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AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

OF

**DEVELOPMENT BANK OF ETHIOPIA WOMEN
ENTREPRENEURSHIP DEVELOPMENT PROJECT GRANT
NUMBER IDA CREDIT NO.5112ET AND TRUST FUND NO.16392**

AS AT AND FOR THE YEAR ENDED 30 JUNE 2016

TAY & Co.

Chartered Certified Accountants & Authorized Auditors

Addis Ababa, Ethiopia

Tel. 251-11-442-1336 Fax 251-11-442-1338 E-mail: tayco@ethionet.et

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TAY & Co.

Chartered Certified Accountants & Authorized Auditors
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF DEVELOPMENT BANK OF ETHIOPIA WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT GRANT NUMBER IDA CREDIT NO.5112 & TRUST FUND NO. 16392 ET

Report on the financial Statements

We have audited the accompanying financial statements of Development Bank of Ethiopia Women Entrepreneurship Development Project Grant Number IDA Credit No.5112 and Trust Fund No.16392 ET, which comprise the statement of financial position as at 30 June 2016, the statement of sources, the statement of income and expenditures and uses of fund, and a summary of significant accounting policies and other explanatory notes for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principle. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policy; and making accounting estimates that are reasonable in the circumstances.

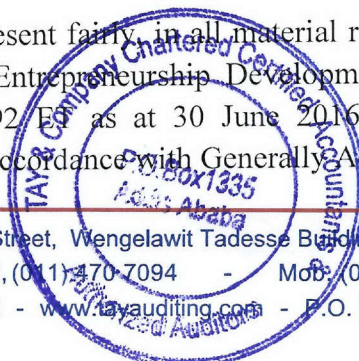
Auditor's Responsibility

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.

Opinion

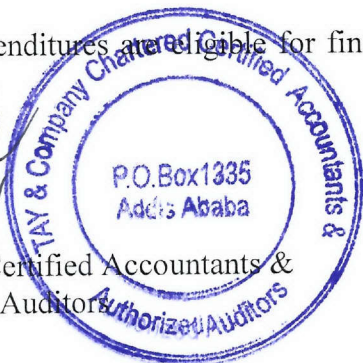
In our opinion, the financial statements present fairly, in all material respects, the financial position of Development Bank of Ethiopia Women Entrepreneurship Development Project Grant Number IDA Credit No.5112 and Trust Fund No.16392 ET as at 30 June 2016, its financial performance and operating result for the year then ended in accordance with Generally Accepted Accounting Principle.



In addition, with respect to the statement of income and expenditure ended 30 June 2016, in our opinion:-

- a. The statements, together with the procedures and initial control involved in their preparation, can be relied up on to support the relevant withdrawals,
- b. Adequate supporting documentation has been maintained to support claims to IDA and TF for reimbursements of expenditures incurred; and
- c. Expenditures are eligible for financing under IDA Credit No.5112 and Trust Fund t No.16392 ET.


TAY & Co.
Chartered Certified Accountants &
Authorized Auditors



Addis Ababa,
December 28, 2016

**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 AND TRUST FUND NO.16392
BALANCE SHEET
AT 30 JUNE 2016**

CURRENCY: ETHIOPIAN BIRR

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current assets			
Receivables	4	913,596,904.93	779,299,260.65
Cash at bank		22,005,933.62	110,682,705.95
Total assets		<u>935,602,838.55</u>	<u>889,981,966.60</u>
LIABILITIES			
Current liabilities			
Creditors	5	<u>877,888,431.63</u>	<u>857,748,328.72</u>
Net current asset		<u>57,714,406.92</u>	<u>32,233,637.88</u>
Represented by			
Fund Balance	3d,6	<u><u>57,714,406.92</u></u>	<u><u>32,233,637.88</u></u>



**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 AND TRUST FUND NO.16392
INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2016**

CURRENCY: ETHIOPIAN BIRR

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
INCOME	3c		
Interest income		37,155,692.17	31,045,229.16
Gain on exchange rate		<u>1,134,140.38</u>	<u>3,514,951.38</u>
		38,289,832.55	34,560,180.54
EXPENDITURE	3c		
Financial charge		<u>12,809,063.51</u>	<u>9,265,162.20</u>
EXCESS OF INCOME OVER EXPENDITURE		<u>25,480,769.04</u>	<u>25,295,018.34</u>



DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 and Trust Fund
NO 16392 ET
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

