



Investing in rural people

Kingdom of Tonga

Tonga Rural Innovation Project

Supervision report

Main report and appendices

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A. Introduction¹

1. The Tonga Rural Innovation Project (TRIP) is a Kingdom of Tonga investment project for a total value of approximately USD 4.2 million. It is financed by the Government of Tonga, Tongan communities, and a grant from IFAD. IFAD financing of SDR 2.6 million was equivalent to approximately USD 3.0 million at the time that the grant was provided in May 2012. The five-year project began in May 2012 and is scheduled to be completed in June 2017.
2. The project is being implemented by the MORDI Tonga Trust, a Tongan non-governmental organisation, under an agreement with the Ministry of Finance and National Planning of the Government of Tonga.
3. The supervision of this project by IFAD in 2015 consisted of IFAD participation of the joint Mid-term Review led by the Government of Tonga 29 May – 4 June 2015, followed by a second IFAD-led mission 23-27 November 2015 that focussed on project management, specifically financial management. This report records the IFAD findings and agreements reached during both activities.

B. Overall assessment of project implementation

4. Overall the project has achieved excellent results in a very challenging environment over a short time. It builds on the foundation created by a previous project introducing the same fundamental community planning processes that are well-suited to the Tongan context. TRIP partners and stakeholders across the board ranging from government ministry counterparts, to fellow NGOs, to international development agencies, to farmers and fishermen, women, men and young people expressed their strong appreciation for the project. Feedback by beneficiaries and colleagues on TRIP project staff and project management is very positive. TRIP has already achieved many of the outputs and outcomes set for itself at project design and appears very likely to exceed expectations in a number of areas, especially in its contribution to improving local governance in the outer islands of Tonga through collaboration with local government staff and officials.
5. The project has already been requested by government to assist in scaling-up its work and increase outreach nationwide. Plans produced by the communities in the context of the project have been aggregated to make District Plans and at the Island level to make Island Development Plans that are consolidated documents reflecting people's needs, as they define them through fully participatory processes. The project has had a major impact on policy and local governance through its collaboration with the Ministry of Internal Affairs.
6. Beyond its close relationship with MIA, MORDI TT management has been very dynamic, identifying and successfully implementing numerous other strategic partnerships with NGOs (Live & Learn Environmental Education, PRRP, TBEC, PIFON), the private sector (SPBD, Heilala, ITS Pacific, Pacific Timber & Hardware, Office Equipment) development partners (USP, UNDP, DFAT, NZ Aid and the Tokyo Agriculture University) and other government agencies (MAFFF, ACIR, TDB). These innovative and largely ad hoc initiatives have given communities access to a wide range of resources and opportunities for further development.
7. Current challenges for the project are related to the design of the Business Development Component. There is limited demand for financing businesses in the outer islands and lack of evidence that the access to grant funds is leading businesses to expand. Notwithstanding its

¹ The Mission undertaken 23-27 November is the second part of IFAD's supervision of the Tonga Rural Innovation Project in 2015. The first part consisted of participation in the Mid-Term Review led by MORDI Tonga Trust 18 May – 5 June 2015, visiting Eua, Ha'apai, Vavau and Tongatapu. The Mid-Term Review Team was composed of the individuals representing their respective institutions. **Government of Tonga** – Sinama Tupou, MIA; Nick Lavemaau, MFNP; Malina Lolo, MAFFF. **Lead Implementing Agency**, MORDI TT – 'Alamoti Tautakitaki, Trustee; Soane Patolo, Project Manager; Losaline Fonua, Finance & Admin Manager, 'Ikenasio Taulangovaka, 'Asela Sauaki, Temaleti Moala, Sione Hakalo. **Development partner** – Milika Tuita, UNDP. **IFAD** - Chase Palmeri, CPM; Norman Messer, Rural Organisations, PTA; Edilberto Angeles, Financial Management, APR Consultant. The second part of the supervision was implemented in November on-site in Tongatapu by Edilberto Angeles

impressive record of physical outputs, the project also faces significant challenges with respect to planning, reporting, and administration. This became an issue for IFAD who expressed its increasing concern about non-compliance with its Financing Agreement in this respect at the time of the Mid-term Review. However, the project made some improvement in this area in the second half of 2015.

