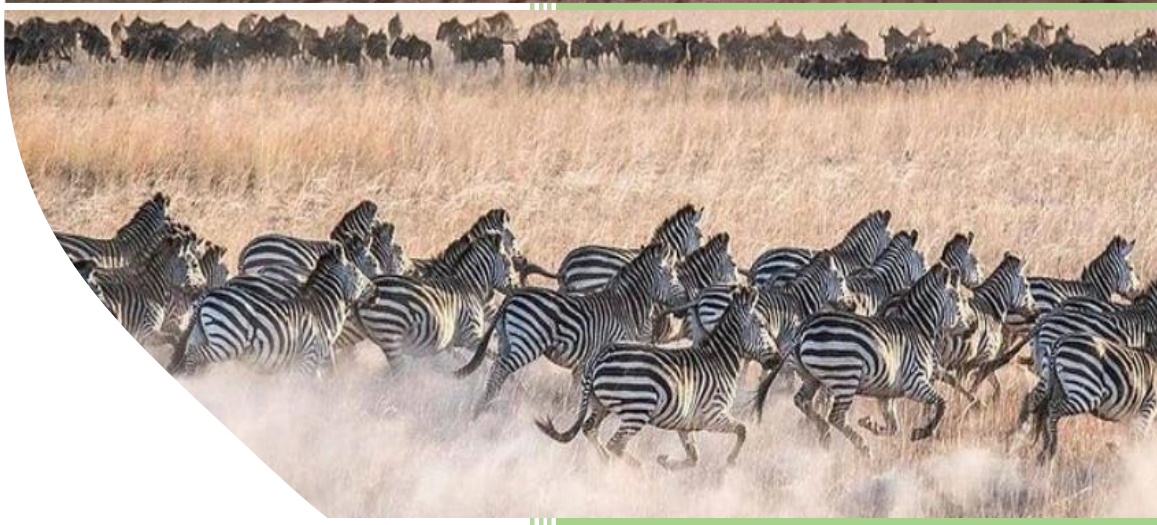
ZAMBIA
MINISTRY OF TOURISM
DEPARTMENT OF TOURISM

GREEN, RESILIENT AND TRANSFORMATIONAL TOURISM DEVELOPMENT PROJECT

PROJECT IMPLEMENTATION MANUAL
VOLUME 5 – DISBURSMENT AND FINANCIAL MANAGEMENT





Version 1, November 29 2023

“Strengthening the enabling environment, access to resilient infrastructure and economic opportunities in emerging tourism destinations in Zambia.”

IDA-Funded Project

This document is developed in accordance with generally accepted standards & principles and consistent with the World Bank Regulations and principles on procurement and financial management and should be updated to reflect new development during the life span of the Project. The document is a public document though it is generally used by the GREAT - TDP Project Implementation Unit (PIU) in the performance of their official duties.

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ABBREVIATIONS AND ACRONYMS

BoZ	Bank of Zambia
DFIL	Disbursement & Financial Information Letter
FAR	Fixed Assets Register
FMS	Financial Management Specialist
GRZ	Government of the Republic of Zambia
ICT	Information and Communication Technology
IDA	International Development Agency
IFR	Interim Financial Report
IPSAS	International Public Sector Accounting Standards
MGS	Matching Grant Scheme
MoFNP	Ministry of Finance and National Planning
MoT	Ministry of Tourism
MoA	Memorandum of Agreement
MoU	Memorandum of Understanding
OAG	Office of the Auditor General
PDO	Project Development Objectives
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PSC	Project Steering Committee
SOE	Statement of Expenditure
TA	Technical Assistance
WB	World Bank

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1 INTRODUCTION

1.1 Overview of the PIM and other Project Documents

1. The Project Implementation Manual (PIM) is the main document guiding the implementation of for the Zambia Green, Resilient and Transformational Tourism Development Project (GREAT-TDP or the Project). The PIM is constituted of five (5) Volumes:

   - V1 Main Document (General description of the Project including detailed costing)
   - V2 Planning, Monitoring and Evaluation (M&E) Manual (all Components)
   - V3 Matching Grant Manual (Sub-component 1.3)
   - V4 Procurement Manual
   - V5 Disbursement and Financial Management Manual

2. It complements, and should be used in conjunction with, other Project documents also owned by the Government, and approved by the World Bank:

   - The Environment and Social Commitment Plan (ESCP)
   - The Environment and Social Management Framework (ESMF)
   - The Stakeholder Engagement Plan (SEP)
   - The Labour Management Procedure (LMP)
   - The Process Framework (PF)
   - The Resettlement Policy Framework (RPF)
   - The Project Procurement Strategy for Development (PPSD)
   - The Annual Work Program and Budget (AWPB)

3. The Project is also guided by other Project documents negotiated by the Government of Zambia and the World Bank:

   - The Project Appraisal Document (PAD)
   - The Financing Agreement
   - The Disbursement Letter

4. Finally, the Project is guided by World Bank and Government of Zambia policies, guidelines, standards for procurement, financial management, environment and social safeguards, and citizens' engagement.

1.2 Purpose of the PIM

5. The objective of the PIM is to guide the Project Implementation Unit (PIU) and key stakeholders during the implementation of the Project. Therefore, the PIM describes implementation and governance procedures, management, and coordination regarding procurement, management of financial resources, monitoring and evaluation, environmental and social safeguards and reporting.

1.2 Purpose of The Financial Management and Disbursement Manual

6. The purpose of this Volume 5 of the PIM, or Financial Management and Disbursement Manual, is to:

- Enable the personnel involved in the implementation of the activities of the Project-Ministry of Finance and National Planning (MoFNP), Ministry of Tourism (MoT) and other implementing and participating Entities to be fully conversant with accounting systems, policies/standards, and controls;
- Familiarize the stakeholders of the Project with accounting systems, procedures, policies, and controls inherent in the Program design to ensure accountability and transparency;
- Guide and assist in the financial planning, monitoring, and evaluation of the project;
- Assist in training of staff on project financial management procedures;
- Ensure that there is continuity of approaches even if project personnel change.

