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AUDIT SERVICE CORPORATION

OF THE GOVERNMENT OF THE FEDERAL DEMOCRATIC
REPUBLIC OF EHTIOPIA
ESSENTIAL HEALTH SERVICE
IDA GRANT NUMBERS E121-ET, TFOB9194 AND TFOB9212
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
7 JULY 2025



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PUBLIC ACCOUNTABILITY | SHARED GROWTH

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Audit Service Corporation

**INDEPENDENT AUDITOR'S REPORT ON THE
FINANCIAL STATEMENTS OF
MINISTRY OF HEALTH OF THE GOVERNMENT OF
THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
ESSENTIAL HEALTH SERVICE
IDA GRANT NUMBERS E121-ET, TF0B9194 AND TF0B9212**

We have audited the financial statements of Ministry of Health of the Government of the Federal Democratic Republic of Ethiopia, Essential Health Service project, financed under IDA Grant Nos.E121-ET, TF0B9194 and TF0B9212 which comprise the balance sheet as at 7 July 2025, and the statement of sources and uses of funds and a Designated Account statement for the period from 24 June 2024 to 7 July 2025, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Ministry of Health 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 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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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ministry of Health of the Government of the Federal Democratic Republic of Ethiopia, Essential Health Service project, financed under IDA Grant Nos.E121-ET, TF0B9194 and TF0B9212as at 7 July 2025 and of its sources and uses of funds for the period from 27 June 2024 to 7 July 2025 in accordance with the Ethiopian Government's Manual of the Federal Accounting System which is based on modified cash basis of accounting.

Report on Other Requirements

As required by the terms of reference for external audit of the Project, we report that, to the extent we can assess:

- all World Bank 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;
- goods, works and non-consulting services financed have been procured in accordance with the relevant financing agreement including specific provisions of the World Bank Procurement Policies and Procedures;
- all necessary supporting documents, records and accounts have been maintained in respect of all Project activities;
- Designated Account has been maintained in accordance with the provisions of the relevant financing agreement and funds disbursed out of the Designated Account were used only for the purposes intended in the financing agreement;
- National laws and regulations have been complied with and that the financial and accounting procedures approved for the Project;
- financial performance of the Project is satisfactory;
- the funds disbursed covered expenditures that are eligible for financing under IDA Grant Nos.E121-ET, TF0B9194 and TF0B9212;
- assets procured from Project funds exist and there is a verifiable ownership by the implementing agency or beneficiaries in line with the financing agreement;

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- with respect to Interim Financial Report submitted during the period from 27 June 2024 to 7 July 2025 and listed on page 12, in our opinion:
 - a) the statements, together with the procedures and internal controls involved in their preparation, can be relied upon to support the relevant withdrawals;
 - b) adequate supporting documentation has been maintained to support claims to the IDA for reimbursements of expenditures incurred; and
 - c) which expenditures are eligible for financing under IDA Grant Nos. E121-ET, TF0B9194 and TF0B9212.

Audit Service Corporation

22 December 2025

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 IDA GRANT NUMBERS E121-ET, TF0B9194 AND TF0B9212 (continued)
 STATEMENT OF SOURCES AND USES OF FUNDS
 FOR THE PERIOD FROM 27 JUNE 2024 TO 7 JULY 2025

	Note	Ethiopian Birr
FINANCING		
Credits and grant from IDA		
Initial deposit to Designated Account		1,859,298,744
Gain on foreign exchange		<u>1,180,016,365</u>
TOTAL FINANCING		<u>3,039,315,109</u>
PROJECT EXPENDITURE		
Training		274,963,298
Operating costs	6	<u>151,183,871</u>
TOTAL PROJECT EXPENDITURE		<u>426,147,169</u>
EXCESS OF FINANCING OVER EXPENDITURE		<u>2,613,167,940</u>

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 BALANCE SHEET
 AS AT 7 JULY 2025

	Note	Ethiopian Birr
<u>ASSETS</u>		
Cash and bank balances	3	1,266,224,558
Debtors	4	<u>1,361,702,456</u>
		2,627,927,014
CURRENT LIABILITIES		
Accounts payable	5	<u>14,759.074</u>
NET CURRENT ASSETS		<u>2,613,167,940</u>
<u>REPRESENTED BY</u>		
ACCUMULATED FUND		<u>2,613,167,940</u>

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 DESIGNATED ACCOUNT STATEMENT

For year ended	7 July 2025
Account number	0100081300160
Depository bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Currency	USD

	USD	Equivalent in Ethiopian Birr
Initial deposit	15,639,365.65	8,896,389,009.47
	<u>-</u>	<u>-</u>
	<u>15,639,365.65</u>	<u>8,896,389,009.47</u>
Less payments		
Transfer	<u>6,291,304.32</u>	810,262,816.38
		<u>86,126,193.09</u>
Add: gain on foreign exchange	-	<u>1,180,016,364.92</u>
Ending balance 7 July 2025	<u>9,348,061.33</u>	<u>1,266,142,558.01</u>

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IDA GRANT NUMBERS E121-ET, TF0B9194 AND TF0B9212 (continued)
NOTES TO THE FINANCIAL STATEMENTS**

1. PROJECT INFORMATION

The Ethiopia Program for Results (Hybrid) for Strengthening Primary Health Care Services (P for R for SPHCS), is dedicated to improving essential and equitable health care services, especially for women and children, who are the most vulnerable. The Program is fully aligned with the World Bank Group Strategy for Fragility, Conflict, and Violence (FCV) 2020–2025, recognizing that inclusive and effective social sector service delivery is central to improving state legitimacy and trust in institutions. The framework for engagement in FCV countries underlines improving human and social capital; equitably scaling up private sector engagement for impact; strengthening core institutions; and working across the humanitarian development nexus. The IPF instrument is proposed as a sub-component under this Program.

