

**Ministry of Innovation and Technology**  
**Ethiopia Digital Foundation Project**



**PROJECT IMPLEMENTATION MANUAL (PIM)**

**March, 2021**  
**Addis Ababa**

# Project Operation Manual (POM)

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### ABBREVIATIONS AND ACRONYMS

C	Category	PFM	Public Financial Management
CQS	Consultant Qualification Selection	PIU	Project Implementation Unit
CSC	Civil Service Council		
EA	Environmental Assessment	POM	Project Operational Manual
ECA	Europe and Central Asia	PPP	Public-Private-Partnership
EU	European Union	PSC	Project Steering Committee
FBS	Fixed Budget Selection	QBS	Quality Based Selection
PIU	Project Implementation Unit	QCBS	Quality and Cost Based Selection
PSC	Project Steering Committee	SSS	Single source selection
FM	Financial Management	GPS	Global Positioning System
FMM	Financial Management Manual	HRMIS	Human Resource Management Information System
GDP	Gross Domestic Product	IBRD	International Bank for Reconstruction Development
		IC	Individual Consultants
SH	Shopping	ICB	International Competitive Bidding
GoA	Government of Armenia	ICR	Implementation Completion Report
GPN	General Procurement Notice	ICT	Information and Communication Technologies
IT	Information Technology	IDA	International Development Association
LA	Legal Agreement	IFC	International Finance Corporation
LCS	Least Cost Selection	IFRs	Interim Financial Reports
LS	Lump Sum	ToRs	Term Of References
M&E	Monitoring and Evaluation	TTL	Task Team Leader
MoF	Ministry of Finance	US	United States
MOP	Memorandum of President	USD	United States Dollar
NCB	National Competitive Bidding	WB	World Bank
PB	Program Budgeting	WBG	World Bank Group
PAD	Project Appraisal Document		
PDO	Project Development Objectives		

ATA	Agricultural Transformation Agency
B2C	Business to Commerce
CAPEX	Capital expenditure
CBE	Commercial Bank of Ethiopia
CPF	Country Partnership Framework
ccTLD	Country-code top-level domain
COPCD	The Channel One Programs Coordinating Directorate
CPF	Country Partnership Framework
DBE	Development Bank of Ethiopia
DDP	Digital Development Partnership

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DE4A	Digital Economy for Africa
DPF	The Development Policy Financing
ECA	Ethiopian Communications Authority
EthERNet	Ethiopian Research and Education Network
EU	European Union
FM	Financial Management
GEM	Gender Empowerment Measure
GIF	Global Infrastructure Facility
GoE	Government of Ethiopia
GRS	Grievance Redress Service
GSMA	Global System for Mobile Communications Association
HHI	Herfindahl-Hirschman Index
ICT	information and communication technologies
IDA	International Development Association
IFC	International Finance Corporation
IOT	Internet of things
IP	Intellectual property
IPF	Investment Program Financing
IPR	Inadequate protection of intellectual property rights
IRU	Indefeasible right of use
ISPs	Internet service providers
JCC	Jobs Creation Commission
MCIT	Ministry of Communication and Information Technology
MDAs	Ministries, Departments and Agencies
MFD	Mobilizing Finance for Development
MInT	The Ministry of Innovation & Technology
MOF	Ministry of Finance
MoSHE	Ministry of Science and Higher Education
MoST	Ministry of Science and Technology
MoTI	Ministry of Trade and Industry
NBE	National Bank of Ethiopia
NREN	Ethiopia's National Research and Education Network
OECD	Organization for Economic Co-operation and Development
OER	Open Educational Resources
PCU	Program Coordinating Unit
PDO	Project Development Objective
PEHAA	Public Enterprise Holdings and Administration Agency
PIU	Project Implementation Unit
PPA	Project Preparation Advance
PPIAF	The Public Private Infrastructure Advisory Facility
SCD	Systematic Country Diagnostics
SME	Small and Medium-sized Enterprise
SOE	State Owned Enterprise
SSA	Sub-Saharan Africa
STEM	Science, Technology Engineering and Math
USF	Universal Service Fund
WB	World Bank

## 1 INTRODUCTION

This Project Operational Manual (POM) outlines the main principles, procedures, and guidelines for the implementation of Ethiopia Digital Foundations Project (the Project) financed out of the World Bank's proceeds based on a Financing Agreement executed between the World Bank and Federal Democratic Republic of Ethiopia.

The POM should be in conformity with the Financing Agreement, Project Appraisal Document (PAD), World Bank Procurement Regulations for IPF borrowers (Borrowers Regulations), Financial management, Environmental and Social Safeguards requirements. In case of any inconsistency between the provisions of the POM and the listed formal rules and agreements, the provisions of the listed formal rules and agreements shall prevail. Changes and amendments of the POM may be initiated to reflect new developments, to ensure effectiveness and quality of the Project implementation or to eliminate any inconsistencies between the POM and the listed formal rules and agreements. Proposals for changes and amendments are subject to World Bank review and clearance and approval by the Project Steering Committee (PSC).

The POM also includes the Financial Management Manual (FMM), which describes the financial management arrangements under the Project.

## 2 PROJECT DESCRIPTION

**The Ethiopia Digital Foundations Project is intended to develop Ethiopia's digital economy.** It will enable its citizens, businesses and Government to reap digital dividends in the form of faster growth, lower transaction costs, more jobs and greater efficiency. It will support the necessary steps to introduce market competition, private sector participation, foreign investment and independent sector regulation. The country must also expand and strengthen its basic digital infrastructure, especially the fiber network and mobile broadband, towards achieving the African Union goal of universal affordable and quality broadband access by 2030. Experience elsewhere, notably under other IDA-financed programs (e.g. RCIP, WARCIP, CAB) indicates that this can best be achieved by employing an MFD approach. A particular area of focus will be enhancing broadband services to Government and better serving universities and Government offices in provincial areas. The country needs to generate opportunities for new jobs through its investments and reforms in digital transformation, and this will help in creating an ecosystem in which new digital start-ups can thrive. There is also a need to ensure that offline citizens also benefit from the push towards the digital economy. Finally, a Contingent Emergency Response has been added to the program design to allow for greater flexibility in responding to emerging issues during the duration of the project.

Large volumes of personal data, personally identifiable information and sensitive data (Data) are likely to be collected and used in connection with the management of [this crisis] under circumstances where measures to ensure the legitimate, appropriate and proportionate use and processing of that Data may not feature in national law. In order to guard against abuse of that Data, the Project will incorporate best international practices for dealing with such Data in such circumstances. Such measures may include, by way of example, data minimization (collecting only Data that is necessary for the purpose); data accuracy (correct or erase Data that are not necessary or are inaccurate), use limitations (data are only used for legitimate and related purposes), data retention (retain data only for as long as they are necessary), informing data subjects of use and processing of data, and allowing data subjects the opportunity to correct information about them, etc.

### 2.1 Project Components

#### Component 1: Digital Economy, enabling legal and regulatory environment

The aim of this component is to strengthen the analog foundations of the digital economy, in particular policy-making, and effective regulation for the telecommunications sector and for the development of digital entrepreneurship. A strong telecommunications sector is built on market competition, private sector participation and effective, independent regulation – all of which have been lacking in Ethiopia to date.

**Sub-component 1.1: Partial privatization of Ethio Telecom.** This subcomponent will finance technical assistance and support for the partial privatization of Ethio Telecom.

**Sub-component 1.2: Strengthening independent ICT sector regulation.** A critical part of the overall process of telecom reform is the need to strengthen the sector regulator, the ECA, so that it can function effectively as an independent, transparent, efficient and accountable regulatory body.

**Sub-component 1.3: Supporting the development of the Digital Economy.** Although the main focus of this component is on the partial privatization of Ethio Telecom and strengthening the regulatory authority, there are a number of other tasks associated with creating a vibrant, inclusive and safe digital economy in Ethiopia, and where the project can provide support or act as a complement.

#### **Intermediate indicators, for component 1, include:**

- (a) Climate Indicator: Increase in the number of citizens able to receive alerts via their phone (eg for extreme weather events);
- (b) Number of telecom service licenses awarded by ECA, including class licenses;
- (c) Percentage of population covered by at least 3G mobile network signal;
- (d) Percentage of population covered by at least 4G mobile network signal.

#### Component 2: Digital Government and Connectivity

**The objective of this component is to develop the capacity of GoE to deliver digital services,** and to crowd-in private sector investments to improve regional and domestic connectivity infrastructure, to connect public institutions and educational institutions to broadband internet. It will build upon the market opening measures supported in Component 1 to stimulate private-sector-led investment to expand the geographic coverage of broadband networks, to better serve Government institutions, businesses and citizens across the country. This component will support the following activities:

**Sub-component 2.1: Digital Government and COVID-19 response.** This sub-component will help build GoE's capacity to deliver digital services, and to respond to the COVID-19 pandemic, including by (i) developing a Government ePortal accessible by citizens and firms, (ii) improving Government facilities for remote working, and (iii) building the digital skills of Government officials.

**Sub-component 2.2: Connecting targeted public institutions to broadband.** This sub-component will support GoE's efforts to enhance its level of digital connectivity to Government offices and public institutions across the country. This sub-component will seek to incentivize private sector investment in internet connectivity (roll-out of fiber-optic networks and 4G/5G mobile networks), using provision of services to public institutions as an anchor tenant for wider geographical service provision.

**Sub-component 2.3: Connecting selected educational institutions to broadband.** As an extension of the drive to all Government MDAs, this sub-component will focus on connecting selected educational institutions to high-speed internet services. This sub-component will be implemented in partnership with EthERNET, Ethiopia's National Research and Education Network (NREN), part of the Ministry of Science and Higher Education (MoSHE).

### Intermediate indicators, for component 2, include:

- (a) Number of Government services accessible from the ePortal;
- (b) Number of ministries, departments and agencies served with enhanced connection to broadband internet, under the project.
- (c) Number of universities and TVETs (and later schools) connected to broadband internet.

### Component 3: Digital Business and Entrepreneurship

**This component aims to nurture digital entrepreneurship and incentivize digital businesses to train, provide digital devices, and employ Ethiopians to participate in the digital economy, and thereby to generate income and jobs.** It includes a technical assistance sub-component to MInT for digital market regulations and implementation.

**Subcomponent 3.1 Grants to digital start-ups and digital businesses.** This subcomponent introduces two financing windows for digital start-ups and digital businesses given the nascent stage of Ethiopia's digital start-up ecosystem, as demonstrated by limited sector performance in terms of the number of successful digital start-ups and participation by offline MSMEs and individual contractors to adopt digital business models and participate in the digital economy:

- a) Window 1 is a co-investment grant aimed at *helping digital start-ups* gain access to risk capital, knowledge and networks to start operating as a viable business, following an MFD approach.
- b) Window 2 is aimed at *incentivizing more established digital businesses* to provide training, digital devices and other support to Ethiopians to participate in the digital economy by becoming suppliers of goods/services for productive purposes (e.g. enabling offline farmers to sell products via eCommerce and earn higher income).

**A matching grants instrument has been chosen as the most appropriate mechanism to support digital start-ups and digital businesses given the current Ethiopian context.** As part of the TA program for MInT, under subcomponent 3.2, creating a more sustainable early-stage financing mechanism, such as potentially setting up a “fund of funds” or “capital guarantee fund” can be supported by this project.

The Matching Grants Manual will set out the criteria and verification method by which eligible digital businesses and eligible expense items in the income statement, can qualify for the cost reimbursements. Grants Manual will provide detailed guidelines on selection, management, implementation and other procedural issues of Grants made to beneficiaries/digital start-ups are managed or administered.

Matching Grants Manual will be finalized before disbursements for the Subcomponent 3.1 and approved by the World Bank and PSC.

Technical Assistance to the Ministry of Innovation and Technology. As digital businesses start operating and growing, this subcomponent will also provide capacity building to MInT for harmonizing Ethiopia with the regional digital single market initiative under the proposed *Horn of Africa Digital Foundations Initiative*.

### Intermediate indicators, for component 3, include:

- (a) Number of owners of digital start-ups receiving digital economy training (e.g. digital entrepreneurship, finance literacy) under the project.
- (b) Number of owners of offline Micro Small and Medium-Sized Enterprises and farmers receiving benefits (e.g. digital platform training, access to digital devices) under the project.



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- (c) Increase in the number of digital start-ups created that use a digital technology solution<sup>1</sup> for commercial purposes, of which percentage with female ownership.
- (d) Number of digital platform and data firms operating in the country, including MSMEs, to contribute to digital economy growth.

### Component 4: Project Management

Subject to the Fiduciary Assessment, it is envisioned that the Project Implementation Unit (PIU) will be set up at the Ministry of Innovation and Technology (MInT), to become operational once the project becomes effective.

Component 4 would consist of support to finance project management related issues including project coordination, procurement, financial management, monitoring & evaluation, project communication, citizen engagement, and environmental and social safeguards. This component would also provide support through office equipment, incremental operating costs, and audits. In addition to MoF (for the PPA, and ongoing work on component 1) and MInT (for all components), the Public Enterprises Holding and Administration Authority (PEHAA) would oversee the partial privatization of Ethio Telecoms under sub-component 1.1 and ECA would have a significant role in implementing component 1.2. Similarly EthERNET, within the Ministry of Science and Higher Education, will assist in implementing sub-component 2.2. In addition to recruiting staff members of the PIU, for safeguards, procurement, FM, monitoring and evaluation etc., the project may also recruit technical specialists to assist with implementation, for instance the team of advisors currently working with ECA, as well as technical specialists on Government and higher education connectivity, and for digital business and entrepreneurship. The project will emphasize gender equity in recruitment and retention by ensuring inclusion of women in all decision-making bodies under the project.

### **Intermediate indicators, for component 4, include:**

- Citizen Engagement Indicator: Percentage of grievances registered that receive an adequate response within 30 days.

### Component 5: Contingent Emergency Response Component

A Contingent Emergency Response Component<sup>2</sup> (CERC) is added to the project structure. This will have an initial zero value but may be financed during the course of the project to allow for an agile response to an eligible crisis or emergency. Adding the component in from the beginning, albeit with zero funding, provides for flexibility to respond to crises as they arise, and the PIM will be adapted to guide the utilization of this component including risk mitigation strategies. These could include, for instance, humanitarian crises which require the provision of emergency communications services to replace facilities that have been damaged, or to facilitate emergency humanitarian payments using mobile money. The primary issue at the time of writing is the Coronavirus (COVID-19) pandemic which requires an urgent response, for instance in the form of additional broadband internet capacity for Government offices, especially health centers and hospitals, and for Government employees working from home.

## **2.2 Project Management**

Project management will be the responsibility of a Project Coordinator, who will report to the Project Steering Committee (PSC). The Project Coordinator will oversee Project implementation, provide advice and support to the agencies/ministries participating in the Project, and report to the Project Steering

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<sup>1</sup> Digital technology is the representation of information in bits. It refers to technologies that reduces the cost of storage, computing and transmission of data, such as electronic tools, information systems, devices, websites -- Adapted from Goldfarb, Avi, and Catherine Tucker. 2019. "Digital Economics". Journal of Economic Literature, 57 (1): 3-43.

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Committee on Project implementation. The Project Coordinator will be supported by technical and administrative support staff. The implementation of the different Project components is the responsibility of the various government agencies involved in the Project.

### 2.2.1 Project Steering Committee and its Role

**The PIU will be guided by** a Project Steering Committee (PSC) comprising all relevant entities, chaired by a State Minister of MInT (or his/her designee) and including the MoF, the ECA, Ministry of Peace, Ministry of Science and Higher Education (MoSHE)/ EthERNet, the Jobs Creation Commission and the Ministry of Trade and Industry. A Technical Committee, appointed by and reporting to the PSC, will conduct specific tasks, such as managing the grants and Monitoring and Evaluation (M&E) reporting process for Component 3. The Technical Committee will extend its consultations to the private sector, including the new market entrants. Terms of reference for the PSC and technical committee will be defined during project preparation.

The PSC can be established pursuant to the Prime Minister's Decree. Detailed responsibilities of the PSC will be defined in the Terms of Reference or PSC's Charter.

The PSC will provide political support and strategic guidance to Project activities; support the implementation of policy changes; approve and submit draft legislative acts and regulations to the Cabinet; resolve inter-agency coordination issues; and assist in building support for reforms and overcoming resistance to them. The PSC will also carry out the following functions: approval of Procurement plans, annual budgets, important financial management and procurement documents, ensure that adequate budget provisions for the Project are made in the national budget etc.

