August 20, 2012

Honorable (Dr.) Leketekete Ketso
Minister of Finance
PO Box 395
Maseru 100
Kingdom of Lesotho

Dear Honorable Minister:

Re: MDTF-HRI Grant No. TF011924 (Kingdom of Lesotho: Preparation of Proposed Maternal and Newborn Health Performance-Based Financing Project) Additional Instructions: Disbursement

I refer to the Letter Agreement ("Agreement") between the International Development Association ("World Bank"), acting as administrator of grant funds provided various donors ("Donors") under the Multi Donor Trust Fund for Health Results Innovation ("MDTF-HRI"), and the Kingdom of Lesotho ("Recipient") for the above-referenced project, dated March 30, 2012 and the Additional Instructions stipulated in our disbursement letter dated March 30, 2012 ("Original Disbursement Letter"). The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant No. TF011924 (the "Grant"). This letter ("Disbursement Letter"), as revised from time to time, supersedes the Original Disbursement Letter and constitutes the additional instructions applicable to the Grant under the Agreement from, as of the date of, this Disbursement Letter.

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
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four 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). Please refer to the Disbursement Condition(s) in the Grant Agreement.

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
442 Rodericks Road
Lynnwood 0081
Pretoria (Tshwane), South Africa
Attention: Mr. Asad Alam, Country Director

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

The World Bank Group
Regional Disbursement Centre
4 Fricker Road
Illovo 2196
Johannesburg, South Africa
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
(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in the Grant Agreement.

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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 5; 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 for direct payments and issuance is US$ 20,000.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated
- **Currency of Designated Account (subsection 5.4):** United States Dollars
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** A commercial bank acceptable to the World Bank.
- **Ceiling (subsection 6.1):** USD 100,000

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 and for reporting eligible expenditures paid from the Designated Account:
  - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 4)
  - Records evidencing eligible expenditures (Attachment 3A – Statement of Expenditure - with supporting documentation, e.g., copies of receipts, supplier invoices, for payments made under contracts above SOE documentation thresholds: (i) Consulting Firms against contracts valued at USD 100,000 equivalent or more; (ii) Individual Consultants against contracts valued at USD 50,000 equivalent or more;
  - Statement of Expenditure in the form attached (Attachment 3B – Statement of Expenditure – with no supporting documentation, for payments made under all other contracts (below SOE documentation thresholds, above), including Training, Workshops and Study Tours;
  - A Designated Account activity reconciliation statement and Bank Statement should be submitted with each withdrawal application reporting on the use of Grant proceeds, 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): monthly

IV. Other Important Information


From the Client Connection 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.

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 Jose Janeiro, Senior Finance Officer at jjaneiro@worldbank.org using the above reference.

Yours sincerely,

[Signature]

Jose Janeiro
Senior Finance Officer

Attachments (all attachments as per the original Disbursement Letter dated March 30, 2012 remain valid):

1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
   and *Statements of Expenditure 3B* - Statement of Expenditure - with no supporting documentation
4. Form for Payments Against Contracts Subject to the World Bank’s Prior Review

Prepared by: Jose Janeiro, CTRLA

Cleared with and cc: Anthony Molle, Country Lawyer
                   Kanako Yamashita-Allen, Task Team Leader

Cc with copies: Hon. (Prof.) Maboe Moletsane
                 Minister of Development Planning

                 Hon. Dr. Pinkie Rosemary Manamolela
                 Minister of Health

                 Mr. Mosito Nicholas Khethisa
                 Principal Secretary
                 Ministry of Finance

                 Mr. Lerotholi Pheko
                 Principal Secretary
                 Ministry of Development Planning

                 Mrs. Malerato Khoeli
                 Principal Secretary of Health
                 Ministry of Health

                 Mrs. Majoele Makhakhe
                 Director of Planning and Statistics
                 Ministry of Health

                 Mr. Hassan Ahmed Taha
                 Executive Director for Lesotho
                 World Bank Group