



**GREEN
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Consideration of restructuring paper for FP015 “Tuvalu Coastal Adaptation Project (TCAP)”- RP1

Summary

This document presents a proposal to restructure FP015 “Tuvalu Coastal Adaptation Project (TCAP)” to the Board for consideration at its twenty-third meeting. It also presents the background and details of the proposed changes to FP015.

This document includes the draft decision for Board’s consideration.

I. Introduction

1. FP015 “Tuvalu Coastal Adaptation Project (TCAP)”, submitted by the United Nations Development Program (UNDP), was approved by the Board by decision B.13/23 (“Approval Decision”) in June 2016 with a GCF contribution of USD 36.01 million in grants and co-financing of USD 2.86 million in grants from the Government of Tuvalu.
2. The project aims to reduce the impact of increasingly intensive wave action induced by sea-level rise and intensifying extreme events as a result of climate change on key coastal infrastructure. The project is composed of three outputs:
 - (a) Output 1: Strengthening institutions, human resources, awareness and knowledge for resilient coastal management, valued at USD 2,904,500;
 - (b) Output 2: Reducing vulnerability of key coastal infrastructure including homes, schools, hospitals and other assets against wave induced damages in Funafuti, Nanumea and Nanumaga valued at USD 28,155,500; and
 - (c) Output 3: Establishing a sustainable financing mechanism for long-term adaptation efforts, valued at USD 4,950,000.
3. GCF financing was, as per the original proposal, expected to enhance the resilience for 35 per cent of high-value vulnerable coasts (2,780 m in length) enabling them to withstand the effects of increased wave intensity, compared with the baseline of 7 per cent (570 m). GCF investments are targeted at locations that have high concentrations of residences and would impact 3,100 direct beneficiaries and 3,499 indirect beneficiaries, representing approximately 60 per cent of the population of the country. UNDP is both the AE and the EE for the project.
4. The funded activity agreement (FAA) for the project became effective on 7 June 2017, and USD 6.7 million has to date been disbursed to the project.

II. Changes in project scope and design

5. Developments in the target sites for the project, which took place between the time of the design of the original proposal in 2015 and the start of project implementation in August 2017, have triggered the need for changes in the project interventions in the three islands targeted by the project. Community outreach and consultations on the proposed changes have been undertaken with various stakeholders, including non-governmental organizations, in all the three islands. The proposed adjustments in design and type of coastal infrastructure have also undergone expert and technical assessment and review under the oversight of UNDP.
6. Changes in the project baseline and technical assessment have triggered the following proposed changes in the targeted project sites (Funafuti, Nanumea and Nanumaga):
 - (a) **A change from the initially planned 600 m rock armour revetment and 400 m of pre-cast concrete (Seabee) revetment to reclamation in central Fogafale lagoon nearshore area (approximately 7.8 ha) and protection of 780 m of adjoining shoreline in Funafuti.** The finished surface elevation will be approximately 2.0 m above the highest measured sea level at Funafuti so as to ensure a viable living area beyond a 2100 worst case scenario for sea level rise rates per IPCC reports, and which would remain well above anticipated cyclone wave over wash/marine flooding levels. The seaward face of the reclamation will be armoured with an appropriately designed and engineered foreshore sloping revetment. This reclamation work has strong government and community support. Stakeholders have indicated that the reclaimed land would facilitate the development of public space including recreational areas, a community

cyclone shelter which would also double as school or community hall, and provide for the potential construction of public housing. However, no detailed land use plan has been developed and this is envisaged to be done once Board approval for the proposed changes is obtained.

