

AUDITED PROJECT FINANCIAL STATEMENTS

PROJECT ID N°: 2000000929

IFAD Loan N°: 2000001843

IFAD Additional Loan N°: 2000001984

IFAD Additional Loan N°: 2000002639

Period Covered: 01/04/2017 – 31/12/2018

The Smallholder Agribusiness Partnership Programme (SAP)

Prepared by: National Audit Office

Received on: 04/07/2019

The Audited project financial statements are documents owned by the Borrower/ Recipient. The views expressed herein do not necessarily represent those IFAD's Executive Board, Management or Staff. This document is made publicly available in accordance with the "Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects (2018)"



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

TRE/A/SAPP/4/18/01

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය }
திகதி }
Date }

02 July 2019

The Secretary to the H.E. President

Report of the Auditor General on the Financial Statements of the Smallholder Agribusiness Partnership Programme for the first period of 18 months ended 31 December 2018

The English version of the above mentioned report is sent herewith along with a copy of the financial statements certified.

W.P.C. Wickramaratne

Auditor General

Copies to :- 01. Secretary, Ministry of Finance

02. Project Director, Smallholder Agribusiness Partnership Programme





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தேசிய கணக்காய்வு அலுவலகம்
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Date

July 2019

The Secretary to the H.E. President

Report of the Auditor General on the Financial Statements of the Smallholder Agribusiness Partnership Programme for the first period of 18 months ended 31 December 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Smallholder Agribusiness Partnership Programme for the first period of 18 months ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions in the Loan Agreement No. 2000001843 dated 26 June 2017 and the Loan Agreement No. 2000001984 dated 21 November 2017 entered into between the Democratic Socialist Republic of Sri Lanka and the International Fund for Agricultural Development.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Programme as at 31 December 2018, financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs) and the International Fund for Agriculture Development Guidelines for Project Audits. My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other information on performance of the Programme

The other information as stated below does not include in the financial statements and my opinion thereon does not cover the other information.

- According to the Budget Estimate for the years 2017 and 2018, the allocation amounting to Rs. 1,312 million had been made under the Line Ministry to implement the activities, during the first 18 months period of the Programme and an estimate amounting to Rs.6,894.17 million made thereon in the Annual Budget of the Programme. However, the Programme had utilized only a sum of Rs. 655.68 million as at 31 December 2018.
- According to the Implementation Plans of the Programme, it was targeted to provide sub-loans to 45,000 beneficiaries, including smallholder out growers, during 18 months period from 01 July 2017 to 31 December 2018. According to the progress reports, 13,887 beneficiaries under 08 Public-Private- Producer Partnership agreements had been identified as at 31 December 2018. Out of them, only 2,119 beneficiaries had been registered at the Central Bank of Sri Lanka and granted sub loans amounting to Rs.320.13 million to 1,715 beneficiaries as at that date.
- The Implementing Agency of the Programme had taken action to enter into agreements with the Promoter Companies and Promoter Banks to entertain the value chain business proposals expected to be implemented by the Programme. The following observations are made on the implementation of the business proposals on replanting and infilling of smallholder tea cultivations.

- According to the paragraph No. 2 (d) (vii) and paragraph 3(b) of the agreements, the Promoter Companies are responsible to provide necessary trainings, infrastructure facilities, technical knowledge and other assistance to outgrowers engaged in smallholder tea cultivations. However, the above mentioned facilities had not been provided by the respective Promoter Company to the outgrowers in Galle district. It was revealed at the site inspection that the outgrowers in Galle district registered by the Project use traditional methods on preparation and maintenance of tea nurseries.
- According to the paragraph 3 (a) (iii) of the said agreement the Promoter Companies should encourage outgrowers to form the outgrowers' societies as enable to maintain cordial relationships with the offices of Divisional Secretariat in the area and Sri Lanka Tea Research Board. It was observed at the site inspection that the tea cultivators in Galle district had not been directed to form such societies/ groups to improve their Smallholder Agribusiness.
- As per the paragraph 2 (d) of the said agreements, the Promoter Company shall contribute to share the financing costs of tea plants on replanting of smallholder tea cultivations. However, the Promoter Company in Galle district had not contributed to share the cost of tea plants of replanting and infilling of tea cultivations made by 537 smallholder outgrowers. Eventhough this matter had been highlighted in Internal Audit Report of 28 November 2018, no action had been taken to mitigate the issue.
- It was observed that the branch of the Promoter Bank located in Kurunegala area had been assigned to promote the outgrowers in Galle district. Therefore, it was revealed that the promotional activities to improve banking literacy of outgrowers had not been carried out in proper manner. It was observed that the pass book had not been provided by the respective Promoter Bank to the outgrowers to provide details on the transactions made through the Bank Accounts.