### 2.2.2 PIU and its Role

MInT will be responsible for procurement implementation. A Project Implementation Unit will be established under MInT that will be populated with qualified staff to process implementation of project activities. The procurement decision making process will utilize the internal institutional structure of MInT, including the Tender Endorsing Committee. As the Project's Implementing Agency for procurement, the MInT will process procurement activities on behalf of the project beneficiary institutions, ECA (for sub-component 1.2) and EthERNet (for sub-component 2.3). The Unit will closely coordinate with these beneficiary institutions for their respective technical input at each stage of the procurement process. The MInT will take over initiated activities from COPUC that had been implementing activities under Project Preparation Advance.

The new PIU will be serving as a Project implementation unit (PIU) for the Project and will be responsible for the fiduciary aspects of the Project. These include procurement and financial management (FM) functions including financial planning and budgeting<sup>2</sup>, accounting, financial reporting, arrange external auditing, funds flow, and internal controls.

The PIU will be responsible for ensuring that procurement of works, goods and services is done in a timely manner in accordance with World Bank Procurement Regulations, managing Project funds, monitoring and administering contracts, maintaining accounts, preparing financial management reports and getting the accounts audited annually (within 6 months of the end of each fiscal year).

The PIU should have the following key staff: (i) Project Coordinator, (ii) Procurement officer (iii) Financial officer or an Accountant (iv) Environmental officer (v) Social management officer all recruited in accordance with the provisions of the Procurement Regulations.

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<sup>2</sup> PIU is responsible for planning and budgeting based on the inputs provided by the project's Beneficiaries.

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In particular, the Procurement officer is expected to attend World Bank mission meetings and will work with the Project Coordinator in updating the PP as needed and as agreed between Beneficiaries and the World Bank.

The main responsibilities of PIU include but not limited to the following:

	Main Responsibilities
Procurement	<ul style="list-style-type: none"> <li>• Develop and update the Procurement Plan (by method of procurement, types, quantities of packages, method of selection, etc.);</li> <li>• Monitor procurement activities to initiate the appropriate extensions (if any) of validity of bids/proposals and contracts on timely manner (i.e. before expiration of those);</li> <li>• Review technical specifications/TORs from the procurement point of view;</li> <li>• Prepare the bidding documents in accordance with the World Bank Standard Bidding Documents. Obtaining requisite of no objections from the Bank. Issuing the bidding documents to the potential bidders;</li> <li>• Prepare notification of bidding opportunities through advertising, as appropriate</li> <li>• Receive bids/proposals and keeping them safe and confidential until public opening;</li> <li>• Assist the evaluation committee members in the evaluation of the bids /technical and financial proposals in accordance with the World Bank regulations;</li> <li>• Check the compliance of the bids/proposals, securities, MAFs, insurance etc. to the specified requirements;</li> <li>• Prepare evaluation reports and recommendations for contract awards;</li> <li>• Prepare and finalize Request for Proposals packages for each consultancy assignment;</li> <li>• Prepare amendments to the bidding documents, Requests for Proposals, or contracts, as necessary;</li> <li>• Report procurement status for each process to the Client or Project Manager on a monthly basis or as required;</li> <li>• Advertise procurement notices and publish contract awards;</li> <li>• Use STEP System to create and track procurement activities under the projects.</li> <li>• Use STEP System to create all procurement notices under the Project, including the General and Specific Procurement Notices (for contracts to be bid under ICB's), Requests for Expression of Interest and Contract Award Notices, where required.</li> <li>• File and keep records of all documents for audit and World Bank post reviews; and</li> <li>• Any other procurement-related tasks as maybe assigned.</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• Maintain the Project records and accounts according to generally accepted accounting principles and practices and Armenian legislation;</li> <li>• Ensure that all Project accounts are maintained in accordance with the World Bank relevant regulations and guidelines;</li> <li>• Establish and operate adequate and reliable financial management system for the Project, including financial planning and accounting system/software;</li> <li>• Provide accurate utilization of the financial resources of the Project;</li> <li>• Register the proceeds and inventory of the Project;</li> <li>• Provide relevant support to responsible person in MInT staff in managing the established Project Designated Account ,</li> </ul>

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	<ul style="list-style-type: none"><li>• Preparing requests for Special Commitments, provide support to responsible person in MInT staff with opening Letters of Credit (if required for the Project implementation); and preparing payment orders and making payments from the Designated Accounts;</li><li>• Manage the disbursement of Project funds; and preparing Withdrawal Applications (WAs) according to the World Bank and MoF (Treasury) procedures; preparing all necessary documentation (SOEs/Summary Sheets, supporting documentation, records, etc.) and provide them to responsible person in MInT staff after which they are submitted to the World Bank for replenishment/recovery of the Designated Accounts on timely basis;</li><li>• Conduct regular reconciliations of bank/treasury account balances to the Project accounts, as well as to the World Bank Client Connection System;</li><li>• Ensure that the Project accounting system is reliable for preparation of regular (quarterly or semi-annual) Interim Unaudited Financial Reports (IFRs). Preparing and submitting them to responsible person in MInT staff after which they are submitted to the World Bank the IFRs in time and manner indicated in the Loan Agreement. Preparation of statutory monthly, quarterly and annual financial reports as required by the local legislation;</li><li>• Project's financial planning and annual budget preparation and execution in co-operation with the Project procurement specialist and responsible person in MInT staff;</li><li>• Maintain the contracts, signed under the Project and execution of payments under such contracts; and maintaining contract management/monitoring system for the Project in order to prevent payments against ineligible expenditures as well as overpayments under contracts;</li><li>• Prepare the Project financial statements to be audited and coordinating the audit arrangements of the Project and cooperate with auditors; and ensuring that all Project accounts are maintained in accordance with the World Bank regulations for auditing by independent auditors acceptable to the World Bank and on terms of reference acceptable to the World Bank. Providing the project's auditor a description of the systems, procedures and documents used to ensure that World Bank requirements are met;</li><li>• Provide the Auditor with access to copies of all necessary documentation, information and supportive materials. This information will include memos of all management and World Bank missions;</li><li>• Ensure that the financial management systems and procedures include adequate internal control systems to provide reasonable assurance that (a) operations are being conducted effectively and efficiently; (b) financial and operational reporting are reliable; (c) applicable laws and regulations are being complied with; and (d) assets and records are safeguarded; and</li><li>• Manage the flow of funds under the Project and ensuring that there are adequate controls over the funds flow.</li></ul>
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### 2.2.3 Detailed Division of Responsibilities for Project Implementation

On a day-to-day basis, the Project Implementation Unit will closely cooperate with beneficiary institutions for their respective technical input at each stage of the procurement process. The implementation of the different Project components and activities are the responsibility of the Beneficiary Agencies and the Project Implementation Unit established under MInT.

Each Beneficiary Agency will be responsible for implementation of respective Project activity relevant for them and will: organize and oversee the activity implementation, disseminate information about

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activity objective, will prepare and finalize Bill of Quantities (BOQs) for works, Terms of References (TORs) for consulting services or Technical Specifications (TSs) for goods to be procured for the relevant activity, (including setting out outputs, qualification/post qualification requirements), participate in evaluation of proposals and bids, as required, provide required support to the contracted consultants and suppliers during contract execution, review and approve the consultants reports.

PIU will provide the Beneficiary Agencies the template TORs and ensure the compliance of proposals from Beneficiaries to the template.

Project management will be the responsibility of a Project Coordinator who will report to the PSC. The Project Coordinator supported by the PIU staff will oversee Project implementation, provide advice and support to the agencies participating in the Project, and report to the PSC on Project. The Project Coordinator will be Coordinator for developing and updating the Project Implementation Plan (PIP), ensuring that Project activities are implemented according to the PIP, reporting on Project progress to the PSC and the World Bank, ensuring adequate budget appropriations are made for the Project in the national budget, facilitating the work of the Beneficiary Agencies. Beneficiary Agencies are responsible for the reviewing of consultants' relevant outputs, organizing acceptance and testing of IT software and hardware, etc. The Project Coordinator should be informed on all processes made under Project, including acceptance of works, services and goods provided. .

Upon receipt of the TORs for consulting services, TSs for goods (hereinafter: Documents on Scope) and BOQs for works to be procured the PIU reviews the Documents on Scope to assess the substance, as well as determine the correspondence with component objectives and review the fiduciary aspects of the Documents of Scope. PIU shall present the Documents on Scope (or where necessary required procurement document), which subject to World Bank "Prior Review" for the WB review and no-objection.

When the PIU prepares the Request for Proposal (RFP) and presents it for the Bank's review and approval the PIU formally confirms that following the approval of the Bank and PSC no changes have been made to the Documents on Scope, or, alternatively, makes a specific reference to the changes to seek Bank's approval to such changes. Unless changes have been made the Documents on Scope are not subject of further review and comments. In case of inconsistencies between the Documents of Scope and the other sections of the RFP, such inconsistencies should be eliminated only through relevant adjustment in the other sections. Subsequent to this, PIU proceeds with procurement process and receives proposals/ from interested Consultant companies.

The Evaluation Committee, established for each assignment, undertakes the process of selection (which include the evaluation of EOIs/Proposals) of consultants or evaluation of bids, with compulsory involvement of the Specialists of the relevant responsible Beneficiary Agency and the PIU procurement officer (with no right to evaluate).

The selection/evaluation decision will take effect:

- (a) in the case of Prior Review Contracts, after approval by WB and after that approval by the PSC (if necessary),
- (b) in the case of Post Review Contracts, after approval by the Project Coordinator

After relevant approvals of the selection decision, the responsible Beneficiary Agency and the PIU will proceed with further steps stipulated by the particular/used procurement/selection method.

For all contracts, whether subject to the Bank's prior review or post review, the PIU shall publish a public notice of award of contract (Contract Award Notice) within 10 (ten) Business Days from the Notification of Contract Award to the successful Bidder/Proposer/Consultant or as per procedure and the timeframe



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possible by WB STEP System. Contracts with successful consultants/suppliers/contractor shall be signed by the Project Coordinator and by the Head of the relevant Beneficiary Agency acting jointly as Client/Purchaser/Employer on behalf of Ethiopia.

The relevant Beneficiary Agency is responsible for coordination of the Suppliers/Consultants/Contractors activities in the framework of contracts and signing of Letter/Act/Certificate of acceptance<sup>3</sup> for the specific Project activity which is implemented by it. The PIU will be responsible for ensuring the bidding/selection process is in accordance with the World Bank Procurement Regulations and payments for the supplied goods and performed services and works on the basis of the Letter/Act/Certificate of acceptance signed by the Head of the relevant Beneficiary Agency and approved by the PSC (if required by the Terms of Reference/Charter). A copy of the signed contracts will be furnished to PIU to oversee Project implementation, provides advice and supports to the relevant Beneficiary Agency participating in the Project, and reports to the PSC on Project implementation. For all contracts, whether subject to the Bank's prior review or post review, the Contracts will be uploaded into the Step System.

In a case of Contract Amendment one copy of all amendments to the contract will be furnished to PIU.

If complaints/ requests for debriefing are received from Consultants/Bidders, Project Coordinator will take the actions agreed with the relevant Beneficiary Agency in accordance with the procedures specified in the World Bank Procurement Regulations.

Inventory of goods procured will be made by the relevant Agency which are supported by the project and the entire process will be coordinated by the Project Coordinator.

Upon approval of the reports and Act of acceptance by the relevant Beneficiary Agency and acceptance of Goods supplied and performed works and services, The Letter/Act/Certificate of acceptance signed by the head of the relevant Client/Purchaser/Employer will be submitted for the PSC's approval (if required by the PSC's ToR/Charter).<sup>4</sup> Upon approval of the Letter/Act/Certificate of acceptance the PIU shall make relevant payments in accordance with Contract provisions.

The following procedures will be applied in the cases specified below:

- a) For services performed and goods supplied which cost less than US\$100,000 USD:
  - Terms of References; Technical Specifications; Bill of Quantities or bidding documents shall be approved by the Project Coordinator in consultation with Chair of the PSC;
  - The composition of the Evaluation Committee, Evaluation committees' evaluation reports shall be approved by the Project Coordinator in consultation with Chair of the PSC;
  - The Letter/Act of acceptance that serves as basis for payment which is signed by the head of the Beneficiary Agency shall be submitted for approval of Project Coordinator in consultation with the PSC Chair; upon approval the PIU shall make relevant payments in accordance with contract provisions.
- b) The contractual arrangements with new Contracts with TORs shall be approved by the Project Coordinator in consultation with Chair of the PSC;

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<sup>3</sup> In a case of Consultant Services after submission of reports/deliverables by the Consultant, the Responsible Beneficiary agency within 2 weeks should provide its comments to the Consultant otherwise should issue the acceptance of services, in a form of Letter of acceptance and provide through the Project Coordinator to PSC. In a case of supply of Goods and/or Performance of Related Services and Works implementation after the goods are delivered and/or services and works are performed the Responsible Beneficiary agency within 2 weeks should Accept, in a form of Act of acceptance or not Accept, by justifying to Head of PSC why the Goods and/or Related Services are not acceptable.

<sup>4</sup> This procedure is internal and there are no risks associated with it.

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- c) All study tours’/workshops’/trainings’ budgets envisaged under the Project shall be approved by Project Coordinator in consultation with the Chair of the PSC.

Financial management and Procurement arrangements envisaged under the Project are specified in Annex 1.

### 2.3 Incremental Operating Costs

“Incremental Operating Costs” means the reasonable operational costs (which would not have been incurred absent the Project) incurred by PIU related to Project implementation, including, *inter-alia*: non-durable goods (such as, office supply, minor office equipment, vehicle and equipment maintenance, costs for fuel, literature, field trips, meetings and in-country travel costs related to the Project (including accommodations, transportation costs and per diem), PIU’s Staff/Consultants salaries/fees (excluding civil servants’ salaries) Staff/Consultants health insurance and social benefits, communication costs, reasonable banking charges and media advertisement costs, and other expenses that may be agreed with the Bank during the Project implementation.

The procedure of these expenditures to be made under the Project is specified in the attendant FMM.**GRIEVANCE REDRESS SERVICES**

The project will set up a Grievance Redress Mechanisms (GRM) for people to report concerns or complaints, if they feel unfairly treated or are affected by any of the subprojects. The project will ensure that the GRM is suitable to address more sensitive type of grievances such as Gender Based Violence (GBV) and Sexual Exploitation and Abuse related issues. Citizens can register complaints about implementation of various development activities, resettlement (if any), and any other perceived abuses of the project. The grievance committee at the various levels will address such complaints, including logging, tracking, and resolving grievances promptly during and after the implementation of the Project, a social monitoring and evaluation survey will be conducted to evaluate the impact on vulnerable groups among women. The surveys will use gender-disaggregated data to determine and verify citizen’s perceptions of the project’s activities and will serve as a tool to define gender or social issues. The recommendations will be used to deepen improvements in the telecom sector.

### ANNEXES:

ANNEX 1: Financial management and Procurement arrangements

ANNEX 2: Financial Management Manual

### ANNEX 1: Financial management and Procurement arrangements

#### 1. FINANCIAL MANAGEMENT

PIU is responsible for maintaining adequate financial management (FM) system under the Project, including planning and budgeting<sup>5</sup>, accounting, internal controls, funds flow including disbursement arrangements, financial reporting and auditing under the Project. The detailed FM arrangements under the Project are described in the FMM (Annex 2).

The Project accounting will be maintained on accrual basis, while for the Project financial reporting purposes cash basis IPSAS will be adopted.

PIU shall prepare a full set of semiannual IFRs and furnish the Bank not later than forty five (45) days after the end of each calendar semester covering the semester, in accordance with the respective provisions of Loan Agreement.

PIU will establish and manage a Designated Account (DA), in USD, specifically for this Project in the State Treasury. In addition the government co-financing account, also to be managed by PIU, will be established in the State Treasury.

For the project, MInT will ensure that the project accounts are audited annually. The annual audit report (annual audited financial statements with audit opinion including Management Letter) will be submitted to the World Bank within six months from the end of the fiscal year. The audit firm recruitment will be made by MInT as early as possible using the audit TOR agreed with the Bank. The auditors will conduct audit on all the three entities involved in the Project. The audit will be carried out by the Office of the Federal Auditor General (OFAG), or a qualified auditor nominated by OFAG and acceptable to the Bank. The audit will be carried out in accordance with the International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC). In accordance with the Bank's policies, the Bank requires that the client disclose the audited financial statements in a manner acceptable to the Bank; following the Bank's formal receipt of the statements from the client, the Bank makes them available to the public in accordance with The World Bank Policy on Access to Information.

#### 2. PROCUREMENT

Procurement will be carried out in accordance with the World Bank Procurement Regulations for IPF borrowers (Borrowers Regulations), July 2016, revised November 2017 and August 2018; the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, revised July 1, 2016; and the provisions stipulated in the Financing Agreement.

Detailed information on the Procurements Procedures, Procurement Methods and Thresholds for Procurement Methods are set forth in the Financing Agreement and PAD.

