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OFFICIAL DOCUMENTS

MARCH 22, 2017

Hon. Patrick Pruaitch, MP
Minister for Treasury
Department of Treasury
The Treasury Building 10th floor
P.O. Box 542
Waigani, 131 NCD
Papua New Guinea

Excellency:

Re: IDA Financing 5940-PG (Water Supply and Sanitation Development Project)
Additional Instructions: Disbursement

I refer to the Financing Agreement (“Agreement”) between the Independent State of Papua New Guinea (the “Recipient”) and the International Development Association (the “Association”) for the above-referenced project, dated 22/3/17. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Financing 5940-PG (“Financing”). 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 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 Financing Agreement. 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 cor 25th Street, Bonifacio Global City
Taguig City, Philippines 1634

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 PGK 100,000.

(vi) Advances (sections 5 and 6).

- **Type of Designated Accounts (subsection 5.3):** Segregated. Two (2) segregated designated accounts will be established for the Project and managed by WaSH PMU of the Department of National Planning and Monitoring (DA-A), and PMU-WPNG of the Water PNG (DA-B) respectively.
- **Currency of Designated Accounts (subsection 5.4):** Papua New Guinea Kina (PGK).

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):**
A commercial bank / financial institution acceptable to the Association.
- **Ceiling (subsection 6.1):** (i) DA-A: PGK 2,000,000; and (ii) DA-B: PGK 5,000,000.

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 in the form attached (Attachment 4) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices), for contracts subject to the Association's prior review; and
 - Statement of Expenditures in the form attached (Attachment 5) for all other expenditures or contracts.
- **For reporting eligible expenditures paid from the Designated Account:**
 - List of payments in the form attached (Attachment 4) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices), for contracts subject to the Association's prior review; and
 - Statement of Expenditures in the form attached (Attachment 5) for all other expenditures or contracts.
 - A Designated Account Reconciliation Statement in the form attached (Attachment 6) and bank statement.
- **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 required.

IV. Other Disbursement Instructions: This Disbursement Letter may not be fully adapted to the disbursement of funds allocated from time to time to Category 6 of the disbursement table included in Section IV.A.2 of Schedule 2 to the Financing Agreement. The Disbursement Letter will be revised, if needed, when funds are allocated to Category 6 of the disbursement table.

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 prepare and deliver Applications, monitor the near real-time status of the Financing, 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 Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact the World Bank Loan Department by sending an email to [WFALN MANILA@worldbank.org](mailto:WFALN_MANILA@worldbank.org) and indicating the IDA Financing No. and the name of the Project in the subject line.

Yours sincerely,



Michel Kerf
Country Director
Timor-Leste, Papua New Guinea and Pacific Islands Operations
East Asia and Pacific Region

Attachments

- MA 1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
- MA 2. Form for Authorized Signatures
- MA 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
- MA 4. Form of Payments Against Contracts Subject to the Association's Prior Review
- MA 5. Form of Statement of Expenditure
- MA 6. Designated Account Reconciliation Statement

Cc: Department of National Planning and Monitoring
Level 3, Vulupindi Haus
PO Box 631
Waigani
National Capital District
Papua New Guinea
Contact: Ms. Hakaua Harry, Secretary
E-mail: hakaua_harry@planning.gov.pg

Water PNG
Ground Floor & Level 2
Petromin Haus
Hubert Murray Highway
P.O. Box 2779
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Papua New Guinea
Contact: Mr. Raka Taviri Jr., Chief Executive & Managing Director
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