

Dr. Kazim Niaz
Secretary
Ministry of Economic Affairs
Islamic Republic of Pakistan
Islamabad, Pakistan

**Re: IDA Credit No. 7254 -PK (Portion A)
IDA Credit No. 7255-PK (Portion B)
(Sindh Water and Agriculture Transformation Project)
Additional Instructions: Disbursement and Financial Information Letter**

Dear Dr. Niaz:

I refer to the Financing Agreement between Islamic Republic of Pakistan (“Recipient”) and the International Development Association (“Association”) for the above-referenced Project. The General Conditions, as defined in the Financing Agreement, provide that the Recipient may from time-to-time request withdrawals of Financing amounts from the Financing Account in accordance with the Disbursement and Financial Information Letter (“DFIL”), and such additional instructions as the Association may specify from time to time by notice to the Recipient. 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 and may be revised from time to time.

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

The *Disbursement Guidelines for Investment Project Financing*, dated February 2017 (“Disbursement Guidelines”), are available on the Association’s public website at <https://www.worldbank.org> and its secure website “Client Connection” at <https://clientconnection.worldbank.org>. The Disbursement Guidelines are an integral part of the DFIL, and the manner in which the provisions in the Disbursement Guidelines apply to the [Credit] [Grant] [Financing] is specified below.

(i) Disbursement Arrangements

- **General Provisions** (Schedule 1). The table in Schedule 1 sets out the disbursement methods which may be used by the Recipient, information on registration of authorized signatories, processing of Withdrawal Applications (including the minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.
- **Special Provision**. Projects in situations of urgent need of assistance or capacity constraints: Disbursements under contracts for goods, works, non-consulting services, and consulting services procured or selected through international open or limited competition or Direct Selection, as set out in

the procurement plan for the project, must be made only through Direct Payment and/or Special Commitment disbursement methods

(ii) Withdrawal Applications (Electronic Delivery)

The Recipient shall deliver Withdrawal Applications (with supporting documents, “Applications”) electronically through the Bank’s web-based portal “Client Connection” at <https://clientconnection.worldbank.org>. This option will be effective after the officials designated in writing by the Recipient, who are authorized to sign and deliver Applications, have registered as users of “Client Connection.” The designated officials shall deliver Applications electronically by completing Form 2380, which is accessible through “Client Connection.” By signing the Authorized Signatory Letter, which can be delivered manually or electronically, the Recipient 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 these means. The Recipient may exercise the option of preparing and delivering Applications in paper form on exceptional cases (including those where the Recipient encounters legal limitations) and which were previously agreed with the Bank. By designating officials to use SIDC and 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 the Use of Electronic Means to Process Applications and Supporting Documentation, available in the Bank’s public website at <https://www.worldbank.org> and “Client Connection” at <https://clientconnection.worldbank.org>; and (b) to cause such officials to abide by those terms and conditions.

II. Financial Reports and Audits

(i) Financial Reports

The Recipient through PCMU, SIDA and ADU PMUs shall individually prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester interim unaudited financial reports (“IFRs”) for the Project covering the semester. PCMU shall prepare project annual consolidated financial management reports. The Recipient shall, through PCMU, cause the UN agency to provide financial reports as stipulated in the agreement between the Recipient and the UN agency in a timely manner.

(ii) Audits

Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Bank by the Recipient through P&D and SID PMUs not later than six (6) months after the end of such period. The Recipient shall through PCMU, cause the UN agency to provide the project audit report as stipulated in the agreement between the Recipient and the UN agency in a timely manner.

III. Other Important Information

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Bank's public website at <https://www.worldbank.org> and "Client Connection" at <https://clientconnection.worldbank.org>, the Bank recommends that you register as a user of "Client Connection." From this website, you will be able to prepare and deliver Authorized Signatory Letters and Withdrawal 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, or if you have any queries in relation to the above, please contact the Bank by email at askloans@worldbank.org using the loan name and number: *Sindh Water and Agriculture Transformation Project, 7254 or 7255-PK*

Yours sincerely,

Najy Benhassine

Najy Benhassine
Country Director, Pakistan
South Asia Region

Attachments

1. Form of Authorized Signatory Letter
2. Interim unaudited Financial Report (IFR)



With copies:

Planning and Development Department, Sindh
2nd Floor, Tughlaq House, Sindh Secretariat
Karachi, Pakistan
email address: info@sindh.gov.pk

