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Ethiopia Country Office
Africa Avenue, Bole Road
Addis Ababa, Ethiopia

Tel: (251-11) 5176000
Fax: (251-11) 6627717

May 14, 2018

Ref: WB/CD/157/05/14/2018

H.E. Dr. Abraham Tekeste
Minister
Ministry of Finance and Economic Cooperation
Addis Ababa

Dear Dr. Abraham,

***Subject: Preparation of Proposed Ethiopia Economic Opportunities Program Advance No. V1970***
***Additional Instructions: Disbursement Letter***

I refer to the Advance Agreement ("Agreement") between the Republic of Ethiopia ("Recipient") and the International Development Association for Reconstruction and Development ("World Bank") for the preparation of the above-referenced Program, dated May 14, 2018. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of Program Preparation Advance **V1970** ("PPA"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The Disbursement Guidelines for Investment Project Financing, dated February 2017, ("Disbursement Guidelines") are available in the Association's public website at https://www.worldbank.org and its secure website "Client Connection" at https://clientconnection.worldbank.org. The Disbursement Guidelines are an integral part of the Disbursement Letter, and the manner in which the provisions in the guidelines apply to the PPA is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

## I. Disbursement Arrangements

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

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

***(ii) Disbursement Deadline Date (subsection 3.7).*** The Disbursement Deadline Date is the Refinancing Date specified in the Agreement. Any changes to this date will be notified by the World Bank.

***(iii) Disbursement Conditions (subsection 3.8).*** Please refer to the Disbursement Condition(s) in Section 3.02 of the Annex to the Agreement.

**II. Withdrawal of PPA Proceeds**

***(i) Authorized Signatures (subsection 3.1).*** A letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
Addis Ababa, Ethiopia
Attention: Carolyn Turk -Country Director

***(ii) Applications (subsections 3.2 - 3.3).*** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Association
Delta Centre, 13th Floor,
Menengai Road
Nairobi, Kenya
Tel: +254 20 2936 000
Attention: Loan Operations-Anthony Okwako

**(iii) Other Information.**

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Association's website (http://www.worldbank.org/) and "Client Connection". The Association recommends that you register as a user of "Client Connection". From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the [Grant] [Credit], and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Association by email at clientconnection@worldbank.org.

***(iv) Minimum Value of Applications (subsection 3.5).*** The Minimum Value of Applications is USD 100, 000.

***(vi) Advances (sections 5 and 6).***

- ***Type of Designated Account[s] (subsection 5.3)****:* Segregated for PPA only.
- ***Currency of Designated Account[s] (subsection 5.4)****: USD.*
- ***Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5)****:* National Bank of Ethiopia (NBE)
- ***Ceiling (subsection 6.1)****:* forecast for 2 quarters as provided in the quarterly Interim Financial Report.

**III. Reporting on Use of PPA Proceeds**

***(i) Supporting Documentation (section 4).*** Supporting documentation should be provided with each application for withdrawal as set out below:

- ***For requests for Reimbursement and For reporting eligible expenditures paid from the Designated Account****:*
  - Interim Financial Report in the form attached (Attachment 2); and
  - List of payments against contracts that are subject to the World Bank's prior review, in the form attached (Attachment 3).

- ***For requests for Direct Payment****:* records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

***(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3)****:* quarterly.

**IV. Other Important Information**

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank's public website at http://www.worldbank.org and its secure website "Client Connection" at http://clientconnection.worldbank.org. Print copies are available upon request.

From the Client Connection website, you will be able to download Applications, monitor the near real-time status of the PPA, and retrieve related policy, financial, and procurement information.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the PPA, and retrieve

related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Maiada Kassem, Finance Officer at wfaldafr@worldbank.org. [LOA service account email address] using the above reference.

Sincerely,

Carolyn Turk
Country Director for Ethiopia, Susan and South Sudan
Africa Region

Attachments
1. Form for Authorized Signatures
2. Form of "Interim Financial Report"
3. Form of Payments Against Contracts Subject to the World Bank's Prior Review

cc:

Dr. Belachew Mekuria
Commissioner
Ethiopian Investment Commission
Addis Ababa

Drafted by: Maiada Kassem, Finance Officer (WFACS)
Cleared by: Margaret Png, Country Lawyer (LEGAM ); Jade Ndiaye, Private Sector Specialist, TTL(GFCAE); and Abebe Zerihun, Senior Operations Officer(AFCE3)

Bcc: Carolyn Turk, Anne Bakilana, Nataliya Mylenko, Richard Spencer, Fasika Gebremeskel, Ejigayehu Teka, Abebe Zerihun (AFCE3); Nicole Klingen (AFCET); Maiada Kassem (WFACS); Margaret Png (LEGAM); Jade Ndiaye WBdocs

