

ETHIOPIAN INVESTMENT COMMISSION

ECONOMIC OPPORTUNITIES PROGRAM(EOP)

PROGRAMME FOR RESULTS (P FOR R)

**FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT
FOR THE FOR THE PERIOD COVERING 8 JULY 2022 TO 07 JULY 2023**

**Kokeb & Melkamu Audit Partnership
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Authorized Auditors in Ethiopia**

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Statement of management Responsibilities

The Financing/Grant Agreement between the International Development Association (the World Bank) and the Ministry of Finance and the implementor/coordinator (The Ethiopian Investment Commission) regarding the **Economic Opportunities Program (EOP) Program for Results (PforR)** requires the main implementor/coordinator to present annual financial statement of the Project in line with the Financing/Grant Agreement.

The Management of the implementor is also responsible for ensuring that the Project's financial statements provide a true and fair picture of the Project's transactions during the fiscal year for the period covering July 8, 2022 to July 7, 2023 as well as the Project's financial position as of that date.

The Management hereby confirms the completeness of the accounting records kept for the Project and used in the preparation of the Project's financial statements, as well as the adequacy of the internal financial control systems.

Approval of the financial statements

The Project's financial statements were approved by the Management of Project Coordination Office on February 2, 2024 and signed on its behalf by:



Yosef Asmare

Financial Management Specialist
coordinator



Yonatan Jerene (Dr.)

Program Director Project



**ETHIOPIAN INVESTMENT COMMISSION
ECONOMIC OPPORTUNITIES PROGRAM(EOP)
PROGRAMME FOR RESULTS (P FOR R)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 7th JULY 2023**

1. BACKGROUND

The objective of the Economic Opportunities Program (EOP) is to provide economic opportunities for Ethiopians and Refugees in an environmentally and socially sustainable way. The Project is significantly financed by the World Bank (Under IDA D3460/6292 and TF0A9714/15 which amount to SDR 140.6 Million and USD 78.118 million, respectively.) and it is implemented by the Ethiopian Investment Commission (EIC), the Ministry of Labour & Skills (MoLS) , the Industrial Park Development Corporation (IDPC), and the Refugees and Returnees Service (RRS).

The Program consists of the following:

- (a) Refugee-related employment and protection: Providing Refugees with access to Economic Opportunities and ensuring integration of refugees in the formal labor market, as well as taking measures to provide related services to refugees, including ensuring Refugees are able to relocate to areas where economic opportunities will be provided.
- (b) Improving the broader investment climate: Promoting the country's investment opportunities and conditions to foreign and domestic investors, including carrying out targeted investment facilitation to ensure a pipeline of investors in industrial parks, which includes technical assistance to the government on policy measures needed to create an attractive investment climate and promoting buyer-supplier relationships in industrial parks.
- (c) Improving labor productivity and quality of jobs: Improving and supervising work environment (e.g. conducting labor inspections and wage bargaining) and increasing compliance with international labor protection standards and local labor laws, including establishing labor units in the Bole Lemi I, Hawassa, Mekelle, and Kombolcha Industrial Parks to assist in monitoring compliance with local labor regulations and to provide labor dispute resolution mechanisms on behalf of MoLSA.
- (d) Enhancing sustainability of Bole Lemi I, Hawassa, Mekelle, Kombolcha Industrial Parks: Providing a systematic approach to environmental, social and financial sustainability in industrial parks, including mainstreaming the eco-industrial park approach, ensuring working conditions and treatment of workers in industrial parks conform to acceptable standards and reducing dependence on government subsidies.



(e) Fiduciary systems strengthening: Managing procurement and financial management risks of the Program through issuance, and use, by IPDC and RRS of procurement directives and manuals based on a legal framework issued by the Federal Government and achievement of unqualified/clean entity financial audit reports by IPDC based on timely submission of IFRS-compliant financial statements.

(f) Safeguards systems strengthening: Establishing an environmental and social risk management system, which mitigates refugee vulnerability, manages refugee-host community relations, provides funds for small-scale community interventions proportional to the influx of refugees, and establishes institution-specific management systems that ensures compliance with social and environmental standards.