1.3 APPLICABLE REGULATIONS

7. Applicable financial management regulations with due authority are drawn from the Public Financial Management Act No. 1 of 2018, Financial Management Regulation No. 1 of 2020 and Financial Policies and Guidelines from the World Bank, as per International Development Association (IDA) Policy General conditions for IDA Financing: Investment Project Financing dated December 14, 2018 (revised on august 1, 2020, April 1, 2021, and January 1, 2022)

8. The World Bank has shared a Disbursement and Financial information Letter (DFIL) dated 13th July 2023. The DFIL is an official document that provides mandatory guidance to the Recipient from time-to-time on how to request withdrawals of Credit amounts from the Credit Account and such additional instructions as the Association may specify from time to time by notice to the Recipient. The DFIL may set out Project specific financial reporting requirements and may be revised from time to time.

2 FINANCIAL MANAGEMENT RESPONSIBILITIES

9. The Project Implementation Unit (PIU) established at the MoT shall be responsible for the financial management, disbursement, and audits.

10. The Financial Management Specialist (FMS) is specifically designated to manage GREAT-TDP accounts centrally at the Project Implementation Unit. The Financial Management Specialist is responsible for financial management and disbursement of the project at National level. This involves accounting for funds received from the World Bank and disbursement made to project activities. The FMS reports to the Project Coordinator. In executing his/her assignments, the FMS will collaborate and coordinate with project staff at National level, Provincial, District and other Implementing Agencies in financial management activities.

2.1 NATIONAL LEVEL

11. The PIU will be staffed by a Financial Management Specialist (FMS) and an Assistant Accountant. The FMS will report to the Project Coordinator and functionally to the Director Finance in the MoT.

12. All responsibility for financial management will be under the PIU. The FMS will be using existing structures under Director of Finance within the MoT. The FMS will oversee financial management function with due authority from the Public Financial

Management Act No. 1 of 2018, Financial Management Regulation No. 1 of 2020 and Financial Policies and Guidelines from the World Bank.

2.2 Beneficiaries of Matching Grants

13. Beneficiaries of Project funds through the Matching Grant Scheme (MGS) will use internal control measures from the guidelines in this volume of the PIM and the Matching Grant Manual (Volume 3 of the PIM) and ensure transparency in the use of funds.

14. The Beneficiary shall properly maintain all records including the cashbook, labour schedules, and Statement of Expenditure (SoE). The SOE template (See Annex-1) will be used to justify expenditure to facilitate request for the next disbursement.

15. A Beneficiary will establish a Sub-project Committee to manage the matching grant. A Sub-project Committee shall include a Chairperson, a Treasurer, a Secretary and at least three other members who can also be representatives of the Beneficiary, Mentor and Co-investor (see definition in the Matching Grant Manual). A Sub-project Committee takes charge of the operations of the sub-project and holds and documents the regular meetings. The Sub-project accounts will be available for inspection/review/audit by the PIU, by External Auditors and by the World Bank supervision mission team.

2.3 Other Implementing Entities

16. Additional implementing entities may be contracted according to World Bank procurement guidelines and, with prior approval from the PSC and the World Bank, may be responsible for accounting for Project funds according to the terms of the contract. Such implementing entity may be allowed to open a separate bank account into which project funds will be disbursed.

3 FINANCIAL PLANNING AND BUDGETING

3.1 The Annual Work Plan and Budget

17. The project will make use of Government systems for planning and budgeting as laid out in the National Planning and Budgeting Act, No 1 of 2020, Budget Call Circulars and Treasury and Financial Management Circulars.

18. To facilitate smooth implementation and timely funding of project activities, the Project will follow GRZ budget calendar which normally starts in July each year, following the issue of a budget call circular by MoFNP. The purpose of harmonizing the planning and budgeting calendar with GRZ is to ensure that Project activities are adequately budgeted for in the National Budget.

19. The process of preparation, consolidation, review and approval of an Annual Work Plan and Budget(AWPB) is described in detail in the PIM Volume 2 – Planning and Monitoring and Evaluation (M&E). The PIU, Planning and M&E Specialist - in collaboration with all other PIU staff, will be responsible—for coordinating andconsolidating input from all PIU and Task Agency staff, in the preparation of the AWPB. The AWPB follows a prescribed template (see Annex 5 in Volume 2 of the PIM - Planning and M&E).

20. The PIU will ensure that the draft consolidated AWPB is shared with the World Bank for review before August 30. The PIU will submit the AWPB to the PSC for approval once the Bank has cleared it. As per Financing Agreement, the PIU is required to submit the AWPB to the World Bank by November 30. Therefore, the PIU will be required to revise the budget around October so that a final AWPB is submitted to the Bank by November 30.

21. Once the AWPB has been approved by the PSC, the FMS under the supervision of the Director Finance, will ensure that the Project Budget is incorporated in the MoT Budget and subsequently captured in IFMIS.

22. The AWPB will be used as a guide in the implementation of project activities, performance monitoring and budgetary control by the PIU. The budget part of the AWPB – having been verified by the FMS -- should provide sufficient detail showing quarterly break downs to allow for regular and effective financial planning and budgeting through Concept Notes (See next section).

23. The PIU can revise the AWPB during implementation to adapt to the operating environment and realities on the ground. The AWPB revision will be done semi-annually, around July each fiscal year. The PIU will submit the proposed revised AWPB to the Bank for review and subsequently be submitted to the PSC for final approval. Once the revised AWPB is approved by the PSC, the PIU will ensure that the revised budgets are submitted to the MOFNP for consideration for supplementary budget allocations.

3.2 Detailed Implementation Planning

24. Once an AWPB is approved, the lead person of each Component/Sub-component/Task must prepare Concept Notes (CN) to implement the part of the Project directly under her/his purview. Approval of a CNs (a) triggers a financial commitment and (b) activates Procurement toward a service/good/civil work. The preparation of CN shall follow the guidance on Incremental Operation Expenditure (IOE) below.

