H.E. Mr. Phouphet Khamphounvong
Minister
Ministry of Finance
23 Singha Road
Saysettha District
Vientiane, Lao PDR

Excellency:

Re: IDA Financing H8430-LA
(Additional Financing for the Customs and Trade Facilitation Project)
Additional Instructions: Disbursement

I refer to the Financing Agreement between the Lao People’s Democratic Republic (the “Recipient”) and the International Development Association (the “Association”) for the above-referenced project, dated June 14, 2013. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of Financing No. H8430-LA (“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
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). Applications for this Financing will be signed by the official(s) authorized to sign Applications as indicated in the letters dated April 13, 2007 signed by H.E.
Chansy Phosikham and the Supplementary Authorization Letter for Electronic Disbursement dated March 19, 2012 signed by Dr. Viengthong Siphandone. Please notify the Association promptly should there be any change in the authorized officials in this regard.

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, 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 2; 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, direct payment and special commitment is US$ 30,000.

(vi) Advances (sections 5 and 6).

- Type of Designated Account[s] (subsection 5.3): Pooled. The Designated Account opened under the Original Project (IDA H403-LA) will also be used for this Additional Financing.


- Financial Institution at which the Designated Account Will Be Opened (subsection 5.5): Bank of Lao PDR.
- **Ceiling (subsection 6.1):** Total combined ceiling of USD250,000 which includes i) individual ceiling of US$ 100,000 under the Original Project (IDA H403-LA) and ii) individual ceiling of USD 150,000 under this Additional Financing. During implementation, these individual ceilings may be revised from time to time based on project needs but should be at all times within the combined ceiling of USD 250,000.

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:**
  - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 3), together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts for i) goods valued at US$ 100,000 equivalent or more per contract; ii) consulting firm valued at US$100,000 equivalent or more per contract; and iii) individual consultants valued at US$50,000 equivalent or more per contract; and
  - Statement of Expenditure in the form attached (Attachment 4) for all other contracts or expenditures.

- **For reporting eligible expenditures paid from the Designated Account:**
  - List of payments against contracts that are subject to the Association’s prior review, in the form attached (Attachment 3), together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts for i) goods valued at US$ 100,000 equivalent or more per contract; ii) consulting firm valued at US$100,000 equivalent or more per contract; and iii) individual consultants valued at US$50,000 equivalent or more per contract; and
  - Statement of Expenditure in the form attached (Attachment 4) for all other contracts or expenditures.
  - A Designated Account Reconciliation Statement in the form attached (Attachment 5) 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):** Monthly.

IV. 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 Tony Shen, Senior Finance Officer, at loaeap@worldbank.org or Carmenchu Austriaco at caustriaco@worldbank.org using the above reference.

Yours sincerely,

Annette Dixon
Country Director, Lao PDR
East Asia and Pacific Region

Attachments
3. Form of Payments Against Contracts Subject to the Association’s Prior Review
4. Form of Statement of Expenditure
5. Form of Designated Account Reconciliation Statement

Cc: Mme. Thipphakone Chanthavongsa, Director-General, External Finance Department, Ministry of Finance
   Mme. Sisomboun Ounnavong, Acting Director General, Department of International Cooperation, Ministry of Planning and Investment
   Mr Athsapangthong Siphandone, Director General, Customs Department, Ministry of Finance
The World Bank (Bank)\(^1\) will provide secure identification credentials (SIDC) 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.

SIDC can be either: (a) hardware-based (Physical Token), or (b) software-based (Soft Token). The Bank reserves the right to determine which type of SIDC is most appropriate.

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 SIDC 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 receipt of his/her SIDC. 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. Initialization of SIDC.

1. Prior to initialization of SIDC by a Signatory, the Signatory will acknowledge having read, understood and agreed to be bound by these Terms and Conditions of Use.

2. Where a Physical Token is to be used, promptly upon receipt of the Physical Token, the Signatory will access CC using his/her account name and CC Password and register his/her Physical Token and set a personal identification number (PIN) to be used in connection with the use of his/her Physical Token, after which the Physical Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Where a Soft Token is to be used, the

\(^1\) "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.
Signatory will access CC using his/her account name and CC Password and set a personal identification number (PIN) to be used in connection with the use of his/her Soft Token, after which the Soft Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the SIDC, the Signatory will be a “SIDC User”. The Bank will maintain in its database a user account (Account) for each SIDC User for purposes of managing the SIDC of the SIDC User. Neither the Borrower nor the SIDC User will have any access to the Account.

3. Prior to first use of the SIDC by the SIDC User, the Borrower shall ensure that the SIDC User has received training materials provided by the Bank in use of the SIDC.

C. Use of SIDC.

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

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

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

4. Security

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

4.2. The SIDC User shall not allow anyone else to utilize his/her SIDC to deliver an Application to the Bank.

4.3. The SIDC 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 SIDC User believes a third party has learned his/her PIN or has lost his/her Physical 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 SIDC, and take other reasonable steps to ensure such SIDC are disabled immediately.

