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AUDIT SERVICE CORPORATION

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> Birr	<u>2024</u> Birr
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash	3	6,659,942,496	
Advances	4	1,012,904,594	
		7,672,847,090	
CURRENT LIABILITIES			
Payable	5	115,290,070	
NET CURRENT ASSETS		<u>7,557,557,020</u>	
<b><u>REPRESENTED BY</u></b>			
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> <u>Birr</u>	<u>Cumulative</u> <u>from 08 July</u> <u>2024</u> <u>to 07 July 2025</u> <u>Birr</u>	<u>2024</u> <u>Birr</u>
<b>Sources</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>Uses</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	
Excess of Sources over Uses, 07 July 2025	7,557,557,020	7,557,557,020	



MINISTRY OF FINANCE  
 RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
 PROGRAM FOR RESULT -P4R- P 176303  
 DESIGNATED ACCOUNT STATEMENT  
 FOR THE PERIOD ENDED 7 JULY2025

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 in Birr</u>

Balance, 08 July 2024

Add:

Grant Received during the Year	61,989,301.50	3,552,067,562
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Deduct:

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>
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Ending Balance, 07 July 2023	<u>30,006,301.50</u>	<u>4,064,185,502.89</u>
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## 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 in 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 Birr 1,012,904,594

	<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	<u>6,513,055.10</u>
<b>TOTAL</b>	<b><u>1,012,904,594.00</u></b>

5. Payable Birr 115,290,070

	<u>Birr</u>
Tigray 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	<u>1,139,284.70</u>
<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 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 SUBMITED FROM 08 JULY 2024 TO 07 JULY 2025

<u>Reference Number</u>	<u>Date</u>	<u>Amount requested</u> <u>USD</u>	<u>Amount disbursed</u> <u>USD</u>	<u>Equivalent in 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 Semiannual</u>	<u>Second Semiannual</u>	<u>Cumulative from 08 July 2024 to 07 July 2025</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Accumulated Fund 8 July 2024			
<b>Sources</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>Uses</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>Represented By</b>			
Cash			6,659,942,496
Advances			1,012,904,594
Payables			(115,290,070)
<b>Fund Balance, 07 July 2025</b>			7,557,557,020

