Hon. Sunia Fili  
Minister of Finance  
Ministry of Finance and National Planning  
Vuna Road  
PO Box 87, NUKU’ALOFA  
Tonga

Honourable Minister:

RE: Letter of Amendment to the Financing Agreement for the Tonga Transport Sector Consolidation Project (Grant No. H416-TO)

We refer to the Financing Agreement (the “Agreement”) for the Tonga Transport Sector Consolidation Project dated July 17, 2008 between the Kingdom of Tonga (the “Recipient”) and International Development Association (the “Association”), as amended to date.

We are pleased to inform you that, further to your request of June 8, 2009 and discussions between our staff, the Association hereby agrees to amend the Agreement as follows:

1. The objective of the Project described in the first paragraph of Schedule 1 to the Agreement is amended to read as follows:

“The objective of the Project is to assist the Recipient to develop its transport sector to have (i) stronger policy, planning and regulatory institutions and framework; (ii) improved safety and security facilities and compliance with international safety and security standards, and (iii) greater domestic capacity for road rehabilitation and maintenance.”.

2. In Schedule 1, Part A(iii) to the Agreement is amended to read as follows:

“(iii) preparation of an investment plan for (A) Fua’amotu International Airport and (B) Lupepau’u Airport, Vava’u”.

3. In Schedule 1 Part A to the Agreement, the following text is added after subparagraph (v) and before “.”:

“(vi) training of domestic contractors and consultants in road maintenance; (vii) a road network condition survey, and (viii) planning for sustainable road maintenance”.

4. In Schedule 1 to the Agreement, the text under Part B, “(vi) provision of marine safety and environmental protection at selected terminals; and (vii) reforming the motor vehicle registry system” is replaced by:

“(vi) a road safety audit; (vii) carrying out works and procurement of goods to improve maritime safety; (viii) construction of a rescue fire station at Fua’amotu International Airport; (ix) carrying out works and procurement of goods to improve
security at Fua'amotu International Airport; and (x) training and procurement of goods to improve environmental management and supervision by the Recipient.”

5. In Schedule 1 to the Agreement, the text under Part C “(ii) resurfacing of the inter-island ferry terminal at Nuku'alofa to improve cargo handling and passenger safety; (iii) installation of solar lighting at ferry terminals, and (iv) provision of additional safety and security equipment at airports as required” is replaced by:

“(ii) road maintenance design and supervision; (iii) procurement of equipment to strengthen the road maintenance capacity, and (iv) carrying out road maintenance works.”.

6. A new procurement method is added to the table in Schedule 2, Section III under B.2 that reads:

“(c) Force Account”.

7. A new procurement method is added to the table in Schedule 2, Section III under C.2 that reads:

“(e) Single-source Selection”.

8. In Schedule 2, Section IV.B subparagraph 2 is amended to read:

“2. The Closing date is December 31, 2013”.

9. A new paragraph shall be added to Schedule 2, Section V (Other Undertakings), of the Agreement, as follows:

“2. The Recipient shall appoint within MOT, and maintain for the duration of the Project, the following officers, with terms of reference, qualifications and on conditions acceptable to the Association: a chief executive officer to provide adequate Project management and oversight of the Project; a Director of Civil Aviation; a Director of Marine and Ports; a Director of Land Transport.”

10. The term “Project Support Team” wherever it appears in the Agreement is replaced by “Project Management Unit” and the relevant paragraphs are amended as follows:

(i) In Article IV of the Agreement (“Effectiveness; Termination”), Section 5.01(c) is amended to read as follows:

“(c) The Project Management Unit has been established and a Project manager and procurement specialist appointed within it with terms of reference, qualifications and on conditions acceptable to the Association.”.

(ii) In Schedule 2, Section I.A subparagraph 2 is amended to read:
“2. The Recipient shall cause to be established and maintained throughout Project implementation, a Project Management Unit within MoT, with composition, terms of reference and qualifications acceptable to the Association, to be responsible for the day-to-day management and administrative oversight of the Project. The Project Management Unit shall assist both MoT and the Project Implementing Entity with: (i) preparation of work plans and budgets; (ii) preparation of progress and impact reports under the Project; and (iii) coordinating with the Recipient, the Project Implementing Entity and the Association on matters relating to the Project. With respect to MoT’s Respective Part of the Project, the Project Management Unit shall, in addition, be responsible for monitoring and evaluation, financial management and reporting, procurement and disbursement functions.”.

(iii) In Schedule 2, **Section I.A subparagraph 4 is amended to read:**

“4. The Recipient shall maintain within MoT, a Working Group throughout the period of implementation of the Project, to be responsible for providing technical oversight and guidance of implementation of the Project. The Project manager to be appointed for the Project Management Unit shall act as a secretary to the Working Group.”.

