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AUDIT SERVICE CORPORATION

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT
PROGRAM
FINANCED UNDER IDA GRANT NO. D482-ET
NDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2025

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM**

Opinion

We have audited the accompanying financial statements of Climate Action Through Landscape Management Program (CALM) of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed by IDA Grant D482 ET, Credit which comprise the balance sheet as at 07 July 2025 and the statement of sources and uses of funds for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Climate Action Through Landscape Management Program (CALM) of the Federal Democratic Republic of Ethiopia, Ministry of Finance as at 07 July 2025 and of its sources and uses of funds for the year then ended in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting described in notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). We are independent of the audited entity / Ministry of Finance and its sub implementers in accordance with the relevant ethical requirements relating to the audit, and have fulfilled the auditor's other ethical responsibilities in accordance with these requirements as per the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Responsibilities of Management for the Financial Statements

The Ministry of Finance is responsible for the preparation and fair presentation of these financial statements in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting, and for such internal control as the Ministry determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Reports on other requirements

As required by the terms of reference for financial audit and the World Bank guidelines we report that, to the extent we can assess:

- a) All external financing has been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- b) Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency and only for the purposes for which they are provided;
- c) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the World Bank Procurement policies and procedures;
- d) All necessary supporting documents, records and accounts have been maintained in respect of all project activities;

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- e) Designated Accounts have been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Accounts were used only for the purposes intended in the financing agreements;
- f) National laws and regulations have been complied with and that the financing and accounting procedures approved for the Programme were followed and used;
- g) Financial performances of both the Programme and of implementing partners are satisfactory;
- h) Assets procured from Programme funds exist and there is a verifiable ownership by the Programme implementing agencies or beneficiaries in line with the financing agreement; and
- i) We did not come across with any ineligible expenditures included in withdrawal applications; and
- j) Our examination revealed no major weaknesses or irregularities in the system of internal control over financial expenditures.
- k) In our opinion,
 - I). the reports, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals;
 - II).adequate supporting documentation has been maintained to support the expenditures incurred; and said expenditures are eligible for financing under IDA Grant D482-ET
 - III). expenditures are eligible for financing under the financing agreement.

Audit Services Corporation

Date: 1 January 2025

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
BALANCE SHEET
AS AT 7 JULY 2025

	Notes	Birr	2024 Birr
CURRENT ASSETS			
Account receivable	3	94,485,712.32	147,833,563.55
Cash and bank balance	4	<u>3,898,896,864.65</u>	<u>4,898,738,223.36</u>
		3,993,382,576.97	5,046,571,786.91
CURRENT LIABILITY			
Account payable	5	<u>38,264,367.79</u>	<u>24,488,703.69</u>
NET CURRENT ASSETS		<u><u>3,955,118,209.18</u></u>	<u><u>5,022,083,083.22</u></u>
REPRESENTED BY			
Fund balance	6	<u><u>3,955,118,209.18</u></u>	<u><u>5,022,083,083.22</u></u>

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2025

SOURCES	Notes	Birr	Cumulative from 8 April 2020 to 7 July 2025 Birr	2024 Birr
IDA grant		3,259,922,244.28	19,659,650,874.15	3,733,865,988.05
Gain on foreign exchange rate fluctuation	7	4,084,295,030.73	5,602,790,035.01	140,530,533.95
Prior period income adjustment		337,154.94	2,067,764.98	2,067,764.98
		<u>7,344,554,429.95</u>	<u>25,264,508,674.14</u>	<u>3,876,464,286.98</u>
USES				
Participatory Watershade Management		6,373,843,965.79	15,083,852,616.10	3,614,056,007.31
Rural Land Administration		1,763,470,539.05	5,422,978,972.48	1,546,352,556.00
Verification, Central Statistical Agency		172,582,988.94	409,160,557.04	145,264,759.00
Ministry of Finance, financial management		21,934,953.60	120,264,533.87	68,054,692.00
Ministry of Peace, Capacity building		-	93,410,320.64	-
Verification (FEACC)		7,501,342.61	27,012,502.01	7,612,887.08
Bank service charge		72,185,514.00	178,509,844.00	50,549,075.00
		<u>8,411,519,303.99</u>	<u>21,335,189,346.14</u>	<u>5,431,889,976.39</u>
(DEFICIT)/EXCESS OF SOURCES OVER USES		<u><u>(1,066,964,874.04)</u></u>	<u><u>3,929,319,328</u></u>	<u><u>(1,555,425,689.41)</u></u>

