

05-Aug-2024

Honorable Tiofilusi Tiueti
Minister for Finance
Ministry of Finance
Nuku'alofa
TONGA

Excellency:

Re: KINGDOM OF TONGA
Omnibus Amendment to Financing Agreements to introduce the
Rapid Response Option

We refer to the financing agreements between the Kingdom of Tonga and the International Development Association (“Association”) in respect of the financings listed in Annex 1 to this letter (“Financing Agreements”). We also refer to our recent discussions regarding the incorporation of the Rapid Response Option (RRO) approved by the World Bank Board of Directors on February 1, 2024, in the Financing Agreements.


In view of the above, and to establish the RRO for a Crisis Emergency Response Project (CERP) and a Development Policy Financing (DPF) Catastrophe Deferred Drawdown Option (Cat DDO), the Association proposes to amend the Financing Agreements in accordance with Annex 2 to this letter.

All other terms and conditions of the Financing Agreements shall remain in full force and effect.

Please confirm your agreement with the foregoing by signing and dating this amendment letter in the space provided below.

The provisions set forth in this amendment letter shall become effective as of the date of the countersignature.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: 

Stephen N. Ndegwa
Country Director, PNG & Pacific Islands

AGREED:
KINGDOM OF TONGA

By: Tiofilusi Tiueti
Authorized Representative
Name: Tiofilusi Tiueti
Title: Minister for Finance
Date: 23-Aug-2024

Enclosures:

Annex 1: List of Financing Agreements
Annex 2: Amendments to Financing Agreements

cc: Mrs. Kilisitina Tuamei'api, Chief Executive Officer (CEO), Ministry of Finance (MOF)
Stefano Mocchi, Country Manager, World Bank Group, Fiji
Anthony Okwako, Senior Finance Officer, EAP, World Bank
Victoria Wood, Legal Counsel, EAP, World Bank

ANNEX 1
List of Financing Agreements

Credit/ Financing/ Grant No.	Project Name	Project ID	Signing Date
IDA 56890	Pacific Resilience Program	P154840	30-Jun-2015
IDA E0570	Pacific Resilience Program Additional Financing 2	P178848	12-Sep-2022
IDA D4490	Tonga Digital Government Support Project	P154943	15-Jul-2019
IDA D4480	Tonga: Pathway to Sustainable Oceans	P164941	23-May-2019
IDA D5430	Statistical Innovation and Capacity Building in Tonga	P171377	24-Mar-2020
IDA D9270	Tonga Safe and Resilient Schools Project	P174434	09-Feb-2022
IDA E0650	Tonga Safe and Resilient Schools Project Additional Financing	P178849	04-Aug-2022
IDA D9110	Tonga Climate Resilient Transport Project II	P176208	31-Jan-2022

ANNEX 2
Amendments to the Financing Agreements

1. A new Section 1.03 is added to Article I of the Financing Agreements to read as follows:

“1.03. All references to “Project” in the General Conditions are understood to apply, *mutatis mutandis*, to the Contingent Emergency Response Project (“CERP”) (except for the relevant Section on “Project Monitoring and Evaluation” and “Financial Management; Financial Statements; Audits” and the definitions of “Project”, “Project Agreement”, “Project Implementing Entity”, “Project Implementing Entity’s Representative”, “Project Report” and “Respective Part of the Project”).”
2. Section 2.01 of Article II of the Financing Agreements is amended by adding the following sentence at the end of this section:

“Furthermore, the parties to this Agreement agree that the Financing includes the Rapid Response Option (“RRO”).”
3. Section 3.01 of Article III of the Financing Agreements is amended by adding the following sentence at the end of this section:

“Furthermore, the Recipient declares its commitment to the objectives of the CERP, and to this end, shall carry out, or cause to be carried out, the CERP in accordance with Article V of the General Conditions and the Addendum to Schedule 2 to this Agreement.”
4. Part A (General) of the relevant Section on Withdrawal of the Proceeds of the Financing of Schedule 2 to the Financing Agreements is amended by adding a new paragraph in accordance with the applicable numbering sequence, as follows:

“[#]. Notwithstanding the provisions of the previous paragraph(s) of this Section, and solely with respect to the amount of the Financing allocated to: (a) the Category titled “Eligible Expenditures for the CERP”, the Recipient may withdraw the proceeds of the Financing, in accordance with Article II of the General Conditions and the CERP Disbursement and Financial Information Letter, to finance Eligible Expenditures for the CERP; and (b) the Category titled “Complementary Financing for the Cat DDO”, the Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Section II.A of the relevant Schedule on Program Actions, Availability of Financing Proceeds to the Cat DDO Legal Agreement (including the relevant provisions of any other document that is referred to or forms part of the Cat DDO Legal Agreement), which are hereby incorporated by reference in this Agreement, and which shall apply, *mutatis mutandis*, to the amount of the Financing allocated to the aforementioned Category.”
5. The withdrawal table set forth in Part A (General) of the relevant Section on Withdrawal of the Proceeds of the Financing of Schedule 2 to the Financing Agreements is amended

by adding two additional categories in accordance with the applicable numbering sequence, as follows:

(#) Eligible Expenditures for the CERP	0	100% (inclusive of Taxes)
(#) Complementary Financing for the Cat DDO	0	n/a

6. Part B (Withdrawal Conditions; Withdrawal Period) of the Section on Withdrawal of the Proceeds of the Financing of Schedule 2 to the Financing Agreements is amended by adding the following paragraphs at the end of said part:

“[#]. Further to paragraph 1 above and notwithstanding the provisions of Part A above, no withdrawal shall be made:

- (a) for Eligible Expenditures for the CERP under the respective Category, until and unless the Association has notified the Recipient that the following conditions have been fulfilled:

- (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to reallocate and thereafter withdraw all or part of the Unwithdrawn Financing Balance for the financing of a specific Crisis Response Plan under a CERP under implementation at the time of the request; and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
- (ii) the Recipient has adopted the CERP Manual (with the CERP ESCP attached as an annex) and the Crisis Response Plan, both in form and substance acceptable to the Association; or

- (b) for Complementary Financing for the Cat DDO, until and unless:

- (i) the Recipient has furnished to the Association a request to reallocate and thereafter withdraw all or part of the Unwithdrawn Financing Balance for the Complementary Financing for the Cat DDO, and such notice specifies the Cat DDO Legal Agreement; and
- (ii) the Association has accepted said request and notified the Recipient thereof, and is satisfied, based on evidence satisfactory to it, that the conditions precedent to withdrawal of the financing provided under the Cat DDO Legal Agreement have been fulfilled.

[#]. In the event of withdrawal of the Complementary Financing for the Cat DDO, the Recipient shall comply with any provisions on “Deposits of Financing Proceeds” and “Audits” set forth in Section II of the relevant Schedule to the Cat DDO Legal

Agreement (including the relevant provisions of any other document that is referred to or forms part of the Cat DDO Legal Agreement) to the same extent as if such provisions have been set out in full in this Agreement, except that: (a) the term “Financing” shall be deemed to refer to the amount of the Complementary Financing for the Cat DDO; and (b) the term “Financing Account” shall be deemed to refer to the Financing Account for this Financing.