C. Outputs and outcomes

8. Component 1 – Community Development. The TRIP Community Development Component, has two main output targets, they are the number of community development plans that have been formulated and the number of sub-projects that have been realised from the plans. As at June 2015 52 of the total of 60 plan identified in the project design have been developed. That is 87% achievement of the total. However, at the request of the Ministry of Internal Affairs, TRIP facilitated the formulation of 19 additional community development plans. Bringing the total of plans developed to 71 or some 118% of the original target.
9. In terms of sub-projects realised, 44 of the planned 60 sub-projects have been successfully completed and were operational in June 2015. That is 73% of its overall target mid-way through the implementation period. This is a considerable increase compared to the previous joint review when the project had achieved just 22% of the target. Moreover, many of the 44 communities that have completed works from their plans with facilitation by TRIP have gone on to realise more than one investment in their plan. Therefore the actual number of small scale infrastructure, services or activities undertaken by communities is much higher.
10. Quality of small scale sub-projects. The quality of sub-projects observed during field visits is generally satisfactory, and in some cases, highly satisfactory. The design specifications appear to meet communities' aspirations, and operation and maintenance arrangements are in place and convincing. In a few cases, community sub-groups have decided to implement their sub-projects differently, adapting them to local circumstances (e.g., some of the nurseries) – this too speaks to the great degree of ownership and to the fact that TRIP has been entirely successful at “putting them in the driver's seat”.
11. Project strength to mobilise other resources. A number of sub-projects have benefitted from MORDI TT's skills at networking and engaging in partnerships to attract further financial and technical resources from other development partners. In 'Eua, for example, for the five renovations and four new community halls, CEIG funding amounted to TOP 275,669 (USD 122 500), Government contribution amounted to TOP 103,004 (USD 45 900); community contributions amounted to TOP 121,085 (USD 54,000); and other sources provided TOP 289,816 (USD 130,000). The amount from other sources exceeded the amount from the project.
12. TRIP has been successfully collaborating with the Pacific Risk Resilience Programme (PRRP) to integrate climate change risk adaptation into the community planning process. Field visits have shown heightened community awareness of climate change-related risks and of the need to rank and prioritise these risks within the wider context of income-generating infrastructure and related activities.
13. TRIP aims to improve the planning skills of some 4 000 adults and young people. So far TRIP has reached more than 8 000 people, that is more than 200% of its original goal, who have acquired new skills through training and direct involvement in planning for their communities. Of the total 16,900 people that are expected beneficiaries of TRIP some 11, 976, or 70% of the overall target at design, had directly benefitted from the project at the time of the MTR in June 2015.
14. To accomplish these outputs TRIP has spent about USD 941 000 or 45% of the IFAD financing allocated for the Community Empowerment component in the project design.

15. The expected outcome of the Community Development Component is 'Enhanced community capacity for sustainable planning and action'. The Mid-Term Review found evidence that enhanced capacity for planning and action is widespread throughout the communities that it visited. Many communities described planning for activities and new investments that they already made themselves without TRIP facilitation, after having learned how to formulate a plan and undertake a sub-project with TRIP. Other communities have taken the initiative to update and revise their plans.
16. In the process of improving the capacity of communities, the project has also resulted in the enhanced capacity and confidence amongst Town Officers and District Officers. In Vava'u, District and Town Officers have created a working network amongst themselves and participated in monthly Kava circles to exchange experiences and ideas with one another on how to improve their work.
17. The TRIP approach to community development is much appreciated by beneficiaries. In addition, project partners such as the Tongan Development Bank (TDB), Australian Department of Foreign Affairs (DFAT) and the Tongan Business Enterprise Centre (TBEC) highly appreciated the close relationship that the project has built with communities and the fact that TRIP capacity building activities made it possible for them to work with the communities on the outer islands.
18. The most common suggestion for TRIP, made by the communities themselves was to maintain continued contact with them in order to build strength and experience in developing their new skills. In effect, the communities will remain in contact with their own Town Officers, who serve effectively as 'project staff'. Town Officers, elected by communities as part of local government and paid by the Ministry of Internal Affairs, carry out project implementation responsibilities assigned by TRIP in agreement with the Ministry. This is a form of government contribution or cofinancing not recorded or accounted for in the project. But it also represents an important factor in the sustainability of project benefits. Direct observation during supervision made it clear that the longer a given community had been practicing the methods for planning and realising elements of the plan, with the backing of the TRIP project to the Town Officers, the more accomplished and independent they have become.
19. Component 2 – Business Development. The project achieved its first outputs that included due diligence reports on the participating banks (ANZ, Westpac, TDB and MBf) and information materials for potential clients and briefings for bank staff in PY1. It had provided two Supplementary Equity Grants for a total of USD 31 000 at the time of the last joint review in March 2014. The total value of the investments made by these two businesses was roughly USD 155 000.
20. Between March 2014 and June 2015, TRIP received two more requests for Supplementary Equity Grants. The concerned businesses successfully mobilised financing from participating banks (ANZ and TDB). They met the eligibility criteria for grants from TRIP and were approved by the Project Review and Approval Committee, (PRAC). However, the approved recipients had not yet provided the grant funds due to low liquidity in the project account.
21. The project design provides for a total of about 10 Supplementary Grants overall, therefore the cumulative output in terms of the number of Supplementary Equity Grants at the time of the MTR was still only 20% of the target of the number of 10 grants and only 10% of the funds allocated in Component 2 for grants to businesses.
22. The intended outcome of this component is, "Enhanced business capability for sustainable financing and investment". The two businesses have benefitted from the component. They expanded operations somewhat from the use of funds and they continue to be fully up to date with repayments to the participating banks. However, one recipient indicated that he would have borrowed to operate his business with project area farmers even without the grant from

the project. A customer of ANZ at the time of borrowing, he has since moved to TDB to take advantage of very low interest rates available there to investors working in agricultural sector.