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
DESIGNATED ACCOUNT STATEMENT

For the year ended 7 July 2025
Account number 0100101300573
Depository Bank National Bank of Ethiopia
Address Addis Ababa, Ethiopia
Related Grant IDA, D482-ET
Currency USD

	USD	Ethiopian Birr
Balance as at 7 July 2024	60,029,863.57	3,443,919,276.00
IDA Grant Received	26,115,417.23	3,259,922,244.28
Transfer from MOA	0.00	0.00
Transfer from MOF	<u>173,000.00</u>	<u>21,654,319.43</u>
	86,318,280.80	6,725,495,839.71
Less:- Transfer to MoA Dollar account	4,987,151.00	615,641,922.48
Transfer to Birr account	56,703,000.00	6,837,768,535.10
Transfer to ESS	<u>2,970,000.00</u>	<u>397,446,291.00</u>
	<u>64,660,151.00</u>	<u>7,850,856,748.58</u>
	21,658,129.80	-1,125,360,908.87
Add:- Gain on foreign exchange fluctuation	<u>0.00</u>	<u>4,058,833,304.75</u>
Balance as at 7 July 2025	<u><u>21,658,129.80</u></u>	<u><u>2,933,472,395.88</u></u>

MINISTRY OF FINANCE
CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM
IDA GRANT
DESIGNATED ACCOUNT STATEMENT

For the year ended	7 July 2025		
Account number	0100071300348		
Depository Bank	National Bank of Ethiopia		
Address	Addis Ababa, Ethiopia		
Related Grant	IDA, D482-ET		
Currency	USD		
	USD	Ethiopian Birr	
Balance as at 7 July 2024	97,890.25	5,615,973.43	
Transfer from MoF IDA Dollar account	<u>4,987,151.00</u> 5,085,041.25	<u>615,641,922.48</u> 621,257,895.91	
Less:- Transfer to Birr account	2,454,996.50	265,033,062.00	
Advance payment to suppliers	<u>175,048.25</u> <u>2,630,044.75</u>	<u>20,513,805.37</u> <u>285,546,867.37</u>	
	0.00	335,711,028.54	
Add:- Gain on foreign exchange fluctuation	<u>0.00</u>	<u>20,513,805.37</u>	
Balance as at 7 July 2025	<u>2,630,044.75</u>	<u>356,224,833.91</u>	

MINISTRY OF FINANCE

CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM NOTES TO THE FINANCIAL STATEMENTS

1. PROGRAM INFORMATION

The Federal Democratic of Ethiopia and International Development Association (IDA) entered into an agreement on 15 June 2019 to finance a program, Climate Action through Landscape Management Program (CALM), IDA has agreed to extend a grant fund equivalent to SDR 360,900,000 towards financing this Program. The Program became effective on 8 April 2020 and will be closed on 7 September 2025

The objective of the Program is to increase adoption of sustainable land management practices and expand access to secure land tenure in non-rangeland rural areas.

The Program consists of the following activities:

I. Participatory Watershed Management

Scaling up participatory watershed management activities to reduce land degradation, including:

- (a) Development of capacity at the Federal, regional and Woreda levels for participatory watershed management;
- (b) Sustainable Land Management (SLM) related research at the federal and regional levels;
- (c) Strengthening of the policy, institutional and regulatory framework for SLM;
- (d) Building the SLM knowledge base; and
- (e) Management, monitoring and reporting of Ethiopian Strategic Investment Framework (ESIF) interventions for watershed management.

