

CONFIRMED COPY

November 23, 2011

Ms. Emilia Saiz
Director of Statutory Issues and Institutional Relations
United Cities and Local Governments
Carrer Avinyó 15
08002 – Barcelona
España

Re: PPIAF Grant No. TF011027 and Cities Alliance Grant No. TF011033 The Governance of Basic Local Public Services - 3rd Global Report on Decentralization and Local Democracy (GOLD III) Additional Instructions: Disbursement

Dear Madam:

I refer to the Letter Agreement (“Agreement”) between the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by the donors (“Donors”) under the Public Private Infrastructure Advisory Facility (PPIAF) and the Cities Alliance, and United Cities and Local Governments (UCLG) (“Recipient”) for the above-referenced project, dated November 23, 2011. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant No. TF011027 and TF011033 (“Grant”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *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 Grant 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 Grant:

- Reimbursement
- Advance

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (subsection 3.8). Disbursement of the grant will be made according to the following:

US\$ 75,000 from Grant No. TF011027 (PPIAF) and US\$ 25,000 from Grant No. TF011033 (Cities Alliances) upon signature of the legal agreement.

US\$ 105,000 from Grant No. TF011027 (PPIAF) and US\$ 25,000 from Grant No. TF011033 (Cities Alliances) in the third quarter of 2012, upon receipt satisfactory to PPIAF and to Cities Alliances, of (i) the validated methodology, survey questionnaires and draft inception reports produced to that date, of (ii) the minutes of the regional dialogues that would have taken place since the approval of the activity, and of (iii) the minutes of the 1st meeting of the Steering Committee.

US\$ 20,000 from Grant No. TF011027 (PPIAF) first quarter of 2013, upon receipt satisfactory to PPIAF, of (i) the draft reports that would have been prepared to that date; (ii) the minutes of the regional dialogues that would have taken place since the approval of the activity, and of (iii) the minutes of the 2nd meeting of the Steering Committee.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1).

A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Attention: Zoubida Allaoua

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
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 devices (“Tokens”) 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 Tokens 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 Tokens to Process Applications. By designating officials to accept Tokens 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 Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* (“Terms and Conditions of Use of Tokens”) provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is US\$ 40,000 for Reimbursement.

(vi) Advances (sections 5 and 6) to UCLG.

- **Type of Designated Account (subsection 5.3):** Pooled, with other funds managed by UCLG
- **Currency of Designated Account (subsection 5.4):** United States Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** La Caixa, Barcelona
- **Ceiling (subsection 6.1):** US\$ 130,000

III. Reporting on Use of Grant Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
 - Interim Financial Report in the form attached (Attachment 4)
- **For reporting eligible expenditures paid from the Designated Account:**

- Interim Financial Report in the form attached (Attachment 4)
- Designated Account Reconciliation/Activity Statement in the form attached (Attachment 5) with a copy of the bank statement.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): The period set out in the Grant Agreement for provision of Interim Financial Reports.

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 <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 World Bank 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 Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the World Bank by email at clientconnection@worldbank.org.

If you have any queries in relation to the above, please contact a finance office at LOA-TF@worldbank.org using the above reference.

Sincerely,

/s/ Zoubida Allaoua

Director

Finance, Economics and Urban Development Department
Sustainable Development Network

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Form for Authorized Signatures
3. *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated January 20, 2010
4. Form of Interim Financial Report
5. Form of Designated Account Reconciliation/Activity Statement

Author of the letter: Eunan Onyenuma, Finance Analyst
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Clemencia Torres de Mästle, Task Team Leader

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