- According to the progress reports presented, 153 beneficiaries had applied sub loans valued at Rs. 15.30 million during the period under review to implement floriculture projects. Out of that sub loans valued at 6.60 million had been released by the Promoter Banks to 66 beneficiaries as at 31 December 2018.
- It was revealed at the site inspections that the beneficiaries in Ratnapura district engaged in floriculture business had utilized the proceeds of grants made for the construction of shade houses with the storing capacity of 600 flower pots, for other purposes such as procuring of planting material and plotting media instead of being improved the capacity of flower pots in the shade houses.

1.4 Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Programme's financial reporting process.

1.5 Auditor's Responsibilities for the audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit.

I also:

- Identify and assess the risks of material misstatement of the 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 my 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 Programme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on other requirements of the Donor Agency

As required by the International Fund for Agricultural Development, I state the followings:

(a) The basis of opinion of the audit is as stated above.

(b) In my opinion:

- the funds provided had been utilized for the purposes for which they were provided,
- the Statements of Expenditure submitted could be fairly relied upon to support the applications for reimbursement in accordance with the requirements specified in the Loan Agreements,
- initial deposit, withdrawals from and replenishments to the Special (Dollar) Account had been truly and fairly disclosed in the books and records maintained by the Programme and the balance as at 31 December 2018 had been satisfactorily reconciled with the accounting records of the Central Bank of Sri Lanka as at that date, and
- the financial covenants laid down in the Loan Agreements had been complied with.


W.P.C Wickramaratne

Auditor General



ජනාධිපති කාර්යාලය
சனாதிபதி அலுவலகம்
PRESIDENTIAL SECRETARIAT



මගේ අංකය : PS/SD/SAPP/Fin/FS 2018

2019 මාර්තු මස 28 දින

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බත්තරමුල්ල.

2018.12.31 දිනෙන් අවසන් මාස 18 ක කාල පරිච්ඡේදය සඳහා වූ මූල්‍ය වාර්තා විගණනය සඳහා
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කුඩා පරිමාණ කෘෂි ව්‍යාපාර සහභාගීත්ව වැඩසටහන

ජනාධිපති ලේකම් කාර්යාලයේ තීරසර සංවර්ධන අංශය යටතේ ක්‍රියාත්මක ඉහත වැඩසටහනේ 2018.12.31 දිනෙන් අවසන් මාස 18 ක කාල පරිච්ඡේදය සඳහා පිළියෙල කල මූල්‍ය වාර්තාවන්හි සහතික කල පිටපත් තුනක් විගණනය සඳහා මේ සමග ඔබ වෙත ඉදිරිපත් කරමි.

උදය සෙනෙවිරත්න
ජනාධිපති ලේකම්

ഒപ്പ്

1. අධ්‍යක්ෂ ජනරාල් - විදේශ සම්පත් දෙපාර්තමේන්තුව - කරු.දැ.ගැ.ස.
2. අධ්‍යක්ෂ ජනරාල් - රාජ්‍ය මුදල් දෙපාර්තමේන්තුව - කරු.දැ.ගැ.ස.
3. වැඩසටහන් කළමනාකරු - NADeP - කරු.දැ.ගැ.ස.



කුඩාපරිමාණ කෘෂිව්‍යාපාර සහභාගීත්ව වැඩසටහන
Smallholder Agribusiness Partnerships (SAP) Programme
சிறு அளவிலான விவசாய வியாபார பங்குடமை நிகழ்ச்சித்திட்டம்



තිරසර සංවර්ධන අංශය - ජනාධිපති ලේකම් කාර්යාලය
Sustainable Development Division - Presidential Secretariat
பேண்தகு அபிவிருத்தி பிரிவு - ஜனாதிபதி செயலகம்

මගේ අංකය.
எனது இல.
My No.

PS/SD/SAPP/Fin/FS 2018

ඔබේ අංකය.
உமது இல.
Your No.

දිනය.
திகதி
Date 2019.03.25

ජනාධිපති ලේකම්

ජනාධිපති ලේකම් කාර්යාලය

ජනාධිපති අතිරේක ලේකම් (මහින්)

තිරසර සංවර්ධන.

2018.12.31 දිනෙන් අවසන් මාස 18 ක කාල පරිච්ඡේදය සඳහා වූ මූල්‍ය වාර්තා විගණනය සඳහා ඉදිරිපත් කිරීම

කුඩා පරිමාණ කෘෂි ව්‍යාපාර සහභාගීත්ව වැඩසටහන

ජනාධිපති ලේකම් කාර්යාලයේ තිරසර සංවර්ධන අංශය යටතේ ක්‍රියාත්මක ඉහත වැඩසටහනේ 2018.12.31 දිනෙන් අවසන් මාස 18 ක කාල පරිච්ඡේදය සඳහා පිළියෙල කළ මූල්‍ය වාර්තාවන්හි සහතික කළ පිටපත් තුනක් විගණකාධිපති වෙත ඉදිරිපත් කිරීම සඳහා මේ සමග ඔබ වෙත ඉදිරිපත් කරමි.

