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**AUDIT SERVICES  
CORPORATION**

THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

DEVELOPMENT BANK OF ETHIOPIA

SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT

(SMEFP)-P148447 CREDIT NUMBER 57930 AND 68640, AND

FI85755

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

30 JUNE 2022





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የሂሳብ ምርመራ አገልግሎት ኮርፖሬሽን  
**Office of the Federal Auditor General**  
**Audit Service Corporation**

**INDEPENDENT AUDITOR'S REPORT ON**  
**THE FINANCIAL STATEMENTS OF DEVELOPMENT BANK OF ETHIOPIA**  
**SMALL AND MEDIUM ENTERPRISES FINANCE PROJECT (SMEFP)-P148447**  
**CREDIT NUMBER 57930 AND 68640, AND FI85755**

**Opinion**

We have audited the accompanying financial statements of Small and Medium Enterprise Finance Project of the Federal Democratic Republic of Ethiopia, Development Bank of Ethiopia, financed by World Bank Project 148447 Credit Number 57930 and 68640, and European Investment Bank Project FI85755, which comprise the balance sheet as at 30 June 2022, and the statement of sources and uses of funds and a Designated Account statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of Small and Medium Enterprise Finance Project of the Federal Democratic Republic of Ethiopia, Development Bank of Ethiopia, financed by Credit Number 57930 and 68640, as at 30 June 2022 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.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). We are independent of the audited entity/Development Bank of Ethiopia and its sub implementers in accordance with the relevant ethical requirements relating to the audit, and have fulfilled the auditor's other ethical responsibilities in accordance with these requirements as per the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

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

### **Responsibilities of Management for the Financial Statements**

The Development Bank of Ethiopia 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 bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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.

### **Report on other requirements**

As required by the terms of reference and the World Bank guidelines we must report, in addition to our opinion, that

- during the period all external financing has been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
- 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 the financing was provided



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- goods, works and services financed have been provided in accordance with the relevant financing agreements 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 financing agreement and funds disbursed out of the Account were used only for the purposes intended in the financing agreement;
  - National laws and regulations have been complied with and that the financing and accounting procedures approved for the Project;
  - Financial performance of the Project is satisfactory;
  - Assets procured from Project funds exist and there is a verifiable ownership by the Project implementing beneficiaries in line with the financing agreement.
  - we did not come across with any ineligible expenditures included in withdrawal applications;
  - our examination revealed no major weaknesses or irregularities in the system of internal control over financial;
  - Furthermore, with respect to the interim financial reports (IFRs) submitted during the year ended 30 June 2022 and listed on page 14, in our opinion,
- I. the reports, together with the procedures and internal controls involved in their preparation can be relied upon to support the relevant withdrawals;
  - II. adequate supporting documentation has been maintained to support claims to IDA.; and
  - III. expenditures are eligible for financing under Loan Number IDA 57930 and 68640.

*AUDIT SERVICE CORPORATION*

Date: 27 March 2023





DEVELOPMENT BANK OF ETHIOPIA  
SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT  
BALANCE SHEET  
AS AT 30 JUNE 2022

	<u>Notes</u>	<u>Birr</u>	<u>2021</u> <u>Birr</u>
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash at Bank	3	1,527,216,736	1,960,312,020
Advances	4	<u>889,739,414</u>	<u>511,092,964</u>
TOTAL CURRENT ASSET		2,416,956,150	2,471,404,984
CURRENT LIABILITIES			
Payable		=	=
NET CURRENT ASSETS		<u>2,416,956,150</u>	<u>2,471,404,984</u>
<b><u>REPRESENTED BY</u></b>			
FUND BALANCE	5	<u>2,416,956,150</u>	<u>2,471,404,984</u>



**DEVELOPMENT BANK OF ETHIOPIA  
SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT  
STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 30 JUNE, 2022**

		<u>Cumulative</u> <u>from 2017</u> <u>to 30 June 2022</u>	<u>2021</u> <u>Birr</u>
<b>Sources</b>	<b><u>Birr</u></b>	<b><u>Birr</u></b>	
IDA Credit	146,228,015	6,234,201,768	1,632,703,173
IDAF Credit	1,784,759,241	1,784,759,241	-
EIB Credit	-	<u>1,558,883,000</u>	<u>896,408,000</u>
	1,930,987,256	9,577,844,009	2,529,111,173
Gain or loss on exchange	<u>169,376,219</u>	<u>727,213,470</u>	<u>260,070,656</u>
	<u>2,100,363,475</u>	<u>10,305,057,479</u>	<u>2,789,181,829</u>
<b>Uses</b>			
<b>Window 1 Lease Finance to SMEs</b>			
Expenditure IDA	342,443,330	2,950,175,354	481,886,697
Expenditure IDAF	-	-	-
Expenditure EIB	-	<u>327,250,658</u>	<u>1,410,329</u>
	<u>342,443,330</u>	<u>3,277,426,012</u>	<u>483,297,026</u>
<b>Window 2 Working Capital Loan</b>			
Expenditure IDA	1,254,033,287	3,269,815,222	1,114,551,129
Expenditure IDAF	264,494,722	264,494,722	-
Expenditure EIB	<u>293,839,063</u>	<u>1,071,147,913</u>	<u>589,561,729</u>
	<u>1,812,367,072</u>	4,605,457,857	1,704,112,858
Bank Charge	<u>1,907</u>	<u>12,201</u>	<u>500</u>
	<u>2,154,812,309</u>	<u>7,882,896,070</u>	<u>2,187,410,384</u>
Excess of sources over uses	<u>(54,448,834)</u>	<u>2,422,161,409</u>	<u>601,771,445</u>
Prior Year Adjustment ( 6)		<u>5,205,259</u>	
Balance on 30 June 2022	<u>(54,448,834)</u>	<u>2,416,956,150</u>	<u>601,771,445</u>



