Honorable (Dr.) Leketekete Ketsso  
Minister  
Ministry of Finance  
P.O. Box 630  
Maseru 100  
Kingdom of Lesotho  

Excellency:  

Re: HRITF Grant No. TF015305 (Pre-Pilot for the Maternal and Newborn Health Performance-Based Financing Project) Additional Instructions: Disbursement  

I refer to the Grant Agreement ("Agreement") between the International Bank for Reconstruction and Development and the International Development Association (together, the "World Bank") acting as administrator of the Multi-donor Trust Fund for Health Results Innovation ("Trust Fund") and the Kingdom of Lesotho (the "Recipient") for the above-referenced project, of even date herewith. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of financing no. TF015305 ("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  

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

- Reimbursement  
- Advance
(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the 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 Loan Proceeds

(i) Authorized Signatures (subsection 3.1).
An authorized signatory letter in the form attached (Attachment 2) should be furnished to the 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
442 Roderick Road, Lynnwood 0081
Pretoria, Republic of South Africa
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,
Loan Department,
Kenya Re Towers, 10th Floor,
Upper Hill, off Ragati Road,
Nairobi,
Kenya.
Attention: Anthony Okwako

(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 5; 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) Advances (sections 5 and 6):

- **Type of Designated Account (subsection 5.3):** Segregated

- **Currency of Designated Account (subsection 5.4):** United States Dollars (USD)

- **Financial Institution at which the Designated Account will be opened (subsection 5.5):** Central Bank of Lesotho

- **Ceiling (subsection 6.1):** USD 200,000

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 and for reporting eligible expenditures paid from the Designated Account(s):**
  
  - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 4);

  - Records evidencing eligible expenditures (Attachment 3A – Statement of Expenditure (SOE) - with supporting documentation, e.g., copies of receipts, supplier invoices, for payments made under contracts above SOE documentation thresholds: (i) Consulting Firms against contracts valued at USD 100,000 equivalent or more, (ii) Individual Consultants against contracts valued at USD 50,000 equivalent or more, (iii) Goods against contracts valued at USD 200,000 or more;

  - Statement of Expenditure in the form attached (Attachment 3B – Statement of Expenditure – with no supporting documentation, for payments made under all other contracts (below SOE documentation thresholds, above) including Training and Operating Costs; and
o customized form of Statement of Expenditure (Attachment 3C) for payments to Health Facilities, exclusively in the Quthing District, made under Category 1 of the disbursement table specified under Section IV.A.2 of Schedule 2 to the Agreement related to PB Grants under Part (vii) of the Project

- **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(s)** (subsection 6.3): Monthly

**IV. Other Disbursement Instructions**: For Disbursements under Category 1 of the disbursement table specified under Section IV.A.2 of Schedule 2 to the Agreement related to PB Grants under Part (vii) of the Project:

- Eligible expenditures are the payments made to Health Facilities (Health Centers and District Hospitals) in the form of PB Grants for Health Service Package comprised of goods, small works, non-consulting services, consultants’ services, Training and POC, as consistent with the Project Implementation Manual and its Performance Based Financing section.

The remoteness, quality and quantity of related services provided and the agreed performance-based contracts’ unit prices (as per the Project Implementation Manual) underlying the PB Grant payable to each Health Facility will be validated by the Performance Purchasing Technical Expert (PPTE) Disbursement will be documented through an additional, separate schedule per Attachment 3C, identifying, *inter alia*, the recipient of the PB Grant, the date of the PPTE’s confirmation of Health Service Packages delivered and the PB Grant.

- This Grant finances exclusively the activities and/or expenditures that support the delivery of Health Service Packages in the Recipient’s Quthing District. Resources from this Grant must be fully exhausted before disbursements from IDA 5229 and MDTF-HRI TF014147, which finance the same activities and/or expenditures can be made..

**V. Other Important Information**


From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the PPA, and retrieve related policy, financial, and procurement information.
If you have not already done so, the World Bank 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 PPA, 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 World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Jose Janeiro, Senior Finance Officer at jjaneiro@worldbank.org using the above reference.

Yours sincerely,

Asad Alam
Country Director
Lesotho, Botswana, Namibia, South Africa and Swaziland
Africa Region
(AFCS1)

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
3. Statements of Expenditure 3A - Statement of Expenditure - with supporting documentation and Statements of Expenditure 3B - Statement of Expenditure - with no supporting documentation; Statements of Expenditure 3C - Statement of Expenditure - with no supporting documentation for Payments to Service Providers under the PB Grant part of the project
4. Form for Payments Against Contracts Subject to the World Bank’s Prior Review

Cc with copies: Ministry of Health
Attachment 2

Form of Authorized Signatory Letter
[Letterhead]
Ministry of Finance
[Street address]

DATE

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: [Country Director]

Re: HRITF Grant No. TF015305 (Pre-Pilot for the Maternal and Newborn Health Performance-Based Financing Project)

I refer to the Grant Agreement ("Agreement") between the International Bank for Reconstruction and Development and the International Development Association (together, the "World Bank") acting as administrator of the Multi-donor Trust Fund for Health Results Innovation and the Kingdom of Lesotho (the "Recipient"), dated ______, providing the above Grant. For the purposes of Section 3.04 of the Standard Conditions as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this Grant.

