

OPERATIONAL MANUAL FOR THE TONGA CLIMATE CHANGE FUND

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ABBREVIATIONS

BC	=	Beneficiary Community
CC	=	Complaints Committee
CDP	=	Community Development Plan
DCC	=	Department of Climate Change
DRM	=	Disaster Risk Management
FPC	=	Fund Project Cycle
IC	=	Investment Committee
IM	=	Impact Assessment
IP	=	Investment Policy
JNAP 2	=	Joint National Action Plan 2 on Climate Change and Disaster Risk Management - 2018-2028
Joint SEC	=	Joint Secretariat
MAFF	=	Ministry of Agriculture, Food and Forestry
MC	=	Management Committee
MEIDECC	=	Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications (used interchangeably with "the Ministry responsible for Climate Change")
MET	=	Ministry of Education and Training
MEV	=	Monitoring, Evaluation and Verification
MIA	=	Ministry of Internal Affairs
MIS	=	Management Information System
MLNR	=	Ministry of Lands and Natural Resources
MOF	=	Ministry of Finance
MOH	=	Ministry of Health
MTED	=	Ministry of Trade and Economic Development
NCCC	=	National Climate Change Co-ordinating Committee
NGO	=	Non-Government Organization
OM	=	Operational Manual
PFMA	=	Public Finance Management Act 2002
PI	=	Project Implementer
PIA	=	Project Implementation Agreement
SEC	=	Secretariat for the TCCF
TC	=	Climate Change Fund Technical Committee
TCCF	=	Tonga Climate Change Fund (used interchangeably with "the Fund")
TCCF Act	=	Tonga Climate Change Fund Act
VC	=	Village Committee

ABOUT THIS MANUAL

This document is the Operational Manual (OM) for the Tonga Climate Change Fund ("the Fund"). The OM should be read in conjunction with the Tonga Climate Change Fund Act 2021 (TCCF Act) and the Tonga Climate Change Fund Regulations 2024 (TCCF Regulations).

The operational procedures of the Fund are structured to enhance the ability of the Fund to address national climate change priorities declared by the Minister responsible for climate change at the start of each Fund Project Cycle, while enabling access to the Fund by accredited non-government organisations, the private sector and government ministries in a manner that is equitable, efficient, and fair. This supports the overall objective of government for mainstreaming responses to climate change and strengthening climate resilience across all levels of the community.

The TCCF Act establishes the Fund. The Fund is an independent, standalone fund, intended to assist the Government of Tonga to achieve its national climate change priorities. An important objective of the TCCF Act is to ensure that the Fund is utilised effectively and invested prudently, in order to maximise Tonga's ability to advance national climate change priorities in a pro-active rather than reactive manner, and to ensure long-term sustainability of the Fund.

The TCCF Act is jointly administered by the Ministry responsible for climate change and the Ministry of Finance. This OM is primarily intended to assist the two administering Ministries and key governing bodies, by clearly establishing the operational procedures that should be followed in relation to the Fund.

For clarity, all processes in this OM must align and comply with the TCCF Act and TCCF Regulations. If during the continued development or implementation of this OM, an inconsistency arises between this OM and the TCCF Act or TCCF Regulations, provisions in the legislative documents will override the rules stated in this OM.

This OM contains information on the internal processes of the Fund and working relationships between key stakeholders designated to oversee, administer and monitor the Fund. This OM also provides operational guidelines for the effective disbursement of the Fund and to ensure accountability for its expenditure.

This OM will be reviewed periodically, as determined by the MC and the Minister responsible for climate change.

PART 1: GOVERNANCE OF THE FUND

1.1 GOVERNING DOCUMENTS

The Tonga Climate Fund Act 2021

The Tonga Climate Change Fund was established as a charitable purpose trust under section 4(2) of the Tonga Climate Change Fund Act 2021. The Act stipulates the purpose, governance and fiduciary arrangements for administration of the Fund. It also provides for the power of Cabinet to promulgate regulations and adopt an operational manual for the Fund.

The purposes of the Fund are set out in section 5 of the TCCF Act. They are to –

- (a) collect resources and direct them toward approved climate change activities, programmes and projects that promote national climate change priorities, facilitate disaster risk reduction and build national resilience;
- (b) manage funds from public, private, multilateral and bilateral sources to maximise the Kingdom's ability to advance national climate change priorities and ensure long-term sustainability of the TCCF; and
- (c) assist the Kingdom to achieve the goals of the United Nations Framework Convention on Climate Change, the United Nations Convention on Biological Diversity, the United Nations Convention to Combat Desertification and other climate related Conventions.

Key governing bodies which are established under the Act and responsible for administering the Fund are, the –

- Management Committee;
- Technical Committee;
- National Climate Change Coordinating Committee;
- Investment Committee;
- Secretariat; and
- Complaints Committee.

Functions of each Committee are set out in detail in the TCCF Act and TCCF Regulations.

The Tonga Climate Change Fund Regulations 2024

Under section 53 of the TCCF Act, the Minister responsible for climate change with the consent of Cabinet, is empowered to promulgate regulations under the Act. The purpose for regulations is to prescribe more detail about certain provisions under the principal Act.

Promulgated under the TCCF Act, the Tonga Climate Change Fund Regulations 2024 establishes the following –

- (a) accreditation process and criteria for evaluation of entities;
- (b) process for applying for project funding;
- (c) general timeline of activities during each fund project cycle;
- (d) general and reporting obligations of project implementers; and
- (e) functions of the secretariat and working committees.

The Schedules to the regulations contain certain forms, templates and tables which provide further detail about key processes and operational aspects of the Fund.

The Public Finance Management Act 2002

Administered by the Ministry of Finance, the Public Finance Management Act 2002 (CAP.2.10) ("PFMA Act") is the primary legislation in Tonga that governs and monitors the use of public money.

The PFMA Act provides for the following –

- (a) responsibility for financial management of public funds;
- (b) administration of public money, the public fund and trust money;
- (c) allocation of budgets of government ministries and appropriations;
- (d) permissible use of public funds; and
- (e) reporting obligations.

To date, a number of regulations have been promulgated under the PFMA Act, which include the following –

- (i) Public Revenue Regulations (CAP.2.10.01);
- (ii) Public Finance Administration (Accounts) Regulations (CAP.2.10.02);
- (iii) Public Finance Administration (Public Funds) Regulations (CAP.2.10.03);
- (iv) Public Finance Administration (Public Stores) Regulations (CAP.2.10.04);
- (v) Public Finance Administration (Treasury Bills Issue) Regulations (CAP.2.10.05); and
- (vi) Public Procurement Regulations (CAP.2.10.06).

Although the TCCF Act stands on its own legal mandate, it refers to and aligns with the PFMA Act because monies deposited into the Fund are considered to be "trust money" for the purposes of the PFMA Act. For this reason, Parts V (Finance) and VI (Appropriation by the Legislative Assembly) of the TCCF Act are administered by the Minister of Finance, while the remaining parts of the TCCF Act are administered by the Minister responsible for climate change.

In practice, this means that while decisions regarding the accreditation of entities, project activities, project approvals and authorisation for the release

of funds are determined by the Management Committee, financial transactions of the Fund and financial reporting to Cabinet and to the Legislative Assembly are the responsibility of the Ministry of Finance.

Consequently, administration the Fund is subject not only to provisions in the TCCF Act, but also relevant parts of the PFMA Act and Treasury Instructions which deal with Trusts and Government Grants.

The TCCF Act establishes strong fiduciary management of the Fund by –

- formally establishing an endowment account and operational account for the Fund and clear purposes for each;
- requiring the development of an investment policy, to be approved by Cabinet, for the long-term investment of funds and to ensure sustainability of the Fund;
- requiring authorised signatories for the release of funds; and
- establishing set categories for permissible use of the Fund.

Tonga Climate Change Policy 2016

The Tonga Climate Change Policy 2016¹ establishes an overarching framework and action plan for building a ‘resilient Tonga’ by 2035. This vision is for a Tonga that is resilient to the impacts of climate change and climate-related disaster risks, and is able to protect and safeguard its present and future citizens.

The vision for a resilient Tonga is to be achieved through the following six policy objectives –

Objective 1: Mainstreaming for a Resilient Tonga

To fully mainstream the goal of a Resilient Tonga into government legislation, policies and planning at all levels.

Objective 2: Research, monitoring and management of data and information

To implement a coordinated approach to the collection, monitoring, management, analysis, and use of all relevant data and information; and to develop a coordinated, multisectoral approach to research for building a Resilient Tonga.

Objective 3: Resilience-building response capability

To develop the capability for resilience building responses throughout government, the private sector, and civil society.

Objective 4: Resilience-building actions

To implement actions that are designed to build a Resilient Tonga by 2035 at the national, island, and community level.

¹ The Tonga Climate Change Policy was first adopted in 2006 and revised in 2016. The policy is currently being reviewed, with an updated version expected to be adopted by Cabinet by the end of 2024.

Objective 5: Finance

To secure and mobilise the required finances and resources to build a Resilient Tonga by 2035.

Objective 6: Regional and international cooperation

To develop and maintain strong regional and international partnerships and to contribute fully to all relevant negotiations aimed at the required transformation to a resilient and sustainable future.

Joint National Action Plan 2 on Climate Change and Disaster Risk Management (JNAP2): 2018 – 2028

The JNAP2 sets out the identified activities and 23 resiliency targets which are intended to achieve the vision of a Resilient Tonga set out in the Tonga Climate Change Policy. Therefore, for Tonga, each of these strategic, policy and legislative documents work together to establish a comprehensive and coordinated approach to building Tonga's resilience.

While the Tonga Climate Change Policy establishes the national policy objectives of government, JNAP2 sets out the key activities to achieve those policy objectives. The TCCF Act, in alignment with both the Tonga Climate Change Policy and JNAP2, empowers the Ministry responsible for climate change, the Management Committee, Secretariat and working committees of the Fund - to carry out their statutory functions and to provide funding for projects to achieve Tonga's national climate change priorities - which will ultimately lead to a more resilient Tonga.

Prudent investment, effective operation, and proper utilisation and monitoring of the Fund is therefore of significant importance, as the Fund is intended to be the primary funding mechanism for achieving Tonga's national climate change priorities in the foreseeable future.

Other key documents

When designing a Fund Programme Budget the Secretariat must ensure that the allocation of funding is distributed in accordance with the declared national climate change priorities of the Minister and aligns with national objectives set out in the current versions of the following documents which have been adopted by Cabinet² –

- (a) Joint National Action Plan;
- (b) Nationally Determined Contribution;
- (c) Long-term Low Emission Development Strategy; and

² Regulation 7, TCCF Regulations

- (d) any other approved national strategic document which the Minister deems appropriate.

Therefore, these are also important documents to consider when reviewing governance of the Fund.

1.2 ORGANISATION OF ROLES

The TCCF Fund is governed by a Management Committee (MC) which comprises two Ministers – Minister responsible for climate change (chair) and Minister of Finance (deputy chair) – having responsibility for the administration of specific parts of the TCCF Act. The Management Committee is ultimately accountable to Cabinet and the Legislative Assembly for the implementation of the TCCF Act, TCCF Regulations and this OM.

Membership and statutory functions of the MC are outlined in sections 8 and 9 of the TCCF Act. In carrying out its statutory functions, the MC receives input from three working committees: the National Climate Change Coordinating Committee (NCCC), Technical Committee (TC) and Investment Committee (IC). A Secretariat handles the day-to-day processes, while also assisting the work of the various committees. A Complaints Committee is established to receive and hear complaints under the TCCF Act.

Members, functions and procedures of the key governing bodies are established in the TCCF Act and TCCF Regulations. However, key aspects are highlighted in paragraphs 1.3 to 1.10 below for clarity and ease of reference.

The organisational structure of TCCF governing bodies is in **Annex 1** of this OM. A summary of stakeholders' roles and responsibilities is in **Annex 2**.

1.3 RESPONSIBILITIES OF THE MINISTER FOR CLIMATE CHANGE

The Minister responsible for climate change is responsible for the overall administration of the TCCF Act³, except for Parts V (Finance) and VI (Appropriation by the Legislative Assembly) which are related to financial procedures and are administered by the Minister of Finance.

Responsibilities of the Minister for climate change include:

1.3.1 Declaring the National Climate Change Priorities

Within 3 months of the commencement of the TCCF Act and every 2 years thereafter, the Minister responsible for climate change must declare the most important priorities for climate change mitigation and adaptation in Tonga.⁴ The declaration must be published within 7 days on a radio station which is

³ Section 6, Tonga Climate Change Fund Act 2021

⁴ Section 7(1), Ibid.

widely accessed by the public, in a newspaper of general circulation on Tongatapu and the outer islands or on the website of the Ministry.⁵

The declaration by the Minister must be aligned to national priorities identified in the Cabinet approved national action plan for climate change mitigation and adaptation for Tonga (currently JNAP2), Nationally Determined Contribution, Long-term Low Emission Development Strategy or any other approved national strategic document which the Minister deems appropriate.⁶

The declaration of national priorities forms the basis for the design of the Fund Programme Budget by the Secretariat and the Director of Climate Change⁷ as well as the nature and scope of projects to be approved by the MC during each fund project cycle. It also marks the beginning of each Fund Project Cycle.

Following the declaration of national priorities by the Minister, the Management Committee is empowered to receive, manage and disburse resources of the Fund effectively to achieve Tonga's climate change mitigation and adaptation priorities.⁸

1.3.2 Chairing the Management Committee

The Minister responsible for climate change is the chair of the Management Committee.⁹ The role of the Minister includes providing regular and ad-hoc submissions to Cabinet, including for the following –

(a) Recommend Investment Policy

Once the Investment Policy is finalised by the IC and endorsed by the MC, the Minister of Finance is responsible for submitting the Investment Policy to the Cabinet for approval.¹⁰ Investment of the Fund must be in accordance with the Investment Policy which is approved by Cabinet.

(b) Power to make regulations

The Minister responsible for climate change may make, with the consent of Cabinet, regulations which are consistent with and for the proper and efficient administration of the TCCF Act.¹¹

(c) Adopt a Climate Change Fund Operational Manual

⁵ Regulation 3(2), Tonga Climate Change Fund Regulations 2024

⁶ Section 7(2), Tonga Climate Change Fund Act 2021

⁷ Regulation 7, Tonga Climate Change Fund Regulations 2024

⁸ Section 7(3), Tonga Climate Change Fund Act 2021

⁹ Section 8(2)(1), Ibid.

¹⁰ Section 17(3), Ibid.

¹¹ Section 53, Ibid.

The Minister responsible for climate change may adopt, with the consent of Cabinet, a Climate Change Fund Operational Manual, which must be consistent with the TCCF Act and TCCF Regulations.¹² The Minister is also responsible for facilitating a review and update of the OM every two-years.

