The Honorable Minister Leketekete Ketso  
Minister of Finance  
Ministry of Finance  
P.O. Box 630  
Maseru 100  
Kingdom of Lesotho

Re: KINGDOM OF LESOTHO: Preparation of Proposed Second Private Sector Competitiveness and Economic Diversification Project  
Preparation Advance No. Q8670-LS  
Additional Instructions: Disbursement

Honorable Minister:

I refer to the Advance Agreement ("Agreement") between the The Kingdom of Lesotho ("Recipient") and the International Development Association ("World Bank") for the preparation of the above-referenced Project, dated July 12, 2013. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Project’s Preparation Advance Q8670-LS ("PPA"). 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 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
(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.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) in Section 3.02 of the Annex to the Agreement.

II. Withdrawal of PPA Proceeds

(i) Authorized Signatures (subsection 3.1). An authorized signatory 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
UN House
13 United Nations Road
Maseru, Lesotho
Attention: Country Director, Asad Alam

(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,
Loan Department,
Kenya Re Towers, 10th Floor,
Upper Hill, off Ragati Road,
Nairobi, Kenya

(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 5; and (b) to cause such official to abide by those terms and conditions.

(v) Advances (sections 5 and 6).

- **Type of Designated Account[s] (subsection 5.3):** Segregated, exclusively for the Second Private Sector Competitiveness and Economic Diversification Project

- **Currency of Designated Account[s] (subsection 5.4):** USD

- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** Central Bank of Lesotho.

- **Ceiling (subsection 6.1):** forecast for 2 quarters as provided in the quarterly Interim Financial Report

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 and for reporting eligible expenditures paid from the Designated Account(s):**
  
  - Interim Financial Report in the form attached (Attachment 3); and
  - List of payments against contracts that are subject to the Association's prior review, in the form attached (Attachment 4)

- **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(s) (subsection 6.3):** Quarterly

IV. Other Important Information

From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the PPA, 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 prepare and deliver Applications, monitor the near real-time status of the PPA, 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,

By: ____________________________
Asad Alam
Country Director for Lesotho
Africa Region

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
3. Form of Interim Financial Reports
4. Form for Payments Against Contracts Subject to the World Bank’s Prior Review
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: Mr. Asad Alam

Dear Mr. Alam:

Re: Preparation Advance No. Q8670-LS (for the Proposed Second Private Sector Competitiveness and Economic Diversification Project)

I refer to the Advance Agreement ("Agreement") between the Kingdom of Lesotho ("Recipient") and the International Development Association ("World Bank") dated July 12, 2013, providing for the above Project Preparation Advance. For the purposes of Section 3.03 of the Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility, as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Project Preparation Advance:

For the purpose of delivering Applications to the World Bank, [each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting [individually] [jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the World Bank.

This confirms that the Recipient is authorizing such persons to accept Tokens 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 Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of Tokens"), the Recipient represents and warrants to the World Bank that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and 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

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5 Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Tokens 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 Bank.*

6 The letter should be signed by the official designated as the Recipient's Representative in the Advance Agreement.
Source and Uses of Funds Report

The World Bank Trust Fund:

<table>
<thead>
<tr>
<th></th>
<th>Quarter</th>
<th>Cumulative</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Openning Cash Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add: Source of Funds</td>
<td></td>
<td></td>
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<tr>
<td>IBRD Grant Funds</td>
<td></td>
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<td>Counter part funding</td>
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<tr>
<td>Funds Available</td>
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<tr>
<td>Less: Uses of Funds by disbursement categories</td>
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<td></td>
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<tr>
<td>Goods, consultants services, training, workshops and operating costs</td>
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<tr>
<td>Total expenditures</td>
<td></td>
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<tr>
<td>Cash available less total expenditure</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Closing Cash Balance (Designated Account)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cash Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following rates were used for conversion: 1US$ = ....... (opening and closing balances)

Authorized by: .............................................

Signature and Date: ...........................................
Trust Fund No.
Uses of funds by Component/Activities
Quarter........