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<sup>5</sup> PIU is responsible for planning and budgeting based on the inputs provided by the project's Beneficiaries.



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### ANNEX 2: Financial Management Manual

#### Ethiopia Digital Foundations Project

#### FINANCIAL MANAGEMENT MANUAL (FMM)

##### ACRONYMS

WB	The World Bank
IBRD	International Bank of Reconstruction and Development
IDA	International Development Association
MOF	Ministry of Finance
PSC	Project Steering Committee
PIU	Project Implementation Unit

## CHAPTER I: The PROJECT

### Introduction

Financial Management Manual (FMM) was developed to assist in ensuring the orderly and efficient management and control of all Project resources, and to render proper accountability to all Beneficiaries. It is concerned with effective financial control over Project assets, liabilities, funds, and expenditure together with the systems required to account for the financial operations of the Project. It sets forth the policies and procedures for the guidance of all personnel charged with financial responsibilities. The policies and guidelines convey standards for sound financial management and administration for the Project. In specific terms, the policies and procedures are designed to:

- Promote orderly, economic, efficient and effective operations consistent with Project objectives;
- Prevent and detect fraud and errors;
- Ensure accuracy and completeness of the accounting records;
- Facilitate timely preparation of financial information and ensure that financial statements are fairly and accurately presented;
- Safeguard Project assets; and
- Ensure compliance with applicable laws, financial policies and regulations

The Financial Management Manual reflects the Financial Management (FM) arrangements under the Ethiopia Digital Foundations Project (EDFP) that are to be applied by PIU to establish an effective Financial Management and to ensure efficiency, effectiveness and economy of the use of the financial resources of the Project.

The project will be implemented under the leadership of the Project Steering Committee (PSC). The PSC will provide political support and strategic guidance to project activities; support the implementation of policy changes; approve and submit draft legislative acts and regulations to the Cabinet; resolve inter-agency coordination issues; and assist in building support for reforms and overcoming resistance to them as a Project Steering Committee including approval of project implementation plans, the Operational Manual including FMM, annual budgets, important financial management and procurement documents, etc.

On a day-to-day basis, project activities will be managed by the Project Implementation Unit and Project Coordinator, who will be hired by the PSC and will be funded by the project.

The responsibility for the fiduciary aspects of the Project (including financial management and procurement) in applying the requirements of the Financial Management Manual will be carried out by PIU.

The objectives and the components of Ethiopia Digital Foundations Project are outlined in the Project Appraisal Document.

The Financial Management Manual is an integral part of the Operational Manual of project. Any change to the FMM and the project Operational Manual should be agreed with the World Bank and approve by Project Steering Committee.

The Project consists of the following Components:

Component 1: Digital economy, enabling legal and regulatory environment. -20m

Component 2: Digital connectivity and skills-100m

Component 3: Digital business and entrepreneurship-25m

Component 4: Project Management-5m

### CHAPTER II: FINANCIAL MANAGEMENT PROCEDURES

The Financial Management arrangements to be implemented applied by the PIU to manage Project activities are described below. Each of the individual Project Components should follow those procedures in order to help to maintain an effective internal control for the effective use of project resources.

#### Planning & Budgeting

2. **Budget preparation:** The budgeting process of the three implementing entities' (MInT, ECA, MoSHE) follows the Federal Government of Ethiopia's budgeting procedure and calendar. As indicated in the 2018 PEFA, a clear annual budget calendar exists in the FG. The federal budgeting process usually starts by issuing the Budget Call Circular (BCC) to the budgetary units. Based on the BCC and the budget manual, the budgetary units prepare their budgets in line with the budget ceilings and submit these to MoF within six weeks following the budget call. The budgets are reviewed at first by MoF and then by the Council of Ministers. The final recommended draft federal budget is sent to parliament at least one month before the start of the new year and is expected to be cleared at the latest by end of the fiscal year.

3. The three entities received the budget notification for EFY 2013 from MoF in the beginning of July 2020. All have prepared an action plan and submitted it to MoF. The total approved budget for EFY 2013 for MInT is Birr 1,260,563,022 (recurrent Birr 471,667,282 and capital Birr 788,895,740), ECA's budget is Birr 124,262,548.54 (only recurrent budget) and MoSHE's budget is Birr 1,385,841,400 (recurrent Birr 379,227,400 and capital Birr 1,006,614,000). All the three entities have recorded the annual budget in their accounting system maintained.

4. **Budget performance:** In EFY 2012, MInT utilized 73.67% of its capital budget of Birr 661,600,000 and 54% of its recurrent budget of Birr 448,724. MoSHE utilized 77% of its recurrent budget Birr 294,720,117.15, 14% of the capital budget Birr 603,991,000.00 and 69% of its project budget (for new university construction) of Birr 3,524,376,426.50. Since ECA was established only in mid EFY 2012, MoF only allocated an operating budget and as such budget performance was not assessed. The low budget utilization for recurrent cost needs attention and redress. The Project will factor this issue and identify ways to address it.

5. **Budget control:** The budget control both at transaction and reporting level is found to be reasonable at the three entities. Request for payments are tracked against the budget balance before payment is effected. Comparison of budget with actual expenditure is prepared monthly and major variances are reviewed by management and explanations and justifications are provided. However, the MInT audit report revealed significant budget overruns without making budget transfers. This is a key lesson learned for the project and will be mitigated as such.

6. **Budget arrangement for the project:** The project will follow the FGE's budgeting procedure and calendar. The PIU to be established at MInT, in consultation with the implementing entities, will prepare a consolidated Annual Work Plan and Budget (AWPB) for the project, based on the project's objectives, resources, costing estimates, past trends, etc. The AWPB will identify the activities to be undertaken by implementing entities as well as spending categories. The project budget preparation should be prudent, realistic, and made with professional estimates to avoid unrealistic budgets. Once the AWPB is approved by the Project Steering Committee (PSC), it will be submitted to the World Bank, no later than March 31st of each year, for No Objection. The project annual budget will be proclaimed under MInT. The Project will ensure that there is robust budget monitoring and control mechanisms in place. Budget monitoring system will be at transaction level (checking availability of budgets before approving payments), at the system level (using the accounting system/software in place to flag or identify or lock budget overruns and underspends as appropriate) and at the reporting level (using quarterly IFRs). At the reporting level, the budget utilization of the project will be monitored at least quarterly and budget variances will be adequately explained and justified through the quarterly IFRs. These budget preparation

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and budget monitoring arrangements will be detailed out in the Project's Financial Management Manual, to be developed within three months of project effectiveness.

### Accounting & staffing

7. **Basis of accounting:** All the three entities follow the Government accounting system. The Ethiopian Government follows a double entry bookkeeping system and modified cash basis of accounting, as documented in the government's accounting manual.

8. **Accounting manual:** -The government's accounting manual provides detailed information on the major accounting procedures. The financial administration proclamation, regulation and all related directives, and accounting manuals are available at the three entities for references in both soft and hard copies.

9. **Accounting system:** An Integrated Financial Management Information System (IFMIS) is being rolled out at selected federal budgetary units. An Integrated Budget and Expenditures (IBEX) is in use in other public bodies where IFMIS is not yet rolled out. The 2018 PEFA noted that IFMIS is superior and modern system compared with IBEX with several advantages including: meets international standards capable of interface/ integrate with other system, procurement is included in the property administrant module, it can accommodate modified and accrual accounting methods, easier fund management system, easier budget and cash management, bank practice and reconciliation, can be integrated with bank and tax systems. In addition, audit software can be integrated /interfaced with IFMIS to strengthen oversight element in the software. At MInT and MoSHE, IFMIS is rolled out and in use while at ECA, IBEX is in use (as it is a newly-established public body). Transaction recording was up to date at the three entities at the time of the assessment.

10. **Staffing:** At MInT, the Finance Directorate is responsible for the accounting and reporting tasks. The directorate has an adequate number of accounting staff. Led by a director, there are some 22 accounting staff (20 for accounts and 2 for budget control). Property management and internal directorates has a further 8 and 6 staff respectively including the directors. Most of the staffs have a BA degree and above. As a newly established public body, ECA has not yet fully recruited and assigned the staff required at finance, internal audit and procurement and property management directorates. In its finance directorate, only 3 accountants out of the required 13, are currently recruited and assigned (as of November 2020). The required staff in internal audit and procurement/property directorates are 7 and 6 respectively but positions were still vacant. Budget has already been allocated for all vacant positions and management has started the recruitment process to fill all the vacant positions. It is required to fill all the vacant positions. Regarding MoSHE, including the director, the finance directorate has 7 staff, budget directorate has 3, procurement directorate has 3 and property and management has 6. The Bank will review these staffing arrangements further during implementation.

11. **Accounting & staffing arrangement for the project:** The GoE's accounting policies (modified cash basis) and procedures will apply for the project. However, to ensure smooth implementation of the project, as part of the project implementation manual, the project will have its own Financial Management Manual, developed within three months of Project effectiveness, which will largely follow the government accounting manual, depicting all accounting policies, procedures, budgeting internal control issues, financial reporting, fund flow, and external audit arrangements. A separate account for the project will be maintained at the three implementing entities to ensure smooth transaction recording and reporting. Accounting software currently being used at the entities can also be used for the project as long as it allows the project transactions and accounts to be shown separately and enables easy reporting of the project financial activities. A chart of accounts, which will accommodate the requirements of the project, will be designed. The existing accounting software should be customized to accommodate the reporting requirement of the project. If these are not possible, then a computerized accounting system, such as Peachtree accounting software, will be adopted for the project. In respect of staffing for the project, one financial management specialist, one accountant and one cashier secretary will be assigned for the PIU at

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MInT and one financial management specialist each will be recruited or assigned at ECA and MoSHE to handle the project accounts. The recruitment and or assignment of these staff should be completed within 2 months following effectiveness of the Project.

12. For Component 3, a Grant Management Manual will be developed before the first disbursement is made to the beneficiaries/digital start-ups. The manual will provide guidance including financial management procedures for overall implementation of the Grants of both windows. This manual will provide detailed guidelines on overall management and administration of Grants and will incorporate essential details, including management, operation, financial management of the grants with clear and transparent grant access conditions, and verification protocols. On financial management aspects the following issues will need to be dealt in depth in the Manual: -

- Accounting procedures and policies on the use of the funds;
- Eligible and ineligible expenditures;
- Budgeting arrangements including procedures to monitor budget and budget execution;
- Fund flow mechanisms and banking arrangements including frequency and mode of disbursements to beneficiaries;
- Reporting arrangements including the form, frequency, timing and content of financial reports;
- Key internal controls to be established
- Audit arrangements;
- Selection procedures of beneficiaries;
- Monitoring and follows ups in terms of financial management performances

13. The MInT will make sure that each selected beneficiary has acceptable FM systems and procedures in line to the Manual as well as the project FM manual. Beneficiaries should maintain minimum acceptable financial management systems and arrangements before agreements are entered with them. The internal auditor and other finance team of the MInT will visit, on a quarterly basis, the beneficiaries and ensure that due diligence is being maintained in respect of the funds of this project.

### Internal Control and Internal Audit

14. **Internal control:** Internal control comprises the entire system of control, financial or otherwise, established by management in order to: (i) carry out the project activities in an orderly and efficient manner; (ii) assure adherence to policies and procedures; and (iii) safeguard the assets of the project and secure as far as possible the completeness and accuracy of the financial and other records. The 2018 PEFA assessment for the federal government found that the general internal controls for payroll and non-salary expenditures are reasonable at all levels. The Government internal control procedures are incorporated in the financial administration proclamation, regulation, directives and various manuals (budget, accounting, internal audit disbursement, cash management, procurement etc.). The assessed entities are implementing the government internal control procedures. There is segregation of duties at these entities (the functions of preparing, certifying and approval of payments - and ordering, receiving and accounting for purchases are clearly segregated). Control over payroll is strong, monthly bank reconciliation is performed for all bank accounts and up to date. Cash count is conducted monthly and reconciled with ledger balance. At MInT and MoSHE, a fixed asset register and stock cards are maintained in IFMIS; an inventory (fixed asset and stock) count is conducted once a year and reconciled with the register. It is expected that these similar control procedures will be applied at ECA once the staff placement at accounts, budget, property management and internal audit, as per the structure, is finalized. However, the Bank takes notes of audit findings for MInT and MoSHE which are reported in the external audit section below. These weaknesses need to be addressed and will be followed up during implementation.

15. **Internal Audit:** At Federal level, the Inspection Directorate of the MoF oversees the internal audit function across all budget institutions. To enhance independence, internal auditors for federal budgetary units are recruited and placed by the Inspection Directorate of MoF and are administratively accountable to the Director while functionally to their budgetary unit. The 2018 PEFA commented that the internal audit function at federal level needs further improvement. As per the assessment, there is a wide internal

audit coverage across most budget units; but adherence to internal standards needs improvement. Majority of planned internal audits are carried out though the plan is not based on preliminary risk assessment. The international standards are recognized and applied but the internal audit does not focus on evaluating the effectiveness of the internal control system but is rather assuring compliance to the rules, legislation and procedures.

16. The internal directorates at MInT and MoSHE have 5 and 6 internal auditors respectively including the director. As per the structure, the internal audit and risk management directorate at ECA will have 7 auditors including the director although not as yet recruited and assigned. The internal auditors at MInT and MoSHE have prepared the annual audit plan; the audit coverage for the previous year was found to be satisfactory. Both directorates issued internal audit report as required and submitted to the entities' management and MoF. Internal audit manual, internal audit reporting manual, performance audit manuals which are prepared by MoF are available for reference both in soft and hard copies.

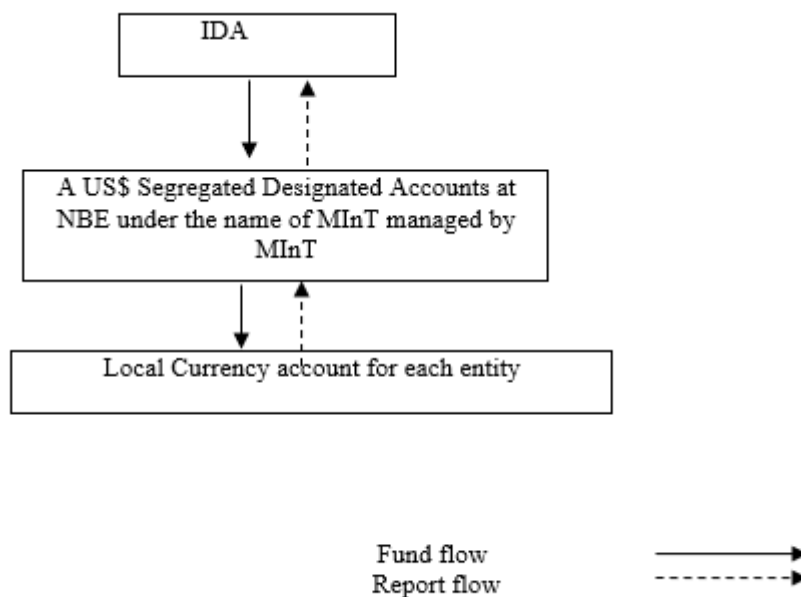
17. ***Internal Control and Internal Audit arrangement for the project:*** The Government internal control procedures will be applied for the project. Furthermore, the project's Financial Management Manual will incorporate detail control procedures specific to the project. The internal audit directorates at the three entities will incorporate the project audit in their annual audit plan and review the project's books regularly and produce separate audit report or include in their consolidated reports. The Bank will have access to these reports during implementation. Copies of the project documents (PAD, PIM, financing agreement, financial management manual) will be provided to the internal auditors for reference.

### **Funds flow and disbursement arrangements**

18. ***Funds flow and disbursement arrangements for the project:*** - The project will follow Channel Two fund flow mechanism of the government whereby funds from IDA will flow to MInT and then to ECA and MoSHE. IDA funds will be deposited into a separate US\$ designated account to be opened at the National Bank of Ethiopia (NBE) and managed by MInT. The authorized ceiling of the Designated Account will be two quarters of forecasted expenditure based on the approved Annual Work Plan and Budget. Funds from the designated US\$ account will be further transferred to a pooled Birr account opened at MInT. The MInT will then transfer funds to other entities implementing parts of the Project as appropriate.

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The fund flow arrangement for the project is summarized in the following chart.



19. **Disbursement methods:** The project may follow one or a combination of the following disbursement methods: Designated Account, Direct Payment, Reimbursement and Special Commitment. The project will use report based (IFR based) disbursements for disbursing funds to the Designated Account. Disbursement will be made quarterly and cover cash requirements for the next six months based on the forecasts reported in the IFRs.