1.3.3 Appointing TCCF officials

In addition to functions as chair of the MC, the Minister is responsible for making certain appointments under the TCCF Act. They include the following -

(a) Designation of an accountable officer from the Ministry

The Minister has a responsibility with the Minister of Finance to each designate accountable officers from within their respective Ministries.¹³ Prior to each designation, the Ministers must ensure that these officers are properly trained in their functions as accountable officers under the TCCF Act as well as the PFMA Act.¹⁴ The Minister also has the power to revoke a designation which has been made.¹⁵

(b) Appoint a representative of civil society to the Management Committee

In establishing the Management Committee, the Minister is responsible for appointing a representative of civil society, on the recommendation of the Civil Society Forum of Tonga.¹⁶ The Minister determines the duration for the appointment.¹⁷

(c) Appoint a representative of the private sector to the Management Committee

The Minister is also responsible for appointing one representative of the private sector, on the recommendation of the Tonga Chamber of Commerce and Industries.¹⁸ The Minister determines the duration for the appointment.¹⁹

1.3.3 Appoint a Secretariat or Joint Secretariat

The TCCF Act empowers the Minister to establish a Secretariat (comprised of officers from the Ministry responsible for climate change)²⁰ or, with the

¹² Section 54(1), *ibid.*

¹³ Section 41(1), *ibid.*

¹⁴ Section 41(2), *ibid.*

¹⁵ Section 43, *ibid.*

¹⁶ Section 8(2)(f), *ibid.*

¹⁷ Section 8(4)(b), *ibid.*

¹⁸ Section 8(2)(g), *ibid.*

¹⁹ Section 8(4)(b), *ibid.*

²⁰ Section 13, *ibid.*

agreement of the Minister of Finance, a Joint Secretariat (comprised of officers from the Ministry and also the Ministry of Finance).²¹

1.3.4 Appoint the Complaints Committee

The Minister is empowered to appoint members of the Complaints Committee, which is established under section 36 of the TCCF Act. Members must be independent from the administrative and technical processes of the Fund. The Complaints Committee is able to receive, investigate and determine complaints under the TCCF Act.²²

1.4 RESPONSIBILITIES OF THE MINISTER OF FINANCE

The Minister of Finance is responsible for the administration of Parts V (Finance) and VI (Appropriation by the Legislative Assembly) of the TCCF Act. Part V contains provisions relating to the bank accounts of the Fund,²³ the Investment Policy,²⁴ payments and disbursements from the Fund,²⁵ rules relating to unspent funds,²⁶ financial statements,²⁷ and annual audits.²⁸ This Part also covers the Annual Report of the Fund.²⁹

Responsibilities of the Minister of Finance include:

1.4.1 Deputy Chair of the Management Committee

The Minister of Finance is the Deputy Chair of the Management Committee³⁰ and, together with the Minister responsible for climate change, is a required signatory for the disbursement of funds. When the Minister responsible for climate change is absent, the Minister of Finance is the chair of the MC and therefore takes on all the responsibilities of the chair.

1.4.2 Submissions to Cabinet

The role of the Minister of Finance also includes providing regular and ad-hoc submissions to Cabinet, including for the following –

(a) Annual Audit

²¹ Section 14, Ibid.

²² Section 37, Ibid.

²³ Section 23, Ibid.

²⁴ Section 24, Ibid.

²⁵ Section 25, Ibid.

²⁶ Section 26, Ibid.

²⁷ Section 27, Ibid.

²⁸ Section 29, Ibid.

²⁹ Section 31, Ibid.

³⁰ Section 8(2)(b), Ibid.

The MC, with the consent of the Auditor General, is responsible for appointing an independent auditor to audit the Fund each year, according to international accounting standards.³¹ The MC is also required to comply with all requirements of the audit.³²

Within 5 months of the end of the financial year, a copy of the Auditor's Report must be presented to the Management Committee, and, one month later, a copy of the Auditor's Report must be presented to Cabinet.³³

(b) Annual Report

Each year, the MC must prepare an Annual Report on the Fund. The Annual Report must³⁴ –

- summarise the main activities of the Fund during the preceding year;
- describe how the Fund has met the purposes of the TCCF Act; and
- present the audited account for the year just ended, together with the Auditor's Report on the accounts.

As the Minister responsible for Part V of the TCCF Act, the Minister of Finance must oversee the preparation of the Auditor's Report and present it to the Cabinet within 6 months of the end of the financial year.³⁵

(c) Appropriation from Endowment Account to Operational Account

Under section 32 of the TCCF Act, the Minister of Finance must ensure that the amount which is to be drawn each year from the Endowment Account to the Operational Account of the Fund is submitted to the Legislative Assembly year for approval. Although not specified in the TCCF Act, it is a responsibility of the Minister of Finance to consult with the Minister responsible for climate change on the appropriate sum to be appropriated, and also present this sum to the Cabinet for endorsement prior to inclusion in the Ministry's Annual Budget.

1.4.3 Appointing TCCF officials

In addition to functions as Deputy Chair of the MC, the Minister of Finance is responsible for making certain appointments under the TCCF Act. They include the following –

(a) Designation of an accountable officer from the Ministry of Finance

³¹ Section 29(1), Ibid.

³² Section 29(2), Ibid.

³³ Section 29(3) and 29(4), Ibid.

³⁴ Section 31(2), Ibid.

³⁵ Section 31(1), Ibid.

The Minister of Finance has a responsibility with the Minister responsible for climate change to each designate accountable officers from within their respective Ministries.³⁶ Prior to each designation, the Ministers must ensure that these officers are properly trained in their functions as accountable officers under the TCCF Act as well as the PFMA Act.³⁷ The Minister of Finance also has the power to revoke a designation which has been made.³⁸

(b) Establishment of a Joint Secretariat

The TCCF Act empowers the Minister responsible for climate change, with the agreement of the Minister of Finance, to establish a Joint Secretariat comprised of officers from the Ministry and also the Ministry of Finance.³⁹

Each officer within the Joint Secretariat will be accountable to his or her respective Minister and will be funded from the budget of each respective Ministry.⁴⁰

1.4.4 Other statutory responsibilities of the Minister of Finance

In addition to the responsibilities of the Minister of Finance stated above, as the Minister responsible for Parts V and VI of the TCCF Act, the Minister has the following additional responsibilities –

(a) Resources of the Fund

When a new or ongoing contribution to the Fund is provided by a donor, ensuring that such contribution is deposited into the Endowment Account of the Fund (where a part or full amount of the contribution is earmarked by the donor for the TCCF Fund) or the Development Fund of the Government (where a part or full amount of the contribution is earmarked by the donor for the Development Fund of the Government).⁴¹

Resources of the Fund may be from the following contributors⁴² –

- Government allocations;
- private contributions;
- bilateral sources;
- multilateral sources; or
- any other sources.

The Minister is responsible for ensuring that –

³⁶ Section 41(1), Ibid.

³⁷ Section 41(2), Ibid.

³⁸ Section 43, Ibid.

³⁹ Section 14(1), Ibid.

⁴⁰ Section 14(2), Ibid.

⁴¹ Section 22(2), Ibid.

⁴² Section 22(1), Ibid.

- a contribution to the Fund is expended specifically for the purposes of the Fund and without further restrictions to its use; and
- once deposited into the Fund, monies are not refunded to a contributor.

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(b) Bank accounts of the Fund

In consultation with the Management Committee, the Governor of the National Reserve Bank of Tonga, and subject to Cabinet approval, the Minister is responsible for –

- overseeing the two bank accounts of the Fund;⁴⁴
- ensuring that money in the Endowment Account is held at a Tongan registered bank pending further investment abroad in accordance with relevant provisions under the TCCF Act the Investment Policy of the Fund;⁴⁵
- ensuring that the Operational Account is held at a Tongan registered bank or the National Reserve Bank of Tonga as an Imprest Account, as determined by the Minister;⁴⁶
- subject to section 23(6) of the TCCF Act, ensuring that the MC does not lend, borrow, mortgage or otherwise charge assets of the Fund;⁴⁷
- subject to agreements governing donor funds and to applicable law, ensuring that the Fund is exempt from tax.⁴⁸

(c) Investment Policy

In consultation with the Investment Committee, the Minister of Finance is responsible for overseeing the development of the Investment Policy of the Fund. Chaired by the Chief Executive Officer of the Ministry of Finance, the Investment Committee must ensure that it provides the Investment Policy of the Fund to the Management Committee for endorsement no later than 30 January of each year.⁴⁹

Once endorsed, the Minister of Finance must submit the Investment Policy of the Fund to the Cabinet for final approval. The Cabinet is required to make a decision on the Investment Policy of the Fund no later than one month after it is submitted to Cabinet by the Minister.⁵⁰

(d) Payments and disbursements

⁴³ Section 22(3), Ibid.

⁴⁴ Section 23(2), Ibid.

⁴⁵ Section 23(3)(a), Ibid.

⁴⁶ Section 23(3)(b), Ibid.

⁴⁷ Section 23(5), Ibid.

⁴⁸ Section 23(7), Ibid.

⁴⁹ Section 24(1), Ibid.

⁵⁰ Section 24(3) and 24(4), Ibid.

The Minister of Finance is responsible for ensuring that payments from the Fund are consistent with the TCCF Act and the PFMA Act. Authorisation for payments from the Fund is confirmed by⁵¹ –

- (i) written resolution of the MC; and
- (ii) two authorised signatories, which are the Chair and Deputy Chair of the Management Committee, or in the absence of the Minister of Finance, by the Chief Executive Officer of the Ministry of Finance.

Upon receiving the written resolution of the MC and authorised signatures, together with a properly authorised voucher (or similar document) from the Secretariat, the Ministry of Finance is required to process and disburse a payment from the Fund in accordance with the internal processes of the Ministry of Finance.⁵²

(e) Unspent funds

The TCCF Act requires that any unspent funds are to be returned and deposited into either the Endowment Account or Operational Account of the Fund. Funds may have been unspent during a fund project cycle due to the following reasons⁵³ –

- allocated funding was not fully expended at the end of the project as anticipated;
- accreditation of a project implementer was terminated;
- project works were suspended by the MC; or
- part or all of the project funds were recalled by the MC.

As the Minister responsible for Part V of the Act, the Minister is responsible for ensuring the above provisions are complied with.

(f) Financial statements

The MC, through the Secretariat, is required to keep proper books and records of account of the assets, liabilities, income and expenditure and all transactions of the Fund for each financial year.⁵⁴ The MC must also ensure that the financial statements of the Fund are prepared using generally accepted accounting practice.⁵⁵ Annual Financial Statements of the Fund must be submitted to the independent auditor for auditing of the Fund each year.⁵⁶

⁵¹ Section 25(2), *Ibid.*

⁵² Section 25(4), *Ibid.*

⁵³ Section 26, *Ibid.*

⁵⁴ Section 27(1), *Ibid.*

⁵⁵ Section 27(2) and 28, *Ibid.*

⁵⁶ Section 27(3), *Ibid.*

As the Minister responsible for Part V of the Act, the Minister is responsible for ensuring the above provisions are complied with.

(g) Appropriation by the Legislative Assembly

Under section 32 of the TCCF Act, the Minister of Finance is responsible for presenting, in the Annual Budget of the Ministry of Finance, the total sum which is to be drawn from the Endowment Account to the Operational Account each year. The request for appropriation is to be presented by the Minister of Finance to the Legislative Assembly each year.

1.5 MANAGEMENT COMMITTEE

The MC is established under section 8 of the TCCF Act. In addition to functions and powers of the MC which are set out in sections 9 and 10 of the TCCF Act, rules of procedure of the MC are outlined in Schedule 1 of the Act.

The MC is accountable to Cabinet and must report to Cabinet from time to time on decisions made by the MC.⁵⁷

Membership

Members of the MC are⁵⁸ –

- Minister responsible for Climate Change (Chair);
- Minister of Finance (Deputy Chair);
- Minister of Lands;
- Chief Secretary and Secretary to Cabinet;
- Chief Executive Officer of the Ministry responsible for climate change;
- Chief Executive Officer of the Ministry of Finance;
- one representative of civil society, appointed by the Minister on the recommendation of the Civil Society Forum of Tonga; and
- one representative of the private sector, appointed by the Minister on the recommendation of the Tonga Chamber of Commerce and Industry.

The Director for Climate Change is the Secretary to the MC but does not have the right to vote as a full member.⁵⁹

The MC may co-opt any other person from time to time, to provide advice on a matter being considered by the MC.⁶⁰

Term of appointment

⁵⁷ Section 8(5), Ibid.

⁵⁸ Section 8(2), Ibid.

⁵⁹ Section 8(6), Ibid.

⁶⁰ Section 8(3), Ibid.

The term of appointment for members of the MC is as follows⁶¹ –

- a Minister or public service officer is a member of the MC for the duration of time that he holds that position;
- a non-Government member is appointed for the term approved by the Minister, provided that it does not exceed three consecutive years.

Meetings of the MC

Rules of procedure of the MC are set out in Schedule 1 of the TCCF Act. These rules may be amended from time to time with the consent of Cabinet.

Key provisions relating to meetings of the MC are⁶² –

- (a) MC can meet as often as is required but no less than four times a year;
- (b) the quorum for a meeting is five members, provided that the Chair or Deputy Chair must be present, together with the representatives of civil society and the private sector;
- (c) the Annual General Meeting (AGM) of the MC must take place in January of each year;
- (d) the notice of the AGM must be delivered to members of the MC at least 3 working days prior to the meeting and at least 2 working days prior to a General Meeting;
- (e) a donor contributor is entitled to –
 - receive a notification of an AGM at least 10 working days prior to the meeting date;
 - submit a request to the chair for inclusion of one or more issues on the agenda of the meeting; and
 - attend the AGM and speak to an issue raised.

Ahead of each MC meeting, the Chair should identify whether any additional person should co-opted to provide advice on a matter being considered by the MC. If so, the rules for co-opting a member should be followed. A co-opted member will have the right to speak, but not vote on any matter which is being considered.⁶³

Meeting fees

Members of the MC are not entitled to receive meeting fees.⁶⁴

Confidentiality

⁶¹ Section 8(4), Ibid.

⁶² Schedule 1, Ibid.

⁶³ Article 8(2), Schedule 1, Ibid.

⁶⁴ Article 10, Schedule 1, Ibid.

Members of the MC and any person engaged or employed in connection with the work of the MC must maintain confidentiality of all matters which are considered by the committee. ⁶⁵

1.6 SECRETARIAT OF THE FUND

The Secretariat of the Fund is primarily responsible for the day-to-day operations of the Fund and for working with the various committees to discharge their functions under the TCCF Act and TCCF regulations.

In carrying out their functions, the Secretariat is directly accountable to the MC.

Secretariat

Where the Minister for climate change determines that a single Secretariat is appropriate, the Secretariat will be housed at the Ministry responsible for climate change.

Members of the Secretariat will include the following –

- Director for climate change;
- Technical officer;
- Finance officer; and
- Any other officer as required from time to time.

Joint Secretariat

Where the Minister responsible for climate change, in agreement with the Minister of Finance determine that a Joint Secretariat is appropriate, members of the Joint Secretariat will be comprised of the normal Secretariat, together with officers from the Ministry of Finance.⁶⁶

In a Joint Secretariat, the respective officers of each Ministry may be housed at their own Ministry or jointly housed at one of the two Ministries.⁶⁷

Each Ministry will fund the salaries for each of its officers in the Joint Secretariat and officers will each report to their respective Minister.⁶⁸

Functions of the Secretariat

⁶⁵ Article 13, Schedule 1, Ibid.

⁶⁶ Section 14(1)(a), Ibid.

⁶⁷ Section 14(1)(b), Ibid.

⁶⁸ Section 14(2), Ibid.

The Secretariat is responsible for receiving applications for accreditation and project funding, providing Secretariat functions in relation to the MC and its working committees, and will take the lead in managing project selection, implementation, and procurement. The Secretariat will also lead the Monitoring, Evaluation & Verification (MEV) process.

