Hon. ‘Aisake Valu Eke  
Minister of Finance & National Planning  
Ministry of Finance & National Planning  
Vuna Road  
P.O. Box 87  
Nuku’alofa  
TONGA

Dear Minister,

Pacific Regional Connectivity Program, Phase 1 Tonga-Fiji Connectivity Project  
IDA Grant No. H731-TO  
Amendment to the Grant Agreement

I refer to the Grant Agreement between the Kingdom of Tonga ("Recipient") and the International Development Association ("Association") dated September 9, 2011 for the above-referenced Project ("Agreement"), and to the supplemental letter No.2 for the above-referenced Project dated September 9, 2011 ("Side Letter"). I also refer to your letter dated June 1, 2016 requesting for an extension of closing date, and to the aide memoire for the April 9-13 implementation review mission in which the restructuring of the Project to extend the cable to outer islands and reallocation of proceeds of the Grant was outlined.

I am pleased to inform you that after due consideration, the Association has agreed with your request and hereby proposes to amend the Agreement as follows:

1. Part 1 of the Project is amended to read as follows:

   "Part 1: Submarine Cable System:

   (a) Construction of the Submarine Cable System.

   (b) Construction of landing stations in Nuku’alofa, Vava'u and Hapai for the Submarine Cable System."

July 19, 2016
2. The withdrawal table in Section IV.A.2 of Schedule 2 to the Agreement is deleted in its entirety and replaced with the table in Annex I to this letter.

3. The Closing Date specified in Section IV.B.2 of Schedule 2 to the Agreement is extended to July 23, 2018.

4. Definitions No. 13, 19, and 33 in the Appendix to the Agreement are amended to read as follows:

   "13. "Environmental Management Plan" or "EMP" means, collectively, the Environmental Impact Assessment and the Environmental Management Plan, each dated May 28, 2011, and the Environmental Impact Assessment dated December 2014 which set out, with respect to the Project, measures to be implemented in Tonga and Fiji for: the protection of the environment; conservation of, and mitigation against adverse impact on, natural habitats or their functions; and on forests and avoidance of, or mitigation against, adverse impact on physical cultural resources, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior written agreement of the Association."


   "33. "Submarine Cable Systems" means the repeatered submarine telecommunications cables to be financed under Part I(a) of the Project, and linking: (a) a landing station in Nuku’alofa (Tonga) with a landing station in Suva (Fiji); (b) landing stations in Hapai and Va’vau to the landing station in Nuku’alofa, respectively."

5. All references to ‘MIC’ or “Ministry of Information and Communications” are hereby replaced with “MEIDECC” and "Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications” respectively.

   Additionally, the Arrangements for Results Monitoring set forth in the Side Letter are amended as set forth in Annex II to this letter.

   Except as specifically amended by this amendment letter, all other provisions of the Agreement and the Side Letter shall remain in full force and effect.
Please confirm your agreement to the amendments set out above by having an authorized representative of the Recipient sign and date the form of confirmation set forth below, and returning one fully countersigned original of this letter to us. Upon receipt by the Association of the copy of this letter countersigned on behalf of the Recipient, this amendment letter shall become effective as of the date of the countersignature.

Sincerely,

Mona Sur
Acting Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

Confirmed and agreed:
KINGDOM OF TONGA

By: [Signature]
Authorized Representative

Name: PISAKE VALU EKE
Title: MINISTER FOR FINANCE AND NATIONAL PLANNING
Date: 27 JULY 2016
### ANNEX I

**AMENDED WITHDRAWAL TABLE IN SECTION IV.A.2 OF SCHEDULE 2 TO THE AGREEMENT**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed by the Grant (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works and Non-consulting Services for Part 1(a) of the Project</td>
<td>9,913,607</td>
<td>63% as per the terms of the respective contract</td>
</tr>
<tr>
<td>(2) Consultants’ services and Training for Part 2 of the Project</td>
<td>436,393</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services and Operating Costs for Part 3 of the Project</td>
<td>450,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
## REVISED RESULTS FRAMEWORK

