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**AUDIT SERVICES  
CORPORATION**

**MINISTRY OF FINANCE**

**URBAN INSTITUTIONAL AND INFRASTRUCTURE**

**DEVELOPMENT PROGRAM (UIIDP-P4 R)**

**IDA CREDIT NO. 6196-ET, SUF 6197-ET, IDA GRANT NO. D277-ET, AFD1073 01 U**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**31 JULY 2024**



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**Office of the Federal Auditor General**  
**Audit Service 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 31 July 2024, 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.

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**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 31 July 2024 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*  
3 January 2025

**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 31 JULY 2024**

	Notes	Birr	2023 Birr
<b>CURRENT ASSETS</b>			
Advances	3	79,332,771	868,033,911
Cash and bank balances	4	<u>702,718,025</u>	<u>3,271,945,994</u>
		782,050,796	4,139,979,905
<b>CURRENT LIABILITIES</b>			
Accounts payable	5	<u>163,753,826</u>	<u>951,028,413</u>
<b>NET ASSET</b>		<b><u>618,296,970</u></b>	<b><u>3,188,951,492</u></b>
<b>FINANCED BY</b>			
<b>FUND BALANCE</b>		6 <b><u>618,296,970</u></b>	<b><u>3,188,951,492</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 31 JULY 2024

SOURCES	Note	Birr	Cumulative from 3 July 2018 to 31 July 2024 Birr	7 July 2023 Birr
Credit and grant from IDA		-	21,229,628,381	4,572,709,002
AFD Grant		-	373,528,281	121,238,343
Contribution from Regions and cities		1,037,302,604	13,115,670,345	3,443,523,467
Gain on foreign exchange	7	<u>182,696,536</u>	<u>2,399,365,652</u>	<u>169,521,704</u>
		1,219,999,140	37,118,192,659	8,306,992,516
Prior year adjustment		-	38,985,131	-
		<u>1,219,999,140</u>	<u>37,157,177,790</u>	<u>8,306,992,516</u>
<b>USES</b>				
Works		3,019,530,775	31,191,215,521	7,541,274,499
Consultancy services		86,621,660	509,673,942	116,510,826
Training		<u>684,880,052</u>	<u>4,837,991,357</u>	<u>1,181,788,971</u>
		<u>3,791,032,487</u>	<u>36,538,880,820</u>	<u>8,839,574,296</u>
<b>EXCESS OF FINANCING OVER EXPENDITURE</b>				
		<u>(2,571,033,347)</u>	<u>618,296,970</u>	<u>(532,581,780)</u>

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

For the year ended 31 July 2024

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

	<b>USD</b>	<b>BIRR</b>
Beginning balance at 7 July 2023	24,171,317.49	1,320,645,856.57
Less: Transfer to Birr account	<u>21,677,462.88</u>	<u>1,226,336,413.87</u>
	2,493,854.61	94,309,442.70
Gain on foreign exchange		<u>91,218,377.16</u>
Ending balance - 31 July 2024	<u><b>2,493,854.61</b></u>	<u><b>185,527,819.86</b></u>

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

For the year ended 31 July 2024

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 2023	4,246,412.14	252,358,328.51
AFD Grant during the year	<u>0.00</u>	<u>0.00</u>
	4,246,412.14	252,358,328.51
Gain on foreign exchange	-	<u>89,200,982.69</u>
Ending balance -31 July 2024	<u><b>4,246,412.14</b></u>	<u><b>341,559,311.20</b></u>

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

For the year ended	31 July 2024	
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 2023		<b>23,676,821.15</b>
Transfer from USD Designated Account		<u>1,226,336,413.87</u>
		1,250,013,235.02
Less: Transfer to beneficiaries		
Tigray		1,221,369,627.78
MoUDCo		<u>14,665,454.65</u>
Bank charge		1,236,035,082.43
		<u>12,117,059.60</u>
		<u>1,248,152,142.03</u>
Ending Balance at 31 July 2024		<b><u>1,861,092.99</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 (MUDCo), 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),
- EFY 2015 (2022/23) and
- EFY 2015 (2023/24).

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**

	<b>Birr</b>	<b>2023 Birr</b>
Advance payment to:-		
Regions	64,836,009	-
Contractors	-	414,354,975
Consultants	-	-
Suppliers	-	5,606,260
Co-operatives	-	3,609,702
Purchase advance to staff	-	106,882,572
Other advances within government	14,496,762	298,318,759
Others	-	<u>39,261,644</u>
	<u>79,332,771</u>	<u>868,033,912</u>

**4 CASH AND BANK BALANCES**

	<b>Birr</b>	<b>2023 Birr</b>
USD Designated account	185,527,820	1,320,645,857
EURO Designated account	341,559,311	252,358,329
Ethiopian Birr Designated Account	1,861,093	23,676,821
Ministry of Urban Development and Construction	54,170,170	49,654,643
Other Birr Account	118,890,205	1,621,501,985
Cash on hand	<u>709,426</u>	<u>4,108,359</u>
	<u>702,718,025</u>	<u>3,271,945,994</u>

**5 ACCOUNT PAYABLE**

	<b>Birr</b>	<b>2023 Birr</b>
Retentions	-	545,211,998
Contractors	-	246,001,395
Other payable within government	557,482	9,908,065
Taxes payable	-	33,003,168
Others	<u>163,196,344</u>	<u>116,903,787</u>
	<u>163,753,826</u>	<u>951,028,413</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**6 ACCUMULATED FUND**

	<b>Birr</b>
<b>Balance at 7 July 2023</b>	<b>3,188,951,492</b>
Prior year adjustment	<u>378,825</u>
	3,189,330,317
Less: Excess (Deficit) of source over uses	<u>(2,571,033,347)</u>
Balance at 31 July 2024	<u><u>618,296,970</u></u>

**7 GAIN ON EXCHANGE RATE FLUCTUATION**

	<b>Birr</b>	<b>2023 Birr</b>
IDA credit and grant	91,218,377	148,495,345
AFD grant	89,200,983	20,986,429
MoUDCO	<u>2,277,176</u>	<u>39,930</u>
	<u><u>182,696,536</u></u>	<u><u>169,521,704</u></u>

**8 DATE OF AUTHORIZATION**

Head of Channel One Programs Coordinating Departement of the Federal Democratic Republic of Ethiopia, Ministry of Finance authorized the issue of these financial statements on 3 January 2025 .

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 31 July 2024 Birr
Opening Balance 7 July 2023			3,188,951,492
Prior years adjustment			(378,825)
<b>SOURCE</b>			
IDA Contribution	-	-	-
Regional Contribution	540,040,019	109,406,176	649,446,195
ULGs Contribution	113,220,372	275,393,693	388,614,065
Gain on foreign exchange	39,831,194	142,865,337	182,696,531
Total Sources	<u>693,091,585</u>	<u>527,665,206</u>	1,220,756,791
Total sources including opening			4,409,329,458
<b>USES</b>			
Program expenditures	<u>1,011,381,706</u>	<u>2,779,650,782</u>	<u>3,791,032,488</u>
EXCESS OF SOURCES OVER USES			<u>618,296,970</u>
Cash at bank			702,008,599
Cash on hand			709,426
Advances			79,332,771
Payables			(163,753,826)
			<u>618,296,970</u>