

# **AUDITED PROJECT FINANCIAL STATEMENTS**

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Loan no. 2000000827, 2000000778, 2000001739

Period covered: 1 January 2018 to 31 December 2018

Agriculture Modernization, Market Access And Resilience  
Project (Ammar)

Prepared by BDO

Received on 7 June 2019

The Audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those IFAD's Board of Directors, Management or Staff. These documents are made publicly available in accordance with the "IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects (2018)"

**AGRICULTURE MODERNIZATION, MARKET ACCESS AND RESILIENCE  
PROJECT (“AMMAR”)**

**IFAD LOAN NUMBER 2000000778  
IFAD GRANT NUMBER 2000000248  
GEF GRANT NUMBER 2000000827  
DANIDA GRANT NUMBER 2000001739**

**IMPLEMENTED BY  
INTERNATIONAL RELATIONS DEPARTMENT (“IRD”)  
OF THE MINISTRY OF ENVIRONMENTAL PROTECTION AND AGRICULTURE OF GEORGIA**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR’S REPORT**

**For the year ended 31 December 2018**

**TBILISI  
May 2019**

# **AGRICULTURE MODERNIZATION, MARKET ACCESS AND RESILIENCE PROJECT**

**IFAD LOAN NUMBER 2000000778**  
**IFAD GRANT NUMBER 2000000248**  
**GEF GRANT NUMBER 2000000827**  
**DANIDA GRANT NUMBER 2000001739**

## **TABLE OF CONTENTS**

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	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS	<b>3</b>
INDEPENDENT AUDITOR'S REPORT	<b>4-5</b>
SPECIAL PURPOSE FINANCIAL STATEMENTS For the year ended 31 December 2018:	
Statement of cash receipts and payments	<b>6</b>
Statement of expenditures per components	<b>7</b>
Notes to the special purpose financial statements	<b>8-20</b>
ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD	<b>21-22</b>

## **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

The management of the International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of Georgia ("MEPA") is responsible for the preparation of the special purpose financial statements of "Agriculture Modernization, Market Access and Resilience Project" ("Project") financed by Financing Agreement IFAD Loan Number 2000000778 dated 17 Feb 2015, Grant Agreement IFAD Grant Number 2000000248 dated 18 Dec 2013, Financing Agreement DANIDA Grant Number 2000001739 dated 1 May 2017 and Financing Agreement GEF Grant Number 2000000827 dated 17 Feb 2015 (all together "Financing Agreements"), that present fairly the Project's cash receipts and payments, and expenditures per components for the year ended 31 December 2018, in accordance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC) and financial reporting relevant requirements of IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook").

In preparing the special purpose financial statements, IRD's management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the year ended 31 December 2018.

IRD's Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with *IPSAS - Cash Basis* and the *IFAD Handbook*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Financing Agreements, and IFAD Handbook, with due attention to economy and efficiency, and only for the purposes for which the financing was provided; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the year ended 31 December 2018 were authorized for issue on 17 May 2019 by the IRD's Management.

  
George Khanishvili  
First Deputy Minister of MEPA



  
Nino Tatishvili  
Consultant in Financial Management of IRD



## INDEPENDENT AUDITOR'S REPORT

To the Ministry of Environmental Protection and Agriculture of Georgia

### **Opinion**

We have audited the special purpose financial statements of "Agriculture Modernization, Market Access and Resilience Project" ("Project") financed by Financing Agreement IFAD Loan Number 2000000778 dated 17 Feb 2015, Grant Agreement IFAD Grant Number 2000000248 dated 18 Dec 2013, Financing Agreement GEF Grant Number 2000000827 dated 17 Feb 2015, and Financing Agreement DANIDA Grant Number 2000001739 dated 1 May 2017 (all together "Financing Agreements"), and implemented by International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of Georgia, which comprise the statement of cash receipts and payments and the statement of expenditures per components for the year ended 31 December 2018, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash flows for the year ended 31 December 2018 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, ("IPSAS-Cash Basis").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). 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 Project and of the IRD in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical requirements in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter- Cash Basis of Accounting**

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

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

Management of the IRD is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") of the IFAC and Financial reporting requirements of IFAD Handbook, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility for the Audit of the Special Purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 special purpose financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal Requirements

