Hon. Pohiva Tu‘ionetoa  
Minister for Finance & National Planning  
Ministry of Finance & National Planning  
P.O. Box 87  
Vuna Road, Nuku‘alofa  
Kingdom of Tonga

Dear Minister,

**APIP Grant No. TF0A7818**  
**Additional Financing for the Pacific Resilience Project under the Pacific Resilience Program**  
**Letter Agreement**

In response to the request for financial assistance made on behalf of the Kingdom of Tonga ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("Association") (collectively, "World Bank"), acting as administrator of grant funds provided by the Government of Australia, represented by the Department of Foreign Affairs and Trade ("Donor") under the Australia-Pacific Islands Partnership Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed one million nine hundred sixty thousand United States Dollars (USD 1,960,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). The Project consists of Part 2 of the IDA Project (as defined in the Annex to this Agreement).

The Recipient has also requested the Association to provide assistance towards the financing of the IDA Project, and the Association has agreed to make available a grant to the Recipient in an amount equivalent to ten million six hundred thousand Special Drawing Rights (SDR 10,600,000) to assist in the financing of the IDA Project, pursuant to the financing agreement of even date herewith between the Recipient and the Association, as such agreement may be amended from time to time ("Financing Agreement").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.
The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Australia-Pacific Islands Partnership Trust Fund

By ____________________________
Micel Kerf
Country Director
Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
KINGDOM OF TONGA

By ____________________________
Authorized Representative
Name: POSHIVA TUIÔMETOA
Title: MINISTER OF FINANCE & NATIONAL PLANNING
Date: 16 August 2018

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with “Disbursement Guidelines for Investment Project Financing”, dated February 2017
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement (including the cover letter to this Agreement and this Section) as follows:


(b) “2017 Amended Original Financing Agreement” means the financing agreement for a Pacific Resilience Project under the Pacific Resilience Program between the Recipient and the Association, dated June 30, 2015, as amended on October 13, 2017 (Credit Number 5689-TO and Grant Number D078-TO).

(c) “Annual Work Plan and Budget” means each annual work plan, together with the related budget and updated procurement plan, for the Project accepted by the World Bank pursuant to the relevant provision cited in Section 2.03 of this Annex; and “Annual Work Plans and Budgets” means, collectively, all such plans and budgets.


(e) “IDA Project” means the project described in Schedule 1 to the Financing Agreement.

(f) “Incremental Operating Costs” means reasonable incremental recurrent expenditures incurred by the Recipient on account of Project implementation and as set forth in the Annual Work Plans and Budgets, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, meeting expenses, travel, subsistence and lodging expenses, and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.

(g) “Ministry of Meteorology, Information, Energy, Disaster Management, Climate Change and Communications” or its acronym “MEIDECC” means the Recipient’s ministry responsible for meteorology, information, energy, disaster management, climate change and communications, or any successor thereto.

(h) “Participating Countries” means the Independent State of Samoa, the Republic of Vanuatu, the Republic of the Marshall Islands, the Kingdom of Tonga and any other countries that may join the Program as agreed in writing by the World Bank.
(i) "Procurement Plan" means the Recipient’s procurement plan for the Project, dated May 22, 2018, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.


(k) "Program" means the Pacific Resilience Program (PREP), which is a ‘Series of Projects’ financed by the World Bank and other donors, designed to strengthen early warning, resilient investments and financial protection of Participating Countries.


Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to strengthen early warning, resilient investments and financial protection of the Recipient. The Project constitutes the Recipient’s participation in the first phase of the Program, and consists of Part 2 of the IDA Project.

2.02. Project Execution Generally. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through MEIDECC in accordance with the provisions of: (a) Article II of the Standard Conditions; and (b) this Article II.

2.03. Implementation Arrangements. Section I.A.1 (Regional Advisory Committee), Section I.A.2 (National Steering Committee), Section I.A.3 (MEIDECC and Project Management Unit), Section I.A.5 (Central Services Unit), Section I.B (Project Operations Manual), Section I.C (Annual Work Plans and Budgets) and Section I.D (Safeguards) of Schedule 2 to the Financing Agreement are hereby incorporated by reference and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, provided that for the purposes of this Agreement: (a) the references to the “Association” in said Sections shall be construed as references to the World Bank; and (b) the references to the “Project” and “Parts 1, 2 and 4 of the Project” in said Sections shall be construed as references to the Project described in this Agreement.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. Procurement. (a) All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations, and the provisions of the Procurement Plan.

(b) Notwithstanding Section 2.07(a) above: (i) all goods, works and non-consulting services for the Project for which the letter of invitation or advertisement was published on or before the Financing Agreement entered into effect in accordance with its terms, and to be financed out of the proceeds of the Grant; and (ii) all consultants’ services for the Project for which the call for expressions of interest or letter of invitation was published on or before the Financing Agreement entered into effect in accordance with its terms, and to be financed out of the proceeds of the Grant, shall be procured in accordance with the requirements set forth in Section III (Procurement) of Schedule 2 to the 2017 Amended Original Financing Agreement.

2.08. Anti-Corruption. (a) The Recipient shall carry out the Project through MEIDECC in accordance with the provisions the Anti-Corruption Guidelines.

(b) Notwithstanding Section 2.08(a) above, the 2011 Anti-Corruption Guidelines shall apply to the procurement of all goods, works, non-consulting services and consultants’ services required for the Project, and to be financed out of the proceeds of the Grant, which are carried out in accordance with the requirements set forth in Section III (Procurement) of Schedule 2 to the 2017 Amended Original Financing Agreement.

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing”, dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, works, non-consulting services, consultants’ services, consulting services and Incremental Operating Costs, inclusive of Taxes.
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 31, 2023.

**Article IV**
**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

   (a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

   (b) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

4.02. As part of the evidence to be furnished pursuant to Section 4.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing that, on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article V**
**Recipient's Representative; Addresses**

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister at the time responsible for finance.
5.02. **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and National Planning  
Vuna Road, PO Box 87  
Nuku'alofa  
Kingdom of Tonga

Facsimile:  
+676 26011

5.03. **World Bank's Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development / International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:  
248423 (MCI) or 64145 (MCI)  
Facsimile:  
1-202-477-6391