

CONFORMED COPY

GRANT NUMBER H416-TO

Project Agreement

(Tonga Transport Sector Consolidation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TONGA AIRPORTS LIMITED

Dated July 17, 2008

PROJECT AGREEMENT

Agreement dated July 17, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and TONGA AIRPORTS LIMITED (the "Project Implementing Entity") (the "Project Agreement") in connection with the Financing Agreement (the "Financing Agreement") of same date between the Kingdom of Tonga (the "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 or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out TAL's Respective Part of the Project 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 TAL's 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 TAL's 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 its Chief Executive Officer.

4.02. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Tonga Airports Ltd
Fua'amotu International Airport
Fua'amotu
Tonga

P.O. Box 876
Nuku'alofa
Tonga

Facsimile:

+676 35003

AGREED at Washington, District of Columbia, United States of America
as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ James Adams

Authorized Representative

TONGA AIRPORTS LIMITED

By: /s/ Mr. Aisake V. Eke

Authorized Representative

SCHEDULE

Execution of TAL's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall be responsible for overseeing the implementation of TAL's Respective Part of the Project, including technical oversight of activities thereunder, procurement, financial management and disbursement functions, preparation of Project progress reports in coordination with the Project Support Team, preparation of financial reports and submission of such reports to the Association for review, and monitoring and evaluation.
2. In carrying out TAL's Respective Part of the Project, the Project Implementing Entity shall work closely with the Project Support Team in accordance with the provisions of Schedule 2 Section I.A (2) of the Financing Agreement.

B. Anti-Corruption

The Project Implementing Entity shall ensure that TAL's Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the Environmental Management Plan.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of TAL's Respective Part of the Project and prepare Project Reports for TAL's Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later one (1) month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

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 TAL's Respective Part of the Project.
2. 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 audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

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