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**GRANT NUMBER E199-TO**

# **Financing Agreement**

**(Tonga First Fiscal, Disaster, and Climate Resilience Development Policy Operation  
with a Catastrophe Deferred Drawdown Option)**

**between**

**KINGDOM OF TONGA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**GRANT NUMBER E199-TO**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between KINGDOM OF TONGA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) the Recipient has requested the Association to provide a financing in an amount equivalent to three million eight hundred thousand Special Drawing Rights (SDR 3,800,000) (IDA Grant Number E198-TO) to the Recipient for the purpose of providing financing in support of the Program, pursuant to the DPO Financing Agreement, as such agreement may be amended from time to time; and

(B) The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework.

NOW, THEREFORE, the Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to fourteen million nine hundred thousand Special Drawing Rights (SDR 14,900,000) (“Financing”).
- 2.02. The Payment Currency is Dollar.

- 2.03. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date, the Association may provide such extension on such terms and conditions as agreed by the Association.
- (b) Notwithstanding the provisions of sub-paragraph (a) above, the Closing Date shall not be extended if at the time of Recipient's request, the events specified in sub-paragraph (b) (i) of Section 3.05 of the General Conditions have occurred.
- 2.04. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

### **ARTICLE III — PROGRAM**

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following:
  - (a) The Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the minister at the time responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:
  - (a) The Recipient's address is:

Ministry of Finance  
PO Box 87  
Nuku'alofa  
Kingdom of Tonga; and
  - (b) the Recipient's Electronic Address is:

Facsimile:                          E-mail:  
  
+676 26011                              [minister@finance.gov.to](mailto:minister@finance.gov.to)
- 6.03. For purposes of Section 11.01 of the General Conditions:
  - (a) The Association's address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Association's Electronic Address is:

Facsimile:

E-mail:

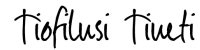
1-202-477-6391

[cdpngpacific@worldbank.org](mailto:cdpngpacific@worldbank.org)

AGREED as of the Signature Date.

**KINGDOM OF TONGA**

By



\_\_\_\_\_  
Authorized Representative

Name: Tiofilusi Tiueti

Title: Minister for Finance

Date: 12-Feb-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By



\_\_\_\_\_  
Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 01-Feb-2024

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions under the Program

##### A. Actions Taken under the Program.

The actions taken by the Recipient under the Program include those set out in Section I of Schedule 1 to the DPO Financing Agreement.

#### Section II. Availability of Financing Proceeds

**A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

**B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (Expressed in SDR)</b>
(1) Single Withdrawal Tranche	14,900,000
<b>TOTAL AMOUNT</b>	<b>14,900,000</b>

##### C. Withdrawal of Financing Proceeds.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that a state of emergency has been declared by the Recipient's Prime Minister or other authorized official, in accordance with the manner prescribed in Part II Sections 8 and/or 10 of the Recipient's Disaster Risk Management Act 2021, to respond to a Catastrophic Event.
2. Notwithstanding the foregoing, if, at any time prior to the receipt by the Association of a request for withdrawal of an amount of the Financing, the Association determines that a review of the Recipient's progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article

III of this Agreement, with the progress achieved by the Recipient in carrying out the Program.

3. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that the situation described in paragraph (c) of Section 3.01 of Article III of this Agreement has been resolved.

**D. Deposit of Financing Amounts.**

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
  - (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain on terms and conditions satisfactory to the Association a dedicated account in Dollars (“Foreign Currency Dedicated Account”) which forms part of the Recipient’s foreign exchange reserves; and
  - (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall ensure that an equivalent amount in Tongan Pa’anga is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.
2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the Tongan Pa’anga equivalent of the Financing proceeds will be credited; and (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems.

**E. Audit.**

Upon the Association’s request, the Recipient shall:

1. have the Foreign Currency Dedicated Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report



publicly available in a timely fashion and in a manner acceptable to the Association; and

3. furnish to the Association such other information concerning the Foreign Currency Dedicated Account and its audit as the Association shall reasonably request.

**F. Closing Date.** The Closing Date is December 31, 2026.

## APPENDIX

### Section I. Definitions

1. “Catastrophic Event” means an imminent or occurring emergency situation, caused by: (i) a cyclone, flood, drought, storm, storm surge, tsunami, earthquake, volcanic eruption, or other similar event; or (ii) an epidemic, pandemic, or other public health emergency, that requires the Recipient to promptly mobilize its capacity and/or financial resources, but excluding an emergency situation caused by human induced hazard.
2. “Disaster Risk Management Act 2021” means the Recipient’s Disaster Risk Management Act 2021 (Act No. 11 of 2021), as amended.
3. “DPO Financing Agreement” means the financing agreement between the Recipient and the Association of the same date as this Agreement providing Grant Number E198-TO for the Tonga First Fiscal, Disaster, and Climate Resilience Development Policy Operation, as such agreement may be amended from time to time.
4. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
5. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022), with the modifications set forth in Section II of this Appendix.
6. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated November 7, 2023 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the Program’s objectives.
7. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
8. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

9. “Tongan Pa’anga” means the official currency of the Recipient.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 (Commitment Charge) is deleted in its entirety, and the remaining sections are renumbered accordingly.
  
2. In the Table of Contents, the Appendix and all other provisions of the General Conditions, all references to Section numbers and paragraphs of Article III are modified, as necessary, to reflect the modification set forth above.