25. There are three CN options available:

- **Task Concept Notes** (TCN) For simple activities, -- e.g., a supervision trip, a training session, a special assignment --, a TCN is prepared with (a) the rationale for the activity, (b) the reference to the AWPB, (c) the detailed implementation arrangement, (c) a very detailed budget, and (e) the TORs and/or detailed specification of each service or item to procure.
- **Procurement Initiation Concept Notes** (PIN). A PIN may be used to initiate procurement of services, goods, or civil works. Its use is recommended for the procurement of civil works. A PIN includes (a) the rationale for the procurement, (b) the reference in the AWPB, (c) the implementation arrangement, (c) a detailed budget, and (e) detailed specification of each item to procure, /or TORs of consultant assignment /or drawings/BOQ/EPB for infrastructure.
- **Quarterly Concept Note** (QCN). TCN and PIN are simple but cumbersome because each activity requires its own CN. The PIU and Task Agency staff have the option to prepare a QCNs that includes all the activities and procurement for a Quarter. The QCN includes (a) a short narrative on the rationale for all the activities in the QCN, (b)

implementation arrangement for each activity including the role of each person contributing, and a series of Annexes with each "activity" with a detailed budget and with the specifications of each item to be procured and/or the TORs of consultant services.

26. Approval. Once prepared, a Concept Note (a) follows internal review in the PIU and (b) is submitted by the Project Coordinator to the World Bank for no objection. This no-objection (a) triggers a financial commitment by the Head Finance in the PIU and (b) initiates the procurement process by the Head Procurement in the PIU who will start by uploading elements to procure in STEP.

3.3 INCREMENTAL OPERATIONAL EXPENSES

27. The mobilization of funds for IOE will be based on existing GRZrates for transport, meal allowances and daily subsistence rates.

Travel Costs

28. Travel costs must be described and budgeted for in detail in an approved CNs. Travel expenses are authorized based on following information which must be included in the CN: (a) Staff or person travelling; (b) Objective of mission; (c) Destination; (d) Date of departure and return; and (e) Means of Transport.

Workshops and Training:

29. Training and workshop expenses may include cost for hiring of rooms, daily transportation for instructors, learners and participant rental of facilities and equipment for training or workshop. Other costs may include registration fee for learners, field trips and purchase of training materials.

30. The list and budgets of all planned workshops and training must be included in an approved AWPB. The details of each training and each workshop must be included in an approved CN and conform with the approved AWPB. The detailed planning process for Training or Workshop is as follows:

- Preparation of a training plan, which is part of the AWPB;
- Estimated date on which the training/workshop will take place;
- Purpose and justification for the training/workshop;
- Proposed facilitator or trainer and method of procurement - in practice the trainer will most likely be procured by the PIU;
- Estimated number of participants;
- Estimated duration of the training/workshop;
- Method of selection of the place of the training/workshop (including, if possible, three quotations);
- Estimated costs;
- Process and criteria for selection of training/workshop participants;
- Written notice of the employee concerned;
- After the training, accounting for costs of training and collection of receipts for payment of costs of training; and
- Presentation of Certificate of Training and Reporting, where necessary.

Other Incremental Operating Costs

31. Other eligible IOE may be incurred for the purposes of project implementation, supervision, management and monitoring, for: (a) Bank charges; (b) Utilities, internet and other communication costs; (c) Vehicle operation, maintenance and insurance (expressed as mileage), (d) provision of small non-depreciable equipment's, stationaries, labour, etc.

4 ACCOUNTING

4.1 Financial Management Staff

32. The MoT shall appoint/recruit and maintain, throughout project implementation period, FMS, who will be part of the PIU with terms of reference (ToR) acceptable to the WB. The FMS will be assisted by an Assistant Accountant, with ToR acceptable to WB. Functionally, the FMS will report to the Project Coordinator at the PIU and technically to the Director Finance at MoT.

4.2 Accounting Policies

Basis of Accounting

33. The Project will use Cash Basis Accounting Policy in line with International Public Sector Accounting Standards (IPSAS) and the PFM Act No.1 of 2018

Accounting for Funds

34. The MoT and the other implementing entities are expected to maintain adequate records at accounting locations and will include vouchers, invoices, cashbooks, ledgers, and asset registers. IFRs will be prepared and submitted to the Bank forty-five (45) days after the end of each calendar quarter for the project.

Accounting for workshops, training, fuel and per diem

35. Duly authorized meetings and workshops shall be accounted for using appropriately signed daily attendance registers. Fuel imprest drawn from the project account shall be accounted for using receipts in addition to attaching a duly signed vehicle logbook. All official field trips and trainings shall be accounted for using appropriate forms for retiring per DSA, in addition to field activity reports.

Income Recognition

36. The Project will recognize income at the time money is received in the designated account or project operating account.

Expenditure recognition

37. Expenditure will be recognized when payments are made for goods and services, but not when the transaction took place. No provision will be made for accrued expenses. Prepaid expenses will be treated as receivables

Foreign currencies

38. Transactions during the year in currencies other than the US Dollar will be converted into USD at the Bank of Zambia (BOZ) rate ruling at the time funds are transferred from the Designated USD Account to the Zambian Kwacha (ZMW) mirror bank account.

Reporting currencies

39. The reporting currency of the SOEs and IFRs shall be recorded both in ZMW and in USD, using the exchange rate at which funds were transferred from the Dollar designated account into the Kwacha account.

Accounting for taxes

40. IDA financing covers payment for taxes. Therefore, all payments for goods and services will be inclusive of applicable taxes. As per applicable tax laws relating to VAT, MoT is required to withhold VAT at 16% when paying for goods and services to VAT registered suppliers. Therefore, implementing agencies shall report expenditure inclusive of taxes (at gross).

