

AIDE MEMOIRE
Implementation Support Mission
Ethiopia-Women Entrepreneurship Development Project – P122764
October 29 – November 8, 2013

A. INTRODUCTION AND ACKNOWLEDGEMENTS

1. A World Bank Project Implementation Support Mission¹ for Ethiopia - Women Entrepreneurship Development Project took place from October 29 – November 8, 2013. The Mission liaised with Ministry of Urban Development and Construction, Federal Micro and Small Enterprise Development Agency (FeMSEDA), Federal TVET Agency (FTVET), Development Bank of Ethiopia (DBE), Ministry of Finance & Economic Development (MoFED), and Ministry of Women Child & Youth Affairs (MoWC&YA) as key counterparts to finalize the technical and fiduciary aspects and implementation arrangements of the project. Key development partners including Department for International Development (DFID) and Foreign Affairs, Trade and Development Canada (DFATD) and the project's technical assistance providers DAI/PEPE also participated in the mission.
2. The objectives of the Implementation Support Mission are to ensure that within the project: i) the Micro Finance Institutions are receiving adequate technical assistance and are ready to start disbursing funds to the women clients on an individual basis; ii) the One Stop Shops are sufficiently prepared to initiate the registration of clients who will then be able to seek services from the project and; iii) an interim skills development program for WEDP clients is developed within the TVET colleges while the skills development consultancy is finalized; and iv) there is progress on procurement issues, especially the skills development consultancy for component 2.
3. The mission met with; H.E. Ato Desalegne Ambaw, State Minister, Ministry of Urban Development & Construction (MoUDC); Ato Wondewossen, State Minister Education; Ato Fisseha Abera, Director, International Financial Institutions Cooperation Directorate, Ministry of Finance and Economic Development (MoFED); and Ato Esayas Bahre President, Development Bank of Ethiopia (DBE), as counterparts to finalize the technical and fiduciary aspects and implementation arrangements of the project.
4. The team would like to express its appreciation to the officials and staff of Ministry of Urban Development and Construction and Federal Micro and Small Enterprise Development Agency, and other stakeholders (Annex 1) for their cooperation. The mission wishes to express its gratitude to H.E. Ato Desalegne Ambaw, State Minister for his strong support for the project, and to H.E. State

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Minister Ato Wondewossen for their continuous support and guidance to move forward with the implementation of the project.

B. CONTEXT

5. **The project development objective of** Women Entrepreneur Development Project (WEDP) is to increase the earnings and employment of MSEs owned or partly owned by the female participants' in targeted cities. This will be achieved by: i) tailoring financial instruments to the needs of the participants and ensuring availability of finance; and ii) developing the entrepreneurial and technical skills of the target group and supporting cluster², technology and product development for their businesses.
6. **The WEDP target group is** “existing and new micro and small enterprises owned or partly owned by women in the targeted cities who credibly demonstrate their potential and desire to grow”.
7. **Project Coverage.** WEDP is a National Urban Project covering the four regional capitals and the two chartered cities of Addis Ababa and Dire Dawa. Implementation will start in the capital cities of Amhara (Bahr Dar), Tigray (Mekele), SNNPR (Hawassa) and Oromiya (Adama) together with Dire Dawa and Addis Ababa. The project will undertake a resource and implementation assessment for the four emerging region (Afar, Somali, Benishangul-Gumuz and Gambela) during project implementation to come up with the specific design recommendations to expand the project activities in these four regions in future.

C. IMPLEMENTATION UPDATE

8. The mission supported the overall implementation of the project, which consists of three inter-related components. Updates by component are detailed below.
9. **Component 1 Access to Microfinance (MF). Moderately Satisfactory.** The objective of this component is to facilitate access to financial services for female growth oriented entrepreneurs by providing working capital and investment finance through a dedicated line of credit. At the same time, the component aims at improving the capacity of existing MFIs to upscale their business model by serving female growth oriented entrepreneurs on an individual basis and with tailored financial products.
10. The component consists of two closely interlinked sub-components: (i) a Credit Facility based on a two-tier structure involving the Development Bank of Ethiopia (DBE) as a wholesaler and participating MFIs as retailers and (ii) a TA Facility to support: (a) capacity building of MFIs and (b) capacity building of DBE.

² Industrial clusters are the concentration of economic activities of a certain sector in a certain location producing similar and closely related goods. Industrial clusters provide a wide range of advantages that enable enterprises become competitive and profitable. These advantages could be generated either through unplanned positive externalities such as industry specialization, labor pooling, and knowledge spillovers or through a deliberate joint action.

11. Component 1 has continued to register significant progresses since the last implementation mission. These can be summarized according to the following three categories: TA to MFIs, TA to DBE and Credit Facility:

TA to MFIs³:

- i. The WEDP TA team, under the DAI consortium within the PEPE project, received a formal approval to implement the TA to MFIs on 26 July 2013.⁴ A core WEDP MFI team was taken on board, including international and national consultants.
- ii. Each participating MFI was visited to initiate the implementation of the technical assistance and to start building and developing the relationships with their General Manager and the Department Heads.
- iii. Tailored tri-Partite Agreements (signed by DAI, DBE and the individual MFI) have been developed for each MFI based on the agreed upon work plans. The Agreements are based on the full three year PEPE/WEDP timeline with one year work plans. The subsequent year work plans will be developed at the start of each programme year. MFIs were asked to review and sign them as a kick-off for the technical assistance activities. All MFIs have signed the Tri-Partite Agreements by end October 2013.
- iv. The primary technical assistance intervention during Q3 2013 was the preparation of a Training Needs Assessment report. This report documented the point at which the MFI was in the WEDP product development process. Based on this process point, PEPE could ascertain the appropriate steps required to start technical assistance with the MFI. With this information from all the active MFI partners, PEPE has started plans for initiating specific training and/or mentoring for them.
- v. The WEDP TA team has been in regular contact with the Project Management Team (PMT) at DBE as well as the FeMSEDA WEDP Coordinator.
- vi. Technical support was provided to the PMT in DBE concerning the MFI appraisal reports for the WEDP loan requests; revisions to the WEDP Credit Facility Agreements between DBE and the MFIs; and geographic locations of the MFI branches selected for WEDP loan roll-out as compared to the locations of the One Stop Shops. A team of two short term TA consultants was assigned to the PMT to assist in developing financial analysis to appraise the MFIs WEDP loan requests.
- vii. As part of the capacity building process of the PMT in DBE, a study tour to India was also organized in May 2013 allowing PMT members as well as representatives from FeMSEDA to be exposed to best practices in managing lines of credit through MFIs.

³ A detailed WEDP TA Quarterly report for Q3 2013 was submitted by DAI to WB (Francesco Strobbe) and DFID (Kerry Conway) on October 26 and was approved on October 28.

