

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

MINISTRY OF FINANCE

RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM

(RCFSP)

PROGRAM FOR RESULT –P4R- P 176303

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

07 JULY 2025



**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT -P4R- P 176303**

**Opinion**

We have audited the accompanying financial statements of Rural Connectivity to Support Food Security Program (RCFSP) of the Federal Democratic Republic of Ethiopia, Ministry of Finance, financed by IDA Grant No E3080-ET, 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, except for the matter described in the Basis for Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Rural Connectivity to Support Food Security Program (RCFSP) 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**

MoF recorded Birr 69,189,592.36 as expenditure, while the Transport Bureau recorded the same amount as receivables/advances, as funds were transferred but not yet utilized for verified works.

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.

### **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;

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- 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;
- 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) Furthermore, with respect to the interim financial reports (IFRs) submitted during the year ended 07 July 2025 and listed on page 12, 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 Number E3080-ET,
  - III). expenditures are eligible for financing under the financing agreement.

*AUDIT SERVICE CORPORATION*

Date: 05 January 2026



MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT -P4R- P 176303  
BALANCE SHEET  
AS AT 07 JULY 2025

|                       | <u>Notes</u> | <u>2025</u><br><u>Birr</u> | <u>2024</u><br><u>Birr</u> |
|-----------------------|--------------|----------------------------|----------------------------|
| <u>ASSETS</u>         |              |                            |                            |
| CURRENT ASSETS        |              |                            |                            |
| Cash                  | 3            | 6,659,942,496              | -                          |
| Advances              | 4            | <u>1,012,904,594</u>       | -                          |
|                       |              | 7,672,847,090              |                            |
| CURRENT LIABILITIES   |              |                            |                            |
| Payable               | 5            | <u>115,290,070</u>         | -                          |
| NET CURRENT ASSETS    |              | <u>7,557,557,020</u>       | -                          |
| <u>REPRESENTED BY</u> |              |                            |                            |
| FUND BALANCE          | 6            | <u>7,557,557,020</u>       | -                          |





MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT –P4R- P 176303  
STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 07 JULY 2025

|  | <u>2025</u><br><u>Birr</u> | <u>Cumulative</u><br><u>from 08 July</u><br><u>2024</u><br><u>to 07 July 2025</u><br><u>Birr</u> | <u>2024</u><br><u>Birr</u> |
|--|----------------------------|--|----------------------------|
| <b><u>Sources</u></b>                            |                            |  |                            |
| IDA E13080-ET                                    | 3,552,067,562              | 3,552,067,562  | -                          |
| Regional Contribution                            | 1,073,181,573              | 1,073,181,573  | -                          |
| Gain on Foreign Exchange                         | 4,507,486,442              | 4,507,486,442  | -                          |
|  | 9,132,735,577              | 9,132,735,577  | -                          |
| <b><u>Uses</u></b>                               |                            |  |                            |
| New Road Construction                            | 750,717,034                | 750,717,034  | -                          |
| Road Maintenance Construction                    | 759,907,204                | 759,907,204  | -                          |
| Trail Bridge with Approach Road Construction     | 13,780,254                 | 13,780,254   | -                          |
| Special Structure Construction                   | 10,819,630                 | 10,819,630   | -                          |
| Service Charge-Federal                           | 39,954,435                 | 39,954,435   | -                          |
|  | 1,575,178,557              | 1,575,178,557  | -                          |
| <b>Excess of Sources over Uses, 07 July 2025</b> | <b>7,557,557,020</b>       | <b>7,557,557,020</b>   | <b>=</b>                   |



MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT -P4R- P 176303  
DESIGNATED ACCOUNT STATEMENT  
FOR THE PERIOD ENDED 7 JULY 2025