Capital expenditure

41. Items of a capital nature will be expensed at the time of acquisition.

4.3 Accounting System

42. The project will use project module to prepare financial statements reports using Integrated Financial Management Information System (IFMIS). The IFMIS is what the Central Government as established for financial management accounting and reporting purposes. This System has several modules, amongst which is a Project Module that can be applied for projects/programmes in as far as financial management reporting is concerned.

43. The Module will be configured to suit reporting formats applicable for projects including the World Bank funded projects. The MoT, through its Finance Department, will coordinate and work with the FMS to reconfigure the module in order for it to be adopted as an accounting software with technical help from the ICT Department within the Office of the Accountant General. This will be a pilot project and commences immediately the PIU is put in place.

4.4 Bank and Cash Accounts

Project Banking

44. The PIU will open a designated bank account at BOZ which will be USD denominated. In addition, the PIU will open a mirror bank account at a Commercial Bank acceptable to the WB through which Kwacha payments will be made.

Petty Cash

45. As far as possible all payments are made by cheque or by electronic transfer through the banking system. A small amount, to be decided upon, will constitute a petty cash float, out of which small office expenses may be paid. In general, procurement through petty cash constitutes small amounts of off-the-shelf goods or standard specification commodities for which more competitive methods are not justified on the basis of cost and efficiency.

46. All petty cash transactions will be recorded in a petty cash book maintained for the purpose. Every transaction will be supported by an invoice or receipt as appropriate. The Internal audit unitwill carry out spot checks to ensure that the administration of the petty cash is being used wholly for the purpose intended and that it is free of abuse by staff. The petty cash is replenished when the float is run down to near zero. A request is made and a petty cash form completed and all supporting documents furnished.

Managing Cash and Bank Accounts

47. Funds received by an eligible implementing entity must be properly documented and receipted. The funds will be spent only on planned activities in the agreed AWPB. All documents used in executing and recording receipts and payments shall constitute accounting records.

48. PIU shall co-ordinate and control the implementation of the budget by:

- Ensuring timely and optimal procurement decisions;
- Checking that various activities take place as scheduled and within approved financial limits;
- Organizing regular meetings with the staff as well as with the eligible facility to review actual performance against budget; and
- Ensuring timely investigation of variances and determination of their implications. 4

4.5 IMPREST/ADVANCE PAYMENTS

49. Advances are funds released for Project activities before the actual expenditure is incurred. At the point of releasing the funds, there would be no supporting documentation by the way of Receipts and/or Invoices. Personal Staff Advances from Project Funds are not eligible.

50. Advances referred to here are strictly for (a) qualifying Project activities listed in an approved Concept Note, (b) to the person who has initiated the CN and obtained its approval and (c) following a Request for Advance.

51. There are a three types of eligible advances: (a) advance to Matching Grant Beneficiary for implementation of Contractor or Service Provider activities, (b) travel advances, advances for workshops and training activities, and (c) imprest account advance.

52. ***Request for Advance***: The Request for Advance should be sent for endorsement by the Project Coordinator or the FMS for approval and processing accompanied with the relevant approved CN. When the FMS has ensured that the advance requested meets

requirements, a Disbursement Voucher will be prepared. The Request for Advance will be attached to the voucher as evidence and payment will be made accordingly. New advances will normally not be paid out before previous ones are settled/retired;

53. ***Settlement of Advances***: The person who requests for the advance is accountable to the PIU for full and timely settlement of the advance. All advances should be settled when the activity has been finalized and no later than seven (07) days working days after completion of activities. In exceptional cases when the advance cannot be cleared within the 7 days working days allowed, partial advance clearing may be accepted due to the nature of activities. The person who has requested the Advance is responsible for updating the "Advance Control Logbook" monthly, for submission to the FMS and to M&E Specialist.

54. ***Timeframe for settling Travel Advances****:* Travel Advances referred to here are those for eligible qualifying Travel. Travel Advances should be settled within 48 hours after return from travel. Unutilized advance balances must be returned immediately upon settlement of the advance. Similarly, if the activity is cancelled, the cash advance should be returned immediately without delay. Failure to return advances within the set time frame will require FMS to deduct the amount from the responsible person's payroll;

55. There may be three types of advance settlement:

- Advance to be Fully Cleared with Expenditures: Only when the activity is completed should the advance holder prepare a Request for Clearance of Advances. The Request for Clearance of Advance Form can be used for this purpose. The complete form should be submitted to the PIU Assistant Accountant to process in the accounting records and filing. If expenditures was for physical goods, evidence of these goods such as a signed Goods Received Note (GRN) should be attached and where necessary, the goods inspected for quality, quantity and condition. If expenditure was for Services, the Recipient of the service should sign on a prescribed Form;
- Advance to be cleared with Cash Return: Any remaining unused cash should be returned to PIU Petty Cash or bank account immediately upon completion of the activity, and after clearing the advance the PIU will need to issue an official receipt for such cash returned. Upon receipt, PIU will ensure that the cash is deposited to the Petty Cash /bank account within the next day: Small amounts (less than ZMW2,000) can be returned to Petty Cash while larger amounts (over ZMW2,000) should be deposited to the PIU bank account. Regardless of the form that the cash is handled, whether physical cash or electronic, the procedure should be followed the same;
- Expenses Exceeding the Advance Taken: Actual expenditures may exceed the approved advance paid based on an initial estimate. The advance holder must justify in writing the reasons for the additional expense, which must be agreed by the PIU. After consulting with the PIU, action will be taken to allow payment of the excess expenditures or not. Depending on the amount to be paid, payment may be either in cash or bank transfer. The scenario of expenses exceeding advance taken should be an exception to the Rule and be discouraged because it encourages potential for Fund mismanagement and abuse, if there are no adequate controls.

56. ***Supporting Documents for Expense Claims***: Under normal conditions, supporting documents for expense claims should be originals and paid invoices. As a minimum, these receipts should carry the name and address of the supplier, as well as quantity and

specification unit prices and total price of goods or services purchased. Possible discounts must be specified.