Yasantha Mapatuna
ආචාර්ය යසන්තා මාපටුන
වැඩසටහන් කළමනාකරු

Dr. (Mrs.) Yasantha Mapatuna
Programme Director
Smallholder Agribusiness Partnership Programme
Sustainable Development Division
Presidential Secretariat

Presidential Secretariat
Smallholder Agribusiness Partnerships Programme

Financial Statements
For the eighteen months period ending 31.12.2018

No.475, 3rd Floor,
Sri Jayawardhanapura Mawatha,
Rajagiriya


SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

Loan No. 2000001843/ 2000001984 LK

Statement of Financial Position as at 31st December 2018

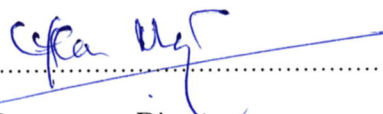
	Schedule.	Rs.	Rs.
Disbursements			
Consultancies & Non Consulting Services	Sch. 01	18,822,597.67	
Equipment & Material	Sch. 02	4,675,382.00	
Credits	Sch. 03	556,929,994.29	
Grants	Sch. 04	44,487,224.00	
Recurrent Costs	Sch. 05	30,763,249.66	655,678,448
Current Assets			
Receivables	Sch. 06	56,350.00	
Cash Imprests	Sch. 07	85,000.00	
Foreign Fund Programme Account	Sch. 08	17,610,251.84	
Special Dollar Account	Sch. 09	194,712,207.72	
		212,463,809.56	
Less:- Current Liabilities			
Accrued Expenses	Sch. 10	1,020,186.03	
Net Current Assets			211,443,623.53
			867,122,071.15
Represented By			
IFAD Contribution	Sch. 11		641,331,124.32
GOSL Contribution	Sch. 12		126,992,649.92
Private Sector Contribution	Sch. 13		37,487,224.00
Foreign Exchange Reserve	Sch. 14		61,311,072.91
			867,122,071.15

We have prepared the above statement of Financial Position as at 31 December 2018 in respect of IFAD funded, Smallholder Agribusiness Partnerships Programme (SAPP) based on the books and records that are maintained by SAPP. We certify to the best of our knowledge and belief the Statement of Financial Position as at 31.12.2018 has been prepared in accordance with Generally Accepted Accounting Principles.


Finance Manager

Date :- 25.03.2019

Mrs. I.T.K. Illangamudali
Finance Manager
Smallholder Agribusiness Partnerships Programme
Sustainable Development Division
Presidential Secretariat


Programme Director

Date :- 25/03/2019

Dr. (Mrs.) Yasantha Mapatuna
Programme Director
Smallholder Agribusiness Partnership Programme
Sustainable Development Division
Presidential Secretariat

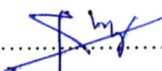
SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

Loan No. 2000001843/ 2000001984 LK

Cash Flow Statement

for the 18 months period ended 31.12. 2018

	Schedule	Rs.
Receipts		
International Fund for Agricultural Development	Sch. 11	641,331,124.32
Government of Sri Lanka	Sch. 12	126,992,649.92
Private Sector	Sch. 13	37,487,224.00
Foreign Exchange Reserve	Sch. 14	<u>61,311,072.91</u>
Total Receipts		<u>867,122,071.15</u>
Less:- Payments		
Consultancies & Non Consultancy services	Sch. 01	18,032,950.44
Equipment & Material	Sch. 02	4,651,361.00
Credit	Sch. 03	556,929,994.29
Grants	Sch. 04	44,487,224.00
Recurrent Costs	Sch. 05	<u>30,556,731.86</u>
Total Payments		<u>654,658,261.59</u>
Surplus Funds available as at 31.12.2018		
Receivables	Sch. 06	56,350.00
Cash Imprests	Sch. 07	85,000.00
Foreign Fund Programme Account	Sch. 08	17,610,251.84
Special Dollar Account	Sch. 09	<u>194,712,207.72</u>
		<u>212,463,809.56</u>


Finance Manager

Date :- 25.03.2019

Mrs. I.T.K. Illangamudali
Finance Manager
Smallholder Agribusiness Partnerships Programme
Sustainable Development Division
Presidential Secretariat


Programme Director

Date :- 25/03/2019

Dr. (Mrs.) Yasantha Mapatuna
Programme Director
Smallholder Agribusiness Partnership Programme
Sustainable Development Division
Presidential Secretariat

SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

Loan No. 2000001843/ 2000001984 LK

Statement of Budget Vs. Actuals For the period ended 31.12.2018

Category	2017			2018		
	AWPB	Actual	%	AWPB	Actual	%
Consultancies & Non Consulting Services	16,333,920	1,157,285	7%	209,313,120	18,822,598	9%
Equipment & Material	2,504,960	633,888	25%	32,052,240	4,675,382	15%
Credits				3,863,384,000	556,929,994	14%
Grants				2,698,389,120	44,487,224	2%
Recurrent Costs	7,569,600	1,064,759	14%	91,028,240	30,763,250	34%
Total	26,408,480	2,855,932	11%	6,894,166,720	655,678,448	10%

