INDEPENDENT AUDITOR’S REPORT ON THE
FINANCIAL STATEMENTS OF
ETHIOPIAN ROADS AUTHORITY
TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4

We have audited the accompanying financial statements of Ethiopian Roads Authority, Transport Sector Project in Support of RSDP4, financed under IDA Credit No. 5155 ET, which comprise the balance sheet as at 7 July 2019 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.

Responsibility for the Financial Statements

Ethiopian Roads Authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis described in note 2(a) to the financial statements and for such internal control as the Authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ 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.
INDEPENDENT AUDITOR’S REPORT ON THE
FINANCIAL STATEMENTS OF
ETHIOPIAN ROADS AUTHORITY
TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4 (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 present fairly, in all material respects, the financial position of Ethiopian Roads Authority, Transport Sector Project in Support of RSDP4, financed under IDA Credit No. 5155 ET as at 7 July 2019 and its sources and uses of funds for the year then ended in accordance with Ethiopian Government’s Manual of the Federal Accounting System which is based on a modified cash basis of accounting.

Emphasis of matter

We draw attention to Note 2 to the financial statements, which describes the partial cancellation of IDA Credit No. 5155 ET and the bringing forward of the Project closing date. Our opinion is not modified with respect to this matter.

Report on other requirements

We have performed the procedures as required by 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 agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;

b) counterpart funds from the Government of Ethiopia have been provided and used in accordance with the financing agreement and only for the purpose for which the financing was provided;

c) goods and services financed have been provided in accordance with the relevant financing agreement and disbursement letters; and

d) Designated Account has been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement;

Audit Services Corporation

11 February 2020
# ETHIOPIAN ROADS AUTHORITY
## TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4
### IDA CREDIT NO. 5155 ET
### BALANCE SHEET
### AS AT 7 JULY 2019

<table>
<thead>
<tr>
<th></th>
<th>Notes</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Birr</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Birr</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3</td>
<td>23,993,318</td>
</tr>
<tr>
<td>Cash at bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>23,993,318</td>
</tr>
<tr>
<td>CURRENT LIABILITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4</td>
<td>255,360,513</td>
</tr>
<tr>
<td></td>
<td></td>
<td>319,379,005</td>
</tr>
<tr>
<td>NET CURRENT ASSET</td>
<td></td>
<td>(231,367,195)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>237,603,820</td>
</tr>
<tr>
<td>REPRESENTED BY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCUMULATED FUND</td>
<td>5</td>
<td>(231,367,195)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>237,603,820</td>
</tr>
</tbody>
</table>
ETHIOPIAN ROADS AUTHORITY
TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4
IDA CREDIT NO. 5155 ET
STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 7 JULY 2019

<table>
<thead>
<tr>
<th>Sources/Uses</th>
<th>Year ended 7 July 2019</th>
<th>Cumulative for the six years</th>
<th>Year ended 7 July 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA - initial deposit</td>
<td>45,390,172</td>
<td>372,536,000</td>
<td>-</td>
</tr>
<tr>
<td>IDA - direct payment</td>
<td>763,299,694</td>
<td>4,670,261,472</td>
<td>574,827,315</td>
</tr>
<tr>
<td>IDA - SOE procedures</td>
<td>4,670,261,472</td>
<td>574,827,315</td>
<td>32,312,779</td>
</tr>
<tr>
<td>Ethiopian Government Contribution</td>
<td>243,526,122</td>
<td>606,531,146</td>
<td>48,830,549</td>
</tr>
<tr>
<td>Gain on foreign exchange</td>
<td>4,831,130</td>
<td>108,455,650</td>
<td>32,312,779</td>
</tr>
<tr>
<td>Contractor's advance repaid to IDA</td>
<td>(198,997,442)</td>
<td>(198,997,442)</td>
<td>-</td>
</tr>
<tr>
<td>Initial deposit cash refunded to IDA</td>
<td>(40,411,203)</td>
<td>(40,411,203)</td>
<td>-</td>
</tr>
<tr>
<td><strong>USES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil works</td>
<td>409,140,308</td>
<td>5,771,927,471</td>
<td>826,355,249</td>
</tr>
<tr>
<td>Consultants' services</td>
<td>315,753,546</td>
<td>74,516,187</td>
<td>74,516,187</td>
</tr>
<tr>
<td>Right of way settlements</td>
<td>387,858,807</td>
<td>48,826,187</td>
<td>48,826,187</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,380,629</td>
<td>37,502,688</td>
<td>5,206,672</td>
</tr>
<tr>
<td><strong>DEFICIT OF SOURCES OVER USES</strong></td>
<td>(468,971,015)</td>
<td>(231,367,195)</td>
<td>(298,933,864)</td>
</tr>
</tbody>
</table>