Statutory functions of the Secretariat under the TCCF Act are⁶⁹ -

- (a) co-ordinating national climate change activities to ensure that national climate change priorities are effectively implemented;
- (b) strengthening national capacity for the management, utilisation and monitoring of the Fund;
- (c) providing secretariat services to the MC and technical committees for project approval and implementation, as well as general administrative support;
- (d) managing performance measurement, including monitoring, evaluation and reporting on activities and resource disbursement; and
- (e) liaising with project implementers to ensure that project reporting obligations are fulfilled.

To the extent possible, the Secretariat is required to⁷⁰ –

- ensure that the duplication of projects is avoided
- enhance the possibilities for replication of successful projects; and
- seek and obtain sources of funding for implementation of activities under the TCCF Act.

1.7 INVESTMENT COMMITTEE

The Investment Committee (IC) is established under section 15 of the TCCF Act. The IC has a significant role to play in ensuring that the Fund is invested prudently for the long-term sustainability of the Fund.

Members of the IC

Members of the IC are⁷¹ –

- (a) Chief Executive Officer of the Ministry of Finance (chair);
- (b) Chief Executive Officer of the Ministry responsible for climate change (deputy chair); and
- (c) a representative of the National Reserve Bank of Tonga.

⁶⁹ Section 13, Ibid.

⁷⁰ Section 13(4), Ibid.

⁷¹ Section 15(2), Ibid.

The IC may co-opt any other person from time to time, including a finance specialist or a person who specialises in providing investment advice of international standards, to advise the IC on any matter which is being considered by the IC.⁷² However, prior to co-opting, the MC is required to carry out certain due diligence requirements under section 15(5) of the TCCF Act.⁷³

Members of the IC stand in a fiduciary relationship to the Fund and are required, at all times, to discharge their functions under the Act⁷⁴ –

- (a) in good faith with a view to fulfilment of the role of the Fund; and
- (b) with care, diligence and skill that a prudent business person would exercise in managing the affairs of the IC.

The duration of the term of each member will continue, so long as the member holds the position specified under the TCCF Act for members of the IC.⁷⁵

Functions of the IC

Functions of the IC are⁷⁶ –

- (a) establishing and maintaining an Investment Policy (IP) for the Fund;
- (b) advising and reporting to the MC on –
 - (i) investment strategies for the Fund and any required changes to the IP;
 - (ii) transparent and accountable fund management services to enhance coherence, effectiveness and efficiency of the Fund; and
 - (iii) investment of funds; and
- (c) monitoring financial aspects of the Fund and ensuring proper compliance with government and donor contributor financial requirements, reporting and accountability.

Meetings of the IC

Rules of procedure of the IC are set out in Schedule 2 of the TCCF Act. These rules may be amended from time to time with the consent of Cabinet.

Key provisions relating to meetings of the IC are⁷⁷ –

- (a) IC can meet as often as is required but no less than four times a year;
- (b) the quorum for a meeting of the IC is all of its members;
- (c) a general meeting of the IC shall be called by the Secretary in consultation with the chair of the IC; and

⁷² Section 15(4), Ibid.

⁷³ Section 15(5), Ibid.

⁷⁴ Section 15(6), Ibid.

⁷⁵ Section 15(3), Ibid.

⁷⁶ Section 17, Ibid.

⁷⁷ Schedule 2, Ibid.

- (d) a person who is co-opted to the IC shall have the right to speak, but will not vote on any matter that is being considered.

The Secretariat must ensure that meetings of the IC occur in a timely manner, to ensure that the Investment Policy of the Fund can be delivered by the IC to the MC before 1 December each year, to be endorsed by the MC prior to submission to Cabinet.

General investment objectives of the Fund

Section 16 of the TCCF specifies the following general investment objectives for the Fund⁷⁸ -

- (a) invest the Fund as permitted by the Act and applicable laws;
- (b) prudently manage all aspects of risk in relation to the Fund, including ensuring that assets –
 - (i) are adequately diversified; and
 - (ii) have an appropriate level of liquidity;
- (c) ensure that any person to whom investment decision-making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to him, and that the actions of that person are fully accountable to the MC.

With the approval of the MC, information, advice or reports provided by the IC may be provided to the Secretariat and the NCCC.

Investment Policy

The Investment Policy of the Fund must be submitted to the MC by 1 December each year,⁷⁹ for endorsement by the MC no later than January 30 of the following year.⁸⁰ Once endorsed, the Minister of Finance is responsible for submitting the IP of the Fund to Cabinet for final approval.

The IP which is endorsed by the MC –

- (a) must take into account advice from the IC; and
- (b) may provide for investment in term deposits in a Tongan registered bank, or provide for investment in a balanced portfolio of diversified assets as the MC may determine.⁸¹

Meeting fees

⁷⁸ Section 16, Ibid.

⁷⁹ Section 17(2), Ibid.

⁸⁰ Section 24(1), Ibid.

⁸¹ Section 24(2), Ibid.

Members of the IC are not entitled to receive a meeting fee.⁸²

Confidentiality

Members of the IC and any person engaged or employed in connection with the work of the IC must maintain confidentiality of all matters which are considered by the committee.⁸³

1.8 NATIONAL CLIMATE CHANGE CO-ORDINATING COMMITTEE

The National Climate Change Co-ordinating Committee (NCCC) is established under section 18 of the TCCF Act.

Members of the NCCC

Members of the NCCC are⁸⁴ –

- (a) Chief Executive Officers of the Ministries responsible for climate change, finance, internal affairs, lands, education and training, health, public enterprises, agriculture, food and forestry, fisheries, trade and economic development, and tourism;
- (b) Secretary of Foreign Affairs;
- (c) Solicitor General;
- (d) Director of the Civil Society Forum of Tonga; and
- (e) President of the Tonga Chamber of Commerce and Industries.

The NCCC may co-opt other members one or more persons from time to time.

The duration of the term of each member will continue, so long as the member holds the position specified under the TCCF Act for members of the NCCC.

Functions of the NCCC

Functions of the NCCC are to⁸⁵ –

- (a) consider recommendations of the TC in its assessment report and provide recommendations to the MC on whether or not to approve a project application;
- (b) oversee and ensure the national coordination of all activities, government or otherwise, relating to climate change to ensure effective and efficient utilisation of the Fund; and

⁸² Article 5, Schedule 2, Ibid.

⁸³ Article 9, Schedule 2, Ibid.

⁸⁴ Section 18(2), Ibid.

⁸⁵ Section 19, Ibid.

- (c) based on lessons learnt, provide recommendations to the MC on how internal processes of the Fund can be improved or made more effective.

Meetings of the NCCC

Rules of procedure of the NCCC are set out in Schedule 3 of the TCCF Act. These rules may be amended from time to time with the consent of Cabinet.

Key provisions relating to meetings of the NCCC are⁸⁶ –

- (a) NCCC can meet as often as is required but no less than two times a year;
- (b) the quorum for a meeting of the NCCC is at least half of its permanent members (8 members);
- (c) a general meeting of the NCCC shall be called by the Secretary in consultation with the chair of the NCCC; and
- (d) a person who is co-opted to the NCCC shall have the right to speak, but will not vote on any matter that is being considered.

Meeting fees

Members of the NCCC are not entitled to receive a meeting fee.⁸⁷

Confidentiality

Members of the NCCC and any person engaged or employed in connection with the work of the NCCC must maintain confidentiality of all matters which are considered by the committee.⁸⁸

1.9 TECHNICAL COMMITTEE

The Technical Committee is established under section 20 of the TCCF Act.

Members of the TC

Members of the TC are comprised of representatives nominated by the following Ministries, agencies and entities⁸⁹ –

- (a) Ministry responsible for climate change (chair);
- (b) Ministries responsible for finance, lands, education and training, health, internal affairs, infrastructure, agriculture, food and forestry, fisheries, and tourism;
- (c) Tonga Water Board;
- (d) Civil Society Forum of Tonga; and
- (e) Tonga Chamber of Commerce and Industry.

⁸⁶ Schedule 3, Ibid.

⁸⁷ Article 5, Schedule 3, Ibid.

⁸⁸ Article 9, Schedule 3, Ibid.

⁸⁹ Section 20(2), Ibid.

Whereas members of the NCCC are primarily CEO level, members of the TC are technical experts from each Ministry, agency or entity.

The TC may co-opt one or more persons from time to time from the following sectors to assist with the work of the TC⁹⁰–

- (i) Government Ministry or agency;
- (ii) faith-based organisation or person representing the interests of the community, women or private sector; or
- (iii) any other person by reason of any particular expert knowledge or skill.

The duration of the term of each member will continue, so long as the member holds the position specified under the TCCF Act for members of the TC.

Functions of the TC

Functions of the TC are to⁹¹ –

- (a) evaluate project applications received by the Secretariat and assess applications for eligibility, feasibility and sustainability;
- (b) prepare an assessment report for the NCCC, providing recommendations for approval or rejection of a project application; and
- (c) based on lessons learnt, provide recommendations to the MC on how internal processes of the Fund can be improved or made more effective.

Meetings of the TC

Rules of procedure of the TC are set out in Schedule 4 of the TCCF Act. These rules may be amended from time to time with the consent of Cabinet.

Key provisions relating to meetings of the TC are⁹² –

- (a) TC can meet as often as is required but no less than two times a year;
- (b) the quorum for a meeting of the TC is seven members;
- (c) a general meeting of the TC shall be called by the Secretary in consultation with the chair of the TC; and
- (d) a person who is co-opted to the TC shall have the right to speak, but will not vote on any matter that is being considered.

Meeting fees

⁹⁰ Section 20(3), Ibid.

⁹¹ Section 21, Ibid.

⁹² Schedule 4, Ibid.

Members of the TC are not entitled to receive a meeting fee.⁹³

Confidentiality

Members of the TC and any person engaged or employed in connection with the work of the TC must maintain confidentiality of all matters which are considered by the committee.⁹⁴

1.10 COMPLAINTS COMMITTEE

The Complaints Committee is established under section 36 of the TCCF Act.

Members of the CC

Members of the CC are appointed by the Minister responsible for climate change and must be independent from the administrative and technical processes of the Fund.⁹⁵ Persons appointed as members of the CC must have the following backgrounds –

- (a) person with legal expertise (chair);
- (b) person with technical experience; and
- (c) person with administrative experience.

A member of the CC shall hold office for 3 years and may be reappointed.⁹⁶ The CC is required to appoint its own Secretary, who must not be an employee of the Ministry or a member of the Secretariat.⁹⁷

Functions of the CC

Functions of the CC are to⁹⁸ –

- (a) investigate a complaint which has been lodged under section 38 of the TCCF Act⁹⁹ and which cannot be resolved by the Secretariat of the Fund;
- (b) facilitate a mediation hearing between an aggrieved party and a body established under the Act, if necessary;
- (c) issue written recommendations to the MC on a matter which has been the subject of a complaint; and
- (d) provide recommendations to the MC on how complaint processes of the Fund can be improved or made more effective.

⁹³ Article 5, Schedule 4, Ibid.

⁹⁴ Article 9, Schedule 4, Ibid.

⁹⁵ Section 36(2), Ibid.

⁹⁶ Section 36(3), Ibid.

⁹⁷ Section 36(6), Ibid.

⁹⁸ Section 37, Ibid.

⁹⁹ Section 38 allows a person who is aggrieved about a process or a decision of a body under the TCCF Act to lodge a complaint to the CC.

Meetings of the CC

Rules of procedure of the CC are set out in Schedule 5 of the TCCF Act. These rules may be amended from time to time with the consent of Cabinet.

Key provisions relating to meetings of the CC are¹⁰⁰ –

- (a) CC can meet as often as is required to determine a complaint that has been lodged under the Act;
- (b) the quorum for a meeting of the CC is all of its members (3 members);
- (c) a general meeting or hearing of the CC shall be called by the Secretary in consultation with the chair of the CC; and
- (d) a person who is not a member of the CC or the Secretariat may be invited by the chair to attend a meeting of the CC as co-opted member. A co-opted member shall have the right to speak, but will not vote on any matter that is being considered.

Meeting fees

Members of the CC are entitled to receive a meeting fee.¹⁰¹ The MC, in consultation with the Remuneration Authority, shall approve the meeting fee for members of the CC, taking into account the profession and level of expertise of each member.¹⁰²

Confidentiality

Members of the CC and any person engaged or employed in connection with the work of the CC must maintain confidentiality of all matters which are considered by the committee.¹⁰³

Reporting requirement

Within 3 months of the end of each financial year, the chair of the CC is required to provide a written report to the Chief Executive Officer of the Ministry responsible for climate change on the activities of the CC for the preceding year.¹⁰⁴ The report of the CC must be incorporated into the Annual Report of the Ministry responsible for climate change.¹⁰⁵

1.11 ACCREDITED ENTITIES

¹⁰⁰ Schedule 5, Ibid.

¹⁰¹ Section 39(2), Ibid.

¹⁰² Section 39, Ibid.

¹⁰³ Article 9, Schedule 5, Ibid.

¹⁰⁴ Section 40(1), Ibid.

¹⁰⁵ Section 40(2), Ibid.

An application for project funding may only be submitted by the following entities¹⁰⁶ –

- (a) an organisation registered with the responsible Ministry as a Tongan registered company under applicable law;
- (b) an organisation registered with the responsible Ministry as a non-profit organisation under applicable law;
- (c) a community organisation recognised by the Ministry of Internal Affairs; and
- (d) a Ministry or government agency in the Kingdom.

However, each of these entities must be accredited.¹⁰⁷ The process for accreditation is set out in detail in Part VI of the TCCF Regulations.

It should be noted that under section 30(1) of the TCCF Act, an accredited entity that has been awarded project funding is referred to as a “Project Implementer”. However, both terms refer to the same legal entity.

¹⁰⁶ Section 33(1), *Ibid.*

¹⁰⁷ Section 33, *Ibid.*

PART 2: FINANCIAL PROCEDURES OF THE FUND

Some of the details in this Part have already been covered in Part 1.4, in relation to the role of the Minister of Finance. However, information is restated here in relation to financial procedures of the Fund.

As the Minister responsible for Part V (Finance) and Part VI (Appropriation by the Legislative Assembly) of the TCCF Act, the Minister of Finance is responsible for ensuring that the financial procedures of the Fund are complied with.

2.1 RESOURCES OF THE TCCF

All resources of the TCCF Fund are held in trust by the MC to be utilised only for the purposes set out in section 5 of the TCCF Act.

Resources of the Fund may be received from the following contributors¹⁰⁸ –

- Government allocations;
- private contributions;
- bilateral sources;
- multilateral sources; or
- any other sources.

