May 7, 2018

Honorable Pohiva Tu’ionetoa
Minister for Finance & National Planning
Ministry of Finance & National Planning
P.O. Box 87
Vuna Road, Nuku'alofa
Kingdom of Tonga

Dear Minister,

IDA Credit No. 5730-TO and IDA Grant No. D091-TO
Additional Financing for Tonga Transport Sector Consolidation Project
Additional Instructions: Disbursement

I refer to the Financing Agreement between the Kingdom of Tonga (the “Recipient”) and the International Development Association (the “World Bank”) dated November 18, 2015 for the above-referenced project. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Credit 5730-TO and IDA Grant D091-TO (collectively, “Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

This letter replaces the Disbursement Letter dated November 18, 2015. The Designated Account ceiling, as set forth in paragraph II (vi) of this letter is revised through this restatement. Attachments 1-6 of the Disbursement Letter dated November 18, 2015 form an integral part of this Disbursement Letter.

The 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 Financing 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 Financing:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.
(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the Financing Agreement.

II. **Withdrawal of Financing 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

In case of IDA Credit 5730-TO and IDA Grant D091-TO, this maybe done in case of change in signatory.

(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 City  
Taguig City, Philippines  
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4)** The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World 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 World 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 World Bank agrees, the World 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 World 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 US$80,000.

(vi) **Advances (sections 5 and 6) to Ministry of Infrastructure.**
• **Type of Designated Account** (subsection 5.3): One Segregated Account.

• **Currency of Designated Account** (subsection 5.4): USD.

• **Financial Institution at which the Designated Account Will Be Opened** (subsection 5.5): Financial institution acceptable to the Bank.

• **Ceiling** (subsection 6.1): USD 500,000 (USD400,000 for IDA 5730-TO and USD100,000 for IDA D091-TO)

**III. Reporting on Use of Financing 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**

(i) One new separate account will be opened for this Additional Financing project for both IDA Credit and IDA Grant. Sub-ledger accounts will be maintained to record receipt and usage of funds under Credit and Grant respectively.

(ii) Funds in the Designated Account is to be utilized for expenditures included in the table in Schedule 2 Section IV.A.2 of the Financing Agreement.

**V. Other Important Information**

If you have not already done so, the Association recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Financing, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Satish Kumar Shivakumar, Finance Officer at satishkumar1@worldbank.org, with copy to Joan Toledo, Finance Analyst at jtoledo@worldbank.org using the above reference.

Sincerely,

Michel Kerf
Country Director
Papua New Guinea & Pacific Islands
East Asia and Pacific Region
Attachments (please refer to attachments that accompanied Disbursement Letter dated November 18, 2015):

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