1. Audit objectives

The objective of the audit is to express an opinion in accordance with International Standards on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC) on the Program financial statements, namely, the statement of funds received, showing funds from the World Bank, project funds from other donors and counterpart funds separately, and of expenditures incurred; the summary of the activity in the Designated Account; the statement of financial position together with their notes.

In addition, there was a separate engagement for assurance of accuracy over the reported (PforR) expenditure verification in the Refugees and Returnees Service (RRS) Afar (July 7, 2020 to July 7, 2022; ETB 85,888,347) and Mekele IPDC (April 9, 2020- July 7, 2020; ETB 16,235,537) which could not be verified due to the North Ethiopia war.

The audit examines whether the:

- (a) World Bank financing and all external financing have been used in accordance with the conditions of the relevant financing agreement, 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 were provided;
- (c) Goods, works and services financed have been procured in accordance with World Bank's Guidelines,
- (d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Statements (IFS) methods of reporting;
- (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 purpose intended in the financing agreement;



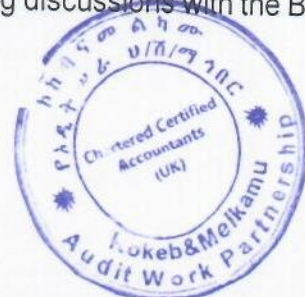
- (f) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project (e.g. operational manual, financial procedures manual, etc.) were followed and used;
- (g) Financial performance of the project is satisfactory.
- (h) Assets procured from project funds exist and there is verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement.
- (i) Ineligible expenditures included in withdrawal applications are identified and reimbursed to the Designated Accounts.

2. Audit Procedures

We have designed and applied the following procedures to assist us in expressing an opinion on the financial statements, the statement of expenditures, and disbursement requests as far the designated fund is concerned, and as to whether the report fairly represents the project's financial affairs. These procedures are summarized as follows:

We have,

1. Obtained briefings from the project management team
2. Reviewed the program implementation manual and held sufficient discussions with responsible officials of the EOP program in order to obtain information on the implementation and closure procedures, including the reporting and control mechanisms adopted at woreda, regional and federal levels.
3. Reviewed and checked the financial statements in the Ethiopian Investment Commission (EIC), the Ministry of Labour & Skills (MoLS), the Industrial Park Development Corporation (IDPC), and the Refugees and Returnees Service (RRS)
4. Verified whether funds drawn from the designated account have been made in accordance with the conditions of the relevant agreement.
5. Agreed cash at bank balances with banks' confirmations.
6. Agreed fund transfers from the World Bank through bank advices and direct confirmation
7. Verified whether expenditures are supported with proper invoices and documents.
8. Reviewed whether procurements are made in accordance with local tax laws and financed as per the financing agreement.
9. Checked the existence of statement of expenditure with disbursement requests.
10. Checked the correctness of accounting records the adequacy of internal controls, and periodic statement of expenditures
11. Reviewed the minutes that the Project management held during discussions with the Bank's representatives.
12. Conducted exit conferences



Kokeb & Melkamu Audit Partnership.

Chartered Certified Accountants (UK)

INDEPENDENT AUDITORS' REPORT TO THE ETHIOPIA INVESTMENT COMMISSION

We have audited the accompanying financial statements of the **Economic Opportunities Program (EOP) Program for Results (PforR)**, comprising the statement of income and expenditure, the financial position, the statement of designated account, which have been prepared by the Ethiopia Investment Commission Project Coordination Office for the period covering July 8, 2022 to July 7, 2023, and a summary of significant accounting policies and other explanatory information shown from pages 7 to 12.

Responsibility of the Management

The Economic Opportunities Program (EOP) Program for Results (PforR) Project Coordination Office under the Ethiopia Investment Commission is responsible for the preparation of the financial statements, in accordance with the requirements of the Financing/Grant Agreement; for inclusion of all explanatory annexes; for determining the objectives in respect of the work plan; and for designing, implementing and maintaining appropriate performance management and internal control systems from which the reported information is derived

Responsibility of the Auditors

We carried out our audit in accordance with International Standards on Auditing and the terms of reference provided to us. Those Standards require that we planned perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We are independent of the EIC within the meaning of Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) and have fulfilled our other responsibilities under those relevant ethical requirements.

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

In our opinion/conclusion, the financial statements present fairly, in all material respects, the financial position of Economic Opportunities Program (EOP) Program for Results (PforR), the statement of income and expenditure for period covering July 8, 2022 to July 7, 2023 in accordance with the financial management policy of the Program.