11. In the Appendix to the Agreement (“Definitions”), the following changes shall be made:

(i) The word “Definitions” is replaced by the text: “Section I. Definitions”.

(ii) Definition 1 shall read:


(iii) A new Definition 1a is introduced as follows:

“1a. “Co-financing” means an amount of ten million three hundred thousand United States dollars (US$10,300,000), to be provided by the Co-financier to assist in financing the Project.”.

(iv) A new definition 1b is introduced as follows

“1b. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.”.

(v) “A new definition 1c is introduced as follows:
“1c. “Co-financier” means the International Bank for Reconstruction and Development and the International Development Association, acting as administrator of grant funds under the Multi-Donor Trust Fund for the Pacific Region Infrastructure Facility, referred to in paragraph 10 of the Appendix to the General Conditions.”.

(vi) Definition 3 shall read:

“3. “Consultant Guidelines” means (a) except as provided in subparagraph (b) below: the Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.”; and (b) in the case of contracts for which the requests for expression of interest was issued prior to the date of this Amendment: “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.”.

(vii) In definition 4 the words “Environmental Management Plan dated April 18, 2008” shall be replaced by:

“Environmental Management Plan dated July 29, 2010”.

(viii) Definition 5 shall read:

“5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010”.

(ix) Definition 9 shall read:

“9. “MOTs respective Part of the Project” means Part A(i), (ii), (iv), (v), (vi), (vii) and (viii); Part B (i), (v), (vi), (vii), (x); Part C (i), (ii), (iii) and (iv), and Part (D) of the Project.”.

(x) Definition 12 shall read:

“12. “Procurement Guidelines” means: (a) except as provided in subparagraph (b) below, the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers’ dated January 2011.”; and (b) in the case of contracts for which the invitation to bid was issued prior to the date of this Agreement, “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.”.

(xi) Definition 13 shall read:
"13. "Procurement Plan” means the Recipient’s procurement plan for the Project dated September 10, 2010” and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.”.

(xii) Definition 17 shall read:

“17. “Project Management Unit” means the expanded unit with more staffing and responsibilities, established within MoT for purposes of overseeing the implementation of the Project, as such unit is referred to in Section I.A(2) of Schedule 2 to this Agreement.”.

(xii) In definition 19 the reference to Parts C(iv) shall be deleted. Definition 19 shall read:

“19. “TALs Respective Part of the Project” means Part A(iii), Part B (ii), (iii), (iv), (viii), and (ix)”.

12. The Performance Indicators set out in the supplemental letter related to the Agreement dated July 17, 2008 are amended as indicated in the Attachment to this amendment letter.

All of the terms and conditions of the Agreement that have not been amended pursuant to this Letter of Amendment to the Financing Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement to the amendment set out above by signing the form of confirmation set out below, returning one fully executed original of this Letter of Amendment to the Financing Agreement to us at your earliest convenience and retaining one original for your records.
This Letter of Amendment to the Financing Agreement shall become effective after your countersignature, on the date upon which the Association dispatches to the Recipient a notice of its acceptance of the evidence that the following condition has been satisfied:

The Co-financing Agreement (as defined above) has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Letter of Amendment to the Financing Agreement) have been fulfilled.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s Ferid Belhaj

Ferid Belhaj
Country Director
Timor-Leste, Papua New Guinea
and Pacific Islands Operations
East Asia and Pacific Region

KINGDOM OF TONGA

By/s Sunia Fili

Name: Honourable Sunia Fili
Title: Minister of Finance
Date: 23.8.11
Results Indicators

Project Development Objectives

(i) MOT functioning as a fully integrated ministry responsible for compliance and safety oversight of land, sea and air transport.

(ii) International Civil Aviation Organization certification of safety and security at Fua'amotu airport.

(iii) Proper systems in place for safe maritime travel.

(iv) Consultants as well as small and medium domestic contractors with capacity for implementing effective road maintenance.

Intermediate Indicators

Component A: MOT established with clear roles, functions and responsibilities with adequate staff and resources, providing necessary sector guidance.

(i) Regulations in place with improved monitoring, enforcement and compliance mechanisms

(ii) Appropriately skilled staff recruited by MOT and equipped to fulfill their respective mandate.

(iii) Completion of aviation, land transport and maritime sector investment plans.

Component B: High Priority Investments in Infrastructure Completed

(i) Improved security arrangements and compliance with requirements for international air transport.

(ii) Installation of maritime safety equipment completed.

(iii) Road safety audit completed for Tongatapu.

Component C: Investments in Other Infrastructure Completed

(i) Number of domestic consulting firms with full capability to design and supervise road maintenance.

(ii) Number of domestic small and medium sized domestic contractors trained and participating in bidding.

(iii) Ministry of Works equipment pool and quarry commercialized.

(iv) Number of kilometers of roads maintained.