Component & Sub Components	2017			2018		
	AWPB	Actual	%	AWPB	Actual	%
1 - Access to Commercial Partnerships						
1.1 Matching Grants and Start-Up Funds						
1.1.1 Individual farmer led 4Ps				2,351,829,120	44,487,224	2%
1.1.2 Youth Start Up Fund and Expansion				19,760,000	-00	
1.1.3 FO-led 4Ps: FO Start-Up Funds				326,800,000	-00	
1.1.4 4P Sensitization / Consultation	4,222,560	305,387	7%	8,751,000	2,991,099	34%
1.2 Institutional Strengthening of FOs						
1.2.1 For Coops in business	3,085,600	-00		3,599,360	70,552.50	2%
1.2.2 New 4Ps private sector led with FOs	3,496,000	-00		13,771,200	40,303	
1.2.3 For new FOs (Mahaweli)				42,529,600	31,000	
1.2.4 Training and exchange visits for all Fos				35,230,560	165,654	
1.3 Social mobilizers and equipment	501,600	-00		30,074,720	6,156,042	20%
Component 1 Total	11,305,760	305,387	7%	2,832,345,560	53,941,875	59%
2 - Access to Rural Finance						
2.1 Credit Lines						
2.1.1 Line of Credit				1,768,824,000	437,929,994	25%
2.1.2 Revolving Fund (GOSL)				1,504,952,000	119,000,000	8%
2.1.4 Beneficiary				589,608,000	-00	
2.2 Institutional Strengthening to CBSL and PFI	174,800	-00		28,668,720	1,679,917	6%
Component 2 Total	174,800	-00		3,892,052,720	558,609,912	14%
3 - Programme Management and Policy Dialogue						
3.1 Project Management Unit						
3.1.1 PMU Equipment	1,504,800	450,750	30%	8,221,680	2,530,835	31%
3.1.2 Vehicles				4,999,280	-00	
3.3.3 PMU Training				9,998,560	2,685,480	27%
3.3.4 PIM Manuals	1,076,160	522,885	49%	1,500,240	582,385	39%
3.2 M&E and Knowledge Management						
3.2.1 Workshops/Forums	2,065,680	218,955	11%	4,123,760	53,635	1%
3.2.2 Studies and Surveys	547,200	-00		19,071,440	570,500	3%
3.2.3 Knowledge Management and Training	307,040	-00		11,020,000	191,962	2%
3.2.4 Youth	459,040	-00		2,280,000	79,705	3%
3.2.5 Consultancies	699,200	368,259	53%	9,196,000	5,149,391	56%
3.2.6 Other consultancies	699,200	8,600	1%	4,073,600	505,119	12%
3.3 Policy Dialogue /k				4,256,000	14,400	
3.4 Recurrent Cost						
3.4.1 Salaries	972,800	832,000	86%	56,784,160	20,669,366	36%
3.4.2 Allowances	4,392,800	131,656	3%	12,953,440	1,559,432	12%
3.4.3 Operation and Maintenance	2,204,000	17,440	1%	21,290,640	8,534,452	40%
Component 3 Total	14,927,920	2,550,545	17%	169,768,800	43,126,661	25%
Grand Total	26,408,480	2,855,932	11%	6,894,167,080	655,678,448	10%

SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

Loan No. 2000001843/ 2000001984 LK

Statement of Financial Performance

For the Financial Statements for the 18 months ended 31st December 2018

Financial Progress against Financial Agreements as at 31.12.2018 - IFAD Funds

Catagoies	IFAD Financing Agreement	Cumulative Disbursements as at 31.12.2018	Pending Claims (WA 06 & 07)	Total	Progress
	USD	USD	USD	USD	%
Consultancies & Non Consultancy Services	4,550,000.00	77,651.56	32,750.44	110,402.00	2%
Equipment & Material	630,000.00	13,733.02	12,764.19	26,497.21	4%
Credit	11,790,000.00	1,063,340.04	1,475,997.37	2,539,337.41	22%
Grants	17,680,000.00		41,687.70	41,687.70	0%
Recurrent Costs	1,240,000.00	67,794.38	72,390.45	140,184.83	11%
Total	35,890,000.00	1,222,519.00	1,635,590.15	2,858,109.15	8%
Unallocated	3,990,000.00				
Total	39,880,000.00	1,222,519.00	1,635,590.15	2,858,109.15	7%
Initial Advance				2,800,000.00	
Total	39,880,000.00			5,658,109.15	14%

Financial Progress against Financial Agreements as at 31.12.2018 - GOSL Funds

	Financing Agreement			Cumulative Disbursements as at 31.12.2018	Progress %
	USD	Exchange Rate	Rs.		
Line of Credit through revolving Fund	18,500,000	165.48	3,061,380,000	119,000,000	4%
Government Seconded Staff Salaries and Taxes	800,000	165.48	132,384,000	7,376,729	6%
Total	19,300,000	165.48	3,193,764,000	126,376,728.69	4%

SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

Loan No. 2000001843/ 2000001984 LK

Schedules to the Financial Statements for the 18 months period ended 31.12. 2018

Sch. 01 -

Consultancies & Non Consulting services

	<u>IFAD</u>	<u>GOSL</u>	<u>Rs.</u> <u>Total</u>
Component 1 - Access to Commercial Partnerships	7,501,952.68	113.17	7,502,065.85
Component 2 - Access to Rural Finance	1,659,132.67	20,784.73	1,679,917.40
Component 3- Management & Policy Support	9,492,847.66	147,766.76	9,640,614.42
Balance as at 31.12.2018	<u>18,653,933.01</u>	<u>168,664.66</u>	<u>18,822,597.67</u>

Sch. 02 -

Equipment & Material

	<u>IFAD</u>	<u>GOSL</u>	<u>Rs.</u> <u>Total</u>
Component 1 - Access to Commercial Partnerships	1,697,900.50	254,684.50	1,952,585.00
Component 3- Management & Policy Support*	2,679,951.00	42,846.00	2,722,797.00
Balance as at 31.12.2018	<u>4,377,851.50</u>	<u>297,530.50</u>	<u>4,675,382.00</u>

Note :

*Fixed Assests included

		<u>IFAD</u>	<u>GOSL</u>	<u>Rs.</u> <u>Total</u>
Ewis Periparals - Laser Printers	6 Nos	105,000.00		105,000.00
IT Galaxy - Desktops	4 Nos	562,750.00		562,750.00
IT Galaxy - Laptops	5 Nos	475,000.00		475,000.00
IT Galaxy - Laptop (HP440G5)	1 No	121,000.00		121,000.00
John Keels - Laptops	5 Nos	342,000.00		342,000.00
Touch Solutions Systems - Laptop	1 No	196,910.00		196,910.00
Metropolitan Computers - Laptops	2 Nos	228,000.00		228,000.00
Memory Tec - Bay NAS	4 Nos.	241,600.00		241,600.00
Total		<u>2,272,260.00</u>	<u>-00</u>	<u>2,272,260.00</u>

Sch. 03 -

Credit

	<u>IFAD</u>	<u>GOSL</u>	<u>Rs.</u> <u>Total</u>
Line of Credit	437,929,994.29		437,929,994.29
Revolving Fund Credits		119,000,000.00	119,000,000.00
Balance as at 31.12.2018	<u>437,929,994.29</u>	<u>119,000,000.00</u>	<u>556,929,994.29</u>

Schedules to the
Financial Statements for the 18 months period ended 31.12. 2018

Sch. 04 -
Grants

	<u>IFAD</u>	<u>Pvt. Sec.</u>	<u>Rs.</u> <u>Total</u>
Canel Corner Floriculture Project	7,000,000.00	2,099,430.00	9,099,430.00
Gal Oya Suger Cane Project		32,283,087.00	32,283,087.00
Chello Dairy Project		2,457,233.00	2,457,233.00
Kalubovitiyana Tea Factory Project		647,474.00	647,474.00
Balance as at 31.12.2018	<u>7,000,000.00</u>	<u>37,487,224.00</u>	<u>44,487,224.00</u>

Sch. 05 -
Recurrent Costs

	<u>IFAD</u>	<u>GOSL</u>	<u>Rs.</u> <u>Total</u>
Salaries	13,986,604.89	6,610,487.90	20,597,092.79
Travel and Allowances	1,150,296.59	18,473.20	1,168,769.79
Honorarium to NSC participants	390,512.00	-00	390,512.00
Vehicles	3,042,138.48	496,074.51	3,538,212.99
Other equipment	329,329.50	32,149.43	361,478.93
Office	2,215,670.52	175,973.11	2,391,643.63
Other Operating Costs	2,024,322.59	218,943.69	2,243,266.28
Balance as at 31.12.2018	<u>23,138,874.57</u>	<u>7,552,101.84</u>	<u>30,690,976.41</u>

Sch. 06 -
Receivables

	<u>Rs.</u>
50% Hotel charges for M&E Full Day Workshop conducted for both SAPP & STARR	<u>56,350.00</u>

Sch. 07 -
Cash Imprests

	<u>Rs.</u>
Finance Division Cash Imprest	25,000.00
Administration Division Cash Imprest	25,000.00
Transport Imprest	35,000.00
Balance as at 31.12.2018	<u>85,000.00</u>

Schedules to the
Financial Statements for the 18 months period ended 31.12. 2018

Sch. 08 -

Foreign Fund Programme Account

	Rs.	Rs.
Funds received from DA		69,999,995.22
Government Funds for Taxes		3,520.64
Less:		
Disbursements during the year		
Consultancies & Non Consulting Services	17,864,285.78	
Equipment & Material	4,377,851.50	
Grants	7,000,000.00	
Recurrent Costs	23,009,776.74	52,251,914.02
Cash Imprests		85,000.00
Expenses born for STARR Project		56,350.00
Balance as at 31.12.2018		<u><u>17,610,251.84</u></u>