Subcomponent I – Provision of (Essential Health Services) EHS Focusing on (Reproductive, Maternal, Neonatal, Child, Adolescent and Youth Health plus Nutrition) RMNCAH+N to Conflict-Affected People and IDPs is to support the government emergency health and Recovery plan for conflict-affected areas. It will support and enhance the development of a resilient health service delivery system in the conflict-affected parts of the country, requiring huge investments. This subcomponent will support the provision of health and nutrition services as well as medicines, medical consumables, equipment, and human resources as per MOH's conflict-related health emergency response plans to ensure access in conflict-affected areas and IDP settings.

1. The Project Development Objective (PDO) is to improve access to and equitable provision of high-quality Primary Health Care (PHC) services, with a focus on RMNCAH+N, while strengthening health systems. The PDO is designed to be met through a chain of interventions, outputs, and outcomes, using resources from the PforR instrument focusing on RMNCAH+N and the health system exclusively in non-conflict areas, and from IPF focusing on support for emergency health and nutrition response in conflict-affected areas. Capacity building, technical assistance (TA), and information systems will be developed to improve the provision of quality health services, infrastructure, medicine, workforce, leadership, and

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NOTES TO THE FINANCIAL STATEMENTS**

governance, as well as financial protection. The project is overall managed by the Ministry of Health (MoH) and implementing agencies are Oromia, Amhara, Tigray, Benshangul, Afar, EPHI, and EPSS.

2. **Subcomponent I:** Provision of EHS Focusing on RMNCAH+N to Conflict-Affected People and IDPs (US\$89 million). The key activities to be financed under this subcomponent include:

Component	Total (in USD million)
1. Procurement and distribution of medical supplies and equipment for conflict-damaged and -affected health facilities	46,775,073
2. Restoration of health service infrastructure, ambulance services, and mentorship program	19,715,050
3. Continuity of essential health services	4,851,690
4. Provide psychosocial support	2,371,359
5. Strengthen facility disaster preparedness, response, and regional emergency coordination cells	2,971,332
6. Strengthening physical rehabilitation services	1,620,496
7. Project monitoring and evaluation	1,500,000
8. Emergency Nutrition Intervention Activities	9,195,000
Total	89,000,000

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NOTES TO THE FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES

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 presented in Ethiopian Birr. Transactions in foreign currencies are translated into Birr at the approximate rates of exchange prevailing at the dates of the transactions. Cash balances denominated in foreign currencies are translated into Birr at the exchange rates ruling at the balance sheet date.

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 NOTES TO THE FINANCIAL STATEMENTS

3. CASH AND BANK BALANCES

	Ethiopian Birr
National Bank of Ethiopia	
USD Designated Account No.0100081300160	1,266,142,558
Birr account Account No. 01000432704808	<u>82,000</u>
	<u>1,266,224,558</u>

4. DEBTORS

	Ethiopian Birr
Advances to Suppliers	962,909,735
Contractors	226,305,799
Regions	<u>172,486,922</u>
	<u>1,361,702,456</u>

5. CREDITORS

	Ethiopian Birr
Value added tax	<u>14,759,074</u>
	<u>14,759,074</u>

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NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING COST

	Ethiopian Birr
Fuel and lubricant	4,717,052
Per diem	104,324,180
Transport fee	3,727,844
Printing and stationery	2,807,577
Entertainment	5,482,105
Maintenance of vehicle	380,313
Rent	498,311
Advertising expense	-
Bank charge	25,155,431
Telephone	677,584
Miscellaneous	<u>3,413,474</u>
	<u>151,183,871</u>

7. DATE OF AUTHORIZATION

The Finance Executive Officer of the Ministry authorized the issue of these financial statements on 22 December 2025.

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 INTERIM FINANCIAL REPORT SUBMITTED DURING
 THE PERIOD FROM 27 JUNE 2024 TO 7 JULY 2025

Expenditure component No	Quarter 3 Birr	Quarter 4 Birr	Total Birr
1	26,429,336.81	132,518,170.48	158,947,507.29
2	322,913.24	56,984,786.96	57,307,700.20
3		110,545,233.58	110,545,233.58
4		24,347,569.07	24,347,569.07
5		19,125,960.99	19,125,960.99
6		12,531,382.25	12,531,382.25
7	<u>20,884,933.05</u>	<u>22,456,882.50</u>	<u>43,341,815.55</u>
Total	<u>47,637,183.10</u>	<u>378,509,985.83</u>	<u>426,147,168.93</u>