

# **AUDITED PROJECT FINANCIAL STATEMENTS**

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Project N° : 2000001233

IFAD Grant No. G-I-2000001640

Period covered 01/05/2017 – 31/12/2018

## **Smallholder Irrigation Revitalisation Programme (SIRP)**

Prepared by: Baker Tilly Chartered Accountants (Zimbabwe)

Received on 02/08/2019

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Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement

Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)

Project Number: 2000001640

Funded By : International Fund For Agricultural Development (IFAD), Government of  
Zimbabwe, OFID and Beneficiaries

Financial Statements for the 18 Months ended 31 December 2018

Now, for tomorrow

 **bakertilly**

**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

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**Financial Statements for the 18 months ended 31 December 2018**

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**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

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**Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries**

**Financial Statements for the 18 months ended 31 December 2018**

**General Information**

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**Project Start Date:** The project approval date is 18 November 2016  
The project signature of agreement date is 18 November 2016  
The project effectiveness date is 01 July 2017

**Project End Date:** The project completion date is 17 November 2023

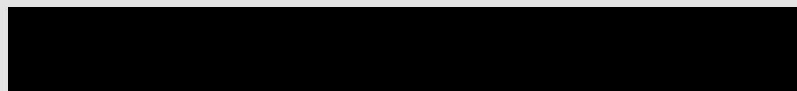
**Project Coordinating Unit:** Mr Odreck Mukorera - Programme Coordinator  
Mr Shepherd Mataga - Programme Accountant  
Mr Abisher Makondo - Assitant Programme Accountant

**Project Budget by donor** List donor(s) name, amount and currency

|   |                |                  |
|---|----------------|------------------|
| 1 | IFAD:          | 18,300,000 (SDR) |
| 2 | OFID:          | USD15,000,000    |
| 3 | GOZ:           | USD 7,885,000    |
| 4 | Beneficiaries: | USD 3,283,000    |

**Total cost of the project** USD 51,668,000

**Bankers**



**Implementing Agency** Ministry of Lands, Agriculture, Water, Climate Change and Resettlement



**Ministry of Lands, Agriculture, Water, Climate Change and Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By: International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries**

**Financial statements for the 18 months ended 31 December 2018**

**Management's Responsibilities and Approval of Financial Statements**

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Management is required in terms of the Finance Agreement (2000001640) to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the project as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Public Sector Accounting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

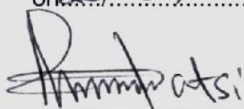
The financial statements are prepared in accordance with International Public Sector Accounting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

Management acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the project steering committee sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the project and all employees are required to maintain the highest ethical standards in ensuring the project's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the project is on identifying, assessing, managing and monitoring all known forms of risk across the project. While operating risk cannot be fully eliminated, the project endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

Management are of the opinion, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently auditing and reporting on the project's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on pages 4 to 6.


The financial statements set out on pages 7 to 18, which have been prepared based on accounting policies in Note 1, were approved by the project steering committee on 22/07/2019 and were signed on its behalf by Project Management:



**Chief Accountant  
(Ministry of Finance)**



**Programme Co-ordinator  
(SIRP)**



**Finance Director  
(MLACRR)**

Chartered Accountants  
(Zimbabwe)  
8 Fletcher Road  
Mt Pleasant  
Harare

Zimbabwe

T: +263 4 369 730, 369 737, 301  
598, 301 537

enquiries@bakertilly.co.zw  
[www.bakertilly.co.zw](http://www.bakertilly.co.zw)

## **Independent Auditor's Report**

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### **To the project management of Smallholder Irrigation Revitalisation Programme**

#### **Report on the audit of Financial Statements**

##### **Opinion**

We have audited the accompanying financial statements for Smallholder Irrigation Revitalization Programme, Project Number: 2000001640 funded by the International Fund for Agricultural Development IFAD, Ministry of Finance and Economic Development and OFID as set out on pages 7 to 18 which comprise the statement of financial position, statement of income and expenditure, statement of changes in funds, statement of cashflows for the 18 month period ended 31 December 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Smallholder Irrigation Revitalisation Programme as at 31 December 2018, and its financial performance and cash flows for the period then ended in accordance with International Public Sector Accounting Standards and the requirements of the Financing Agreement with International Fund for Agricultural Development (IFAD).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 organisation in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and in accordance with other ethical requirements applicable to performing audits in Zimbabwe. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Emphasis of matter - Abolishment of the multicurrency system**

The Reserve Bank of Zimbabwe through Statutory Instrument 142 of 2019, on 24 June 2019 introduced the Zimbabwean dollar as the sole legal tender for the settlement of domestic transactions in Zimbabwe. The Zimbabwean Dollar is at par with the RTGS Dollar, Bonds Notes and Coins. The functional currency for the project changed to the Zimbabwe Dollar on abolishment of the multi-currency system.

### **Responsibilities of the Project Management for the Financial Report**

The project's management is responsible for the preparation and fair presentation of these Financial Statements in accordance with International Public Sector Accounting Standards and the requirements of the Financing Agreement with International Fund for Agricultural Development (IFAD), and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatements, whether due to fraud or error.

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

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

As part of an audit in accordance with International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We 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 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 project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicated 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.