23. The limited interest in accessing the funds, combined with the limited impact on business development, and the limited ability of staff to implement the Component 2 call into question the usefulness of keeping resources of approximately USD 230 000 tied up in this component, especially in comparison with the successful use of funds and high returns being achieved with resources allocated to Component 1. In this light, the project management unit agreed that it may be preferable to reallocate the resources from Component 2 to Component 1. It subsequently provided a draft for a proposed request for reallocation to IFAD for review.

Agreed action	Responsibility	Agreed date
Reallocation of funds allocated for Supplemental Equity Grants, (SEGs) to Community Economic Infrastructure Grants (CEIGs)	PMU/MFNP	31 January 2016

D. Project implementation progress

24. **Quality of project management.** The project management is very results-oriented with respect to the achievement of intended outputs and outcomes. Feedback from development partners and government officials on the both the project management and the field staff was very positive and staff expressed strong appreciation for the high quality of the work that they do. Management of staff has been generally good and, in response to previous review recommendations over the past year additional human resources have been added to increase the capacity of the PMU to handle the expanding workload, as the project scope has expanded with repeated approaches and offers of additional funding and other resources for support to communities.

25. However management is also challenged by high staff turnover. The PMU also faced difficulties in the preparation of basic project management outputs including the AWPB, procurement plan and progress reports make monitoring and evaluation of the project progress difficult. So, although project management was very successful in achieving results, it is rated as only moderately satisfactory as the result of weaknesses in compliance with the documentation of planning and reporting requirements. IFAD follow up on this was quite weak and did not adequately respond to the project's clear need for stronger implementation support in this area.

26. **Performance of M&E.** With respect to monitoring and evaluation the project is performing very well in the implementation of its system to monitor communities and the progress that they are making against their plans. It has developed formats for monitoring that can be transformed into tools for use by the Town and District Officers in their own monitoring as a means of ensuring the sustainability of monitoring and support by government in the future. The field level monitoring is done by Community Development Officers and counterpart staff.

27. However, as above, M&E reporting on the project overall, including project progress reporting has been weak. The fact that the post of M&E Officer has been vacant for some time likely contributes to the missing or late submission of project progress reports. Overall then the project is rated as only moderately satisfactory with respect to M&E.

28. **Coherence between AWPB & implementation.** Once the AWPB was formulated, the coherence between the implementation of the project and the AWPB was quite close in so far as all activities implemented were fully in alignment with those planned, and activities implemented were within budget. Due to the delay of delivery, the coherence between AWPB and implementation was only moderately satisfactory.

29. **Gender focus.** As noted in the previous reviews, the project has had good results with respect to the empowerment of women economically and socially. Women are increasingly vocal and proactive in planning and implementing community activities and working with their NGO and government counterparts. The women on staff at MORDI, especially the community development

officers provide excellent guidance to men and women in the communities. They also serve as role models. The performance of the project thus far with respect to its gender focus is satisfactory.

30. **Poverty focus.** The project has expanded to reach more communities than originally planned, some are relatively more affluent. However, the project has not lost its inclusive spirit and the orientation that it provides to all communities maintains a strong pro-poor approach for working with all members of a given community and according special consideration to the members of the communities that are less well-off. The performance of the project in this respect is satisfactory.

31. **Effectiveness of targeting approach.** As above, the effectiveness of targeting in this project has been quite good. It gives special attention to the needs of women and youth within communities as specified in the project design. As with gender and poverty focus, the performance of the project in this respect is satisfactory.

32. **Innovation and learning.** The basic innovation to community level planning and investment that has been introduced by TRIP has changed the way communities think about their affairs and the way local government interacts with those communities. Its appeal has led both government and communities to internalise the TRIP approach in their own work, while requesting TRIP to continuously expand its outreach, to help others to learn. At the same time the project management style of TRIP is one that is continuously learning while doing, and introducing small innovations based on what it has learned, to improve outcomes. Examples include the facilitation of social activities and production groups amongst Town and District Officers so that they learn from one another, and the use of Outer Island MIA staff to orient new communities on the main island Tongatapu. Performance in this is satisfactory.

33. **Climate and environment focus.** As noted in the previous supervision, TRIP works with communities that are quite vulnerable to climate related risk factors. It is highly sensitive and responsive to natural resource management and climate resilience issues and so has raised awareness of communities. The project continues to go beyond respect for regulatory norms such as securing Building Permits and conducting Environmental Impact Assessments to discuss, analyse and plan for and implement improved natural resource management and climate resilience amongst beneficiaries. Up-to-date data collected by TRIP and TRIP's capacity to quickly mobilise resource persons and get information from communities have been very useful to government in planning and providing relief and assistance to disadvantaged communities affected by the weather events. The performance of the project is highly satisfactory in this respect.

Agreed action	Responsibility	Agreed date
Project management to comply with FA requirements for planning and reporting	TRIP, PMU	31 January 2016
Increase implementation and feedback on planning and reporting	IFAD, CPM	To be agreed with PMU
Recruitment of M&E staff	TRIP, PMU	31 December 2016

E. Fiduciary aspects

34. Financial management. Overall, the Financial Management of the project is rated moderately satisfactory. Issues of financial management that require attention revolve around staffing of financial management functions, adherence to procurement procedures, management of the flow of funds, differences in reconciliation between the Project Account and the Cash Book. Detailed findings and recommendations were discussed with the project staff and recorded in the working paper on fiduciary matters provided to the project by IFAD.