CURRENCY:
ETHIOPIAN BIRR

1. Background of the project

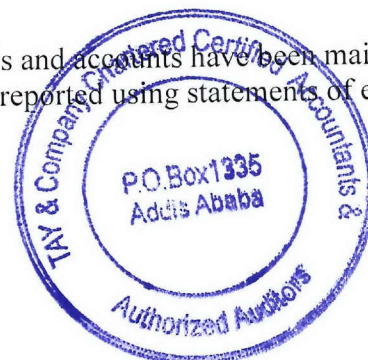
Financing agreement was signed on 12 June 2012 between the Federal Democratic Republic of Ethiopia and the International Development Association (IDA) and amended on August 18,2014 according to which a special drawing right (SDR) 32,200,000 (Thirty-two million two hundred thousand) is available in the form of credit to implement the activities of the Women Entrepreneurship Development project, under credit agreement No 5112-ET and Trust Fund NO. 16392.The project is implemented through Ministry of Urban Development and Construction (MoUD&C) National Project Management Team (NPMT) which is established with in the Federal Micro and Small Enterprise Development Agency (FeMSEDA) under the MoUD&C,MoUD&C ,FeMSEDA ,NPMT, Development Bank of Ethiopia (DBE) and other sub national administration selected for the execution of the project and implementing project activities. The objective of the project is to increase the earning and employment of Micro and small enterprises (MSEs)fully or partially owned by female entrepreneurs in the targeted cities.

2. Scope of the audit

The audit of the project is carried out in accordance with International Standard on Auditing (ISA) promulgated by the International Federation of Accountants (IFAC) including such test and procedures as deemed necessary under circumstances.

We also Visited, on the sample basis,the selected micro finance institutions (MFIs) participated in the project and ensure the following adhered to. We have given a Special attention that :

- 1) The World Bank financing has been used in accordance with conditions of relevant Financing agreements with due attention to economy and efficiency and only for the purpose for which the financing was provided.
- 2) The Counterpart fund have been provided and used in accordance with relevant financing agreements, with due attention to economy and efficiency and only for the purpose for which they were provided.
- 3) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of World Bank procurement policies and procedures.
- 4) All necessary supporting documents, records and accounts have been maintained in respect of the projects activity including expenditures reported using statements of expenditure (SOE)



method of reporting.

- 5) Designated accounts have been maintained in accordance with the provision of relevant financing agreements and funds disbursed out of the accounts were used only for the purpose intended in the financing Agreements.
- 6) National laws and regulations have been complied with, and that the financial and accounting procedures approved for the project were adhered.
- 7) Financial performance of the project is satisfactory.
- 8) Assets procured from the projects funds exist and there is verifiable ownership by the implementing agencies or beneficiaries in line with the financing agreement.
- 9) Ineligible expenditures included in withdrawal applications are identified and reimbursed to the designated accounts.

3. Accounting policies

The principal accounting policies adopted by the project are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a. Basis of presentation

These financial statements have been prepared in compliance with Generally Accepted Accounting Principle

b. Currency

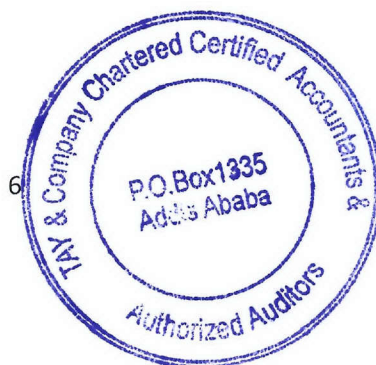
Foreign currency is converted to Birr at the exchange rate ruling at the date of the transaction. Cash balances maintained in the foreign currency is converted to Birr at the mid exchange rate ruling at the balance sheet date.

c. Basis of accounting

Modified cash basis of accounting is used in the recognition of sources and uses of fund.

d. Fund balance

It incorporates gain on exchange rate and net interest income before profit and tax of Development bank of Ethiopia obtained from disbursement of loan to micro finance institutions.



DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 AND TRUST FUND NO.16392
NOTES TO THE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

4. RECEIVABLE	<u>2016</u>	<u>2015</u>
Loan to micro finance institution	515,891,068.81	593,571,834.45
Receivable from DBE principal	341,291,608.53	154,252,917.55
Receivable from DBE Interest	45,848,702.35	23,980,064.90
Interest receivable from micro finance institution	10,565,525.24	7,494,443.75
	<u>913,596,904.93</u>	<u>779,299,260.65</u>
5. CREDITORS		
Loan from IDA	872,507,230.01	852,960,217.39
Interest payable to MoFED	5,381,201.62	4,788,111.33
	<u>877,888,431.63</u>	<u>857,748,328.72</u>
6. FUND BALANCE		
Opening balance	32,233,637.88	6,938,619.55
Current year transfer	25,480,769.04	25,295,018.33
	<u>57,714,406.92</u>	<u>32,233,637.88</u>



