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FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

**MINISTRY OF FINANCE**

ቁጥር/አዘድ.12/7/31/6

Ref.No

05 JAN 2024

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Date

*The World Bank*  
*Ethiopia Country Office*  
Addis Ababa

Dear Sirs,

**Subject:- Submission of Annual financial audit report of the Urban Institutional & Infrastructure Development Program (UIIDP-IPF) and (UIIDP-P4R) for the year ended July 7,2023 (Sene 30,2015 EFY).**

Attached herewith, please find the annual financial audit report for the year ended July 7, 2023 (EFY 2015).

- Annual Audit Findings and recommendations (one copy)
- Independent auditors' report on financial statements(one copy)
- Independent auditors' report on designated and pool birr account statement.

Thank you in advance for your usual Cooperation.



Sincerely yours,

*Fok*  
**Degu Lakew**  
Channel One Programs  
Coordinating  
Department Head

C.C

- Ministry of Urban and Infrastructure  
Addis Ababa
- Channel One Programs Coordinating Department
- UIIDP-IPF and UIIDP-P4R Follow-up  
MoF

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**AUDIT SERVICES  
CORPORATION**

MINISTRY OF FINANCE

URBAN INSTITUTIONAL AND INFRASTRUCTURE

DEVELOPMENT PROGRAM (UIIDP- P4R)

IDA CREDIT NOS.6196 AND 6197-ET AND GRANT

NO. D277-ET AND AFD 1703 01 U

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

7 JULY 2023



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**The Federal Democratic Republic of Ethiopia  
Audit Services Corporation**

**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP-  
P4R)**

We have audited the accompanying financial statements of Urban Institutional and Infrastructure Development Program (UIIDP-P4R) financed under IDA Credit number 6196-ET, SUF 6197-ET and Grant No. D277-ET and AFD 1073 01 U of the Federal Democratic Republic of Ethiopia, Ministry of Finance, which comprise the balance sheet as at 7 July 2023, the statement of sources and uses of funds and the designated accounts statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Responsibility 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 it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**INDEPENDENT AUDITOR'S REPORT ON THE  
FINANCIAL STATEMENTS OF  
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA  
MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM (UIIDP-  
P4R) (continued)**

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

***Opinion***

In our opinion the financial statements give a true and fair view of the financial position of the Urban Institutional and Infrastructure Development Program (UIIDP-P4R) financed under IDA Credit number 6196- ET, SUF 6197- ET, and Grant No. D277-ET and AFD 1073 01 U as at 7 July 2023 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.

***Reports on other requirements***

As required by the World Bank guidelines we report that, to the extent we can assess:-

- during the period IDA funds have been used in accordance with the conditions of the relevant financing agreements and only for the purposes for which the financing were provided;
- counter-part funds have been provided and used in accordance with the financing agreement and only for the purposes for which the financing was provided;
- goods, works and services financed have been provided in accordance with the relevant financing agreements and disbursement letters;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project's activities;
- the funds disbursed covered expenditure that are eligible for financing under IDA Credit No. 6196- ET, SUF 6197-ET, and Grant No. D377-ET and AFD 1073 01 U;
- there was a clear linkage between the books of account and the financial statements; and
- our examination revealed no major weaknesses or irregularities in the system of internal controls over financial expenditure other than those mentioned in the management letter;

*Audit Services Corporation*

5 January 2024

**MINISTRY OF FINANCE**  
**URBAN INSTITUTIONAL AND INFRASTRUCTURE**  
**DEVELOPMENT PROGRAM(UIIDP-P4R)**  
**IDA CREDIT NOs. 6196- ET,SUF 6197-ET, AND GRANT**  
**NO. D277-ET AND AFD 1073 01 U**  
**BALANCE SHEET**  
**AS AT 7 JULY 2023**