In addition, in our opinion

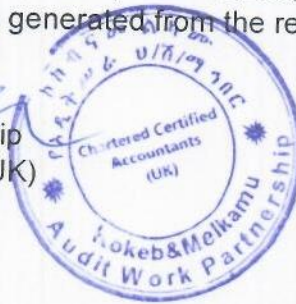
- a. The payments out of the Designated Account have been made in accordance with conditions of the Financing agreement.
- b. The Disposition Fund has been maintained in accordance with the provisions of the (Loan/Grant) Agreement the World Bank Guideline)



- c. Expenditures are supported by relevant and reliable evidence. All supporting documents and records with respect to the statements of expenditure submitted as the basis for withdrawal applications have been made available.
- d. The statements of expenditures can be relied upon to support the related withdrawal applications.
- e. Goods and services financed have been procured in accordance with the relevant Financing Agreement and Government Rules.
- f. Specific deficiencies and areas of weakness have been identified in the internal systems and controls of the implementors. These have been communicated in the separate management letter.

In addition, following our engagement to examine the expenditure Program in relation to Refugees and Returnees Service (RRS) (July 7, 2020 to July 7, 2022; ETB 85,888,347) and Mekele IPDC (April 9, 2020- July 7, 2020; ETB 16,235,537), we have not come across any irregularly and the expenditure are generated from the respective entities books of accounts.

Kokeb & Melkamu
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Addis Ababa
 February 2, 2024

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ETHIOPIAN INVESTMENT COMMISSION
ECONOMIC OPPORTUNITIES PROGRAM(EOP)
PROGRAMME FOR RESULTS(P FOR R)
STATEMENT OF FINANCIAL POSITION
AS AT JULY 2023

Currency: ETB

ASSETS	Notes	2023	2022
Current Assets			
Cash and bank balances	3	541,142,687	4,278,959,516
Receivable from the Government	4	531,792,608	-
		<u>1,072,935,294</u>	<u>4,278,959,516</u>
FUND BALANCE AND LIABILITIES			
CURRENT LIABILITIES			
Payable		-	2,394,530,838
Fund balance			
Fund balance		<u>1,072,935,294</u>	<u>1,884,428,678</u>
Total Fund Balance and Liabilities		<u>1,072,935,294</u>	<u>4,278,959,516</u>



**ETHIOPIAN INVESTMENT COMMISSION
ECONOMIC OPPORTUNITIES PROGRAM(EOP)
PROGRAMME FOR RESULTS(P FOR R)
STATEMENT OF INCOME AND EXPENDITURE
FOR THE PERIOD FROM 8 JULY 2022 TO 7 JULY 2023**

Currency: ETB

INCOME	Notes	2023	2022
Fund Receipts during the year	5	736,556,925	459,651,308
Contribution fro the Government	6	284,338,000	252,251,638
Gain on foreign currency valuation		155,989,315	741,635,965
		<u>1,176,884,239</u>	<u>1,453,538,911</u>
EXPENDITURE			
Total Expenditure during the year	7	<u>(1,988,377,624)</u>	<u>(1,763,997,470)</u>
Excess of Receipt over Expenditure		(811,493,384)	(310,458,559)
Fund Balance at July 8,2022		<u>1,884,428,678</u>	<u>2,194,887,237</u>
Fund Balance at July 8,2023		<u>1,072,935,294</u>	<u>1,884,428,678</u>



ETHIOPIAN INVESTMENT COMMISSION
 ECONOMIC OPPORTUNITIES PROGRAM(EOP)
 PROGRAMME FOR RESULTS(P FOR R)
 SUMMARY OF THE ACTIVITY IN THE DESIGNATED ACCOUNT
 FOR THE PERIOD FROM 8 JULY 2022 TO 7 JULY 2023

Account Name: Ministry of Finance- Economic Opportunities Program
 USD Bank Account (A/C No. 0100101300569): National Bank of Ethiopia

