H.E. Mr. Somdy Douangdy  
Deputy Prime Minister  
Minister  
Ministry of Finance  
23 Singha Road  
P.O. Box 46  
Vientiane, Lao PDR

Re: IDA Financing H958-LA and IDA 5471-LA  
(Small and Medium Enterprise Access to Finance Project)  
Additional Instructions: Disbursement (First Amendment)

Excellency:

I refer to the Financing Agreement between the Lao People’s Democratic Republic ("Recipient") and the International Development Association (the “Association”) for the above-referenced project, dated August 14, 2014. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of financing No. H958-LA and financing No. 5471-LA (“Financing”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions and replaces the disbursement letter dated August 14, 2014, by revising the ceiling for the Designated Account, as set forth in paragraph II (vi) below, consistent with the request submitted by the PIU on behalf of the Recipient dated June 13, 2016, provided, however, that all attachments to the Original Disbursement Letter shall form an integral part of this Disbursement Letter.

The attached Association 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

(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.
II. Withdrawal of 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
Nehru Road
P.O. Box 345
Vientiane, Lao PDR

Attention: 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 Office
26th Floor, One Global Place
5th Avenue corner 25th Street, Bonifacio Global City
Taguig City, Philippines

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 Direct Payment and Reimbursement is USD 250,000.
(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Pooled. One pooled designated account will be established for Part 1 and 3 of the Project to receive funds from both IDA Credit No. 5471-LA and IDA Grant No. H958-LA, and managed by the National Treasury of the Ministry of Finance.

- **Currency of Designated Account (subsection 5.4):** U.S. Dollars

- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):**
  Bank of Lao, PDR

- **Ceiling (subsection 6.1):** Total combined ceiling of USD 6,500,000, which includes (i) the individual ceiling of USD 2,500,000 under IDA Grant No. H958-LA and (ii) the individual ceiling of USD 4,000,000 under IDA Credit No. 5471-LA. During implementation, the individual ceilings may be revised from time to time based on the Project’s financing needs but should be at all times within the combined ceiling of USD 6,500,000.

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 against contracts that are subject to the Association’s prior review, in the form attached (Attachment 4) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices);
  - Statement of Expenditure in form attached (Attachment 5) for all expenditures/contracts not subject to the Association’s prior review.

- **For reporting eligible expenditures paid from the Designated Account:**
  - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 4) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices);
  - Statement of Expenditure in form attached (Attachment 5) for all expenditures/contracts not subject to the Association’s prior review;
  - A Designated Account Reconciliation Statement in the form attached (Attachment 6) and related 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):** Monthly.
IV. Other Disbursement Instructions:

(i) Further advance from the Designated Account to other operating accounts of the Project is allowed, as long as these further advances are accounted for within reasonable period of time or not to exceed 90 days.

(ii) The Recipient indicates that IDA grant proceeds will be fully exhausted before IDA Credits are accessed. Accordingly, the entire ceiling of advance of USD6,500,000 may be advanced under IDA Grant No. H958-LA and then moved to fall under IDA Credit No. 5471-LA.

(iii) IDA funds for Part 2 of the Project will be disbursed into an account to be designated by the International Finance Corporation. In addition, for disbursements under Part 2 of the Project, expenditures will be recognized as expended when IDA proceeds are committed to providing partial credit guarantees to Participating Financial Institutions (PFIs) when Risk Sharing Agreements are entered into with the PFIs.

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 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 World Bank Loan Department at loa-eap@worldbank.org using the above reference.

Yours sincerely,

[Signature]

Ulrich Zachau

Attachments: same as original attachments in letter dated August 14, 2014

Cc with copies:

- H.E Mme. Khemmani Pholsena, Minister, Ministry of Industry and Commerce
- Mr. Somdy Inmyxai, Director General, Department of SME Promotion, Ministry of Industry and Commerce
- Mr. Sirisamphanh Vorachit, Director General, Planning and Cooperation Department, Ministry of Industry and Commerce
- Mr. Rionald Silaban, Executive Director for Lao PDR, The World Bank