	Notes	Birr	2022 Birr
<b>CURRENT ASSETS</b>			
Advances	3	868,033,911	1,360,547,473
Cash and bank balances	4	<u>3,271,945,994</u>	<u>3,929,354,071</u>
		4,139,979,905	5,289,901,544
<b>CURRENT LIABILITIES</b>			
Accounts payable	5	<u>951,028,413</u>	<u>1,607,731,429</u>
<b>NET ASSET</b>		<b><u>3,188,951,492</u></b>	<b><u>3,682,170,115</u></b>
<b>FINANCED BY</b>			
<b>FUND BALANCE</b>	6	<b><u>3,188,951,492</u></b>	<b><u>3,682,170,115</u></b>

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE  
 DEVELOPMENT PROGRAM ( UIIDP- P4R)  
 IDA CREDIT NUMBERS 6196-ET,SUF 6197- ET  
 AND GRANT No. D277-ET AND AFD 1073 01 U  
 STATEMENT OF SOURCE AND USES OF FUNDS  
 FOR THE YEAR ENDED 7 JULY 2023

	Note	Birr	Cumulative from 3 July 2018 to 7 July 2023 Birr	7 July 2022 Birr
<b>SOURCES</b>				
Credit and grant from IDA		4,572,709,002	21,229,628,381	-
AFD Grant		121,238,343	373,528,281	110,840,926
Contribution from Regions and cities		3,443,523,467	12,077,610,889	3,498,841,572
Gain on foreign exchange	7	<u>169,521,704</u>	<u>2,216,669,116</u>	<u>1,007,175,618</u>
		8,306,992,516	35,897,436,667	4,616,858,116
Prior year adjustment		-	<u>39,363,157</u>	-
		<u>8,306,992,516</u>	<u>35,936,799,824</u>	<u>4,616,858,116</u>
<b>USES</b>				
Works		7,541,274,499	28,171,684,746	8,538,450,303
Consultancy services		116,510,826	423,052,281	190,611,711
Training		<u>1,181,788,971</u>	<u>4,153,111,305</u>	<u>1,467,655,173</u>
		<u>8,839,574,296</u>	<u>32,747,848,332</u>	<u>10,196,717,187</u>
<b>EXCESS OF FINANCING OVER EXPENDITURE</b>				
		<u>(532,581,780)</u>	<u>3,188,951,492</u>	<u>(5,579,859,071)</u>

**MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE  
DEVELOPMENT PROGRAM (UIIDP- P4R)  
USD DESIGNATED ACCOUNT STATEMENT**

For the year ended 7 July 2023

Account number 0100101300554  
 Depository bank National Bank of Ethiopia  
 Address Addis Ababa, Ethiopia  
 Related credit and grant IDA Credit No.6196-ET,SUF 6197-ET AND  
 Grant No. D277-ET

Currency	USD	BIRR
Beginning balance at 7 July 2022	27,791,660.70	1,445,991,768.72
Add: Transfer from IDA	<u>87,094,704.79</u> <u>114,886,365.49</u>	<u>4,572,709,001.34</u> <u>6,018,700,770.06</u>
Less: Transfer to Birr account	<u>90,715,048.00</u> 24,171,317.49	<u>4,846,550,258.67</u> 1,172,150,511.39
Gain on foreign exchange		<u>148,495,345.17</u>
Ending balance - 7 July 2023	<u>24,171,317.49</u>	<u>1,320,645,856.56</u>

**MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE  
DEVELOPMENT PROGRAMME ( UIIDP-P4R )  
EURO DESIGNATED ACCOUNT**

For the year ended 7 July 2023

Account number	0100101300562
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related grant	AFD 1073 01 U
Currency	EURO

	<b>EURO</b>	<b>BIRR</b>
Beginning balance at 7 July 2022	2,072,598.97	110,133,556.81
AFD Grant during the year	<u>2,173,813.17</u>	<u>121,238,342.88</u>
	4,246,412.14	231,371,899.69
Gain on foreign exchange	-	<u>20,986,428.82</u>
Ending balance -7 July 2023	<u><b>4,246,412.14</b></u>	<u><b>252,358,328.51</b></u>



**MINISTRY OF FINANCE  
URBAN INSTITUTIONAL AND INFRASTRUCTURE  
DEVELOPMENT PROGRAM (UIIDP- P4R)  
SCHEDULE OF MOVEMENTS IN THE BIRR ACCOUNT**