**Attachment [1]**

[Letterhead]
Ministry of Finance
[Street address]
[City] [Country]

[DATE]

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

Attention: Country Director

Dear [Country Director]:

Re: [Project][Program] Preparation Advance No. ____-___ (_____ Project)

I refer to the Advance Agreement ("Agreement") between the [name of Recipient] ("Recipient") and the International Bank for Reconstruction and Development ("World Bank") dated _____, providing for the above [Project][Program] Preparation Advance. For the purposes of Section 3.03 of the Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility, as defined in the Agreement, any [[1]one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Recipient to sign applications for withdrawal [and applications for a special commitment] under this [Project][Program] Preparation Advance:

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

[5][This confirms that the Recipient is authorizing such persons to accept Secure Identification Credentials (SIDC) and to deliver the Applications and supporting documents to

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[1] Instruction to the Recipient when sending this letter to the World Bank: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply.

[2] Instruction to the Recipient: Stipulate if more than one person needs to *jointly* sign Applications, if so, please indicate the actual number. *Please delete this footnote in final letter that is sent to the World Bank.*

[3] Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the World Bank.*

[4] Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. *Please delete this footnote in final letter that is sent to the World Bank.*

the World Bank by electronic means. In full recognition that the World Bank shall rely upon such representations and warranties, including without limitation, the representations and warranties contained in the *Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of SIDC"), the Recipient represents and warrants to the Association that it will cause such persons to abide by those terms and conditions.]

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

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

/ signed /

_____

[Position][6]

[5] Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Secure Identification Credentials and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. *Please delete this footnote in final letter that is sent to the World Bank.*

[6] The letter should be signed by the official designated as the Recipient's Representative in the Advance Agreement.

Interim Financial Report

# Project.....Credit no.....
# Interim Unaudited Financial Report
# For the quarter ended.....

**Content**

**Notes to the IFR-Discussion of Financial performance, Notes & Explanations**

**Statement of Sources and Uses of Fund**

**Statement of Uses of Funds by components and category**

**Statement of Designated account**

**Supporting schedules**

**Supporting Documents- Bank Statements, etc**

# Project.....Credit no.....
# Interim Unaudited Financial Report
# For the quarter ended.....

**Notes to IFR**

**Notes to the IFR-Discussion of Financial performance, Notes & Explanations**

1. Background
2. Discussion on the ending balances
3. Discussion on budget utilization
4. Variance analysis and explanation on major variances
5. Status on FM action plans
6. Aging analysis
7. Challenges
8. Others

**Project.....**
**PPA No.....**
**Statement of Source and Use of Funds**
**For the quarter ending ( Currency in ETB )**

| | CURRENT QUARTER | CUMMULATIVE CURRENT YEAR | CUMMULATIVE PROJECT LIFE |
|---|---|---|---|
| **RECEIPTS:** | | | |
| PPA | | | |
| other income | | | |
| TOTAL RECEIPT | | | |
| **PROJECT EXPENDITURES BY COMPONENT** | | | |
| **1. Component 1-** | | | |
| 1.1 | | | |
| 1.2 | | | |
| 1.3 | | | |
| 1.4 | | | |
| **Sub total** | | | |
| **2. Component 2-** | | | |
| 2.1 | | | |
| 2.2 | | | |
| 2.3 | | | |
| 2.4 | | | |
| **Sub total** | | | |
| **3. Component 3-** | | | |
| 3.1 | | | |
| 3.2 | | | |
| 3.3 | | | |
| **Sub total** | | | |
| **TOTAL Expenditures (Sum of Component 1,2 &3)** | | | |
| EXCESS OF RECEIPT OVER EXPENDITURES (income less expenditures) | | | |
| Add: Foreign exchange difference | | | |
| **Net EXCESS OF RECEIPT OVER EXPENDITURES** | | | |
| **Reconciliation** | | | |
| **OPENENG BALANCE** | | | |
| CASH ON HAND | | | |
| CASH AT BANK Designated Account | | | |
| CASH AT BANK Local Account | | | |
| ACCOUNT RECEIVABLE | | | |
| LESS: ACCOUNT PAYABLES | | | |
| **Total Opening balnce** | | | |
| **Closing balance (Net excess of income over expenditure + opening balance)** | | | |
| | | | |

| **Closing balance represented by:-** | | | |
|---|---|---|---|
| CASH on hand | | | |
| CASH AT BANK Designated Account | | | |
| CASH AT BANK LOCAL Account | | | |
| ACCOUNTS RECEIVABLE | | | |
| LESS: ACCOUNT PAYABLES | | | |
| **Total Closing balance** | | | |