To comply with the terms of the Financing Agreement, the IRD's management shall insure that:

1. funds have been used in accordance with the conditions of the Financing Agreements concluded between the International Fund for Agriculture Development (“IFAD”) and the Georgia, and IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects (“IFAD Handbook”), with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been maintained to support expenditures incurred. Expenditures included in the withdrawal applications (SOEs) and reimbursed against are eligible for financing under the Letter Agreement. Amounts withdrawn from the project account on the basis of such SOEs were used for the purposes intended under the Letter Agreement. Respective unaudited financial reports issued by IRD during the reporting period are in agreement with the underlying books of account;
3. the Designated Account used has been maintained and withdrawals from it were in accordance with the provision of the Financing Agreement, and IFAD Handbook;
4. Works, Goods and Services financed have been procured in accordance with the Financing Agreement and IFAD Handbook;
5. Assets procured exist, are properly safeguarded and there is verifiable ownership by IRD or beneficiaries in line with the Financing Agreements.

In our opinion, the IRD's management has complied with the above requirements for the year ended 31 December 2018.

“BDO Armenia” CJSC  
17 May 2019

Gnel Khachatryan, FCCA  
Engagement Partner



**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Statement of cash receipts and payments**  
**For the year ended 31 December 2018**  
*(Amounts are shown in US dollars)*

Note	Actual Reporting year	Cumulative as at 31.Dec.2018	Budget Cumulative as at 31.Dec.2018	Variance Cumulative as at 31.Dec.2018
	<b>3,188,640</b>	<b>-</b>		
	<b>2,635,586</b>	<b>6,636,768</b>		
	<b>1,051,966</b>	<b>2,613,826</b>		
	<b>750,050</b>	<b>2,250,050</b>		
	<b>400,225</b>	<b>841,529</b>		
	<b>4,837,827</b>	<b>12,501,878</b>		
	<b>-</b>	<b>1,204</b>		
	<b>2,578,858</b>	<b>4,825,465</b>	<b>5,818,989</b>	<b>(993,524)</b>
	<b>505,822</b>	<b>1,282,723</b>	<b>2,035,012</b>	<b>(752,289)</b>
	<b>3,548,118</b>	<b>4,467,404</b>	<b>3,762,387</b>	<b>705,017</b>
	<b>163,362</b>	<b>697,118</b>	<b>980,340</b>	<b>(283,222)</b>
	<b>6,796,160</b>	<b>11,272,710</b>	<b>12,596,728</b>	<b>(1,324,018)</b>
	<b>13,250</b>	<b>13,315</b>		
	<b>1,217,057</b>	<b>1,217,057</b>		

**Nino Tatishvili**  
**Consultant in Financial Management of IRD**

**George Khanishvili**  
**First Deputy Minister of MEPA**

**17 May 2019**  
The notes on pages 8-21 form an integral part of these special purpose financial statements.



**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Statement of expenditures per components**

For the year ended 31 December 2018

(Amounts are shown in US dollars)

Components	Actual	Planned		Variance	
	Reporting year	Cumulative as at 31.Dec.2018	Cumulative as at 31.Dec.2018	Cumulative as at 31.Dec.2018	Cumulative as at 31.Dec.2018
Part 1. Irrigation and Agricultural Value Chain Investment	6,171,604	9,395,681	10,460,075	(1,064,394)	(1,064,394)
1.1. Investment in secondary off-farm irrigation and value chain infrastructure	2,571,101	4,859,262	5,910,543	(1,051,281)	(1,051,281)
1.2. Private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities	3,600,503	4,536,419	4,549,532	(13,113)	(13,113)
Part 2. Climate-smart Agriculture and Value Chain development	451,793	1,330,129	1,469,181	(139,052)	(139,052)
2.1. Value Chain development process and support	259,715	936,662	912,844	23,818	23,818
2.2. Climate-smart agricultural technology transfer	192,078	393,467	556,337	(162,870)	(162,870)
Part 3. Project management	172,763	546,900	667,472	(120,572)	(120,572)
<b>TOTAL</b>	<b>6,796,160</b>	<b>11,272,710</b>	<b>12,596,728</b>	<b>(1,324,018)</b>	<b>(1,324,018)</b>

George Khanishvili  
First Deputy Minister of MEPA

17 May 2019

The notes on pages 8-21 form an integral part of these special purpose financial statements.