35. Disbursement. IFAD disbursement to the project designated accounts is rated moderately unsatisfactory. IFAD disbursed SDR 1.17 million (USD1.73 million) or 45% of the SDR 2.6 million through five Withdrawal Applications to date. The submission of WA6 should be accelerated as the project has a low cash balance. It is understood that the dedication of much of 2015 to expanded

unforeseen inclusion of planning work with new communities led to a trough in expenditures that are likely to spike in 2016 with the implementation of community level works that have now been planned.

36. Counterpart funds. Counterpart funds are provided by the government in the form of the exemption of the Project from taxes and duties is rated as moderately satisfactory. The total amount of taxes and duties exempted by the Government as accounted by the Project of at 31 October 2015 was equivalent of USD190,000 or 46% of the USD410,000 allocation provided in the Financing Agreement.

37. Compliance with loan covenants. Compliance of the Financing Agreement is moderately satisfactory. As shown in Appendix 6, this is due to non-compliance on reporting (Section 7.01) and procurement (Section 7.05) matters.

38. Procurement. Procurement of goods, works and services is moderately unsatisfactory. The Annual Procurement Plan for 2015 to 2016 (APP) due on 1 May 2015 was submitted to IFAD for no objection in September 2015. In view of the expected increase in the approved funds allocation in terms of the USD and TOP value due to depreciation of USD against SDR, the PMU will need to revise its APP for 2015-2016 to be consistent with the revision of the project AWPB.

39. From 25 July 2012 to 30 June 2015, the Project has signed 22 procurement contracts for goods and works per Contract Register with a total value of TOP2.19 million (USD0.99 million) which included 44 sub-contracts (some sub-contracts were procured in bulk) at one sub-project for each the 44 communities.

40. There is one contract for engineering and design company, the ITS Pacific Ltd. which has accepted a procurement tender for TOP 608,394.85 (USD276,542) on behalf of Mordi TT TRIP for construction of Packing House for new community in Eua. Funding for this procurement is coming from Australia. The contribution of TRIP is the consumption tax which is reimbursed by the GOT. The mission could not locate the Agreement of TRIP and the Australian NGO for the commitment to fund this sub-project. The mission advised PMU to have such agreement on file to assure the commitment of funds by the Australian NGO.

41. As noted, some procurements were not in line with the Government Public Procurement Regulations and procurements of more than USD 50,000 (TOP 110,000) were not submitted to IFAD for prior approval.

42. The Project should adhere to the GOT procurement regulations and the requirement of IFAD to submit for prior approval of IFAD procurement with a value of more than USD 50,000 (TOP 110,000) together with all documentation such as bid documents, request for quotation or proposal, evaluation of quotation or bids.

43. Audit. The quality and timeliness of Audit is moderately satisfactory. The audit of the Project Financial Statement and related reports and documents for FY 2013 – 2014 ending 30 June 2014 was conducted by JK Chartered Accountants of Tonga. The audit report rendered unqualified opinion and was submitted to IFAD on 30 December 2014.

44. The management letter was provided by the Auditor on 5 February 2015 and submitted to IFAD on 10 April 2015. The Audit was satisfied that the expenditure incurred was in line with IFAD Procurement Guidelines. However, the audit failed to recognize that the procurements of the project should be in line with GOT procurement regulations consistent with IFAD procurement guidelines.

45. In the review of procurement documents and payments, the mission has observed lapses on major procurements in the foregoing paragraphs under procurement and the procurement method and process were not in line with the GOT procurement regulations.

Agreed action	Responsibility	Agreed date
Revise Annual Procurement Plan	TRIP, PMU	31 January 2016
Adhere to GOT Procurement Guidelines	TRIP, PMU	Continuous
Respect IFAD prior review procurement thresholds	TRIP, PMU	Continuous

F. Sustainability

46. The team found the approach to community development adopted by TRIP is fully oriented towards creating the conditions for the sustainability of the benefits that have already begun to accrue from the achievement of its development objective 'Strengthened capacity of target communities to plan and manage their development priorities in order to achieve improved sustainable livelihoods.'

47. Collaboration with MIA at the level of Town Officers, District Officers and ministry officials responsible for local government is excellent and there is widespread appreciation for the implementation of the project that is taking place hand in hand with the Ministry. TRIP experiences have provided the Ministry with evidence of approaches to supporting its own staff in the outer islands that in improving their effectiveness.

48. An example of one excellent initiative has been TRIP support to the development of an online database compiling development plans for all communities working with the project that is updated by MIA Town and District Officers as they undertake their routine monitoring of communities.

49. Another MIA achievement that has been facilitated by TRIP that can have a fundamental on sustaining the benefits of community level planning has been the aggregation of participatory community plans into District Plans and Island Development Plans. These basic documents, prepared by the people of the communities throughout the country can provide a fundamental source of information about their needs and priorities to national and regional planning in all sectors. The Island Development Plans hold the key to coordination of investments and services throughout the country that respond directly to the needs of communities as defined by the communities themselves.