4
ETHIOPIAN ROADS AUTHORITY  
TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4  
IDA CREDIT NO. 5155 ET  
DESIGNATED ACCOUNT STATEMENT

For year ended 7 July 2019  
Account number 02615/161000/00  
Depository bank National Bank of Ethiopia  
Address Addis Ababa, Ethiopia  
Related credit IDA 5155 ET  
Currency USD

Balance at 8 July 2018 7,031,547.24

World bank replenishments

Deduct: - Payments to consultants and contractors 6,229,517.17  
- Refund to IDA 802,030.07

Balance at 7 July 2019 7,031,547.24

NIL
ETHIOPIAN ROADS AUTHORITY
TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4
IDA CREDIT NO. 5155 ET
NOTES TO THE FINANCIAL STATEMENTS
7 JULY 2019

1. PROJECT INFORMATION

The project was agreed between the Government of the Federal Democratic Republic of Ethiopia and the International Development Association in 18 October 2012. The objective of the Project is to improve the condition of priority regional trade corridors and link roads being upgraded under the Project. The Project consists of the following parts.

Part I - upgrading of the following unpaved roads to asphalt concrete surface roads with a 7 meter wide carriageway and 1.5 meter wide shoulders:

   a) about 64 kilometers of the Ambo - Weliso road;
   b) about 42 kilometers of the Debre Birhan - Ankobar road;
   c) about 130 kilometers of the Kombolcha - Bati - Mille road;
   d) about 92 kilometers of the Mizan - Dima road and
   e) about 107 kilometers of the konso - Yabelo road.

- carrying out a set of supervision activities for the civil work contract for the five roads mentioned above

Part II - carrying out a set of technical assistance and training activities for the enhancement of the Authority's contract management, project management and safeguards implementation capacity;

- carrying out a set of technical assistance and training activities for the enhancement of the Authority's capacity to undertake technical auditing of the design and delivery process;

- carrying out a set of technical assistance and training activities for the enhancement of the Authority's road maintenance capacity through the provision of technical assistance service, goods and training;

- carrying out a set of technical assistance activities for the development of engineering designs and feasibility studies, environmental and social impact assessments and resettlement action plans for the future projects.

2. CURRENT STATUS OF THE PROJECT AND THE RELATED CREDIT

The Federal Democratic Republic of Ethiopia in its letter of 5 October 2018 had requested the World Bank to cancel the remaining balance of IDA Credit No. 5155-ET and to close the Project. Accordingly, the Bank in its letter of 24 and 26 October 2018 (Ref. No. WB/CD/345/24/10/2018 and WB/CD/346/26/10/2018 respectively) informed the Ministry of Finance that it cancelled as of 8 October 2018 an amount of the financing equivalent to SDR 75,000,000 from Category (1) of the disbursement table set forth in Section IV. A . 2 of Schedule 2 to the Financing Agreement, and that it agreed to bring forward the closing date to 26 October 2018 with disbursement deadline date of four months after the Credit closing date.
The World Bank also requested in its letter of 24 October 2018 that contractors and suppliers with active contracts financed under the Project be informed of this cancellation and are advised of the alternative financial arrangement for the contracts that the Government intends to put in place.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted by the Project are stated below.

a) **Basis of preparation**

These financial statements have been prepared in accordance with Ethiopian Government's Manual of the Federal Accounting System which is based on a modified cash basis of accounting. They are prepared under the historical cost convention.

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 rate ruling at the balance sheet date.

c) **Recognition of financial assets and financial liabilities**

The Project recognizes a financial asset or a financial liability on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when, and only when, the control over the contractual rights is lost. A financial liability is derecognized when, and only when, it is extinguished.
ETHIOPIAN ROADS AUTHORITY
TRANSPORT SECTOR PROJECT IN SUPPORT OF RSDP4
IDA CREDIT NO. 5155 ET
NOTES TO THE FINANCIAL STATEMENTS (continued)
7 JULY 2019

4. ACCOUNTS RECEIVABLE

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors</td>
<td>23,993,318</td>
<td>365,080,650</td>
</tr>
</tbody>
</table>

5. ACCOUNTS PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors and consultants</td>
<td>58,188,863</td>
<td>90,330,805</td>
</tr>
<tr>
<td>Contractors holdbacks</td>
<td>197,171,650</td>
<td>229,048,200</td>
</tr>
<tr>
<td></td>
<td>255,360,513</td>
<td>319,379,005</td>
</tr>
</tbody>
</table>

6. ACCUMULATED FUND

Balance at 8 July 2018  
237,603,820

Less: Deficit of sources over uses for the year  
(468,971,015)

(231,367,195)

7. DATE OF AUTHORIZATION

The Authority's Corporate Services Deputy Director General and the Director of Financial Management Directorate jointly authorized the issue of these financial statements 11 February 2020.