Nino Tatishvili  
Consultant in Financial Management of IRD



**Notes to the special purpose financial statements**

For the year ended 31 December 2018

*(Amounts are shown in US dollars)*

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**1. General information**

**1.1. The Project**

The Financing Agreement IFAD Loan Number 2000000778 was signed on 17 February 2015 between the Georgia and the International Fund for Agriculture Development ("IFAD"), according to which IFAD provided financing to the Georgia in the amount of 8,610,000 Special Drawing Rights (SDR). The payment currency of the loan is United States dollars (USD). The Financing Agreement became effective on 28 May 2015.

The Grant Agreement IFAD Grant Number 2000000248 was signed on 18 Dec 2013 between the Georgia and IFAD, according to which IFAD provided financing to the Georgia in the amount of 500,000 USD. The Grant Agreement became effective on 18 Dec 2013.

The Financing Agreement DANIDA Grant Number 2000001739 was signed on 1 May 2017 between the Georgia and IFAD, according to which IFAD provided financing to the Georgia in the amount of 4,110,000 USD. The Financing Agreement became effective on 1 May 2017.

The IFAD Loan and Grant were provided for the implementation of "Agriculture Modernization, Market Access and Resilience Project" (the Project).

The Financing Agreement GEF Grant Number 2000000827 was signed on 17 February 2015 between the Georgia and the IFAD, according to which Global Environment Facility ("GEF") Secretariat provided additional financing for the Project in the amount of 5,300,000 USD. The Financing Agreement became effective on 17 Feb 2015.

The Completion date of financing under IFAD Loan Number 2000000778 is set 31 October 2020 (as updated). The Closing date for making payments for expenditures incurred before the Completion date is set: 30 April 2021.

The Completion date of financing under IFAD Grant Number 2000000248 is set 31 December 2016. The Closing date is set: 30 September 2017.

The Completion date of financing under GEF Grant Number 2000000827 is set 31 July 2020 (as updated). The Closing date is set: 31 January 2021.

The Completion date of financing under DANIDA Grant Number 2000001739 is set 31 December 2019. The Closing date is set: 30 June 2020.

**1.2. The Project objectives**

The objective of the Project is to stimulate investment in climate smart agricultural value chains to increase incomes and strengthen resilience of smallholder farmers.

The Project consists of the following components:

Component 1: Irrigation and Agricultural Value Chain Investment

**Notes to the special purpose financial statements**

For the year 31 December 2018

(Amounts are shown in US dollars)

1. Support investment in secondary off-farm irrigation and value chain infrastructure;
2. Stimulate private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities through a partial matching grant scheme.

**Component 2: Climate Smart Agriculture and Value Chain Development**

- (i) an initial value chain screening and prioritization process;
- (ii) an ongoing multi-stakeholder process of value chain facilitation in each value chain to identify critical constraints thereof and ways to remove such constraints; and
- (iii) climate-smart good agricultural practices and technology transfer, training and promotion including practical field training at small-scale technology plots.

**Part C: Project Management**

**1.3. The Project Budget**

The Project is financed by:

- IFAD Loan Number 2000000778 -100% exclusive of duties and value added taxes (VAT),
- IFAD Grant Number 2000000248 -100% exclusive of duties and VAT,
- GEF Grant Number 2000000827 -100% exclusive of duties and VAT,
- DANIDA Grant Number 2000001739-100% exclusive of duties and VAT,
- Government cofinancing - duties and VAT,
- Beneficiary cofinancing (5% on Civil works, and 60% on Grants and Subsidies).

Category	IFAD Loan Number 2000000778		IFAD Grant Number 2000000248 (b)	GEF Grant Number 2000000827 7	Danida Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing (c)	Total
	SDR	USD equivalent (a)	USD	USD		USD equivalent	USD equivalent	USD equivalent
Works	4,645,000	6,493,655	-	1,316,000	-	1,796,221	390,483	9,996,359
Consultancies	60,000	83,879	48,512	878,000	326,052	40,093	-	1,376,536
Grants and Subsidies	2,605,000	3,641,759	-	2,076,000	3,372,948	-	-	9,090,707
Operating costs	440,000	615,115	111,193	500,000	-	36,789	-	1,263,097
Unallocated	860,000	1,202,270	-	530,000	411,000	-	-	2,143,270
<b>Total</b>	<b>8,610,000</b>	<b>12,036,678</b>	<b>159,705</b>	<b>5,300,000</b>	<b>4,110,000</b>	<b>1,873,103</b>	<b>390,483</b>	<b>23,869,969</b>

