

MINISTRY OF AGRICULTURE

**RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT
(RLLP) II**

**FINANCIAL STATEMENTS AND AUDIT REPORT
FOR THE YEAR ENDED JULY 7, 2023**

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**MINISTRY OF AGRICULTURE (MoA)
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II**

**FINANCIAL STATEMENTS AND AUDIT REPORT
FOR THE YEAR ENDED 7th JULY 2023**

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF MINISTRY OF AGRICULTURE (MoA) RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II

Opinion

We have audited the accompanying financial statements of the Resilient Landscapes and Livelihoods Project (RLLP) II comprising the statement financial position as at July 7th, 2023 and the Statement of Sources and Uses of Funds for the period covering July 7, 2022 up to July 7, 2023, and a summary of significant accounting policies and other explanatory information shown from pages 3 to 9.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Resilient Landscapes and Livelihoods Project (RLLP) II implemented by the FDRE Ministry of Agriculture, the Statement of Sources and Uses of Funds for period covering July 8, 2022 up to July 7, 2023 in accordance with the financial management policy of Ministry of Agriculture adopted for the Project. In addition, the Project was, in all material respects, in compliance with the Financing Agreements and Contracts.

With respect to the statements of sources and uses of funds submitted during the period listed on page 4, in our opinion:

- (a) The statements, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals;
- (b) The proceeds of the Designated account have been used exclusively for eligible expenditures and provisions and covenants of the Financing Agreement and Separate Agreement have been substantially respected.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing applicable to the audit of financial statements. Furthermore, we have audited the Project's compliance with the provisions and covenants of the Financing Agreements.

Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ethiopia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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




Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting policies of the Project, and for such internal control as management determines is necessary to enable the preparation of a project report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the project report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Ato Melkamu Belete.



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Addis Ababa
December 20, 2023

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MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 IDA- TF 0B5341
 STATEMENT OF FINANCIAL POSITION
 AS AT JULY 7, 2023

Currency: Ethiopian Birr

	Notes	2022	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalent	3	518,831	31,284,693
Accounts Receivable	4	11,433,574	257,489
		<u>11,952,405</u>	<u>31,542,182</u>
LIABILITIES AND FUND			
CURRENT LIABILITIES			
Account Payables	5	-	-
PROJECT FUND			
Fund balance	6	11,952,405	31,542,182
TOTAL LIABILITIES AND FUND BALANCE		<u>11,952,405</u>	<u>31,542,182</u>



MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 IDA- TF 0B5341
 STATEMENT OF SOURCE AND USES OF FUNDS
 FOR THE YEAR ENDED JULY 7, 2023

Currency: Ethiopian Birr

SOURCE OF FUND	Notes		2022
Transfer	6	23,490,102	33,660,790
Gain on foreign exchange valuation		232,721	254,818
		<u>23,722,823</u>	<u>33,915,608</u>
PROGRAM EXPENDITURE	7		
Components			
Green Infrastructure and Resilient Livelihoods		32,615,315	-
Investing in Institutions and Information for Resilience		9,184,940	1,706,954
Project Management		<u>1,512,346</u>	<u>666,472</u>
		<u>43,312,601</u>	<u>2,373,426</u>
EXCESS OF EXPENDITURE OVER INCOME		<u>(19,589,777)</u>	<u>31,542,182</u>



MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 IDA- TF 0B5341
 STATEMENT OF DESIGNATED ACCOUNT
 FOR THE YEAR ENDED JULY 7, 2023

Account No.	100071300351	
Depository Bank	National Bank of Ethiopia	
Address	Addis Ababa, Ethiopia	
Currency	USD	
	USD	ETB
Opening balance	51,959.32	2,703,427.83
Add:		
Transfer from IDA	<u>435,440</u>	<u>23,490,102</u>
	487,399	26,193,530
Less:- Transferred to Birr account	<u>(480,000)</u>	<u>(26,021,968)</u>
	7,399	171,562
Add:- Gain on exchange	<u>-</u>	<u>232,721</u>
Ending balance, 7 July 2023	<u>7,399</u>	<u>404,283</u>



**MINISTRY OF AGRICULTURE (MoA)
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
IDA- TF 0B5341
FOR THE YEAR ENDED 7th JULY 2023**

Currency: Ethiopian Birr

1. BACKGROUND

The Project Development Objective of Second Resilient Landscapes and Livelihoods Project (RLLP II) is to improve climate resilience, land productivity and carbon storage, and increase access to diversified livelihood activities in selected rural watersheds. The objective would be achieved through the provision of capital investments, capacity building and technical assistance and for small holder farmers in the watersheds and government institutions at national and sub-national levels.