2.2 BANK ACCOUNTS OF THE TCCF

Subject to Cabinet final approval and in consultation with the Management Committee and the Governor of the National Reserve Bank of Tonga, the Minister of Finance is responsible for –

- overseeing the two bank accounts of the Fund;¹⁰⁹
- ensuring that money in the Endowment Account is held at a Tongan registered bank pending further investment abroad in accordance with relevant provisions under the TCCF Act and the Investment Policy of the Fund;¹¹⁰
- ensuring that the Operational Account is held at a Tongan registered bank or the National Reserve Bank of Tonga as an Imprest Account, as determined by the Minister;¹¹¹
- ensuring that the MC does not lend, borrow, mortgage or otherwise charge assets of the Fund, subject to section 23(6) of the TCCF Act;¹¹²
- ensuring that the Fund is exempt from tax, subject to agreements governing donor funds and to applicable law.¹¹³

¹⁰⁸ Section 22(1), *Ibid.*

¹⁰⁹ Section 23(2), *Ibid.*

¹¹⁰ Section 23(3)(a), *Ibid.*

¹¹¹ Section 23(3)(b), *Ibid.*

¹¹² Section 23(5), *Ibid.*

¹¹³ Section 23(7), *Ibid.*

The TCCF Fund is currently managed through two accounts –

- (a) Endowment Account which is comprised of such sums for investment that the MC determines in accordance with the TCCF Act and the Fund's approved Investment Policy; and
- (b) Operational Account which is comprised of –
 - (i) all capital sums not allocated to the Endowment Account;
 - (ii) interest and capital gains (after the maintaining of the capital in real terms) earned on the Endowment Account; and
 - (iii) contributions made to the TCCF for non-endowment purposes raised through the sources of the TCCF.

When a new or ongoing contribution to the Fund is provided by a donor, section 22(2) of the TCCF Act requires that the contribution is deposited into the Endowment Account of the Fund (where a part or full amount of the contribution is earmarked by the donor for the Fund) or the Development Fund of the Government (where a part or full amount of the contribution is earmarked by the donor for the Development Fund of the Government).¹¹⁴

Currently, the Endowment Account is held at the BSP Bank, Nuku'alofa while the Operational Account held at the ANZ Bank, Nuku'alofa. The Endowment Account is operated in USD while the Operational Account is operated in TOP.

2.3 DEPOSITS INTO THE FUND

Two sources of funds currently exist for the TCCF Fund – first, deposits received from donor-funds and secondly, interest and capital gains earned from the Endowment Account. Any additional funds received will be deposited by the MC into the Endowment Account or Operational Account in accordance with the sections 22 and 23 of the TCCF Act, as well as the Investment Policy of the Fund.

The Minister of Finance must ensure that –

- (a) all monies earmarked for the TCCF Fund are directly deposited into TCCF accounts in accordance with the TCCF Act;
- (b) monies withdrawn from the Operational Account are used only for authorised expenditures under the TCCF Act and TCCF Regulations; and
- (c) budget documents accurately register the use of the project funds for climate change purposes, allowing for the tracking of government expenditure on climate change.

2.4 APPROPRIATION OF FUNDS FROM THE ENDOWMENT ACCOUNT

¹¹⁴ Section 22(2), *Ibid.*

Under section 32 of the TCCF Act, the Minister of Finance is responsible for presenting, in the Annual Budget of the Ministry of Finance, the total sum which is to be drawn from the Endowment Account to the Operational Account each year. The request for appropriation is to be presented by the Minister of Finance to the Legislative Assembly each year.

Therefore, the distribution of funds between the Endowment Account and the Operational Account are generally allocated in accordance with the appropriation of funds approved by the Legislative Assembly. However, from time to time, additional interest and capital gains earned from the Endowment Account will be deposited into the Operational Account in accordance with the Investment Policy of the TCCF Fund.

2.5 UNSPENT FUNDS

The TCCF Act requires that any unspent funds are to be returned and deposited into either the Endowment Account or Operational Account of the Fund.

Funds may have been unspent during a fund project cycle due to the following reasons¹¹⁵ –

- allocated funding was not fully expended at the end of the project as anticipated;
- accreditation of a project implementer was terminated;
- project works were suspended by the MC; or
- part or all of the project funds were recalled by the MC.

2.6 FINANCIAL STATEMENTS OF THE FUND

The MC, through the Secretariat, is required to keep proper books and records of account of the assets, liabilities, income and expenditure and all transactions of the Fund for each financial year.¹¹⁶ The MC must also ensure that the financial statements of the Fund are prepared using generally accepted accounting practice.¹¹⁷

Annual financial statements of the Fund consist of the following –

- (a) statement of financial position as at the end of the period;
- (b) statement of changes in equity for the period;
- (c) statement of comprehensive income for the period;
- (d) statement of cash flows for the period; and
- (e) notes comprising a summary of significant accounting policies and other explanatory information.

¹¹⁵ Section 26, Ibid.

¹¹⁶ Section 27(1), Ibid.

¹¹⁷ Section 27(2) and 28, Ibid.

Annual Financial Statements of the Fund must be submitted by the MC to the independent auditor for auditing of the Fund each year.¹¹⁸

2.7 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The MC must ensure that financial reports and financial statements of the TCCF are developed in accordance with generally accepted accounting principles.¹¹⁹ The MC must also comply with relevant provisions in the PFMA and Treasury Instructions as they relate to trust money.

2.8 ANNUAL AUDIT

The MC, with the consent of the Auditor General, is responsible for appointing an independent auditor to audit the Fund each year, according to international accounting standards.¹²⁰ The MC is also required to comply with all requirements of the auditor in order to ensure that the audit of the TCCF is carried out in a timely manner.¹²¹

Within 5 months of the end of the financial year, a copy of the Auditor's Report must be presented to the Management Committee, and, one month later, a copy of the Auditor's Report must be presented to Cabinet.¹²²

On the recommendation of the Auditor General, technical audits of projects funded under the TCCF Act will be carried out on a selective basis.

Applying international audit standards, the Technical Auditor will present a report to the MC and Cabinet which will give an opinion on the –

- (a) accuracy of records and financial accounts of the TCCF Fund;
- (b) completeness of the income of the TCCF Fund; and
- (c) the conformity of payments with the priorities laid down in the TCCF Act, TCCF Regulations and this OM.

Compliance with financial reporting and auditing requirements will be monitored by the MC, Auditor General, and the independent external auditor appointed by the MC.

In the development of reports in relation to the financial management of the Fund, the Ministry responsible for climate change and the Ministry of Finance will take into account the requirement of donors.

¹¹⁸ Section 27(3), *Ibid.*

¹¹⁹ Section 28, *Ibid.*

¹²⁰ Section 29(1), *Ibid.*

¹²¹ Section 29(2), *Ibid.*

¹²² Section 29(3) and 29(4), *Ibid.*

If an audit is not conducted in a manner satisfactory to a donor, or is substantially delayed, a donor may request permission from the MC to cover the costs of an independent external auditor to conduct the audit.

All accounts and records must be retained for seven (7) years after the date of the transactions to which the accounts and records relate.

2.9 COST OF AUDIT

Costs of the independent auditor appointed by the MC shall be paid by the TCCF Fund. In exceptional circumstances, a donor may request the approval of the MC to audit the TCCF Fund in relation to that donor's contribution.

Where a donor appoints an external auditor to carry out an audit of the TCCF in relation to the donor's contribution, the donor shall absorb the costs of the external auditor and any associated costs.¹²³

¹²³ Section 30, Ibid.

PART 3: DISBURSEMENTS FROM THE OPERATING ACCOUNT

3.1 FUND PROJECT CYCLE

The Fund Project Cycle (FPC) of the TCCF runs for a period of up to two years following the Minister's declaration under section 7(1) of the TCCF Act.

The following procedures define how the MC will manage and disburse resources to address the national climate change priorities declared by the Minister within a FPC. This Part aligns with the procedures set out in the TCCF Act and TCCF Regulations.

Notwithstanding the procedures in the Part, in order to assist with initial implementation of the TCCF Act and TCCF Regulations, the MC may approve specific variations from these procedures to apply after the Minister's declaration of national priorities and during the first FPC.

Within a given FPC, specific activities of the Fund will include:

- (a) design and approval of Fund Programming Budget;
- (b) call for accreditation;
- (c) call for project applications;
- (d) selection process and criteria;
- (e) award of projects and notification of outcomes;
- (f) disbursement of funds;
- (g) project implementation;
- (h) completion of a project.
- (i) monitoring and evaluation; and
- (j) reporting obligations.

The items in (a) – (f) are covered under this Part 3. However, items (g) - (h) are covered in Part 4, and (i) – (j) are covered in Part 7 of this OM.

3.2 DESIGN AND APPROVAL OF FUND PROGRAMME BUDGET

At the start of each FPC, the Secretariat, in consultation with the Director for the Climate Change Division, is responsible for designing a fund programme budget which will achieve the national climate priorities proclaimed by the Minister under section 7(1) of the TCCF Act.¹²⁴

The fund programme budget will allocate funding towards specified climate change priorities or thematic areas.¹²⁵ Funds allocated to a specific thematic

¹²⁴ Regulation 7(1), TCCF Regulations 2024.

¹²⁵ Regulation 7(2), Ibid.

area will constitute a programme envelope under which one or more projects delivered by a project implementer will fall.¹²⁶

The template for a fund programme budget is prescribed in **Schedule 2** of the TCCF Regulations.¹²⁷ A programme may include one or more projects or sub-projects and must outline the specific requirements set out in Schedule 1.¹²⁸

The Secretariat must ensure that the allocation of funding is distributed in accordance with the declared national priorities of the Minister and aligns with national objectives set out in the following documents which have been approved by Cabinet¹²⁹ –

- (a) JNAP2;
- (b) Nationally Determined Contribution;
- (c) Long-term Low Emission Development Strategy; and
- (d) any other approved national strategic document which the Minister deems appropriate.

Programming funds allocated to the Operational Account allows the MC to assign the budgets available for projects addressing specific climate change priority areas or cross cutting climate themes.

If an amount of funding is not assigned to a specific national climate change priority, it should be defined as unassigned with the SEC and MC to make every effort to programme any unassigned funding before the end of the funding cycle.

Following its design, the Director must submit the proposed fund programme budget to the MC for approval.¹³⁰ In determining whether or not to approve the design of a fund programme budget, the MC must take into account the guiding principles set out in regulation 5 of the TCCF Regulations.

When the MC approves a proposed fund programme budget, the MC will issue a written resolution stating the following¹³¹ –

- (a) total amount allocated to each programme or project;
- (b) schedule of payments and required deliverables (if applicable); and
- (c) timeframe for the implementation of each designed programme or project.

Following the issuance of the resolution, the Secretariat will initiate a call for –

- (i) accreditation; and
- (ii) project applications.

¹²⁶ Regulation 7(3), Ibid.

¹²⁷ Regulation 7(4), Ibid.

¹²⁸ Regulation 7(4), Ibid.

¹²⁹ Regulation 7(5), Ibid.

¹³⁰ Regulation 7(4), Ibid.

¹³¹ Regulation 8(4), Ibid.

3.3 CALL FOR ACCREDITATION

Call for applications for accreditation

A call for applications for accreditation shall generally take place¹³² –

- (a) during the fourth quarter in the year preceding the call for project applications; or
- (b) at a time prescribed by the Management Committee.

The Secretariat should ensure that a call for applications, as well as the application form and submission instructions, are¹³³ –

- (a) clear and succinct;
- (b) specify the nature of information required from an applicant and eligibility rules;
- (c) provided in both the Tongan and English languages; and
- (d) published widely, in a manner that is accessible to members of the public in Tongatapu and the outer islands.

Submission of applications

An applicant must complete and submit the prescribed application form together with the following supporting documents to the Secretariat, within the specified timeframe¹³⁴ –

- (a) if the applicant is a –
 - (i) company, evidence of incorporation in Tonga;
 - (ii) non-government or charitable organisation, evidence of registration in Tonga;
 - (iii) government agency or Ministry, letter in support of the application for accreditation from the Chief Executive Officer of the relevant Ministry; or
 - (iv) community organisation, letter of recognition from the Ministry of Internal Affairs; and
- (b) supporting evidence of the matters outlined in regulation 14 of the TCCF Regulations.

If required, the Secretariat will request an interview with a representative of the applicant or visit the offices of the applicant to assess the applicant's level of technical and human resources.

The prescribed application form for accreditation is in **Schedule 3** of the TCCF Regulations.

Initial screening for compliance

¹³² Regulation 9(2), Ibid.

¹³³ Regulation 9(2), Ibid.

¹³⁴ Regulation 10(1), Ibid.

On receiving an application for accreditation, the Secretariat will initially review it and ensure that all supporting documents have been provided by the applicant before¹³⁵ –

- (a) issuing an accreditation application number; and
- (b) inputting relevant information about the application into the database for the Fund.

The Secretariat must then submit a full copy of the application for accreditation to the Technical Committee within 3 days of registering the application into the database for the Fund.¹³⁶

Assessment of application

Upon receiving an application for accreditation, the Technical Committee will¹³⁷ –

- (a) evaluate the application in accordance with criteria in regulation 14 of the TCCF Regulations; and
- (b) provide written recommendations to the Management Committee on the eligibility of the applicant.

The Secretariat will collate all written recommendations from the Technical Committee and provide these, together with each application to the Management Committee within 3 days of the Technical Committee completing its assessment.¹³⁸

Upon receiving an application for accreditation, supporting documentation and recommendations from the Technical Committee, the Management Committee must¹³⁹ –

- (a) review and consider the recommendations of the Technical Committee; and
- (b) approve or deny an application for accreditation.

Criteria for accreditation

Criteria for assessing an application for accreditation may include one or more of the following¹⁴⁰ –

- (a) evidence that the applicant –
 - (i) has the human and technical capacity to effectively implement a project;
 - (ii) has in place internal financial processes that will meet the minimum fiduciary requirements of the TCCF Act and ensure the ability to manage and account for the utilisation of project funds;

¹³⁵ Regulation 11(1), Ibid.

¹³⁶ Regulation 11(2), Ibid.

¹³⁷ Regulation 12(1), Ibid.

¹³⁸ Regulation 12(2), Ibid.

¹³⁹ Regulation 13(1), Ibid.

¹⁴⁰ Regulation 14, Ibid.

- (iii) will be able to meet its reporting obligations; or
 - (iv) has the ability to meet any other criteria set by the Management Committee from time to time; and
- (b) evidence of a bank account in the name of the applicant.

Notification of outcome

Within 21 days of submitting a complete application for accreditation, the Secretariat must notify the applicant, in writing, whether or not the application has been approved.¹⁴¹

If an applicant has been notified that it does not meet the criteria for accreditation it may, within the prescribed period, re-submit an application for accreditation containing new or additional information, for consideration by the Management Committee.¹⁴²

Certificate of accreditation

Where the Management Committee has approved an application for accreditation under this Part, the Secretariat must issue the applicant with a Certificate of Accreditation within 3 working days of approval.¹⁴³ The validity of an entity's accreditation must be stated on the certificate of accreditation and must be for a period not exceeding 4 years.¹⁴⁴

When applying for project funding, an applicant must submit a current copy of its Certificate of Accreditation. The prescribed Certificate of Accreditation is in **Schedule 4** of the TCCF Regulations.

Renewal of accreditation

Where the period of validity of a Certificate of Accreditation has expired, the applicant must re-apply for accreditation.¹⁴⁵ An application for renewal of accreditation must follow the same process as an application for accreditation set out under this Part.¹⁴⁶

Where the Management Committee has approved an application for renewal of accreditation under this Part, the Secretariat must issue the applicant with a Certificate of Accreditation stating the period of renewal.

A Certificate of Renewal of Accreditation issued under this regulation is in **Schedule 5** of the TCCF Regulations.

¹⁴¹ Regulation 15 (1), Ibid.

¹⁴² Regulation 15(2), Ibid.

¹⁴³ Regulation 16(2), Ibid.

¹⁴⁴ Regulation 16(2), Ibid.