- (a) The budget USD equivalents for IFAD Loan Number 2000000778 with underlying currency of SDR, is calculated based on cumulative funds received in USD plus, if any, USD equivalent of undisbursed funds in SDR as at reporting date. SDR/USD rate as at 31.12.2018 is set at 1.39079 (31.12.2017 is set at 1.42413).
- (b) The IFAD Grant Number 2000000248 initial budget was 500,000 USD; however the grant was completed on 31 Dec 2016 with disbursement of just 159,705 USD. Undisbursed balance was cancelled, and updated budget was set to actual allocation made.
- (c) The amount of 390,483 USD reported in above table is an estimation of the beneficiaries community cofinancing share on Construction works is set 5% of total contract amount, to cover retained amount for liquation of defects within one year. The financing is provide by the beneficiaries to "Georgian Amelioration" LTD (State Owned), which transfers cash cofinancing to treasury account of IRD for making payments to contractors.
- (d) The budget above does not include beneficiary cofinancing related to Grants. The Beneficiaries shall provide prove of 60% share of the grants and subsidies through supporting documents (bank statements, payment receipts); which is estimated 13,636,061 USD equivalent as at 31.12.2018.

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
*(Amounts are shown in US dollars)*

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#### **1.4. Project Implementation**

The Project is implemented by the International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of the Georgia.

The IRD address is: 6 Marshall Gelovani Avenue, Tbilisi, Georgia, 0159.

The Agricultural Projects Management Agency ("APMA") is selected to implement activities related to grants under the Component 1: Irrigation and Agriculture Value Chain Investment.  
The grants and subsidies are provided in accordance with Investment Guideless dated.  
The APMA address is: 10a, Akhmeteli Str, Tbilisi, Georgia.



**Notes to the special purpose financial statements**  
For the year 31 December 2018  
(Amounts are shown in US dollars)

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**2. Summary of significant accounting policies**

**2.1. Preparation and presentation of financial statements**

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial reporting guidelines of IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook").

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

**2.2 Cash basis of accounting**

Project financing is recognised as a source of project funds when the cash is received. Project expenditures are recognised as a use of project funds when the payments are made.

**2.3 Reporting currency**

The reporting currency of these special purpose financial statements is United States dollars (USD). The expenditures made in local currency, Georgian Lari (GEL), are translated into USD based at the exchange rate prevailing at the date of the transaction as issued by the National Bank of Georgia (NBG).

The exchange rate defined by the NBG is as follows:

31 December 2017:	USD 1 = 2.5922 GEL.
31 December 2018:	USD 1 = 2.6727 GEL.

**2.4. Taxes**

The taxes are paid in accordance with the tax regulation of the Georgia.

**2.5. Budget**

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the Reporting year.

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
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**Notes to the special purpose financial statements**  
For the year 31 December 2018  
(Amounts are shown in US dollars)

### 3. Summary of SOEs

#### 3.1. IFAD Loan Number 2000000778

Withdrawal application No	Withdrawal application value date	Payment categories				Total
		Code: 200003, Works	Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200016 Operating costs	
7	24-Apr-2018	708,395.61	21,055.61	481,898.33	116,453.16	1,327,802.71
8	20-Jun-2018	244,530.07	12,217.32	271,327.77	21,715.11	549,790.27
9	05-Oct-2018	243,382.30	34,000.00	453,547.20	27,063.23	757,992.73
<b>Total</b>		<b>1,196,307.98</b>	<b>67,272.93</b>	<b>1,206,773.30</b>	<b>165,231.50</b>	<b>2,635,585.71</b>

#### 3.2. IFAD Grant Number 2000000248

The IFAD Grant Number 2000000248 was completed on 31 Dec 2016; no withdrawal application were submitted after that date.