⁴ The WEDP team actually began implementing as of 24 June when the Inception Report and work plan were approved. The milestones and budget were approved on 26 July.

- viii. The WEDP mission held technical meetings with the DAI consultants during the week of Oct 28-Nov 1, 2013 to address several pending issues and plan the next steps. The WEDP mission expresses full satisfaction for the work done so far by the DAI consultants both in terms of TA to MFIs and of TA to DBE (described below).

12. TA to DBE⁵

- i. WEDP is also funding a resident TA over a period of 18 months to work with DBE senior management in development of the Bank's capacity in the areas of (i) Risk management and internal audit, (ii) Human capital and performance assessment, (iii) Loaning process, (iv) IT and MIS.
- ii. The TA commenced on 22nd April 2013 and an Inception Report was presented to the DBE President and senior management on 14th May 2013. At this meeting, the DBE President requested that the TA should also consider capacity development needs related to the 910 Funds mobilization and liquidity management, (ii) Succession planning and the training of young professionals, (iii) Anti-money laundering (AML).
- iii. The *Institutional Development Plan* of DBE was prepared during the design phase of the consultancy, 16th May – 30th June 2013, and targeted at strengthening the above areas over four phases from August 1, 2013 to June 30, 2014.
- iv. Over the period 1st August – 30th September 2013 the main focus of the consultancy has been in providing support related to strengthening DBE risk management. A risk management training program for members of the DBE Board of Management (BoM) and executive management is planned to take place in December 2013. This is viewed as an important forum for building support for measures to strengthen the DBE risk management framework as well as seeking senior level 'buy-in' to the work of the consultancy in other areas.
- v. The WEDP mission met with Ato Esayas Bahru, President of DBE to discuss the overall involvement of DBE in WEDP. Ato Esayas expressed satisfaction for the way the institutional development plan was designed but he also requested that efforts should now be focused on implementing the BoM's risk management training. The DAI/PEPE team has had a subsequent meeting with Ato Esayas to promptly follow up on this point.

13. Credit Facility

- i. The Operations Manual and Women Entrepreneurship Development Credit Facility Agreement (WEDCFA) have been reviewed and amended in mutual agreement between

⁵ A detailed DBE TA Quarterly report for Q3 2013 was submitted by DAI to WB (Francesco Strobbe) and DFID (Kerry Conway) on October 26 and was approved on October 28.

DBE and the WB (with the support of the WEDP TA consultants) in order to address some of the changes requested by the MFIs

- ii. The PMT in DBE, with the support of the WEDP TA team consultants, have conducted loan appraisal for the 8 participating MFIs⁶. Loan requests were submitted by the 8 MFIs for a total of ETB 904,612,842 based on MFIs' projections.
- iii. Based on appraisal findings and loan absorption capacity estimations made by the PMT, the overall recommended loan amount approved by DBE on August 23, 2013 was equal to ETB 631,612,377, corresponding to 80% of the total WEDP funds available.
- iv. Over the next two weeks, MFIs are expected to sign their WEDCFAs with DBE and loan advances request will be submitted by DBE to the WB for those 5 MFIs whose financial ratios are compliant with the WEDP entry requirements. 3 MFIs in fact are in breach of their DBE loan agreement conditions as their PAR90 levels exceeded 5%, as of 30 June 2013. Due to the MFIs' lack of CORE banking systems, they are not expected to know their next quarter, 30 September 2013, ending financial ratios until late October.
- v. The WEDP mission met with the PMT and confirms the positive impression on their dedication and commitment to a successful implementation of WEDP.

14. Challenges and next steps with reference to Component 1 can be summarized as follows:

- i. It has been decided that no TA will be provided to the 3 MFIs currently in breach of the DBE loan agreement conditions until they will rectify their figures in line with the WEDP requirements.
- ii. In those cases where OSSs are not yet in a position to properly register WEDP clients, MFIs will be allowed to start their lending operations to eligible clients and register them ex post through the OSS.
- iii. Field visits by the WB mission and observations by the WEDP consultants revealed that OSSs are not yet prepared to respond to the needs of for the type of client that MFIs aims to serve under this project. The NPMT will continue to monitor over the initial disbursement phase to prepare them to respond to the needs of the WEDP clients. The MFIs need to coordinate closely with the OSSs to ensure they are identifying female clients who are a good match for WEDP. At the same time, it is crucial that OSSs direct clients to all participating MFIs that are active in their area and not only to those MFIs that are able to have a representative in the OSS.
- iv. Once the actual disbursements start, it will be important to make sure that no group loans are provided through the WEDP liquidity. The DAI consultants will also keep under close monitoring the size of the actual loans disbursed.

⁶ Wasasa, Harbu, SFPI, OMO, OCSSCO, AdCSI, DECSI, ACSI.

- v. It has been agreed that a disclaimer clarifying that the WEDP card does not entitle to any loan will be added to each card.
- vi. In general, the communication strategy needs to be better coordinated and aligned to ensure a consistent message and avoid conflicting understanding of the projects unnecessarily raising the expectations of the beneficiaries. . It has been agreed that the communication officer in the NPMT will coordinate with the DAI consultants before issuing any official communication in reference to the access to microfinance component.

15. **Component 2 Entrepreneur Skills, Technology & Cluster Development: Unsatisfactory:** The implementation of Component 2 is seriously lagging behind because of the delay in procuring the international consulting firm to develop and implement a skills development program for all implementation partners (One Stop Shops, TVET Colleges, City MSE Development Offices, ReMSEDA, TVET Institutions and NPMT). The project was designed to offer opportunity to access finance and skills development training to the beneficiaries simultaneously, and while the component one has moved ahead smoothly, the delay in the procurement of the skills development consultancy has seriously delayed the access to the skills development opportunities.

16. The NPMT undertook initial steps to prepare the implementing organizations for providing their services to WEDP MSE clients. 11 TVET colleges in the six project cities were selected to participate as implementation partners in WEDP and have expressed their readiness to impart training to the project's target group. Information meetings were organized in each city by FeMSEDA in which the TVET colleges informed WEDP implementers about the types of trainings they can provide to WEDP members. Furthermore, FeMSEDA provided initial orientation training for all implementing organizations in which they introduced the Women Entrepreneurship Development Project (WEDP). The events focused on monitoring and evaluation, reporting, financial management of WEDP, client handling, issuing ID cards, procurement methods, and the roles of TVET colleges and MFIs in implementing the project.