For the year ended	7 July 2023
Account number	0100101040692
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related credit and grant	IDA Credit No. 6196-ET, SUF 6197-ET, Grant No. D277-ET and AFD 1073 01 U
Currency	Ethiopian Birr

	<b>Birr</b>
Beginning balance 7 July 2022	<b>2,262,627</b>
Transfer from USD Designated Account	<u>4,846,550,259</u> 4,848,812,885
Less: Transfer to beneficiaries	
Tigray	2,747,402
Amhara	1,485,165,875
Southern Nations, Nationalities and peoples Regional State	688,567,748
Oromia Regional state	1,636,201,468
Afar Regional state	96,205,710
Somali	229,157,415
Sidama	230,444,331
Southwest	96,387,278
Harari	72,276,513
Gambella	41,241,404
Benshangul Gumuz	28,180,458
Dire- Dawa City Adminiswtration	<u>170,093,610</u>
	4,776,669,211
Bank charge	<u>48,466,853</u>
	4,825,136,064
Ending Balance at 7 July 2023	<b><u>23,676,821</u></b>

**MINISTRY OF FINANCE**  
**URBAN INSTITUTIONAL AND INFRASTRUCTURE DEVELOPMENT PROGRAM**  
**(UIIDP- P4R)**  
**IDA CREDIT NUMBERS 6196-ET, SUF 6197-ET AND GRANT NUMBER D377-ET AND**  
**AFD 1073 01 U**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. PROJECT INFORMATION**

The Urban Institutional and Infrastructure Development Program (UIIDP-P4R) is executed by Ministry of Urban Development, Housing and Construction (MUDDCo), and financed by a financing agreement entered between the Government of the Federal Republic of Ethiopia and the International Development Association (IDA) and French Development Agency on 20 March 2018 and 21 June 2018 respectively, under IDA Credit No. 6196-ET, SUF6197-ET, Grant No. D277-ET and ADF 1073 01 U with a Program- for - Results (P4R) financing instrument modality at the regional and ULG levels.

The UIIDP-P4R will be implemented over a period of five years and four months (from March 2018 to July 2023), with four rounds of performance-based grant allocations:

- EFY 2012 (2019/20),
- EFY 2013 (2020/21),
- EFY 2014(2021/22) and
- EFY 2015(2022/23).

Total UIIDP-P4R expenditure over this period are estimated at Ethiopian Birr (ETB) 23.5 billion (US\$ 859.5 Million), of which ETB 16.4 billion (US\$ 600 million)-70% -will be provided by the World Bank and ETB 296 million(US\$10.8 million).1%- will be provided by ADF and ETB 6.8 million ( US\$ 248.7 million) -29%- will be provided by regions and ULGs as matching fund contributions. Funding available under the UIIDP-P4R will depend on the performance of each city and RG assessed annually against verifiable results described in the POM.

The UIIDP -P4R will provide Performance Grants (PGs) for investment in infrastructure and services and in capacity building for 117 Urban Local Governments (ULGs) and capacity building in all nine Regional Governments (RGs), MUDHCo and several Federal Ministries/Agencies. Cities and Regional States will contribute to UIIDP investment with their own funds.

Ministry of Finance is responsible for fund flow, disbursement, reporting and arranging program auditing for the operation. The closing date of the Project is July 2023.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Project, which are consistent with those applied in the preceding year, are stated below:-

a) Basis of preparation

These financial statements have been prepared in accordance with the Ethiopian Governments Manual of the Federal Accounting System 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 rate of exchange prevailing at the date of the transaction. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the date of statement of financial position.