Schedule 1: Disbursement Provisions

Basic Information					
IDA Credit Nos.	7254-PK & 7255-PK	Country	Islamic Republic of Pakistan	Closing Date	Section III.B.2 of Schedule 2 to the Financing Agreement.
		Borrower	Islamic Republic of Pakistan		
		Name of the Project	Sindh Water and Agriculture Transformation Project	Disbursement Deadline Date	Four months after the closing date
Disbursement Methods and Supporting Documentation					
Disbursement Methods	Methods	Supporting Documentation			
Direct Payment	Yes	Copy of records (e.g., invoices and receipts)			
Reimbursement	Yes	For PBC – (Category 1(b)) -Results achievement notification letter signed by the Country Director -Interim unaudited Financial Report (IFR)] in the format provided in Attachment 2 of the DFIL For Categories 1a, 2 & 3 -Interim unaudited Financial Report (IFR)] in the format provided in Attachment 2 of the DFIL			
Advance (into a Designated Accounts)	Yes	Interim unaudited Financial Report (IFR)] in the format provided in Attachment 2 of the DFIL			
Special Commitments	No	Not applicable			
Designated Account					
Type	Segregated DA-A to be managed by PCMU (category 1a and 1b) DA-B to be managed by SIDA (category 1a and 1b) DA-C to be managed by ADU (category 1a, 1b, 2 and 3)		Ceiling	Variable	
Financial Institution - Name	National Bank of Pakistan		Currency	USD	
Frequency of Reporting	Same as IFR: Semi-annual		Amount	Based on bi-annual cash forecast provided in the bi-annual interim unaudited financial reports (IUFs)	
Minimum Value of Applications (subsection 3.5)					
The minimum value of applications for Reimbursement and Direct Payment is USD 20,000 equivalent.					
Authorized Signatures					
<i>Withdrawal and Documentation Applications</i>					
<i>The form for Authorized Signatories Letter is provided in Attachment 1 of this letter</i>					
The form for Authorized Signatory Letter is provided in Attachment 1 of this letter. The ASL and all Withdrawal Applications with their supporting documentation will be submitted electronically via the Bank’s “Client Connection” system.					

Additional Instructions

1. **Disbursement for the PBCs** may be made semi-annually on reimbursement basis to the Government bank account. PBCs achieved and verified amount(s) should be at least equal to or not less than incurred eligible expenditures per IUFs. In case there are PBCs achieved and verified, up to the allocated amount will be disbursed against eligible expenditures as per Financing Agreement. . The amount disbursed will be charged to the Financing Account in the currency of the credit at the rate of exchange in effect at the time of disbursement, subject to the limits, in the currency of the credit, of: (a) the remaining undisbursed amount of the World Bank credit, and (b) the amount allocated to the specific PBC.
2. **Designated Accounts (DAs)** shall be established as per the procedure of Revolving Fund Assignment Account (RFAA) issued by Ministry of Finance, Government of Pakistan for World Bank funding. Initial advances to the DAs will be based on projected sources and application of funds for the project for the first six months period following the date of the request. Subsequent advances to the DA will be based on settlement of previous advances through expenditure reports (IUFs) and submission of withdrawal applications for documentation of eligible expenditures.
3. **Contingent Emergency Response Component (CERC)** - A separate DA will be opened, or the existing DA will be used, based upon the preference of the Government for Part 6, CERC (Category 4) if an emergency occurs.
4. **Retroactive Financing** - Funds covering retroactive financing will be provided to the Government of Sindh's Provincial Non-Food Account No. 1.
5. **Payments to UN Agencies** (if any) may be made through UN Advances (with or without a UN Commitment) disbursement mechanism. In case of a contract with a UN Agency requiring a UN Commitment, an application for issuance of UN Commitment is to be submitted by PCMU. Subsequent payments and documentation of expenditures under the contract must be made in accordance with the Commitment letter to be issued by the World Bank and the contract between the Recipient and the UN agency. In case of a UN Advance (without UN Commitment), documentation of expenditure should be made once the final invoice is issued and based on the UN Financial Report.
6. **Direct payments** method will only be used for Foreign Currency (FCY) payments outside Pakistan; Direct Payments within the country are not allowed. The Designated Account shall be used for in-country FCY and local currency payments

Other

All supporting documentation for IUFs should be retained by the Recipient and must be made available for review by the World Bank missions and auditors

**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]
[City] [Country]

[DATE]

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Attention: Mr. Najy Benhassine, Country Director

Dear Mr. Benhassine:

Re: **IDA Credit No. 7254 -PK (Portion A)**
IDA Credit No. 7255-PK (Portion B)
(Sindh Water and Agriculture Transformation Project)

I refer to the Financing Agreement (“Agreement”) between the International Development Association (“Association”) and the Islamic Republic of Pakistan (“Recipient”), providing the above Financing. 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 Recipient to sign Withdrawal Applications (“Application”) [and applications for a special commitment] under this Financing.