17. The One Stop Shops in Addis Ababa do not yet seem to be prepared for the intake of women entrepreneurs. Coordinators at two One Stop Shops visited by the Mission have received a basic training on WEDP, and are aware of the project's objectives. However, staff at the OSSs is generally not clear on how to manage the intake of WEDP clients, and what specific support to provide them. The OSS staff requested to receive clear guidelines on the WEDP program. Clear, step-by-step guidelines in the form of a WEDP booklet of manual should be provided to the One Stop Shops. Other tasks which need to be finalized in order to prepare the OSS will be the procurement of membership card vendors, the completion of maintenance works, and the assignment and orientation of dedicated staff in each OSS. When equipping OSS with motorbikes, FeMSEDA should ensure that the motorcycles are safely and properly stored, and that staff who will be operating the motorcycles possess a driver's license

18. The TVETs seem to have improved their extension services for small enterprises over the past one to two years. The current approach and trainer capacity have shortcomings related to the target group orientation; outreach, communication, and accessibility of services; array of offered services; service quality; service delivery modality; and monitoring & evaluation (Annex 2). Since the service has produced benefits for the enterprises served and the TVET colleges are ready to offer it

to WEDP members, it was decided that the TVETs colleges will start with service provision. This will also allow the international Skills Development Consulting Firm to observe service delivery for the WEDP target group and provide specific and practical recommendations for improvements.

19. A one day workshop with TVET college deans and vice deans, representatives from Addis Ababa MSE City Offices, NMPT staff, DFATD advisors, and World Bank team members was conducted on November 6, 2013 with the objective to agree on how implementers (notably TVET Colleges and One Stop Shops) will provide training services to the WEDP clients, growth-oriented women entrepreneurs, without yet having benefitted from the comprehensive skills development program to be provided by the international consulting firm. The workshop results are summarized in Annex 3 and the most critical next steps are integrated into Section E of the Aide Memoire.

20. **Component 3. Project Management, Advocacy & Outreach, Monitoring & Evaluation, and Impact Evaluation**

21. **Financial Management: Moderately Satisfactory:** As part of the implementation supervision mission, a financial management review was carried out for the Women Entrepreneur Development Project (WEDP) from October 28 to November 1, 2013 (Annex 4). The review focused on assessing (a) the status and continuing adequacy of the project's financial management arrangements; (b) compliance with the legal covenants related to financial management; (c) the adequacy of the project financial management in providing the Bank and other stakeholders with accurate and timely information regarding the project performance.

22. **Submission of Withdrawal applications.** The disbursement rate of the project now stands at 32%. DBE has submitted the first Withdrawal Application for 16.2 million USD, the initial advance was processed and the treasury has value dated the payment as of November 22, 2013. The first component of the project which is implemented by DBE regarding Access to Microfinance has now started disbursing. The NPMT, on the other hand has seriously delayed all activities under their management, the team recommends that NPMT should submit WAs on monthly basis.

23. The mission visited the finance office of the Project Coordination unit at FeMSEDA and the Project Management Team (PMT) at the Development Bank of Ethiopia (DBE). The financial management system of the project provides reasonable assurance that Bank loan proceeds are being used for the intended purpose. The following however require immediate attention:

- i. Budget utilization – as indicated in the 4th Quarter IFR of the project, the budget utilization of FeMSEDA for the year ended July 7, 2013 has been only 68%. Due attention should be given to budget utilization by closely looking into implementation challenges of the project.
- ii. Monitoring disbursement - The disbursement rate of the project stands at 34.49%. The first component of the project which is implemented by DBE regarding Access to Microfinance has disbursed significant amount of USD 16.2 million. This disbursed amount should be closely followed up by DBE to ensure that it reaches the beneficiaries through the PFIs in a timely manner. In another note, FeMSEDA which is responsible for

implementing components 2 and 3 is not disbursing as planned. Accordingly, FeMSEDA should submit WAs on monthly basis and project implementation should be monitored closely.

- iii. External audit report – the external audit for the DBE part of the project has been extended for one year since no disbursement has been made so far. The recruitment of the external auditor should be facilitated by FeMSEDA for the components that it implements to ensure the submission of the audit report by January 7, 2014 to the Bank.
- iv. Financial reporting – timeliness of the financial reporting of the project should be given due attention to comply with the requirements stipulated in the financing agreement. In addition, comments provided in the 3rd and 4th quarter IFRs such as explaining some transactions in detail and providing adequate narrative on budget utilization and challenges noted in the financial management of the project should be taken into account when preparing the next quarter report which will be due on November 22, 2013.

24. **Procurement: Moderately Unsatisfactory:** An assessment of the procurement performance of the Women Entrepreneurship Development Project was carried out as part of the joint World Bank/Government review and implementation supervision mission of the project which was carried out from Oct. 29, 2013 to Nov. 8, 2013. This report also benefits from the Procurement Plan Review (PPR) of the project carried out for FY 13. The main objective of the review was to assess the procurement performance of the project. The procurement management of the project is rated as moderately satisfactory.

25. **Organization and Staffing:** FeMSEDA has recruited a procurement staff for the project through an IC process. The recruited staff had previous experience with World Bank financed projects and has been facilitating the procurement activities of the project. However, because of a better offer the staff has now resigned from his position. FeMSEDA is in the process of recruiting a procurement staff and the evaluation of the CVs of potential candidates is under way, and the mission was assured that the Agency will have a replacement at the earliest. However, the Mission suggests that it analyze the reasons underlying the resignation of staff and rectify the problems for the constant issue of retention of the staff at NPMT. The Bank recommends that the NPMT provide a conducive working environment and a reasonable compensation and/or allowance in order to retain the staff and facilitate the procurement activities of the project. The mission brought this concern to the attention of the State Minister.

26. **Procurement Planning:** The NPMT has prepared and submitted a detailed procurement plan for goods, works and services which is approved by the Bank. During the PPR mission it was noted that the procurement plan of the project has not been updated. The project has since then submitted a revised procurement plan of the project for approval by IDA. The Mission recommends that the procurement plan of the WEDP project should be updated regularly at least once a year.

27. **Procurement Documentation:** During the PPR Mission of the project for FY 13 the procurement documentation system of the project was reviewed. According to the review the PCU maintains manual procurement records of the procurement activities carried out under the project. However, complete procurement documents are not maintained in a central place in an organized manner. It

is noted that procurement documents are found in different sections including finance, administration and project coordination office. The Mission recommends that the procurement files should be kept in an organized and chronological order in a central and secure place which is safe from loss and unauthorized access.