#### 3.3. GEF Grant Number 2000000827

Withdrawal application No	Withdrawal application value date	Payment categories				Total
		Code: 200003, Works	Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200016 Operating costs	
7	19-Jun-2018	116,618.38	220,877.88	134,769.01	23,093.16	495,358.43
8	09-Oct-2018	15,594.82	225,081.59	297,191.00	18,740.33	556,607.74
<b>Total</b>		<b>132,213.20</b>	<b>445,959.47</b>	<b>431,960.01</b>	<b>41,833.49</b>	<b>1,051,966.17</b>

#### 3.4. DANIDA Grant Number 2000001739

Withdrawal application No	Withdrawal application value date	Payment categories			Total
		Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200019 Trainings	
2	09-Oct-2018	38,225.89	627,842.55	83,981.90	750,050.34
<b>Total</b>		<b>38,225.89</b>	<b>627,842.55</b>	<b>83,981.90</b>	<b>750,050.34</b>

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
*(Amounts are shown in US dollars)*

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#### **4. Statement of Designated Accounts**

##### **4.1. IFAD Loan Number 2000000778**

Bank account number

Bank

Bank location

Account currency

USD

	<b>Year ended 31.Dec.2018</b>
	<b>USD</b>
<b>1. Opening balance</b>	<b>1,073,169</b>
<b>2. Add: opening discrepancy</b>	<b>-</b>
<b>3. IFAD advance/replenishment</b>	<b>2,635,586</b>
<b>4. Less: Refund to IFAD from DA</b>	<b>-</b>
<b>5. Present outstanding amount advanced to DA</b>	<b>3,708,755</b>
<b>6. DA closing balance</b>	<b>146,146</b>
<b>7. Add: Amount of eligible expenditures paid</b>	<b>3,562,609</b>
<b>8. Less: interest earned (if credited to DA)</b>	<b>-</b>
<b>9. Total advance accounted for</b>	<b>3,708,755</b>
<b>10. Closing discrepancy (5)-(9)</b>	<b>-</b>

##### **4.2. IFAD Grant Number 2000000248**

The IFAD Grant Number 2000000248 funding was completed and the Designated account was closed as at 31 Dec 2017.

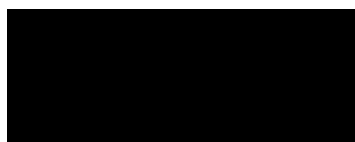


**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
**For the year 31 December 2018**  
*(Amounts are shown in US dollars)*

**4.3. GEF Grant Number 2000000827**

Bank account number  
 Bank  
 Bank location

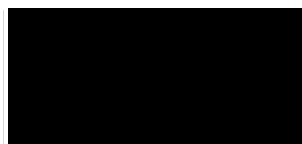


Account currency USD

	Year ended 31.Dec.2018 USD
1. Opening balance	619,283
2. Add: opening discrepancy	-
3. IFAD advance/replenishment	1,051,966
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	1,671,249
6. DA closing balance	267,839
7. Add: Amount of eligible expenditures paid	1,403,410
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	1,671,249
10. Closing discrepancy (5)-(9)	-

**4.4. DANIDA Grant Number 2000001739**

Bank account number  
 Bank  
 Bank location



Account currency USD

	Year ended 31.Dec.2018 USD
1. Opening balance	1,494,970
2. Add: opening discrepancy*	80
3. IFAD advance/replenishment	750,050
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	2,245,100
6. DA closing balance	654,050
7. Add: Amount of eligible expenditures paid	1,429,918
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	2,083,968
10. Closing discrepancy (5)-(9)*	161,132

(\*) Discrepancy consist of:

	31 Dec 2018 USD	31 Dec 2017 USD
Balance at transit account (Note 5)	147,918	80
Foreign exchange loss (on balance of GEL dominated cash at transit account)	13,214	-
	161,132	80

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
(Amounts are shown in US dollars)

**5. Cash**

	Underlying Currency	31 Dec 2018 USD	31 Dec 2017 USD
Designated Account (IFAD Loan Number 2000000778)	USD	146,146	1,073,169
Designated Account (GEF Grant Number 2000000827)	USD	267,839	619,283
Designated Account (DANIDA Grant Number 2000001739)	USD	654,050	1,494,970
Transit account (DANIDA Grant Number 2000001739)	GEL	147,918	80
Tender account	GEL	1,104	1,138
		<b>1,217,057</b>	<b>3,188,640</b>