50. The team observed that the capacity of the communities to continue to review and update their plans, and to implement the activities the activities contained in them has been acquired to varying degrees throughout the communities included in the project. However, there is evidence that skills acquire strength slowly and deeply over a sustained period of support as seen in the communities that were introduced to the MORDI TT community empowerment process as early as 2005. To achieve the maximum benefits from the investments made in capacity building support to communities and local government staff should itself be sustained over time by the institutions to which they belong. Planned project initiatives identified here in the recommendations, such as the Community Operations Manual and a system for participatory monitoring by communities of their own progress are tools that are likely to build the sustainability of local capacity.

51. The MTR mission drew the Government of Tonga's attention to the interest of establishing a Rural Development Unit, with the purpose of mobilising financial and technical resources for rural development in the Kingdom. Should this idea be considered favourably, special attention may be given to the rural communities in particular, including through preferential treatment when it comes to attracting foreign investments to some of the more remote locations.

52. The MTR mission also acknowledged MORDI's tool and usefulness of the planning frame work that has been implemented. This can be used to update the Tonga Strategic Development Framework on a national level and to identify common priority areas across all island groups for government and development assistance financing.

Agreed action	Responsibility	Agreed date
Prepare operations manual for Town Officers	TRIP, CD Officers	31 March 2016
Document participatory evaluation system for communities	TRIP, CD Officers	31 March 2015

G. Conclusions

53. In conclusion, taking into account performance to date and the outputs and outcomes it has achieved, the project is very likely to achieve its development objective: to strengthen the capacity of

target communities and businesses to plan, finance and manage their development priorities in order to achieve sustainable livelihoods. Its performance in this respect is satisfactory.

54. The project has already had a major impact on rural communities and the institutions that are working with them throughout the country. The efforts of the many partners and stakeholders involved in TRIP implementation – including MORDI Tonga Trust, the project staff it has put together, and their counterparts in organisations and institutions nationwide – have produced exceptional results at the level of communities and institutions. However, the performance of the Component 2 Business Development has lagged and its design does not fit well in the current financial sector context. During the Mid-Term Review it was recommended that the resources allocated to that component be re-deployed to Component 1 Community Development where they could be well used to help cover the large number of communities that have been added to that component since design.

55. During the period since the joint review in 2014, the attention given to the documentation that should be part of project management including progress reports, annual workplans, financial and procurement reports has not been adequate. Some effort and improvements have been made in the second half of 2015. However, IFAD, MORDI Tonga Trust and the project management unit still need to see that the project achieves improvements in matters of management and administration.

56. With improvement in performance in these matters, the project is likely to continue towards exceeding its original goals and objectives.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Tonga		Project ID	1628 [1100001628]	Loan/DSF/Grant/ASAP FI No.	1000004248
Project	Tonga Rural Innovation Project				Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	21-Jan-2016					
Supervising Inst.	IFAD					
No. of Supervisions	3	No. of Implementation Support/Follow-up missions	1			
Last Supervision	28-Nov-2015	Last Implementation Support/Follow-up mission	08-Mar-2013			

					USD million	Disb. rate %
Approval	03-Apr-2012			Total financing	4.03	
Agreement	25-May-2012	Effectiveness lag	1.7	IFAD Total	3.00	
Entry into force	25-May-2012	PAR value	-----	IFAD loan	0.00	0
First disbursement	27-Aug-2012			DSF grant	3.00	45
MTR	05-Jun-2015	Last amendment		IFAD grant		
Original completion	30-Jun-2017	Last audit	30-Dec-2014	ASAP grant	0.00	0
Current completion	30-Jun-2017			Domestic Total	1.03	
Current closing	31-Dec-2017			Beneficiaries	0.62	2
No. of extensions	0			National Govern	0.41	8
				External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	5	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	3	3	2. Performance of M&E	5	4
3. Counterpart funds	6	4	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	5	5
5. Compliance with procurement	4	3	5. Poverty focus	5	5
6. Quality and timeliness of audits	5	4	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	5	5
			8. Climate and environment focus	6	6
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Community Plans	4	5	1. Institution building (organizations, etc.)	5	5
2. Operational Agriculture and Rural Business	3	4	2. Empowerment	6	6
3. Equity Grants	3	3	3. Quality of beneficiary participation	5	5
			4. Responsiveness of service providers	5	5
			5. Exit strategy (readiness and quality)	4	4
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings

Exceptional rating on the positive side (6) in institution building, empowerment and climate change are justified by evidence that awareness, behaviour, relationships and governance are changing in rural communities where TRIP is working. This was observed by IFAD and confirmed by converging and very positive feedback from very different sources including development

assistance agencies, central government officials and community members. On the other side, performance has weakened (3) in fiduciary aspects, and is missing follow up on previous recommendations related to procurement. The poor performance (3) with respect to Component 2 is a result of the fact that the equity grant model, successfully implemented in the Solomon Islands, proved rather less suitable to the current conditions of the Tongan financial sector