28. Procurement of Goods: The project has planned for the procurement of 11 packages of goods and non-consulting services. Of the planned procurement activities the procurement and delivery of 9 packages is completed. The delivery of one of the packages IT and audiovisual equipment is partially completed with the delivery of photocopier machines, television sets and UPS expected after 6 weeks. The evaluation for the procurement of 49 motorcycles is finalized and the award is issued to the least evaluated bidder. Overall the procurement of goods and services appears to have shown progress with the delivery of most of the goods and non-consulting services.
29. Procurement of Consulting Services: The PCU has planned to execute the selection and employment of consultants which are provided in 15 packages. Of these the selection and employment of 8 individual consultants is finalized. Four individual consultants are selected for the preparation of manuals while the remaining 4 individual consultants are selected to serve as project staff. The hiring of individual consultant for the selection of M&E specialist is under evaluation while the selection of a replacement for the procurement specialist who has resigned is finalized. The TORs for 2 QCBS contracts and one LCS consultancy assignment are cleared. The most important consultancy assignment – consultancy service for curriculum and module development and TOT - is currently at RFP stage while the consultancy service for cluster development is not initiated as yet.
30. Overall, the selection and employment of consultants under the project is progressing. However, there is a considerable delay in the execution of the consultancy assignment for curriculum and module development and TOT which is critical for the success of the project. The delay was caused in large part by the long period of time it took to finalize the consultancy TORs by TVET. The mission strongly recommends that the project office should give due attention to this consultancy assignment and move it forward to finalize the selection and placement of the consultant for the assignment.
31. Procurement of Works: Under the project provisions are made for the maintenance of one-stop-shops (OSSs) – 20 in Addis Ababa and 25 in regional cities which include Hawassa, Bahir Dar, Mekelle, Adama, and Dire Dawa. The selection of contractors for the maintenance works in the Regional cities is finalized and the maintenance works in some of the OSSs have started. For the maintenance works of the OSSs in Addis Ababa, quotations have been collected from contractors and are under evaluation. The maintenance of OSSs is another area where there have been delays. The Mission recommends that the evaluation of quotations should be finalized for the maintenance of the OSSs in Addis and the works should be finalized as per the schedule provided in the RFQs.
32. Conclusions: There have been apparent delays in the implementation of the procurement activities under WEDP. However, currently the procurement activities are progressing well. The project should now give emphasis to the finalization of the selection and employment of consultants for the skills development component of the project. Emphasis should as well be given for the finalization

of the maintenance works to be carried out at the OSSs in Addis Ababa and the Regional cities so that the facilities are used for the intended purposes.

33. **Component 3: Advocacy, Outreach & Communication: Moderately Unsatisfactory:** A Communications Specialist was recruited to the National Project Management team (NPMT) at FeMSEDA in September 2013 and has commenced his duties. Communications activities have been launched by FeMSEDA. A press release was broadcast on national radio between October 19th and October 27th, on regional radio in each of the project cities between October 29th and 31st, and on national television between October 29th and 31st. Precaution was taken by FeMSEDA to ensure that the announcements framed the program as an initiative of the Government of Ethiopia and did not imply that the credit would be subsidized or was any form of donor aid.
34. A dedicated hotline to respond to questions from potential participants has been set up at FeMSEDA and has received numerous calls to date, mainly inquiring about terms and conditions for credit and training. Fliers and an information pack have also been prepared by FeMSEDA and distributed to each One Stop Shop, and information sessions have been held in each project city. Through coordination between the MFIs, TVET Agency and FeMSEDA, additional launch announcements in each city will be made when the MFIs are ready to begin disbursing loans.
35. In general, the communication strategy must be coordinated and aligned to develop a coherent and clear message to avoid inconsistency in messaging that may unnecessarily raise the expectations of the beneficiaries. It has been agreed that the communication officer in the NPMT will coordinate with the DAI consultants and TVET Agency before issuing any official communication and/or announcements especially with reference to the access to microfinance component. FeMSEDA should also ensure that OSSs are completely ready to intake clients and issue ID cards before undertaking further announcements.
36. **Monitoring & Evaluation:** A robust project monitoring system is a central feature of the WEDP project, since project beneficiaries will be accessing multiple services from different project implementers, including loans from MFIs, training from TVET colleges, and support from One Stop Shops. In order to be able to integrate data on WEDP participants across OSS, TVET colleges and participating MFIs, a registration system is being established at One Stop Shops which will feed beneficiary information into a central database.
37. Each WEDP beneficiary who registers for the program will receive a WEDP ID card, which contains basic biographic information as well as a unique 10-digit ID number representing the entrepreneur's location, business sector, and time of entry into the program. The ID card with unique identification number will be a prerequisite for beneficiaries to access any services. This will ensure that each beneficiary's engagement with the program is monitored, and that services are given only to eligible beneficiaries.
38. Progress has been made in developing the central registration system, but a concerted effort from FeMSEDA will now be critical in finalizing this component without delay. FeMSEDA has developed the coding system for issuing the membership ID number, and the electronic template of the ID card. It has developed guidelines for the 45 OSSs for issuing membership ID cards, and an excel-based data entry form and a corresponding paper application form have been distributed to all

45 One Stop Shops on CD, to facilitate the registration process. However, upon visiting the One Stop Shops, the WEDP Mission found that they were not yet prepared to register clients and issue membership cards. The main constraint is that MSE Development Offices have not yet finalized contracts with local graphic shops which will print the ID cards. It is also not clear which staff in the OSS have been trained on issuing the ID card.

39. It will be difficult for the WEDP program to move forward smoothly without the finalization of the registration and membership cards, since these cards are required in order for WEDP participants to access any project services at the TVETs or MFIs. FeMSEDA has committed to prioritizing the finalization of the registration system by focusing on the following tasks: (i) ensuring that each OSS has signed a contract with a local graphic shop to print the ID card; (ii) ensuring the paper-based registration form and the excel database collect all necessary information on the entrepreneur; (iii) ensuring that each OSS has dedicated staff members for WEDP who are trained on issuing the ID card and registering clients.
40. **Impact Evaluation:** The impact evaluation is examining ways to measure the impact of various innovations in the provision of credit and training to women entrepreneurs. Following an impact evaluation workshop at The World Bank in February 2013, participating MFIs have proposed several innovative services for women entrepreneurs that they would like to pilot. These include cash flow based lending models and psychometric screening as ways to provide credit to women entrepreneurs without the traditional collateral requirement. The impact evaluation team is working closely with the technical assistance providers and with the MFIs to introduce and measure the impact of these innovations when the MFIs begin disbursing loans. Based on the progress of Component 2, the impact evaluation may also examine the impact of innovative forms of entrepreneurship training, or at the combined impact of various services (loans and training) to entrepreneurs.

D. DEVELOPMENT PARTNERS

41. Foreign Affairs, Trade, and Development Canada (DFATD previously called CIDA): DFATD continues to remain an active and engaged development partner. In order to help manage the project risks the DFATD Team Leader has committed to making available DFATD's technical specialists to assist and support the NPMT, on a temporary basis. This support will help the NPMT in managing the launch of activities and by building the capacity of the OSS and TVETs to effectively communicate the program and register clients in a standardized way. DFATD will also help facilitate greater synergies with other entrepreneurship programs to help women access the most relevant services for their needs.
42. Department for International Development (DFID): DFID has provided \$3m over the program's lifetime to financial year 2013/17 to fund the provision of technical assistance to Micro Finance Institutions benefitting from, or standing to benefit from, credit line support from the World Bank under the program. DFID looks forward to continued close cooperation in the implementation of the WEDP, especially to facilitate alignment between activity under it, and that envisaged under DFID's wider Private Enterprise Program in Ethiopia.