Sch. 09 -

Speciall Dollar Account

	USD	Rs.
Funds Received during the period	4,022,519.00	641,331,124.32
Less:		
Transferred to FF Account	417,724.33	69,999,995.22
Transferred to RDD-CBSL Account	2,539,337.41	437,929,994.29
Adjust:		
Exchange Gain		61,311,072.91
Balance as at 31.12.2018	<u><u>1,065,457.26</u></u>	<u><u>194,712,207.72</u></u>

Sch. 10 -

Accrued Expenses

	Rs.
Social Mobilizers Monthly Allowances December 2018	585,200.00
Consultancy Fees	133,894.73
TO Payment - Cannel Corner monitoring	70,552.50
Days Pay to PMU officers	28,500.00
Petty cash Imprest Payments	58,036.48
Travelling Expenses	10,000.00
Telephone & Internet Bills	45,681.32
Vehicle repairs	78,300.00
Corie Charges	24,021.00
Balance as at 31.12.2018	<u><u>1,034,186.03</u></u>

Schedules to the
Financial Statements for the 18 months period ended 31.12. 2018

Sch. 11 -

IFAD Contribution

		USD		Rs.
Initial Advance	(WA 01)	2,800,000.00	153.7464	430,489,920.00
Claims				
For the period June to December 2017	(WA 02)	14,625.36	158.8105	2,322,660.73
For the period January to March 2018	(WA 03)	11,581.81	158.8105	1,839,313.04
For the period April To June 2018	(WA 04)	40,635.46	170.9457	6,946,457.15
For the period July to September 2018	(WA 05)	1,155,676.37	172.8276	199,732,773.40
Sub Total		<u>1,222,519.00</u>		<u>210,841,204.32</u>
Total		<u>4,022,519.00</u>		<u>641,331,124.32</u>

Sch. 12 -

GOSL Contribution

	Rs.
Taxes Paid	
Consultancies & Non Consulting Services	168,664.66
Equipment & Material	273,509.50
Recurrent Costs	<u>939,987.86</u>
	1,382,162.02
Government seconded staff salaries	<u>6,610,487.90</u>
	7,992,649.92
Line of Credit (LoC) through Revolving Fund	<u>119,000,000.00</u>
Balance as at 31.12.2018	<u>126,992,649.92</u>

Sch. 13 -

Private Sector Contribution

	Rs.
Canal Corner Flower Garden on Foriculture Project	2,099,430.00
Gal Oya Plantation Ltd on Sugercane Project	32,283,087.00
Chello Dairy Products Pvt Ltd on Dairy Project	2,457,233.00
Kalubovitiyana Tea Factory on Tea plantaion Project	647,474.00
Aruna tea Factory on Tea cultivation Project	
Balance as at 31.12.2018	<u>37,487,224.00</u>

Sch. 14 -

Exchange Reserve Account

	Rs.
Total Gains	64,287,332.28
Total Losses	<u>(2,976,259.37)</u>
	<u>61,311,072.91</u>

SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

Loan No. 2000001843/ 2000001984 LK

Withdrawal Application Statement Financial Statements for the Period Ended 31st December 2018

Description	2017			2018							Grand Total	
	Receipts to Designated Account							Total	Pending WA 07	Total		
	WA 01	WA 02	WA 03	WA 04	WA 05	WA 06	WA 07					
Initial Advance	2,800,000.00							2,800,000.00			0.00	2,800,000.00
Disbursements with IFAD Funds												
Consultancies & Non Consultancy Services		7,313.72	3,172.45	26,788.49	40,376.90	77,651.56	6,236.22	26,514.22	6,236.22	32,750.44		110,402.00
II Equipment & Material		3,982.78	3,040.79	333.32	6,376.13	13,733.02	6,029.32	6,734.87	6,029.32	12,764.19		26,497.21
III Credit					1,063,340.04	1,063,340.04	107,705.09	1,368,292.28	107,705.09	1,475,997.37		2,539,337.41
IV Grants						-00	21,063.99	20,623.71	21,063.99	41,687.70		41,687.70
V Recurrent Costs		3,328.86	5,368.57	13,513.65	45,583.30	67,794.38	34,770.97	37,619.48	34,770.97	72,390.45		140,184.83
	0	14,625.36	11,581.81	40,635.46	1,155,676.37	1,222,519.00	175,805.59	1,459,784.56	175,805.59	1,635,590.15		2,858,109.15
Total	2,800,000.00	14,625.36	11,581.81	40,635.46	1,155,676.37	4,022,519.00	175,805.59	1,459,784.56	175,805.59	1,635,590.15		5,658,109.15

Rs.

