

Audited Project Financial Statements

Project Number: 49450-012
Grant Number: 0640/0641/0642
Period covered: 1 July 2020 to 30 June 2021

Tonga: Renewable Energy Project

Prepared by Ministry of Meteorology, Energy, Information, Disaster Management,
Environment, Climate Change and Communications

For the Asian Development Bank
Date received by ADB: 3 December 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Ministry of Finance.

TONGA RENEWABLE ENERGY PROJECT (TREP)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

“To improve energy security and climate resilience through a transformational shift away from the traditional reliance on fossil fuels toward a greater emphasis on climate-resilient renewable energy systems coupled with BESS. The outcome increases the generation of reasonable tariff and cleaner energy”.

Or

“Access to clean, resilient and affordable energy for the population in Tonga at a lower cost”



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**TONGA RENEWABLE ENERGY PROJECT
CERTIFICATION BY PROJECTS MANAGEMENT
FOR THE YEAR ENDED 30 JUNE, 2021**

We certify that the attached financial statements for the Tonga Renewable Energy Project (TREP) comprising of the Statement of Receipts and Payments, Statement of Comparison of Budget and Actual Amounts and Notes forming part of the financial statements for the year ended 30 June, 2021.

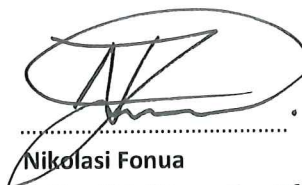
- a) Gives a true and fair view of the matters to which they relate; and
- b) Have been properly drawn up in accordance with the accounting policy described in Note 1 to the financial statements.

We are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorize the attached financial statements for issue on ^{21st} November, 2021 on behalf of the Management of Tonga Renewable Energy.



.....
Mr. Paula Maú
Chief Executive Officer
MEIDECC



.....
Nikolasi Fonua
Acting Chief Executive Officer
Tonga Power Limited



Auditor General's Report

To the Chief Executive Officer, Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communication (MEIDECC)

GRANT NO. – TON 49450, G0640, G0641 and G0642:
TONGA RENEWABLE ENERGY PROJECT

We have audited the accompanying financial statements of the Grant No. TON 49450, G0640, G0641, G0642: Tonga Renewable Energy Project (TREP), for the financial year ended 30th June, 2021 which comprise of the Statement of Receipts and Payments, Combined Statement of Budget and Actual Expenditure and the Notes to the Account.

Management's Responsible for the Financial Statements

According to the Public Finance Management Act 2002 and the project's agreement dated 13th September 2019, management is responsible for the preparation and presentation of the financial statements in accordance with the International Public Sector Accounting Standards, (IPSAS). This responsibility includes design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether due to fraud and error.

In addition to the responsibility for the preparation and presentation of the financial statement described above, management is also responsible for ensuring that activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which government them.

Auditor General's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted the audit in accordance with the International Standards of Supreme Audit Institutions, (ISSAIs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

In addition to the responsibility to express an opinion on the financial statements, our responsibility includes expressing an opinion on whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the project's agreement. This responsibility includes performing procedures to obtain audit evidence about whether the project's expenditures have been applied to the purposes intended by the project's agreement. Such procedures include the assessment of the risks of material non-compliance.

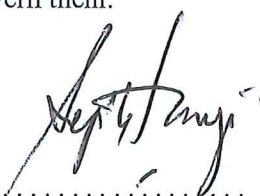
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinion

In our opinion, the financial statements of the project, Grant No.: 49450, G0649, G0641, G0642: Tonga Renewable Energy Project (*TREP*), for the financial year ended 30th June, 2021 are prepared, in all material respects, in accordance with the International Public Sector Accounting Standards, *IPSAS*.

Opinion on Compliance

In our opinion, in all material respects on the use of the grant proceeds, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities govern them.



