June 26, 2015

The Hon. Jack J. Ading
Minister of Finance
Ministry of Finance
PO Box D
Majuro 96960
REPUBLIC OF THE MARSHALL ISLANDS

Dear Minister,

IDA Grant No. D017-MH and GEF TF Grant No. TF018606
(The Pacific Islands Regional Oceanscape Program)

Additional Instructions: Disbursement

I refer to the Financing Agreement ("Agreement") between the International Development Association ("Association") and Republic of the Marshall Islands ("Recipient") for the above-referenced project, dated June 26, 2015, and the GEF Grant Agreement between International Bank for Reconstruction and Development ("the World Bank") acting as an Implementing Agency of the Global Environment Facility and Solomon Islands ("Recipient") of the same date. The Agreements provide that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of IDA Grant No. D017-MH and GEF Grant No. TF018606 ("Financing"). 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:
   - 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 Financing Agreement. Any changes to this date will be notified by the Association.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the conditions specified in the Financing Agreement.
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
Level 19, 14 Martin Place
Sydney NSW 2000
Australia

(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
26th Floor, One Global Place
5th Avenue Corner 25th Street
Bonifacio Global City
Taguig City, Philippines 1634
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). Minimum value of applications for Direct Payment, Reimbursement is US$100,000.

(vi) Advance (sections 5 and 6).

- Type of Designated Account(s) (subsection 5.3):
  Two Segregated Accounts: One for IDA funds, and another for GEF funds.
- Currency of Designated Account(s) (subsection 5.4): United States Dollars (USD).
Financial Institution at which the Designated Account(s) Will Be Open (subsection 5.5): In a financial institution(s) acceptable to the Association.

Ceiling (subsection 6.1):
- IDA DA - Variable, based on the six-month DLIs target value and forecast of non-DLI expenditures.
- GEF DA - USD 100,000

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:
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Association’s prior review in the form attached (Attachment 5); and
  - Statement of Expenditures in the form attached (Attachment 4) for all other expenditures / contracts.

- For reporting eligible expenditures paid from the Designated Account:
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Association’s prior review in the form attached (Attachment 5);
  - Statement of Expenditures in the form attached (Attachment 4) for all other expenditures / contracts; and
  - A designated account reconciliation (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):
- Annually for the Category (2) “expenditures with DLIs”;
- Monthly for other Categories

IV. Other Instructions:

Applications for the category (2) “expenditures with DLIs” should be submitted separately.

V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association’s public website at http://www.worldbank.org and its secure website “Client Connection” at https://clientconnection.worldbank.org. Print copies are available upon request. From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the Credit, and retrieve related policy, financial, and procurement 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 download Applications, monitor the near real-time status of the Credit, and retrieve related policy, financial,
and procurement information. 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 Loan Department at CTRLN Manila worldbank.org using the above reference.

Sincerely,

Franz R. Drees-Gross
Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

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