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE  
 DEVELOPMENT PROGRAM (UIIDP- P for R)  
 IDA CREDIT Nos. 6196-ET, SUF 6197-ET , Grant No. D277-ET And AFD 1073 01 U  
 NOTES TO THE FINANCIAL STATEMENTS (continued)

**3 ADVANCES**

	Birr	2022 Birr
Advance payment to:-		
Regions	-	258,236,703
Contractors	414,354,975	917,675,619
Consultants	-	6,991,501
Suppliers	5,606,260	34,509,421
Co-operatives	3,609,702	9,312,305
Purchase advance to staff	106,882,572	17,938,446
Other advances within government	298,318,759	-
Others	<u>39,261,644</u>	<u>115,883,478</u>
	<u>868,033,912</u>	<u>1,360,547,473</u>

**4 CASH AND BANK BALANCES**

	Birr	2022 Birr
USD Designated account	1,320,645,857	1,445,991,769
EURO Designated account	252,358,329	110,133,557
Ethiopian Birr Designated Account	23,676,821	2,262,626
Ministry of Urban Development and Construction	49,654,643	33,617,087
Other Birr Account	1,621,501,985	2,337,199,953
Cash on hand	<u>4,108,359</u>	<u>149,079</u>
	<u>3,271,945,994</u>	<u>3,929,354,071</u>

**5 ACCOUNT PAYABLE**

	Birr	2022 Birr
Retentions	545,211,998	542,608,465
Contractors	246,001,395	507,400,547
Other payable within government	9,908,065	126,024,079
Taxes payable	33,003,168	58,583,798
Others	<u>116,903,787</u>	<u>373,114,540</u>
	<u>951,028,413</u>	<u>1,607,731,429</u>

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE  
 DEVELOPMENT PROGRAM (UIIDP- P for R)  
 IDA CREDIT Nos. 6196-ET, SUF 6197-ET , Grant No. D277-ET And AFD 1073 01 U  
 NOTES TO THE FINANCIAL STATEMENTS (continued)

6 ACCUMULATED FUND

	Birr
Balance at 7 July 2022	3,682,170,115
Prior year adjustment	<u>39,363,157</u>
	3,721,533,273
Less: Excess (Deficit) of source over uses	<u>(532,581,781)</u>
Balance at 7 July 2023	<u><u>3,188,951,492</u></u>

7 GAIN ON EXCHANGE RATE FLUCTUATION

	Birr	2022 Birr
IDA credit and grant	148,495,345	993,214,726
AFD grant	20,986,429	(1,590,143)
MoUDCO	<u>39,930</u>	<u>15,551,035</u>
	<u><b>169,521,704</b></u>	<u><b>1,007,175,618</b></u>

8 DATE OF AUTHORIZATION

Head of Channel One Programs Coordinating Department of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 5 January 2024 .

MINISTRY OF FINANCE  
 URBAN INSTITUTIONAL AND INFRASTRUCTURE  
 DEVELOPMENT PROGRAM (UIIDP- P for R)  
 IDA CREDIT Nos. 6196-ET, SUF 6197-ET , GRANT No. D277-ET And AFD 1073 01 U  
 RECONCILIATION OF SEMI ANNUAL REPORTS DURING THE YEAR ENDED  
 7 JULY 2023 WITH THE YEAR ENDED STATEMENT OF SOURCE AND USES OF  
 FUND AND BALANCE SHEET

	1st Semi Annual Birr	2nd Semi Annual Birr	Cumulative 29 June 2018 to 7 July 2022 Birr
Opening Balance 7 July 2022			<u>3,682,170,115</u>
Prior years adjustment			<u>39,363,158</u>
<b>SOURCE</b>			
IDA Contribution	4,112,724,418	581,222,926	4,693,947,344
Regional Contribution	582,019,759	896,111,603	1,478,131,362
ULGs Contribution	1,131,758,430	833,633,675	1,965,392,105
Gain on foreign exchange	<u>107,599,549</u>	<u>61,922,155</u>	<u>169,521,704</u>
Total Sources	<u>5,934,102,155</u>	<u>2,372,890,360</u>	<u>8,306,992,516</u>
Total sources including opening			12,028,525,789
<b>USES</b>			
Program expenditures	<u>1,576,393,604</u>	<u>7,263,180,692</u>	<u>8,839,574,296</u>
<b>EXCESS OF SOURCES OVER USES</b>			<u><b>3,188,951,492</b></u>
Cash at bank			3,267,837,634
Cash on hand			4,108,359
Advances			868,033,912
Payables			<u>(951,028,413)</u>
			<u><b>3,188,951,492</b></u>