



PUBLIC ACCOUNTABILITY | SHARED GROWTH

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AUDIT SERVICE CORPORATION

**THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA**

**MINISTRY OF FINANCE**

**RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM**

**(RCFSP)**

**INVESTMENT PROJECT FINANCING -IPF- P 176303**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**07 JULY 2025**



INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
INVESTMENT PROJECT FINANCING -IPF- P 176303

**Opinion**

We have audited the accompanying financial statements of Rural Connectivity for Food Security Program (RCFSP)-IPF 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 the financial statements present fairly, in all material respects, the financial position of the Rural Connectivity for Food Security Program (RCFSP)-IPF 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;
- 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 11, 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 No E3080-ET,
- III). expenditures are eligible for financing under the financing agreement.

*AUDIT SERVICE CORPORATION*

Date: 05 January 2026



INDEPENDENT AUDITOR'S REPORT ON THE  
 FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
 RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
 INVESTMENT PROJECT FINANCING -IPF- P 176303  
 BALANCE SHEET  
 AS AT 07 JULY 2025

	<u>Notes</u>	<u>2025</u> <u>Birr</u>	<u>2024</u> <u>Birr</u>
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash	3	1,182,296,035	-
Advances	4	<u>40,614,172</u>	-
		1,222,910,207	-
CURRENT LIABILITIES			
Payable	5	<u>2,174,281</u>	-
NET CURRENT ASSETS		<u>1,220,735,926</u>	-
<b><u>REPRESENTED BY</u></b>			
FUND BALANCE	6	<u>1,220,735,926</u>	



INDEPENDENT AUDITOR'S REPORT ON THE  
 FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
 RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
 INVESTMENT PROJECT FINANCING -IPF- P 176303  
 STATEMENT OF SOURCES AND USES OF FUNDS  
 FOR THE YEAR ENDED 07 JULY 2025

		<u>Cumulative</u> from 08 July 2024 to 07 July 2025	<u>2024</u> Birr
	Birr	Birr	
<b>Sources</b>			
IDA E3080-ET	1,306,170,488	1,306,170,488	-
Gain on Foreign Exchange	80,646,346	80,646,346	-
	<u>1,386,816,834</u>	<u>1,386,816,834</u>	
<b>Uses</b>			
<u>Window 1</u>			
Piloting and E-market platform			
Develop and implement a digital market linkage platform	13,857,077	13,857,077	-
Design, Develop and implement a digital Contract farming platform	3,165,174	3,165,174	-
<u>Window 2</u>			
Capacity building for implementing Agencies and Support for program management			
Federal and Regional PCO staff salaries	11,150,876	11,150,876	-
Federal and Regional PCO operating Expense	97,507,489	97,507,489	-
Local Training	36,155,521	36,155,521	-
Ethiopian Construction Authority CB and ID	4,244,771	4,244,771	-
	<u>166,080,908</u>	<u>166,080,908</u>	
<b>Excess of Sources over Uses, 07 July 2025</b>	<b><u>1,220,735,926</u></b>	<b><u>1,220,735,926</u></b>	



INDEPENDENT AUDITOR'S REPORT ON THE  
 FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
 RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
 INVESTMENT PROJECT FINANCING -IPF- P 176303  
 DESIGNATED ACCOUNT STATEMENT  
 FOR THE PERIOD ENDED 07 JULY2025

For Year Ended	07 July 2025	
Account Number	0100101300620	
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		
<u>Add:</u>		
Grant Received during the Year	10,391,380	1,306,170,487.55
<u>Deduct:</u>		
Transfer to Pool Birr Account	<u>2,380.000</u>	<u>301,720,276.00</u>
	8,011,380.00	1,004,450,211.55
Gain on Foreign Exchange		<u>80,646,346.00</u>
Ending Balance, 07 July 2023	<u>8,011,380.00</u>	<u>1,085,096,557.27</u>



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FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
INVESTMENT PROJECT FINANCING -IPF- 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 IPF portion of the operation will focus on strengthening digital agricultural markets and capacity building focusing on the piloting E-market platforms, and the second on capacity building at federal, regional and woreda level. The IPF will have two windows. The first window will test innovative approaches to strengthen linkages between supplies and buyers through a digital market platform. The second window will enable the ministry of urban and infrastructure (MUI) and the Agricultural Transformation Institute (ATI) to manage and coordinate the overall Operation and to provide capacity and technical assistance support to the regions and woredas during implementation. The allocation of the IDA financing to the IPF component is a total of USD 50 million which will be implemented by MUI and ATI.