.....
Sefita Tangi *F CPA (Aust.)*
AUDITOR GENERAL



Dated: 26th November, 2021

TONGA RENEWABLE ENERGY PROJECT
 STATEMENT OF RECEIPTS AND PAYMENTS
 FOR THE YEAR ENDED 30th June 2021
 Project /Grant numbers-TON 49450/G0640,G0641,G0642

Descriptions	Category No.	Notes	2020/2021 USD(\$)					2019/2020 USD(\$)	Cumulative Year to Date
			ADB	GCF	GOA	TPL			
			G0640	G0641	G0642		TOTAL	DIRECT	TOTAL
Financing Source									
Cash Receipts		3	2,491,536.46	11,211,666.77	581,889.23	115,064.30	14,400,156.76	5,716,341.07	20,116,497.83
Less : Expenditures by Category									
Civil Works:									
Work (BESS I)	3201	5	1,447,729.38				1,447,729.38	3,089,288.44	4,537,017.82
Work (BESS II)	3201	5		7,548,089.12			7,548,089.12	2,114,671.51	9,662,760.63
Works(Grid-con Renew Energy Gen)	3202	5		1,797,065.92			1,797,065.92	0.00	1,797,065.92
Works (Renw-based HB Sys-Min Grd)	3202	5	851,903.34				851,903.34	0.00	851,903.34
Works (Renw-based HB Sys-Min Grd)	3203	5		1,866,511.73			1,866,511.73	0.00	1,866,511.73
Consulting Services	3101	6	191,903.74		581,889.23		773,792.97	221,566.86	995,359.83
Miscellaneous Grant Admin and Support cost	1600		0		0		0.00	0.00	0.00
Duties & Taxes									
Land Acquisition & Other Costs		7				115,064.30	115,064.30	290,814.26	405,878.56
							0.00	0.00	
Unallocated	4901		0	0			0.00	0.00	0.00
			2,491,536.46	11,211,666.77	581,889.23	115,064.30	14,400,156.76	5,716,341.07	20,116,497.83
Receipts less Payments			0.00	0.00	0.00	0.00	0.00	0.00	0.00

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TONGA RENEWABLE ENERGY PROJECT
STATEMENT OF RECEIPTS AND PAYMENTS
FOR THE YEAR ENDED 30th June 2021
Project /Grant numbers-TON 49450/G0640,G0641,G0642

Descriptions	Category No.	Notes	2020/2021 TOP(\$)				2019/2020 TOP(\$)	Cumulative Year to Date
			ADB	GCF	GOA	TPL		
			G0640	G0641	G0642		TOTAL	DIRECT
Financing Source								
Cash Receipts		3	5,834,175.73	26,301,705.55	1,359,446.89	265,369.70	33,760,697.86	13,474,627.57
Less : Expenditures by Category								
Civil Works:								
Work (BESS I)	3201	5	3,391,572.35				3,391,572.35	7,301,808.05
Work (BESS II)	3201	5		17,729,782.10			17,729,782.10	4,962,547.43
Works(grid-con Renew Energy Gen)	3202	5		4,203,778.96			4,203,778.96	0.00
Works (Renw-based HB Sys-Min Grd)	3202	5	1,994,303.22				1,994,303.22	0.00
Works (Renw-based HB Sys-Min Grd)	3203	5		4,368,144.49			4,368,144.49	0.00
Consulting Services	3101	6	448,300.15		1,359,446.89		1,807,747.03	526,325.08
Miscellaneous Grant Admin and Support costs	1600		0		0		0.00	0.00
Duties & Taxes								
Land Acquisition & Other Costs		7				265,369.70	265,369.70	683,947.00
							0.00	0.00
Unallocated	4901		0	0			0.00	0.00
			5,834,175.73	26,301,705.55	1,359,446.89	265,369.70	33,760,697.86	13,474,627.57
Receipts less Payments			0.00	0.00	0.00	0.00	0.00	0.00

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TONGA RENEWABLE ENERGY PROJECT
COMBINED STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURE
FOR THE YEAR ENDED 30th June 2021