**DEVELOPMENT BANK OF ETHIOPIA**  
**SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT**  
**DESIGNATED ACCOUNT STATEMENT**

<b>For Year Ended</b>	<b>30 June 2022</b>
<b>Account Number</b>	<b>0101171300037</b>
<b>Depository Bank</b>	<b>National Bank of Ethiopia</b>
<b>Address</b>	<b>Addis Ababa, Ethiopia</b>
<b>Related Credit</b>	<b>Loan No. 57930 and Project ID No. P 148447</b>
<b>Currency</b>	<b>USD</b>

	<u>USD</u>	<u>Equivalent in Birr</u>
Balance, 01 July 2021	26,665,966	1,176,713,085
<b>ADD</b>		
Received from the World Bank during the year	<u>3,173,737</u>	<u>146,228,015</u>
	<u>29,839,703</u>	<u>1,322,941,100</u>
<b>DEDUCT</b>		
Transfer to Birr account	29,839,459	1,447,890,829
Bank service charge	<u>28</u>	<u>1,474</u>
	<u>29,839,487</u>	<u>1,447,892,303</u>
	216	(124,951,203)
Gain on Foreign Exchange	-	<u>124,962,543</u>
<b>Ending Balance, 30 June 2022</b>	<u><b>216</b></u>	<u><b>11,340</b></u>



**DEVELOPMENT BANK OF ETHIOPIA**  
**SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT**  
**DESIGNATED ACCOUNT STATEMENT**

<b>For Year Ended</b>	<b>30 June 2022</b>
<b>Account Number</b>	<b>0101171300053</b>
<b>Depository Bank</b>	<b>National Bank of Ethiopia</b>
<b>Address</b>	<b>Addis Ababa, Ethiopia</b>
<b>Related Credit</b>	<b>Loan No.68640 and Project ID No. P148447</b>
<b>Currency</b>	<b>USD</b>

	<u>USD</u>	<u>Equivalent in Birr</u>
<b>Balance, 01 July 2021</b>	-	-
<b>ADD</b>		
Received from the World Bank during the year	<u>34,794,638</u>	<u>1,784,759,241</u>
<b>DEDUCT</b>		
Transfer to Birr account	9,999,992	520,396,600
Bank service charge	<u>8</u>	<u>400</u>
	<u>10,000,000</u>	<u>520,397,000</u>
	24,794,638	<u>1,264,362,241</u>
<b>Gain on Foreign Exchange</b>	=	<u>37,697,159</u>
<b>Ending Balance, 30 June 2022</b>	<u><b>24,794,638</b></u>	<u><b>1,302,059,400</b></u>





**DEVELOPMENT BANK OF ETHIOPIA**  
**SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT**  
**DESIGNATED ACCOUNT STATEMENT**

For Year Ended	30 June 2022
Account Number	0101171300042
Depository Bank	National Bank of Ethiopia
Address	Addis Ababa, Ethiopia
Related Credit	Loan No. 57930 and Project ID No. F 185755
Currency	EURO

	<u>USD</u>	<u>Equivalent in Birr</u>
Balance, 01 July 2021	7,064,376	371,028,091
<b>ADD</b>		
Received from the European Investment Bank during the year	=	-
	<u>7,064,376</u>	<u>371,028,091</u>
<b>DEDUCT</b>		
Transfer to Birr account	6,500,000	346,545,200
Bank service charge	<u>1</u>	<u>33</u>
	<u>6,500,001</u>	<u>346,545,233</u>
	564,375	24,482,858
Gain on Foreign Exchange	=	<u>6,716,517</u>
Ending Balance, 30 June 2022	<u>564,375</u>	<u>31,199,375</u>



**DEVELOPMENT BANK OF ETHIOPIA  
SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2022**

**1. BACKGROUND**

The Ministry of Finance and Economic Cooperation (MoFEC) represents the Government of Ethiopia (GoE) and is the signatory of the IDA Credit and Ministry of Industry (MOI) is mandated by MoFEC to be the responsible Ministry to host the SMEFP and have the coordinating role with the implementing agencies. MoFEC delegated the project implementation to the Development Bank of Ethiopia (DBE) and Federal Small and Medium Industries Development Agency (FeSMMIDA). The IDA Credit proceeds were transferred directly to Development Bank of Ethiopia (DBE) in line with the provisions of the Subsidiary Agreement, and to FeSMMIDA. The MoFEC is also the signatory of the European Investment Bank (EIB)'s Line of Credit. DBE is the exclusive project implementation agency for EIB Credit proceeds.