Prepared By_____

Signature _____

Date _____

Approved By

_____

Signature

_____

Date

_____

**Project.....**
**PPAno .....**
**Uses of Funds by Project COMPONRNT AND CATEGORY for the Quarter ending .....**
**in ETB**

| Project Components & Category | ANNUAL BUDGET | CURRENT QUARTER | | | CUMMULATIVE CURRENT YEAR | | | CUMMULATIVE PROJECT LIFE | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Planned | Actual | Variance | Planned | Actual | Variance | Planned | Actual | Variance |
| | | ETB | ETB | ETB | ETB | ETB | ETB | ETB | ETB | ETB |
| **Component 1** | | | | | | | | | | |
| Category 1-Goods | | | | | | | | | | |
| Category 2- Services | | | | | | | | | | |
| Category 3- Consultant costs | | | | | | | | | | |
| **Sub total** | | | | | | | | | | |
| **Component 2** | - | | | | | | | | | |
| Category 1-Goods | | | | | | | | | | |
| Category 2- Services | | | | | | | | | | |
| Category 3- Consultant costs | | | | | | | | | | |
| **Sub total** | | | | | | | | | | |
| **Component 3** | - | | | | | | | | | |
| Category 1-Goods | | | | | | | | | | |
| Category 2- Services | | | | | | | | | | |
| Category 3- Consultant costs | | | | | | | | | | |
| **Sub total** | | | | | | | | | | |
| **TOTAL** | | | | | | | | | | |

Prepared By_____
Signature _____

Date _____

Approved By _____
Signature _____

Date _____

| Project | | |
|---|---|---|
| Credit No..... | | |
| Statement of Designated Account, Account No..... | | |
| for the quarter ended ..... | | |
| | USD | USD |
| | | |
| **Opening Bank Balance** | | |
| | | |
| **Add :Receipt** | | |
| **- Credit fund Received on....** | | |
| **- Credit fund Received on....** | | |
| **- Fund Available for use** | | |
| **Sub total** | | |
| | | |
| **Less :- Transfers and Expenditure/payment** | | |
| **- Others (Bank services Charges, etc)** | | |
| **Sub total** | | |
| | | |
| **Closing Bank Balance** | | |
| | | |
| | | |

Prepared By_____
Signature _____

Date _____

Approved
By_____
Signature _____
Date
_____

**EIC**

**PPA**

**Expenditure Forecast**

**For the next Six months ending.....**

| Components/ Sub components | Annual Approved Budget | Forecast for the 6 months | | | |
|---|---|---|---|---|---|
| | | In Birr | | | In USD |
| | | Quarter 1 | Quarter 2 | Total (Q1 + Q2) | Total (Q1 + Q2) |
| Component 1 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total for Component 1 | - | - | - | - | - |
| Component 2 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total for Component 2 | - | - | - | - | - |
| Component 3 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | - | - | - | - | - |
| | | | | | |
| Total for Component 3 | - | - | - | - | - |
| GRAND TOTAL | - | - | - | - | - |

Prepared By_____

Signature _____

Date _____

Approved By _____

Signature _____

Date _____

| | | |
|---|---|---|
| **EIC** | | |
| **PPA** | | |
| **Cash Flow Forecast** | | |
| **For the next Six months ending.....** | | |
| | **In Birr** | **In USD** |
| **Components/ Sub components** | **For the next six months** | **For the next six months** |
| **Component 1** | - | - |
| | | |
| | | |
| **Total comp 1** | | |
| **Component 2** | | |
| | | |
| | | |
| **Total for Component 2** | - | - |
| **Component 3** | | |
| | | |
| | | |
| **Total for Component 3** | - | - |
| **GRAND TOTAL** | - | - |
| **Less: Amount to be paid through direct payment/ special commitment** | | |
| **Less: DA balance end of the quarter** | | |
| **Less: Account receivable balance end of the quarter** | | |
| **Add: Account payable balance end of the quarter** | | |
| **Net Cash Requirement for the next six months** | - | - |
| | | |
| Prepared By_____<br>Approved By _____ | | |
| Signature _____<br>Signature _____ | | |
| Date _____<br>Date _____ | | |

**Attachment [3]**

Payments against contracts that are subject to the World Bank's prior review

**Payments Made during Reporting Period**
**Against Contracts Subject to the Association's Prior Review**

| Contract Number | Supplier | Contract Date | Contract Amount | Date of WB's Non Objection to Contract | Amount Paid to Supplier during Period | WB's Share of Amount Paid to Supplier during Period |
|---|---|---|---|---|---|---|
| | | | | | | |