¹⁴⁵ Regulation 17(1), Ibid.

¹⁴⁶ Regulation 17(2), Ibid.

Revocation of accreditation

The Secretariat may, upon its own motion or at the request of a third party, apply to the Management Committee for the revocation of the accreditation of an entity.¹⁴⁷

The Management Committee must revoke the accreditation of an entity, if there is sufficient evidence that the entity has¹⁴⁸ –

- (a) violated a condition in the Project Implementation Agreement;
- (b) been involved in fraudulent activities in relation to the use of project funds;
- (c) misrepresented its ability to fulfil its obligations under a Project Implementation Agreement; or
- (d) any other reason that the Management Committee considers to be a sufficient ground for revocation.

The form for applying for revocation of accreditation is in **Schedule 6** of the TCCF Regulations. A notice of Revocation of Accreditation is in **Schedule 7** of the TCCF Regulations.

3.4 CALL FOR PROJECT APPLICATIONS

The call for applications for project funding must generally take place during the first quarter of each year.¹⁴⁹

The call for applications must be¹⁵⁰ –

- (a) clear and succinct about the eligibility rules and nature of information required from an applicant;
- (b) in the Tongan and English languages; and
- (c) published widely, in a manner that is accessible to members of the public in Tongatapu and the outer islands.

The prescribed application form for project funding is in **Schedule 8** of the TCCF Regulations.

Submission of applications

The applicant must complete and submit to the Secretariat the prescribed application form together with the following supporting documents, within the required deadline for submission¹⁵¹ –

- (a) copy of the applicant's Certificate of Accreditation which has been issued by the MC under regulation 16 of the TCCF Regulations; and

¹⁴⁷ Regulation 18(1), Ibid.

¹⁴⁸ Regulation 18(2), Ibid.

¹⁴⁹ Regulation 19(1), Ibid.

¹⁵⁰ Regulation 19(2), Ibid.

¹⁵¹ Regulation 20(2), Ibid.

- (b) a project proposal that clearly identifies –
 - (i) the title of the project;
 - (ii) name of project manager and credentials;
 - (iii) details of the proposed project and how it relates to the Minister’s declaration of national climate change priorities in section 7 of the TCCF Act;
 - (iv) proposed timeframe for commencement and completion of the project and project timeline;
 - (v) proposed budget and level of funding requested;
 - (vi) project personnel and their responsibilities;
 - (vii) overview of fiduciary management of project funds;
 - (viii) whether a village committee has been or will be established pursuant to regulation 37 of the TCCF Regulations; and
 - (ix) if applicable, project partners.

To ensure that the application is considered by the MC, an applicant must provide all documentation required under the TCCF Regulations, as well as any other supporting documents stated in the prescribed application form.¹⁵²

To assist applicants, a Submission Checklist is set out in **Schedule 9**. A summary of the application process is set out in **Schedule 10** of the TCCF Regulations and **Annex 3** of this OM.

Application for project funding

An application for project funding must include, with sufficient evidence in support, the following¹⁵³ –

- (a) thematic scope of the project, which explains –
 - (i) what national climate change priorities will be addressed under the project;
 - (ii) what the expected outputs are for projects funded under the project; and
 - (iii) target beneficiaries;
- (b) details regarding project management, which includes –
 - (i) name of accredited entity and responsible officers; and
 - (ii) proposed Monitoring and Reporting Framework for the project and sub-projects;
- (c) project budget, which includes –
 - (i) total funding required for the project; and
 - (ii) total funding required for any sub-project, if applicable.

An applicant may request authorisation for the approval of sub-projects under the national climate change priorities declared by the Minister.

¹⁵² Regulation 20(3), Ibid.

¹⁵³ Regulation 21(1), Ibid.

Eligibility and reporting requirements

For each fund project cycle, the MC must publish the eligibility requirements for an entity intending to apply for accreditation to implement a project.

Defined reporting requirements

The reporting requirements for a Project Implementer will be outlined in the Project Implementation Agreement signed between the entity and the MC.

This will include any obligation to provide, in the prescribed format for the following reports –

- (a) financial report;
- (b) narrative report; and
- (c) project completion report, which incorporates a full financial report.

Additional reporting requirements are outlined in part 8.3 of this OM.

Where relevant, the Project Implementation Agreement will specify if the Project Implementer is responsible for providing additional capacity to support the delivery of reporting requirements.

Additional requirements

Any additional requirements relating to an application for project funding will be published by the Secretariat in the website of the Ministry.

Initial screening for compliance

On receiving a copy of the project application, the Secretariat will first review and ensure that all documents have been provided by the applicant before –

- (a) issuing a project application number; and
- (b) inputting relevant information about the application into the database for the Fund.

The Secretariat must submit a full copy of the application to the Technical Committee within 7 days of registering the application into the database for the Fund.

Assessment and ranking of projects by Committees

Upon receiving an application, the Technical Committee shall –

- (a) evaluate the application in accordance with criteria in regulation 28 of the TCCF Regulations;
- (b) provide written recommendations to the National Climate Change Co-ordinating Committee on the viability of the project proposal; and
- (c) rank the project proposal against other applications.

The Secretariat will collate all written recommendations from the Technical Committee and provide these, together with each application to the National

Climate Change Co-ordinating Committee within 3 days of the Technical Committee completing their assessment and ranking.

Upon receiving an application, the National Climate Change Co-ordinating Committee shall¹⁵⁴ –

- (a) evaluate the application in accordance with criteria in regulation 28 of the TCCF Regulations;
- (b) consider the recommendations of the Technical Committee;
- (c) provide written recommendations to the MC on a short list of applications that should be considered, taking into account the Minister's declared priorities in section 7 of the TCCF Act; and
- (d) provide a ranking of the short-listed project proposals.

The Secretariat will collate all written recommendations from the National Climate Change Co-ordinating Committee and provide these, together with each application to the MC within 3 days of the National Climate Change Co-ordinating Committee completing their assessment and ranking.

In determining the ranking of applicants, the MC and technical committees established under the Act will use the ranking matrix set out in **Schedule 11** of the TCCF Regulations.¹⁵⁵ The MC will assess the short list of project proposals in accordance with regulation 27, before making a final decision on successful applications.

Final approval of projects by MC

Upon receiving the short list of applications, the MC shall¹⁵⁶ –

- (a) evaluate each application in accordance with criteria in regulation 28 of the TCCF Regulations;
- (b) consider the recommendations of the Technical Committee and National Climate Change Co-ordinating Committee;
- (c) provide written recommendations to the Cabinet on the list of applications that are approved, taking into account the Minister's declared priorities in section 7 of the TCCF Act; and
- (d) confirm the project proposals that are approved.

The decision of the MC in respect of approved projects to receive funding during a fund project cycle shall be final and no further submissions shall be received from unsuccessful applicants.¹⁵⁷

The Secretariat will collate all written approvals from the MC and provide these, together with a written resolution of the MC, to the Ministry of Finance in accordance with section 25(2) of the TCCF Act.

¹⁵⁴ Regulation 26(3), Ibid.

¹⁵⁵ Regulation 26(5), Ibid.

¹⁵⁶ Regulation 27(1), Ibid.

¹⁵⁷ Regulation 27(2), Ibid.

Following the approval of a project application, the Ministry responsible for climate change will, within 15 days, sign a Project Implementation Agreement with a Project Implementer within 15 days of the MC approval.¹⁵⁸ The PIA must comply with the requirements in regulation 30 of the TCCF Regulations.

3.5 SELECTION PROCESS AND CRITERIA

Criteria for assessment of applications for project funding

An application for project funding will be assessed by each relevant working committee of the Fund against the following criteria¹⁵⁹ –

- (a) proposed outcomes in the project proposal align with national climate change priorities identified by the Minister under section 7 of the TCCF Act and further the Government's goals in relation to climate change adaptation and disaster risk reduction;
- (b) the proposed project –
 - (i) has clear outcomes and beneficiaries;
 - (ii) is considered a high priority by the benefiting community or communities (with a particular advantage if there is an existing community development project related to climate change adaptation and disaster risk reduction that has identified the project as high priority);
 - (iii) aims to improve good governance for climate change adaptation and disaster risk management activities;
 - (iv) involves analysis and assessment of an aspect of Tonga's vulnerability to climate change impacts and disaster risks;
 - (v) strengthens community preparedness and resilience to impacts of all disasters;
 - (vi) enhances the technical knowledge base, information database, education and understanding of climate change adaptation, mitigation and disaster risk management; and
 - (vii) fosters strong partnerships, cooperation and collaboration within government agencies and with civil society and the private sector;
- (c) the project implementer has the capacity to effectively –
 - (i) implement the project;
 - (ii) manage project resources; and
 - (iii) account for project funds,
- (d) the capacity of the project is likely to provide technically reliable, economically affordable and environmentally sound energy to support the sustainable development of Tonga; and

¹⁵⁸ Regulation 27(4), Ibid.

¹⁵⁹ Regulation 28(1), Ibid.

- (e) the proposed project will enhance strong partnerships, including cooperation and collaboration within government agencies and with civil society and the private sector.

Each working committee shall also be guided by the following considerations¹⁶⁰ –

- (a) the extent to which the project assists or enables the beneficiary community to achieve national climate change priorities proclaimed by the Minister under section 7(1) of the TCCF Act, the Tonga Climate Change Policy and or activities under the Government approved National Action Plan for Climate Change;
- (b) location and population of the beneficiary community (projects on the outer islands may be prioritised);
- (c) whether or not the proposed project –
 - (i) achieves an objective in the beneficiary community's Community Development Plan;
 - (ii) will have a positive impact on the beneficiary community, and if so, the extent of this;
 - (iii) will involve women, men, children and vulnerable groups;
 - (iv) will have a specific positive impact on women, men, children and vulnerable groups;
 - (v) will provide a positive environmental value to the beneficiary community and the project's likely impact on the environment;
 - (vi) will provide any in kind contributions, financial or otherwise; and
 - (vii) is sustainable, for the long term;
- (d) whether the applicant has the following capabilities –
 - (i) necessary human resources or technical expertise to implement the project; and
 - (ii) ability to cover additional costs, such as the Impact Assessment Report and ancillary Government fees as required;
- (e) any in kind contributions of the beneficiary community such as materials, land, or labour; and
- (f) any other additional special benefits.

3.6 AWARD OF PROJECTS AND NOTIFICATION OF OUTCOMES

Within 3 days of the MC confirming the list of approved projects under regulation 27(1)(d) of the TCCF Regulations, the Secretariat will inform each successful applicant, in writing.¹⁶¹

¹⁶⁰ Regulation 28(2), Ibid.

¹⁶¹ Regulation 29(1), Ibid.

For successful applicants on the outer islands or other remote areas, notification may be carried through other means such as by an announcement on a newspaper of general circulation or the radio.¹⁶²

The Secretariat will publish a complete list of names of project implementers and their approved projects on the website of the Ministry.¹⁶³

3.7 DISBURSEMENT OF FUNDS

Once a project is approved, the MC (through the Secretariat) must present a written resolution to the Ministry of Finance to authorise the processing and disbursement of funds to suppliers of materials for a project. Authorisation for payment of project funds is confirmed by¹⁶⁴ –

- (i) a written resolution of the MC; and
- (ii) two authorised signatories, which are the Chair and Deputy Chair of the Management Committee, or in the absence of the Minister of Finance, by the Chief Executive Officer of the Ministry of Finance.

Upon receiving the written resolution of the MC and authorised signatures, together with a properly authorised voucher (or similar document) from the Secretariat, the Ministry of Finance is required to process and disburse a payment from the Fund in accordance with the internal processes of the Ministry of Finance.¹⁶⁵ To the extent possible, the Ministry of Finance and the Secretariat will agree on additional measures to streamline financial processes for the TCCF Fund.

To ensure efficient and timely disbursement of payments, the Ministry of Finance may nominate one or more designated officers within the Ministry of Finance to deal with all requests, processes, and payments in relation to the TCCF Fund. The processing and utilisation of the TCCF Fund will be overseen by the Minister of Finance, with ongoing monitoring by the MC and Secretariat.

The Ministry of Finance will be responsible for submitting to the MC a reconciliation of the TCCF Fund on a monthly basis, as prepared by the Project Accountant from the Secretariat. Reconciliation of projects must be performed quarterly by the Secretariat, with copies of the reconciliation submitted by the Secretariat to the Ministry of Finance within seven (7) days of receiving the ledger report.

In addition to funding projects (but subject to the TCCF Act), TCCF funds may be utilised to meet administration costs, the total budget for which must be included in the approved Fund Programme Budget.

¹⁶² Regulation 29(2), Ibid.

¹⁶³ Regulation 29(3), Ibid.

¹⁶⁴ Section 25(2), Ibid.

¹⁶⁵ Section 25(4), Ibid.

PART 4: IMPLEMENTATION OF PROJECTS

Following the notification of outcomes by the MC to successful applicants, a successful applicant – who is henceforth referred to under the TCCF Act and TCCF Regulations as a “Project Implementer” must comply with the following¹⁶⁶ –

- (a) confirm –
 - (i) implementation arrangements for the project are ready;
 - (ii) reporting requirements can be met; and
 - (iii) all other requirements of the Management Committee have been met;
- (b) sign a Project Implementation Agreement with the Chief Executive Officer of the Ministry responsible for climate change before commencement of implementation.

A Project Implementation Agreement shall, among other things, cover the following¹⁶⁷ –

- (a) names of the parties;
- (b) description of the project;
- (c) in-kind contributions or co-financing by the project implementer;
- (d) date of commencement of implementation arrangements;
- (e) total financial assistance from the Fund;
- (f) work schedule outlining phases for implementation;
- (g) key deliverables for project;
- (h) reporting requirements;
- (i) monitoring and evaluation requirements; and
- (j) final date for completion of project and consequences for failure of completion.

A copy of each Project Implementation Agreement must be provided to the¹⁶⁸ –

- (a) Secretariat; and
- (b) project implementer.

A Project Implementation Agreement will be in the prescribed format set out in **Schedule 12** of the TCCF Regulations and the reporting template for a project implementer is prescribed in **Schedule 13**. A summary of the implementation process is outlined in **Annex 4** of this OM.

Prior to the signature of a Project Implementation Agreement, the Secretariat must¹⁶⁹ –

¹⁶⁶ Regulation 30(1), Ibid.

¹⁶⁷ Regulation 30(2), Ibid.

¹⁶⁸ Regulation 30(3), Ibid.

¹⁶⁹ Regulation 31, Ibid.

- (a) ensure that the project implementer has nominated the person who will prepare the financial reports of the project implementer in accordance with section 29(3) of the TCCF Act; and
- (b) provide or arrange to provide relevant training to the nominated financial officer and other relevant personnel of the project implementer, to enable the project implementer to fulfil its reporting obligations under section 29(3) of the TCCF Act.

4.1 DOCUMENTS INITIATING IMPLEMENTATION

The Secretariat, in consultation with the Project Implementer, will prepare a detailed budget and procurement plan. These documents must be approved by the MC before the Secretariat can request the disbursement of project funds by the Ministry of Finance, as and when they become due.

The request from the MC will be comprised of the following –

- (a) signed resolution by MC approving the project;
- (b) copy of the procurement plan;
- (c) copy of the procurement timeline; and
- (d) any other document required by the Ministry of Finance from time to time.