IDA funds will be made available to ATI and MUI through MoF. Disbursement methods available to the project will include advances to the designated account, reimbursements, direct payments, and special commitments. For advances to the designated account and for reimbursement, the project will use the report-based disbursement method, with submission of quarterly interim financial reports (IFRs) with two quarters expenditure forecast to the World Bank. 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.

**3. Cash Birr 1,182,296,035**

**3.1. Cash at Bank Birr 1,182,254,196**

	<u>Amount in Foreign Currency</u>	<u>Equivalent in USD</u>	<u>Equivalent in Birr</u>
<b>DESIGNATED ACCOUNTS</b>			
IDA E3080-ET	8,011,380	1,085,096,557.27	
Balance in Pool Birr Account 0100101040741		39,739.24	
Oromia National Regional State		7,360,392.26	
Amhara National Regional State		365,054.38	
South National Regional State		939,134.36	
Central National Regional State		1,372,183.73	
South West National Regional State		1,613,056.19	
Tigray National Regional State		5,192,067.71	
Hareri National Regional State		1,329,359.16	
Afar National Regional State		193,052.68	
Somali National Regional State		1,030,640.54	
Gambella National Regional State		359,557.18	
Benishangul Gumuz National Regional State		25,587.70	
Sidama National Regional State		3,939,454.50	
Dire Dawa City Administration		1,237,951.97	
MUL Federal		70,047,457.80	
AT Federal		754,826.89	
MOF - Administration		<u>1,358,122.44</u>	
<b>TOTAL</b>		<b><u>1,182,254,196</u></b>	



**3.2. Cash on Hand Birr 41,839**

	<u>Birr</u>
Gambella National Regional State	80.90
Benishangul Gumuz National Regional State	30,921.00
MOF-Administration	<u>10,836.63</u>
<b>TOTAL</b>	<b><u>41,838.53</u></b>

**4. Advances Birr 40,614,172**

	<u>Birr</u>
Oromia National Regional State	1,448,990.58
Amhara National Regional State	1,050,000.00
South National Regional State	308,658.64
South West National Regional State	181,504.96
Sidama National Regional State	8,348.45
Hrari National Regional State	12,250.35
MUI Federal	37,093,560.54
AT Federal	510,857.89
MOF - Administration	<u>0.87</u>
<b>TOTAL</b>	<b><u>40,614,172.28</u></b>

**5. Payable Birr 2,174,281**

	<u>Birr</u>
Tigray National Regional State	76,013.85
Amhara National Regional State	348,319.90
Oromia National Regional State	361,207.23
South National Regional State	256,356.93
Sidama National Regional State	3,854.60
Afar National Regional State	51,263.99
Benishangul Gumuz National Regional State	17,901.32
Hareri National Regional State	977.68
MUI Federal	585,865.79
AT Federal	467,719.63
MOF - Administration	<u>4,800.00</u>
<b>TOTAL</b>	<b><u>2,174,280.92</u></b>



## 7. Fund Balance

Birr

Balance, 08 July 2024	0
Excess of Sources over Uses of the Current Year	<u>1,220,735.926</u>
<b>Balance, 07 July 2025</b>	<b><u>1,220,735,926</u></b>

## 8. 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.



INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
INVESTMENT PROJECT FINANCING -IPF- 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> USD	<u>Amount dibursed</u> USD	<u>Equivalent in Ethiopian Birr</u>
RCSFSP IPF 02	05/02/2025	10,391,380.00	10,391,380.00	1,306,170,487.55



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 FINANCIAL STATEMENTS OF MINISTRY OF FINANCE  
 RURAL CONNECTIVITY FOR FOOD SECURITY PROGRAM (RCFSP)  
 INVESTMENT PROJECT FINANCING -IPF- P 176303  
 RECONCILIATION OF QUARTERLY INTERIM FINANCIAL REPORTS (IFR) WITH  
 YEAR END STATEMENT OF SOURCES AND USES OF FUND AND BALANCE  
 SHEET

	<u>Third</u> <u>Quarter</u>	<u>Fourth</u> <u>Quarter</u>	<u>Cumulative</u> <u>From</u> <u>8 July 2024</u> <u>to 07 July</u> <u>2025</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Accumulated Fund, 8 July 2024			
<b>Sources</b>			
IDA E3080-ET	1,306,170,488		1,306,170,488
Gain on Foreign Exchange	34,934,541	45,711,805	80,646,346
Total Sources	1,341,105,029	45,711,805	1,386,816,834
<b>Uses</b>			
Program expenditure	32,530,120	133,550,788	166,080,908
Excess of Source over Uses	1,308,574,909	(87,838,983)	1,220,735,926
<b>Represented By</b>			
Cash			1,182,296,035
Advances			40,614,172
Payables			(2,174,281)
<b>Fund Balance,07 July2025</b>			<b>1,220,735,926</b>