Description	2017		2018							Grand Total
	Receipts to Designated Account							Total		
	WA 01	WA 02	WA 03	WA 04	WA 05	Total	Receipt	Pending		
							WA 06	WA 07		
Initial Advance	430,489,920.00					430,489,920.00			-00	430,489,920.00
Disbursements with IFAD Funds										
I Consultancies & Non Consultancy Services		1,120,163.92	485,890.00	4,173,025.15	6,419,141.51	12,198,220.58	4,531,487.48	1,134,577.72	5,666,065.20	17,864,285.78
II Equipment & Material		610,000.00	465,725.50	52,500.00	1,005,925.00	2,134,150.50	1,151,041.00	1,092,660.00	2,243,701.00	4,377,851.50
III Credit					178,999,998.70	178,999,998.70	239,499,997.35	19,429,998.24	258,929,995.59	437,929,994.29
IV Grants						-00	3,400,000.00	3,600,000.00	7,000,000.00	7,000,000.00
V Recurrent Costs		509,846.40	822,246.23	2,087,350.14	7,333,126.50	10,752,569.27	6,315,786.38	5,941,421.09	12,257,207.47	23,009,776.74
Total IFAD Expenses		2,240,010.32	1,773,861.73	6,312,875.29	193,758,191.71	204,084,939.05	254,898,312.21	31,198,657.05	286,096,969.26	490,181,908.31
Total spent	430,489,920.00	2,240,010.32	1,773,861.73	6,312,875.29	193,758,191.71	634,574,859.05	254,898,312.21	31,198,657.05	286,096,969.26	920,671,828.31
Date received	06.07.2018		06.07.2018		10.10.2018		26.10.2018		16.01.2019	
Total Received	430,489,920.00	4,161,973.77		6,946,457.15		199,732,773.40		641,331,124.32		266,002,672.42
Over received due to Exchange Rate	-00	3,695,825.18		633,581.86		5,974,581.69		6,756,265.27		11,104,360.21
										17,860,625.48

Smallholder Agribusiness Partnerships Programme
Loan No. 2000001843 and 2000001984

Special Account ([REDACTED] Sub ledger 17 CBSL) Reconciliation Statement as at 31.12.2018

1	TOTAL ADVANCE PAYMENT BY IFAD - INITIAL ADVANCE			USD	2,800,000.00
2	LESS: TOTAL AMOUNT RECOVERED BY IFAD			-USD	-00
3	EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2)			USD	2,800,000.00
4	BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE: 31.12. 2018	LKR	194,712,207.72	USD	1,065,457.26
5	BOOK BALANCE OF THE PROGRAMME ACCOUNT	LKR	17,610,251.84	+USD	97,173.74
	IMPRESTS & UNSETTLED ADVANCE	LKR	85,000.00	+USD	554.98
	Sub-total of 5:				97,728.71
	TOTAL OF BANK BALANCES, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE (4+5):			USD	1,163,185.97
6	PLUS: TOTAL AMOUNT CLAIMED IN THIS WA. No. 7			+USD	175,805.60
7	PLUS: TOTAL AMOUNT WITHDRAWN FROM THE SPECIAL ACCOUNT/PA AND NOT YET CLAIMED (=3-4-5-8-11) REASON: Eligible amount for which disb. Appl. has not yet been prepared.			+USD	
8	PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENT AND CLAIMED AFTER DATE OF BANK STATEMENT				
	APPLICATION No.	Date	Period	Amount	
	WA 06	21.12.2018	6th Oct - 15th Dec 2018	1,459,784.56	
	(Received in			1,459,784.56	
	SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED			+USD	1,459,784.56
9	MINUS: INTEREST EARNED			-USD	-00
10	TOTAL ADVANCE ACCOUNTED FOR (NO.4 THROUGH NO.9)			USD	2,798,776.13
11	EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10			+USD	-1,223.87
	To be recovered from STARR Vou 614	56,350.00	160.8731	350.28	
	Counterpart funds included in FF Account	(3,520.64)	170.9078	-20.60	
	Due to exchange rate differences			894.19	
	Sub total of 11	52,829.36		1,223.87	

SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME

PRESIDENTIAL SECRETARIAT OF SRI LANKA

IFAD Loan Number 2000001843 & 200001984

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 01ST JULY 2017 TO 31ST DECEMBER 2018

1. Reporting Entity and Statutory Base

The Smallholder Agribusiness Partnerships Programme is implemented under the Sustainable Development Division of the Presidential Secretariat of Sri Lanka parallel to “Gramshakthi Peoples Movement” mainly with the financial assistance of the International Fund for Agricultural Development (IFAD) and Government of Sri Lanka (GoSL). The Financing Agreement was signed on 26th June 2017 between the (IFAD) and the Democratic Socialist Republic of Sri Lanka for an amount of USD 33,700,000 for a period of six years which will be ending on 30th June 2023. The Fund has agreed to provide additional funding of USD 6,180,000 by the amendment to the agreement dated 21st November 2017 committing a total financing of USD 39,880,000. The Programme would extend its focus towards modernization of the agricultural sector, with strengthened engagement of producer/ farmer organizations and the mobilisation of private and financial sector investment; in complement, Government has also requested IFAD support to establish a more conducive and regulatory environment for rural finance.

The Lead Programme Agency (LPA) for implementation of the SAPP is the Presidential Secretariat of Sri Lanka. An autonomous Programme Management Unit has been established for the operations of the Programme and is located at No. 475, 3rd Floor, Jayawardenapura Mawatha, Rajagiriya, Sri Lanka.