II. Rural Land Administration

Carrying out the following to improve rural land tenure security:

- (a) Preparation and issuance of Second Level Landholding Certificates (SLLCs) (which includes quality assurance, verification against first level land holding certificates, and issuance to land holders);

1. PROGRAM INFORMATION

- (b) Installation and operation of the Natural Rural Land Administration Information Systems (NRLAIS) at the federal, regional and Woreda level;
- (c) Development of capacity at the federal, regional and Woreda levels;

(d) Strengthening of policy, institutional and regulatory framework for rural land administration; and

(e) Management, monitoring and reporting of ESIF intervention for improved rural land tenure security.

This audit covers the special purpose grant part of the expenditure framework as well as the specific budget line expenditure at the Ministry of Agriculture (MoA) which contributes to the program expenditure framework. The specific budget lines at the MoA that contribute to the Program expenditure framework along with the respective expenditure incurred during the period are:

Budget code 11341002 Providing Agricultural Extension Service	ETB 76,579,722
“ “ 11341005 Providing Support to Increase Crop Production and Productivity	69,794,439
“ “ 11341011 Intensifying Natural Resource Development and Utilization.	582,102,593
“ “ 11341012 Providing Support to Rural Land Administration and Utilization System.	188,182,559

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Program are stated below:

Basis of preparation

- a) These financial statements have been prepared in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

b) Currency

These financial statements are presented in Birr. Transactions in foreign currency are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Foreign currency balances are translated into Birr at the exchange rate ruling at the balance sheet date.

MINISTRY OF FINANCE

CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM

IDA GRANT

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 ADVANCE PAYMENTS

	Birr	2024 Birr
Advance within government offices	34,164,172.66	73,235,294.88
Advance to Regions	-	5,000,000.00
Advance to contractors	30,047,130.54	10,006,211.30
Advance to suppliers	8,594,038.58	3,634,016.80
Purchase advances	15,345,446.48	5,034,443.87
Other advance	3,661,548.68	22,229,655.42
Staff	1,441,787.45	24,971,854.63
Sundry	1,231,587.93	3,722,086.65
	<u>94,485,712.32</u>	<u>147,833,563.55</u>

4 CASH AND BANK BALANCES

	Birr	2024 Birr
USD Designated Account No. 0100101300573	2,933,472,395.88	3,443,919,276.49
USD Designated Account No. 0100101300348	-	-
Ministry of Finance, Pool Birr account-704	28,877,322.36	153,590,532.36
Ministry of Agriculture	488,521,212.54	376,154,874.66
Central Statistical Agency	5,237,323.12	7,068,574.12
Ministry of Finance-Administration	3,260,323.21	3,177,286.73
FEACC	721,520.09	340,326.49
Total cash at regional offices	438,806,767.45	914,487,352.51
	<u>3,898,896,864.65</u>	<u>4,898,738,223.36</u>

5 ACCOUNT PAYABLES

	Birr	2024 Birr
Advance within government offices	7,919,127.96	11,442,668.53
Taxes payable	4,582,740.25	7,795,975.94
Sundry creditors	1,444,577.96	15,605.00
Other deposits	571,036.61	14,795.00
Retention payable	11,414,666.94	3,924,010.65
Family payable	55,106.07	159,682.91
Staff payable	60,778.31	556,360.39
Grace period payable	2,385,813.26	579,605.27
Payable to suppliers	9,830,520.43	-
	<u>38,264,367.79</u>	<u>24,488,703.69</u>

MINISTRY OF FINANCE

CLIMATE ACTION THROUGH LANDSCAPE MANAGEMENT PROGRAM

IDA GRANT

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 FUND BALANCE

	<u>Birr</u>
Balance at 07July 2024	5,022,083,083.22
Add :- Excess of uses over sources	<u>(1,066,964,874.04)</u>
Balance at 7 July 2025	<u>3,955,118,209.18</u>

7 GAIN ON FOREIGN EXCHANGE RATE FLUCTUATION

Ministry of Finance	4,058,833,304.75
Ministry of Agriculture	20,513,805.37
Ministry of Finance Administration	4,650,893.33
Ethiopia Statistical Service	<u>297,027.28</u>
	<u>4,084,295,030.73</u>

8 DATE OF AUTHORIZATION

Channel One Programs Coordinating Department Head of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 1 January 2026