climate Change Trust Fund will operate under the Public Finance Management Act 2002 and shall come into operation on the date of opening of the Climate Change Trust Fund Account. While the overall purpose of the Fund is to finance (a) community based climate adaptation and mitigation projects, the PPCR funding would be limited to supporting adaptation projects only. These should be relatively small scale in nature i.e. each discrete project should have a value not exceeding \$50,000. Approval for such projects would be at the discretion of the Board of the Fund; (b) climate change adaptation component of non-community based projects. This intervention may be small scale i.e. less than or equal to \$50,000 or medium scale i.e. more than \$50,000 but less than \$250,000. Approval for small scale projects would be at the discretion of the Board of the Fund. Approval for medium scale projects may also need Cabinet Economic Development Committee (CEDC) approval depending on the size of the project; (c) providing

supplementary financial support to small scale community based, climate change adaptation-related projects proposed by other organizations including charities, church groups, non government organizations (NGOs), government agencies, etc. Such projects should not cost more than [USD\$50,000]; and (d) audits of accounts, procedures used and technical audits to check for achievement of value for money.

Information Generation and Knowledge Management

There is limited knowledge in Tonga on CCA or DRM analysis methods or on the development of responses to protect infrastructure from climate change. There is however, a strong interest in the issue and an understanding of the types of risks that could be posed. The project will thus focus, among others, on strengthening knowledge management and coordination capacity of the JNAP Secretariat, under MLECCNR. Resources in particular will be provided to review the legal framework, particularly laws relating to water, infrastructure, the Building Code and environmental impact assessment. Technical course training to line ministries, particularly on incorporating CCA and DRM considerations in infrastructure designs, corporate planning and budgeting and CCA and DRM assessments.

A knowledge management system will be set up, particularly under MLECCNR which will also host the project website and will be linked to data bases on (i) CCA and DRM community plans; (ii) integrated water resource management plans; and (iii) mangrove inventory. Knowledge products will be developed including a manual on rain water harvesting and drought management for Tongan communities and lesson learned on best practices on mangrove rehabilitation for CCA. This depository of knowledge and information will be made available on line by MLECCNR together with update and reports on progress of PPCR implementation.