Grant	Donor	Code	Category	Budget	2020/2021	Cumulative	Budget Balance
				USD	USD		
G0642	GOA	1600	ADB fees and interests				
			Miscellaneous Grant Admin and support cost-ADB	125,000.00	0.00	0.00	125,000.00
				125,000.00	0.00	0.00	125,000.00
G0640	ADB	3101	Consulting Services	780,000.00	191,903.74	246,852.31	533,147.69
G0642	GOA	3101	Project Management Consultants (24.8%)	2,370,000.00	581,889.23	748,507.52	1,621,492.48
			Project Management Consultants (75.2%)				
				3,150,000.00	773,792.97	995,359.83	2,154,640.17
			Civil Works				
G0640	ADB	3201	Works(BESS I)(SEE GA PARA5)100%	5,060,000.00	1,447,729.38	4,537,017.82	522,982.18
G0641	GCF	3201	Works(BESS II)(SEE GA PARA5)100%	14,480,000.00	7,548,089.12	9,662,760.63	4,817,239.37
G0641	GCF	3202	Works(Grid-con Renew Energy Gen))GA PARA5- 100%	5,070,000.00	1,797,065.92	1,797,065.92	3,272,934.08
G0640	ADB	3202	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5-31.4%	3,430,000.00	851,903.34	851,903.34	2,578,096.66
G0641	GCF	3203	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5-68.6%	7,480,000.00	1,866,511.73	1,866,511.73	5,613,488.27
				35,520,000.00	13,511,299.49	18,715,259.44	16,804,740.56
	TPL		Land Acquisition & Other Costs	3,000,000.00	115,064.30	405,878.56	2,594,121.44
	GOT		Duties & Taxes	5,600,000.00	0.00	0.00	5,600,000.00
				8,600,000.00	115,064.30	405,878.56	8,194,121.44
			Unallocated				
G0640	ADB	4901	Unallocated	2,930,000.00	0.00	0.00	2,930,000.00
G0641	GCF	4901	Unallocated	2,870,000.00	0.00	0.00	2,870,000.00
G0642	GOA	4901	Unallocated	5,000.00	0.00	0.00	5,000.00
				5,805,000.00	0.00	0.00	5,805,000.00
TOTAL				\$53,200,000.00	\$14,400,156.76	\$20,116,497.83	\$33,083,502.17

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TONGA RENEWABLE ENERGY PROJECT
COMBINED STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURE
FOR THE YEAR ENDED 30th June 2021

Grant	Donor	Code	Category	Budget	2020/2021	Cumulative	Budget Balance
TOP				TOP	TOP		
G0642	GOA	1600	ADB fees and interests				
			Miscellaneous Grant Admin and support cost-ADB	288,284.13	0.00	0.00	288,284.13
				288,284.13	0.00	0.00	288,284.13
G0640	ADB	3101	Consulting Services				
			Project Management Consultants (24.8%)	1,798,892.99	448,300.15	578,790.93	1,220,102.06
G0642	GOA	3101	Project Management Consultants (75.2%)	5,465,867.16	1,359,446.89	1,755,243.37	3,710,623.78
				7,264,760.15	1,807,747.03	2,334,034.30	4,930,725.84
G0640	ADB	3201	Civil Works				
			Works(BESS I)(SEE GA PARA5)100%	11,669,741.70	3,391,572.35	10,693,380.40	976,361.29
G0641	GCF	3201	Works(BESS II)(SEE GA PARA5)100%	33,394,833.95	17,729,782.10	22,692,329.54	10,702,504.41
G0641	GCF	3202	Works(grid-con Renew Energy Gen) 100%	11,692,804.43	4,203,778.96	4,203,778.96	7,489,025.46
G0640	ADB	3202	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5-31.4%	7,910,516.61	1,994,303.22	1,994,303.22	5,916,213.38
G0641	GCF	3203	Works(RENW-BASED HB SYS-MIN GRD)GA PARA5-68.6%	17,250,922.51	4,368,144.49	4,368,144.49	12,882,778.02
				81,918,819.19	31,687,581.13	43,951,936.62	37,966,882.57
	TPL		Land Acquisition & Other Costs	6,918,819.19	265,369.70	949,316.70	5,969,502.49
	GOT		Duties & Taxes	12,915,129.15	0.00	0.00	12,915,129.15
				19,833,948.34	265,369.70	949,316.70	18,884,631.64
G0640	ADB	4901	Unallocated	6,757,380.07	0.00	0.00	6,757,380.07
G0641	GCF	4901	Unallocated	6,619,003.69	0.00	0.00	6,619,003.69
G0642	GOA	4901	Unallocated	11,531.37	0.00	0.00	11,531.37
				13,387,915.13	0.00	0.00	13,387,915.13
TOTAL				\$122,693,726.94	\$33,760,697.86	\$47,235,287.62	\$75,458,439.32