- (b) The revised approach proposed for Nanumaga and Nanumea is a **change from the use of geo-textile container revetment to Berm Top Barriers (BTBs)¹ (combined with a 180 m hard revetment in Nanumea)**, which do not interfere with the active beach sedimentary processes but effectively reduce wave overtopping volumes and marine flooding associated with tropical storms. The revised designs respond to the more recent assessment of these shorelines while offering significant advantages such as: (a) they are simple and relatively low-cost; (b) they provide excellent protection from storm wave flooding, if well-designed; and (c) in the restructured proposal, they will allow a greater length of shoreline to be protected than in the geo-textile intervention originally envisaged in the approved funding proposal.
7. The Secretariat assessed the proposed changes as a major change based on:
- (a) The accreditation master agreement signed with UNDP, which defines a major change as:
- ... any Funded Activity restructuring that involves a major change in Funded Activity scope, structure or design, a major change in the Funded Activity's objectives, a reallocation of GCF Proceeds affecting the Funded Activity's scope or objectives, or any other change that substantially alters the purpose or benefit of the Funded Activity.
- (b) In addition, paragraph 16(h) of the Policy on Restructuring and Cancellation states that "any change in the environmental and social safeguards category from a lower to a higher category, or changes within a category that would **trigger additional safeguards standards to be applied or require additional due diligence**" (emphasis added) shall be deemed to be a major change.
8. Taking into account the above definitions, and based on the magnitude of proposed changes in terms of the technical solutions, the additional due diligence required (e.g. on environmental and social safeguards and finance), and the proportion of the affected approved budget (with respect to the use of approximately 78 per cent of GCF proceeds), the Secretariat assessed the proposed changes as major change.

III. Impact of proposed changes

9. The impact of the proposed changes in the project have been assessed as follows:
- (a) **Project objectives and theory of change** remain the same as in the original proposal, including the original intent to strengthen Tuvalu's "protection from wave induced damage";
- (b) **Climate rationale** is now assessed in terms of protection from wave overtopping during severe weather events emanating from the ocean side (loss of life and property), whereas the approved project was cast in terms of events from the lagoon side (increasing nuisance); and

¹ BTBs are raised sloping ridges built along the highest part of the natural storm berm system. These work with natural processes and augment the natural protective function of the entire shoreline system.

- (c) **Environmental and social safeguards categorization** is currently assessed as a provisional B category project (same as original categorization of the project), based on the recent submission of the Social and Environmental Screening and the Preliminary Environmental Assessment by UNDP, though still subject to confirmation through the findings of an environmental and social impact assessment (ESIA). The ESIA is required to confirm the accredited entity's screening and preliminary assessment (which is based on the preliminary environmental assessment) that the habitat in the target area represents a small area in the lagoon, is already disturbed, and is likely well represented in the region and thus that the project would have moderate adverse environmental and social impacts.
2. FP015 was approved by the Board at B.13 based on an environmental and social management plan (ESMP), which included an undertaking by UNDP to ensure that all construction work will comply with the outcomes of a full and complete ESIA to be prepared by UNDP after the approval of FP015 by the Board and, therefore, the FAA for FP015 includes a covenant that no construction work can be started by UNDP under the project before such ESIA is submitted to the GCF. This restructuring paper takes the same approach and proposes a condition that the UNDP submits an ESIA to the GCF prior to the commencement of the construction works under output 2.
 3. UNDP has informed the Secretariat that it has started the procurement process for the engagement of the firm which will conduct the ESIA and ESMP. In addition, UNDP has committed to disclose the ESIA and ESMP in accordance with the GCF information disclosure policy but prior to the fourth disbursement of proceeds by the GCF. The fulfilment of the disclosure of the ESIA and ESMP prior to the fourth disbursement to be made by the GCF is proposed to be inserted as a condition for disbursement to the approval decision, as per annex II of this document.
 4. Even though the ESIA was not yet submitted by UNDP, the accredited entity, together with the national designated authority, have required the submission of the restructuring paper to the Board, due to the urgency of the matter and the vulnerability of Tuvalu to climate change.
 5. **The overall number of target beneficiaries** remains unchanged at 6,595 (3,226 direct and 3,373 indirect)
 6. **No additional financing** would be required to implement the changes.
 7. **Scope:** the extension of the shoreline protection was initially to be along 1 km using rock armour revetment (600 m) and pre-cast concrete (Seabee) revetment (400 m), but with the restructuring, it would now be 780 m. The changes in Nanumaga and Nanumea would result in the protection of an additional 880 metres over and above that envisioned in the original proposal.
 8. **Impact on design:** the proposed changes impact the technical designs of all of the interventions under activity 2.2, jointly consuming approximately 78 per cent of the GCF Proceeds approved for this project, as per the FAA signed between the GCF and the accredited entity.

