The Secretary
Ministry of Finance
The Secretariat
Colombo 1, Sri Lanka

Re: IBRD Loan No. 8878-LK
Primary Health Care System Strengthening Project
Additional Instructions: Disbursement and Financial Information Letter

Excellency:

I refer to the Loan Agreement between Democratic Socialist Republic of Sri Lanka (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) for the above-referenced Project, dated January 23, 2019. The General Conditions, as defined in the Loan Agreement, provide that the Borrower may from time to time request withdrawals of Loan Amounts from the Loan Account in accordance with the Disbursement and Financial Information Letter, and such additional instructions as the Bank may specify from time to time by notice to the Borrower. The General Conditions also provide that the Disbursement and Financial Information Letter may set out Project specific financial reporting requirements. This letter constitutes such Disbursement and Financial Information Letter (“DFIL”), and may be revised from time to time.

I. Disbursement Arrangements, Withdrawal of Loan Funds, and Reporting of Uses of Loan Funds


(i) Disbursement Arrangements:

The table in Schedule 1 sets out the disbursement methods which may be used by the Borrower, information on registration of authorized signatures, processing of withdrawal applications (including minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.

(ii) Electronic Delivery. Section 10.01 (c) of the General Conditions.

The Bank may permit the Borrower to electronically deliver applications (with supporting documents) through the Bank’s web-based portal (https://clientconnection.worldbank.org) “Client Connection”. This option may be effected if the officials designated in writing by the Borrower who are authorized to sign and deliver Applications have registered as users of “Client Connection”. The designated officials may deliver Applications electronically by completing the Form 2380, which is accessible through “Client Connection”. By signing the Authorized Signatory Letter, the Borrower confirms that it is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Bank by electronic means. The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion,
temporarily or permanently disallow the electronic delivery of Applications by the Borrower. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Borrower 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, available in the Bank’s public website at https://worldbank.org and “Client Connection”; and (b) to cause such official to abide by those terms and conditions.

II. Financial Reports and Audits

(i) Financial Reports. The Borrower must prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial report (“IUFR”) for the Project covering the quarter.

(ii) Audits. Each audit of the Financial Statements must cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period must be furnished to the Bank not later than six (6) months after the end of such period.

III. Other Information

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the World Bank’s public website (http://www.worldbank.org/) and in “Client Connection”. The World Bank recommends that you register as a user of “Client Connection”. From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. 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 Mr. Satish Kumar Shivakumar, Finance Officer at satishkumar1@worldbank.org, using the above reference.

Yours sincerely,

[Signature]

Country Director for Sri Lanka and Maldives

Attachments
1. Form of Authorized Signatory Letter
2. Format of IUFR for category 1
3. Format of IUFR for categories 2 and 3
# Schedule 1: Disbursement Provisions

## Basic Information

<table>
<thead>
<tr>
<th>Loan Number</th>
<th>Country</th>
<th>Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>8878-LK</td>
<td>Democratic Socialist Republic of Sri Lanka</td>
<td>Section III.B.4 of Schedule 2 to the Loan Agreement.</td>
</tr>
<tr>
<td>Borrower</td>
<td>Democratic Socialist Republic of Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>Name of the Project</td>
<td>Primary Health Care System Strengthening Project</td>
<td>Disbursement Deadline Date</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Subsection 3.7 **</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Four months after the closing date.</td>
</tr>
</tbody>
</table>

## Disbursement Methods, and Supporting Documentation

<table>
<thead>
<tr>
<th>Disbursement Methods</th>
<th>Methods</th>
<th>Supporting Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Payment</td>
<td>Yes for Category 2</td>
<td>Copy of records</td>
</tr>
<tr>
<td>Reimbursement under Category 1</td>
<td>Yes</td>
<td>Interim unaudited Financial Report (IUFR) in the format provided in Attachment 2 of the DFIL</td>
</tr>
<tr>
<td>Reimbursement under Categories 2 and 3</td>
<td>Yes</td>
<td>Interim unaudited Financial Report (IUFR) in the format provided in Attachment 3 of the DFIL</td>
</tr>
<tr>
<td>Advance – Designated Account for Category 2 and 3</td>
<td>Yes for Categories 2 and 3</td>
<td>Interim unaudited Financial Report (IUFR) in the format provided in Attachment 3 of the DFIL</td>
</tr>
<tr>
<td>Special Commitments</td>
<td>Yes for Category 2</td>
<td>Copy of Letter of Credit, Proforma Invoice, if cited in the Letter of Credit</td>
</tr>
</tbody>
</table>