|                                |                           |                         |                |
|--------------------------------|---------------------------|-------------------------|----------------|
| For Year Ended                 | 07 July 2025              |                         |                |
| Account Number                 | 0100101300621             |                         |                |
| Depository Bank                | National Bank of Ethiopia |                         |                |
| Address                        | Addis Ababa, Ethiopia     |                         |                |
| Grant                          | IDA                       |                         |                |
| Currency                       | USD                       |                         |                |
|                                | <u>USD</u>                | <u>Equivalent</u>       | <u>in Birr</u> |
| Balance, 08 July 2024          | -                         | -                       | -              |
| <u>Add:</u>                    |                           |                         |                |
| Grant Received during the Year | 61,989,301.50             | 3,552,067,562           |                |
| <u>Deduct:</u>                 |                           |                         |                |
| Transfer to Pool Birr Account  | <u>31,983,000</u>         | <u>3,995,368,501.60</u> |                |
|                                | 30,006,301.50             | (443,300,939.56)        |                |
| Gain on Foreign Exchange       | -                         | <u>4,507,486,442.45</u> |                |
| Ending Balance, 07 July 2023   | <u>30,006,301.50</u>      | <u>4,064,185,502.89</u> |                |



**MINISTRY OF FINANCE**  
**RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)**  
**PROGRAM FOR RESULT –P4R- P 176303**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. PROGRAMME INFORMATION**

Project Development Objective (PDO) is to enhance the climate resilient accessibility of target populations to food markets and services; and strength the institutional capacity for rural road management. The operation is anchored around three sets of key results under the program and a fourth from the IPF investment; (i) institutional development and capacity building; (ii) climate resilient rural accessibility; and (iii) longevity and sustainability of investment, The investments under the IPF strengthen food and agriculture markets and institutional capacity.

The foundation of the government program is the road connectivity and access program (RCAP), which is part of the GoE's 10-year transport sector development plan. The total estimated cost of the first phase of RCAP program is used 774.3 million, of which is the bank is proposing of finance USD 250 million. The P for R program will support the GOE over a period of five years. The program boundaries are limited to woreda road constructions; woreda road maintenance; trail bridge construction; approach road construction; and special structure construction at the preselected woredas in all regions. Funds will not flow beyond the regional level and recurrent expenditures are excluded from the program. The operation includes an IPF part with IDA financing of USD 50 million which will be implemented by MUI and ATI at the federal level. The total IDA financing is USD 300 million over the five years period. A total of USD 107 million counterpart fund is expected to be contributed by regional government as matching funds over the five years period. The overall financial management responsibility of the program which includes the release of resource, the consolidation of reporting and auditing of the program will lie with the MOF. Each implementing entity will be responsible for the budget monitoring, accounting, internal audit and reporting on their own activities. At the regional government level, bureaus of finances (BOFs) will have similar responsibility as MOF in terms of financial management. The closing date of the program will be 31 March 2029.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted by the Fund are stated below.

a) Basis of preparation





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 prepared and presented in Birr. Transactions in foreign currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rates ruling at the dates of the balance sheet.



MINISTRY OF FINANCE

RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT -P4R- P 176303

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Cash Birr 6,659,942,496

|   | <u>USD</u>    | <u>Equivalent</u><br><u>in</u><br><u>Birr</u> |
|---|---------------|---|
| DESIGNATED ACCOUNTS                       |               |   |
| IDA E3080-ET                              | 30,006,301.50 | 4,064,185,502.89                              |
| Balance in Pool Birr Account              |               |   |
| A/C 0100101040742                         |               | 568,893.58                                    |
| Oromia National Regional State            |               | 1,070,935,054.46                              |
| Amhara National Regional State            |               | 560,968,377.29                                |
| South Ethiopia                            |               | 212,469,542.64                                |
| Somali National Regional State            |               | 171,289,936.08                                |
| Afar National Regional State              |               | 61,851,908.21                                 |
| Gambella National Regional State          |               | 38,919,669.75                                 |
| Benishangul Gumuz National Regional State |               | 39,577,302.52                                 |
| Harari National Regional State            |               | 13,443,163.24                                 |
| Dire Dawa City Administration             |               | 9,227.57                                      |
| Sidama National Regional State            |               | 46,600,984.17                                 |
| Central Ethiopia                          |               | 163,335,897.00                                |
| South West Ethiopia                       |               | 110,697,313.89                                |
| Tigray National Regional State            |               | 105,089,722.49                                |
| <b>TOTAL</b>                              |               | <b><u>6,659,942,496</u></b>                   |