### Target Values

<table>
<thead>
<tr>
<th>Project Outcome Indicators</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR 2</th>
<th>YR 3</th>
<th>YR 4</th>
<th>YR 5</th>
<th>YR 6 - Closing Date</th>
<th>Frequency and Reports</th>
<th>Data Collection Instruments</th>
<th>Responsibility for Data Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Internet Bandwidth (Mbps)</td>
<td>37.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Indicators available at ITU and Telegeography</td>
<td>MEIDECC/TCL</td>
</tr>
<tr>
<td>Increased Capacity of Ministry of Meteorology, Energy, Information, Disaster Management, Climate Change and Communications (MEIDECC) to deliver on its mandates</td>
<td>1.00</td>
<td>3.00</td>
<td>4.00</td>
<td>5.00</td>
<td>5.00</td>
<td></td>
<td></td>
<td></td>
<td>Annual Report</td>
<td>MEIDECC</td>
</tr>
<tr>
<td>Increased Level of Competition in the ICT sector (number of service providers)</td>
<td>2.00</td>
<td>3.00</td>
<td>4.00</td>
<td>6.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MEIDECC Annual Report</td>
<td>MEIDECC</td>
</tr>
<tr>
<td>Access to Internet Services (per 100 people)</td>
<td>1.00</td>
<td>15.00</td>
<td>25.00</td>
<td>40.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Indicator available at ITU and Telegeography</td>
<td>MEIDECC</td>
</tr>
<tr>
<td>Access to telephone services, mobile phone (per 100 people)</td>
<td>59.00</td>
<td>70.00</td>
<td>100.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Indicator available at ITU and Telegeography</td>
<td>MEIDECC/TCL</td>
</tr>
</tbody>
</table>

### Intermediate Outcome Indicators

<table>
<thead>
<tr>
<th>Component 1: Length of fiber optic network built (km)</th>
<th>0.00</th>
<th>827.00</th>
<th>827.00</th>
<th>1,217.00</th>
<th>Yearly</th>
<th>TCL Progress Report</th>
<th>MEIDECC/TCL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 2: Implementation of open access and wholesale price regulation</td>
<td>No</td>
<td></td>
<td>No</td>
<td>Yes</td>
<td>Yearly</td>
<td>MEIDECC Annual Report, Regulation</td>
<td>MEIDECC</td>
</tr>
<tr>
<td>Component 2: TCL restructuring completed</td>
<td>No</td>
<td></td>
<td>No</td>
<td>Yes</td>
<td>Yearly</td>
<td>TCL Annual Report, MEIDECC Annual Report</td>
<td>MEIDECC, TCL</td>
</tr>
<tr>
<td>Component 1: Direct Project beneficiaries (people)</td>
<td>1,000</td>
<td>10,000</td>
<td>20,000.00</td>
<td>55,000</td>
<td>Yearly</td>
<td>MEIDECC Annual Report</td>
<td>MEIDECC</td>
</tr>
<tr>
<td>Component 2: Volume of International Traffic (Mbps)</td>
<td>30.00</td>
<td></td>
<td>400.00</td>
<td>750.00</td>
<td>Yearly</td>
<td>Telecom Service Providers</td>
<td>MEIDECC/TCL</td>
</tr>
<tr>
<td>Component 2: Retail Price of Internet Services (US$/GB)</td>
<td>75.00</td>
<td></td>
<td>7.00</td>
<td>5.00</td>
<td>Yearly</td>
<td>TCL Annual Report, MEIDECC Annual Report</td>
<td>MEIDECC/TCL</td>
</tr>
<tr>
<td>Component 2: Unit price of Wholesale International Capacity Link (US$/per Mbps/month) applicable when purchasing one STM-1 or 155 Mbps of capacity)</td>
<td>495.00</td>
<td></td>
<td>&lt;200.00</td>
<td>150.00</td>
<td>Yearly</td>
<td>TCL Annual Report, MEIDECC Annual Report L</td>
<td>MEIDECC/TCL</td>
</tr>
<tr>
<td>Component 2: Average per minute cost of international call (in US$)</td>
<td>0.35</td>
<td></td>
<td>0.25</td>
<td>0.13</td>
<td>Yearly</td>
<td>Telecom Service Providers</td>
<td>MEIDECC</td>
</tr>
</tbody>
</table>