20. **Eligibility-** Eligible expenditures are those expenditures incurred in accordance with the Financing Agreement and AWPB (by activities or components or categories). However special attention is required on Grants. The FM Manual and Grants Manual will clearly document the basis of recognition of Grants to beneficiaries/digital startups, i.e., the eligible expenditures. It will determine whether the funds disbursed to beneficiaries/digital startups is accounted as expenditure (immediately when the disbursements are made) or accounted as advance when disbursements are made which will later be converted to expenditures when documents or reports are made, i.e., when cleared/settled/accounted). In both cases clear tracking and control mechanisms will need to be established

**Disbursement Condition-** MInT will develop and submit for the Bank's No Objection a Grants Management Manual / Grants Manual that will provide detailed guidelines on selection, management, implementation and other procedural issues of Grants<sup>6</sup> made to beneficiaries/digital start-ups are managed or administered. In addition, a disbursement Condition will also be set for the Contingency Emergency

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<sup>6</sup> **Grant fund:** Funds amounting to USD 40 million have been allocated to grant under component 3. Window 1

(USD \$5 million) is a co-investment grant aimed at helping digital start-ups. This window would target digital entrepreneurs via a matching grant mechanism. Window 2 (USD \$29.95 million) is aimed at incentivizing digital businesses to provide training, digital devices and other support to Ethiopians to participate in the digital economy. This would be achieved through providing Digital Adoption and Inclusion Grants to help offset some of the costs incurred by the digital businesses as they reach out, train, and/or provide digital devices to individuals.



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Response Component (CERC, component 5). MInT will develop and submit for the Bank's No Objection an operating manual for the CERC that will provide detailed guidelines on management, implementation and other procedural issues of emergency response.

**Matching Grants Manual** – As noted above, a Matching Grants Manual will be developed before the first disbursement is made to the beneficiaries/digital start-ups under component 3. Funds have been allocated for the preparation of a Matching Grants Manual. The MInT is responsible for the preparation of the manual. The manual will provide guidance including financial management procedures for overall implementation of the Grants of both windows and will include essential financial management and disbursement procedures/arrangements.

### Financial Reporting

**Government reporting:** Budgetary units at federal level prepare monthly financial reports and submit them to MoF within two weeks after the end of the month. The monthly financial reports include revenue and expenditure reports, receivables, payables reports, transfers and trial balances. Bank statements and bank reconciliation statements are also incorporated in the reports. All the three assessed entities follow the government reporting system. All submit the monthly financial statements to MoF in soft and hard copies within the stipulated deadline (within 15 days after the month end). The three assessed entities closed the EFY 2012 accounts and submitted them to MoF and OFAG.

**Financial Reporting arrangement for the project:** Quarterly Interim Financial Reports (IFRs) will be required from the MInT for the financial activities of project. Each entity will prepare quarterly financial reports of the project component they implement and submit to MInT. The MInT as a lead entity will then consolidate these reports with its own and prepares a Project IFR and submit it to the World Bank within 45 days after the end of each quarter. The contents of the IFR will include a narrative report, a statement of sources and uses of funds, a statement of uses of funds by project activity/component, designated account activity statements, cash flow statements including a 6-month cash forecast, trial balances and other related schedules. The format and content of the IFR will be agreed between the Bank.

The project will also prepare the project's annual accounts/financial statements within three months after the end of the accounting year in accordance with accounting standards acceptable to the Bank and submit them to the project's external auditors.

### External Auditing

**Entity Audits** -The Office of the Federal Auditor General (OFAG) audits the annual financial statements of the federal budgetary units. OFAG audit coverage at federal level reaches 100%. OFAG audited the financial statements of MInT and MoSHE for the year ended July 7, 2019 and issued the report. Since ECA was established only in mid EFY 2012, the first external audit will be for the year ending July 7, 2020. OFAG has not yet carried out the audit for that year. OFAG issued an adverse opinion and a qualified opinion for MInT and MoSHE respectively. Major qualification points for MinT were coding errors that were made during transaction recording for Birr 25,640,037.90, procurement of goods and services amounting to Birr 721,057 without properly following the procurement proclamation, regulation and directive, payment of training expenses without an attendance sheet, outstanding receivable and payable balances of Birr 364,047,012.71 and Birr 143,752,122.37 respectively at the end of the fiscal year and over budget expenditure of Birr 7,717,673.66 without making budget transfers. The qualification points for MoSHE were outstanding receivable and payable balance of Birr 439,199,933.40 and Birr 1,630,538.68 respectively at the end of the fiscal year and procured goods amounting Birr 1,709,442 were received without first verified the specification by the technical committee. The Bank notes these risks and will devise ways to mitigate such kind of risks in the project audit arrangements. In addition, the Bank will follow up on the resolution of the findings and recommends time bounded action plans be prepared to follow up and address the findings.



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**External audit arrangement for the project:** For the project, MInT will ensure that the project accounts are audited annually. The annual audit report (annual audited financial statements with audit opinion including Management Letter) will be submitted to the World Bank within six months from the end of the fiscal year. The audit firm recruitment will be made by MInT as early as possible using the audit TOR agreed with the Bank. The auditors will conduct audit on all the three entities involved in the Project. The audit will be carried out by the Office of the Federal Auditor General (OFAG), or a qualified auditor nominated by OFAG and acceptable to the Bank. The audit will be carried out in accordance with the International Standards of Auditing (ISA) issued by the International Federation of Accountants (IFAC). In accordance with the Bank's policies, the Bank requires that the client disclose the audited financial statements in a manner acceptable to the Bank; following the Bank's formal receipt of the statements from the client, the Bank makes them available to the public in accordance with The World Bank Policy on Access to Information.

### FM-Related Costs

21. The project work plans, and budget will include the costs of (a) audit costs; (b) FM-related trainings; and, (c) bank charges etc.

### Financial and Accounting Staff

The accounting staff at PIU assigned to the implementation of this project consists of a Financial Officer, a Chief accountant and a Financial specialist. The Financial Officer is responsible for planning and budgeting, withdrawal applications (WAs) preparation, and control over statutory accounting and over payments to contractors, reporting to the WB, MoF and other relevant local authorities. The accountant is responsible for statutory accounting and payments to contractors, reporting to the Tax Service and other relevant local authorities. The Financial specialist is responsible for bookkeeping and posting of the accounting transactions in the software. (See Annex 7 for staff TOR)

### Project Eligible Expenditures

1. The PIU may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions for Credits, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Withdrawal Conditions:

No withdrawal shall be made for payments made prior to the date of Loan Agreement.

The following Disbursement Methods may be used under the Loan:

- Advance
- Reimbursement
- Direct Payment

All disbursements under Categories 1 and 2 will be made on the basis of supporting documentation for (a) contracts for goods for firms costing more than the equivalent of US\$ 300,000.0 each; (b) contracts for

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consultant services for firms costing more than the equivalent of US\$ 200,000.0 each; and (c) contracts for individual consultants costing more than US\$ 50,000.0 equivalent each (Annex 4). Disbursements below these thresholds will be made according to certified Statement of Expenditures (SOEs, Annex 3). This documentation will be retained by PIU for at least seven year after receipt by the Bank of the audit report for the year in which the last disbursement was made or for such a period required by local legislation. Supporting documentation for SOEs, including completion reports and certificates, and other records would be retained by the Recipient for at least one year (or other longer period required by local legislation) after the receipt by WB of the audit report for the year in which the last disbursement was made. This documentation would be made available for review by the independent auditors and by the visiting Bank staff upon request during supervision missions. Statement of Expenditure will be in the form, as provided in Disbursement Letter, for all other expenditures or contracts, including training and incremental operating costs.

The processing, disbursement and monitoring of the allocations of the proceeds of the World Bank Loan and counterpart financing contributed by the GoA would be managed by the PIU in coordination and consultation with the Ministry of Finance and/or Project Steering Committee.

### **Designated Account**

To facilitate timely Project implementation, the PIU with the assistance of the MoF established, and maintains and operates under conditions acceptable to the WB, a Designated Account for the Project denominated in US Dollars, in the Treasury of the Ministry of Finance. The Authorized Allocation is the amount indicated in Disbursement Letter. Payments of eligible and accepted expenditures (goods, services, and other) are made by the PIU out of the Designated Account, or PIU submits withdrawal applications to the Bank for payments to contractors, suppliers and consultants directly from the Loan Account. Withdrawal applications for the replenishments of the DA are sent to the WB on a regular basis but at least quarterly, or when the balance of the DA is equal to about half of the initial deposit or the authorized allocation, whichever comes first. The minimum application size is set at the amount indicated in Disbursement Letter. Upon consideration of the Withdrawal Applications as acceptable, the WB disburses the requested amount to the Designated Account of the Loan. If there are any unusual items (amounts) arising from monthly reconciliation between the Project account and the WB Client Connection data, PIU Financial Officer reports on this to the PIU Director and contacts the WB DM Financial Officer requesting clarifications about this inconsistency. Having the clarifications about this inconsistency, the PIU or WB (depending on source of arising inconsistency) should fix out the arisen problem. PIU prepares and presents to the WB the Withdrawal Applications accompanied by the appropriate SOEs and Reconciliation Statement (Annex 2). The PIU Financial Officer keeps records on expenditures. The WB disburses the requested amounts to the DA based on presented WA. The PIU Financial Officer is responsible for comparing and checking the conformity of the Monthly Disbursement Summaries with Project accounting records.

The PIU administers the Designated Account in the Treasury of the Ministry of Finance of RA and issue instructions in paper form or in electronic form using “ Treasury” system in accordance with the Terms and Conditions for Opening of Designated Accounts in Treasury of the Ministry of Finance for the World Bank financed Projects (Attachment II of Disbursement letter

### **Funds Flow**

Project funds flow from: (i) the Bank, either via a Designated Account for Loan in the Treasury of the Ministry of Finance, which is replenished, based on SOEs or by direct payment based on direct payment withdrawal applications, and (ii) the MoF, via a Project Account in the bank or Treasury at the Ministry of Finance (MoF) based on payment requests of PIU(See the Annex 6).

### **Authorized Signatures**

The World Bank’s General Conditions require that the Borrower designate, in writing, which officials may sign withdrawal applications and provide copies of their authenticated specimen signatures. The MOF officially informed the Bank on the first degree (Chief Treasurer - Deputy Minister of Finance or Head of Operational Department Ministry of Finance) and second degree (Executive Director of PIU) signatures and their authorization levels upon the completion of Project.

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The signatories to the PIU accounts (including DA) are the Executive Director (responsible for final authorization stage in “Treasury”) and the Financial Officer / Accountant (responsible for initial authorization stage in “Treasury”). Other staff members of the PIU may be officially designated as signatories to the PIU accounts when necessary.

### External Audit

The audit of the Project is conducted (i) by independent private auditors acceptable to the Bank, on terms of reference (TOR) acceptable to the Bank, and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). The annual audited project financial statements are provided to the Bank within 6 months of the end of each fiscal year and also at the closing of the project. See Annex 1 for sample audit TOR.

The project audit report will be publish on PIU’s web site or other official website of the government within one month of receipt of the reports from the auditors. Following the Bank's formal receipt of these reports from the Borrower, the Bank will make them available to the public in accordance with the World Bank Policy on Access to Information.

The following table identifies the audit reports that will have to be submitted by the Project implementation agency together with the due date for submission.

<b><i>Audit Report</i></b>	<b><i>Due Date</i></b>
<p><u><i>Project financial statements (PFS).</i></u></p> <p>The PFS include: The financial statements should include:</p> <p>a) A Summary of Funds received showing the World Bank, project funds from other donors, and counterpart funds separately,</p> <p>b) A Summary of Expenditures paid in cash, shown under the main project headings/activities and by main categories of expenditures, both for the fiscal period/year ended [Date] and accumulated to-date;</p> <p>c) Accounting policies and explanatory notes<sup>7</sup> (including additional accounting policies and disclosures), covering</p> <ul style="list-style-type: none"><li>- a Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;</li><li>- A Statement of Designated Account in the notes, as appropriate;</li><li>- a Statement of Financial Position showing Accumulated Funds of the Project, bank/treasury balances, other assets of the Project, and liabilities, if any; and</li></ul> <p>c) When the entity makes publicly available it’s approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.</p>	<p>Within six months of the end of each fiscal year and also at the closing of the project</p>

### Financial Reporting

Project management-oriented Interim Un-audited Financial Reports (IFRs,) are prepared under the Project. PIU produces a full set of IFRs every semester throughout the life of the Project. The format of IFRs includes: (i) Project Sources and Uses of Funds, (ii) Uses of Funds by Project Activity, (iii) Designated Account Statement, (iv) SOE Withdrawal Schedule and (v) Statement of financial position.

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<sup>7</sup> The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project’s Designated Account.

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The IFRs are submitted to the Bank within 45 days of the end of each semester. (See Annex 5 for sample IFR)

Besides reports required by the Word Bank, PIU prepares monthly and quarterly reports required by the Ministry of Finance, including the following information (See the Annex 8).

The Financial Officer is responsible for reporting to the WB, MoF. The accountant is responsible for reporting to the Tax Service and other relevant local authorities.

### **Budgeting and Planning**

The planning and budgeting of the components/activates under the Project the planning and the budgeting is implemented by PIU.

The budgeting process is organized in the following way. After the MOF instructions on preparing the annual budget are received, each Components implemented body presents budget proposals (which are discussed and agreed with PIU) to the Finance and Budgeting department of the MOF. The Finance and Budgeting department reviews the proposals and verifies the compliance to the MOF instructions. Afterwards the budget proposals are submitted to the MOF.

The Financial Officer prepares the Project annual operational budget in co-operation with procurement officer and based on PIU's information. The annual budget is based on the procurement plan, which is regularly updated in co-operation with PIU. The budget is classified by categories, components, and sources of funds. PIU based on Procurement Plan of the given Project develops an annual budget that to be sent to the Ministry of Finance for approval in accordance with the Medium Term Expenditure Framework and the annual budget circular issued by the Ministry of Finance. This approved budget is subject for approval by the Steering Committee or other body in accordance with Loan Agreement. All changes in procurement plan are reviewed by the PIU Director agreed in advance with the Bank and only then the changes are incorporated in the annual budget. The Government of Armenia should approve Budget changes, in case if additional funding required under the given Project.

### **Authorization of Payment Documents**

The PIU reviews the delivery documents or the progress reports and the payment documents that are submitted by the Contractor/Supplier/Consultant or PIU. All these documents are reviewed and compiled by the PIU's Financial Officer and/or Accountant for approval and authorization for payment by the PIU Project Coordinator. In case the payment is rejected, the documents will be returned to the Client or to the Financial Management Unit for clarifications needed. PIU Project Coordinator will grant authorization for payment within number of days specified in the contract after receipt of all appropriate Payment Documents (in case, no additional clarifications are required).

### **Budgetary and Statutory Control of the Documents**

The Financial Management Unit of PIU controls the documents in compliance with the Project Budget and legislative regulations and verifies eligibility of the expenditure. The payment documents are prepared by the Financial Management Unit of PIU and submitted to the PIU Director for authorization of payment. The PIU Director reviews the documents to approve and authorize for payment or apply for any clarifications needed.

### **Invoicing**

The contractor, supplier, consultant as specified in the contract shall submit invoices/payment requests. The invoice/payment request shall disclose the type of goods or services rendered quantity unit, unit price, total amount, bank requisites of contractor/supplier/consultant to which the payment should be made, contractor's name, address and other details. In accordance with the type of activity these invoices/payment requests will be checked by the Procurement Specialist or the other appropriate specialist of PIU to an approved goods delivery/services rendered note or similar document and to the original purchase order, and contract if necessary authorized person shall confirm that the works are

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performed, services rendered or items submitted according to the Contract. If required information is incorrect or not adequately documented in the invoice, this shall be sent back to the supplier/contractor/consultant for correction. If all information is available and correct, and received goods or services are of acceptable quality, accuracy of the invoice will be checked by the Accountant in accordance with the Contract, allocated by the Financial Officer to specific categories according to the substance of the expenditure specified in the invoice and reference to the contract in framework of which the invoice was issued and recorded by the Financial Specialist. The Financial Officer/ Accountant should verify accuracy and completeness of the invoice/payment request, as well as the reconsolidate to other payment supporting documents such as acceptance acts and contracts in accordance with one's ToR (annex 7). The Financial Officer/Accountant should confirm the verification of invoices/payment requests by his/her signature and submit all payment documents to the PIU Director for authorization of payment and then Financial Officer/ Accountant makes a note "Paid" on the invoice.

### **Payment for the Goods and Services Procured**

The PIU launch the process of Contract negotiations with Consultant/Supplier/Contractor. The Head of Beneficiaries as appropriate and PIU, acting jointly as a Client/Purchaser/Employer, sign a Contract with the Consultant/Supplier/Contractor. Beneficiaries or PIU as appropriate shall be responsible for co-ordination and acceptance of activities carried out under the Contractors/Consultants/Suppliers Contract. In case of consultancy services acceptance will be in form of Letters of Acceptance, in case of goods - Acts of Acceptance. PIU shall be responsible for the payments against approved Acts/Letters of Acceptance signed by the other body as appropriate.