Table 1 - Summary of the Programme details

Programme Title	Smallholder Agribusiness Partnerships Programme
IFAD Loan Number/ Date	200001843 (Original) – 26 th June 2017 2000001984 (Amendment)-21 st November 2017
Programme Duration	26 th June 2017 to 30 th June 2023 (6 years)
Total Programme budget	USD 105.03 million LKR 17,170 million @ Rs. 163.48 per US Dollar
Financial year	1 st January to 31 st December
Loan Closing Date	31 st December 2023

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements are prepared on the historical cost basis. No adjustments have been made for inflationary variances in the financial statements.

2.2 Reporting Format

The financial statements include the Statement of Sources and Applications of funding, Statement of Financial Position, Schedules to the Accounts and Notes to the Financial Statements.

2.3 Currency of Presentation

The Financial Statements of the Programme are presented in Sri Lankan Rupees (Rs.). The information presented in US Dollars (USD) in particular statements are solely for the information of IFAD.

2.4 Statement of Compliance

The financial statements are prepared in accordance with the Generally Accepted Accounting Principles.

3. Disbursements

All expenditure incurred in the operations of the Programme has been charged to five disbursement categories as indicated in the Schedule 2 of the Financing Agreement.

4. Fixed Assets

Investments on non-current assets are stated at historical cost and no depreciation has been charged. The expenditure incurred during the period is included in the Disbursement Category No. II Equipment & Material as follows and no disposals occurred during the period.

Asset Group	Additions during the Period Rs.	Balance as at 31.12.2018 Rs.
Computers & Peripherals	562,750	562,750
Laptops	1,362,910	1,362,910
Office Equipment	346,600	346,600
Total	2,272,260	2,272,260

5. Credits

5.1 Eight 4P projects have been entered into during the period under review with eight companies and 4 Commercial Banks for assisting 13,537 beneficiaries by disbursing Rs. 1,684 million as micro credit. Out of that Rs. 438 million has been released to Regional Development Department of Central Bank of Sri Lanka (RDD-CBSL) to refinance two Commercial banks for 2,119 registered farmers by the end of the period.

5.2 By the end of the period Rs. 2,246 million has been recovered from Micro Credits issued through NADeP, Dry Zone and SPEnDP Projects' and transferred to the Ministry of Finance for utilizing SAPP revolving fund loans. Out of this Revolving Fund Rs 119 million has been released to RDD-CBSL for refinancing SAPP RF Loans.

6. Grants

Eight 4P projects have been entered into during the period under review with eight companies for assisting 13,537 beneficiaries by disbursing Rs. 620 million as grants. Out of that Rs. 7 million has been released to 70 farmers coming under Cannel Corner Floriculture Project by the end of the period.

7. Cadre of Employees

The approval for the cadre of employees for SAPP has been granted by the Management Services Department by their letters No. DMS/7777/NADP dated 23.08.2017, even No. dated 16.01.2018, even No. dated 22.01.2018 and even No. dated 29.11.2018. As of 31 December 2018 the total number of employees was 28 out of which 21 employees have been appointed on Contract Basis and 07 employees are released from Government Service on secondment basis.

8. Pensions & other Post Employment Benefit Plans

8.1 The Programme has contributed 25% of consolidated salary of the substantive post of Public Officers released to the Programme to the Department of Pensions as per the Management Service Circular No. 01/2016 dated 24. 03. 2016.

8.2 The Programme contributes 12% and 3% of gross emoluments of employees to the Employees Provident Fund and Employees Trust Fund respectively for the other employees.

9. Salaries, Allowances and Other Recurrent Costs

Salaries, Allowances and other recurrent Expenditure incurred during the period amounting to Rs. 30.7 million, out of which Rs. 23.1 million has been accounted as IFAD Contribution and Rs. 7.6 million has been accounted as GoSL Contribution.

10. Operation of the Special Foreign Currency Bank Account at the Central Bank of Sri Lanka, Account No. 73313 (Sub Ledger No. 17)

During the reporting period, the Programme received the initial authorized advance from IFAD amounting to USD 2.80 million equivalent to Rs.430.49 million in the month of October 2017. The Programme managed to disburse USD 2.85 million and IFAD has replenished USD 1.22 million by the end of the period and USD 1.46 million in January 2019 on the withdrawal applications submitted to IFAD. USD 0.17 million is yet to be received from IFAD.

During the year, the Programme gained Rs. 61.3 million through the foreign currency account due to the fluctuations in the foreign currency exchange rate.

No Direct payments made during the reporting period.

11. Government Counterpart Funding

11.1 During the period Rs. 119 million has been disbursed to the Regional Development Department of Central Bank of Sri Lanka through the Revolving Fund account to refinance Micro Credits issued by Participatory Financial Institutions.

11.2 Another Rs. 7.4 million has been disbursed to pay taxes involved in all the bills paid during the period and Public Officers' salaries and related payments.

12. Funds from Other Sources

The reported contribution by the Private Sector Partners towards the 4P Projects amounted to Rs. 37.5 million.