Note:

Exchange rate used:

1. For Budget figures, the exchange rate used is the NRBT average daily exchange rate at 30th June, 2021 @0.4336
2. For Actual figures, the exchange rate used is the NRBT Commercial banks Average Daily exchange rate on value date of Disbursements. (Attached)

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Tonga Renewable Energy Project
Notes to forming part of the Financial Statements
For the year ended 30 June, 2021

1. Statement of Accounting Policies

a) Reporting Entity

These are the financial statements of the Tonga Renewable Energy Project (TREP) a development funded through Grant numbers G0640-TON from ADB, G0641-TON from Green Climate Fund(GCF) and G0642-TON from Government of Australia(GOA). The impact of the project is a reduction of Tonga's dependency on imported fossil fuel for power generation. TREP's outcome is expanded access to clean, resilient and affordable energy for the population in Tonga at a lower cost. TREP will have four outputs:

- **Output 1 (TREP 1) : BESS on Tongatapu** – Installing multiple units of BESS with a total --installed capacity of 10.1 MW / 19.9 MWh, consisting of (i) the grid stability BESS of 5.1 MW / 2.5 MWh; and (ii) load-shifting BESS of 5.0 MW / 17.4 MWh, to complement the renewable energy systems;¹³
- **Output 2 (TREP 2) : Grid-connected renewable energy generation on 'Eua and Vava'u islands** – Installing the on-grid solar PV plants with total capacity of 650 kW, coupled with small BESS with total capacity of 1.3 MW / 1.4 MWh on 'Eua and Vava'u;
- **Output 3 (TREP 3) : Renewable-based hybrid systems and mini-grids on outer-Islands** – Installing mini-grid renewable-based hybrid systems consisting of 501 kW solar PV coupled with 4.3 MWh BESS in total in five outer islands ('O'ua, Tungua, Kotu, Mo'unga'one and Niuafu'ou,) which includes installation of the mini-grid; and
- **Output 4: Strengthening of capacity building and project management**
 - (i) improve capacity to assess renewable energy technologies and set off-take tariffs;
 - (ii) preparing for power purchase agreements for private sector funded Investments;
 - (ii) enhancing capacity of executing entities and communities (including women) to manage assets and undertake operations and maintenance and improve community engagement;
 - (iii) providing experts' support on both design and procurement activities, construction supervision, and development of operations and maintenance manuals; and (v) delivering specific trainings aimed at addressing gender inequality and sexual harassment.

The Government of Tonga's Ministry of Finance and National Planning is the Executing Agency of TREP and required under the Grant Agreement to provide annual project financial statements to ADB.

The Implementing Agencies are as follows:

- Tonga Power Limited(TPL) for Outputs 1 and 2
- MEIDECC for Output 3
- TPL and MEIDECC jointly for Output 4.

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b) Reporting Period

These financial statements are for financial year ended 30 June 2021. The project's first effective component was Trep 1, with the first disbursement's value date 16 December, 2019

c) Statement of compliance

These financial statements have been prepared in compliance with the international Public Sector Accounting Standards Finance Reporting under the Cash Basis of Accounting, (Cash Basis IPSAS), in relation to External Assistance from Multilateral Agencies.

d) Basis of preparation of the financial statements

- (i) The measurement basis used in the preparation of the financial statement is Cash Basis of Accounting.
- (ii) The financial statements are presented on a cash recognition basis. Only the transactions actually incurred and paid/received during the financial year ended 30 June 2021, are reported in the financial statements.
- (iii) The financial statements are presented in US Dollars.
- (iv) Foreign currency transactions are measured and recorded in United States dollar(USD), as per ADB, LFIS system for Direct Payments.