## Designated Account (Sections 5 and 6 **)

<table>
<thead>
<tr>
<th>Type</th>
<th>Segregated</th>
<th>Ceiling</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institution - Name</td>
<td>Central Bank of Sri Lanka</td>
<td>Currency</td>
<td>USD</td>
</tr>
<tr>
<td>Frequency of Reporting Subsection 6.3 (**)</td>
<td>Quarterly for Categories 2 and 3.</td>
<td>Amount</td>
<td>Forecast for two Quarters as provided in the IUFR</td>
</tr>
</tbody>
</table>

## Minimum Value of Applications (subsection 3.5)

The minimum value of consolidated applications for Reimbursement, Direct Payment is USD 100,000 equivalent.
<table>
<thead>
<tr>
<th>Authorized Signatories Letter:</th>
<th>Withdrawal and Documentation Applications:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The World Bank</td>
<td>The World Bank</td>
</tr>
<tr>
<td>1st Floor, DFCC Building,</td>
<td>No. 11, Taramani Main Road</td>
</tr>
<tr>
<td>73/5, Galle Road,</td>
<td>Taramani, Chennai – 600 113</td>
</tr>
<tr>
<td>Colombo 3, Sri Lanka.</td>
<td>India</td>
</tr>
<tr>
<td>Attention: Country Director, Sri Lanka</td>
<td>Attention: Team Lead, WFACS</td>
</tr>
</tbody>
</table>

**Additional Instructions**

(i) For category 1 – Eligible Expenditure Program under Part 1 of the Project, only reimbursement disbursement method is applicable. The Bank’s funds will be disbursed based on the lesser of (i) eligible expenditures reported by IUFR; and (ii) achievement of target DLI Target(s) to the Consolidated Fund of Borrower.

(ii) Supporting documentation requirements for reporting on use of financing proceeds under category 4 of the table in Schedule 2 Section III.A of the Agreement – Emergency Expenditures would be provided in a revised Disbursement and Financial Information letter, when funds are allocated to category 4.

(iii) In case of category 3 - Competitive Small Grants under Part 2(d) of the Project, incurred and paid expenditures would be reported in the IUFR.

*Sections and subsections relate to the “Disbursement Guidelines for Investment Project Financing, dated February 2017”*
Attachment 1 – Form of Authorized Signatory Letter

[Letterhead]
Ministry of Finance
[Street address]

The World Bank
1st Floor, DFCC Building,
73/5, Galle Road,
Colombo 3, Sri Lanka.
Attention: Country Director, Sri Lanka

[DATE]

Re: IBRD Loan No. 8878-LK (Primary Health Care System Strengthening Project)

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “World Bank”) and Democratic Socialist Republic of Sri Lanka (the “Borrower”), dated _______, providing the above Loan. For the purposes of Section 2.03 of the General Conditions as defined in the Agreement, any 1[one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Borrower to sign applications for withdrawal under this Loan.

For the purpose of delivering Applications to the World Bank, 2[each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Borrower, acting 3[individually] 4[jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the World Bank.

5[This confirms that the Borrower is authorizing such persons to accept Secure Identification Credentials (SIDC) 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 Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of SIDC”), the Borrower represents and warrants to the World Bank that it will cause such persons to abide by those terms and conditions.]

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1 Instruction to the Borrower: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. Please delete this footnote in final letter that is sent to the Bank.

2 Instruction to the Borrower: Stipulate if more than one person needs to jointly sign Applications, if so, please indicate the actual number. Please delete this footnote in final letter that is sent to the Bank.

3 Instruction to the Borrower: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Bank.

4 Instruction to the Borrower: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Bank.

5 Instruction to the Borrower: Add this paragraph if the Borrower wishes to authorize the listed persons to accept Secure Identification Credentials 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.
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]