

OFFICIAL DOCUMENTS



May 1, 2017

Hon. Maatia Toafa
Deputy Prime Minister and Minister of Finance and Economic Development
Ministry of Finance and Economic Development
Vaiaku, Funafuti
Tuvalu

Dear Honourable Minister

***Preparation of Proposed Maritime Infrastructure Climate Resilience Project
Project Preparation Advance No. V075-TV
Additional Instructions: Disbursement***

I refer to the Advance Agreement (“Agreement”) between Tuvalu (“Recipient”) and the International Development Association (“World Bank”) for the preparation of the above-referenced Project, dated May 1, 2017. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Project Preparation Advance No. V075-TV (“PPA”). 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 PPA 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 PPA:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is the Refinancing Date specified in the Agreement. Any changes to this date will be notified by the World Bank.

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 AUD 50,000.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated. One segregated designated account will be established for the PPA and managed by the Ministry of Finance and Economic Development.
- **Currency of Designated Account (subsection 5.4):** Australian Dollars (AUD).
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** National Bank of Tuvalu.
- **Ceiling (subsection 6.1):** AUD 500,000.

III. Reporting on Use of PPA 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 in the form attached (Attachment 4).
- **For reporting eligible expenditures paid from the Designated Account:**
 - Statement of Expenditure in the form attached (Attachment 4); and
 - Designated Account Reconciliation Statement (Attachment 5) 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 frequent if needed.

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank’s public website at <http://www.worldbank.org> and its secure website “Client Connection” at <http://clientconnection.worldbank.org>. Print copies are available upon request.

cc with copies: Hon. Monise Lafai
Minister of Communications and Transport
Ministry of Communications and Transport

Mr. Vavau Fatuga
Acting Permanent Secretary
Ministry of Finance and Economic Development

Mr. Taasi Pitoi
Department of Marine and Port Services
Ministry of Communications and Transport

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- (a) **Reimbursement:** The World Bank may reimburse the borrower for expenditures eligible for financing pursuant to the Financing Agreement (eligible expenditures) that the borrower has prefinanced from its own resources.
- (b) **Advance:** The World Bank may advance funds from the Financing Account into a Designated Account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date (see section 5, Designated Accounts).
- (c) **Direct Payment:** The World Bank may make payments, at the borrower's request, directly to a third party (for example, supplier, contractor, or consultant) for eligible expenditures.
- (d) **Special Commitment:** The World Bank may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the World Bank and the borrower.

3. Withdrawal of Funds from the Financing Account

3.1 **Authorized Signatures.** Before funds from the Financing Account may be withdrawn or committed, the authorized representative of the borrower (as designated in the Financing Agreement) must furnish to the World Bank, electronically through the Client Connection website (<http://clientconnection.worldbank.org>), or through an authorized signatory designation letter, the name(s) of the official(s) authorized (a) to sign and submit applications for withdrawal and applications for a special commitment (collectively, Applications), and (b) to receive Secure Identification Credentials (SIDC) from the World Bank. The borrower must notify the World Bank of any changes in signature authority, either electronically in Client Connection or through an updated authorized signatory designation letter.

3.2 **Terms and Conditions of Use of Secure Identification Credentials (SIDC) to Process Applications.** By designating officials to use SIDC and by choosing to submit the applications electronically, the borrower confirms its agreement to abide by the terms and conditions of use of SIDC.⁶

3.3 **Applications.** Applications must be provided to the World Bank in such form as is required to access funds from the Financing Account and must include such information as the World Bank may reasonably request.

3.4 Applications and necessary supporting documents (see section 4 Supporting Documentation Requirements) should be submitted to the World Bank electronically, in a

⁶ Terms and conditions of use of SIDC are provided in the Disbursement Letter.

4.2 For special commitments, the commercial bank provides its confirmation directly to the World Bank that conditions for the release of payments committed for withdrawal have been met.