The Project will build on the wealth of technical, operational and institutional experiences and lessons learnt through the implementation of GoE's SLM Program, including the Bank-financed RLLP I and similar initiatives supported by other bilateral and multilateral partners in the country and the region.

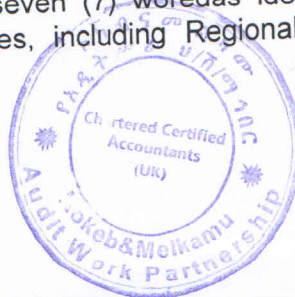
It will be implemented through three components: (i) Investment in Green Infrastructure and Resilient Livelihoods; (ii) Investing in Institutions and Information for Resilience and (iii) Project Management and Reporting.

The implementation of the RLLP II takes place in seven regions of the country. These are: Amhara, Beneshangul-Gumuz, Gambella, Oromia, Southern Nations Nationalities and People (SNNP), Sidaama and Tigray.

The proposed Project is a 5-years Investment Project Financing of US\$165.24 million from GCF sources and a grant from PROGREEN in the amount of US\$ 13 million both through the World Bank making the total project funding US\$ 178.24 million.

The GCF finances all subcomponents of Component 1 (Green Infrastructure and Resilient Livelihoods), and Component 2 (Investing in Institutions and Information for Resilience) but limited to only sub component 3 (a) (Operating Costs and costs of implementing Project's fiduciary and environmental and social safeguard aspects, financial management, procurement, training and awareness creation, gender mainstreaming, and monitoring and evaluation and reporting) of Component 3 (Project Management and Reporting), only in 40 intervention Woredas identified for GCF financing and respective Regional and Federal Project Coordination Offices.

The PROGREEN funding finances all subcomponents of Component 1 (Green Infrastructure and Resilient Livelihoods) but limited to subcomponent 2 (a) (i) (implementation of the Project and build capacity to sustain land and water management practices in watersheds, including financing of selected staff positions and associated financing of training; and subcomponent 3 (b) engaging forest and biodiversity specialists; in seven (7) woredas identified for PROGREEN financing in SNNPR and Gambella Regional States, including Regional and Federal Project Coordination Offices.



2. ACCOUNTING POLICIES

RLLP II 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 whereas expenditure recognition is on modified basis.

b) Fixed assets

Fixed asset acquired for the project are shown as an expenditure in the year it occurs and reported on memorandum records.

c) Foreign currency transactions.

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

Federal RLLP II Coordinating Unit (FPCU), Regional (RPCU) and Project Woredas will keep the original book of accounts for their own financial transactions and posts to the general ledger, Project woreda keeps all financial documents and prepare quarterly financial statements using Peachtree accounting program and submit to RPCU; RPCU will prepare quarterly financial statement for its own financial transactions and woreda expenditures and submit to FPCU;

FPCU prepares a consolidated financial report and submit to the World Bank and Ministry of Agriculture



MINISTRY OF AGRICULTURE (MoA)
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
IDA- TF 0B5341
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 7, 2023

Currency: Ethiopian Birr

3. CASH AND CASH EQUIVALENT

		2022
ETB A/C	114,548	28,581,265
USD A/C	404,283	2,703,428
	<u>518,831</u>	<u>31,284,693</u>

From the total cash at bank maintained at NBE, Birr 404,283 is the equivalent of USD 7,399.45 balance in the Designated Account.

4. ACCOUNT RECEIVABLES

Regional Project advance	5,823,932	257,489
Sundry Debtors	5,609,642	-
	<u>11,433,574</u>	<u>257,489</u>

i) The breakdown of Birr 5,823,931.66 Regional Project Advances are as follows:

SNNPR	1,758,165	157,489
Gambella	892,424	100,000
SWE Region	3,173,343	-
	<u>5,823,932</u>	<u>257,489</u>



5. FUND BALANCE

Balance brought forward	31,542,182	-
Add: excess of expenditure over income	(19,589,777)	31,542,182
Balance carried forward	<u>11,952,405</u>	<u>31,542,182</u>

6. REVENUE

PROGREEN	Date	USD	Exchange Rate	
IDA (TF 0B5341)	27-Feb-23	234,131.72	53.7531	12,585,306
	28-Apr-23	201,308.41	54.1696	10,904,796
				<u>23,490,102</u>