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

This confirms that the Recipient is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to the Association by electronic means. In full recognition that the Association 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

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 the 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 the 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 it. *Please delete this footnote in the 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 it. *Please delete this footnote in the final letter that is sent to the Association.*

Recipient represents and warrants to the Association that it will cause such persons to abide by those terms and conditions.

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

[Position]¹

Attachment 2 - Interim unaudited Financial Statements

Sindh Water and Agriculture Transformation Project (SWAT)		
(P167596)		
Designated Account Statement Activity		
For the Period Ended June, 20XX		
Deposit Bank: National Bank of Pakistan,		A/c No.:
Currency of Designated Account:		All amounts in USD
PART I		
1. Cumulative Advances by Bank to the end of Current Reporting Period		
2. Cumulative Expenditure at the beginning of Current Reporting Period		
3. Outstanding Advance to be accounted (Line 1 minus Line 2)		
PART II		
4. Opening DA balance at the beginning of Reporting Period		-
5. Add/Subtract: Cumulative Adjustment (If any) *	-	
6. Advance from World Bank during Reporting Period	-	
7. Sub total of Advances and Adjustment		-
8. Outstanding Advances to be accounted for (Line 4 plus Line 7)		-
		-
9. Closing DA balance at the end of Current reporting Period		-
10. Add/Subtract: Cumulative Adjustment (If any) *	-	
11. Expenditure for Current Reporting Period		
(a) Goods/civil works	-	
(b) Consultants' Services	-	
(c) Workshop	-	
(d) Operating Costs	-	
12. Sub total of Adjustments and Expenditure		-
13. Add Line 9 and Line 12		-
		-
14. Difference if any (Line 8 minus Line 13)		-
PART III		
15. Total Forecasted amount to be paid by World Bank		-
16. Less Closing DA balance after adjustments **	-	
17. Direct payment/Special Commitment payments		
18. Add Line 16 and Line 17		-
19. Cash Requirement from World Bank for next two reporting Periods (Line 15 minus Line 18)		-
** Closing Bank Balance		USD
Closing Balance as per DA		
Closing Balance as per PKR Account (Refer to PKR Activity Statement)		

P167596 -Sindh Water and Agriculture Transformation Project (SWAT)				
Interim Financial Report				
Sources and Uses of Funds For the Quarter Ended June, 20XX				
Particulars	Notes	Reporting Quarter/Semister	Current Financial Year	Cumulative from Start of Grant
		-----Pak Rupees-----		
Opening Cash Balance				
Add:Funds Received from the World Bank (Source of Funds)		-	-	
Add: Exchange Gain Realized on trnsfer of funds from USD DA to PKR Account		-	-	-
Cash Available (Opening Cash Balance+Sources of Funds)		-	-	-
Less:Uses of Funds-by Description/Category:				
(1)Goods/Civil Works				
(2) Consultants' Services				
(3)Training and Workshops				-
(4)Operating Costs				-
Total:Uses of Funds		-	-	-
Closing cash balance (Cash Available-Uses of Funds)		-	-	-
Uses of funds by Project Components:				
Component 1:				
Component 2:				
Component 3:				-
Total:Uses of Funds by Project Component		-	-	-

Sindh Water and Agriculture Transformation Project (SWAT)							
(P167596)							
Interim Financial Report							
Cash Forecast For the Period From							
Description of Expenditures	July	August	September	October	November	December	Total
Component 1	-						-
1.1.	-						-
1.2.	-						-
1.3	-						-
Total	-						-
				USD			US Dollars
Component 2							
2.1	-	-	-	-	-	-	-
2.2							-
2.3							-
Total	-	-	-	-	-	-	-
Exchange Rate used 1\$ =220							

Sindh Water and Agriculture Transformation Project (SWAT)							
(P167596)							
USES OF FUNDS BY PROJECT ACTIVITY							
For the Quarter Ended							
Pak Rupees							
Activity	Quarter			Cumulative for the year			Reasons for variance
	Planned	Actual	Variance	Planned	Actual	Variance	
Component 1:							
Component 2:							
Grand Total:	-	-		-	-		
Please provide a brief explanation for variances more than 15%							

P167596 - Sindh Water and Agriculture Transformation Project (SWAT)		
Proforma For Reconciliation for The Period Ended June, 20xx		
Description	PKR	USD
Op Balance as per Cashbook		
Less: Expenditure for the Reporting period		
Add: Cheques Issued but not presented		
Closing Balance as per Cashbook		
Closing Balance as per Bank Statement		
Difference	0	0

Sindh Water and Agriculture Transformation Project (SWAT)				
(P167596)				
Client Connection Reconciliation				
Total Receipts per Client Connection				
Total Receipts per books				
Difference				
Reconciling Items				
Adjusted book balance to match client connection				