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

5]This confirms that the Recipient is authorizing such persons to accept Tokens and to deliver the Applications and supporting documents to the World Bank by electronic means. In

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1 Instruction to the Recipient: 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 Association.

2 Instruction to the Recipient: 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 Association.

3 Instruction to the Recipient: 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 Association.

4 Instruction to the Recipient: 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 Association.
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 Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"), the Recipient represents and warrants to the Association that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and will cause such persons to abide by those terms and conditions.

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]

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5 Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Tokens 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 Association.
## Statement of Expenditure (SOE)

**Form 3A**

Payments made during the period from ________________________ To ________________________

For: Expenditures other than those under contracts below SOE documentation thresholds - please refer to the Disbursement for the SOE Thresholds (supporting documentation required - invoices, receipts for all payments made under contracts above SOE thresholds)

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Category No.</th>
<th>Name of Supplier, Contractor or Consultant</th>
<th>Total Amount of Contract (include all currencies)</th>
<th>Brief Description of Goods, Works or Services</th>
<th>Currency of Expenditure</th>
<th>Total invoice amount covered by this application (set of retention)</th>
<th>Eligible % of financing</th>
<th>Currency and eligible amount paid (7)x(8)</th>
<th>US$ Equivalent paid from Designated Account**</th>
<th>US$ Exchange Rate**</th>
<th>Date of Payment</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

**Totals**

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**Note:**

(*) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category.

(**) If this application is not for replenishment of the Designated Account, leave columns 10 and 12 blank.
PAYMENTS MADE DURING THE PERIOD FROM ___________________________ TO ___________________________.

FOR: Expenditures under contracts below SOE documentation thresholds - please refer to the Disbursement Letter for SOE thresholds
(no supporting documentation required)

Date: ___________________________
Application No.: ___________________________
IDA Credit (Grant No.): ___________________________
SOE Sheet No.: ___________________________

| Item No. | Category No. | Name of Supplier, Contractor or Consultant, Contract reference and date | Total Amount of Contract (Include all currencies) | Brief Description of Goods, Works or Services | Currency of Expenditure | Total invoice amount covered by this application (set of retention) | Eligible % of financing | Currency and eligible amount paid (7)x(8) | US$ Equivalent paid from Designated Account** | Date of Payment | Exchange Rate** | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|

**TOTALS**

Supporting documents for this SOE retained at: ___________________________

Note: (*) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category.

(**) If this application is not for replenishment of the Designated Account, leave columns 10 and 12 blank.
<table>
<thead>
<tr>
<th>Category No.</th>
<th>Health Facility</th>
<th>Date</th>
<th>Eligible Amount Paid in USD (Note 9)</th>
<th>Date of Payment</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health Facility A</td>
<td>PPTE</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Health Facility B</td>
<td></td>
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<tr>
<td></td>
<td>Health Facility C</td>
<td></td>
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</tbody>
</table>

**Note 1**: If there is any variation in the amount eligible based on the records, the variation shall be clearly documented in the remarks column.

**Note 2**: The eligible amount paid in USD shall be documented in the table.

**Note 3**: The payment date shall be documented in the relevant column.

**Note 4**: Any notes or remarks shall be documented in the remarks column.
<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Date of WB's Non Objection to Contract</th>
<th>Amount Paid to Supplier during Period</th>
<th>WB's Share of Amt Paid to Supplier during Period</th>
</tr>
</thead>
</table>
Terms and Conditions of Use of Secure Identification Devices
in connection with Use of Electronic Means
to Process Applications
and Supporting Documentation

January 20, 2010

The World Bank (Bank)\(^1\) will provide secure identification devices (Tokens) to permit the Borrower\(^2\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

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\(^1\) "Bank" includes IBRD and IDA.

\(^2\) "Borrower" includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the Token, the Signatory will be a “Token User”. The Bank will maintain in its database a user account (Account) for each Token User for purposes of managing the Token of the Token User. Neither the Borrower nor the Token User will have any access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall ensure that the Token User has received training materials provided by the Bank in use of the Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User) that each Token User is provided, understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

   Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to the Bank.

4.3. The Token User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.
4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token he/she shall immediately notify clientconnection@worldbank.org.

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens are disabled immediately.

**Care of Tokens**

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7. Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

5. **Replacement**

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User’s Account.

6. **Reservation of Right to disable Token**

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User’s Account or both.