**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 AND TRUST FUND NO.16392
STATEMENT OF SOURCE AND USE FOR THE PROJECT
FOR THE YEAR ENDED 30 JUNE 2016**

CURRENCY: ETHIOPIAN BIRR

ANNEX 1

	Note	<u>2016</u>	<u>2015</u>
Source			
Source of fund IDA	Annex 2.1	872,507,230.02	852,960,217.39
Gain on exchange rate		<u>6,681,380.94</u>	<u>5,547,240.56</u>
		879,188,610.96	858,507,457.95
Uses			
Uses of fund by MFI's	Annex 3.1	<u>845,732,694.34</u>	<u>676,271,663.00</u>
Excess of source over uses		<u>33,455,916.62</u>	<u>182,235,794.95</u>
Represented by			
Cash at bank		22,005,933.62	110,682,705.95
Outstanding balance on MFI's	Annex 3.4	<u>11,449,983.00</u>	<u>71,553,089.00</u>
		<u>33,455,916.62</u>	<u>182,235,794.95</u>



**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 AND TRUST FUND NO.16392
STATEMENT OF SOURCE AND USE FOR THE PROJECT
FOR THE YEAR ENDED 30 JUNE 2016**

Annex 2

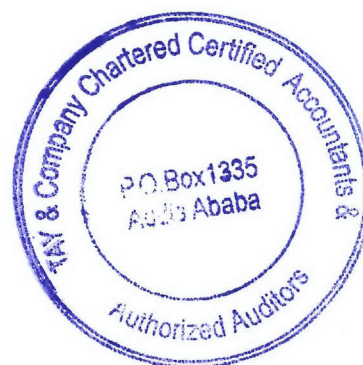
2.1 Source of fund (IDA)

CURRENCY: ETHIOPIAN BIRR

<u>Description</u>	<u>Date</u>	<u>Withdrawal application/ reference</u>	<u>USD</u>	<u>Rate</u>	
Balance as of 01 July 2015					852,960,217.40
9 th disbursement	6/6/2016	FDBE-003	900,721.73	21.70	<u>19,547,012.62</u>
					<u>872,507,230.02</u>

2.2 Loan given to MFI's by DBE

	<u>Date</u>	<u>Reference</u>	
balance as of 01 July 2015			747,824,752.00
MEKLIT Micro finance Institution	10/8/2015	RFD NO 0217	2,285,935.00
METEMAMEN Micro Finance S.C.	10/8/2015	RFD NO 0218	6,000,000.00
AGAR Micro Finance S.C.	10/8/2015	RFD NO 0219	11,700,000.00
Dedebit Credit & Saving Institute	6/10/2015	RFD NO 0221	17,577,283.00
Vision Fund Microfinance Institution S.C.	30/10/15	RFD NO 0222	15,971,519.00
AGAR Micro Finance S.C.	20/11/15	RFD NO 0223	16,266,585.00
MEKLIT Micro finance Institution	20/11/15	RFD NO 0224	2,285,935.00
Specialized Financial & Prom. Inst	20/11/15	RFD NO 0225	9,625,759.00
HARBU Micro Finance institution	19/11/15	RFD NO 0226	4,272,860.00
Amhara Credit & Saving Institution S.C	8/1/2016	RFD NO 0228	23,372,049.34
			<u>109,357,925.34</u>
			<u>857,182,677.34</u>



DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 AND TRUST FUND NO.16392
STATEMENT OF SOURCE AND USE FOR THE PROJECT
FOR THE YEAR ENDED 30 JUNE 2016

Annex 3

3.1 MFI's Disbursement to Final Beneficiaries up to June 30 2015

	<u>Date</u>	<u>Amount in Birr</u>
Balance as of 01 July 2015		676,271,663.00
Loan provided to MSEs by WASASA	30/6/2016	8,439,000.00
Loan provided to MSEs by SF&PI	30/6/2016	9,625,759.00
Loan provided to MSEs by ACSI	30/6/2016	23,372,049.34
Loan provided to MSEs by OCSSCO	30/6/2016	19,753,835.00
Loan provided to MSEs by Harbu	30/6/2016	4,272,860.00
Loan provided to MSEs by OMO	30/6/2016	4,067,254.00
Loan provided to MSEs by DECSI	30/6/2016	45,420,300.00
Loan provided to MSEs by AGAR	30/6/2016	27,966,585.00
Loan provided to MSEs by METEMAMEN	30/6/2016	6,000,000.00
Loan provided to MSEs by MEKLIT	30/6/2016	4,571,870.00
Loan provided to MSEs by VISION	30/6/2016	15,971,519.00
		<u>169,461,031.34</u>
		<u>845,732,694.34</u>