Once the procurement of materials for the project has been approved by the Ministry of Finance, the purchase order will be returned to the Ministry responsible for climate change for signature by the CEO of MEIDECC or designate. After vetting each request, the Ministry of Finance must process and disburse funds directly to the supplier of procured goods and services – thereby signifying the start of implementation.

4.2 MONITORING OF IMPLEMENTATION

Responsibility for monitoring Projects

The Secretariat, in consultation with the Technical Committee, is responsible for monitoring, evaluating and verifying projects and reporting on outcomes to the NCCC. In the process of monitoring and evaluating projects, the Secretariat should collect baseline data for the establishment and maintenance of a database for the Ministry.

Establishment of a Village Committee

If requested by the MC, the Project Implementer must liaise with the Town Officer in the beneficiary community for the establishment of a Village Committee.¹⁷⁰ A Village Committee shall be comprised of representatives of the following groups¹⁷¹ –

- (a) Town Officer (chair of the committee);
- (b) Village Council;
- (c) beneficiary community;

¹⁷⁰ Regulation 37(1), Ibid.

¹⁷¹ Regulation 37(3), Ibid.

- (d) major contractor for the project (if applicable);
- (e) relevant Government line Ministry that oversees an aspect of the project.

At least two members of the Committee must be female.¹⁷² Subject to the availability of resources, the Secretariat should provide support to facilitate the work of the Village Committee.¹⁷³

Functions of the Village Committee are to¹⁷⁴ –

- (a) monitor specific aspects of the Project Implementation Agreement, as directed in writing by the Secretariat;
- (b) represent the views of the community, particularly if the –
 - (i) project is related to a Community Development Plan; or
 - (ii) community is the beneficiary of the project.

Further details on monitoring and evaluation can be found in section 35 (TCCF Act), Part X (TCCF Regulations) and Part 7 of this OM.

4.3 PROJECT COMPLETION

At least three months prior to the project completion date, the Secretariat and Project Implementer shall assess whether there is need to extend the project completion date.¹⁷⁵ An application for an extension may be made in writing by a project implementer to the Management Committee, with detailed justifications as to why the project completion date should be extended.¹⁷⁶ After considering the request for extension, the Management Committee may request additional information.

If the Management Committee extends the project completion date, the same terms and conditions shall apply, as was originally agreed by the parties in the Project Implementation Agreement.¹⁷⁷ A variation to the Project Implementation Agreement will be prepared by the Secretariat to amend the project completion date and the variation signed by the parties.¹⁷⁸

If the Management Committee does not approve the extension of the project completion date, the project implementer must endeavour to comply with all project requirements by the closing date.¹⁷⁹

¹⁷² Regulation 37(4), Ibid.

¹⁷³ Regulation 37(5), Ibid.

¹⁷⁴ Regulation 37(2), Ibid.

¹⁷⁵ Regulation 40(1), Ibid.

¹⁷⁶ Regulation 40(2), Ibid.

¹⁷⁷ Regulation 40(4), Ibid.

¹⁷⁸ Regulation 40(5), Ibid.

¹⁷⁹ Regulation 40(6), Ibid.

Final evaluation

Once the implementation of the project is complete, the Secretariat, project implementer and Village Committee (if one was established for the project) will conduct a final evaluation of the completed project.

The final evaluation process will begin with a final accountability meeting, which shall examine and, as appropriate, confirm the following¹⁸⁰ –

- (a) certification for the funds received and utilised;
- (b) physical results;
- (c) participation of women, men, children and vulnerable groups;
- (d) percentage of women, men, children and vulnerable groups;
- (e) level of technical support received during planning and implementation; and
- (f) exit strategy that will ensure the long-term sustainability of the project following implementation

Once the meeting has confirmed its findings, a final inspection and certification will be conducted by the Ministry responsible for climate change and the Secretariat.

Confirmation of completion

Following the final inspection conducted under regulation 41(3) of the TCCF Regulations, the Secretariat will prepare an Implementation Completion Memorandum which will evaluate the project's success in meeting the following¹⁸¹ –

- (a) project's objectives;
- (b) project outcomes;
- (c) budget;
- (d) timeframes; and
- (e) lessons of experience.

If the project is deemed to have been satisfactorily completed, the Implementation Completion Memorandum shall be signed by the¹⁸² –

- (a) chair of the MC; and
 - (b) project implementer,
- to signify the official completion of the project.

The project is deemed to be¹⁸³ –

¹⁸⁰ Regulation 41(2), Ibid.

¹⁸¹ Regulation 42(1), Ibid.

¹⁸² Regulation 42(2), Ibid.

¹⁸³ Regulation 42(3), Ibid.

- (a) “officially closed” on the date of the Management Committee’s meeting and this date shall be recorded as the official closing date of the project on the Ministry’s database; and
- (b) “handed over” to community beneficiaries for the continuation of operations on the closing date of the project.

Any unspent funds shall be treated in accordance with section 26 of the Act.

After the official closing date, the Secretariat must not accept any further claims for the payment of goods and services for the project.¹⁸⁴

4.4 CAPACITY BUILDING DURING IMPLEMENTATION

Capacity building of stakeholders will take a variety of forms, including direct training, coaching and mentoring. This will be in wide range of areas including

–

- how to prepare applications;
- how to meet eligibility criteria;
- how to obtain the communication skills necessary for effective community participation and engagement,
- community organizing;
- management competencies;
- technical skills for construction and maintenance, and
- monitoring skills.

This should also include understanding gender requirements and how to ensure meaningful participation and benefits for women, men, children and vulnerable groups.

The emphasis of capacity building during implementation will be on “learning by doing,” with ongoing support from the SEC. The different learning needs of women, men, children and vulnerable groups should be recognized and considered in designing all capacity development activities. The quality of capacity building provided to communities will be an important factor in determining program effectiveness and its lasting impact.

An appropriate system should be developed by the SEC to guide regular monitoring and evaluation of capacity building efforts. Lessons learnt from this experience should be used as input for capacity building and supporting plans and activities in subsequent years.

¹⁸⁴ Regulation 42(6), Ibid.

PART 5: PROJECT PROCUREMENT

5.1 PROCUREMENT OF PROJECT MATERIALS

Except where special procurement rules are prescribed by regulations made under the Act, the procurement of goods and services for a project will be carried out in accordance with¹⁸⁵ –

- (a) an instrument approved and signed by the Minister of Finance under section 22 of the PFMA Act; or
- (b) a specific donor's procurement policies and procedures.

5.2 PROCUREMENT PLANS

Procurement for projects

Together with a project implementer, the Secretariat will prepare the following documents in respect of a project¹⁸⁶ –

- (a) project implementation schedule; and
- (b) project procurement plan.

The procurement process will be managed by the Ministry of Finance and Secretariat and will depend on the following factors¹⁸⁷ –

- (a) nature and financial competence of the project implementer;
- (b) overall cost of the project;
- (c) total value of goods and services required to be procured;
- (d) whether the project implementer is a private contractor, Government Ministry or agency, or Non-Government Organisation; and
- (e) release of funds from the Ministry of Finance.

Once a detailed budget and procurement plan is prepared for a project and approved by the Management Committee, the Management Committee (through the Secretariat) may request from the Ministry of Finance the relevant amount or amounts to be disbursed, as and when they become due.¹⁸⁸

The request for release of funds in respect of a project shall be comprised of the following documents¹⁸⁹ –

- (a) signed resolution by the Management Committee approving the project, in accordance with section 25(2) of the TCCF Act;
- (b) details of the budget status;

¹⁸⁵ Regulation 55(2), Ibid.

¹⁸⁶ Regulation 55(1), Ibid.

¹⁸⁷ Regulation 55(3), Ibid.

¹⁸⁸ Regulation 55(4), Ibid.

¹⁸⁹ Regulation 55(5), Ibid.

- (c) a properly authorised voucher or such other documentation from the Secretariat, signed by the Chief Executive Officer of the Ministry responsible for climate change or designate.

Upon receiving the documents in (a) to (c), the Ministry of Finance will process and disburse the payment in accordance with the internal processes of the Ministry of Finance.

Funds will not be paid to the project implementer but paid directly to the supplier of procured goods and services.¹⁹⁰ A summary of the process for the payment of suppliers and service contractors is in **Annex 5** of this OM.

5.3 PROCUREMENT AUTHORISATION

The Secretariat will be responsible for procurement process, but must receive the approval of the Ministry of Finance for advertisements and other aspects of the implementation of its procurement plan.

Approved and prohibited activities

Approved activities and expenditures for projects, as well as for the activities of the Secretariat and working committees are covered in regulation 51 of the TCCF Regulations. Prohibited activities and expenditures of the Fund are covered in regulation 52.

Procurement thresholds and authorisations is outlined in **Annex 6** of this OM, while a summary of approved and prohibited activities is in **Annex 7** of this OM. The flow of information between stakeholders is in **Annex 8**.

¹⁹⁰ Regulation 55(7), Ibid.

PART 6: COMPLAINTS PROCESS

6.1 COMPLAINTS UNDER THE TCCF ACT

Complaints Committee

A Complaints Committee is established under section 36 of the TCCF Act for the resolution of disputes under the TCCF legislative framework.¹⁹¹ Members of the Complaints Committee are appointed by the Minister responsible for climate change as follows¹⁹² –

- (a) person with legal expertise;
- (b) person with technical experience;
- (c) person with administrative experience.

A member of the Complaints Committee will hold office for a term of three years and may be reappointed. Rules of Procedure of the Complaints Committee is in **Schedule 5** of the TCCF Act.

Functions

Functions of the Complaints Committee are to¹⁹³ –

- (a) investigate a complaint which has been lodged under section 38 of the TCCF Act which cannot be resolved by the Secretariat;
- (b) facilitate a mediation hearing between an aggrieved part and a body established under the Act, if necessary;
- (c) issue written recommendations of the MC on a matter which has been the subject of a complaint; and
- (d) provide recommendations to the MC on how complaint processes of the Fund can be improved or made more effective.

Recommendations of the Complaints Committee must be considered by the MC and each committee. If recommendations are not followed, the MC or relevant committee must explain, in writing, why those recommendations were not accepted or followed.¹⁹⁴

Reporting requirements

Within 3 months of the end of each financial year, the Chair of the Complaints Committee must provide a written report to the Chief Executive Officer of the Ministry responsible for climate change on the activities of the Committee in the preceding year.¹⁹⁵ The report of the Complaints Committee shall be incorporated in the Annual Report of the Ministry.

¹⁹¹ Section 36(1), *Ibid.*

¹⁹² Section 36(2), *Ibid.*

¹⁹³ Section 37(1), *Ibid.*

¹⁹⁴ Section 37(3), *Ibid.*

¹⁹⁵ Section 40(1), *Ibid.*

Complaints Process

A person who is aggrieved about a process of decision of a body under the TCCF Act may lodge a complaint, addressed to the Chair of the Complaints Committee. A complaint must be in writing and submitted to the Secretary of the Complaints Committee within 15 days of a decision being made or an event occurring which is the subject of the complaint.

A Complaint Form is prescribed in **Schedule 15** of the TCCF Regulations which must be submitted by the complainant, together with any other documents to support his claim.

The Complaints Committee will establish its own criteria for decision-making and use such criteria to consider a complaint.¹⁹⁶

The Complaints Committee will dismiss any complaints that are vexatious or frivolous.¹⁹⁷

6.2 TYPES OF COMPLAINTS

The TCCF Act does not specify grounds upon which a complaint may be lodged, except that the complaint may be in relation to –

- (a) a decision made by an entity under the Act; or
- (b) an event that occurred.

In light of this, the Complaints Committee will determine and publish the grounds upon which a complaint may be lodged.

¹⁹⁶ Section 57(1), *Ibid.*

¹⁹⁷ Section 58, *Ibid.*

PART 7: PROJECT MONITORING, EVALUATION & VERIFICATION

Project Monitoring, Evaluation & Verification (MEV) provides a means for learning from past experience, improving service delivery, planning and allocating resources and demonstrating results as part of accountability to all stakeholders.

The MEV system is provided especially for the SEC, governing bodies and PIs involved in the TCCF project. This part provides communities and stakeholders with information on how to provide timely feedback about project progress, issues and emerging needs. The MEV activities of the SEC should provide a credible evidence base to measure the performance of the TCCF and account for public spending. By this process, it is envisaged that relevant players in the TCCF process will learn from experience about how best to manage, implement and monitor use of the TCCF Fund.

Professional capacity and resources to undertake MEV should be programmed into the Fund Programme Cycle budget as part of the administrative costs of the SEC. This will provide for the training, recruitment, technical assistance and development of manuals and information systems for participating stakeholders and communities.

7.1 MONITORING

As it applies to TCCF implementation, monitoring –

- (i) involves continuous or ongoing collection and analysis of information about implementation to review progress;
- (ii) compares actual progress with what was planned so that adjustments can be made in implementation; and
- (iii) is an internal activity that is the responsibility of those who manage implementation procedures, thus representing a good management practice.

7.2 PROJECT SUPERVISION BY THE SECRETARIAT

Project monitoring and evaluation by the Secretariat

The SEC shall be responsible for monitoring, evaluating and verifying projects under this Act and reporting on outcomes to the TC, NCCC and MC. The Secretariat, in consultation with the Technical Committee, shall conduct its monitoring and evaluation functions in accordance with section 35 of the TCCF Act. In the process of monitoring and evaluating projects, the SEC shall collect baseline data for the establishment and maintenance of a database for the Ministry.

PI monitoring reports, consultant/expert reports and financial reports for all projects being implemented will be collated by the SEC and presented for comments to the TC, NCCC and MC as required. These SEC's reports should outline –

- (a) the proportion of scheduled activities that commenced and were completed on time, planned against actual duration of activities;
- (b) costs of implementation and financial status of the project;
- (c) the specifics of activities that have started or finished late;
- (d) problems that they have experienced or anticipate, including, proposed remedial actions; and
- (e) major activities planned for the next month.

For assisting with project monitoring and evaluation as well as reporting functions of the SEC, a PI will be required to submit the following reports¹⁹⁸ –

- (a) quarterly financial report;
- (b) quarterly narrative report; and
- (c) project completion report, which incorporates a full financial report.

These financial reports will be in the format outlined in **Annex 9** of this OM or as prescribed in the TCCF Regulations. From time to time the SEC will facilitate training sessions to enable a PI to comply with the reporting requirements under the TCCF Act and TCCF Regulations.

Based on its own site visits, reports collated and also information provided by PIs, the SEC will submit to the MC a quarterly progress report on all approved projects. The MC should hold a meeting to consider these quarterly progress reports and address overall TCCF matters including –

- completion rates
- compliance with technical and financial standards
- compliance with social and environmental safeguards policies
- community participation
- participatory monitoring assessments, and
- the status of complaints.

¹⁹⁸ Regulation 33, TCCF Regulations

PART 8: REPORTING

8.1 ANNUAL REPORT OF THE FUND

Within 6 months of the end of the financial year, the Minister of Finance must present to Cabinet¹⁹⁹ a copy of the Auditor's Report on the TCCF, accounting for the management of the TCCF in the preceding year. The Minister responsible for climate change is responsible for presenting to Cabinet the Annual Report of the TCCF.

Following consideration by Cabinet, the Minister responsible for climate change must present the Annual Report of the TCCF to the Legislative Assembly in the next session following the period to which the report relates.²⁰⁰

The Annual Report of the TCCF must ²⁰¹ –

- (a) summarise the main activities of the TCCF during the preceding year;
- (b) describe how the TCCF has met the purposes set out in section 5 of the TCCF Act; and
- (c) present the audited account for the year just ended, together with the Auditor's Report on the accounts.

