OFFICIAL DOCUMENTS

CREDIT NUMBER 5770-TO
GRANT NUMBER D106-TO
AMENDMENT to H743-TO

Project Agreement

(Pacific Aviation Investment Program-
Tonga Aviation Investment Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TONGA AIRPORTS LIMITED

Dated 7th April, 2016
PROJECT AGREEMENT

AGREEMENT dated, \text{September 1, 2016}, entered into between
INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and TONGA
AIRPORTS LIMITED ("Project Implementing Entity") ("Project Agreement") in
connection with the Financing Agreement ("Financing Agreement") of same date
between the Kingdom of Tonga ("Recipient") and the Association. The Association and
the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing
Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this
Agreement have the meanings ascribed to them in the Financing Agreement, the
Original Financing Agreement, or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the
Project and the Program. To this end, the Project Implementing Entity shall
carry out all Parts of the Project, other than Parts B (a) through (c) and the
portion of Part D implemented by the Line Ministries, in accordance with the
provisions of Article IV of the General Conditions, and shall provide promptly as
needed, the funds, facilities, services and other resources required for its
Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and
except as the Association and the Project Implementing Entity shall otherwise
agree, the Project Implementing Entity shall carry out its Respective Part of the
Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the
provisions of this Agreement shall terminate is twenty (20) years after the date of
this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Chief Executive Officer of the Project Implementing Entity.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity’s Address is:

Tonga Airports Limited
2nd Floor LORDS Bldg
Cnr. Alaivahamama’o By-Pass & Taufa’ahau Rd
MAILETAHA
PO Box 876
Nuku’alofa
Kingdom of Tonga

Facsimile:
+676 27942
AGREED at 7th April, 2016, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

FRAZ R. DREES-GROSS
Authorized Representative
Name: FRAZ R. DREES-GROSS
Title: COUNTRY DIRECTOR, EACNF

TONGA AIRPORTS LIMITED

By

VILIAM T MAAKE
Authorized Representative
Name: VILIAM T MAAKE
Title: CEO, TONGA AIRPORTS LTD
SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall:

(a) maintain at all times throughout the Project implementation period, a Technical and Fiduciary Services Unit ("TFSU") with staffing, powers and responsibilities satisfactory to the Association including *inter alia*: the TFSU's responsibility;

(i) to provide technical guidance to the Program and undertake selected fiduciary and procurement activities on behalf of the Program Countries including: (A) advertisements; (B) bidding document preparation and procurement processing; (C) evaluation of bids/proposals; and, (D) submission of procurement documents to the Association for review; and

(ii) to support the day-to-day implementation of the Program and its components, as well as reporting.

(b) maintain at all times throughout the Project implementation period, the Regional Procurement Evaluation Committee with powers satisfactory to the Association, and comprising representatives from the Program Countries as well as members of the TFSU; and

(c) maintain a TFSU Program Manager, and a Tonga Project Manager, with terms of reference and qualifications satisfactory to the Association.

2. The Project Implementing Entity shall, throughout the Project implementation period take all measures on its part to maintain its participation in the Program Steering Committee, the National Steering Committee and the Regional Procurement Evaluation Committee with powers, terms of reference and composition satisfactory to the Association.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Service Agreement

1. The Project Implementing Entity shall, throughout the Project implementation period, take all measures required on its part to enter into and maintain the respective Service Agreements with each of the Program Countries, under terms and conditions satisfactory to the Association, including, inter alia: provision of technical, fiduciary and safeguards monitoring support during the period of implementation of the respective Program Countries' Projects, preparation and evaluation of bids with the assistance of the Regional Procurement Evaluation Committee.

2. The Project Implementing Entity shall exercise its rights under each of the Service Agreements, in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the Association, and to accomplish the purposes of the Financing, and except as the Association shall otherwise agree in writing, not assign, amend, abrogate or waive either of the Service Agreements or any provision of either one thereof.

D. PASO Agreement

1. The Project Implementing Entity shall maintain throughout the Project implementation period, the cooperation agreement with PASO setting forth, inter alia, the obligations of PASO in accordance with the PICASST to provide aviation audit, safety and security oversight, as well as providing technical assistance to the Project as requested.

2. The Project Implementing Entity shall exercise its rights under the PASO agreement, in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the Association, and to accomplish the purposes of the Financing, and except as the Association shall otherwise agree in writing, not assign, amend, abrogate or waive the PASO Agreement or any provision thereof.

E. Operations Manual

1. The Recipient shall carry out the Project in accordance with the Operations Manual.

3. The Project Implementing Entity shall not amend, abrogate or waive any provision of the Operations Manual without the prior written agreement of the Association. In case of any discrepancies between the provisions of the Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.
F. Environmental and Social Safeguards.

1. The Project Implementing Entity shall implement the EMP in accordance with its terms.

2. The Project Implementing Entity shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the EMP and the achievement of the objectives of said plan.

3. The Project Implementing Entity shall not amend, abrogate or waive any provision of the EMP without the prior written agreement of the Association.

4. The Project Implementing Entity shall ensure that each contract for civil works includes the obligation of the respective contractor to implement the EMP.

5. The Project Implementing Entity shall take all measures necessary to regularly collect, compile, and submit to the Association, as part of the Project Reports, and to the Recipient information on the status of compliance with the EMP, providing details of:
   (a) measures taken in furtherance;
   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation; and
   (c) remedial measures taken or required to be taken to address such conditions.

4. In the event of any inconsistencies between the provisions of the EMP and those of this Agreement, the provisions of this Agreement shall prevail.

G. Other Covenants

1. The Project Implementing Entity shall manage all revenue streams associated with the Recipient’s aviation sector at all times throughout the Project implementation period and account for such revenues in a satisfactory manner.

2. The Project Implementing Entity shall ensure that after completion of civil works financed by the Project and until the Closing Date, the runways and apron areas are not damaged: (a) by fuel, oil and other leakages from aircraft; or (b) due to their use by aircraft exceeding the runway surface capacity.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the Operations Manual. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. Without limitation on the provisions of Paragraph A.1 of this Section, the Project Implementing Entity shall prepare and furnish to the Association, as part of the Project Report, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.