57. The PIU is responsible for verifying that the advance has been used in accordance with the detailed budget breakdown that formed the basis of the advance request. Possible inappropriate or inconsistent use will be reported to the PIU, as the case may be. When the PIU has ensured that the Clearance of Advance documents meet requirements, a Journal Voucher will be prepared and the submitted documents will be attached to the voucher as evidence. If any of the supporting documents accompanying a claim are found to be counterfeit, manipulated, or in other ways untrue, an investigation will be launched and the person responsible will face disciplinary action. *As there are always exceptions to every Rule in practice, these exceptions should be very rare and only the Head PIU and FMS should authorise these*.

4.6 General Rules on Eligible Expenditures

58. The main provisions for eligibility of cost are as follows:

- Costs must be incurred during project implementation period, except for expenditure allowed under retroactive financing in accordance with the Financing Agreement;
- Costs must be included in the project budget;
- Costs must be necessary for carrying out the Project and the activities for which the loan/grant beneficiary requests payment should correspond to;
- Costs must be actual, recorded in the accounts or tax documents of the Beneficiary (or the partners, if applicable) and be identifiable, verifiable, and backed by originals of supporting evidence;
- Cost must be made in compliance with the principles of sound financial management in particular value for money and cost-effectiveness; and
- Ineligible costs should not be allowed. It is important that expenses incurred during project period must all be eligible costs.

4.7 Mode of Payment

59. Payment will be made either by electronic funds transfer, cheque or cash and a cash book must be maintained, updated and balanced daily. The following procedures shall be observed when making payments:

- All payments must be based on payment voucher supported by relevant documents and approvals;
- Individuals approving payments must satisfy themselves that the related goods or services were actually received by the project;
- Details on the cheque could also be recorded on the cheque counterfoil for reference; and
- All payments must be correctly recorded in the Cash book.

4.8 Records

60. The records required for managing cash and operating the bank account is listed below.

- Receipt Book;

- Cash Book;
- Cheque Book;
- Bank Pay-in slip;
- Bank Statement;
- Electronic Funds Transfer Advise (EFTA).

61. In addition, inter alia, the following records/documents are required to support/validate a transaction.

- Payment Voucher;
- Suppliers' Invoice/ Receipt;
- Suppliers' Delivery Note;
- Goods Received Note;
- Procurement Committee Paper;
- Contract agreement (where appropriate);
- Certificate of Work Completion;
- Take- over Certificates;
- Backing Sheet;
- Goods Inspection Forms;
- Claim Form or Incentives Pay Schedule;
- Log sheet and activity report; and
- Petty Cash Vouchers.

4.9 PROJECT ASSETS

62. PIU and other implementing agencies are required to maintain a Fixed Asset Register (FAR), for the fixed assets either purchased or received through a donation. A FAR is a subsidiary Ledger to the General Ledger, meaning periodically, it must be **posted** into the General Ledger, and at the end of the period, the Fixed Asset Balance in the General and the Total Balance in the FAR must be **reconciled**. The FAR must be updated at least annually or every time there is a new asset purchased or an asset disposed of, to reflect assets held as at 31 December, and be prepared for WB and external audit examination.

63. The FAR should show all additions and disposals during the reporting financial year. In case of any need for asset disposal, PIU will need to follow the disposal procedures and inform PSC before any decision is taken. In case of loss or damage of assets, PIU and or Implementing Agencies will have to fill out a Loss/Damage Form, and submit to PSC for approval or authorization.

64. Both Fixed and Inventory Stores should be adequately insured against loss due to:

- Fire;
- Theft;
- Accident; and
- Other unforeseen natural disasters, such water due floods and rainstorms.

Fixed Assets

65. All Project assets of a permanent nature (used over one Financial Year), whether equipment, vehicles, computers, furniture or other type of asset should be recorded in the FAR. It is recommended that the FAR be electronic. Table 6 shows a sample of FAR Format. The information required to be maintained for each item are:

- Description of asset;
- Date of purchase;
- Cost;
- Location/Allocated to;
- Unique Project Inventory Number Reference;
- Name of user;
- Serial/Chassis Number;
- Exchange Rate to the US dollar at the time of purchase;
- Condition/Remark: Indicate in this section whether the asset is in good condition, lost or damaged.

66. Each asset will be separately be labelled. Permanent or indelible ink will be used or any other form of permanent identification, to indicate the item as the Property of the Project.

Ownership of Fixed Assets at the end of the Project

67. Within 6 months of Project Closing, except for any remaining cash balance, the ownership of the fixed assets acquired from the Project Funds will be handed over to government in accordance with the Public Finance Management Act No. 1 of 2018. The Act states that: (a) whenever projects are completed, the project assets buildings, plant, vehicles, furniture, fittings and equipment are properly recorded, accounted for and handed over to Government or other appropriate authorities within the time frame provided for in that agreement and (b) Project assets handed over after completion of the aided project shall be distributed by a committee constituted by the Secretary to the Treasury to stipulates how project assets are to be handled.

68. Irrespectivelly of the provision of paragraph 67, the balance of unutilized cash by the Project shall be returned to the World Bank.

Inventory Stores

69. Inventory Stores can be defined as current assets that would have an estimated lifespan of less than a year. Examples of other assets include stationery, calculators, extension cords, essential project stationery like pens, markers, erasers, toners, inks etc. which is to be purchased and used by the Project staff only. These assets are often kept in Stores on Bin Cards, or if the Stores are kept electronically, there are robust Fixed Asset Register Accounting Packages/Modules for this purpose. A designated person (usually the Stores Keeper) should be responsible in supplying the office supplies internally to members of the staff of PIU. This employee should record the following:

- What items are issued;
- Quantity of the items taken;
- Name of staff requesting for the office supplies;

– Record in the office supplies stock list. Selection of the provider of the other assets must be undertaken on an annual basis where a particular shop is selected and the prices for all the required other assets are fixed for that year.