4.3 **Types of Supporting Documentation.** The World Bank requires either copies of the original documents evidencing eligible expenditures (Records) or summary reports of expenditure (Summary Reports) in such form and substance as the World Bank may specify. Records include such documents as invoices and receipts. A Summary Report may be either (a) the interim unaudited financial report required under the Financing Agreement (Interim Financial Report) or (b) a statement of expenditure summarizing eligible expenditures paid during a stated period (Statement of Expenditure). In all cases, the borrower is responsible for retaining the original documents evidencing eligible expenditures and making them available for audit or inspection.

4.4 The World Bank determines the types of supporting documentation that the borrower must provide, taking into consideration the disbursement method used. The supporting documentation may be the following:

- (a) **For applications for Reimbursement:** (i) Interim Financial Reports, (ii) Statements of Expenditure, or (iii) Records
- (b) **For reporting on the use of Advances:** (i) Interim Financial Reports, (ii) Statements of Expenditure, or (iii) Records
- (c) **For applications for Direct Payments:** (i) Records such as copies of supplier invoices; (ii) a bank guarantee for advance or retention payment
- (d) **For applications for Special Commitment:** Copy of the Letter of Credit (with valid expiry date) that the commercial bank, known as the opening bank, has issued. For payment, a SWIFT (Society for Worldwide Interbank Telecommunication) message must be sent by the commercial bank; and
- (e) Any other supporting documentation that the World Bank may request by notice to the borrower or as specified in the Disbursement Letter.

4.5 **Failure to Provide Audited Financial Statements.** If the borrower fails to provide any of the audited financial statements required in accordance with, and within the period of time specified in, the Financing Agreement, the World Bank may, at its discretion, decide not to accept applications for withdrawal supported by Summary Reports, even if such reports are accompanied by Records.

5. Designated Accounts

- (e) It can execute a large number of transactions promptly;
- (f) It can satisfactorily perform a wide range of banking services
- (g) It can provide a detailed statement of the Designated Account;
- (h) It is part of a satisfactory correspondent banking network;
- (i) It charges reasonable fees for its services.

5.6 The World Bank reserves the right not to transfer funds to a financial institution if that institution has asserted or asserts a claim to set off, seize, or attach the proceeds of any Bank loan on deposit in a Designated Account maintained by the institution.

6. Terms and Conditions Applicable to Advances

6.1 ***Ceiling.*** The World Bank notifies the borrower of the maximum amount of funds from the Financing Account that may be on deposit in a Designated Account (the Ceiling). The World Bank, at its discretion, may establish the Ceiling as either (a) a fixed amount, or (b) an amount that is adjusted from time to time during project implementation on the basis of periodic forecasts of project cash flow needs.

6.2 ***Applications for Advances.*** The borrower may apply for an advance in an amount up to the Ceiling less the aggregate amount of those advances previously received by the borrower for which the borrower has not yet provided supporting documentation. Normally, to support orderly closure of the Financing Account, the World Bank does not advance funds from the Financing Account into the Designated Account after the Closing Date.

6.3 ***Frequency of Reporting Eligible Expenditures Paid from the Designated Account.*** The borrower reports on the use of funds from the Financing Account advanced to the Designated Account at intervals specified by the World Bank by notice to the borrower. The borrower must ensure that all amounts deposited into the Designated Account are accounted for and that their use is reported prior to the Disbursement Deadline Date. After that date, the borrower must refund to the World Bank any advances still unaccounted for or remaining in the Designated Account.

6.4 ***Withholding Advances.*** The World Bank is not required to make any deposit into the Designated Account if any of the following conditions apply:

- (a) The World Bank determines that payment of the deposit would result in exceeding the Ceiling (see subsection 6.2, Applications for Advances);
- (b) The World Bank is not satisfied that the borrower's planned project expenditures justify the deposit. The World Bank may adjust the amount it deposits or withhold further deposits into the Designated Account until it is satisfied that the financial needs of the project warrant further deposits;

7.2 *Ineligible Expenditures Paid from the Designated Account.* If the World Bank determines that any payment out of the Designated Account was not justified by the evidence furnished to the World Bank or was made for an ineligible expenditure, the World Bank may, at its discretion, require the borrower to take one of the following actions.

- (a) Provide the additional evidence requested by the World Bank
- (b) Deposit an equivalent amount into the Designated Account
- (c) Refund an equivalent amount to the World Bank
- (d) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

The borrower must perform the action requested promptly after receiving notification from the World Bank that it must do so.