The Financial Management Unit of the PIU concludes the payment for Goods and Services procured after the authorization of the PIU Director. All payment made through the Designated Account and/or Direct Payment from the WB according to the eligibility of the disbursement and Project (GOA) Account. The Financial Specialist of the PIU makes the appropriate accounting entries in the computerized accounting system in accordance with the Chart of Accounts developed for the Project, on the same day of making the payment. The Financial Specialist prepares the payment orders to be verified and signed by the Financial Officer/ Accountant and to be approved by the Director.

### **Training and Operating Costs**

The Project will finance expenditures in connection with the carrying out of the training activities under the Project including travel costs and per diem for local trainees and trainers, study tours and workshops, rental of facilities and equipment and training materials and related supplies.

Foreign Training/Study tour's budgets, criteria of trainees' selection and event of any trip will be subject to WB prior approval.

The operating costs means the reasonable operational costs incurred by PIU related to Project implementation, including, inter-alia: non-durable goods (such as, office supply, minor office equipment, vehicle and equipment maintenance, costs for fuel, literature, field trips, meetings and in-country travel costs related to the Project (including accommodations, transportation costs and per diem), PIU's and PIU's staff/Consultants salaries/fees (excluding civil servants' salaries) staff/Consultants health insurance and social benefits, communication costs, reasonable banking charges and media advertisement costs, and other expenses that may be agreed with the Bank during the Project implementation.

The operating costs accrued or caused by the Project activities should be supported with the reliable documents such as contracts, salary payrolls, invoices, and minutes of evidence signed by the related authorized staff, etc.

All goods and services in the framework of Operating Costs will be procured by Office manager or designated person of the PIU based on comparing prices.

#### *Office supplies*

These supplies shall be procured by the Office Manager on the basis of operational budget of the PIU approved by the Ministry of Finance. The office supplies shall be physically kept in a secure place.



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Purchase Requisitions are formal written requests from office manager to purchase certain items, like office supplies. Purchase Requisition forms represent information about the product required, quantity. The Accountant has to analyze the purchase requisitions and make sure that appropriate budget funds are available and submit the Purchase Requisition to the Director duly signed. The Project Director must verify the reasonability of the purchase requisition and approve it. The Office manager shall sign input invoice, confirm whether the goods were received and whether the information in the invoice correctly reflects the goods received (the quantity, the quality, etc.) and submit it to the Financial Officer. Thereafter, the Financial Officer shall sign the input invoice and hand it over to the Accountant for recording.

### *Car Petrol Procurement and Distribution*

According to PIU Project Coordinator's orders the Office manager is responsible for petrol calculation on the basis of annual operational budget of the PIU approved by the Ministry of Finance.

The Project Coordinator approves the coupon amount and gives the order to the FM unit for making appropriate payment to Petrol Company. After, the Office manager provides the travel-list with the day odometer reading and the necessary petrol coupons to the drivers. Every first day of each month the drivers report to the Office manager about the fuel gauge and the odometer indications of the cars and the travel-list confirming the mileage passed is signed by the Office manager. The Office manager calculates and controls the volume of the used fuel and presents to the Project Coordinator for approval. Thereafter, the Office manager shall hand it over to the Accountant for recording. The Project Coordinator periodically controls the odometer indications of the cars.

### *Consultant fees*

Consultant fees shall be calculated according to the Contract, and the acceptance acts (or letters) should confirm that the deliverables under the contract were accepted by PIU and with submitted invoices (or Payment Requests) is a reliable basis for the payments to be made in accordance with above mentioned invoice processing procedure. The acceptance document accompanied by invoice (or Payment Request) shall be signed by the Consultant, and authorized person (Contract coordinator of the relevant assignment) shall confirm that the works are performed according to the Contract. Further, the Financial Specialist prepares the Consultant Fee Pay-Sheet and submits it to the Financial Officer/ Accountant for approval. Accountant shall verify whether the acceptance document is properly signed, the accuracy of calculations and their compliance with the fees, as well as of all taxes and mandatory payments deducted in accordance with the Ethiopian Legislation. Local consultant fees shall be paid in local currency.

### *Pay and Payroll Matters*

Salaries are calculated according to the rate depending on the status of the employee and attendance time sheet. The time sheets are prepared by the Assistant and approved by the Project Coordinator and handed out to the Financial Specialist on the last working day of each month. Thereafter, the Financial Specialist prepares the Payroll Sheet and submits it to the Accountant for approval. Accountant verifies the accuracy of calculations and their compliance with the labor rate and actual attendance time sheet, as well as of all taxes and mandatory payments deducted in accordance with the Ethiopian Legislation. The Financial Specialist shall prepare payment orders based on Payroll Sheet signed by the Project Coordinator and Accountant and based on the payment order, transfers salary to each employee's personal bank account. The payments of salaries are made in local currency.

### *Endorsement and Disciplinary Actions*

The Project Coordinator may endorse the employee for conscientious work. The following endorsement actions may be undertaken:

- Expressing gratitude,
- Lump sum remuneration,
- Additional vacation pay.

In case of any working discipline infractions by the employee, the Project Coordinator shall undertake the following disciplinary actions:

- Warning,
- Stern reprimand,

- Dismissal or downgrade.

### CHAPTER III: ENVIRONMENTAL SAFEGUARDS CONTROL PROCEDURES

#### **Environmental safeguards control procedures**

The objective of the Environmental safeguards control procedures (ESCP) is, among others, to provide an environmental and social management process for Ethiopia Digital Foundation Project (EDFP). The Environmental Safeguard Management Framework (ESMF) is prepared to serve as instrument for risk management to ensure that the environmental and social impacts of the EDFP are properly considered during project design and implementation (see annex ?). The ESMF provides guidance for designing of appropriate measures and plans to reduce, mitigate and/or offset adverse impacts and enhance positive outcomes including benefits for project beneficiaries and the environment. It also provides guidance to implementing agency, partner and beneficiary institutions, key stakeholders, and communities to ensure project activities are implemented in an environmental friendly and sustainable manner as required by the World Bank Environmental and Social Standards (ESSs) and the National Environmental Policies and relevant legislations pertaining to sustainable environmental and social management of sub project activities.

The objectives of the ESMF are to:

- Establish clear procedures and methodologies for integrating environmental and social issues in planning, review, approval and implementation of subprojects to be financed under the EDFP.
- Specify appropriate roles and responsibilities, and outline the necessary reporting procedures, for managing and monitoring environmental and social concerns related to the EDFP.
- Determine the training, capacity building and technical assistance needed to successfully implement the provisions of the ESMF.
- Provide practical resources for implementing the ESMF.
- Provide generic Environmental and Social Management Plan (ESMP) and report forms under the projects to ensure that environmental and social issues will be managed effectively.
- Specify appropriate roles and responsibilities of lead agencies and government regulatory departments, and outline the necessary reporting procedures, for managing and monitoring environmental and social concerns related to the project subcomponents.

According to the ESMF the following safeguard procedures are defined and to be implemented:

#### **Sub project identification**

Sub project refers to the set of activities derived from the EDFP Component and sub-component activities including technical assistance studies and consultancies for which support through investment project financing is sought by MInT. One procurement contract be a subproject, or can multiple subprojects be part of one contract. Identification of subprojects is carried through consultative process by the lead implementing agency (MInT), the partner institutions such as MoSHE and ECA, regional states (e.g: Health and Education sector offices), and in collaboration with other beneficiary MDA offices. The identified subprojects will be reviewed and compiled into an annual action plan by the technical committee and will be forwarded to the project steering committee for endorsement and approval. Subprojects included in the approved annual action plan of the EDFP will be eligible for E & S screening.

#### **Screening/scoping**

The PIU E & S staff in collaboration with the E & S focal persons of partner and beneficiary institutions will initiate the scoping/ screening process by completing the form in Annex A. The ESMF requires that all relevant EDFP subprojects identified and endorsed during planning phase and having specified site location as well as relevant technical assistance subprojects be scoped/screened for E & S risks. The E & S scoping/screening will follow two stages. Initially, a scoping/screening of subprojects will be carried to categorize it into one of high, substantial, moderate or low risk using the scoping/screening form. Once the subprojects are scoped/screened and confirmed to fall on or below moderate risk category, then further categorization will be carried by applying the national screening system to identify the schedule of

activities into which the subproject will fall (Schedule I, II & III). The outcome of environmental scoping/screening will be classifying the proposed EDFP subproject into one of Substantial, Moderate, or low Categories and Schedule I, II or III activities. In the event that a sub-project screening/scoping results in “High risk” rating it will be necessary to exercise re-sitting, redesigning or rerouting of the subproject sites to avoid the adverse impacts and lower the risk rating to moderate risk. If this is not possible, the MiNT will notify the World Bank to update both the ESCP and ESMF as appropriate and apply the relevant requirements of the ESSs. The completed scoping/screening report will be submitted first to the PIU coordinator for internal checking and approval. It will then be submitted to the relevant Regional or Zonal EPFCCA with an official application letter for review and approval.

### **Schedule II Subprojects**

If the outcome of the E & S screening/scoping finally results in categorizing the subproject as schedule-II activities, it is required to prepare Preliminary ESIA that should be carried out with the help of registered and licensed E & S consultants. The Preliminary ESIA will be submitted by the PIU and/or E & S focal persons in partner/beneficiary institutions to the relevant Regional or Zonal level EPFCC office with an official application for review and approval. If, on the other hand, the outcome of the E & S screening/scoping finally results in categorizing the subproject as schedule-III activities, no further actions to carry Environmental Assessment will be needed. Based on the nature of the schedule-III subproject, if it deemed necessary, a distinct ESMP will be prepared to address and mitigate the expectedly few and minor environmental and social impacts of the subproject and attach it with the E&S screening report for further implementation.

### **Review and Decision**

The relevant Regional or Zonal EPFCC will review the Preliminary ESIA submitted to it by the PIU and/or environment focal persons in partner/beneficiary institutions. While in the review and approval process the documents must be disclosed for public review at a place accessible to local people. The outcome of the review of the Preliminary ESIA by the Regional or Zonal level EPFCC will result in either accept the document with conditions relating to implementation; accept the documents with required and/or recommended amendments; or reject the document with comments as to what is required to submit an acceptable preliminary ESIA and ESMP.

### **Implementation and Supervision**

The PIU will be required to enforce implementation of proposed mitigation measures as proposed in the ESMP (which will be part of a Preliminary ESIA for schedule II subprojects) by all responsible institutions and stakeholders. Moreover, in order to enforce the implementation of recommended mitigation measures, there is also a need to include an environmental clause in the bids and contract agreements to be signed with the construction contractors and telecom operators. Periodic reports of internal monitoring should be prepared quarterly by the E & S risk management staff and submitted to the PIU and then to the PSC as part of the regular EDFP M&E process. The contractors will be required to submit routine ES performance reports so that the ES staff have data/information in addition to their supervision activities. The implementation of the recommended mitigating measures will also be externally monitored by the Regional, or Zonal level EPFCC offices.

### **E & S Risk Management Monitoring Reports**

Quarterly, biannual, and annual E & S risk management monitoring reports must be prepared by the PIU in collaboration with the environment focal persons in partner/beneficiary institutions. The E & S risk management monitoring reports should be submitted to the project steering committee, to the Regional EPFCCA and the World Bank for review.

### **Annual Reviews**

ESMF implementation will also be supported by conducting annual E & S performance audit that will be carried out by a third party (i.e. Registered and licensed independent consultant firm). The third-party annual E & S performance audits will be conducted on the EDFP subproject activities to evaluate the overall implementation of the ESMF.

The EDFP subproject activities should consider avoiding impacts on cultural heritage. Based on the



nature (i.e. whether affecting National or World heritage sites) and scale of impacts on cultural heritage, where appropriate, it will also develop a Cultural Heritage Management Plan (CHMP) if there are significant impacts on cultural heritage. In case of chance find of heritage encountered during subproject implementation activities, a chance find procedure is presented in Annex C of ESMP.

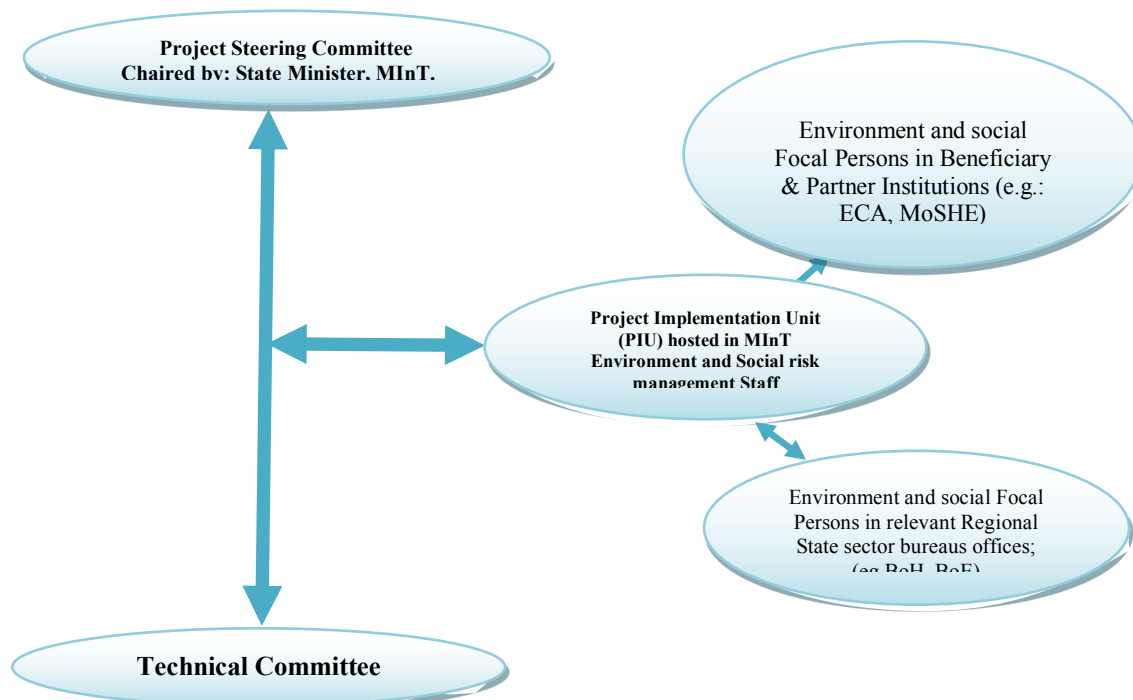
### Responsibilities in the ESMF Implementation Process

The lead responsibility for the overall coordination and implementation of the EDFP lies on the Ministry of Innovation and Technology (MInT) under which a Project Implementation Unit (PIU) will be established. It is necessary that the PIU is staffed adequately with environmental and social risk management specialists who will be spearheading the implementation of the ESMF process throughout the project life. The PIU and its environment and social risk management staff will be in charge of implementing the ESMF process in all applicable EDFP financed subprojects.

The PIU environmental and social risk management specialists will also be responsible to oversee the environmental and social risk management issues in relation to all EDFP financed sub projects. The PIU will need to work in close collaboration with the procurement department of the EDFP, the technical committee and other partner as well as beneficiary institutions.

As the EDFP is going to be implemented throughout Ethiopia resulting in potential large number of subproject activities spread all over the country, it will be important that EDFP implementing partners and beneficiary Government institutions (such as MoSHE, ECA, regional BoH and BoE), and the private sector telecom operators, who will be awarded with indefeasible right of use (IRU) contracts, should assign focal persons for environment and social risk management. For purposes of practical application of the later, it is important to include an environmental clause that demands the deployment of an environmental and social risk management focal person. Such a person will be in charge of fulfilling the ESMF requirements in coordination with PIU staff for EDFP financed subproject activities done by them. The PIU environment and social risk management specialists will coordinate with the focal persons to be deployed by the partner and beneficiary institutions and private sector telecom operators. The PIU specialists will be responsible for the implementation of subproject activities in compliance with the requirements of the ESMF. (See Fig 4)

**Figure 1:** Proposed institutional arrangement for ESMF implementation



### **Subproject categorization and the ESS requirements**

The ESMF is designed to support the application of World Bank Environmental and Social Standards in combination with the Ethiopian legislation on environmental impact assessment to EDFP. ESS1 on Assessment and Management of Environmental and Social Risks and Impacts is among the standards triggered by the EDFP and thus the relevant principles in relation to subproject categorization are briefly outlined as follows.