2. Funding Source

The project (TREP) is jointly funded by a combination of grants from, ADB(G0640), Green Climate Fund (GCF)(G0641) and the Government of Australia (G0642), and all are administered by ADB. The Government of Tonga bears duties and taxes (non-cash contribution) and TPL will pay for the land acquisition including compensation to land owners for Output 1-2, and other project management and administrative costs.

3. Grants Received

		<u>June 30th 2021</u>	
		<u>USD</u>	<u>TOP</u>
ADB Grant G0640	Payments made directly to Contractors	2,491,536.46	5,834,175.73
GCF Grant G0641	Payments made directly to Contractors	11,211,666.77	26,301,705.55
GOA Grant G0642	Payments made directly to Contractors	581,889.23	1,359,446.89
TOTAL		\$14,285,092.46	\$33,495,328.16

4. Local taxes and duties

All the project related transactions are exempted from local duties and taxes. The local duties and taxes are regarded as the Government of Tonga contribution to the financing of the project as per the Grant Agreement between the Asian Development Bank (ADB) and the Government of Tonga.

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5. Expenditure by Categories

The project has a multi-year financing plan, as opposed to annual budgets that place limits on the spending in one year. Below are the information in regards to actuals versus budget for the reporting period.


CIVIL WORKS		BUDGETS		ACTUALS		BUDGET VARIATION	
		USD	TOP	USD	TOP	USD	TOP
Works(BESS I)(SEE GA PARAS)100%	3201	510,000.00	1,176,199.26	1,447,729.38	3,391,572.35	-937,729.38	-2,215,373.09
Works(BESS II)(SEE GA PARAS)100%	3201	10,860,000.00	25,046,125.46	7,548,089.12	17,729,782.10	3,311,910.88	7,316,343.36
Works(grid -con Renew Energy Gen)GA PARAS	3202	3,810,000.00	8,786,900.37	1,797,065.92	4,203,778.96	2,012,934.08	4,583,121.40
Works(RENW-BASED HB SYS-MIN GRD)GA PARAS	3202	5,611,480.00	5,923,708.49	851,903.34	1,994,303.22	4,759,576.66	3,929,405.26
Works(RENW-BASED HB SYS-MIN GRD)GA PARAS	3203	2,568,520.00	12,941,605.17	1,866,511.73	4,368,144.49	702,008.27	12,239,596.90
TOTAL		23,360,000.00	53,874,538.75	13,511,299.49	31,687,581.13	9,848,700.51	25,853,093.83

6. Consulting Services.

These are direct payment from Government of Australia on Grant No. G0642 and ADB on Grant No. G0640 for Consulting Services.

		<u>USD</u>
ADB	Grant No. G0640	191,903.74
Government of Australia	Grant No. G0642	581,889.23
		773,792.97

These are percentage allocation for consulting services as agreed upon in the Grant Agreements.


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7. Land Acquisitions & Other Costs.

Payments during the year 2020/2021

<u>Payments during the year 2020/2021</u>		
	TOP\$	
Consultancy	15,032.16	
Freight	5,097.42	
Management	0.00	
Materials	199,950.33	
Meals	683.10	
Miscellaneous	36,071.69	
Travel	<u>8,535.00</u>	<u>265,369.70</u>
<u>Accruals</u>		
Consultancy	0.00	
Freight	0.00	
Management	74,117.32	
Materials	8,576.89	
Meals	0.00	
Miscellaneous	29,259.34	
Travel	<u>80.00</u>	<u>112,033.55</u>
		<u>\$377,403.25</u>
Note: TOP\$265,369.70 at 30th June 2021 NRBT Average daily exchange rate @0.4336 USD115,064.30		

Note: TOP\$265,369.70 at 30th June 2021 NRBT Average daily exchange rate @0.4336 USD115,064.30

At 29/11/21

29/11/20



Our Reference: LW833/183/21

Your Reference:

Date: 29th November, 2021

Mr. Paula P. Ma'u
Chief Executive Officer
Ministry of Meteorology, Energy, Information, Disaster Management,
Environment, Climate Change and Communications (MEIDECC)
Nuku'alofa

Dear Mr. Ma'u

**RE: MANAGEMENT LETTER-TONGA RENEWABLE ENERGY PROJECT (TREP)
PERIOD COVERED: JULY 2020 - JUNE 2021**

We are pleased to inform you that the audit of Tonga Renewable Energy Project for the period July 2020 – June, 2021 has been completed.