**6. Project Expenditures**

**6.1. Expenditure per funding source per categories**

Category	For the year ended 31.Dec.2018						
	IFAD LOAN Number 2000000778	IFAD Grant Number 2000000248	GEF Grant Number 2000000827	DANIDA Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing	Total
	USD	USD	USD	USD	USD	USD	USD
Works	1,885,430	-	379,677	-	313,751	-	2,578,858
Consultancies	27,058	-	191,540	246,104	41,120	-	505,822
Grants and Subsidies	1,569,121	-	755,843	1,183,814	39,340	-	3,548,118
Operating costs	81,000	-	76,350	-	6,012	-	163,362
<b>Total</b>	<b>3,562,609</b>	<b>-</b>	<b>1,403,410</b>	<b>1,429,918</b>	<b>400,223</b>	<b>-</b>	<b>6,796,160</b>

Category	Cumulative as at 31.Dec.2018						
	IFAD LOAN Number 2000000778	IFAD Grant Number 2000000248	GEF Grant Number 2000000827	DANIDA Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing	Total
	USD	USD	USD	USD	USD	USD	USD
Works	3,607,607	-	606,464	-	611,394	-	4,825,465
Consultancies	89,425	48,512	738,491	251,054	155,241	-	1,282,723
Grants and Subsidies	2,404,602	-	839,648	1,183,813	39,341	-	4,467,404
Operating costs	388,990	111,193	161,383	-	35,552	-	697,118
<b>Total</b>	<b>6,490,624</b>	<b>159,705</b>	<b>2,345,986</b>	<b>1,434,867</b>	<b>841,528</b>	<b>-</b>	<b>11,272,710</b>

**6.2. Progress expenditure progress per categories**

Category	Cumulative Expenditures as at 31.Dec.2018	Project total budget	Progress (a)
	USD	USD	%
Works	4,825,465	9,996,359	48%
Consultancies	1,282,723	1,376,536	93%
Grants and Subsidies	4,467,404	9,090,707	49%
Operating costs	697,118	1,263,097	55%
Unallocated	-	2,143,270	n/a
<b>Total</b>	<b>11,272,710</b>	<b>23,869,969</b>	<b>47%</b>

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
*(Amounts are shown in US dollars)*

**7. Financing**

**7.1. IFAD Loan Number 2000000778**

**A. Per payment method**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Advance/ (advance recovery)	-	1,500,000
SOEs	2,635,586	5,136,768
<b>Total</b>	<b>2,635,586</b>	<b>6,636,768</b>
Total financing budget		<b>12,036,678</b>
Percentage of finance provided as at 31.Dec.2018		<b>55%</b>

**B. Per budget category**

Category	Cumulative allocation as at 31.Dec.2018 USD	Project total budget USD	Progress %
Works	2,643,831	6,493,655	41%
Consultancies	108,533	83,879	129%
Grants and Subsidies	1,745,793	3,641,759	48%
Operating costs	638,611	615,115	104%
Unallocated	-	1,202,270	n/a
Advance	1,500,000	-	n/a
<b>Total</b>	<b>6,636,768</b>	<b>12,036,678</b>	<b>55%</b>

**7.2. IFAD Grant Number 2000000248**

**A. Per payment method**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
SOEs	-	159,705
<b>Total</b>	<b>-</b>	<b>159,705</b>
Total financing budget		<b>159,705</b>
Percentage of finance provided as at 31.Dec.2018		<b>100%</b>

(\*) The amount 295.05 USD was refunded to WB on 23 June 2017.



**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
*(Amounts are shown in US dollars)*

**B. Per budget category**

Category	Cumulative allocation as at 31.Dec.2018	Project total budget	Progress
	USD	USD	%
Consultancies	45,042	45,042	100%
Equipment and materials	82,432	82,432	100%
Operating costs	-	-	n/a
Salaries and allowances	25,783	25,783	100%
Training	6,448	6,448	100%
Advance	-	-	n/a
<b>Total</b>	<b>159,705</b>	<b>159,705</b>	<b>100%</b>

The IFAD Grant Number 2000000248 initial budget was 500,000 USD; however the grant was completed on 31 Dec 2016 with disbursement of just 159,705 USD. Undisbursed balance was cancelled, and updated budget was set to actual allocation made.