The EDFP being a project which consists of a series of sub-project activities to be identified and implemented in several places across the country, the risks and impacts cannot be determined until the subproject location and design details have been identified. For such projects as EDFP involving multiple small subprojects, that are identified, prepared and implemented during the course of the project, MiNT will carry out appropriate environmental and social assessment of the subprojects, and prepare and implement such subprojects, as follows:

- (a) High Risk subprojects, in accordance with the ESSs;
- (b) Substantial Risk, Moderate Risk and Low Risk subprojects, in accordance with National law and any requirements of the ESSs that the Bank deems relevant to such subprojects as determined during its review of the sub-project for “no objection” clearance. Where subprojects are likely to have minimal or no adverse environmental or social risks and impacts (i.e. low risk), such subprojects do not require further environmental and social assessment following the initial scoping.

The EDFP is generally categorized as “Moderate Risk” project and hence MiNT will be required to undertake the appropriate environmental and social assessment of subprojects in accordance with the national law and any requirements of the ESSs that deemed relevant to the sub-projects. Accordingly, the most important National guideline that defines the categorization of subprojects into various schedules is the EIA Procedural Guideline issued by the Federal Environment, Forest, and Climate Change Commission in November 2003. The ESIA Procedural Guideline Categorises all development projects into three Schedules of activities or projects. The full list of Schedule I, II and III subprojects of the EIA procedural guideline (2003) is provided in Annex- F. It should also be noted that the relevant ESSs that are likely to be triggered by the EDFP are broadly assessed and outlined in Table 5 of this ESMF and will need to be customized and applied for each sub-project.

Under the EDFP, it is anticipated that the majority of Component II & III subproject activities will fall into Schedule II subprojects and may require Preliminary ESIA. However, it is also possible that certain subprojects crossing through environmentally sensitive areas and ecosystems such as National Parks, areas with rare/endangered plants and animals, wetlands, and National Heritage sites may fall under Schedule I (i.e. High risk). Under such circumstances, re-sitting, redesigning or rerouting of subproject sites should be made to avoid impacts on the sensitive areas and ecosystems. If the risk rating of a subproject is classified as substantial or higher risk as per the World Bank ESF classification MiNT will notify the World Bank to update both the ESCP and ESMF as appropriate and apply the relevant requirements of the ESSs.

### CHAPTER IV: INTERNAL CONTROL PROCEDURES

#### Internal Control Procedures

The purpose of the Internal Control procedures is to provide the PIU for establishing and maintaining effective internal control over the Project financial activities including funds flow and accounting.

In particular, the internal control system should ensure:

- safeguarding of assets and resources;
- compliance to the applicable laws and regulations;
- orderly and efficient conduct of business.
- Accuracy and completeness of accounting records
- Timely preparation of reliable financial information
- Prevention and detection of fraud and errors.

The body in accordance with Loan Agreement will carry out all the required functions including approval of Project implementation plans, annual budgets, important financial management and procurement documents, etc.

In exercising the internal control procedures, special attention would be given to the following:

- All funds are being used in accordance with the conditions of the relevant financing arrangements and regulations, with due attention to efficiency. Relevant financing arrangements include the Loan Agreement and the Contracts signed with the Contractors. Relevant financial regulations include the “WB’s Disbursement Handbook” and “Financial Management and Internal Control Procedures”,
- Goods and services are being procured in accordance with Loan Agreement,
- All necessary supporting documents, records and accounts are being kept in respect of all Project activities, including expenditures reported by Statement of Expenditures (SOE’s).

#### General Internal Control Environment

A general internal control environment within the PIU assess the arrangements and procedures for planning Project activities, for gathering data from Project Components and preparing the Project Budget; consistency of budgets with financial management reporting requirements; monitoring variances and making recommendations for remedial actions.

The Financial Management Unit of the PIU will carry the responsibility of maintaining Financial Management System of the Project.

#### General Internal Control Procedures

The general internal control procedures to be implemented by the PIU in day-to-day operations are:

- Control of the staff
  - the organization chart
  - job descriptions / responsibilities
  - attendance schedules
  - activity schedules
  - performance evaluations
- Control of the contract management process
  - FM staff should be involved in contract design stage, as well as in the process when the contract is being modified (ie. extended the period, or changed the amount, etc.)
  - contract performance control by FM and by monitoring specialist,
  - the monitoring by monitoring specialist of the Bank guarantee letters (particularly the validity period coverage, especially in cases when the contracts are extended)
  - The monitoring specialist traces the payment deadlines, amounts to be paid and cumulatively paid, as well as remaining balances under the contracts and monitors the expiry dates for each security, using Excel special spreadsheets.
- Control of the disbursements
  - work plans
  - budgets

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- procurement procedures and approval process
- payment procedures and approval process
- documentation
- Control of accounting records
  - verification of source documents
  - reconciliation of records by journal and ledger entries
  - trial balance
  - Bank or Treasury statements and reconciliation of Bank or Treasury accounts
- Control of the physical assets
  - inventory of physical assets
  - verification of the physical assets by taking physical inventory
  - operational procedures and records
  - maintenance procedures and records
  - safety instructions
  - maintaining fixed assets register

### **Treasury Operations**

The Financial Officer should review the Treasury statements of the Designated Account and Project Account, comparing with the Project Accounting records as well as World Bank Client Connection System for reconciliation purposes.

All the payment instructions issued for disbursements through the Project Treasury Accounts should be prepared by the Financial Specialist and reviewed by the Accountant before submission for payment authorization. The authorized signatures on the payment instructions should also be controlled by the Financial Officer before delivery by electronic means to the Treasury. The signatories to the PIU accounts are the Executive Project Coordinator (responsible for final authorization stage in “Treasury”) and the Financial Officer / Accountant (responsible for initial authorization stage in “Treasury”).

### **Procurement and Disbursement Operations**

The responsibility of the implementation of the procurement procedures is assigned to the Procurement Specialists of the PIU.

The Financial Officer should make the following controls on procurement and disbursements before submitting it for payment authorization to PIU Project Coordinator.

- Compare with the Project Budget and the Procurement Plan.
- Review the delivery minutes or reports.
- Review of the invoices payable in comparison with the contract, purchase order, delivery documents.
- Review and calculation control of the progress payment reports.
- Review all changes made in on-going contracts and compare them with the Loan Agreement’s requirements.

The responsibility of the disbursements are assigned to the Accountant which should make the following controls on disbursements under Project components before submitting it to the PIU Project Coordinator for payment authorization.

- Compare with the Budget of the related Project Component.
- Review the delivery minutes or reports.
- Check the initials of the responsible persons on the documents.
- Review the verification of the invoices, receipts or other disbursement documents.
- Review of the invoices payable in comparison with the contract, purchase order, delivery documents.
- Review and calculation control of the progress payment reports.
- Verify the pricing and document computations.
- Ensure that only valid business trip expenses of staff or external consultants (e.g. per diem, reasonable travel costs) are reimbursed, and also references to any standard rates or norms, if such rates and norms are to be applied.

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### Payroll

Payroll costs will be controlled through the payrolls and their supporting documents (e.g. attendance schedules and employment contracts). The payroll control is to ensure

- compliance with the current tax and labor legislation of the Republic of Armenia,
- accrual of the staff salaries in consistent with the attendance schedules,
- compliance with the wage rates,

### Physical Assets

The fixed assets shown at the Project investment costs are not subject to the depreciation whereas registration of the fixed assets is an important aspect of the Management Reports. The fixed assets of the PIU should be recorded in asset hard copy register. Office manager is responsible for maintaining the fixed assets s register.

The records of the fixed assets should include

- the date of acquisition,
- model, type, basic specifications, identification number,
- cost,
- Name of the employee or other involved person who has the responsibility for the conditions and safeguard of the fixed assets.

An annual physical inventory of the fixed assets is conducted at the end of each calendar year during the life of the Project. Asset registry tags should be attached to each fixed asset, indication the assets inventory number assigned.

Besides the fixed assets some other inventories may exist, such as office supplies, low cost spare parts, small office equipment etc. Such inventories should be kept by the responsible person under proper conditions.

The destroyed or unusable items should be documented properly and with approval of the PIU Project Coordinator will be disposed. Such inventories also should be covered by the annual physical inventory.

### Accounting Records

Accounting is the main tool to determine the financial status of the Project. The sources of funds allocated for the implementation of the Project and the uses of such funds for Project disbursements will be followed through accounting records. The Chart of Accounts is the main control tool for the accounting records, as each transaction will be interpreted and recorded by relevant account code of the Chart of Accounts (See Annex 10). The account codes, which reflect the characteristics of any transaction (e.g. the Project Component disbursement category, etc.) will be determined by the Financial Specialist and the journal vouchers should be initialized before recording.

The outstanding balances of all accounts should be analyzed by the Chart of Accounts, through trial balance at least once a month and any irregular balance should be rolled on to provide corrective actions if necessary. Such controls should be provided with a special emphasis for Designated Account and Project Account. Bank or Treasury statements and accounts records should be compared at least once a month for reconciliation purposes by Financial Officer.

Corrections on accounting records can only be decided by the Project Coordinator, Financial Officer and Accountant. Corrections should be made after cancellation of the faulty record by a reverse entry and reason for any corrective action on accounting records should clearly be described and initialized by the Financial Officer and approved by Project Coordinator.

Financial Management Unit will submit all the payment instructions to the PIU Project Coordinator for approval. Payment instructions should be initialized by the Financial Officer and the Accountant and signed by the Project Coordinator of the PIU. A copy of any payment instruction will be kept by the Financial Management Unit as a source document to support the accounting records and to be used for reconciliation purposes.

### Supporting Documents

All the documents, which support the Accounting records should be reviewed by the related staff of the Financial Management Unit of the PIU in consistency with the relevant legislative procedures and the

calculations should be checked with the contracts and other related documents. The Project related documents be maintained after the Project closure according to the WB relevant guidelines, regulations, legal agreements and other applicable documents

### **Budget**

The Budget of the Project should be as detailed as possible to provide a reasonable comparison of the planned and realized Project activities. The time and cost estimates used for budgeting the Project activities should be realistic. The Budget themselves are internal control tools.

The Budget give the targets of the Project in a certain time interval. The variances between the budgeted and realized figures indicate how realistic targets were set. The semi-annually budgetary comparisons give some indications for revision of the targeted activities and their monetary figures. The responsibility of the budget process is assigned to the Financial Officer of the PIU. PIU based on Procurement Plan of the given Project develops an annual budget that to be sent to the Ministry of Finance for approval in accordance with the Medium Term Expenditure Framework and the annual budget circular issued by the Ministry of Finance. This approved budget is subject for approval by the Steering Committee or other body in accordance with Loan Agreement. The Government of Ethiopia and WB should approve Budget changes, in case if additional funding required under the given Project.



### CHAPTER V: Accounting System

The accounting system is a critical part of the Projects' financial management system and its design and operation are therefore of great importance. The purposes of the accounting system are formation of complete and reliable information on Project activities and transactions, which is necessary for effective management as well as for use by GOE, World Bank and other Beneficiary organizations and persons. It should reflect Project needs and be designed to provide the financial information required by PIU and fulfill all the legal and regulatory requirements of the RA and World Bank. For reporting purposes the PIU uses IPSAS Financial Reporting Under the Cash Basis.

The PIU utilizes "software" accounting software, which has fully-integrated accounting and financial management software modules adapted for use in World Bank-financed Projects. Each user is assigned to a work place. This is where the working tools of the given user are situated, within the user's authority. For financial users the authorities to perform appropriate actions and view reports are specified. Accounting entries are made based on the input initial documents. Documents, as everyday life, are stored in relevant folders and parallel to that reports are generated. Only the person authorized to generate the documents can remove them. The system is significantly protected from unauthorized access, both thanks to its own resources and the ones of data bases. The staff users have own passwords and the access levels in accordance with position. In case of failure, a return is performed until the previous normal condition is reached. The system generates external hard drive backup copies of accounting data during the work every month. For reconciliation purposes, the IFRs and SOEs are prepared in Excel. Financial Officer conducts reconciliations the IFRs and SOEs to the Project accounting records, as well as to the World Bank Client Connection system.

#### Conflict of interest

Conflict of interest shall be interpreted but in no way limited to the following: any past, present or prospective economic, financial and private direct and/or indirect (through relatives or partners) interest, as well as ownership or other links with the PIU staff or companies, Project developers and individuals involved in Project financed directly by the PIU.

It is expected that all officers, trustees, and staff of the PIU will at all times adhere to the highest ethical standards in all matters.

Where any officer, trustee, or staff member, or any spouse (or other person with whom one cohabits), or lineal descendant or ascendant of same respectively, is an officer, Project Coordinator, or staff member of, or has a financial interest in, any other association or other organization (including any vendor of goods or services) with which PIU has entered into, or is considering entering into, any contract or other transaction, such officer, trustee, or staff member shall disclose in writing to the PIU Project Coordinator all material facts as to the relationship or interest. Individuals with conflicts of interest must reclude themselves from participating in any part of the decisions related to the transaction giving rise to the conflict.

No officer, trustee, or staff member shall use, for financial or other advantage, confidential or proprietary information accessed by virtue of his or her position with PIU. Information does not need to be marked as "proprietary" or "confidential" before this policy applies. Types of information PIU considers proprietary or confidential include, for example, computer programs and databases, such other information as personnel files, research and development information, strategic plans, technical information, financial information, and advice of accountants and legal counsel. Only individuals to whom proprietary and confidential information must be disclosed in the performance of duties have a need to know this information.

Each case of fraud, waste or misuse of Project resources or property identified by the PIU employee shall be reported in writing to its direct supervisor or to the PIU Project Coordinator if the issue is neglected or unsettled by the supervisor. Should the PIU Project Coordinator fail to undertake any action for suspending such fraud, waste or misuse, the issue shall be submitted to Board member/members in writing by the same employee with sending a copy of such notification to the person having committed an act of fraud, waste or misuse.

### **Reporting on fraud, waste, or misuse**

PIU staff should immediately report to the Financial Supervision Department of MOF and Chamber of Control in case they suspect fraud, waste, or misuse of Project resources or property.

**CHAPTER V: ANNEXES**

ANNEX 1: Audit TOR

ANNEX 2: DESIGNATED ACCOUNT RECONCILIATION STATEMENT

ANNEX 3: STATEMENTS OF EXPENDITURES (SOEs)

ANNEX 4: STATEMENTS OF EXPENDITURES (SUMMARY SHEET)

ANNEX 5: WORLD BANK REPORTS FORMS

ANNEX 6: SEQUENCE AND FLOW OF DOCUMENTS AND FUNDS

ANNEX 7: FM staff TOR

ANNEX 8: GOE REPORTS FORMS

ANNEX 9: OTHER ACCOUNTING AND REPORTING FORMS

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## ANNEX 1: Sample Audit TOR

### TERMS OF REFERENCE (TOR)

**FOR THE AUDIT OF THE [NAME OF PROJECT] FOR THE YEAR (OR PERIOD) ENDED [MONTH DATE, YEAR]**

#### **Background [OPTIONAL]**

*The TOR should provide appropriate background information of the Project, including:*

- (a) a brief description of the Project including information on Project sources of funding;*
- (b) a general description of implementation arrangements, including the organizational structure of all implementing entities (if more than one);*
- (c) list the source and total amount of funds for the period subject to audit under this TOR (Bank's Loan/credit, trust funds, counterpart funds, etc).*

#### **Objective**

The objective of the audit of the Project Financial Statements (PFS) is to enable the auditor to express an opinion on the Project's financial position as at the end of the year (or period) ended on [MONTH DATE, YEAR] and of the income and expenditure for the accounting period ending on that date. The project's books of account provide the basis for preparation of the financial statements and are established to reflect the financial transactions in respect of the Project.

#### **Responsibility for preparation of financial statements**

The responsibility for the preparation of financial statements including adequate disclosure is that of the project's management. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the project. As part of the audit process, the auditor will request from management written confirmation concerning representations made to us in connection with the audit.

#### **Scope**

The audit will be conducted in accordance with International Standards on Auditing (ISA) published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC). Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

- a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.
- b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements.
- c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by International

## Project Operation Manual (POM)

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### Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance.

- d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.
- e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level as required by International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks.
- f) In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization.
- g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by International Standard on Auditing 580: Written Representations.

In evidencing compliance with agreed project financing arrangements, during the audit of the Project Financial Statements the auditor is expected to carry out tests to confirm that:

- a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreement, and disbursement letter with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreement are [CITE RELEVANT GENERAL CONDITIONS AND FINANCING AGREEMENTS];
- b) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements, and disbursement letter and only for the purposes for which they were provided;
- c) Goods and services financed have been procured in accordance with the relevant general conditions, relevant financing agreements<sup>8</sup> and disbursement letter, including specific provisions of the World Bank Procurement Guidelines<sup>9</sup>;
- d) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary Report or Statements of Expenditures (SOEs), or Designated Accounts (DAs). The auditor is expected to verify that respective reports issued during the period were in agreement with the underlying books of account;
- e) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions, relevant financing agreements and disbursement letter;

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<sup>2</sup> Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of [International Standard on Auditing 620: Using the Work of an Expert](#).