4.10 FUNDS FLOW

70. The project will use a system under which funds will flow from the World Bank to a Designated Account (DA) denominated in United States Dollars held at BoZ. The PIU will transfer funds from the DA to the ZMW Project Operational Account (POA) at the commercial bank for payments in local currency and to the USD POA held at the CB for payments foreign currency. From the ZMW POA all local currency payments would be made through the Mirror Account (zero balance) held at a CB. The funds from the USD DA be routed through Control 99 (either ZMK or USD) to the POAs.

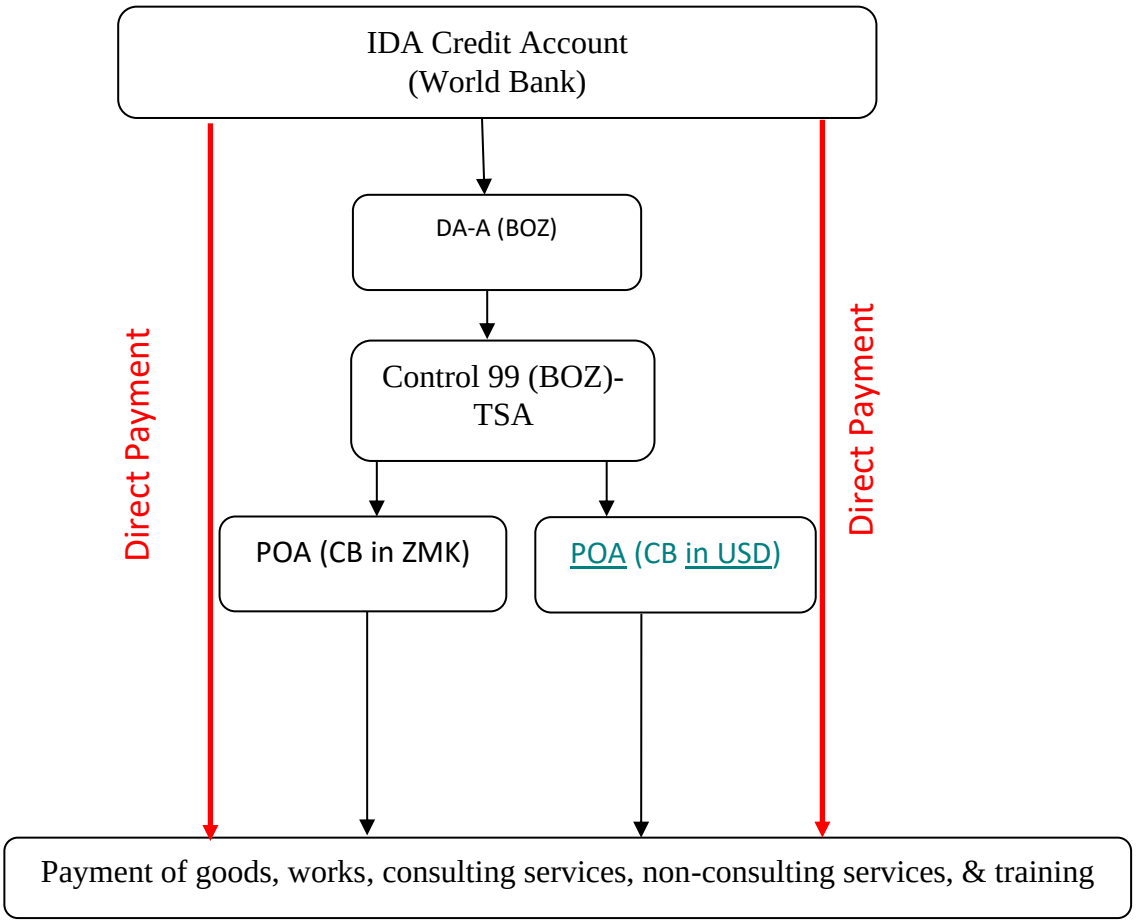


Figure 1. Flow of Funds Arrangements

5 DISBURSEMENT ARRANGEMENTS

5.1 DISBURSEMENT OF THE IDA CREDIT

71. The Project will use the report-based (Interim Financial Report - IFR) method of disbursements. Other methods of disbursing to the Project will include reimbursements, direct payment, and use of special commitments (for example, letters of credit).

72. The project may use any of the following methods to disburse the IDA proceeds:

- Advance method; Direct payment to a third party;
- Special commitment to pay amounts to a third party in respect of expenditure to be financed out of the IDA proceeds, upon the request and under terms and conditions in finance agreement; and
- Reimbursement procedure where the Bank would reimburse the expenditures eligible for financing that the implementing agency has pre-financed from its own resources.

73. Under the report-based procedure, the required supporting documentation will be IFRs, records and the SOE. All SOEs supporting documentation will be kept by the PIU. They shall be available for review by the Bank's implementation support missions and internal and external auditors. The project shall register the Project in the Bank Client Connection to facilitate ease processing of withdrawal requests.

5.2 DISBURSEMENTS FROM THE PIU TO TASK AGENCIES.

74. Task Agencies are Government agencies which, through and MoU or Instruction, have been made responsible to implement and deliver a part of the Project (a Task) for Subcomponent 1.1 and 1.2 and for Component 2.

75. Disbursements may be made to Task Agencies. The PIU disburses funds in accordance with agreed AWPB and detailed in Concept Notes (CN). Funds for these sub-accounts are used to finance only eligible expenditures agreed through the approved AWPB as described. Expenses incurred by the project facilitators for transport, workshop expenses, and other expenses are presented in a plan and budget and approved by the PIU. The contract is developed and signed.

76. Once all conditions in the contract have been met and the first payment of 50% of the total value of the contract will be paid. The final 50% of the total value of the contact will be paid upon a satisfactory retirement (i.e. financial report (statement of sources and uses, SOE including copies of receipts, claim forms, and bank statements) of the first advance payment together with the submission and acceptance of the project facilitators Report detailing the results of the inputs. The final 50% will be justified in the same way once it has been utilized. A final Completion Report is submitted once the tenure of the contract has ended.