**7.3. GEF Grant Number 2000000827**

**A. Per payment method**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Advance/ (advance recovery)	-	800,000
SOEs	1,051,966	1,813,826
<b>Total</b>	<b>1,051,966</b>	<b>2,613,826</b>
<b>Total financing budget</b>		<b>5,300,000</b>
<b>Percentage of finance provided as at 31 Dec 2018</b>		<b>49%</b>

**B. Per budget category**

Category	Cumulative allocation as at 31.Dec.2018	Project total budget	Progress
	USD	USD	%
Works	291,093	1,316,000	22%
Consultancies	917,127	878,000	104%
Grants and Subsidies	495,515	2,076,000	24%
Operating costs	110,091	500,000	22%
Unallocated	-	530,000	n/a
Advance	800,000	-	n/a
<b>Total</b>	<b>2,613,826</b>	<b>5,300,000</b>	<b>49%</b>

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
*(Amounts are shown in US dollars)*

**7.4. DANIDA Grant Number 2000001739**

**A. Per payment method**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Advance/ (advance recovery)	-	1,500,000
SOEs	750,050	750,050
<b>Total</b>	<b>750,050</b>	<b>2,250,050</b>
Total financing budget		<b>4,110,000</b>
Percentage of finance provided as at 31.Dec.2018		<b>55%</b>

**B. Per budget category**

Category	Cumulative allocation as at 31.Dec.2018 USD	Project total budget USD	Progress %
Works	-	-	n/a
Consultancies	38,225	326,052	12%
Grants and Subsidies	627,843	3,372,948	19%
Trainings	83,982	-	n/a
Unallocated	-	411,000	n/a
Advance	1,500,000	-	n/a
<b>Total</b>	<b>2,250,050</b>	<b>4,110,000</b>	<b>55%</b>

**7.5. Government cofinancing**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Contributions in cash	400,225	841,529
Total financing budget		<b>1,873,103</b>
Percentage of finance provided as at 31.Dec.2018		<b>45%</b>

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
*(Amounts are shown in US dollars)*

**7.6. Community Contribution**

**A. For Works**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Cash contributions	-	-
Total financing budget		390,483
Percentage of finance provided as at 31.Dec.2018		-

**B. Grants and Subsidies**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
In cash	4,678,115	5,841,168
Total financing budget		13,636,061
Percentage of finance provided as at 31.Dec.2018		43%

Grants and Subsidies are provided to individual small farmers and producers up to USD 15,000, and cooperatives up to USD 150,000 with maximum per benefiting member not exceeding USD 15,000; with beneficiary cofinancing of minimum of 60% in cash.

Grants are to be used only for acquisition of equipment/machinery and/or certification.

APMA is implementing the selection, administration and approval of the grant application (Note 1.4). The cash contribution by the beneficiaries is assessed through supporting payment documents (bank statements, payment checks) submitted to APMA; and those cash contributions are not done through bank venues of APMA or IRD. That is why, these financing is not included in the cash flow statements of the Project and is disclosed for information purposes.

The IRD transferred following amounts to APMA for providing grants to beneficiaries:

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Opening balance of undisbursed amount	25,021	-
Amount transferred	3,231,531	4,032,783
Amount disbursed	(3,125,416)	(3,901,647)
Closing balance of undisbursed funds	131,136	131,136

**8. Property and equipment**

	Year ended 31.Dec.2018 USD	Cumulative as at 31.Dec.2018 USD
Computers and equipment	-	97,269
	-	97,269

The equipment and inventory was acquired for in Vitro reproduction of Perennial Crops for LEPL Agriculture Scientific-Research Center.

**Notes to the special purpose financial statements**  
For the year 31 December 2018  
(Amounts are shown in US dollars)

**9. Adjustments of opening cumulative balances**

During reporting year opening cumulative balances of previous periods were adjusted.

**9.1. Statement of cash receipts and payments**  
*For categories of expenditures*

Category	Cumulative Expenditures as at 31.Dec.2017	Reclassifications*	Cumulative Expenditures as at 01.01.2018
	As presented in previous report		As restated
	USD	USD	USD
Works	2,151,444	95,163	2,246,607
Consultancies	776,901	-	776,901
Grants and Subsidies	801,252	118,034	919,286
Operating costs	746,953	(213,197)	533,756
<b>Total</b>	<b>4,476,550</b>	<b>-</b>	<b>4,476,550</b>

(\*) Some consultants' expenditures were reclassified from operating category to related categories of Works and Grants.