Consideration to use of the work of experts should be brought to the early attention of the borrower and the World Bank for mutual agreement and appropriate guidance.

<sup>3</sup> See [Guidelines: Procurement Under IBRD Loans and IDA Credits, \(refer to the legal agreement for the applicable version\)](#) and [Guidelines: Selection and Employment of Consultants by World Bank Borrowers, \(refer to the legal agreement for the applicable version\)](#).

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- f) Review the compliance on each of the financial covenants in the [STATE SPECIFIC SECTION OF LOAN/FINANCING AGREEMENT and list, as necessary].

### Project Financial Statements

The Project Financial Statements should include as a minimum the information required by the IPSAS “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC). The financial statements should include:

- a) A Summary of Funds received showing the World Bank, project funds from other donors, and counterpart funds separately,
- b) A Summary of Expenditures paid in cash, shown under the main project headings/activities and by main categories of expenditures, both for the fiscal year [or period] ended [MONTH DATE, YEAR] and accumulated to-date;
- c) Accounting policies and explanatory notes<sup>10</sup> (including additional accounting policies and disclosures), covering
  - a Summary of Summary Reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
  - A Statement of Designated Account in the notes, as appropriate;
  - a Statement of Financial Position showing Accumulated Funds of the Project, bank/treasury balances, other assets of the Project, and liabilities, if any; and
- d) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments.

### Summary Reports or Statement of Expenditures

The auditor is required to audit all Summary Reports or SOEs submitted to the World Bank in support of requests for periodic replenishment of the project designated account(s).

Expenditures should be examined for eligibility based on criteria defined in the terms of the financing agreement and detailed in the Project Appraisal Document. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed, they should be separately reported.

The Project Financial Statements should include a schedule listing of individual Summary Reports or SOEs withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

- a) the Summary Reports or SOEs have been prepared in accordance with the provisions of the relevant financing agreement.
- b) expenditures have been made wholly and necessarily for the realization of project objectives.
- c) information and explanation necessary for the purpose of the audit have been obtained;
- d) supporting records and documents necessary for the purpose of the audit have been retained, and
- e) the Summary Reports or SOEs can be relied upon to support the related withdrawal applications.
- f) the amounts claimed to Bank under Withdrawal Application are exclusive of taxes.

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<sup>10</sup> The explanatory notes should include reconciliation between the amounts shown as "received by the project from the World Bank" and that disbursed by the Bank and a summary of movements on the project's Designated Account.



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### Designated Accounts

During the audit of the project financial statements, the auditor is required to review the activities of the project's designated account(s). Activities to be examined will include deposits received, payments made, interest earned and reconciliation of period-end balances.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Accounts at the fiscal year [or period] and the adequacy of internal controls for this type of disbursement mechanism.

### Audit Reports

The auditors will issue an audit opinion on the Project Financial Statements.

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

- a) provide comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
- b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
- c) report on instances of non-compliance with the terms of the financial agreement(s);
- d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the World Bank;
- e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;
- f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
- g) include management's comments in the final management letter.

If none of the above applies, and a management letter is therefore not prepared, the auditor will issue a letter stating that during the audit nothing has come to their attention that the auditor considers pertinent to be brought to the attention of the borrower. The financial statements, including the audit opinion, and management letter should be received by the Project implementing agency, PIU, no later than six months after the end of the audited period. The Project's implementing agency has a legal obligation to promptly forward two copies of these to the World Bank.

### Public Disclosure

In accordance with "The World Bank (the Bank) Policy on Access to Information" for Bank-financed operations for which the invitation to negotiate, the Bank requires that the borrower makes the audited financial statements publically available in a timely fashion and manner acceptable to the Bank. In addition, following the Bank's formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be a part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree—i.e., when the audited financial statements contain proprietary or commercially sensitive information—that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements, but is still required to disclose an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

### General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the PIU. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The auditor is entitled to unlimited access to all information and explanations considered necessary to

## Project Operation Manual (POM)

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facilitate the audit including legal documents, project preparation and supervision reports, reports of reviews and investigations, correspondences, and credit account information. The auditor may also seek written confirmation of amounts disbursed and outstanding in the Bank records. The office space will be provided to Auditor.

The auditor is encouraged to meet and discuss audit related matters including input to the audit plan with the World Bank project task team.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- Disbursement Handbook for World Bank Clients, dated May 2006 (available on Client Connection web site);
- Disbursement Guidelines for Projects, dated May 2006 (available on Client Connection web site).
- Guidelines: Procurement Under IBRD Loans and IDA Credits (refer to the legal agreement for the applicable version).
- Guidelines: Selection and Employment of Consultants by World Bank Borrowers (refer to the legal agreement for the applicable version).

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.

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### ANNEX 2: DESIGNATED ACCOUNT RECONCILIATION STATEMENT

#### DESIGNATED ACCOUNT RECONCILIATION STATEMENT

LOAN/CREDIT/PPF/COFINANCIER NUMBER: \_\_\_\_\_

ACCOUNT NUMBER: 900000903-\_\_\_\_\_,  
Yerevan, Republic of Armenia

1. Amount advanced by World Bank ( or Cofinancier ) USD \_\_\_\_\_
2. Less total amount recovered by World Bank  
( recovery process normally begins towards  
the end of the Project ) : -
3. EQUALS PRESENT OUTSTANDING AMOUNT  
ADVANCED TO THE DESIGNATED ACCOUNT USD \_\_\_\_\_

- 
4. Amount in Designated Account at (date) \_\_\_\_\_ USD \_\_\_\_\_  
per bank statement (copy attached)  
Local account at USD \_\_\_\_\_

5. Plus amount of eligible expenditures documented  
in attached application (No. \_\_\_\_\_) USD \_\_\_\_\_

6. Plus amount claimed in previous applications  
not yet credited at date of Bank statement:

Subtotal of previous  
applications not yet credited:

7. EQUALS TOTAL ADVANCE ACCOUNTED FOR USD \_\_\_\_\_

8. Explanation of any discrepancy between totals appearing on Lines 3 and 7 above (e.g. items paid  
from account but not yet claimed, earned interest credited to the account, etc.):

9. DATE : \_\_\_\_\_

SIGNATURE:

TITLE:

PIU, Project Coordinator

## Project Operation Manual (POM)

### ANNEX 3: STATEMENTS OF EXPENDITURES (SOEs )

THE WORLD BANK

APPLICATION FOR

WITHDRAWAL

SOE

Date

Application

No.

Summary Sheet No.:

Category or Sub-Project No.

Category

IBRD Loan, IDA Credit or

Cofinancier Ref. No.

Item	Name and Address of Contractor s/Suppliers	Contract or Purchase Order No.& Date (or Other Ref.)	Brief Description of Goods Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Eligible for Financing %	Invoice Amount	Amount Paid from Designated Account (if any)	Remarks (including no-objection telex date)	Date of Payment
1										
2										

SUPPORTING DOCUMENTS FOR THIS SOE RETAINED AT FOREIGN FINANCING PROJECT MANAGEMENT CENTER OF THE MINISTRY OF FINANCE

### Summary Report (simplified SOE) for EEP

THE WORLD BANK

APPLICATION FOR

WITHDRAWAL

Date

Application

No.

As of

Category or Sub-Project No.

Category

IBRD Loan, IDA Credit or

Cofinancier Ref. No.

	Activity Name	Planned amount in US\$	Actual funds provided in US\$	Actual expenditures made in US\$	Comments
1					

## Project Operation Manual (POM)

### ANNEX 4: STATEMENTS OF EXPENDITURES (SUMMARY SHEET)

THE WORLD BANK

APPLICATION FOR

WITHDRAWAL

SUMMARY SHEET

Date \_\_\_\_\_

Application

No. \_\_\_\_\_

Summary Sheet No.: \_\_\_\_\_

Category or Sub-Project  
No. Category \_\_\_\_\_

IBRD Loan, IDA Credit or Co  
financier Ref. No. \_\_\_\_\_

Item No.	Name and Address of Contractors/Suppliers	Contract or Purchase Order No. & Date (or Other Ref.)	Brief Description of Goods or Works, or Services	Currency and Total Amount of Contract	Total Amount of Invoices Covered by Application (Net of Retention)	Elig. %	Invoice Amount Eligible for Financing	Amount Paid from Designated Account (if any)	Remarks (including no-objection telex date)	Date of Payment
1										
2										

### ANNEX 5: WORLD BANK REPORTS FORMS

The Interim Un-audited Financial Reports (IFRs)

1. Sources and Uses of Funds Statement
2. Uses of Funds by Project Activity Statement
3. Designated Account Statement
4. SOE Withdrawal schedule
5. Statement of financial position

#### **Project Sources & Uses of Funds**

For the period from \_\_\_\_ to \_\_\_\_

(in USD Currency)

	Actual			Planned			Variance			Life of Project
	Current semester	Year to Date YTD	Cumulative to Date	Current semester	Year to Date YTD	Cumulative to Date	Current semester	Year to Date YTD	Cumulative to Date	
Opening Cash Balance										
Local Account										
Designated Account										
Total										
Add: Sources of Funds WB										

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Government										
Total										
Foreign Exchange Difference										
Total										
Less: Uses of Funds (1) XXX										
Total										
Closing Cash Balance Local Account Designated Account										
Total										

### *Uses of Funds by Project Activity*

*For the period from \_\_\_\_ to \_\_\_\_ (in USD Currency)*

Project Activities	Actual			Planned			Variance			Life of Project
	Current semester	Year to Date` YTD	Cumulati ve to Date	Curren t semester	Year to Date` YTD	Cumulati ve to Date	Curren t semester	Year to Date` YTD	Cumulati ve to Date	
1.										
2.										
Total Project Expenditu re										

### *Designated Account (DA) Statement*

*as at*

1	Opening Balance as at XXX
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Add:

- 2 Cumulative unexplained discrepancy
- 3 WB Loan advance/replenishment during the current period
- 4 Less: Refund to WB from DA during the current period( )
- 5 **Present outstanding amount advanced to DA**
- 6 DA closing balance as at XXX carried forward to next period
- 7 Add: Amount of eligible expenditures paid during the current period ( )
- 8 Service charges (if debited into DA)
- 9 Less: Interest earned (if credited into DA)
- 10 **Total advance accounted for**
- 11 Discrepancy(5)-(10) to be explained /II

### SOE Withdrawal Schedule

For the period from ..... to.....

Credit Number

W/A	Expenditure categories	Total USD
		-
<b>sum</b>	-	-

### Statement of financial position

Credit Number  
(in USD)

	Note	As of <b>XXX.20xx</b>	As of <b>XXX.20xx</b>
--	------	--------------------------	--------------------------

#### ASSETS

##### Current assets

##### Cash and cash equivalents

## Project Operation Manual (POM)

GOE Project Account  
WB Designated Account

TOTAL

- -

**Non-current assets**

***Cumulative Project Expenditures***

GOA cumulative expenditures

WB cumulative expenditures

TOTAL

(\*)

- -

**TOTAL ASSETS**

- -

**FUNDS**

**Project financing**

GOA fund

WB fund

TOTAL

(\*)

- -

***Foreign Exchange Difference***

GOE fund

WB fund

TOTAL

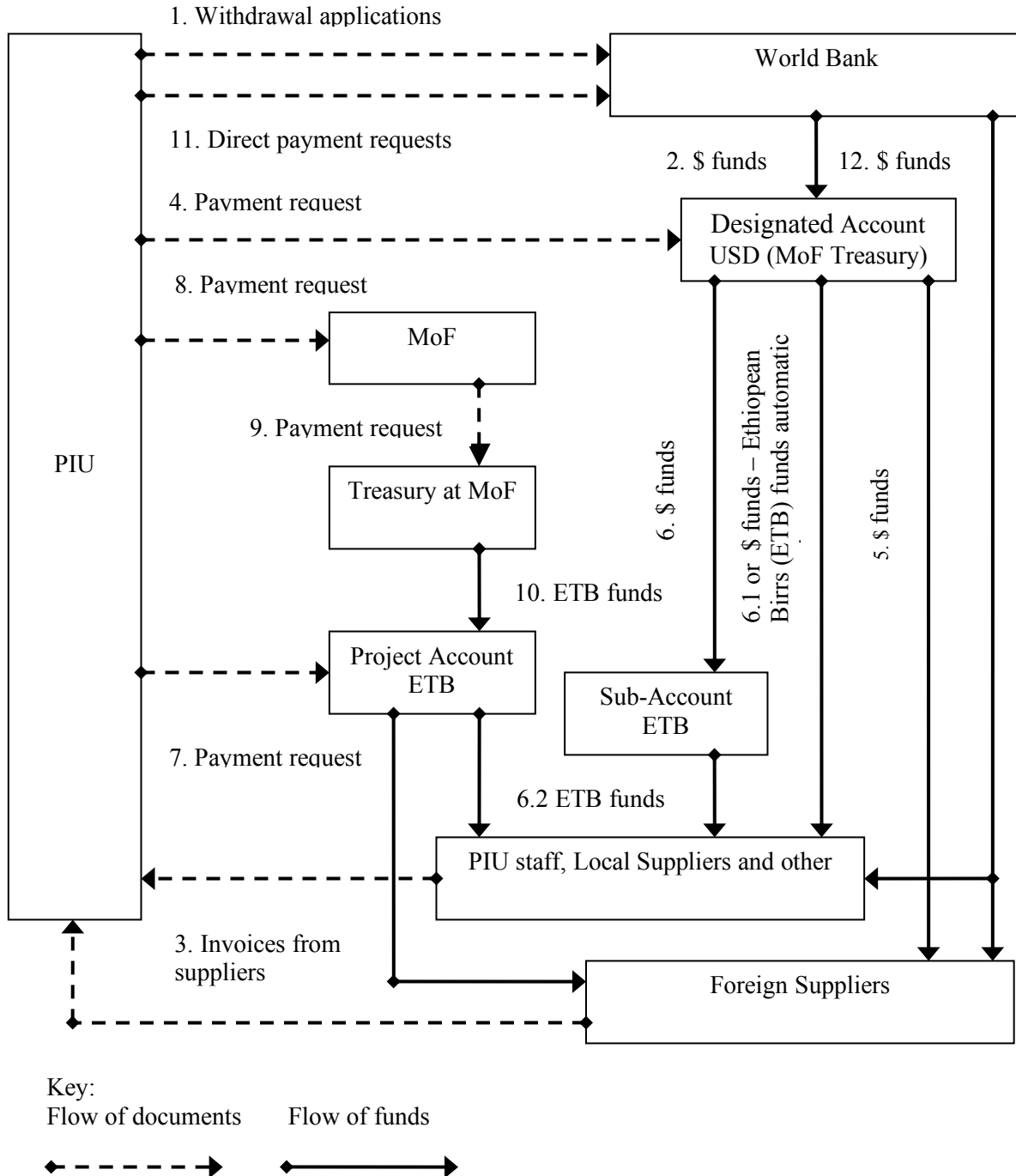
- -

**TOTAL FUNDS**

- -

(\*) See Project Sources & Uses of Funds

## ANNEX 6: SEQUENCE AND FLOW OF DOCUMENTS AND FUNDS



## Description

- Replenishment of Designated and Project Accounts.  
1-2: As required, the Financial Officer prepares a withdrawal application together with relevant supporting information - SOE listings for expenditures below the thresholds (See Disbursement Letter) and full documentation details for expenditures greater than thresholds. The withdrawal application is then approved and signed as appropriate and sent or delivered by electronic means (See Disbursement Letter) with supporting documents to the WB Disbursement Management Group for the replenishment of the Designated Account.

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8-10: from GoE funds – the Financial Officer prepares the payment orders (8), these are approved by MOF, presented to bank or Treasury for payment (9), and funds flow from the bank or Treasury's bank account to ETBD Project Account of PIU in the bank or Treasury (10).

➤ Payments to contractors, suppliers, etc.

3-7: Payments will be effected in two ways, depending upon the source of financing: (i) from WB funds – a payment order from the DA is prepared by the Financial Specialist and after authorization ( Accountant and Project Coordinator) presented or delivered by electronic means to Treasury for payment (4) ; and funds are transferred from the DA directly to the foreign suppliers (in Contract's currency) (5) or to the local suppliers (in ETB after conversion directly from the DA), sub-account use for payments on a list (salary & other) (6; 6.1) to the Bank account specified in the Invoice; and (ii) from GoE funds – a payment order from the PA is prepared by the Financial Specialist and after authorization ( Accountant and Project Coordinator) presented or delivered by electronic means to bank or Treasury for payment (7); and funds are transferred from the PA to the suppliers or directly to the Tax Service of Ethiopia in accordance with the legislation of the Ethiopia.