7. An Addendum to Schedule 2 is added to the Financing Agreements to read as follows:

“ADDENDUM TO SCHEDULE 2

CERP Execution

Section I. Implementation Arrangements

1. The Recipient shall carry out the CERP pursuant to the Crisis Response Plan(s), the CERP Manual, the Environmental and Social Standards, the CERP ESCP and the environmental and social instruments prepared thereunder, all in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the structures and arrangements referred to in the CERP Manual are maintained throughout the implementation of the CERP, in a manner and substance acceptable to the Association;
 - (b) the environmental and social instruments required for the CERP and the respective Crisis Response Plans are prepared, disclosed and adopted in accordance with the CERP Manual and the CERP ESCP, and in form and substance acceptable to the Association;
 - (c) the measures and actions specified in the applicable CERP ESCP are implemented with due diligence and efficiency, as provided in the CERP ESCP;
 - (d) sufficient funds are made available to cover the costs of implementing the CERP ESCP;
 - (e) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the CERP ESCP, as provided in the CERP ESCP;
 - (f) subject to the prior written agreement of the Association, any revised CERP ESCP, and/or environmental and social documents prepared thereunder, is/are disclosed promptly after their approval;
 - (g) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the CERP ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the CERP ESCP and the environmental and social instruments referred to therein, all

such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the CERP ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the CERP ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions;

- (h) the Association is promptly notified of any incident or accident related to or having an impact on the CERP which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the CERP ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
2. The Recipient shall ensure that neither the Crisis Response Plan nor the CERP Manual or the CERP ESCP is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association. Nevertheless, in the event of any inconsistency between the provisions of the CERP Manual, the Crisis Response Plan, or the CERP ESCP, on the one side, and any provision of this Agreement, on the other, the provisions of this Agreement shall prevail.
 3. The Recipient shall, or shall cause to, establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of people affected by the CERP, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
 4. The Recipient shall ensure that all bidding documents and contracts for civil works under the CERP include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of the CERP ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.
 5. All goods, works, and services required for the CERP and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the latest iteration of the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” that had been issued by the Association on the day of the Association’s endorsement of the CERP for financing and the provisions of the CERP Procurement Plan.
 6. The Recipient shall ensure that the CERP is carried out in accordance with the provisions of the latest iteration of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” that had been issued by the Association on the day of the Association’s endorsement of the CERP for financing.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall:
 - (a) maintain or cause to be maintained policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the progress of the CERP and the achievement of its objectives;
 - (b) prepare or cause to be prepared periodic reports (“CERP Report”) and in form and substance satisfactory to the Association, integrating the results of the monitoring and evaluation activities of the CERP and setting out measures recommended to ensure the continued efficient and effective execution of the CERP, and to achieve its objectives; and such CERP Reports shall be prepared: (i) on an annual basis in the absence of an Eligible Crisis and Emergency; and (ii) at least semi-annually, as further determined in the CERP Manual, throughout the implementation period of a Crisis Response Plan during an Eligible Crisis and Emergency;
 - (c) furnish or cause to be furnished each CERP Report to the Association promptly upon its preparation, afford the Association a reasonable opportunity to exchange views with the Recipient on any such report, and thereafter implement such recommended measures, taking into account the Association’s views on the matter; and
 - (d) except as the Association may reasonably determine otherwise, not later than six (6) months after the end of the implementation period of the CERP, prepare or cause to be prepared and furnish to the Association: (i) a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the CERP, the performance by the Recipient and the Association of their respective obligations, and the accomplishment of the purposes of the Financing; and (ii) a plan designed to ensure the sustainability of the CERP’s achievements.”
2. The Recipient shall:
 - (a) maintain or cause to be maintained a financial management system and prepare financial statements (“CERP Financial Statements”) in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the CERP;
 - (b) have the CERP Financial Statements periodically audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 - (c) not later than the date specified in the CERP Disbursement and Financial Information Letter, furnish or cause to be furnished to the Association the CERP Financial Statements as so audited, and such other information

concerning the audited Financial Statements and such auditors, as the Association may from time to time reasonably request;

- (d) make the audited CERP Financial Statements, or cause the audited CERP Financial Statements to be made, publicly available in a timely fashion and in a manner acceptable to the Association; and
- (e) if requested by the Association, periodically furnish or cause to be furnished to the Association interim unaudited financial reports for the CERP, in form and substance satisfactory to the Association and as further specified in the CERP Disbursement and Financial Information Letter.”