The project development objective of the project is to increase access to finance for eligible small and medium enterprises in Ethiopia. This will be achieved by the components: (I) Component 1: Financial Services to SMEs; (II) Component 2: Enabling environment for Small and Medium (SMEs) Enterprises Finance; (III) Component 3: Business Development Services to SMEs; (IV) Component 4: Project's management, communication and impact evaluation.

DBE is implementing Component one through its own branches, leasing companies, commercial banks and Micro Finance Institutions (MFIs). A Project Management Team (PMT) was established in DBE with the direct responsibility of managing the credit facility under component 1. The Project Closing Date is August 31, 2025.

**2. 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 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 Birr. Transactions in foreign currency are translated into Birr at the approximate rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Birr at the exchange rate ruling at the date of the balance sheet.



**DEVELOPMENT BANK OF ETHIOPIA**  
**SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**3. Cash at Bank**

		<u>2021</u>
NBE SME Designated IDA	11,340	1,176,713,085
NBE SME Designated IDAF	1,302,059,400	-
NBE SME Designated EIB	31,199,375	371,028,091
NBE SME Pooled Birr Account IDA	95,451,484	262,512,498
NBE SME Pooled Birr Account IDAF	41,007,342	-
NBE SME Pooled Birr Account EIB	<u>57,487,795</u>	<u>150,058,346</u>
	<u>1,527,216,736</u>	<u>1,960,312,020</u>

**4. Advances**

		<u>2021</u>
Advance provide to PFIs from (IDA)	496,467,555	477,992,327
Advance provide to PFIs from (IDAF)	214,894,536	-
Advance provide to PFIs from (EIB)	<u>178,377,323</u>	<u>33,100,637</u>
	<u>889,739,414</u>	<u>511,092,964</u>





**DEVELOPMENT BANK OF ETHIOPIA**  
**SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**4.1. Break down of Advances by Implementers and Sources as at 30 June 2022**

<u>PFI</u>	<u>BIRR</u>		<u>EIB</u>
	<u>IDA Parent Project (IDA)</u>	<u>IDA Additional Financing (IDAF)</u>	
Harbu Micro Finance Institution	-	37,085,727.87	-
Vision Fund Micro Finance Institution	-	7,830,000.00	-
Specialized financial & Prom. Institution	-	10,630,000.00	-
Berhan International Bank	29,940,137.00	-	-
Abay bank S.C.	31,772,202.10	-	-
Peace Micro Finance S.C	22,769,621.00	-	-
Hibret Bank	-	-	-
Enat Bank S.C	105,711,438.25	-	143,299,760.47
Addis International Bank	91,231,678.32	-	-
Nib International Bank	20,700,000.00	-	-
Buussa Gonoffa MF S.C.	23,101,979.00	-	-
Agar Micro Finance Institution	8,000,000.00	-	2,500,000.00
Amhara Cr. & Saving Institution S.C.	-	-	-
Wasasa Micro Finance Institution	-	-	-
Addis Credit & Saving Institution	15,052,276.88	-	21,026,830.64
Dashen Bank S.C.	29,900,996.00	-	11,550,732.00
Debub Global Bank S.C.	118,287,226.11	-	-
Zemen Bank	-	-	-
Addis Capital Goods Finance Business	-	74,346,960.48	-
Waliya Capital Goods Finance Business	-	85,001,847.36	-
Total PFIs	496,467,554.66	214,894,535.71	178,377,323.11



**DEVELOPMENT BANK OF ETHIOPIA  
SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 30 JUNE 2022**

**5. Fund Balance**

**Birr**

Balance, 01 July 2021	2,471,404,984
Opening balance adjustment	(400)
Excess of Sources Over Uses	<u>(54,448,434)</u>
Balance as at 30 June 2022	<b><u>2,416,956,150</u></b>

**6. Prior Year Adjustment (Opening balance, 01 July 2019)**

Not recorded expenditure in 2018	5,200,000
Arithmetic error of expenditure in 2018	<u>5,259</u>
	<b><u>5,205,259</u></b>

**7. DATE OF AUTHORIZATION**

The External Fund and Credit Management Directorate authorized the issue of these financial statements on 27 March, 2023.





DEVELOPMENT BANK OF ETHIOPIA

SMALL AND MEDIUM ENTERPRISE FINANCE PROJECT

IFR WITHDRAWAL SCHEDULE

FOR APPLICATIONS SUBMITTED DURING THE PERIOD FROM 01 JULY 2021 TO  
30 JUNE 2022

<u>Borrower Reference No</u>	<u>Amount Requested USD</u>	<u>Amount Disbursed USD</u>	<u>Equivalent in Birr</u>
DBE-SME-025	3,173,736.72	3,173,736.72	146,228,015
DBE-SME-AF-002	24,794,637.59	24,794,637.59	1,271,818,350
DBE-SME-AF-001	10,000,000.00	10,000,000.00	512,940,891
	<u>37,968,374.31</u>	<u>37,968,374.31</u>	<u>1,930,987,256</u>