The Annual Report of the TCCF will be made available to a donor contributor, the donor community and to the public.²⁰²

To meet the fiduciary requirements of the PFMA (and donor contributors where required), the MC shall endeavour to provide, subject to section 48 of the TCCF Act, any other documentation required by –

- (a) a donor contributor; or
- (b) the administrator of a donor contributor.

8.2 PROJECT REPORTS

Standardised reporting and data collection templates for use in each project cycle are included as Schedules to the TCCF Regulations. From time to time, these templates will be evaluated and revised as needed.

These templates are designed to be user friendly and only to collect data that is relevant to ensure that TCCF funded projects are being implemented effectively. All data is gender disaggregated, reflecting views of men and

¹⁹⁹ Section 31(1), TCCF Act

²⁰⁰ Section 31(3)(a), Ibid.

²⁰¹ Section 31(2), Ibid.

²⁰² Section 31(3)(b), Ibid.

women in the community. Data is collected and aggregated for each level of reporting as described below.

8.3 REPORTS BY PROJECT IMPLEMENTERS

During the implementation of a project, a PI must prepare reports for the SEC at a frequency determined by the TC and stated in the PIA. Reports will be based on the progress of the Procurement Plan and Project Plan, and will include the following information –

- (a) quality of work;
- (b) physical progress against work plans;
- (c) men and women's participation in program cycle steps;
- (d) community in-kind contributions;
- (e) complaints; and
- (f) other emerging issues.

Reporting obligations

A PI must ensure that it complies with all reporting obligations which are outlined in the Project Implementation Agreement which it has signed in relation to a particular project.

Before implementation of a project, the SEC will endeavour to provide appropriate training for a person nominated by the project implementer to ensure that the PI will have the ability to comply with reporting requirements prescribed under section 35(5) of the TCCF Act.

The TCCF Act requires that a PI must provide the following reports to the SEC in the prescribed format –

- (a) financial report;
- (b) narrative report; and
- (c) project completion report, which incorporates a full financial report.

The regularity of reports will be determined by the TC and included in the assessment report for the project.

A report provided by a PI to the SEC must be submitted by the SEC to the Co-ordinating Committee as soon as it is reasonably practical for assessment of project progress and outcomes, and if necessary, for development of recommendations to the MC.

8.4 REPORTS OF THE SECRETARIAT

A Management Information System (MIS) will be the central hub for all administrative and financial data related to TCCF, and data on completed projects. The MIS will be updated and maintained by the SEC.

SEC staff should organize and file all copies of reports from PIs into the MIS.

Data should be verified and inputted into the MIS within 3 days of receipt. Utilising this date, the SEC will prepare quarterly consolidated reports including

–

- (a) aggregated community level data;
- (b) monthly disaggregated financial reports; and
- (c) technical status report from the experts.

PART 9: EVALUATION OF OVERALL PERFORMANCE OF THE FUND

9.1 PERIODIC EVALUATION

In order to regularly assess the effectiveness of the TCCF Fund, and in particular whether the purposes for the Fund²⁰³ and national climate change priorities of Tonga have been achieved²⁰⁴, the overall performance of the TCCF Fund should be periodically evaluated.

The scope of the evaluation should be determined by the MC, but could include the following –

- (a) an evaluation of the overall impact of TCCF interventions at national and local levels;
- (b) the extent to which TCCF has achieved its objectives;
- (c) whether this was done in a cost-effective way; and
- (d) how the TCCF legislative framework and implementation can be improved for the future.

This evaluation will involve a range of activities over the life of the TCCF including the following –

- (i) study of the TCCF impacts on household welfare, community satisfaction, and improved governance;
- (ii) study on mechanisms and channels by which positive economic change occurs for households benefiting from TCCF actions or infrastructure;
- (iii) infrastructure technical quality evaluations and economic rate of return studies; and
- (iv) financial audits.

Where appropriate, case studies might be conducted to analyse emerging themes in more detail, and to document good practices and lessons learnt. Possible themes could include –

- (a) community capacity to manage local development projects, social capital and social cohesion through community led development;
- (b) effectiveness of local level institutions;
- (c) social and gender inclusion in community governance structures;
- (d) cost comparisons for local infrastructure development between communities;
- (e) womens' leadership and involvement in TCCF projects; and
- (f) innovations in financing community actions and infrastructure.

²⁰³ As stated in section 5, TCCF Act

²⁰⁴ As stated in section 7, TCCF Act

Subject to the further directions of the MC, the SEC will coordinate these studies, which may be conducted by both international and national consultants as appropriate.

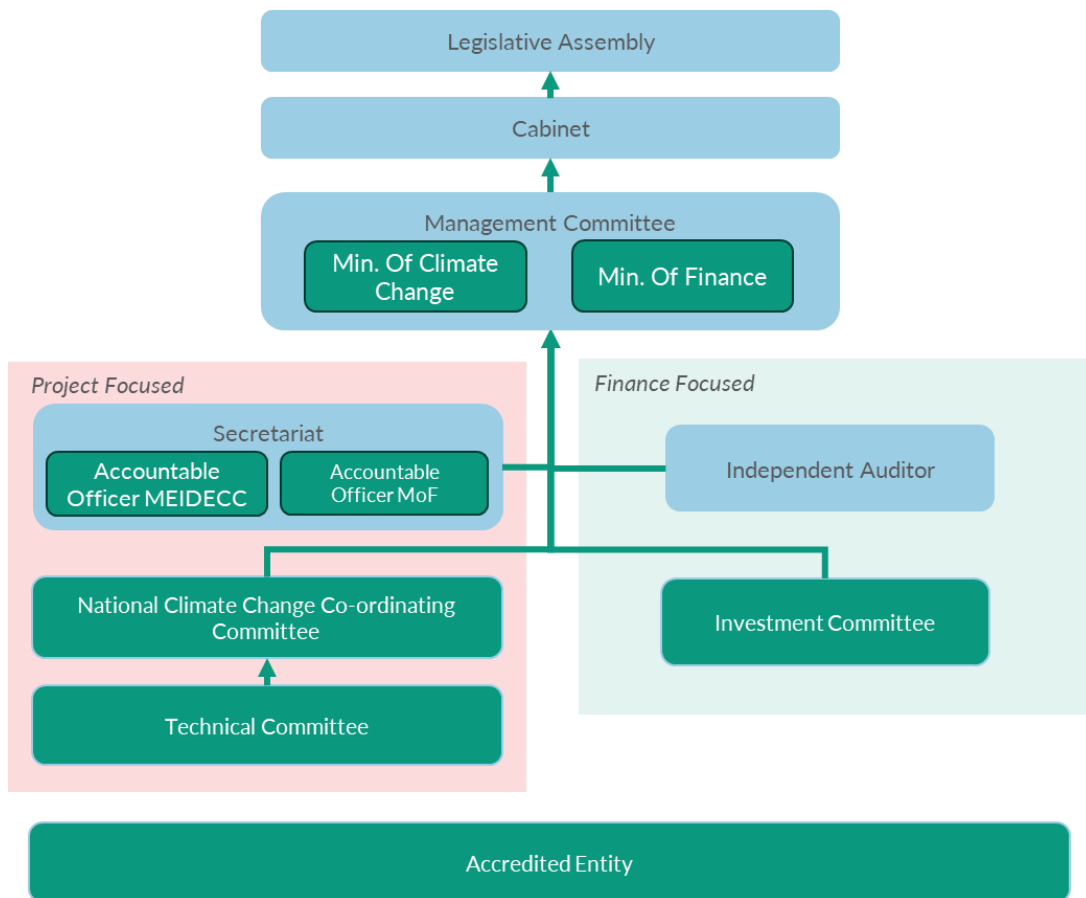
9.2 EXTERNAL INDEPENDENT REPORTS

In addition to the internal mechanisms provided under the TCCF Act and TCCF Regulations, the MC may engage supplementary evaluation and auditing services provided by consultants, donor organisations, and as appropriate, the Ministry of Finance, to draw on the SEC's collated reports and to advise on one or more of the following –

- (a) whether the project's TCCF essential elements are in place;
- (b) whether the project and TCCF overall purposes are likely to be met;
- (c) feedback on steps needed to enhance the progress of project implementation;
- (d) impact on BC's and whether positive impacts can be sustained;
- (e) unexpected developments that have arisen;
- (f) whether result indicators are relevant and measurable, and are linked to project communications, gender and social development strategies and targets;
- (g) whether institutional arrangements in place are functional;
- (h) whether financial records are complete and accurate and is there a need for an immediate audit;
- (i) whether procurement procedures are followed; and
- (j) whether gender has been addressed in project implementation.

Data collection during MEV is not just an end in itself. Data should be collected, collated and reviewed on a continuous basis to establish whether operations of TCCF framework overall are satisfactory, and whether any modifications are required.

ANNEX 1: ORGANISATIONAL STRUCTURE OF TCCF GOVERNING BODIES



ANNEX 2: SUMMARY OF STAKEHOLDER ROLES AND RESPONSIBILITIES

STAKEHOLDER	PRIMARY RESPONSIBILITIES
MC	<ul style="list-style-type: none"> • approve disbursements for project applications • manage and direct work of the SEC • work with the IC to plan and manage climate related projects and investments • recommend to MOF Minister how financing may be secured and spent to ensure long term sustainability of Fund • review and approve communications program to inform the public about the existence, purpose and operating modality of TCCF • publish and present to Cabinet and Legislative Assembly the TCCF Annual Report
NCCC	<ul style="list-style-type: none"> • consider recommendations of the TC and SEC, before providing the MC with final recommendations for approval
TC	<ul style="list-style-type: none"> • vet project applications before providing the NCCC with an Assessment Report for consideration
SEC or Joint SEC	<ul style="list-style-type: none"> • manage and conduct all aspects of project implementation including call for projects, receipt, preview and (jointly with the TC) pre-assessment of applications for consideration by NCCC • once a project is approved, advise applicant(s) of outcome, conduct pre-implementation studies, oversee procurement • conduct monitoring & evaluation of the project during and after the implementation to ensure that – (i) funds are used appropriately; and (ii) implementation of works is timely and of a suitable technical quality • once a project cycle is complete, advise the MC of any concerns in relation to TCCF processes and propose remedial actions or improvements • prepare meeting documents of governing bodies • prepare financial accounts to be audited and initiate a request for audit • ensure that gender issues are effectively integrated into the grants process
PI	<ul style="list-style-type: none"> • ensure that project is effectively implemented and completed in accordance with the PIA signed with the MC • work closely with VC which has been established to oversee TCCF funded projects within each local community • submit reports to the SEC as is required by the PIA

VC	<ul style="list-style-type: none"> • Oversee MEV and data collection during implementation of a TCCF project within the community • periodically report to the SEC, inform beneficiary communities of progress and also harness community in-kind contributions
BC	<ul style="list-style-type: none"> • ensure long term success and sustainability of project by valuing project assets and ensuring long term maintenance where appropriate
Government Line Ministries	<ul style="list-style-type: none"> • co-ordinate with Ministry responsible for climate change and MOF to ensure successful implementation of TCCF projects

ANNEX 3: SUMMARY OF THE APPLICATION PROCESS FOR PROJECT FUNDING

The steps outlined below are a summary of the application process for project funding prescribed in Part VII of the TCCF Regulations. Where there is an inconsistency between this Annex 3 and the TCCF Regulations, the provisions in the TCCF Regulations will apply. A diagram of this process is in **Schedule 10** of the TCCF Regulations.

STEP 1: APPLICATIONS FOR FUNDING

An application for project funding should be submitted at the time prescribed by the MC and published by the SEC when there is a call for project applications. An application for funding from an AE must be in the prescribed form, supported by required documentation, and submitted to the SEC. To be considered, a project must directly address one or more of the national climate change priorities which have been declared by the Minister responsible for climate change under section 7(1) of the TCCF Act.

STEP 2: SUBMISSION/RECEIPT OF APPLICATIONS

An application may be submitted in either electronic or hard copy form, to the SEC at the address listed on the application form.

STEP 3: SCREENING FOR COMPLIANCE

Initial screening for compliance.

Upon receipt, an application will be screened by the SEC for initial compliance using a submission checklist and assessment form. In particular, the SEC will check the application to confirm the following –

- applicant is an accredited agency;
- project meets project eligibility criteria;
- application proposes only eligible activities;
- project provides clearly identified beneficiaries;
- additional information, as required, is provided for MSPs;
- includes description of CCA and DRR components in the project; and
- demonstrates capacity to implement and complete the project on time and within budget.

Completion of initial screening

On completion of the initial screening, the SEC will –

- (a) issue a project application number; and
- (b) input relevant information about the application into the MIS database for the Fund.

The SEC must submit a full copy of the application to the TC within 3 days of registering the application into the database for the Fund.

STEP 4: ASSESSMENT OF AND RANKING OF PROJECTS

The assessment and ranking of projects by the TC, NCCC will be conducted in accordance with regulation 26 of the TCCF Regulations.

The SEC will collate all written recommendations from the TC, and provide these, together with each application to the meeting of the NCCC within 3 days of the TC completing their assessment and ranking.

Similarly, the SEC will collate all written recommendations from the NCCC, and provide these, together with each application to the meeting of the MC within 3 days of the NCCC completing their assessment and ranking.

In determining the ranking of applicants, the TC, NCCC and MC will use the ranking matrix set out in **Schedule 11** and criteria prescribed in **regulation 28** of the TCCF Regulations.

STEP 5: MC FINAL APPROVAL OF PROJECTS

Upon receiving the recommended short list of applications, the MC shall evaluate and make a final decision on approved projects in accordance with regulation 27. The decision of the MC as to approved projects will be final and no further submissions will be received from applicants at this point.

STEP 6: RESOLUTION BY MC

Following the approval of projects by the MC, the MC shall issue and sign a written resolution pursuant to section 25(2) of the TCCF Act.

The SEC will collate all written approvals from the MC, and provide these, together with the written resolution of the MC to the Ministry of Finance in accordance with section 25 of the TCCF Act.

STEP 7: NOTIFICATION OF OUTCOMES

Within 3 days of the MC confirming the list of approved projects, the SEC will inform all successful applicants, in writing.

Successful applicants may also be notified through other public mediums (such as public radio for outer islands or by notice in a newspaper of general circulation) if deemed necessary to better ensure receipt of notice.

The SEC shall ensure contact is established with the successful project applicants before the next MC meeting.

