Honourable Minister Namgay Dorji
Ministry of Finance
Royal Government of Bhutan
Tashichhodzong
Thimphu, Kingdom of Bhutan

Re: TF0A0417
(Kingdom of Bhutan – Bhutan Institutional Capacity Development of the Royal Audit Authority Project) Additional Instructions: Disbursement

Excellency:

I refer to the Grant Agreement between the Kingdom of Bhutan (the “Recipient”) and the International Bank for Reconstruction and Development (the “World Bank”) for the above-referenced project, dated July 16, 2015. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant No.TF0A0417 (“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 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:

- Advance
- Reimbursement
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) 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 Financing Proceeds

(i) Authorized Signatures (subsection 3.1). An authorized signatory 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
Bhutan Country Office
PO Box 244
Thimpu, Bhutan

Attention: Mr. Johannes Zutt, 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
11, Taramani Main Road,
Taramani, Chennai,
Tamil Nadu – 600113
India

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 Reimbursement and Direct Payment is USD 50,000 equivalent.
(vi) Advances (sections 5 and 6).

- **Type of Designated Accounts (subsection 5.3):** Segregated
- **Currency of Designated Accounts (subsection 5.4):** BTN
- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** Bank of Bhutan
- **Ceiling (subsection 6.1):** BTN 6,000,000

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:**
  - Interim Financial report in the form attached
  - List of payments against contracts in the form attached (Attachment 5) for all contracts subject to the Association’s prior review;
- **For reporting eligible expenditures paid from the Designated Account:**
  - Interim Financial report in the form attached
  - List of payments against contracts in the form attached (Attachment 5) for all contracts subject to the Association’s prior review;
  - Designated Account Reconciliation Statement (Attachment 6) and bank statements;
- **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):** Halfyearly.

IV. Other Disbursement Instructions:

Copies of bank statement of the designated account and Designated Account Reconciliation Statement should be attached with application for advances and reporting uses of advances in Designated Account.
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 us at wfeld-tf@worldbank.org using the above Project name and Financing number as a reference in the subject line.

Yours sincerely,

[Signature]

Genevieve F. Boyreau
Senior Economist and Resident Representative
Bhutan Country Office
South Asia Region

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

Cc:
1. Ms. Dechen Pelden, Assistant Auditor General, Human Resource & International Relations, Royal Audit Authority