Date: December 27, 2012

Mr. Chris Radford  
Director (a.i.)  
Regional office for Asia & the Pacific (ROAP)  
United Nations Human Settlements Programme (UN-HABITAT)  
ROAP, ACROS 8F 1-1-1 Tinjin, Chuo-ku  
Fukuoka, 810-0001  
Japan

Re: Cities Alliance Multi-Donor Trust Fund  
Papua New Guinea Settlement Upgrading Program  
Cities Alliance Grant No. TF013085  
Additional Instructions: Disbursement

Dear Sir:

Pursuant to Section 5.5 of the Annex to the Letter Agreement sent to you on December 27, 2012, this letter gives instructions on withdrawal of proceeds from the Grant made by the International Bank for Reconstruction and Development and the International Development Association (collectively the “Bank”) to the United Nations Human Settlements Programme (or UN-HABITAT) (“Recipient”) for the Papua New Guinea Settlement Upgrading Program (Grant Number – TF013085). A copy of the Letter Agreement is attached. This letter and its attachments should be copied to all staff involved in the preparation of applications for withdrawal. Sample applications are attached, and additional forms may be obtained online through our Web site, “Client Connection” (see paragraph below).

Following are the specific disbursement arrangements for Papua New Guinea Settlement Upgrading Program (TF013085). These arrangements may be revised by the Bank from time to time in consultation with the Recipient.

I. Withdrawals from the Grant Account and Supporting Documentation

(a) Withdrawals from the Grant Account will be made on the basis of the interim unaudited financial reports submitted in accordance with section 5.5 of the Annex to the Letter Agreement and in accordance with the periodicity specified at section 6 (c) of the Annex to the Letter Agreement. The agreed format of interim unaudited financial reports is attached.

(b) Withdrawals shall be made as follows:

(i) In the case of the first request for an advance, the Recipient shall submit to the Bank a written application for USD 350,000;
(ii) In the case of subsequent withdrawal applications, the Recipient shall submit the interim unaudited financial report providing an accounting of expenditures incurred in the period ended.

II. Advances of Grant Proceeds

(a) All advances made by the Bank pursuant to section I above will be deposited into an official UN bank account in accordance with the provisions of ST/SGB/2003/7 Financial Regulations and Rules of the United Nations, dated May 9, 2003.

(b) The Bank shall not be required to make further advances:
   
   (i) If the Recipient shall have failed to furnish to the Bank, within the period of time specified in the Financial Management Framework Agreement, any of the audited financial statements required to be furnished to the Bank;
   
   (ii) If, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of paragraph 7 of the Annex to the Letter Agreement; or
   
   (iii) If the Bank, at any time, is not satisfied that the interim unaudited financial reports submitted by the Recipient adequately provide the information required to support disbursements.

Thereafter, withdrawals from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such outstanding advances as of the date of such notice will be used to make payments for eligible expenditures.

III. Refunds

(a) If the Bank shall have determined at any time that any withdrawal of the proceeds of the Grant: (i) was made for an expenditure or in an amount not eligible pursuant to section 2.1 of the Annex to the Letter Agreement; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank refund to the Bank an amount equal to the amount of such payment or the portion thereof that was not eligible or justified. Unless the Bank shall otherwise agree, no further advances shall be made by the Bank until the Recipient has made such refund.

(b) If the Bank shall have determined at any time that any outstanding advances will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any outstanding advances.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Letter Agreement.

IV. Other

Authorized Signatures. Please refer to Section 5.4 of the Annex to the Letter Agreement. A letter in the form attached should be furnished to the Bank at the address below providing the name(s) and specimen signature(s) of the official(s) authorized to sign applications for withdrawal:
The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America

Attention: William John Cobbett
Program Manager
Cities Alliance
Mail Stop: MC4-413

Client Connection Web Site. From the Bank’s secure Web site, “Client Connection” (http://clientconnection.worldbank.org), you will be able to download applications for withdrawal, monitor the near real-time status of the grant, and retrieve related policy, financial, and procurement information. For more information about the Web site and registration arrangements, please see the Client Connection kit enclosed with this letter. Any non compliance with the provisions in this letter may result in the Bank’s application of the remedies provided for in Section 7 of the Annex to the Letter Agreement. Please contact us if you have any questions about withdrawal procedures, quoting Grant TF013085 as your reference.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Vivek Suri
Acting Country Director
Timor-Leste, Papua New Guinea and Pacific Islands
East Asia and Pacific Region

Attachments:
Attachment 1: Sample form for Authorized Signatures
Attachment 2: Agreed format of Interim Unaudited Financial Report

Cleared with and cc: Seble Berhanu, LEGES
Federico Silver, Cities Alliance Task Team Leader
LOA Fiduciary & Controls Division
Trust Fund Accounting Clearance Team
Sample Form for Authorized Signatures

<Letterhead of Recipient>

<Recipient’s Address>

<Date>

The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Attention: <Country Lawyer’s Name, Title, Division Name>, Legal Department

Dear <Name of Country Lawyer>:

Re: Authorized Signatory Letter for Grant No. <Grant Number – Country Acronym>
Grant for <Project Name> Project

I refer to the Letter Agreement between the <International Bank for Reconstruction / International Development Association> and <name of recipient> (the Recipient), dated ______, providing the above grant. For the purposes of Section 5.4 of the Annex to the Letter Agreement, any <5one> of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign an Application for Withdrawal under this grant:

[name], [position] Specimen Signature: _______________________
[name], [position] Specimen Signature: _______________________
[name], [position] Specimen Signature: _______________________

Yours truly,
/ signed /
________________________
[position]

5 Instruction to the recipient when sending this letter to the Bank/Association: Stipulate if more than one person needs to sign applications, and how many or which positions, and if any thresholds apply.
Cities Alliance Multi-Donor Trust Fund - Papua New Guinea Settlement Upgrading Program
Grant No. TF013085 - Project ID: P128763

Interim Financial Report for the period ending [Month/day/year]

<table>
<thead>
<tr>
<th>PROJECT ACTIVITY REPORT</th>
<th>Object Class</th>
<th>Total CA approved Budget</th>
<th>Consulting Services/</th>
<th>Training/ Capacity Building</th>
<th>Dissemination Cost</th>
<th>Others</th>
<th>Total Budget by Activities for the period</th>
<th>Total Cumulative Expenses up to the period</th>
<th>Remarks</th>
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5=(1+2+3+4+5)
Cities Alliance Multi-Donor Trust Fund - Papua New Guinea Settlement Upgrading Program
Grant No. TF013085 - Project ID: P128763

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<th>Total Budget by Activities for the period</th>
<th>Total Cumulative Expenses up to the period</th>
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Notes