3.2 Outstanding advance on MFI's

	<u>Remaining balance from MFI as of July 01,2015</u>	<u>Additional loan given to MFI</u>	<u>MFI's disbursement to final beneficiary</u>	<u>Remaining balance as of June 30,2016</u>
WASASA Micro Finance Inst.	8,439,000.00		8,439,000.00	-
Specialized Financial & Prom. Inst	-	9,625,759.00	9,625,759.00	-
Amhara Cr. & Saving Inst	-	23,372,049.34	23,372,049.34	-
Oromia credit & Saving S.C	19,753,835.00	-	19,753,835.00	-
HARBU Micro Finance Inst.	-	4,272,860.00	4,272,860.00	-
OMO Micro Finance Inst.	4,067,254.00	-	4,067,254.00	-
DEDEBIT Cr. & Saving Inst. S.C	39,293,000.00	17,577,283.00	45,420,300.00	11,449,983.00
AGAR Micro Finance Inst.	-	27,966,585.00	27,966,585.00	-
METEMAMEN Micro Finance Inst.	-	6,000,000.00	6,000,000.00	-
MEKLIT Micro Finance Inst.	-	4,571,870.00	4,571,870.00	-
VISION Fund	-	15,971,519.00	15,971,519.00	-
	<u>71,553,089.00</u>	<u>109,357,925.34</u>	<u>169,461,031.34</u>	<u>11,449,983.00</u>



**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECTS
GRANT NUMBER IDA CREDIT NO 5112 & TRUST FUND NO 16392
SAMPLE SELECTED TO VISIT IMPLEMENTING MICRO FINANCE
INSTITUTION**

Basis of selection

We have selected these micro finance institution based on the amount of disbursement during the year under this audit. Accordingly these micro finance institutions made a higher disbarment during the year while compared to others.

	Regions	Name of micro finance	Branch visited	Number of loan file reviewed	Number of Beneficiary contacted & Visited
1	Addis Ababa	Agar micro finance	2		
			Kolfe Branch	8	4
			Megengn Branch	10	6
2	Oromia	Oromia Credit & Saving institution	3		
			Adama Main Branch	8	4
			Adama ODA Branch	8	4
			Holeta Branch	8	4
3	Tigray	Dedebit	2		
			Mekele Branch 1	4	
			Mekele Branch 2	6	





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DEVELOPMENT BANK OF ETHIOPIA

SFARFIP/393/2016

December 30, 2016

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Ref. No.

Date

Mr. Francesco Strobbe
Task Team Leader for WEDP
African Region
World Bank

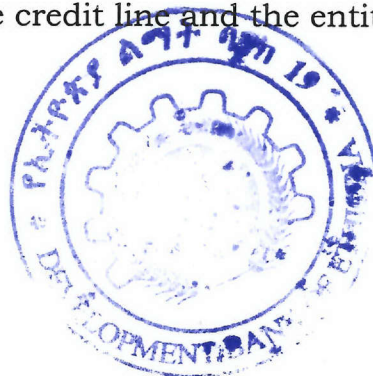
Subject: Audit Report of the External Auditors from 1st July, 2016 to June 30, 2016

We kindly inform you that the External Auditors completed the Financial Reports of the Women Entrepreneurship Development Project (WEDP) credit line No. 5112ET, TF No, 16392 and the Entry Financial Report as of 30 June 2016 and submitted to our Bank.

Accordingly, we have attached the External Auditors Financial Statements and Management letters of the credit line and the entity for the June ended 30th 2016.

With regards,

Behailu Kassaye (Dr.)
Director



Encl.

- Audited Financial Statement Credit Line 5126
- Audited Financial Statement of Entity
- Management Letter Credit Line 5126
- Management Letter of Entry Audit Report
- Internal Audit Report

C.C:

- V/P Credit Management
Development Bank of Ethiopia





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**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
OF**

**DEVELOPMENT BANK OF ETHIOPIA WOMEN
ENTREPRENEURSHIP DEVELOPMENT PROJECT GRANT
NUMBER IDA CREDIT NO.5112 ET**

AS AT AND FOR THE YEAR ENDED 30 JUNE 2016

TAY & Co.