5. Reservation of Right to Disable SIDC

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

5.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a SIDC, de-activate a SIDC User’s Account or both.
6. **Care of Physical Tokens**

6.1. Physical Tokens will remain the property of the Bank.

6.2. The Bank will physically deliver a Physical Token to each Signatory designated to receive one in a manner to be determined by and satisfactory to the Bank.

6.3. Physical 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, Physical Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smartphones and other similar devices. Physical 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 Physical Token.

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

7. **Replacement**

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

7.2. The Bank reserves the right, in its sole discretion, not to replace any Physical Token in the case of misuse, or not to reactivate a SIDC User’s Account.
## List of Payments Against Contracts Subject to the Association's Prior Review

(Full Documentation)

**PAYMENTS MADE DURING THE REPORTING PERIOD FROM __________ TO __________**

**PAYMENTS MADE DURING THE REPORTING PERIOD AGAINST CONTRACTS SUBJECT TO WORLD BANK PRIOR REVIEW - ABOVE THRESHOLD**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Supplier/Contractor Name</th>
<th>Description of Expenses/Claims</th>
<th>WB Control No.</th>
<th>Contract No. and Contract Date</th>
<th>Date of Bank's No Objection on Contract</th>
<th>Contract Amount</th>
<th>Total Invoice Amount</th>
<th>% Eligibility</th>
<th>Amount Eligible for Financing</th>
<th>Amount Charged to Designated Account (if applicable)</th>
<th>Exchange Rate</th>
<th>Remarks</th>
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Total

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## STATEMENT OF EXPENDITURES
(No Records Required for Submission)

**PAYMENTS MADE DURING THE REPORTING PERIOD FROM**
**TO**

**FOR EXPENDITURES UNDER CATEGORY**
(Enumerate or list categories)

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Name of Contractor / Supplier / Consultants</th>
<th>Description of Expenses/Claims</th>
<th>Contract Number and Contract Date</th>
<th>Contract Prior Reviewed (Y/N)</th>
<th>WB Control Number** (if applicable)</th>
<th>Contract Amount</th>
<th>Total Invoice Amount</th>
<th>% Eligibility</th>
<th>Amount Eligible for Financing</th>
<th>Amount Charged to Designated Account (if applicable)</th>
<th>Exchange Rate</th>
<th>Remarks</th>
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**Note:** **WB control number applicable only when contract was prior reviewed by the Bank**

**Supporting Documents for this SOE retained at** (Insert location)
Lao PDR - Additional Financing for the Customs and Trade Facilitation Project

Designated Account Reconciliation Statement
Loan/Credit/Grant No.:

Designated Account No.___________
Name of Bank _________________

<table>
<thead>
<tr>
<th>Amount</th>
<th>(in USD)</th>
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<tbody>
<tr>
<td>1 Amount advanced by World Bank</td>
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<td>2 Less: Total amount recovered by the World Bank</td>
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<td>3 Equals present outstanding amount advanced to Designated Account (Line 1 less 2)</td>
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<th>Amount</th>
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<td>4 Balance of Designated Account per attached bank statement as of date ________________</td>
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<td>5 Plus: Total amount claimed in this application No. ________________</td>
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<td>6 Plus: Total amount withdrawn and not yet claimed</td>
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<td>Reasons: ________________</td>
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<th>Amount**</th>
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<td>7 Plus: Amounts claimed in previous applications not yet credited at date of bank statements</td>
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<th>Application No.</th>
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Subtotal of previous applications not yet credited ________________

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<th>Amount</th>
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<tr>
<td>8 Less: Interest earned</td>
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<td>9 Total advance accounted for (Line 4 through 8)</td>
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<th>Amount</th>
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<td>10 Explain of any difference between the total appearing on Line 3 and 9:</td>
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<td>Title ________________</td>
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** All items should be indicated on the bank statement.
2. Disbursement Methods

2.1 The Bank establishes disbursement arrangements for an operation in consultation with the borrower and taking into consideration, inter alia, an assessment of the borrower's financial management and procurement arrangements, the procurement plan and cash flow needs of the operation, and its disbursement experience with the borrower.

2.2 The Bank disburses proceeds from the Loan Account established for each loan, to or on the order of the borrower, using one or more of the disbursement methods set forth below, as determined by the Bank.

(a) Reimbursement: The Bank may reimburse the borrower for expenditures eligible for financing pursuant to the Loan Agreement ("eligible expenditures") that the borrower has prefinanced from its own resources.

(b) Advance: The Bank may advance loan proceeds into a designated account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date (see section 5, "Designated Accounts").

(c) Direct Payment: The Bank may make payments, at the borrower's request, directly to a third party (e.g., supplier, contractor, consultant) for eligible expenditures.

(d) Special Commitment: The Bank may pay amounts to a third party for eligible expenditures under special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the Bank and the borrower.

3. Withdrawal of Loan Proceeds

3.1 Authorized Signatures. Before loan proceeds may be withdrawn or committed from the Loan Account, the au-
3.5 *Minimum Value of Applications.* The Bank establishes a minimum value for Applications for reimbursement, direct payment, and special commitment. The Bank reserves the right not to accept Applications that are below such minimum value.