The audit included a review of the accounting system and procedures operated by the project as the primary contact in respect of all activities and communications relating to Tonga Renewable Energy Project to the extent considered necessary for the effective performance of the audit. The memorandum attached is a summary of the matters raised from our normal audit procedures which are designed primarily for the purpose of forming an opinion on the accounts of the Tonga Renewable Energy Project.

We have issued an unqualified opinion on the financial statement based on the audit procedures carried out on the financial statement.

We would like to take this opportunity to thank the staffs of the Tonga Renewable Energy Project for the corporation and assistance delivered to us during the course of our audit.

Yours Sincerely



Lotomo'ua F Tu'ungalasi
Executive Director – Compliance Audit Unit
for AUDITOR GENERAL



cc: Acting Chief Executive Officer, Ministry of Finance
Project Manager, TREP

MEMORANDUM

AUDIT INSPECTION: TONGA RENEWABLE ENERGY PROJECT

PERIOD COVERED: JULY 2020 – JUNE 2021

1. FOLLOW UP ISSUES

Audit follow up the issues raised in our previous management report in Our Reference: LC833/191/21 dated 23rd April, 2021 which are as follows;

1.1 Proper approval of the TPL contributions to the Project

There were no documents provided to audit on proper approval of the TPL contributions to the project as raised in our previous management letter. Audit therefore still recommend those recommendation provided in our previous report on proper approval of the TPL.

1.2 Complete records

Audit follow up the issue raised on TPL contribution documents were not separately file and PMU was not given a copies of any vouchers on their contribution. No remedied action taken by TPL to provide a copies of these vouchers but they were readily available when request. Audit again still recommend those recommendation provided in our previous report and to ensure accountability and transparency in project documents.

2. FUND RECEIVED

The source of fund for the project are co-funded by various Grants namely, Asian Development Bank (ADB), Green Climate Funds Grant (GCF), the Government of Australia (GOA) Grant and the contribution from the Tonga Power Limited (TPL).

Financing of the Project for the financial year ended 30th June, 2020 was from respective grants as shown on Table 1 below:

Table 1: Fund received to the Project

Source of Funds	TOP\$	USD\$
ADB	5,835,602.36	2,491,536.46
GCF	26,302,169.33	11,211,666.77
GOA	1,359,148.34	581,889.23
Sub-total	33,496,920.03	14,285,092.46
TPL	265,369.70	115,064.30
Total	33,762,289.72	14,400,156.76

The total funds received for this audited period was confirmed to the Grant Financial Information System (GIFS) as received and confirmed to USD \$14,285,092.46 (TOP \$33,496,920.03)

3. DISBURSEMENT

Project Disbursement was made solely via Direct Payments during the audit period and were made according to these categories as listed in table 2.

Table 2: Summary of disbursement

Disbursements	USD\$	TOP\$
Civil Work	\$13,511,299.49	\$31,689,449.11
Consulting Services	\$773,792.97	\$1,807,470.91
Land Acquisition & Other Costs	\$115,064.30	\$265,369.70
TOTAL	\$14,400,156.76	\$33,762,289.72

3.1 Direct Payments

Disbursements totaled TOP\$33,496,920.03 (USD\$14,285,092.46) total payments were all direct payments from the donors to the suppliers of goods and services to the project. Corresponding source documentation for these direct payments were completely kept.

3.2 Contribution of the Tonga Power Limited (Land Acquisition & Other Costs)

The total payment made by the TPL during the year as its contribution to the project was TOP\$265,369.70 (USD\$115,064.30). All supporting documents was completely kept.