43. **Entrepreneurship Development Program/UNDP:** The UNDP will collaborate with the WEDP project through the recently launched Entrepreneurship Development Project (EDP), which is providing intensive entrepreneurship training to micro, small and medium scale entrepreneurs through the Entrepreneurship Development Centre in Addis Ababa. Discussions with the UNDP Country Director and the Director of the Entrepreneurship Development Centre explored several pathways for close collaboration.

E. ACTIONS FOR FOLLOW UP

44. **Preparation of One Stop Shops:** The NPMT needs to urgently ensure the readiness of the One Stop Shops to register and issue membership cards for WEDP clients. In order to do this, FeMSEDA must do the following without delay: (i) complete building maintenance of the 45 OSS, including painting, renovation, and furnishing; (ii) install computers and registration database in each OSS; (iii) contract ID card vendors for each OSS; (iv) develop clear guidelines for OSS staff, in the form of a WEDP booklet; (v) assign and train three dedicated staff at each OSS to the WEDP program. In addition to the above urgent tasks, the NPMT should also focus on producing further outreach material to attract and orient clients, including a DVD with basic facts about the WEDP program, and should aim to select one OSS in each city to be a ‘pilot OSS’ that can serve as a demonstration to other OSSs. *If OSSs are not in a position to properly register WEDP clients by the time the MFIs receive the line of credit, then MFIs will be allowed to start their lending operations to eligible clients and either a) clients will be directed by MFIs to register at the OSS in the interim period between their loan application and approval/disbursement of the loan, or b) clients’ registration will be collected by the MFIs and clients will be registered ex-post at the OSS.*
45. **Unresolved PAR:** Three MFIs – OMO, DECSI, and Harbu – are in breach of their DBE loan agreement conditions, as their PAR⁹⁰ levels exceed 5% as of June 30, 2013. These MFIs will not be able to receive the line of credit from DBE until the PAR⁹⁰ is below 5%. In order to reduce any delays in the launch of the WEDP program in these three areas, DBE will write an urgent letter to the boards of the three MFIs during the week of November 11th. DBE will then arrange a meeting for the 3 MFI heads with the FeMSEDA Director General and WEDP Coordinator and the President of DBE the following week to urgently address this potential cause of program delay.
46. **Strengthening the NPMT at FeMSEDA:** For the project to move forward smoothly, a full NPMT staff complement is necessary. Recruitment of a Communications Specialist in September has made a marked difference in speeding up implementation of the project launch and communications strategy. Now, selection of the M& E Specialist at the NPMT should be finalized, and if FeMSEDA so chooses to, an Advisor should be hired to support the Coordinator and the Director General at this critical juncture. In addition, in order to address high turnover at the NPMT, FeMSEDA should explore the concerns of NPMT staff of insufficient per diems and compensation for field travel, and inadequate working space.
47. **Managing Beneficiary Expectations:** There is a risk that potential project beneficiaries will view the WEDP line of credit as a subsidized form of credit, or as a type of grant. There is also a related risk that potential beneficiaries will assume they are entitled to a loan once they register for WEDP at an OSS. In order to manage beneficiary expectations, and to ensure that loan screening remains

solely the purview of the MFI, it has been agreed that a disclaimer clarifying that the WEDP card does not entitle to any loan will be added to each membership card. The Communication Officer in the NPMT also needs to coordinate with the DAI consultants before issuing any official communication with reference to the access to microfinance component.

48. **Collaboration between WEDP and UNDP Entrepreneurship Development Program.** Discussions with the UNDP Country Director and the Director of the Entrepreneurship Development Centre explored several pathways for close collaboration between WEDP and EDP. To begin, WEDP and EDP will collaborate by (i) developing joint communication packs; (ii) orienting front-line staff to one another's programs through trainings for OSS staff by EDP staff, and trainings for EDP staff by WEDP team members; (iii) arranging for WEDP TVET trainers to attend the EDC training course; (iv) Setting up a referral system between OSSs and the EDC.
49. **Critical Procurement Activities.** There is a considerable delay in the execution of the consultancy assignment for curriculum and module development and TOT which is critical for the success of the project. The mission strongly recommends that the project office should give due attention to this consultancy assignment and move it forward to finalize the selection and placement of the consultant for the assignment. To support the NPMT in this matter, the Bank has assigned a procurement consultant with Bank experience to work hand in hand with NPMT.
50. **Formation of Operational Committee for improved governance.** An Operational Committee meeting monthly will be established at the Director level with representation from the Ministry of Education, TVET Agency, Ministry of Women Affairs, and the FeMSEDA NPMT. The Operational Committee will sit below the Steering Committee and above a Technical Committee comprised of Senior Experts, and will link the decisions and implementation between the two committees. Members of the Operational Committee will review the work plan and tasks posed by the WEDP Coordinator and then assign technical staff from their teams to complete tasks. This governance mechanism will improve the interface between technical staff and senior management and will work to speed up project implementation. DFATD could also offer representation on the Operational Committee to speed implementation. The WEDP Coordinator will share TORs for the Operational Committee.

Next Steps for WEDP Implementation				
	Key Tasks	Time frame	Responsibility	Remark
1.	Complete maintenance (painting, renovation, furnishing) of 45 OSS	November 20 th	NPMT	
2.	Sign contracts between 45 OSS and local ID Card vendors.	November 15 th	NPMT	This can potentially be done centrally by FeMSEDA
3.	Develop WEDP guidelines and booklet for OSS staff and distribute to 45 OSS		NPMT	
4.	Assign and orient 3 staff in each of 45 OSS to WEDP project		NPMT	
5.	Produce WEDP DVD for OSS		NPMT	
6.	Recruitment of M&E Specialist		NPMT	
3	Communications Procurement		NPMT	
4	Baseline Procurement		NPMT	
5	M&E Procurement		NPMT	
6	Skills Development Procurement		NPMT	
7	Submission of withdrawal application for line of credit	November 8th	DBE	

Note: Timeframe and responsible party to be provided by the project coordinator.

