Ref: WB/CD/361/12/039/2011

H.E Ato Sufian Ahmed
Minister
Ministry of Finance and Economic Development
Addis Ababa

Dear Ato Sufian,

Re: European Union Food Crisis Rapid Response Facility ("EUFCCR") Trust Fund
Grant for the Co-financing of the Productive Safety Net Program APL III Project,
Grant No. TF TF010672

Additional Instructions: Disbursement

I refer to the Letter Agreement ("Agreement") between the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the European Union ("the "Donor") under the European Union Food Crisis Rapid Response Facility Trust Fund (the "EU FCRR Trust Fund"), and the Federal Democratic Republic of Ethiopia (the "Recipient") for the above-referenced project, dated December 13, 2011. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant TF TF010672 ("Grant"). 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 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

(ii) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is 2 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  
P. O. Box 5515  
Addis Ababa, Ethiopia  
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  
4 Fricker Road  
Illovo 2196  
Johannesburg, South Africa  
Attention: Disbursement Management Team, 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 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 3; 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 withdrawals other than Advances, is US$ 100,000.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated, to be managed by the Federal Ministry of Finance and Economic Development.
- **Currency of Designated Account (subsection 5.4):** Euro

- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** National Bank of Ethiopia

- **Ceiling (subsection 6.1):** Fixed Ceiling equivalent to Euro 2.97 million. For the initial advance, the withdrawal application should be supported by a project expenditure forecast agreed with the World Bank, consistent with approved Annual Work Plan and Budget.

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:**
  - Interim Financial Reports in the form attached (Attachment 4), with the expenditure to be reimbursed, if any, separately indicated.
  - Summary Sheet of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 5)

- **For reporting eligible expenditures paid from the Designated Account:**
  - Interim Financial Reports in the form attached (Attachment 4)
  -
Summary Sheet of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 5)

- Designated Account Activity Statement, in the form attached (Attachment 6)

*For requests for Direct Payment:* records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices, and documentary evidence of delivery of contracted goods, works or services.

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account** (subsection 6.3): Quarterly

(iii) **Other Supporting Documentation Instructions**

- Copies of the bank statement of the Designated Account and a reconciliation statement for this account should be submitted with each application for withdrawal in the format attached, (Attachment 6).

- A copy of the Annual Confirmation Letter issued by the World Bank on the approval of the Annual Work Plan and Budget, clearly stating the amount and percentage of expenditure to be financed by various cofinanciers, including IDA Credit No. 4666, Grant No. H529, TF Grant 099474, and this TF Grant No. TF010672 for each expenditure category, should be submitted to accompany each withdrawal application.

- There will be one common Interim Financial report (Attachment 4) to document expenditures incurred and financed from various cofinanciers, including IDA Credit 4683, H600, TF Grant 099729, TF Grant 099454 and this TF Grant No. TF010672. This report should be submitted on a quarterly basis and will attribute eligible expenditures to these cofinanciers.

- Withdrawal of the initial Advance within the Ceiling stipulated in Section II (vi) above should be supported by an expenditure forecast for 6 months, acceptable to the World Bank.

IV. **Other Disbursement Instructions**

- Funds may be transferred from the Designated Account to a project bank account managed by the Disaster Risk Management and Food Security Sector, Ministry of Agriculture and Rural Development (MOARD) for eligible expenditures. Each such transfer should be on the basis of a documented expenditure forecast. Actual expenditures incurred by MOARD and the balances outstanding with them should be separately reported in the common Interim Financial report (Attachment 4).

V. **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 any queries in relation to the above, please contact Senior Finance Officer at LOA service account email address loa-afr@worldbank.org using the above reference.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Greg Toulmin
Country Director for Ethiopia, a.i.
Africa Region

Attachments:
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
5. Form of Summary Sheet for Payments Against Contracts Subject to the World Bank’s Prior Review
6. Form of Designated Account Activity Statement

CC: Ato Matewos Hunde
Director, Early Warning Response Directorate
Disaster Risk Management and Food Security Sector
Ministry of Agriculture
Drafted by:  R. Sondhi (CTRLA)
Cleared by:  J. Pavluk (LEGAF), R. Chidambaran (TACT), W. Soer (TTL)

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