

OFFICIAL DOCUMENTS



19TH JULY, 2017

Hon. Peter O'Neill
Prime Minister and Acting Minister for Treasury
Department of Prime Minister and NEC
Manasupe Haus Level 8
PO BOX 639 Waigani 131 NCD
Papua New Guinea

Honorable Prime Minister:

**Re: IDA Financing No.6076-PG (Rural Service Delivery Project) and
Grant No. TF0A5004: Papua New Guinea Strategic Partnership Multi-Donor Trust Fund
Additional Instructions: Disbursement**

I refer to the Financing Agreement between the Independent State of Papua New Guinea (“Recipient”) and the International Development Association and the Grant Agreement between the Recipient and the International Bank for Reconstruction and Development and the International Development Association (collectively, the “World Bank”) acting as administrator of grant funds provided by the Commonwealth of Australia under the Papua New Guinea Strategic Partnership multi-donor trust fund providing financing for the above-referenced project, both dated 19TH JULY, 2017. The above-referenced agreements (hereinafter collectively referred to as the “Agreements”) provide that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of IDA Financing No.6076-PG and TF0A5004 (hereinafter collectively referred to as the “Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *Disbursement Guidelines for Investment Project Financing*, dated February 2017, (“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 four (4) months after the Closing Date specified in the Agreements. 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). An authorized signatory 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

(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
26th Floor, One Global Place
5th Avenue corner 25th Street
Bonifacio Global City
Taguig City, Philippines

Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association's Client Connection, web-based portal. The option to deliver Applications to the Association 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 Association 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 Association agrees, the Association 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 Association 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 Secure Identification Credentials”) 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 reimbursement, direct payment and special commitment is PGK400,000.

(vi) Advance (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Pooled. One (1) pooled designated account to receive funds from IDA 6076 and Grant No. TFOA5004 and the Recipient’s counterpart contributions will be established for the Project and managed by the Project Management Unit of the Department of Provincial and Local Government Affairs.
- **Currency of Designated Account (subsection 5.4):** PGK.
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** A commercial bank/central bank/financial institution acceptable to the Association.
- **Ceiling (subsection 6.1):** PGK4,000,000, except during years 2, 3 and 4 of Project implementation, the ceiling may be increased to PGK10,000,000.

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:**
 - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices); and
 - Statement of Expenditure in the form attached (Attachment 5) for all other expenditures/contracts.
- **For reporting eligible expenditures paid from the Designated Account:**
 - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices);
 - Statement of Expenditure in the form attached (Attachment 5) for all other expenditures/contracts; and

- Designated Account reconciliation in the form attached (Attachment 6) and related bank statements.
- **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: Further advances from the Designated Account to other accounts of the Project are allowed, as long as these advances are accounted for within a reasonable period of time or not to exceed 90 days.

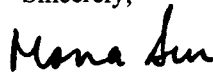
V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the Association 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 Financing, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Association at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Office in Manila at wfaln-manila@worldbank.org using the above reference.

Sincerely,



Mona Sur
Acting Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

Attachments

1. *Disbursement Guidelines for Investment Project Financing*, dated February 2017
2. Form for Authorized Signatures
3. *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated March 1, 2013

4. List of Payments Against Contracts Subject to the Association's Prior Review
5. Statement of Expenditure
6. Designated Account Reconciliation

Cc: Secretary of Department of Provincial and Local Government Affairs
Department of Provincial and Local Government Affairs
Post Office Box 1287, BOROKO
Port Moresby, National Capital District