Annex 1

Project Implementation Support Mission
Women Entrepreneurship Development Project – P122764
October 29 – November 8, 2013
List of People Met

	Name	Organization	Responsibility
1	H.E. Ato Mekuria Haile	Ministry of Urban Development and Construction	Minister
2	H.E. Ato Desalegn Ambaw	Ministry of Urban Development and Construction	State Minister
3	H.E. Ato Wondwesen Kiflu	Ministry of Education	State Minister
4	Ato Esayas Bahre	Development Bank of Ethiopia	President
5	Ato Fisseha Aberra	Ministry of Finance and Economic Development	Director, IFI Cooperation Directorate
6	Ato Gebremeskel Challa	FeMSEDA	Director General
7	Ato Nigussie	Federal TVET Agency	Deputy Director General
8	Ato Mekonnen	Ministry of Education	Head, Industry Extension Technology Transfer
9	Eng. Fekadu Asrat	Federal TVET Agency	Senior Consultant
10	Eyob Tesfaye	UNDP	Team Leader, Growth and Poverty Reduction
11	Mio Yokota	UNDP	Program Manager, EDP
12	Samuel M. Bwalya	UNDP	Country Director
13	Kerry Conway	DFID	Private Sector Development Advisor
14	Corry Van Gaal	DFATD	Team Leader, Sustainable Economic Growth
15	Tim Piper	DAI/PEPE Consultants	PEPE Team Leader
16	Nebil Kellow	DAI/PEPE Consultants	PEPE Deputy Team Leader
17	John Warren	DAI/PEPE Consultants	Advisor to DBE
18	Fran Toomey	DAI/PEPE Consultants	PEPE WEDP Team Leader
19	Anthony Storrow	DAI/PEPE Consultants	Microfinance Expert
20	Shemeke Kerga	DBE	M&E Team Leader
21	Kabytimer Kebede	DBE	Sr. M&E Officer
22	Etemesh Kiros	DBE	Sr. M&E Officer
23	Ednris Tofuk	DBE	Sr. Loan Officer
24	Endale Kifle	DBE	Finance Team Leader
25	Ato Solomon Girogias	SFPI Financial	General Manager
26	Mrs. Etelem	Entrepreneurship Development Centre	CEO
27	Berhanu Gebremichael	Entrepreneurship Development Centre	Business Development Manager
28	Ato Nuru	Wingate TVET College	Vice Dean, Industrial Extension Services
29	Ato Getachew	One Stop Shop, Gulele Sub City	Woreda 7 Coordinator
30	Mrs. Jerusalem	One Stop Shop, Gulele Sub City	Woreda 3 Coordinator

Annex 2

Observations on Current TVET Industrial Extension Service

1. The mission met two small enterprises from the food processing and apparel making sectors who have received TVET industrial extension services. Obviously, this small number does not allow for a comprehensive assessment but nevertheless provides useful preliminary insights on the service's benefits and shortcomings.
2. While the enterprises reported (but were not able to quantify) cost savings, increased customer base through improved products, and consequently (modestly) increased net revenues, the current approach and capacity do not yet seem suitable for delivering services to the WEDP target group for the following reasons:

Target Group Orientation

- So far the service has been targeting group enterprises and not individual entrepreneurs (but they are eligible to receive service)
- The Wingate TVET college trainer stated that their industrial extension service intends to serve small enterprises with potential and desire to grow, but the two enterprises met seemed to be survivalists with no clear idea of the direction they want their business to go.

Process: Outreach, communication, and accessibility of service

- While the process to gain access to these services might be defined, the enterprises did not know about the service or how to access it; the service found them, making it seemingly supply rather than demand driven
- Enterprises do not know what One Stop Shops are, which services they provide, and where they are located

Array of services delivered

- The service focused on enterprise organization and optimization of production processes but did not support strategic business planning so that enterprises did not gain a vision on how to use strategic planning to solve obstacles they face
- Enterprises were not familiar with the concept of a business plan or improved financial planning (but they all knew their gross revenues and costs)

Service quality

- The trainers in the industrial extension service are the same trainers that provide technical and vocational training to teenage students; while the trainers were in a position to advise the served enterprises on how to improve their business, the services were still relatively basic
- The trainers would need exposure to the WEDP target group to deliver higher level business development services
- Trainers expressed that they could benefit from the following training: entrepreneurship development, sector-specific Kaizen training; more in-depth skills gap assessment; modern technology in their specific sectors; technology transfer

- Trainers might have little incentives to perform and perceive the industrial extension service as additional work load to the technical and vocational training; no additional payments or other incentives are available

Service delivery modality

- The support under the industrial extension was very intense and fully free of charge for the benefitting enterprises: 15 consecutive full in-service training by one (female) trainer in one case and 3 months of daily full-time in-service support by one (female) trainer in the other case
- It is unlikely that this intense support could be maintained when serving larger numbers of enterprises

Monitoring and Evaluation

- While the industrial extension support intends to increase income and employment in the supported enterprises, the TVETs do not seem to have a system in place yet to monitor results at the target group level
 - While the enterprises could quantify benefits from the support they were not in a position to quantify it
3. Despite these shortcomings, the TVET system has certain strengths that offer potential to turn it into an effective partner for delivering services to enterprises that have outgrown the survivalist stage:
- Long experience
 - Advocacy for MSEs
 - TVETs started serving the target group of small enterprises (according to the Government's MSE classification who have been existing for several years
 - Large geographical outreach
 - Large network of trainers, a considerable part of them being female
 - Wide array of sectors covered in the technical and vocational training with good selection of competency units at different levels
 - Combination of theoretical and practical training
 - Possibility to pick as short-term training single competency units that are offered as part of the technical and vocational training
 - Trainers received some training and have gathered initial experience in skills gap assessment
 - Industrial extension support is practical and on-site and includes elements of coaching

Annex 3

Skills Development Workshop

Results of the WEDP Workshop “Bridging Skills Development for WEDP Service Delivery to Growth-oriented Women Entrepreneurs”, 6 November 2013

Next Steps for Starting the Implementation of the WEDP Training Program for Growth-oriented Women Entrepreneurs

	Activity	Responsible	Timeframe
Communication about WEDP			
1	<ul style="list-style-type: none"> - Send the existing communication strategy to TVET colleges, Ato Mekonnen / National TVET Agency, MFIs, and DFATD - Requests inputs if any - Make adjustments to take into account suggestions received 	Samuel / NPMT	8 Nov. 2013 Strategy sent 13 Nov. 2013 Inputs received 15 Nov. 2013 Strategy updated
2	Produce video clip about WEDP to be used in the OSSs <ul style="list-style-type: none"> - Develop messages with implementation partners - Use to promote TVET services and their benefits to the WEDP target group 	Samuel / NPMT in coordination with TVETs and MFIs	15 Jan. 2014 CDs delivered to all OSS
Promote TVET Colleges’ services and their benefits to the WEDP target group of growth-oriented entrepreneurs			
3	Develop information packages about TVET services for WEDP members which OSS will use to refer them to relevant TVET services and to promote the TVET Colleges’ services for that target group <ul style="list-style-type: none"> - TVETs send the information to Samuel / NPMT - NPMT assesses the suitability of the information package for the OSSs in the respective cities - NPMT adjusts the information package to tailor it to the needs of the OSS to provide overview of and to promote TVET services available to growth-oriented women entrepreneurs - NPMT presents the information in a user friendly way and prepares durable information folders for use by OSS 	Samuel / NPMT Support: Yared and Seble / ECCO	13 Nov. 2013 Information received from TVETs 27 Nov. 2013 City-specific, tailored information packages about TVET services for WEDP clients delivered to all city OSSs
4	Prepare video clips to promote TVET services within different sectors to WEDP target group growth-oriented women entrepreneurs	Samuel / NPMT in collaboration with TVETs	15 Feb. 2014 Clarified how to proceed on this activity