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	3	5
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	5	6
C.4 Overall implementation progress (Sections B1 and B2)	4	5
Rationale for implementation progress rating TRIP is meeting or exceeding its design targets in all aspects of implementation progress		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	5	5
Rationale for development objectives rating TRIP outcomes so far indicate that it will achieve or exceed its development objectives		
C.6 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
Fiduciary aspects	The Project rating for fiduciary risk has been change from Low to Medium, considering the delays in submission of AWPB and APP, lack of job description and realignment of staff in finance and administration, control of procurement processes by the Finance and Procurement Officer (FPO) and approval by the Project Manager, lapses observed in the procurement and delays in processing of WAS causing critical low level of funds. The mission recommended among others for appointment of the Procurement Assistant, under the supervision of FPO, inclusion of Senior Finance and Procurement Staff of Ministry of Finance and National Planning in the Project Procurement Evaluation Committee and adherence to Procurement guidelines of Government of Tonga and IFAD.	
Project implementation progress	TRIP becomes a victim of its own success, taking on too many new ideas, resources and responsibilities from government and other interested financiers.	
Outputs and outcomes	Component 1 implementation progress and output delivery is most at risk due to delay resulting from extreme weather events.	
Sustainability	Sustainability of benefits from physical outputs is also at risk due to weather events.	

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Sustainability, Institutions	Modify and extend MOUs with communities as needed for smooth exit	Dec 2014	pending
Fiduciary	Establish Contracts Register	March 2014	pending
Project Area/Communities	Revise list of communities in PY3 to poorer and more isolated communities	March 2014	pending
Procurement	Revise Annual Procurement Plan. Resp TRIP, PMU	January 2016	ongoing
Procurement	Adhere to GOT Procurement Guidelines. Resp. TRIP, PMU	Continuous	ongoing
Procurement	Respect IFAD prior review procurement thresholds. Resp. TRIP, PMU	Continuous	ongoing
Operational Manual	Prepare operations manual for Town Officers. Resp TRIP, CD Officers	March 2016	ongoing
	Document participatory evaluation system for communities. Resp TRIP, CD Officers	March 2015	pending
Reallocation of funds	allocated for Supplemental Equity Grants to Community Economic Infrastructure Grants. Resp. PMU/MFNP	January 2016	ongoing
Project Mgt	Project mgt to comply with FA requirements for planning and reporting. Resp TRIP, PMU	January 2016	ongoing
Implementation	Increase implementation and feedback on planning and reporting. Resp. IFAD, CPM	to be agreed with PMU	TBD
Recruitment of M&E staff	Resp TRIP, PMU	December 2016	ongoing

Additional observations

Government did not agree to confine the TRIP work to the rural outer island communities and eliminate Tongatapu (the island with the urban capital city population) from the project design, so project activities started there as planned in PY3.

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
Contribute to the improved sustainable livelihoods communities in rural areas of Tonga	<ul style="list-style-type: none"> ▪ Number of households with improved food security ▪ Number of households showing improvement in IFAD's household asset ownership index. ▪ No of household receiving Project services. 	<ul style="list-style-type: none"> ▪ RIMS Impact surveys at baseline and completion 	<ul style="list-style-type: none"> ▪ No major changes in Government of Tonga's Tonga National Development Strategy
Project Development Objective: Strengthen the capacity of target communities to plan and manage their development priorities in order to achieve improved sustainable livelihoods.			
Outcome 1: Enhanced community capacity for sustainable planning and action	<ul style="list-style-type: none"> ▪ <i>48 community development plans, generating benefits for 16901 people, are included in local government plans</i> ▪ <i>48 community groups still functional after sub-project completion</i> 	<ul style="list-style-type: none"> ▪ AWPBs ▪ Monthly Programme Officer reports 	
Outputs: 1.1 Community development plans prepared 1.2 Operational small scale community economic infrastructure, services and activities	<ul style="list-style-type: none"> ▪ <i>31 new community development plans made</i> ▪ <i>29 existing community development plans revised and updated</i> ▪ <i>At least half of all adults and young people, (4 000 people) in community groups strengthened in planning capacity, of which 40% are women.</i> ▪ <i>At least 48 economic sub-projects identified through community development plans are successfully completed and operational, benefitting 16,901</i> 	<ul style="list-style-type: none"> ▪ Annual participatory survey of operational effectiveness of community groups. ▪ Community <i>sub-project</i> proposals and reports ▪ Technical and operational audits of community economic infrastructure. 	<ul style="list-style-type: none"> ▪ Government officials are willing to support plan preparation ▪ Communities prepared to participate in planning and in-kind and cash contributions to economic infrastructure.

