TONGA
Climate Change Trust Fund (CCTF)

SUSTAINABLE FINANCING MECHANISM TO SUPPORT COMMUNITY BASED CLIMATE RESPONSIVE INVESTMENTS
Outline

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CCTF Objectives

- The CCTF was approved by Cabinet on 17 May 2012, linking to the implementation of the Tonga Strategic Development Framework Outcome Objective 7: Disaster Management and Climate Change Adaptation.

- A major component of the Tonga Climate Resilience Sector Project (CRSP).

- The CCTF fulfils the CRSP’s purpose of mainstreaming climate resilience into Government planning, and establishes a sustainable financing mechanism to support community based climate change mitigation/adaptation responsive investments.
The CCTF investment will be a capital sum of US$5 million. An ADB Grant to support the Strategic Program for Climate Resilience (SPCR), funded by the Climate Investment Fund. Of this:

(i) US$4 million will be invested as an endowment fund
(ii) US$1 million will be placed in operational imprest account

The operational account is expected to be fully spent fulfilling the purposes of the Climate Resilience Sector Project (CRSP) during its five year lifespan.

Interest and capital gains earned from the $4 million endowment account will be transferred to the operational account.

Other funding for the CCTF may be raised, including from other multi-lateral donor and development partners.
CCTF Implementation Framework

CCTF BOARD
  Sub-Project Funding Decision

JNAP TECHNICAL WORKING GROUP
  Sub-Project Application Review

PROJECT MANAGEMENT UNIT
  Receive/Process Sub-Project Applications

MINISTRY OF FINANCE AND NATIONAL PLANNING
  Fund Management/Disbursement

COMMUNITIES/NGOs/LINE MINISTRIES
  CIVIL WORKS CONTRACTOR AND EQUIPMENT SUPPLIERS
  CONSULTANTS

Implementation Oversight  →  Fund Flow  →  Documentation Flow
Funding Allocation

- Small grant projects up to a maximum of US$50,000, and medium sized projects up to US$250,000.

- Divided into a 30%:70% funding ratio for small and medium size grants respectively. Of the 70% allocated for medium size grants, only 25% will be available to Government Ministry projects and public service projects.

- 30% of total funds are to be allocated to outer island projects, but no single outer island project can be awarded more than 15% of the total allocation for outer islands.
Eligible Grant Recipients

- Eligible applicants include:
  (i) community groups,
  (ii) non-governmental organizations,
  (iii) public sector operators,
  (iv) Government Ministries, and
  (v) local authorities.

  The grants are also focused on community-based women’s groups and NGOs.
Grant Application Process

CALL FOR PROPOSALS

Submission of Proposals by Applicants

JNAP log submissions into MIS database

JNAP conducts initial assessment of application

Proposal Qualified

Proposal Not Qualified

JNAP submit applications to JNAP-TWG

JNAP inform applicant*

JNAP-TWG Selection Panel

Project Qualified

Project Not Qualified

JNAP inform applicant*

CCTF Board Approval and Endorsement

Board Endorses Project

Board does not Endorse Project

Sign Implementation Agreement

JNAP inform applicant*
Eligible projects Criteria

- The project is considered high priority by the benefiting communities and identified in their Community Plans;
- The project is consistent with the CCTF mandate to build climate change and disaster risk resilience and facilitate adaptation actions;
- The project must have clear outcomes and beneficiaries; and
- The project must be completed and implemented within 16 months for small grants, and within 24 months for medium size grants.
Eligible Activities

Include but not limited to:

- areas of eco-system resilience (such as reef protection, mangrove/ coastal planting, and forest protection);
- climate proofing of infrastructure investments (such as upgrading evacuation and access roads, coastal protection, climate proofing of schools, and community shelters);
- improving community wellbeing and livelihoods in the face of climate change (such as water security, diversification of livelihood options, change of land use practices, and disaster response capacity such as first aid); and
- capacity building (such as first aid training, ecosystem management, agricultural training, and risk awareness and reduction).
Ineligible Activities

- staff salaries, office rental and utility costs, routine maintenance and repairs, salaries or fees for consultants and advisors,
- international travel, insurance, micro-finance projects/micro-credit schemes, debts and debt service charges (interest); currency exchange losses; and provisions for losses or future liabilities,
- building of new Community halls,
- workshops, conferences and scholarships,
- purchases of land and vehicles (including boats).
Project Implementation Process
First cycle will begin in 2015.

An operational manual for the administration and management of the CCTF has been completed and in draft form, it is ready for circulation to Government before finalizing and approving it. Disbursement of the USD$5million is conditional on the approval of the CCTF operational manual.

Will be overseen by CCTF Board, administered by the Joint National Action Plan (JNAP) Secretariat with support of the CRSP PMU, and all financial matters under MFNP. The PMU will have a climate change coordinator specifically to manage the CCTF.
Similar programs by other Donors

- Regional Risk Resilience Project (pilot project funded by Australia (A$16m) and implemented by UNDP)

- Global Climate Change Alliance Project ($1 million fund by EU and implement by SPC)

- Global Environment Facility (GEF) small projects (US$50k) implement by CSOs
Way Forward

- With a track record from the financial management and administration of the CCTF, this will support Tonga’s goal to apply for future funds such as the Green Fund in 2019.
- This CCTF is a pilot which other countries can replicate in the near future.
- The need to adopt a one Trust Fund Framework and encourage donors with similar program to use, i.e. SPC program - to fund infrastructure resilience projects.
Way forward - Challenges

- Fulfilment of the objectives such as growth of the endowment fund to feed operational requirement
- Ability of target group to meet obligation criteria
- Simplification of processes and procedures to reduce the transaction cost
- Conduct of necessary capacity training
- Monitoring and Evaluation
Way Forward - Challenges

- Fulfil of fiduciary responsibilities
- Donor cooperation to use a single facility rather than multiple facilities
- Sustainability of the program
- Achieving of desired result – to support community based climate change mitigation/adaptation responsive investments
- Adapting of the facility on the basis of lessons learned from implementation and other countries experiences
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