Withdrawal Application

No. 0002	27-Feb-23	234,131.72	53.7531	12,585,306
No. 0005	28-Apr-23	201,308.41	54.1696	10,904,796
				<u>23,490,102</u>

PROGREEN is a global partnership for sustainable and resilient landscapes that supports countries' efforts to improve livelihoods of the rural poor while tackling climate change, loss of biodiversity and forests, deteriorating land fertility, and uncontrolled forest fires. It is a World Bank Multi-Donor Trust Fund that was launched in 2019 with contributions from Germany, Norway and Iceland.

MINISTRY OF AGRICULTURE (MoA)
 RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
 IDA- TF 0B5341
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JULY 7, 2023

Currency: Ethiopian Birr

7. EXPENDITURE

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Project Components			
Component 1 -Green Infrastructure and Resilient Livelihoods			
<i>Sub component 1.1 Lands, and Land Restoration and Watershed Management</i>	65,767,228	31,791,662	33,975,566
<i>Sub component 1.2 Climate-Smart Agriculture</i>	-	-	-
<i>Sub component 1.3 Livelihood Diversification and Connection to Value Chains</i>	1,333,850	823,652	510,198
Sub Total	<u>67,101,078</u>	<u>32,615,315</u>	<u>34,485,763</u>
Component 2: Investing in Institutions and Information for Resilience			
<i>2(a): provision of technical assistance, at the local government level to carry out capacity to sustain land and water management practices in watersheds, including financing of selected staff positions and associated financing of training</i>	16,939,600	9,184,940	7,754,660
<i>2(a) (ii) development of data management plan, piloting of new technologies for information modernization</i>	-	-	-
<i>2(a) (i); } implementation of the Community Watershed Users' Cooperative Societies proclamation and development and</i>	-	-	-
<i>2(b) capacity building at the regional level for Project implementation</i>	-	-	-
<i>2(c) -provision of technical assistance at the national level for Project implementation</i>	-	-	-
Sub Total	<u>16,939,600</u>	<u>9,184,940</u>	<u>7,754,660</u>
Component 3: Project Management and Reporting			
<i>3(a). Operating Cost - program management, and coordination, Monitoring and evaluation, and Capacity Development Support Facility</i>	-	-	-
<i>3(b) Engaging forest and biodiversity specialists</i>	1,659,324	1,512,346	146,978



**MINISTRY OF AGRICULTURE AND NATURAL RESOURCES
RESILIENT LANDSCAPES AND LIVELIHOODS PROJECT (RLLP) II
IDA- TF 0B5341
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD COVERING FROM APRIL 9, 2022 TO JULY 07, 2023
EXPENDITURE OVERVIEW**

Project Components	Budget	Actual	Variance	Utilization
Component 1 -Green Infrastructure and Resilient Livelihoods				
Sub component 1.1 Lands, and Land Restoration and Watershed Management	76,685,758	31,791,662	44,894,095	41%
Sub component 1.2 Climate-Smart Agriculture	-	-	-	0%
Sub component 1.3 Livelihood Diversification and Connection to Value Chains	12,252,380	823,652	11,428,727	7%
Sub Total	88,938,137	32,615,315	56,322,822	37%
Component 2: Investing in Institutions and Information for Resilience				
2(a): provision of technical assistance, at the local government level to carry out capacity to sustain land and water management practices in watersheds, including financing of selected staff positions and associated financing of training	27,089,650	11,558,366	15,531,284	43%
2(a) (ii) development of data management plan, piloting of new technologies for information modernization	-	-	-	0%
2(a) (i); } implementation of the Community Watershed Users' Cooperative Societies proclamation and development and	-	-	-	0%
2(b) capacity building at the regional level for Project implementation	-	-	-	0%
2(c) -provision of technical assistance at the national level for Project implementation	-	-	-	0%
Sub Total	27,089,650	11,558,366	15,531,284	43%
Component 3: Component 3: Project Management and Reporting				
3(a). Operating Cost - program management, and coordination, Monitoring and evaluation, and Capacity Development Support Facility	-	-	-	0%
3(b) Engaging forest and biodiversity specialists	3,551,560	1,512,346	2,039,214	43%
Sub Total	3,551,560	1,512,346	2,039,214	43%
Grand Total	119,579,347	45,686,027	73,893,320	38%