Detailed written implementation guidelines for OSS			
5	Draft OSS Manual for implementing WEDP - Share draft document with ECCO and World Bank - Before printing present to OSS and seek their input on clarity and user-friendliness before and adjust as needed	Yohannes / NPMT Support: Yared and Seble / ECCO; Salman Alibhai and Espen Villanger / World Bank	6 Dec. 2013 OSS WEDP Manual delivered to all OSSs
Verification of OSS readiness in Addis Ababa			
6	Check status of OSS in Addis Ababa with regard to readiness to fulfill their responsibilities under WEDP (offices, dedicated staff, equipment, etc.)	Yohannes / NPMT Support: Addis Ababa MSE City Office, Yared and Seble / ECCO	13 Nov. 2013 Brief assessment note distributed to all workshop participants
Train OSS staff dedicated to work on WEDP on the project and on entrepreneurship to prepare them for properly handling WEDP clients			
7	Train OSS staff dedicated to work on WEDP on WEDP implementation using the OSS WEDP Manual (item 5) and the information packages about TVET services for WEDP members (item 3)	Yohannes / NPMT	15 Jan. 2014 Completed in all Addis Ababa OSSs participating in WEDP 31 Jan. 2014 Completed in all other participating OSSs
8	Train OSS staff dedicated to work on WEDP on the TVET services for the WEDP target group and the benefits	TVET Colleges	As for item 7
9	Exposure visits - TVET colleges take OSS staff dedicated to work on WEDP to the TVET colleges for practical understanding of their services for the target group	TVET colleges and OSS Support: NPMT, ReMSEDA as needed	As for item 7
Communication between project implementers			
10	Establish platform / mechanism for communication between OSS / TVETs / MFIs / NPMT	Yohannes / NPMT in collaboration with representatives from OSS / TVETs / MFIs	31 Jan. 2014 Note sent to World Bank for no objection to be included into the PIM
TVET service delivery to WEDP target group of growth-oriented women entrepreneurs			
11	TVET colleges start serving WEDP members using their current budgets and communicate with Yohannes / NPMT on any immediate needs	TVETs	Ongoing as WEDP members present themselves to TVET intake service

12	While serving the WEDP target group of growth-oriented women entrepreneurs, the TVET Colleges will be able to identify the women entrepreneurs’ specific needs, allowing them to develop a budget detailing the TVET Colleges’ financial and material needs related to WEDP service delivery (raw material, machineries, workshops, assessment costs, trainers’ transportation, trainers’ DSA)	TVETs supported by international Skills Development Consulting Firm	By 31 Mar. 2014 (estimate) Budget included in the “comprehensive capacity development program” to be proposed by the international consulting firm
13	“Training of Trainers” for TVET trainers to fill specific capacity gaps when serving the WEDP target group growth-oriented women entrepreneurs	International Skills Development Consulting Firm	By 31 Mar. 2014 (estimate) Training of Trainers program included in the “comprehensive capacity development program” to be proposed by the international consulting firm
14	Translate training materials and modules into local languages	International Skills Development Consulting Firm	By 31 Mar. 2014 (estimate) Activity included in the “comprehensive capacity development program” to be proposed by the international consulting firm



THE WORLD BANK
Africa region

Women Entrepreneurship Development Project
Financial Management Supervision Report

INTRODUCTION

As part of the implementation supervision mission, a financial management review was carried out for the Women Entrepreneur Development Project (WEDP) from October 28 to November 1, 2013. The review focused on assessing (a) the status and continuing adequacy of the project's financial management arrangements; (b) compliance with the legal covenants related to financial management; (c) the adequacy of the project financial management in providing the Bank and other stakeholders with accurate and timely information regarding the project performance.

The mission visited the finance office of the Project Coordination unit at FeMSEDA and the Project Management Team (PMT) at the Development Bank of Ethiopia (DBE). This report summarizes the findings of the review and provides actions recommended for rectifying observed financial management weaknesses in the project.

KEY INFORMATION ON THE PROJECT

Project Name:	Women Entrepreneur Development Project		
Project ID:	P122764		
IDA Credit/Grant No.:	IDA 51120		
Implementing Agency:	FeMSEDA and DBE		
Effectiveness Date:	October 05, 2012		
Closing Date:	December 31, 2017		
Application Deadline:	April 30, 2018		
Program Duration:	5 years		
Remaining Period to Closing:	4 years		
Credit/Grant Amount:	XDR 32,200,000		
Disbursed Amount:	XDR 281,060.89		
Cancelled Amount	-		
Period Covered by Review:	July 1, 2013 - October 31, 2013		
Previous ISR Rating:	MS	Current ISR Rating:	MS
Previous FM Risk Rating:	Moderate	Current FM Risk Rating:	Moderate

EXECUTIVE SUMMARY

The financial management system of the project provides reasonable assurance that Bank loan proceeds are being used for the intended purpose. The following however require immediate attention:

- **Monitoring disbursement.** The disbursement rate of the project stands at 34.49%. The first component of the project which is implemented by DBE regarding Access to Microfinance has

disbursed significant amount of USD 16.2 million. This disbursed amount should be closely followed up by DBE to ensure that it reaches the beneficiaries through the PFIs in a timely manner. In another note, FeMSEDA which is responsible for implementing components 2 and 3 is not disbursing as planned. Accordingly, FeMSEDA should submit WAs on monthly basis and project implementation should be monitored closely.

- ***The interim financial reports should be submitted timely.*** The project should comply to the financing agreement's requirement which indicates that IFRs should be submitted to the Bank within 45 days of the quarter end.
- ***The budget utilization*** for components implemented by FeMSEDA should be closely monitored since it only stood at 68% for the year ended July 7, 2013.
- ***The external auditor recruitment*** should be completed soon to ensure timely submission of the audit report by January 7, 2014

ISR FM Rating

Following this supervision mission, the overall financial management rating for the project is *Moderately Satisfactory*. The main reason for the rating is as follows:

Budget – the budget utilization for the project at FEMSEDA was only 68% for the year ended July 7, 2013

Financial Report – the IFRs for the project were submitted with some delay

Fund flow – withdrawal applications are not submitted monthly and the disbursement rate stands at less than 1%.

External audit – the external auditor recruitment is not finalized yet as was agreed during project negotiation.