Notes	USD 2023	ETB 2023
Opening Bank Balance	82,240,710.90	4,278,959,515.91
Add: Receipts		
Fund received from IDA	5 13,729,183.72	736,556,924.69
Gain on exchange rate difference		155,989,314.61
Funds available for use	<u>95,969,894.62</u>	<u>5,171,505,755.21</u>
Less: Transfers to ETB	<u>86,065,550.00</u>	<u>4,630,363,068.65</u>
Closing Balance	<u>9,904,344.62</u>	<u>541,142,686.56</u>

Exchange rate July 7 , 2023: USD: 54.6368 ETB



**ETHIOPIAN INVESTMENT COMMISSION
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PROGRAMME FOR RESULTS(P FOR R)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 8 JULY 2022 TO 7 JULY 2023**

2. ACCOUNTING POLICIES

The Ethiopian Investment Commission Project Coordination Office follows the government's accounting policy of modified cash basis of accounting system with double entry recording taking into account the decentralized accounting structure of the project. In preparation and presentation of the financial statement, the project uses principal policies such as

a) Income and expenditure recognition

The income is recognized on the basis of actual cash receipt of funds received from the World Bank and recognize the government contribution on the basis of Expenditure - 14.33% .

Expenditure is aggregated and recognized based on eligible expenditures reported from the Ethiopian Investment Commission (EIC), the Ministry of Labour & Skills (MoLS) , the Industrial Park Development Corporation (IDPC), and the Refugees and Returnees Service (RRS)

b) Fixed assets

The Project does not finance fixed assets, there is fixed asset to account.

c) Foreign currency transactions.

Transaction in foreign currencies are translated using the exchange rate prevailing on the date of the transaction.

The Ethiopian Investment Commission Project Coordination Office keeps the original book of accounts transactions and posts to the general ledger, implementors handle their own financial system and report their expenditure on semi-annual basis and submit to EIC.

The Coordination Office prepares a consolidated financial report and submit to the World Bank and Ministry of Finance.



**ETHIOPIAN INVESTMENT COMMISSION
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PROGRAMME FOR RESULTS(P FOR R)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 8 JULY 2022 TO 7 JULY 2023**

3. CASH AT BANK

National Bank of Ethiopia

541,142,687 4,278,959,516

Birr 541,142,686 is the equivalent of USD 9,904,344 maintained at the National Bank of Ethiopia

4. RECEIVABLE FROM THE GOVERNMENT

The above balance represents money withdrawn from the designated account in excess of the expenditure attributed to IDA

5. INCOME

IDA Disbursements

2022
736,556,925 459,651,308

The above balance equals the USD 13,729,183.72 amount received from the World Bank

6. GOVERNMENT CONTRIBUTION

Per the financing agreement 14.33% of the total expenditure is covered from the Government funds

7. OPERATING EXPENDITURE

	Ethiopian Investment Commission ETB	Refugee and Returnee service ETB	Industrial Parks Development Corporation ETB	Mini of Labour and Skills ETB	Total ETB
Administration and Operation	31,541,998	460,380,172	335,383,290	100,972,482	928,277,942
Promoting and Attracting FDI	22,604,657	-	-	-	22,604,657
Salary and Other benefits	-	358,578,180	252,716,860	-	611,295,040
Investment-research and studies	11,292,097	-	-	-	11,292,097
Employment service promo	-	-	-	309,183,974	309,183,974
Harmonious Industrial relations	-	-	-	18,236,017	18,236,017
Fire Prevention and Protection	-	-	4,619,760	-	4,619,760
Investment project support	17,899,393	-	-	-	17,899,393
Supplies	-	-	64,968,743	-	64,968,743
Total	83,338,146	818,958,352	657,688,653	428,392,473	1,988,377,624



ETHIOPIAN INVESTMENT COMMISSION
 ECONOMIC OPPORTUNITIES PROGRAM(EOP)
 PROGRAMME FOR RESULTS(P FOR R)
 RECONCILIATION FUNDS RECEIVED BY THE PROJECT FROM THE WORLD BANK
 FOR THE PERIOD FROM 8 JULY 2022 TO 7 JULY 2023

No.	Date	Description	USD	Exch Rate	ETB	Received
1	Feb 3,2023	IDA 62920	5,766,005.93	53.5171	308,579,915.96	308,579,915.96
2	Feb 28,2023	IDA D3460	7,963,177.79	53.7445	427,977,008.73	427,977,008.73
Total			13,729,183.72		736,556,924.69	736,556,924.69

