September 23, 2016

Hon. Patrick Pruaitch, MP
Minister of Treasury
Ministry of Treasury
PO Box 710
Waigani
National Capital District
Papua New Guinea

Dear Minister,

IDA Credit No. 4716-PG, Additional Financing IDA Credit No. 5411-PG,
IFAD Co-financing No. C1240, Additional IFAD Co-financing No. C1370
(Productive Partnerships in Agriculture Project)
Additional Instructions: Amended Disbursement Letter

I refer to the Financing Agreements ("Agreements") between the Independent State of Papua New Guinea ("Recipient") and the International Development Association ("Association"), for the above-referenced project dated August 9, 2010 (Credit No. 4716-PG) and April 10, 2014 (Credit No. 5411-PG), respectively. I refer also to the agreements ("Co-financing Agreements") between the Recipient and the International Fund for Agricultural Development ("IFAD") dated September 14, 2010 (C1240) and November 13, 2015 (C1370), respectively. The Agreements and the Co-financing Agreements provide that the Association may issue additional instructions regarding the withdrawal of financing No. 4716-PG and additional financing No. 5411-PG (collectively, the "Financing"), and co-financing No. C1240 and additional co-financing No. C1370 (collectively, the "Co-financing"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions and supersedes the Disbursement Letter dated February 12, 2016. The revisions in this Disbursement Letter pertain to the change in financing percentage by the Association and IFAD, as set forth in paragraph IV (i) below.

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 and Co-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 and Co-financing:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment
(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date for the Financing is four (4) months after the Closing Date as 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 conditions specified in the Agreements and Co-financing Agreements.

II. Withdrawal of Financing and Co-financing Proceeds

(i) **Authorized Signatures (subsection 3.1).** A 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](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 SDIC 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 SIDC”) 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 direct payments, reimbursement and issuance of special commitment is as follows:

i) Papua New Guinea Kina ("PGK") 800,000 for IDA4716 and PGK800,000 for IDA 5411 for funds managed by the Coffee Industry Corporation (CIC)

ii) PGK800,000 for IDA4716 and PGK800,000 for IDA5411 for funds managed by the Cocoa Board (CB), and

iii) PGK70,000 for IDA4716 and PGK70,000 for IDA5411 for funds managed by the Department of Agriculture and Livestock (DAL)

(vi) Advances (sections 5 and 6) to CIC, CB and DAL

- Type of Designated Accounts (subsection 5.3): Three (3) Segregated Designated Accounts will be established for the Project to receive funds from IDA 4716 and IDA 5411, as follows:
  i) DA-A for CIC
  ii) DA-B for CB
  iii) DA-C for DAL

- Currency of Designated Accounts (subsection 5.4)
  i) DA-A: Papua New Guinea Kina (PGK)
  ii) DA-B: Papua New Guinea Kina (PGK)
  iii) DA-C: Papua New Guinea Kina (PGK)

- Financial Institution at which the Designated Accounts will be opened (subsection 5.5):
  i) DA-A: ANZ Banking Group (PNG) Ltd
  ii) DA-B: ANZ Banking Group (PNG) Ltd
  iii) DA-C: ANZ Banking Group (PNG) Ltd

- Ceiling (subsection 6.1):
  i) DA-A: PGK 9,000,000 (PGK4,500,000 for IDA4716 and IDA5411 respectively)
  ii) DA-B: PGK12,000,000 (PGK6,000,000 for IDA4716 and IDA5411 respectively)
  iii) DA-C: PGK700,000 (PGK350,000 for IDA4716 and IDA5411 respectively)

III. Reporting on Use of Financing and Co-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 and reporting eligible expenditures paid from the Designated Accounts
  o Statement of Expenditures in the form attached (Attachment 4) for expenditures against contracts not subject to the Association's prior review.
  o List of payments in the form attached (Attachment 5) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices), for contracts subject to the Association's prior review.
  o A Designated Account Reconciliation Statement in the form attached (Attachment 6) with applicable bank statement for reporting eligible expenditures paid from the Designated Account.
• 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

i) Each withdrawal application will be funded according to the percentage of Project financing provided by the two funding sources, as in the following:
   a) The Original financing (IDA 47160 and COFN C1240) will be funded at 64% by the Association and 36% by IFAD; and
   b) The Additional Financing (IDA 54110 and COFN C1370) will be funded at 58% by the Association and 42% by IFAD.

ii) In the event that one funding source under either the Original or Additional Financing is fully exhausted before the other, these ratios as stipulated in i) will no longer apply, and any subsequent claims will be allocated fully to the funding source with the positive balance.

iii) The percentage of Financing or Co-financing may be revised from time to time through notification from the Association.

V. Other Important Information


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 Co-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 Loan Department by sending an email to WFALN MANILA@worldbank.org and indicating the grant number and name in the subject line.

Sincerely,

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

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

cc: Coffee Industry Corporation
    PO Box 137
    Goroka, 441
    Eastern Highlands Province
    PNG

    Cocoa Board
    PO Box 532
    Kokopo
    East New Britain Province
    PNG

    Department of Agriculture & Livestock
    PO Box 2033
    Port Moresby
    PNG