**4 Advances Birr1, 012,904,594**

|  | <u>Birr</u>                    |
|--|--------------------------------|
| Tigray National Regional State         | 37,456,834.54                  |
| Amhara National Regional State         | 289,015,214.92                 |
| Oromia National Regional State         | 237,219,082.97                 |
| South Ethiopia National Regional State | 66,876,449.47                  |
| Somali National Regional State         | 242,865,930.60                 |
| Harari National Regional State         | 7,875,398.13                   |
| Dire Dawa City Administration          | 47,000,283.87                  |
| Sidama National Regional State         | 78,082,344.51                  |
| South West National Regional State     | 6,513,055.10                   |
| <b>TOTAL</b>                           | <b><u>1,012,904,594.00</u></b> |

**5. Payable Birr 115,290,070**

|   | <u>Birr</u>                  |
|---|------------------------------|
| Tigry National Regional State             | 26,507,357.40                |
| Amhara National Regional State            | 38,548,176.95                |
| Oromia National Regional State            | 38,486,439.91                |
| South National Regional State             | 556,293.86                   |
| Benishangul Gumuz National Regional State | 1,555,987.77                 |
| Harari National Regional State            | 638,096.57                   |
| Dire Dawa City Administration             | 3,879,459.60                 |
| Sidama national regional state            | 3,050,329.90                 |
| Central Ethiopia national regional state  | 928,643.43                   |
| South West Ethiopia Regional State        | 1,139,284.70                 |
| <b>TOTAL</b>                              | <b><u>115,290,070.00</u></b> |

**6. Fund Balance Birr 7,557,557,020**

|  | <u>Birr</u>                 |
|--|-----------------------------|
| Balance, 08 July 2024                              |                             |
| Excess of Sources over Uses<br>of the Current Year | <u>7,557,557,020</u>        |
| <b>Balance, 07 July 2025</b>                       | <b><u>7,557,557,020</u></b> |





## 7.DATE OF AUTHORIZATION

The Channel One Programmes Coordinating Department Head of the Ministry of Finance authorized the issue of these financial statements on 05 January 2026.



MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT –P4R- P 176303  
IFR WITHDRAWAL SCHEDULE  
FOR APPLICATIONS SUBMITTED FROM 08 JULY 2024 TO 07 JULY 2025

| <u>Reference</u><br><u>Number</u> | <u>Date</u> | <u>Amount</u><br><u>requested</u><br><u>USD</u> | <u>Amount</u><br><u>disbursed</u><br><u>USD</u> | <u>Equivalent in</u><br><u>Ethiopian Birr</u> |
|-----------------------------------|-------------|---|---|---|
| 001                               | 25/6/24     | 61,989,301.50                                   | 61,989,301.50                                   | 3,552,067,562                                 |



MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
PROGRAM FOR RESULT –P4R- P 176303  
RECONCILIATION OF SEMIANNUALLY INTERIM FINANCIAL REPORTS (IFR)  
WITH YEAR END STATEMENT OF SOURCES AND USES OF FUND AND  
BALANCE SHEET

|                                 | <u>First<br/>Semiannual</u> | <u>Second<br/>Semiannual</u> | <u>Cumulative from<br/>08 July 2024 to<br/>07 July 2025</u> |
|---------------------------------|-----------------------------|------------------------------|---|
|                                 | <u>Birr</u>                 | <u>Birr</u>                  | <u>Birr</u>   |
| Accumulated Fund<br>8 July 2024 |                             |                              | -   |
| <b><u>Sources</u></b>           |                             |                              |   |
| IDA E3080-ET                    | 3,552,067,562               | -                            | 3,552,067,562   |
| Regional Contribution           | 131,000,000                 | 942,181,573                  | 1,073,181,573   |
| Gain on Foreign Exchange        | 4,183,492,473.75            | 323,993,968.71               | 4,507,486,442   |
| Total Sources                   | 7,866,560,036               | 1,266,175,542                | 9,132,735,577   |
| <b><u>Uses</u></b>              |                             |                              |   |
| Program expenditure             | 37,307,794.86               | 1,537,870,762.83             | 1,575,178,557   |
| Excess of Source over Uses      | 7,829,252,241.14            | (271,695,220.83)             | 7,557,557,020   |
| <b><u>Represented By</u></b>    |                             |                              |   |
| Cash                            |                             |                              | 6,659,942,496   |
| Advances                        |                             |                              | 1,012,904,594   |
| Payables                        |                             |                              | (115,290,070)   |
| Fund Balance, 07 July 2025      |                             |                              | 7,557,557,020   |