FM Risk Rating

The overall financial management risk for the project shall remain *moderate* as it was determined during project appraisal.

FM REVIEW: FINDINGS AND ACTION PLAN

Budgeting

Preparation - The FY 2013/14 budget for FeMSEDA has been prepared and approved by MOFED. The proclaimed budget of the project under FeMSEDA is for a total of Br. 54,887,801 (equivalent USD 3,049,322.32).

Budgetary control – variance analysis is shown on the IFR prepared by FEMSEDA although the variances are not very well explained. This should be further strengthened to allow management to resolve any bottleneck issues.

Budget utilization - The fourth quarter Interim Financial Report (IFR) for 2012/2013 indicates that budget utilization for the current year is only 68%. The main reasons for slow implementation are the late employment of staff, delay in launching the program formally, delay in payments for some consultants, etc. The project management team should give particular attention to budget utilization and should take action to facilitate implementation. In addition, the variance analysis should be used as a management tool to make informed decisions.

Accounting

Staffing: The Project management team at FEMSEDA is currently staffed with a financial management specialist and an accountant. The financial management specialist is well qualified with good years of experience. The PMT at DBE is staffed with 4 project accountants who handle WEDP as well as other Bank financed project in the Energy sector. The accountants are well qualified and are expected to perform up to the required standard.

Accounting record – DBE has not started disbursements and hence no accounting records are maintained yet except for the initial forecast requests submitted by the Micro finance institutions. FEMSEDA project accounts were maintained in accordance with the accounting procedures stipulated in the financial management manual of the project. The project has financial procedural manual. The Financial Management Specialists and accountants of the project are familiar with the manual and have maintained a copy of the manual. Complete accounting records of the project are maintained at FEMSEDA. The accounts of the project are updated.

Accounting software - The computerized ‘Peachtree’ accounting system is being used at the FEMSEDA. The software is in use to record transactions and to generate reports. To meet the project’s reporting requirements, the project’s reports submitted to the Bank are generated from Excel spreadsheets as they cannot be generated directly from the Peachtree accounting software.

Internal Controls

The project has adequate internal control procedures as documented in the project financial management manual. These procedures are adequate to ensure authorization, recording and custody controls. There is an internal audit unit within FEMSEDA and look into the project accounts although further training and awareness creation needs to be provided to the internal auditors so that their work can add value to the project.

Fund Flows

Disbursement status - As of November 25, 2013, the project disbursed XDR 11.1million (34.5% of the IDA 51120). Detail of the credit per disbursement category is depicted below:

IDA 51120

Category	Category Description	Allocated XDR	Disbursed XDR	Undisbursed XDR	Funds Available XDR	Undisbursed USD
Totals		32,200,000.00	11,105,319.71	21,094,680.29	21,094,680.29	32,295,111.74
1	SUB-CREDITS under Part	27,300,000.00	0.00	27,300,000.00	27,300,000.00	41,795,208.00
2	GD/WK/NCS/CS/TR EX	3,100,000.00	327,525.03	2,772,474.97	2,772,474.97	4,244,548.28
3	PPF REFINANCING	200,000.00	209.47	199,790.53	199,790.53	305,871.31
4	UNALLOCATED	1,600,000.00	0.00	1,600,000.00	1,600,000.00	2,449,536.00
DA-A	Designated Account	0.00	-1,218.65	1,218.65	1,218.65	1,865.70
DA-B	Designated Account	0.00	197,208.00	-197,208.00	-197,208.00	-301,917.56
DA-C	Designated Account	0.00	10,581,595.86	-10,581,595.86	-10,581,595.86	-16,200,000.00

Withdrawal applications – The project implemented by FeMSEDA is not submitting withdrawal applications on a monthly basis and the submitted applications are only for small amounts for the components implemented by FeMSEDA. The first WA was submitted by DBE to the Bank on November 8, 2013.

Financial Reporting

FeMSEDA has submitted quarterly interim financial reports (IFRs) up to July 7, 2013. The IFR for the 3rd and 4th Quarters was submitted at once hence the 3rd quarter IFR was delayed by more than two months which is in contravention to the financing agreement signed for the project. The IFRs submitted were acceptable to the Bank. The review indicated that the report should be further strengthened in terms of describing the variances noted between actual and budgeted expenditure as well as FM challenges that need to be addressed.

The mission would also like to bring to the attention of FeMSEDA, as per the financing agreement, the next IFR for the quarter ended October 10, 2013 should be submitted to the Bank before November 22, 2013.

External Audit

For the component implemented by DBE, an extension of the audit report has been granted since no disbursements were made so far for the component. Accordingly, the first audit report for the project will be for the period of October 5, 2012 to June 30, 2014 covering a period of 22 months. The audit report will be submitted to the Bank on December 31, 2014.

For the components implemented by FeMSEDA, the audit for the year ended July 7, 2013 and needs to be submitted to the Bank by January 7, 2014. So far the recruitment of the external auditors is not completed

FM ACTION PLAN

The action plan agreed on the Project appraisal Document should regularly be reviewed and monitored by FeMSEDA as well as DBE to further strengthen the financial management of the project.

Status of the previous action plan

Issues	Agreed Actions	By When	Status
Budget control and monitoring	On quarterly basis the project should do variance analysis with adequate narration explaining the difference between actual and budgeted amounts	On quarterly basis	The 1 st Q IFR for EFY 2006 will be due on Nov 22, 2013
Identification of fixed asset and maintaining fixed asset register	Complete the fixed asset register for assets of the project	September 30, 2013	Completed
Interim Financial Report (IFR)	Submit IFRs within 45 days of the quarter end	ongoing	4 th Q IFR submitted timely
Withdrawal applications	Submit withdrawal applications on a monthly basis	Monthly	Still not submitted monthly

External auditors	Appoint external auditors for the audit of the financial statements for the year ended July 7, 2013	October 15, 2013	Not completed
'PAID' stamp	Avail the stamp and apply on all payment documents related to the project	October 15, 2013	Completed
Separate cash book for the project	Maintain separate cash book for the project	October 15, 2013	Separated cash book is maintained

New Action Plan

Below is summary of new actions required to be initiated to rectify financial management weaknesses:

Issues	Agreed Actions	By Whom	By When
Submit IFRs in a timely manner.	The 1 st Q IFR for EFY 2006 should be submitted timely	FEMSEDA	November 22, 2013
Content of the IFR	Strengthen the content of the IFR by indicating variance analysis, challenges, bottlenecks and so on for management purpose	FEMSEDA	Beginning from the 1 st Q IFR for EFY 2006
Audit report submission for the year ended July 7, 2013	The audit report for FEMSEDA should be completed and submitted to the Bank.	FEMSEDA	January 7, 2014
Budget monitoring	The management of the project should closely monitor the budget utilization and give due attention to bottlenecks and challenges noted.	FEMSEDA	Ongoing