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
	<p><i>men, women and young people.</i></p> <ul style="list-style-type: none"> ▪ <i>At least 48 community groups with women in management.</i> 		
<p>Outcome 2: Enhanced business capability for sustainable financing and investment.</p>	<ul style="list-style-type: none"> ▪ <i>8 businesses have increased sales and profitability operating after three years</i> 	<ul style="list-style-type: none"> ▪ AWPBs ▪ Monthly Project Officers reports 	
<p>Outputs: 2.1 Investment publications and promotions prepared 2.2 <i>Sustainable agricultural and rural businesses have expanded their operations in rural areas</i></p>	<ul style="list-style-type: none"> ▪ 50 publications available and used by commercial banks and agricultural and rural businesses. ▪ <i>At least 8 Supplemental Equity Grants have been approved and delivered to businesses that work in rural areas, benefiting 1000 rural people who access goods, services or employment.</i> 	<ul style="list-style-type: none"> ▪ Loan performance assessments by commercial banks ▪ Annual case studies of agricultural rural businesses financed by supplemental equity funds. 	<ul style="list-style-type: none"> ▪ Commercial banks willing to make loans to agricultural and rural businesses. ▪ Business willing to contribute equity and take loans.

Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	Review and improve staffing arrangements of PMU	1 May 2014	TRIP, PMU	Completed
	Revise approach to preparation/format of AWPB 2014-15	1 June 2014	TRIP, PMU	Completed
Outputs	Simplify and clarify CEIG eligibility criteria	15 Apr 2014	TRIP, PMU, PRAC	Completed
	Reinvigorate SEG promotion activities	15 Apr 2014	TRIP PMU, PCBs	Completed
Sustainability	Modify and extend MOUs with communities as needed for smooth exit	1 July 2014	TRIP Facilitators	On-going
Fiduciary Aspects	Revise LTR to use Imprest Account method	15 Apr 2014	IFAD	Completed
	Appoint Auditor for FY ending June 2014	15 Apr 2014	TRIP PMU	Completed
	Establish Contracts Register	15 Apr 2014	TRIP Fin Officer	Completed
Other	Avoid working in red zone communities	15 Apr 2014	TRIP, PMU	Completed
	Revise list of communities to allocate resources in PY3 to poorer and more isolated communities	30 Jun 2014	TRIP, PAC	Not agreed by government
Outputs and Outcomes	Reallocation of funds allocated for Supplemental Equity Grants, (SEGs) to Community Economic Infrastructure Grants (CEIGs)	31 Jan 2016	TRIP PMU/MFNP	to be completed
Implementation Progress	Project management to comply with FA requirements for planning and reporting	31 Jan 2016	TRIP PMU	to be completed
	Increase implementation and feedback on planning and reporting	Continuing	IFAD, CPM	to be determined
Fiduciary Aspects	Recruitment of M&E staff	31 Dec 2016	TRIP, PMU	on-going
	Revise Annual Procurement Plan	31 Jan 2016	TRIP, PMU, FM	to be completed
	Adhere to GOT Procurement Guidelines	Continuing	TRIP, PMU, FM	to be completed
	Respect IFAD prior review procurement thresholds	Continuing	TRIP, PMU, FM	to be completed
Sustainability	Prepare Operations Manual for Town Officers	31 Mar 2016	TRIP, CDO's	to be completed
	Document participatory evaluation system for communities	31 Mar 2016	TRIP, CDO's	to be completed

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Component/ Sub-component or Output	Indicator	Unit	Period: 01-07-14 to 30-06-15			Cumulative Actual	Appraisal Target	%
			AWP&B	Actual	%			
Component 1:								
Community Development								
<i>Community planning</i>								
	Plans prepared	number	9	29	320%	71	60	118%
	People with stronger planning capacity	men	566	2 401	424%	4 348	2000	217%
		women	566	2 348	415%	4 401	2000	220%
	Community groups formed/strengthened	number	27	87	322%	239	300	79%
<i>Operational community economic infrastructure</i>								
	Sub-projects approved and implemented	number	31	31	100%	44	60	73%
Component 2:								
Business Development								
<i>Publications and promotions campaign</i>								
	Banks participating, with MOU	number	0	0	100%	4	4	100%
	Publications	number	0	0	100%	50	50	100%
Component 3								
<i>Operational Businesses</i>								
	Enterprises accessing financial services	number	4	0	33%	2	10	20%

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier (USD '000)

Financier	Appraisal	Disbursements*	% Disbrsd
IFAD grant	3 001	1 969	66%
Government	410	190	46%
Beneficiaries**	619	192	31%
Total	4 030	2 351	58%

*Includes initial deposit USD 403 424 and WA6 pending USD 239 919.

** Includes cash only, if beneficiaries in-kind contribution of estimated USD 567 849 were included total would be about USD 760 000, or 122% of appraisal estimated disbursed.

Table 5B: Financial performance by financier by component (USD '000)

Component	IFAD grant*			Government			Beneficiaries**			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Comm Dev	2 087	941	45	358	171	48	319	156	49	2 764	1 268	46
Bus Dev	313	79	25	2	1	50	300	36	12	615	116	19
Proj Mngmt	601	546	91	50	19	38	0	0	0	651	565	87
<i>Initial Deposit</i>		403										
Total	3 001	1 969	66%	410	191	47	619	192	31	4 030	1 949	48

* Pending WA6 for USD 239 919 is not included in above calculations.

** Only cash, if beneficiaries in-kind contribution estimated at USD 567 849 were included total would be about USD 760 000, or 122% of appraisal estimated disbursed.