3.6 *Loan Disbursing Period.* The Bank processes Applications only after the Loan Agreement has been declared effective in accordance with the terms of the Loan Agreement. The expenditures for which the Applications are made must be:

(a) paid for (i) on or after the date of the Loan Agreement, or (ii) in the case of operations that permit retroactive financing, on or after the earlier date specified in the Loan Agreement for that purpose; and

(b) *incurred* on or before the closing date specified or referred to in the Loan Agreement ("Closing Date"), except as otherwise specifically agreed with the Bank.

3.7 The loan disbursing period ends on the final date established by the Bank for receipt by the Bank of applications for withdrawal and supporting documentation (the "Disbursement Deadline Date"). The Disbursement Deadline Date may be the same as the Closing Date, or up to four months after the Closing Date. Normally, to support orderly project completion and closure of the Loan Account, the Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The borrower should promptly inform the Bank of any expected implementation delays or exceptional administrative issues before these dates. The Bank notifies the borrower of any exception that the Bank may make to the Disbursement Deadline Date.

3.8 *Disbursement Conditions.* If the Loan Agreement contains a disbursement condition for a specific expenditure category, the Bank will disburse loan proceeds for that category only after the disbursement condition has been fulfilled and the Bank has notified the borrower to this effect.
(c) *For applications for direct payments*: Records; and

(d) Any other supporting documentation that the Bank may request by notice to the borrower.

4.5 *Failure to Provide Audited Financial Statements.* If the borrower fails to provide any of the audited Financial Statements required in accordance with, and within the period of time specified in, the Loan Agreement, the Bank may at its discretion decide not to accept applications for withdrawal supported by Summary Reports, even if such reports are accompanied by Records.

5. **Designated Accounts**

5.1 The borrower may open one or more designated accounts into which the Bank may, at the borrower's request, deposit amounts withdrawn from the Loan Account for the purpose of paying for eligible expenditures as they are incurred ("Designated Account"). Before the Bank authorizes establishment of a Designated Account, the borrower must have adequate administrative capability, internal controls, and accounting and auditing procedures to ensure effective use of the Designated Account.

5.2 The Bank may decide not to permit the use of Designated Accounts in new projects if the borrower has failed to refund undocumented advances in the Designated Account of any other loan to, or guaranteed by, the borrower within two months after the Disbursement Deadline Date for such loan.

5.3 *Type of Designated Account.* A Designated Account may be established in one of the two ways set out below, as appropriate for the operation concerned, as determined and notified by the Bank.
(d) be able to execute a large number of transactions promptly;
(e) be able to perform a wide range of banking services satisfactorily;
(f) be able to provide a detailed statement of the Designated Account;
(g) be part of a satisfactory correspondent banking network; and
(h) charge reasonable fees for its services.

5.6 The Bank reserves the right not to accept a financial institution for the opening and/or maintenance of a Designated Account if such institution has asserted or asserts a claim to set off, seize, or attach the proceeds of any Bank loan on deposit in a Designated Account maintained by it.

6. Terms and Conditions Applicable to Advances

6.1 Ceiling. The Bank notifies the borrower of the maximum amount of loan proceeds that may be on deposit in a Designated Account (the “Ceiling”). The Bank, at its discretion, may establish the Ceiling as either (a) a fixed amount, or (b) an amount that is adjusted from time to time during project implementation based on periodic forecasts of project cash flow needs.

6.2 Applications for Advances. The borrower may apply for an advance in an amount up to the Ceiling less the aggregate amount of those advances previously received by the borrower for which the borrower has not yet provided supporting documentation. Normally, to support orderly closure of the Loan Account, the Bank does not advance loan proceeds into the Designated Account after the Closing Date.

6.3 Frequency of Reporting Eligible Expenditures Paid from the Designated Account. The borrower reports on the use of loan proceeds advanced to the Designated Account
notification by the Bank, the borrower must promptly take the action requested:

(a) Provide evidence satisfactory to the Bank within a period specified by the Bank that the Excess Amount will be used to pay for eligible expenditures. If the evidence is not furnished within the time period specified, the borrower must promptly refund the Excess Amount to the Bank; or

(b) Refund the Excess Amount promptly.

7. Ineligible Expenditures

7.1 Ineligible Expenditures Generally. If the Bank determines that any amount of the loan was used to pay for an expenditure that is not eligible pursuant to the Loan Agreement ("ineligible expenditure"), the Bank may, at its discretion, require the borrower to take one of the two actions listed below. Upon notification by the Bank, the borrower must promptly take the action requested:

(a) Refund an equivalent amount to the Bank; or

(b) Exceptionally, provide substitute documentation evidencing other eligible expenditures.

7.2 Ineligible Expenditures Paid from the Designated Account. If the Bank determines that any payment out of the Designated Account was not justified by the evidence furnished to the Bank or was made for an ineligible expenditure, the Bank may, at its discretion, require the borrower to take one of the actions listed below. Upon notification by the Bank, the borrower must promptly take the action requested:

(a) Provide the additional evidence requested by the Bank;

(b) Deposit an equivalent amount into the Designated Account;