Hon. ‘Aisake Valu Eke  
Minister of Finance and National Planning  
Ministry of Finance and National Planning  
P.O. Box 67  
Vuna Road  
Nuku’ alofa  
Kingdom of Tonga

Dear Honorable Minister:

Re: IDA Grant No. D106-TO; IDA Credit No. 5770-TO and PRIF Grant No. TF012702 and TF0A1644 Additional Financing for Pacific Aviation Investment Program-Tonga Aviation Investment Project

Additional Instructions: Disbursement Letter

I refer to the Financing Agreement and PRIF Grant Agreement between the Kingdom of Tonga (the “Recipient”) and the International Development Association (the “IDA”) both dated April 7, 2016 for the above-referenced project. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of the IDA Credit, IDA Grant and PRIF Grant. This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the IDA Credit, IDA Grant and PRIF Grant:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment
(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is 4 months after the Closing Date as specified in the Financing Agreement and Grant Agreement. Any changes to this date will be notified by the Association.

(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Conditions in the Financing Agreement and Grant Agreement.

II. Withdrawal of IDA Credit, IDA Grant and PRIF Grant Proceeds

(i) **Authorized Signatures (subsection 3.1).** A letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Level 19, 14 Martin Place  
CML Building  
Sydney NSW 2000, Australia  
Attention: Country Director

The Authorized Signatures letter should be updated promptly whenever changes are necessary and should be sent to us before the first submission of a withdrawal application.

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank  
26/F, One Global Place  
5th Avenue corner 25th Street  
Bonifacio Global, Taguig City  
Philippines  
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4)** The Bank may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Bank's Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials ("SIDC") from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Recipient with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.
(iv) **Terms and Conditions of Use of SIDC to Process Applications.** By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the **Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation** ("Terms and Conditions of Use of SIDC") provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.

(v) **Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications for Direct Payment, Reimbursement and issuance of Special Commitment is USD16,000 for IDA Grant, USD170,000 for IDA Credit and USD6,000 for PRIF Grant.

(vi) **Advances (sections 5 and 6) to Ministry of Infrastructure.**

- **Type of Designated Account (subsection 5.3):** One Pooled Account
- **Currency of Designated Account (subsection 5.4):** United States Dollar (USD)
- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** Financial institution acceptable to the Bank
- **Ceiling (subsection 6.1):** USD80,000 for IDA Grant, USD850,000 for IDA Credit and USD30,000 for PRIF Grant.

III. Reporting on Use of Grant Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
  - Statement of Expenditure (SOE) in the form attached (Attachment 4), for all expenditures/contracts that are not subject to the Bank’s prior review
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 5) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices)

- **For reporting eligible expenditures paid from the Designated Account:**
  - Statement of Expenditure (SOE) in the form attached (Attachment 4), for all expenditures/contracts that are not subject to the Bank’s prior review
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 5) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices)
- Designated Account Reconciliation Statement in the form attached (Attachment 6) with a copy of the Designated Account Bank Statement.

- For requests for Direct Payment:
  - Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly or more often if needed.

IV. Other Disbursement Instructions

Designated Account will be established and managed by TAL. The existing Bank account for the original IDA grant H7430 could be used for this Additional Financing. Subledger accounts need to be maintained to record receipts and uses of the IDA Credit, IDA Grant and PRIF Grant proceeds.

V. Other Important Information


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Loan Department at loa-eap@worldbank.org using the above reference.

Yours sincerely,

Franz R. Drees-Gross
Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region
Attachments

2. Form for Authorized Signatures
4. Sample Form of Statement of Expenditure
5. Sample Form of Payments Against Contracts Subject to the Association’s Prior Review
6. Sample Form of Designated Account Reconciliation Statement