Table 5C: IFAD loan disbursements (SDR, as at 31 – Oct- 2015)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Vehicles, Equip, Mat, Trnspt	150	n/a	56 681	1 146	92 173	39%
II	Trng, Capacity Bldg., Comm Plnng	540 000	n/a	129 633	59 304	351 063	35%
III	TA, Studies, M&E	60 000	n/a	36 971	3 713	19 316	68%
IV	Community Grants	750 000	n/a	385 634	4 269	360 097	52%
V	Equity Grants	240 000	n/a	24 361	32 999	182 640	24%
VI	Recurrent Costs						
	a. salaries	400 000	n/a	160 093	38 307	201 600	50%
	b. operations	200 000	n/a	110 107	21 711	68 182	66%
VII	Unallocated	260 000	n/a	0	0	260 000	0%
Total	Total	2 600 000		1 169 151	161 449	1 269 400	51%

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section E, 2.(d)	MFNP shall ensure a consumption tax exemption is granted	Prior to first Withdrawal	Complied	Issue was resolved subsequent to last supervision report, prior to current review Mar 2014
Section 7.01b (ii)	Submission of draft AWPB to IFAD 60 days before beginning of Project Year	1 May 2015	Complied	Submitted Sept 2015, five months late.
Section 7.02b	Lead Project Agency to open and maintain a Project Account	Prior to first Withdrawal	Complied	
Section 7.05 (a)	Procurement of goods, works and services in accordance with Government procurement procedures	On-going	Partially Complied	Some procurements above government thresholds did not follow government procedures
Section 7.05(b)	Provide to IFAD for review all bidding documents and contracts by notice to the Recipient, (prior to procurement USD 50 000 as per Letter to the Recipient, June 2012)	On-going	Not complied	
Section 7.08	Insurance of vehicles, equipment and civil works financed from the loan proceeds to be consistent with sound commercial practice.	On-going	Complied	
Section 8.03(a)	Progress reports to be submitted to IFAD	Every six-months	Complied	Progress report submitted late, and subsequent to MTR. Upcoming report due for 30 days after close of semester, that is by 31 January 2015
Section 8.03(b)	Carry out Mid-term Review, based on TOR to be prepared by the Lead Project Agency	January 2015	Complied	Undertaken May 2015 due to weather and access to project area.
Section 9.03	Submit certified copy of Audit report to IFAD within 6 months of end of project year.	31 December 2015	Complied	

Appendix 7: Knowledge management: Learning and Innovation

Learning

During the mid-term review of TRIP feedback from partners of the project served to underline two key success factors of TRIP implementation. The first was the high degree of credibility that TRIP has in Tonga because of the close working relationships that it has built at the grass roots in the field, town by town, community by community through continuous working contact with the people. The second was the sense of creative opportunism that TRIP has developed during implementation.

As a result of the credibility that TRIP established from its grass roots level relationships, many partners want to work with MORDI Tonga Trust and with its staff, at the moment all part of the TRIP project staff. As local stakeholders and development partners came to TRIP to seek advice and entry points for reaching rural communities, the TRIP staff took advantage to serve as a match-maker, putting together the parties seeking to work with communities with the communities whose interests or needs fit with the agenda of those seeking to intervene in rural areas. If TRIP had strictly stuck to the project design, it would not have taken the time to build new relationships with parties who had not figured in the original design. Objectively speaking, adding extra activities to the workplan as a result of unexpected opportunities to work with others including donors, farmer organisations, businessmen and universities did take precious project management time away from TRIP. Poor reporting and record-keeping may be two of the consequences of the PMU tendency to take on a new initiative over writing about one just finished. But, in return have come a host of benefits unplanned and unforeseeable at design. A few such results include a nationwide adoption of the planning and aggregating of local plans from community to district, to island, to nation. They include the creation of a fresh produce packaging facility on the island closest to Tongatapu for the handling of island products destined for the capital. They include an understanding of climate change and collective ability of communities to think through risk and climate change issues and to revise their plans and building practices to reduce risk. On balance, flexibility and the willingness to act as a broker between communities led the project to achieve development outcomes that far exceed those forecast in the project design.

Innovation: Describe any interesting innovation noted during supervision

Innovation and Tradition have gone hand in hand in TRIP. One example is how, in calling community level planning meetings, TRIP has built on tradition while introducing innovation. TRIP built on the Fono, that itself is an ancient format for a Tongan town meeting, but it introduced the innovation that young people and women are explicitly given opportunities to express their priorities, while previously only elderly men could speak. Another example is how TRIP built on the social habit of a kava circle, using a traditional form of socialising to bring Town Officers together to compare notes about their towns' activities under the project. Yet another example was using the Royal Agricultural Show - when the King of Tonga tours the country and meets farmers that is normally means of cementing relations between the monarchy and the rural people - as an occasion for a kind of study tour for Tongan agri-businessmen. By arranging for private investors to tour with the King and to meet assembled farmers the project capitalised on a traditional event to promote inter-island trade and allow businessmen to witness first-hand the quality of output that farmers can produce on the outer islands.