**9.2. Statement of expenditures per components**  
*For components of expenditures*

Category	Cumulative Expenditures as at 31.Dec.2017	Reclassifications*	Cumulative Expenditures as at 01.01.2018
	As presented in previous report		As restated
	USD	USD	USD
1.1. Investment in secondary off-farm irrigation and value chain infrastructure	2,158,187	129,974	2,288,161
1.2. Private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities	801,252	134,664	935,916
2.1. Value Chain development process and support	806,921	(129,974)	676,947
2.2. Climate-smart agricultural technology transfer	336,053	(134,664)	201,389
3. Project management	374,137	-	374,137
<b>Total</b>	<b>4,476,550</b>	<b>-</b>	<b>4,476,550</b>

(\*) The reclassification is mainly due to reclassifying GEF Grant Number 2000000827 expenditures from 2<sup>nd</sup> component to related 1<sup>st</sup> component.

**10. Litigations**

There are no pending litigations related to the Project as at reporting date and as at approval date of these financial statements.

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD**

For the year 31 December 2018  
*(Amounts are shown in US dollars)*

**A. IFAD Loan Number 2000000778**

Expenditure Category	Appl.	IRD	IFAD	Difference
Works	7	708,395.61	708,395.61	-
	8	244,530.07	244,530.07	-
	9	243,382.30	243,382.30	-
		<b>1,196,307.98</b>	<b>1,196,307.98</b>	
Consultancies	7	21,055.61	21,055.61	-
	8	12,217.32	12,217.32	-
	9	66,885.5	34,000.00	32,885.50
		<b>100,158.43</b>	<b>67,272.93</b>	<b>32,885.50</b>
Grants and Subsidies	7	481,898.33	481,898.33	-
	8	271,327.77	271,327.77	-
	9	453,547.20	453,547.20	-
		<b>1,206,773.30</b>	<b>1,206,773.30</b>	
Operating costs	7	116,453.16	116,453.16	-
	8	21,715.11	21,715.11	-
	9	27,063.23	27,063.23	-
		<b>165,231.50</b>	<b>165,231.50</b>	
<b>Total</b>		<b>2,668,471.21</b>	<b>2,635,585.71</b>	<b>32,885.50</b>

**B. IFAD Grant Number 2000000248**

IFAD Grant Number 2000000248 was completed and closed as at 31 December 2017.

**Agriculture Modernization, Market Access and Resilience Project**  
**IFAD Loan Number 2000000778**  
**IFAD Grant Number 2000000248**  
**GEF Grant Number 2000000827**  
**DANIDA Grant Number 2000001739**

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD**

For the year 31 December 2018

(Amounts are shown in US dollars)

**C. GEF Grant Number 2000000827**

Expenditure Category	Appl.	IRD	IFAD	Difference
Works	7	116,618.38	116,618.38	-
	8	15,594.82	15,594.82	-
		<b>132,213.20</b>	<b>132,213.20</b>	
Consultancies	7	220,877.88	220,877.88	-
	8	225,081.59	225,081.59	-
		<b>445,959.47</b>	<b>445,959.47</b>	
Grants and Subsidies	7	134,769.01	134,769.01	-
	8	297,191.00	297,191.00	-
		<b>431,960.01</b>	<b>431,960.01</b>	
Operating costs	7	23,093.16	23,093.16	-
	8	18,740.33	18,740.33	-
		<b>41,833.49</b>	<b>41,833.49</b>	
<b>Total</b>		<b>1,051,966.17</b>	<b>1,051,966.17</b>	

**D. DANIDA Grant Number 2000001739**

Expenditure Category	Appl.	IRD	IFAD	Difference
Consultancies	2	122,663.37	38,225.89	84,437.48
		<b>122,663.37</b>	<b>38,225.89</b>	<b>84,437.48</b>
Grants and Subsidies	2	627,842.55	627,842.55	-
		<b>627,842.55</b>	<b>627,842.55</b>	
Trainings	2	83,981.90	83,981.90	-
		<b>83,981.90</b>	<b>83,981.90</b>	
<b>Total</b>		<b>834,487.82</b>	<b>750,050.34</b>	<b>84,437.48</b>