<table>
<thead>
<tr>
<th>Component</th>
<th>QUARTER</th>
<th>Cumulative</th>
<th>Project Life</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned</td>
<td>Actual</td>
<td>Variance</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

Total Project Expenditures

1. Actual expenditures and foreign currency payments are translated to ZAR at the rates in effect on the dates of the transactions.

Authorized by: ........................................

Signature and Date: .................................
Designated Account (DA) Activity Statement

For the Reporting quarter:

<table>
<thead>
<tr>
<th>Part I</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cumulative advances to end of current reporting period</td>
<td>0</td>
</tr>
<tr>
<td>2. Cumulative expenditures to end of last reporting period</td>
<td>0</td>
</tr>
<tr>
<td>3. Outstanding Advances to be accounted (line 1 minus line 2)</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part II</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Opening DA balance at beginning of reporting period</td>
<td>0</td>
</tr>
<tr>
<td>5. Add/subtract: Cumulative adjustments (if any)</td>
<td>0</td>
</tr>
<tr>
<td>6. Advances from World Bank during reporting period</td>
<td>0</td>
</tr>
<tr>
<td>7. Add lines 5 and 6</td>
<td>0</td>
</tr>
<tr>
<td>8. Outstanding advances to be accounted for (add line 4 and line 7)</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part III</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Closing DA balance at end of current reporting period</td>
<td>0</td>
</tr>
<tr>
<td>10. Add/subtract: Cumulative adjustments (if any)</td>
<td>0</td>
</tr>
<tr>
<td>11. Expenditures for current reporting period</td>
<td>0</td>
</tr>
<tr>
<td>12. Add line 10 and line 11</td>
<td>0</td>
</tr>
<tr>
<td>13. Add line 9 and line 12</td>
<td>0</td>
</tr>
<tr>
<td>14. Difference (if any) (line 8 minus line 13)</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part III</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Total forecasted amount to be paid by World Bank</td>
<td>0</td>
</tr>
<tr>
<td>16. Less: Closing SA balance after adjustments</td>
<td>0</td>
</tr>
<tr>
<td>17. Direct payments/SC payments (OUTSTANDING OBLIGATIONS)</td>
<td>0</td>
</tr>
<tr>
<td>18. Add lines 16 and 17</td>
<td>0</td>
</tr>
<tr>
<td>19. Cash requirement from World Bank for next two reporting periods (line 15 minus line 18)</td>
<td>0</td>
</tr>
</tbody>
</table>
Payments Made during Reporting Period-xxx, other than payments under Contracts Subject to the Bank's Prior Review

<table>
<thead>
<tr>
<th>Contract NO</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Amount Paid during Period</th>
<th>Withholding and Payment Details</th>
<th>Bank's Approval and Remarks</th>
</tr>
</thead>
</table>

Authorized by:  

Signature and Date:
## Payments Made during Reporting Period
Against Contracts Subject to the World Bank's Prior Review

<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Date of WB's Non-Objection to Contract</th>
<th>Amount Due to Supplier during Period</th>
<th>WB's Share of Amount</th>
<th>Supplier's Share</th>
<th>Note Period</th>
</tr>
</thead>
</table>
Terms and Conditions of Use of Secure Identification Devices
in connection with Use of Electronic Means
to Process Applications
and Supporting Documentation

January 20, 2010

The World Bank (Bank)\(^1\) will provide secure identification devices (Tokens) to permit the Borrower\(^2\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

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\(^1\)“Bank” includes IBRD and IDA.

\(^2\)“Borrower” includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

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

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall ensure that the Token User has received training materials provided by the Bank in use of the Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User) that each Token User is provided, understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to the Bank.

4.3. The Token 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 Token User believes a third party has learned his/her PIN or has lost his/her 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 Tokens, and take other reasonable steps to ensure such Tokens are disabled immediately.

Care of Tokens

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

5. Replacement

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User’s Account.

6. Reservation of Right to disable Token

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User’s Account or both.