5.3 DISBURSEMENTS FROM THE PIU TO BENEFICIARIES OF MATCHING GRANTS.

77. Disbursement of the Matching Grant to Beneficiaries can be of two types:

- in the form of an advance to implement the Matching Grant,

- in the form of a payment based on the prior completion of agreed benchmarks (similar to output-based payment).

78. The Matching Grant Agreement will identify the method to be used. The agreed method cannot be changed during Matching Grant implementation.

Disbursement Based on Advances.

79. This is the classic disbursement method. The Beneficiary submits an Application for Disbursement Form to the Facilitator (the Banking reference would be in the Matching Grant Agreement).

80. For all Matching Grant, disbursement is carried out according to a schedule proposed in the Application, appraised, and recorded in the Matching Grant Agreement. A disbursement of value greater than $10,000 (or ZMW equivalent) requires a Bank guarantee from one of the parties. It should be noted that Windows 2 Matching Grants which may be in the order of $200,000 would require a bank guarantee which is likely to be issued to the Co-investor. In case of difficulties in obtaining a bank guarantee, the Applicant is invited to explore using the second disbursement method (based on prior completion).

81. Disbursement schedule is variable.

- ***For Enabling Matching Grants (Windows 1)***, 50% of the amount is disbursed as an Advance. The final disbursements will be paid, on request by the Beneficiary upon benchmark achievement as shown in a mid-point progress reports and verified.
- ***For Transformational Matching Grant (Window 2)***, disbursement is carried out according to a schedule proposed in the Application, appraised, and agreed in the Matching Grant Agreement. The intermediary and final disbursements will be paid, on request by the Beneficiary upon benchmark achievement as shown in progress reports and verified.

82. The Facilitator may also request a satisfactory retirement (i.e. financial report (statement of sources and uses, statement of expenditure including copies of receipts, claim forms, and bank statements) of the previous advance.

Disbursement based on Sub project completion.

83. This is the preferred method for Matching Grant that (a) are technically simple, (b) possess well-defined benchmarks and end-products and (c) where Mentor prefinancing is available and is the preferred option. Such Matching Grant are simple to administer, as documentation and reporting is kept to a minimum. An advantage is that the Beneficiary has a built-in incentive for economy and efficiency.

84. The Beneficiary apply for funds using an Application for Disbursement Form. Disbursement is made, in one or several tranches, based on verified achieved benchmarks (physical progress, verified performance or completion of end-product) as defined in the Matching Grant Agreement. The Facilitator verifies whether the agreed benchmarks are achieved prior to clearing payment.

85. Sub-project committees follow simple procedures designed to enhance transparency in the use of project funds. The beneficiary groups account for the funds regularly by keeping the following financial reports:

- Detailed Expenditure Schedule;
- Financial Report see Annex 1; and
- Cash Book.

6 FINANCIAL REPORTING

6.1 UNAUDITED INTERIM FINANCIAL REPORTS

86. The project will produce unaudited Interim Financial Reports (IFR) on a quarterly basis to manage and monitor the use of the funds. The financial reports should at the minimum show a statement of sources and uses of funds, with the uses of funds analysed by component and by activities. The quarterly reports should be submitted to the IDA World Bank within 45 days after the end of the quarter. The FMS shall also prepare monthly financial reports for management to monitor monthly progress and aid in decision-making.

6.2 MONTHLY, QUARTERLY AND ANNUAL FINANCIAL REPORTS

87. Implementing entities receiving Project funds should prepare Monthly, Quarterly and Annual Financial Reports.

88. Monthly and Quarterly reports will be presented to the PIU within fifteen (15) and thirty (30) days, respectively of the end of reporting period and include:

- SOE showing relevant disbursement categories;
- Statement of Sources and Uses of Funds;
- Bank reconciliation for each bank account with accompanying Cash Book and Bank statements; and
- Progress against AWPB Report.

89. The Implementing entities shall submit Annual Project Financial Statements to the PIU 30 calendar days after the financial year ends. The annual report shall include the project implementation status and the annual financial report. The Annual Project Financial Statements shall be submitted by the PIU to the World Bank no later than six months following the end of the financial year.

7 AUDITING

7.1 INTERNAL AUDIT / CONTROL

90. The existing Financial Management Regulations, 2020, incorporating the Public Finance Act (No. 1 of 2018) will be applicable to the project operations.

91. The Internal Audit Unit at the MoT holds the internal audit functions for the Project. The Head Internal Audit shall lead the internal audit and submit on a quarterly basis, or as

necessary, internal audit reports to the Project Coordinator administratively and Audit Committee functionally.

92. Part of the fiduciary responsibilities of the PIU is to share the internal audit reports with the World Bank within two months after completion incorporating management responses and a remedial action plan.

7.2 EXTERNAL AUDIT

93. An external audit for all GREAT-TDP funded activities will be carried out annually by Office of the Auditor General (OAG), who as outlined in the Constitution of Zambia Act 2016, is responsible for the audit of all Government funds, though in practice, because of capacity constraints, the OAG frequently appoints private sector auditors acceptable to the Bank to carry out the audit on behalf of the AG. The auditor will conduct the audit according to International Standards on Auditing (ISA and Terms of Reference (TORs) acceptable to the Bank. The auditor will express an opinion on the financial statements according to the Bank's audit policy. IDA requires that audited financial statements for the project be submitted no later than six months after the end of the year.

94. Besides the audit opinion, the auditor will be required to prepare a separate report to Management, highlighting significant weaknesses that the auditor came across during the course of the audit that are not reflected in the audit opinion. These may include weaknesses in the internal control systems, inappropriate accounting policies and practices, issues regarding general compliance with broad covenants and any other matters the auditor considers should be brought to the attention of the borrower and providing recommendations for improvements. Like the audit report, the Management Letter should be submitted to IDA within six months after the year end.

95. The audit arrangements should be based on the "Guidelines – Annual Financial Reporting and Auditing of World Bank-Financed Activities" issued by the Bank on June 30, 2003.