8. Refunds

8.1 *Borrower Decision to Refund.* The borrower may, upon notice to the World Bank, refund all or any amount of the loan on deposit in the Designated Account to the World Bank for credit to the Financing Account.

8.2 *Consequence of Refunds.* The World Bank shall determine whether refunds made to the World Bank in accordance with sections 6 and 7 and subsection 8.1 of these guidelines will be credited to the Financing Account. Refunds of funds into the Financing Account may result in (a) swap termination fees (b) unwinding costs for amounts for which the interest rate basis or currency has been converted or hedged, (c) both.

8.3 *Other Rights and Obligations Unaffected by Refunds.* Refunds of loan amounts do not affect other legal rights and obligations of the parties under the Financing Agreement.

⁵[This confirms that the Recipient is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the World Bank by electronic means. In full recognition that the World Bank shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in 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"), the Recipient represents and warrants to the World Bank that it will cause such persons to abide by those terms and conditions.]

This Authorization replaces and supersedes any Authorization currently in the World Bank records with respect to this Agreement.

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

[Position]⁶

⁵ Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Secure Identification Credentials and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. *Please delete this footnote in final letter that is sent to the World Bank.*

⁶ The letter should be signed by the official designated as the Recipient's Representative in the Advance Agreement.

account name and CC Password and set a personal identification number (PIN) to be used in connection with the use of his/her Soft Token, after which the Soft Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the SIDC, the Signatory will be a "SIDC User". The Bank will maintain in its database a user account (Account) for each SIDC User for purposes of managing the SIDC of the SIDC User. Neither the Borrower nor the SIDC User will have any access to the Account.

3. Prior to first use of the SIDC by the SIDC User, the Borrower shall ensure that the SIDC User has received training materials provided by the Bank in use of the SIDC.

C. Use of SIDC.

1. Use of the SIDC is strictly limited to use in the delivery of Applications by the SIDC User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the SIDC is prohibited.
2. The Bank assumes no responsibility or liability whatsoever for any misuse of the SIDC by the SIDC User, other representatives of the Borrower, or third parties.
3. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in granting SIDC) that each SIDC User understands and will abide by, these Terms and Conditions of Use, including without limitation the following:
 4. ***Security***
 - 4.1. The SIDC User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.
 - 4.2. The SIDC User shall not allow anyone else to utilize his/her SIDC to deliver an Application to the Bank.
 - 4.3. The SIDC User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.
 - 4.4. If the SIDC User believes a third party has learned his/her PIN or has lost his/her Physical Token he/she shall immediately notify clientconnection@worldbank.org.
 - 4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised SIDC, and take other reasonable steps to ensure such SIDC are disabled immediately.
5. ***Reservation of Right to Disable SIDC***
 - 5.1. The Borrower shall reserve the right to revoke the authorization of a SIDC User to use a SIDC for any reason.
 - 5.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a SIDC, de-activate a SIDC User's Account or both.

Statement of Expenditures

IBRD- International Bank for Reconstruction and Development
Statement of Expenditures

Payment made during the period from to

The following expenditures have been incurred during the retroactive financing period (please tick)

Yes	No
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 The following expenditures have been incurred before the closing date of the loan/credit/grant (please tick)

Yes	No
-----	----

Financier
Loan/Credit/Grant #
Application #
Category #
Page #

												ONLY for the Designated Account		
1	2	3	4	5	6	7	8	9	10	11	13	14	15	
Item No	Supplier's Name	Brief Description of the expenditure	Prior Review Contract? (YES or NO)	Contract # (Client Connection # for Prior Review contracts)	Contract currency and amount (original + amendment)	Invoice number	Date of payment	Total amount of invoice covered by Application (net of retention)	% Financed by the Bank	Eligible Amount (Col 9 X 10)	Exchange rate	Date of Withdrawal from the Designated Account	Amount Withdrawn from the Designated Account (Col 11 / 12)	
								0.00			0.00	TOTAL	0.00	

Supporting documents for this SOE are retained at _____
(insert location)

A separate form should be used for each category