Chartered Certified Accountants & Authorized Auditors

Addis Ababa, Ethiopia

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INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF DEVELOPMENT BANK OF ETHIOPIA WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT GRANT NUMBER IDA CREDIT NO.5112 ET

We have audited the accompanying special accounts of Development Bank of Ethiopia Women Entrepreneurship Development Project Grant Number IDA Credit No.5112 ET, for the year ended 30 June 2016,

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principle , This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policy; and making accounting estimates that are reasonable in the circumstances.

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.

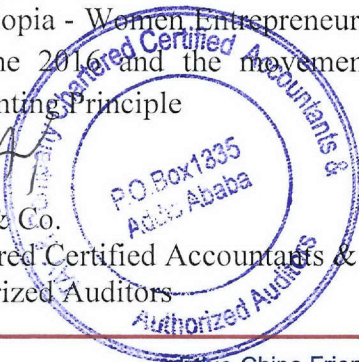
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special accounts give a true and fair view of the financial position of Development Bank of Ethiopia - Women Entrepreneurship Development Project Grant Number IDA Credit No.5112 ET ,as at 30 June 2016 and the movement for the year then ended in accordance with Generally Accepted Accounting Principle

TAY & Co.
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Authorized Auditors



Addis Ababa,
December 28, 2016

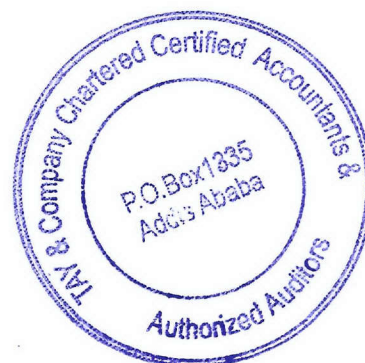
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**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER IDA CREDIT NO.5112 ET
STATEMENT OF DESIGNATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2016**

Account number : 02615/1550/0000010038100002
Depository bank National Bank of Ethiopia
Address : Addis Ababa, Ethiopia
Related Grant : IDA Credit 5112-ET
Currency USD

	<u>2016</u>	<u>2015</u>
Beginning balance	5,010,278.93	1,619,518.21
Add: Transfer from IDA	-	21,364,021.49
Amount settled with SOE's	-	-
	<u>5,010,278.93</u>	<u>22,983,539.70</u>
Less: Loan given to Micro Finances during the year	5,010,278.93	17,973,260.77
Ending Balance of IDA	<u><u>-</u></u>	<u><u>5,010,278.93</u></u>





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**AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
OF**

**DEVELOPMENT BANK OF ETHIOPIA WOMEN
ENTREPRENEURSHIP DEVELOPMENT PROJECT GRANT
NUMBER TRUST FUND NO.16392 ET**

AS AT AND FOR THE YEAR ENDED 30 JUNE 2016

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INDEPENDENT AUDITOR’S REPORT TO THE MANAGEMENT OF DEVELOPMENT BANK OF ETHIOPIA WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT GRANT NUMBER TRUST FUND NO.16392 ET

We have audited the accompanying special accounts of Development Bank of Ethiopia Women Entrepreneurship Development Project Grant Number Trust funds No.16392 ET, for the year ended 30 June 2016,

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principle. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policy; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

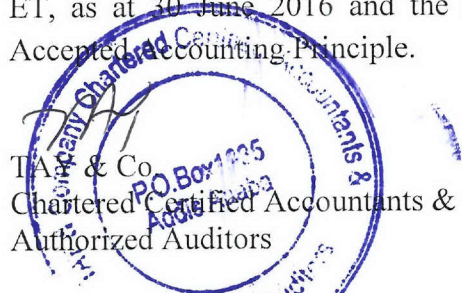
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

Opinion

In our opinion, the special accounts give a true and fair view of the financial position of Development Bank of Ethiopia - Women Entrepreneurship Development Project Grant Number Trust fund No.16392 ET, as at 30 June 2016 and the movement for the year then ended in accordance with Generally Accepted accounting Principle.



Addis Ababa,
December 28, 2016

**DEVELOPMENT BANK OF ETHIOPIA
WOMEN ENTREPRENEURSHIP DEVELOPMENT PROJECT
GRANT NUMBER TRUST FUND NO. 16392
STATEMENT OF DESIGNATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2016**

Account number:	10038100003
Depository bank	ational Bank of Ethiopia
Address:	Addis Ababa, Ethiopia
Related Grant :	Trust Fund No 16392
Currency	USD

	<u>2016</u>	<u>2015</u>
Beginning balance	318,293.37	-
Add: Transfer from trust fund	900,721.73	1,000,000.00
Less: Loan given to Micro Finances during the year	219,581.28	681,706.63
Ending Balance of Trust Fund	<u>999,433.82</u>	<u>318,293.37</u>