8 OTHER CONSIDERATIONS

8.1 Financial Management Supervision

96. Financial management supervision will be carried out by the Bank as part of the overall supervision for the project. At least two supervision missions are expected a year. The objective of the financial management supervision is to ensure that the continued adequacy of the project's FMS complies with relevant legal covenants of the Financing Agreement, and that the proceeds of the Credit are used only for the purposes for which the Credit was intended, with due regard to economy and efficiency and to build the financial management capacity of the borrower implementing agency.

97. The actual work will include the checking of the IFRs and the Audit Reports/Management Letters from the external auditors and following up with the project secretariat on all significant accountability related issues.

8.2 Project Closure

98. After the closing date on December 31, 2030, the FMS shall ensure that (a) the last financial statements and reports are prepared and audited by the external auditors, (b) that all Assets are physically inspected and the Asset Register updated, and (c) that all payment commitments are settled.

99. Payments for commitments can still be made during a 4-month grace period provided that (a) All goods and services will have been delivered and accepted on or before project closing date of December 31, 2030; (b) Consultancy or other services are completed by the closing date; (c) Training activities are completed by the closing date and (d) Any eligible or questionable expenditures should have been resolved by the closing date.

100. Where any outstanding commitments remains unsettled for whatever reason, be included in the Final Report

ANNEXES. TEMPLATES AND FORMS

ANNEX 1: FINANCIAL REPORTING FOR COMMUNITY LEVEL FOR THE MATCHING GRANT

Intervention Action	Total Cost (Application) ($ / K)	Actual Cost (end reporting period) ($ / K)	% execution	Comment
Consulting Services				
1.				
…				
Goods / Equipment				
1.				
…				
Civil works				
1.				
…				
Operation costs				
1.				
…				
Administrative costs				
1.				
…				
In kind (estimated value)				
1.				
…				
Total				

ANNEX 2: INTERIM UNAUDITED FINANCIAL STATEMENTS

Green, Resilient and Transformational Tourism Development Project (GREAT-TDP)

Designated Account (DA) Activity Statement

For the quarterly period ending……

IDA Credit/Grant No.: _____

Deposit Bank: _____ A/C No. _____

Currency of DA: USD

PART I		
1. Cumulative advances to end of current reporting period		
2. Cumulative expenditures to end of last reporting period		
3. Outstanding Advance to be accounted (line 1 minus line2)		
PART II		
4. Opening DA balance at beginning of reporting period (as of beginning of quarter)		
5. Add/subtract: Cumulative adjustments (if any)		
6. Advances from World Bank during reporting period		
7. Add lines 5 and 6		
8. Outstanding advances to be accounted for (add line 4 and line 7)		
9. Closing DA-A balance at end of current reporting period (as of …)		
10. Add/subtract: Cumulative adjustments (if any)		
11. Expenditures for current reporting period		
12. Add line 10 and 11		
13. Outstanding Advance to be accounted for (add line 9 and 12)		
14. Difference (if any) (line 8 minus line 13)		
PART III		
15. Total forecasted amount to be paid by World Bank		
16. Less: Closing DA-A balance after adjustments		
17. Direct payments/SC payments		
18. Add lines 16 and 17		
19. **Cash requirement from World Bank for next two reporting period (lines 15 minus line 18)**		

ANNEX 3: SOURCES AND USES OF FUNDS AND CASH FORECAST - FOR THE QUARTER ENDING

	Quarter			Cumulative			Planned Forecast Next 6 months	
	Actual	**Planned**	**Variance**	**Actual**	**Planned**	**Variance**	**Original Planned**	**Revised Planned**
Opening Balance								
IDA- Designated Account								
Project Operating Account								
Total								
Add: Source of Funds (received during period)								
IDA- Designated Account								
Total Cash Available	0	0	0	0	0	0	0	0
Less:								
Uses of Funds, BY Disbursement Category								
Total Expenditure	0	0	0	0	0	0	0	0
Cash Available less Expenditure	0	0	0	0	0	0	0	0
Closing Balance								
IDA- Designated Account								
Project Operating Account								
Total Closing Balance	0	0	0	0	0	0	0	0

NOTES

The Following rates were used for conversion:

a) Opening Balance of Designated Account in Quarter …….. US$ = ZMW ……..

b) Funds received and expended converted at the drawdown rate of exchange ruling on the date of the transaction.

c) Closing balance of the Designated Account in Quarter …….. US$ = ZMW ……..

ANNEX 4: USE OF FUNDS BY COMPONENT - FOR THE QUARTER ENDING

	Quarter			Cumulative			Planned Forecast Next 6 months	
	Actual	**Planned**	**Variance**	**Actual**	**Planned**	**Variance**	**Original Planned**	**Revised Planned**
Expenditure by Component								
Component 1 -								
Component 2								
Component 3								
Total PROJECT COSTS								
Notes								

ANNEX 5: PAYMENTS MADE FOR THE PERIOD MENTIONED ABOVE AGAINST CONTRACTS SUBJECT TO BANK'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 Amt Paid to Supplier during Period

ANNEX 6: PAYMENTS MADE FOR CONTRACTS OTHER THAN THOSE UNDER CONTRACTS SUBJECT TO BANK'S PRIOR REVIEW

Category	Cheque /EFTA #	Brief Description of Goods, Works or Services Number	Supplier	Contract Date	Contract amount	Amount Paid to Supplier during Period	%IDA	IDA Share of Amt Paid to Supplier during Period

ANNEX 7: FIXED ASSET REGISTER (FAR) FORMAT

Category	Description	S/N	Model	Asset Code	Cost	Additions	(Disposal)	Revaluation	Net Cost	Location
Land & Buildings										
Furniture & Fittings										
Office Equipment										
Computer Equipment										

ANNEX 8: MOTOR VEHICLE LOG BOOK

Vehicle Registration Number:……

Date	From	To	Start Mileage	End Mileage	Name of Driver	Signature	Authorized By:	
							Name	Signature