IV. Action for the Board

9. The Secretariat requests that the Board take note of the proposed changes to the original funding proposal as well as changes to original Board approved terms and adopt the draft decision in annex I to this document.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.23/13 titled “Consideration of restructuring paper for FP015 “Tuvalu Coastal Adaptation Project (TCAP)” – RP1”:

- (a) Takes note of the restructuring paper for FP015 titled “Tuvalu Coastal Adaptation Project (TCAP)” – RP1, by the United Nations Development Programme, as contained in document GCF/B.23/13/Add.01;
- (b) Approves the major change to FP015 described in the restructuring paper for FP015-RP1, subject to the conditions set out in annex II to this document; and
- (c) Reaffirms that pursuant to the Policy on Restructuring and Cancellation, the Secretariat is authorized to negotiate and execute the amendment to the funded activity agreement for FP015, which shall reflect the major change described in the restructuring paper for FP015-RP1 and the list of conditions set out in annex II to this document.

Annex II: List of conditions

The approval of the restructuring paper for FP015 (RP1) shall be conditional upon the satisfaction of the conditions set out in the table below.

	Conditions
<p>RP1 (UNDP Tuvalu FP015)</p>	<p><u>General condition:</u></p> <p>(a) Signature of the amendment to the funded activity agreement (“FAA”) in a form and substance satisfactory to the GCF Secretariat within 180 days from the date of Board approval.</p> <p><u>Satisfaction of the following conditions prior to the signing of the amendment to the FAA:</u></p> <p>(i) Completion of the due diligence to the GCF Secretariat satisfaction.</p> <p><u>Satisfaction of the following conditions prior to fourth disbursement under the FAA:</u></p> <p>(ii) Delivery to the GCF by the accredited entity, in a form and substance satisfactory to the GCF Secretariat, of: (i) a detailed revised procurement plan, which shall reflect the changes proposed by the accredited entity in the restructuring paper; (ii) a detailed technical design, based on current and future (climate change) hydrodynamic information of the ocean-facing shore of Fogafale; (iii) a detailed technical design for the land reclamation in Fogafale, which shall include: (a) a statement of the Government of Tuvalu endorsing the engineering of the proposed land reclamation which shall be designed to remain flood free under a stated sea level rise design horizon and projected tropical storm return period; and (b) the underlying analysis of hydrodynamics on the ocean-facing side of Funafuti under current and future forecasts of sea level rise and tropical cyclones; (iv) the full and complete environmental and social impact assessment and updated environmental and social management plan, which shall have been disclosed in accordance with the GCF information disclosure policy and within the period for disclosure provided in such policy, which shall be counted in advance of the date in which the fourth disbursement of GCF proceeds is expected to be made; and (v) a detailed revised budget which shall reflect the changes proposed by the accredited entity in the restructuring paper, including the detailed budget notes on unit costs and quantities including any estimates and assumptions applied.</p> <p><u>Satisfaction of the following conditions prior to last disbursement under the FAA:</u></p> <p>(iii) Delivery to the GCF by the accredited entity of an exit strategy, in a form and substance satisfactory the GCF Secretariat, that includes information on the expected use by the Government of Tuvalu of the land reclaimed under sub-activity 2.2.1.</p> <p><u>Insertion of the following covenants in the amendment to the FAA:</u></p> <p>(iv) The accredited entity shall ensure that (i) the infrastructure civil works to be implemented as part of the Funded Activity are designed, constructed, operated and decommissioned in accordance with good international industry practices and any other applicable standards, taking into consideration safety risks to third parties or affected communities, and (ii) the quality of such infrastructure civil works is in accordance with international best practices; and</p> <p>(v) The Accredited Entity shall inform the Fund as soon as any information (including, but not limited to, consultation processes, planning documents,</p>



	project proposals) is publicly available or in case any decision by the Government of Tuvalu or any other competent authority is made with regards to the use of the reclaimed land in Fogafale.
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