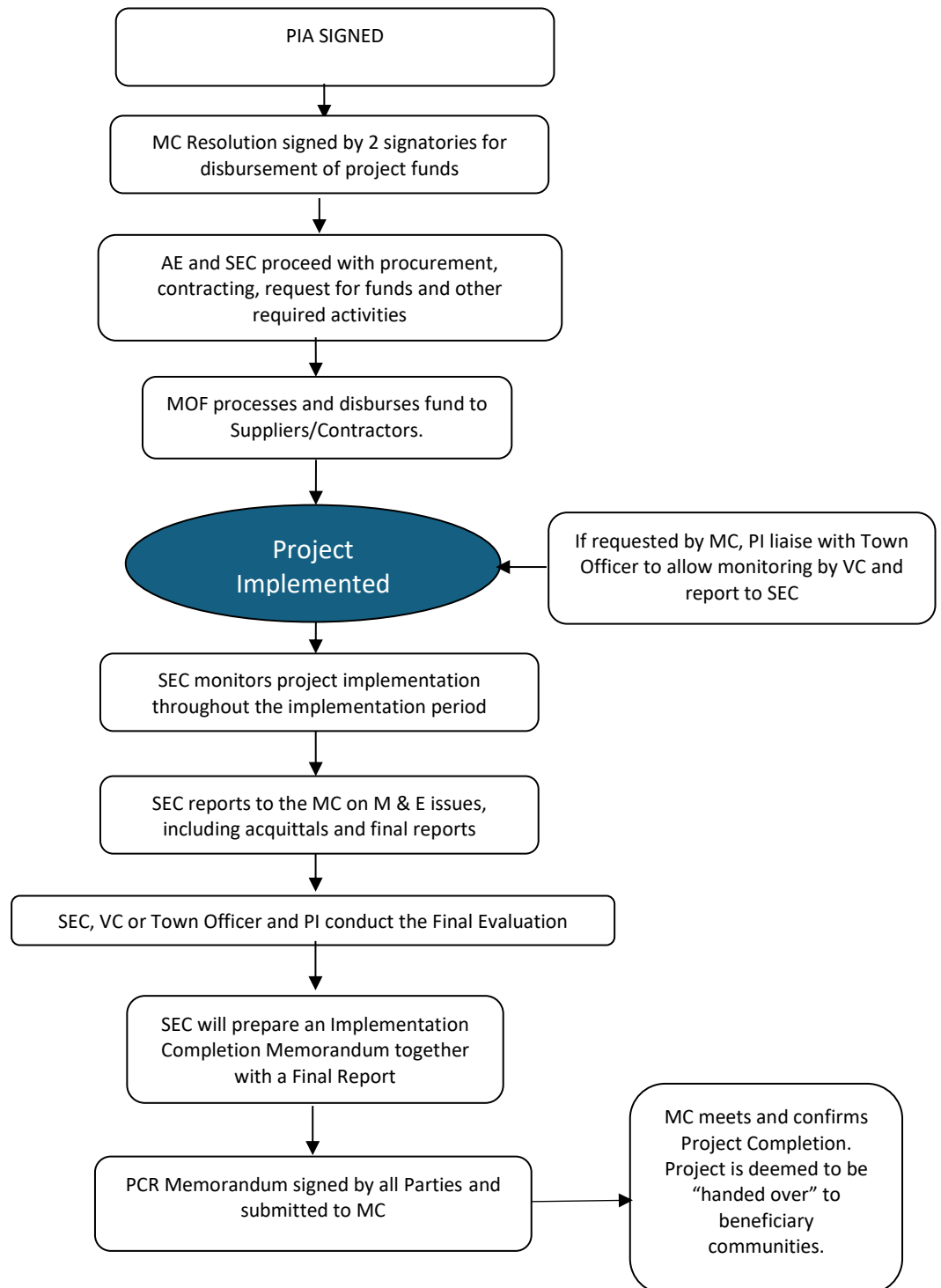
STEP 8: SIGNING OF A PROJECT IMPLEMENTATION AGREEMENT AND IMPLEMENTATION

Once a project application is approved, the applicant is referred to as a "Project Implementer" (PI). Each PI will be required to sign a PIA with the MC. Once implementation commences, the PI will be responsible for ensuring that the project is effectively implemented and completed in accordance with the PIA signed with the MC.

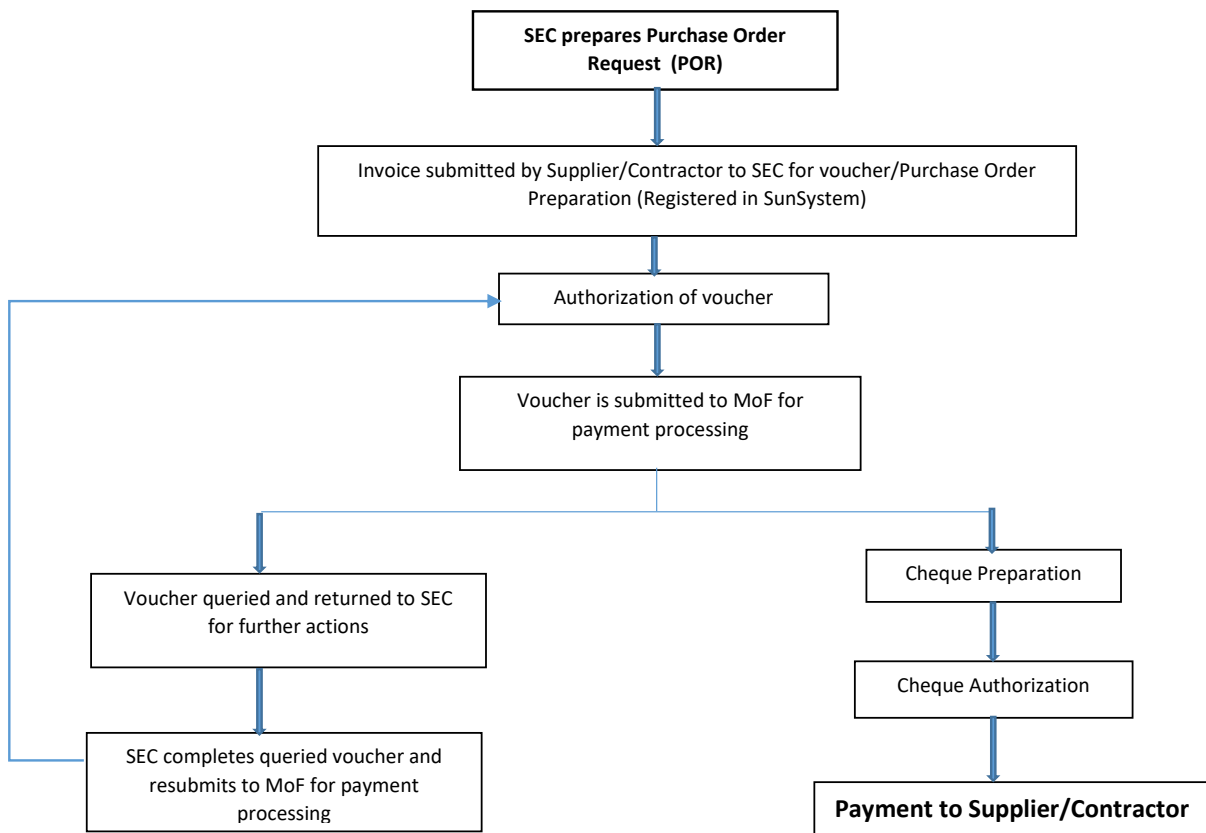
A PI plays an important role in the process in that it must implement, monitor, evaluate and report during and after project implementation. A PI will be required to work closely with the target beneficiaries of TCCF funded projects.

Depending on the approved procurement plan for a project a PIs can be responsible for procurement of contractors and service providers. All PIs must ensure that their projects are in compliance with the TCCF Act and TCCF Regs and will apply the prohibited investment activities list to sub-projects financed by donor contributors.

ANNEX 4: THE IMPLEMENTATION PROCESS FOR THE TCCF



ANNEX 5: PAYMENT PROCESS TO SUPPLIERS AND CONTRACTORS



ANNEX 6: PROCUREMENT THRESHOLDS AND AUTHORISATIONS

	Procurement Thresholds in TOP(\$)					
Approving Authority	12,000 - 19,999.99	20,000-49,999.99	50,000-99,999.99	100,000-149,999.99	150,000-4,999,999.99	5,000,000+
Goods	Treasure Procurement Checklist + 2 Quotes	RFQ	NCB		ICB	
Supply Services	RFQ+3 Quotes	RFQ	NCB		ICB	
Works + Physical Services	RFQ+3 Quotes	RFQ		NCB		ICB
Cons. Services - Individual	RFQ+3 Quotes	RFP (without EOI)			RFP + EOI	
Cons. Services - Firm	RFQ+3 Quotes	RFP (without EOI)			RFP + EOI	
Procurement Division:	Must approve all Solicitation Documents above a threshold of TOP \$75,000 before they advertise					

Abbreviations	
EOI	Expression of Interest
ICB	International Competitive Bidding
NCB	National Competitive Bidding
RFP	Request for Proposals
RFQ	Request for Quotations

ANNEX 7: APPROVED EXPENSES UNDER THE TCCF FUND

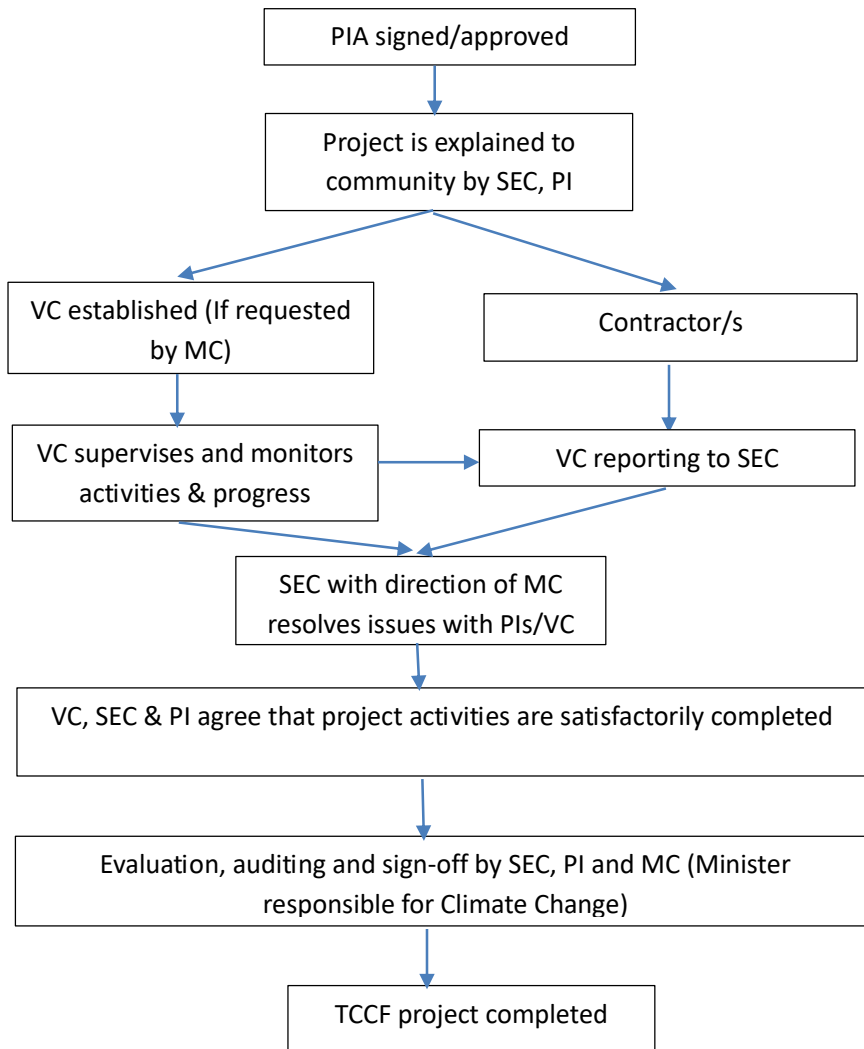
APPROVED ACTIVITIES AND EXPENDITURES	
Approved activities and expenditures for project activities	<ul style="list-style-type: none"> ▪ civil works (related to large infrastructure projects) ▪ goods and materials
Project activities which may be approved by the MC on a case by case basis upon proper justification	<ul style="list-style-type: none"> ▪ administration costs of a project implementer ▪ labour costs related to implementation of a project ▪ consultancy services or fees ▪ equipment ▪ service delivery contracts ▪ technical assistance ▪ work shops
Approved activities and expenditures for the Secretariat and working committees of the Fund	<ul style="list-style-type: none"> ▪ stationery ▪ meeting fees approved in accordance with the Act ▪ at rates recommended by the Secretariat and approved by the Management Committee: <ul style="list-style-type: none"> - local and international travel and per diem to meetings, conferences and activities related to climate change - consultancy services or fees - audit fees of the independent auditor appointed under section 29 of the Act ▪ office equipment ▪ workshops ▪ technical assistance ▪ goods

PROHIBITED ACTIVITIES AND EXPENDITURES	
Prohibited activities and expenditures	<ul style="list-style-type: none"> ▪ customs duty ▪ salary of a public officer ▪ vehicles ▪ scholarships ▪ international travel ▪ operational and maintenance expenditures including: <ul style="list-style-type: none"> - utilities - fuel ▪ weapons of any kind ▪ expenditures related to political campaigns

NOTE:

In order for an expense to be covered, the expense must be authorised prior to expenditure and a receipt must be provided as evidence of the expense incurred. All receipts must be submitted to the Secretariat for processing.

ANNEX 8: FLOW OF INFORMATION BETWEEN STAKEHOLDERS



ANNEX 9: REPORTING TEMPLATES

REPORTING FORMS A, B and C.

FORM A. MONTHLY MONITORING REPORT

Community name (island):

Project name:

CRITERIA	ASSESSMENT
Materials arriving at the site are of good quantity and quality	YES / NO Comment: Supporting materials attached? Yes / No
Work provided by contractor is of good quality	YES / NO Comment: Supporting materials attached? Yes / No
All work has been completed as per Work Plan (this part of the form needs to be specifically developed for each project, in collaboration between the SEC and the local village council or body responsible for endorsing the Community Development Plan (CDP), to include descriptions of all milestones and dates)	YES / NO Comment: Supporting materials attached? Yes / No
Community participation (men and women)	YES / NO Comment: Supporting materials attached? Yes / No
Community in-kind contributions (men and women)	YES / NO Comment: Supporting materials attached? Yes / No
Complaints	YES / NO Comment: Supporting materials attached? Yes / No

Any other emerging issues?
.....
.....
.....

Attach pictures of construction process and progress; any community involvement; statements of community members; letters of complaint, if any, etc.

Signed by members of the local **Village or Town Council (responsible for endorsing the CDP)**:

Name	Signature

FORM B. ASSESSMENT OF COMPLETION

Community name (island):

Project name:

CRITERIA	ASSESSMENT
100% of the project is complete and allocated budget has been utilized in line with the project plan	YES / NO
The project outcome can be used/operated by the community	YES / NO

The project outcome can be maintained by the community	YES / NO
The project will benefit individuals and groups as described in project documents	YES / NO
There are no social conflicts as a result of the project	YES / NO
All complaints related to the project are resolved	YES / NO

For criteria that receives a "NO" assessment: please provide details:

.....

(Note: If any criteria above receives a "NO" assessment, the project should not be certified as completed satisfactorily)

The project is assessed as completed satisfactorily: YES / NO

Signed by members of the local **Village or Town Council (responsible for endorsing the CDP)**:

Name	Signature

FORM C. COMMUNITY FEEDBACK

Community name (island):

Project name:

Once a project is assessed as completed, the Secretariat and Technical Committee must meet with the community at large in order to enable community members to provide feedback on the following:

1. quality of and satisfaction with the project;
2. quality of and satisfaction with the community participation during the project;
3. quality of and satisfaction with the support from SEC and others that community received during the project;
4. satisfaction with the transparency and accountability;
5. overall "performance" of the project; and
6. lessons learnt.

Notes of the meeting:

.....