8. The following definitions are inserted in the Appendix to the Financing Agreements in alphabetical order, as follows:

- ((#)) “Cat DDO Legal Agreement” means the agreement entered or to be entered between the Recipient and the Association for the Cat DDO, whose closing date is after the date when the Recipient requests the withdrawal of the Complementary Financing for the Cat DDO, as further specified by the Recipient in such request for withdrawal.
- ((#)) “Cat DDO” means the financing provided under the Cat DDO Legal Agreement with a deferred drawdown option for catastrophe risks.
- ((#)) “CERP Disbursement and Financial Information Letter” means the letter transmitted by the Association to the Recipient specifying the additional instructions for disbursement (including the “World Bank Disbursement Guidelines for Projects”, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such letter) and setting out CERP specific financial reporting requirements.
- ((#)) “CERP ESCP” means the environmental and social commitment plan for the CERP to be prepared and adopted by the Recipient, as the same may be amended from time to time in accordance with the provisions thereof, setting forth the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the activities detailed in the said Crisis Response Plan, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
- ((#)) “CERP Financial Statements” means the financial statements referred to in Section II.2 (a) of the Addendum to Schedule 2 to this Agreement.
- ((#)) “CERP Manual” means the implementation manual to be prepared and adopted by the Recipient setting forth the detailed implementation arrangements for the CERP, including: (i) any structures or institutional arrangements, allocation of responsibilities and decision making powers for coordinating and implementing the activities thereunder; (ii) the specific activities to be implemented under the

CERP in response to the declared/determined Eligible Crisis and Emergency; (iii) the template for the Crisis Response Plan; (iv) the positive list of Eligible Expenditures for the CERP; (v) the financial management and withdrawal arrangements for the CERP; (vi) the procurement methods and procedures to be followed in the implementation of the CERP; (vii) a description of the environmental and social assessment and management arrangements applicable to the CERP; and (viii) template of the CERP Reports as well as the monitoring and evaluation arrangements for the activities thereunder.

- ([#]) “CERP Procurement Plan” means the Recipient’s procurement plan for the CERP, provided for under Section IV of the Procurement Regulations, as such plan may be updated from time to time with the Bank’s approval.
- ([#]) “CERP Report” means each report on the CERP to be prepared and furnished to the Bank pursuant to Section II.1 of the Addendum to Schedule 2 to this Agreement.
- ([#]) “Complementary Financing for the Cat DDO” means the amount of the Financing allocated to the category entitled “Complementary Financing for the Cat DDO” in the table set forth in the relevant Section on Withdrawal of Financing Proceeds of Schedule 2 to this Agreement.
- ([#]) “Contingent Emergency Response Project” or “CERP” mean the contingent emergency response project prepared from time to time by the Recipient and agreed with the Association aimed at responding promptly and effectively to an Eligible Crisis or Emergency, as further elaborated in the Crisis Response Plan(s), as amended from time to time by agreement between the Recipient and the Association.
- ([#]) “Crisis Response Plan” means the plan to be prepared and adopted by the Recipient in response to an Eligible Crisis or Emergency detailing, among others: (i) the activities to be implemented under the CERP in response to the Eligible Crisis or Emergency; (ii) the estimated budget therefor and corresponding appropriations and/or financing sources; (iii) the implementation timeline which, unless the Association otherwise agrees, shall not exceed twelve (12) months; (iv) the foreseeable procurement and an abridged CERP Procurement Plan therefor; and (v) the envisioned results framework and indicators.
- ([#]) “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
- ([#]) “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land

Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank.

- ([#]) “Rapid Response Option” or “RRO” means the use of all or any portion of the Financing that has been requested by the Recipient and accepted by the Association in accordance with the terms of this Agreement to: (a) assist in financing the CERP; and (b) provide complementary financing in support of the program defined in the Cat DDO Legal Agreement.”