➤ World Bank Direct Payments.

11-12: Direct Payment requests are sent from PIU to the World Bank Disbursement Management Group when circumstances require (11). The payment request is prepared on Form 2380E (5-06) and authorized as for normal Withdrawal Applications (see above). The World Bank makes direct payment to the suppliers as directed (12).

### ANNEX 7: FM staff TORs

#### Terms of Reference and Scope of Services

##### Financial Officer

##### Objectives

The objective of this assignment is to make the disbursements under the Project and ensuring financial monitoring and management under the Project.

##### Scope of Work

The Financial Officer will be responsible for the following tasks:

- Maintain Project records and accounts to the generally accepted Accounting principles and practices and the Legislation of the Ethiopia;
- Ensure that all Project accounts are maintained in accordance with the World Bank guidelines and regulations to be available for auditing by independent international auditors;
- Establish and operate the financial management system for the Project;
- Prepare the Project financial statements to be audited and coordinate the audit arrangements of the Project; co-operate fully with the auditor and make available to the auditor whatever records, documentation and other information is requested by the auditor in connection with the audit; ensure that the auditor has access to all legal documents, correspondence, and any other information associated with the Project and deemed necessary by the auditor;
- Prepare and submit to the World Bank semi-annually Interim Un-audited Financial Reports (IFR) in time and manner indicated in the Loan Agreement;
- Develop, maintain and update written procedures for operation (Financial Management Manual) of the Project accounting system;
- Ensure proper controls over accurate use of the financial resources of the Project;
- Registration of the proceeds of the Project;
- Prepare disbursement applications, with all necessary documentation (WAs, SOEs, etc.) according to the World Bank and Ministry of Finance (Bank or Treasury) procedures for submission to the bank and ensure replenishment/recovery of the Designated Account on timely basis;

## Project Operation Manual (POM)

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- Establish and manage the Project's Designated Account. Prepare requests for Special Commitments, open Letters of Credit, verifying payment orders and make payments from the Designated Accounts;
- Prepare and submit financial reports to the Government;
- Project's budget preparation and execution;
- Maintain procedures for collecting, checking and preparing documentation required for verifying Supplier's invoices. Record payment documentation and payments to Suppliers. Prepare invoices for payments by verifying the invoice against contract terms and conditions; ensure that all payments are made on a timely basis and according to contract terms and conditions as well as the WB relevant guidelines, regulations, legal agreements and other applicable documents;
- Conduct regular reconciliations of the bank account balances to the Project accounts, as well as to the World Bank Client Connection system. Conduct regular foreign exchange revaluation of un-disbursed balances of the Project funds;
- Cooperate with the World Bank missions in conducting regular financial management supervisions of the Project and properly address the observations and recommendations provided;
- Ensure that the contracts, signed under the Project are maintained and payments under such contracts are executed, supporting documents for foreign expenditures under sub-Project within the format of Loan Agreement reviewed. Carry out all other administrative duties as required ensuring the timely implementation of Project financial management requirements.

### **Terms of Reference and Scope of Services** **Accountant**

#### **Objectives**

The objective of this assignment is to make the payments and accounting under the Project.

#### **Scope of Work**

The Accountant will be responsible for the following tasks:

- Providing the compliance of the financial operation of the Project with the Legislation of the Ethiopia;
- Maintaining proper accounting records;
- Providing accurate utilization of the financial resources of the Project;
- Registration of the inventory of the Project;
- Maintenance of the Designated Bank Account for the Project,
- Preparation of monthly and annual financial reports for Tax Service and Government;
- Maintenance of the contracts, signed under the Project and execution of payments under such contracts, review supporting documents for local expenditures under sub-Project within the format of Loan Agreement;
- Providing the Project's auditor a description of the systems, procedures and documents used to ensure that World Bank requirements are met;
- Providing the Auditor with access to copies of all necessary documentation, information and supportive materials.
- Maintain procedures for collecting, checking and preparing documentation required for verifying Supplier's invoices. Record payment documentation and payments to Suppliers; post payment amounts to supplier's contract and compare against contract ceiling values. Prepare invoices for payments by verifying the invoice against contract terms and conditions; ensure that all payments are made on a timely basis and according to contract terms and conditions as well as the WB relevant guidelines, regulations, legal agreements and other applicable documents;

### **Terms of Reference and Scope of Services Financial Specialist**

#### ***Objectives***

The objective of this assignment is to deliver on-going financial management services and support to the fulfillment of all financial management-related activities.

#### ***Scope of Work***

The Financial Specialist shall:

- Ensure correspondence of financial activities of the Center to the requirements of the World Bank, international credit organizations and Ethiopian legislation;
- Ensure targeted and proper disposal of financial proceeds;
- Develop monthly, quarterly, six-months and annual financial reports;
- Execute the budget of the Center;
- Fulfill monitoring of the assets within the format of running timely and proper inventory;
- Ensure that payments and procedures, envisaged under the contracts, signed within the format of the project, implemented by the Center;
- Maintain procedures for collecting, checking and preparing documentation required for verifying Supplier's invoices. Prepare payment orders. Record payment documentation and payments to Suppliers.
- Monitoring of interest payments, commission payments and repayments of credit within the format of the Loan Agreements, signed with involved financial organizations;
- Revise sub-loan projects within the format of Loan agreements;
- Control over support documents for the expenses made by the Borrowers under the sub-Loan Agreements, signed within Loan Agreements.
- Fulfill other assignments of the Project Coordinator.

### **Terms of Reference and Scope of Services Monitoring Specialist**

#### ***Objectives***

The Monitoring Specialist will be in charge of all activities aimed to ensure that activity work plans are implemented as required and that all necessary and appropriate reports are produced and disseminated. The Specialist will carry out the following function:

Follow up Projects operations including initiation and implementation of activities, follow up to ensure that outputs and outcomes are achieved as planned, and that contracts are entered into and executed in accordance with terms of contracts and the projects plan.

#### ***Scope of Work***

The Monitoring Specialist will be responsible for the following tasks:

- Develop, regularly review and disseminate a monitoring framework taking account of all aspects of Projects implementation including procurement and budget plans, as well as key WB's agreements and requirements.
- Monitor with Projects Coordinators and report regularly on the implementation of Project's plans in terms of milestones and agreed dates. The consultant, working closely with all Project's components will highlight quality issues and slippages to management in the course of implementation. This shall also include appropriate monitoring and update of the implementation work plans and any other monitoring tools.
- Coordinate the compilation of quarterly report with procurement and financial specialists.



## **Project Operation Manual (POM)**

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- Provide necessary support to PIU Project Coordinator and Project's Coordinators for decision-making.
- Arrange and participate in the necessary Project's reviews.
- Follow up all contracts under the Project's to ensure that they are implemented in accordance with the terms therein including control over the timeliness and accuracy of the submission of performance and advance payment securities under the contracts.
- Conduct monitoring of payments under contracts and bank securities (advance and performance guarantees).
- Fulfill other assignments of the Project Coordinator.

## Project Operation Manual (POM)

### ANNEX 8: GoE REPORTS FORMS

No of report	Type of report	Periodicity
/Form No1/	Cover sheet	monthly
/Form No2/	Project Progress Report by Components and Categories for the Project	monthly
/Form No3/	Project Progress Report by Components and Categories for the Year	monthly
/Form No3a/	Works for the Current month	monthly
/Form No3b/	Goods for the Current month	monthly
/Form No3c/	Consultant's Services for the Current month	monthly
/Form No3d/	Training for the Current month	monthly
/Form No3e/	Monthly operating Costs	monthly
/Form No3f/	Cash Flows	monthly
/Form No4/	Implementation of the Project during the current quarter	quarterly
/Form No5/	Implementation of the Project during the current quarter (physical size)	quarterly

Form No1

**REPORT**

IMPLEMENTATION UNIT                      PIU

MINISTRY OF FINANCE  
OF THE Ethiopia

PIU    Project    Coordinator  
/name, surname/

Telephone, fax

Sending date

Receiving date

Are Attached \_\_\_\_\_ page

PIU Project Coordinator    - - - - - /  
/

## Project Operation Manual (POM)

### REPORT

#### Project Progress Report by Components and Categories for the Project

as at \_\_\_\_\_

The Project

Form No2

No	Components, Subcomponents and categories	The budget estimated by the Project			Actual Work done from the beginning of Project to Date /including the current month/			Actual Paid from the beginning of Project to Date /including the current month/		
		Total	including		Total	including		Total	including	
			WB Financed	Gov't Financed		WB Financed	Gov't Financed		WB Financed	Gov't Financed
1	2	3	4	5	7	8	9	11	12	13
1	Component ...									
	category...									
	...									
2	...									
	<b>TOTAL FOR THE PROJECT</b>									

Project Coordinator  
Accountant

signature  
signature

### REPORT

#### Project Progress Report by Components and Categories for the Current Year

as at \_\_\_\_\_

The Project

Form  
No3

## Project Operation Manual (POM)

No	Components, Subcomponents and categories	The budget estimated for the current year			Budget for year to date			implemented during year to date			Payments made during year to date			Budget for current month			implemented during current month	Payments made during current month		
		Total	including		Total	including		Total	including		Total	including		Total	including			Total	including	
			WB financ ed	GOE financ ed		WB financ ed	GOE financ ed		WB financ ed	GOE financ ed		WB financ ed	GOE financ ed		WB financ ed	GOE financ ed			WB financ ed	GOE financ ed
1	2	3	4	5	7	8	9	11	12	13	15	16	17	19	20	21	23	24	25	26
1	Component ...																			
	category...																			
	...																			
2	...																			
	TOTAL FOR THE PROJECT																			

Project Coordinator signature

Accountant signature

### REPORT

Goods / Consultant's services for the current month

as at \_\_\_\_\_

The Project

FormNo3

No	Components, Subcomponents and categories	Supplier / Consultant	Contract amount	Actual works from the beginning of Contract to Date	Actual works for the current month	Actual payments for the current month
1	2	3	4	5	6	7

## Project Operation Manual (POM)

<b>1</b>						
Total						

Project Coordinator  
Accountant

signature  
signature

### REPORT

#### Operating costs for currant month

as at \_\_\_\_\_

FormN  
o3

#### The Project

No	Costs description	Operating costs budget estimated for the Project			Paid from the beginning of the Project to the Current Year			Operating costs budget estimated for the current year			Actual payments from beginning of the current year to date			Estimated costs for the current month			Actual payments during the current month		
		Total	WB finance d	GOE finance d	Total	WB finance d	GOE finance d	Total	WB finance d	GOE finance d	Total	WB finance d	GOE finance d	Total	WB finance d	GOE finance d	Total	WB finance d	GOE finance d
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	<b>Operating costs of the PIU</b>																		
	including																		
1																			
2																			

Project Coordinator  
Accountant

signatur  
e  
signatur  
e

## Project Operation Manual (POM)

### REPORT

Cash flow for the current month

as at \_\_\_\_\_

The Project

FormNo3

	Account	Opening Balance	Incomings	Outgoings	Closing Balance
1	2	3	4	5	6
1	DA				
2	GOE Account				
3	Other local currency account				

Project Coordinator

Accountant

signature

signature

Implementation of the Project during the current quarter  
quarter, year

The Project

Form No 4

N N	Components, Subcomponents and categories*	Current quarter planned			Current quarter actual works			Current quarter Actual Paid		
		Total	including		Total	including		Total	including	
			WB Financed	GoE Financed		WB Financed	GoE Financed		WB Financed	GoEFinanc ed
	1	2	3	4	6	7	8	10	11	12
1	Component ...									
	category...									
	...									
2	...									
	<b>TOTAL FOR THE PROJECT</b>									

Project Coordinator

Accountant

signature

signature



## Project Operation Manual (POM)

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### REPORT

Implementation of the Project during the current quarter  
as of month, year

The Project

Form No 5

No	Components, Subcomponents and categories	Description of estimated works /physical Output/	Description of actual works /physical Output/	For unsatisfactory performance
1	2	3	4	5

## Project Operation Manual (POM)

### ANNEX 9: Other accounting and reporting forms

#### FIXED ASSETS REGISTER

No	Description of Asset (unique serial numbers, if available)	No of items	Date of Purchase	Original Amount (USD/ETB)	Depreciation for Current Year	Cumulative Depreciation	Net Value

Notes: The Fixed Asset Register will be numbered in each page.

#### OFFICE SUPPLIES PURCHASE REQUISITION FORM

PIU

Requested No. \_\_\_\_\_ Date: \_\_\_\_\_

Requested by: \_\_\_\_\_ Approved by: \_\_\_\_\_

	Description	unit	quantity				Remarks
			orders	orders in hand			
1							

Office manager

recipient \_\_\_\_\_

#### TRIP REQUEST FORM

Comp. \_\_\_\_\_  
(Name, Surname)

\_\_\_\_\_  
(Position, Work place)

Field trip \_\_\_\_\_  
(Destination)

\_\_\_\_\_  
(Aim of the trip)

\_\_\_\_\_ days (excluding the time on the way):

S.P.

PIU Project Coordinator \_\_\_\_\_  
(signature)

202x.

## Project Operation Manual (POM)

Notes start of the trip, arrival at the destination, departure and the end day of the trip.

Date of arrival \_\_\_\_\_ Arrival at the  
Destination \_\_\_\_\_  
\_\_\_\_\_ 202x. \_\_\_\_\_ 202x.

Seal, signature  
Departure \_\_\_\_\_ Arrival \_\_\_\_\_  
Seal, signature

Annotation: In case the trip is in different destinations, separate information on arrival and departure should be noted.

### SUMMARY OF EXPENDITURES OF TRIP

travel expense form REPORT  
on travel expenses

Employee's full name \_\_\_\_\_  
Employee's position \_\_\_\_\_  
Paid advance \_\_\_\_\_ ETB  
Report amount \_\_\_\_\_ ETB  
Amount to be paid \_\_\_\_\_ ETB  
Amount to be returned to the PIU \_\_\_\_\_ ETB

N	Date	Per Diem	Housing		Other expenses		Total
			Supporting Document	Amount	Supporting Document	Amount	
1	2	3	4	5	6	7	8
1							-
2							-
Total		-	x	-	x	-	-

Employee's signature \_\_\_\_\_  
signature name, surname  
PIU's Project Coordinator \_\_\_\_\_  
signature name, surname  
S.V. accountant \_\_\_\_\_  
signature name, surname

### TRIP SHEET

PIU  
Telephone  
Address

PIU

## Project Operation Manual (POM)

Telephone, fax

**waybill №**  
Period: 202x

<p>Make of vehicle</p> <p>Registration number</p> <p>Driver</p> <p>At the disposal of <u>PIU</u></p> <p>Office manager</p>	<p>Speedometer reading at the beginning of period <span style="float: right; border: 1px solid black; padding: 2px 10px;">189274</span></p> <p style="height: 20px;"></p> <p>Grade of petrol <span style="float: right; border: 1px solid black; padding: 2px 10px;"></span></p> <p>Fuel consumption, L <span style="float: right; border: 1px solid black; padding: 2px 10px;">180</span></p>
<p>Vehicle route</p> <p style="margin-left: 40px;"><u>1. urban</u></p> <p style="margin-left: 40px;"><u>2. interurban</u></p> <p style="margin-left: 40px;"><u>3</u></p> <p>Project Coordinator Seal</p>	<p>Speedometer reading at the end of period <span style="float: right; border: 1px solid black; padding: 2px 10px;">190478</span></p> <p style="height: 20px;"></p> <p>number of kilometers traveled <span style="float: right; border: 1px solid black; padding: 2px 10px;">1204</span></p>

For PIU service vehicle in accordance with waybill №  
\_\_\_\_\_ 202x

### statement of fuel

#	description	quantity (L)
1	Remaining fuel at the beginning of month	
2	Acquisition of fuel in the course of a month	
3	Fuel consumption in the course of a month	
4	Fuel at the request of driver	
5	Remaining fuel at the end of month	

Office manager

DATE: \_\_\_\_\_ 2020

### BANK OR TREASURY PAYMENT ORDER FORM

Payment order N

Bank By "Client-Bank or Treasury" system

Date xx/xx/11 (304)

## Project Operation Manual (POM)

Debit account	900000903XXX	Amount
Bank	AM90000	USD
Name	PIU	
Tax payer		
Loan Account	XXXXXXXXXXXXXXXXXXXX	
Recipient's bank	XXXXXX	
Receiver	XXXXXX	
Amount in words		
Reason		

*Signature 1 Signature 2*

*Entered: Confirmed*

### ANNEX 10. Environmental Safeguards Management Framework

The details of Environmental Safeguards Management Framework are described in Environmental and Social Management Framework (ESMF), dated March 2021.