*Baker Tilly*

Partner: Fungai Nyagwaya

PAAB Practising Number: 0477

Baker Tilly Chartered Accountants (Zimbabwe)

8 Fletcher Road, Mount Pleasant

Harare

Date: 25/07/2019



**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe,  
OFID and Beneficiaries**

**Statement of Financial Position for as at 31 December 2018**

|                                    | Notes | 2018<br>USD      |
|------------------------------------|-------|------------------|
| <b>Non-Current Assets</b>          |       |                  |
| Property and equipment             | 3     | 1,861,355        |
| <b>Total Non Current Assets</b>    |       | <b>1,861,355</b> |
| <b>Current assets</b>              |       |                  |
| Cash and Cash Equivalents          | 4     | 1,485,395        |
| Receivables                        |       | 823,313          |
| <b>Total Current Assets</b>        |       | <b>2,308,708</b> |
| <b>Total Assets</b>                |       | <b>4,170,063</b> |
| <b>Funds and liabilities</b>       |       |                  |
| <b>Funds</b>                       |       |                  |
| Accumulated Funds                  |       | 1,423,141        |
| Capital Donation fund              | 2d    | 1,861,355        |
|                                    |       | <b>3,284,496</b> |
| <b>Liabilities</b>                 |       |                  |
| <b>Current liabilities</b>         |       |                  |
| Payables                           |       | 885,567          |
| <b>Total Funds and liabilities</b> |       | <b>4,170,063</b> |

**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement****Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)****Project Number: 2000001640****Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries****Statement of Operating Performance by category of expenditures for the 18 months ended  
31 December 2018**

|   | Notes | Financier        |          |                | Beneficiary<br>Contribution<br>US\$ | Total<br>US\$    |
|---|-------|------------------|----------|----------------|-------------------------------------|------------------|
|   |       | IFAD             | OFID     | GOZ            |                                     |                  |
|   |       | US\$             | US\$     | US\$           |                                     |                  |
| <b>Sources of Fund</b>                  |       |                  |          |                |                                     |                  |
| Replenishment to Special Account        |       | 2,370,422        | -        | 450,000        | 1,948                               | 2,822,370        |
| Direct Payments                         |       | 1,071,637        | -        | -              | -                                   | 1,071,637        |
| Loan                                    |       | -                | -        | -              | -                                   | -                |
| Other Receipts                          |       | 853              | -        | 4,010          | -                                   | 4,863            |
| <b>Total financing</b>                  |       | <b>3,442,912</b> | <b>-</b> | <b>454,010</b> | <b>1,948</b>                        | <b>3,898,870</b> |
| <b>Application of funds</b>             |       |                  |          |                |                                     |                  |
| <b>Project Expenditures</b>             |       |                  |          |                |                                     |                  |
| Consultancies                           |       | 409,760          | -        | 157            | -                                   | 409,917          |
| Works                                   |       | -                | -        | -              | -                                   | -                |
| Goods, Services and Inputs              |       | 1,190,159        | -        | 78,978         | -                                   | 1,269,137        |
| Training and Workshops                  |       | 130,020          | -        | 4,421          | -                                   | 134,441          |
| Operating Costs                         |       | 116,042          | -        | 2,174          | -                                   | 118,216          |
| Salaries and Allowances                 |       | 390,179          | -        | 153,841        | -                                   | 544,019          |
| <b>Total Project Expenditure</b>        |       | <b>2,236,158</b> | <b>-</b> | <b>239,571</b> | <b>-</b>                            | <b>2,475,729</b> |
| <b>Surplus/(Deficit) for the period</b> |       | <b>1,206,754</b> | <b>-</b> | <b>214,439</b> | <b>1,948</b>                        | <b>1,423,141</b> |

**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement****Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)****Project Number: 2000001640****Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries****Statement of Operating Performance by components of expenditures for the 18 months ended 31 December 2018**

|   | Financier        |          |                | Beneficiary<br>Contribution<br>US\$ | Total<br>US\$    |
|---|------------------|----------|----------------|-------------------------------------|------------------|
|   | IFAD             | OFID     | GOZ            |                                     |                  |
|   | US\$             | US\$     | US\$           |                                     |                  |
| <b>Sources of Funds</b>   |                  |          |                |                                     |                  |
| Replenishment to Special Account  | 2,370,422        | -        | 450,000        | 1,948                               | 2,822,370        |
| Direct Payments   | 1,071,637        | -        | -              | -                                   | 1,071,637        |
| Loan  | -                | -        | -              | -                                   | -                |
| Other Receipts  | 853              | -        | 4,010          | -                                   | 4,863            |
| <b>Total Financing</b>  | <b>3,442,912</b> | <b>-</b> | <b>454,010</b> | <b>1,948</b>                        | <b>3,898,870</b> |
| <b>Application of Funds</b>   |                  |          |                |                                     |                  |
| <b>Project Expenditure by Component</b>                                   |                  |          |                |                                     |                  |
| 1 Sustainable Smallholder Irrigation Development                          |                  |          |                |                                     |                  |
| 1.1 Scheme Selection and Rehabilitation                                   | 250,328          | -        | 3,514          | -                                   | 253,843          |
| 1.2 Improved Smallholder Irrigation Management                            | 36,839           | -        | -              | -                                   | 36,839           |
| 1.3 Enhanced Institutional Capacity for Irrigation Development            | 236,666          | -        | 157            | -                                   | 236,823          |
| 2 Climate-smart Agriculture and Market Access                             |                  |          |                | -                                   |                  |
| 2.1 Enhanced Agricultural Practices and Farmers' Organisational Capacity  | 61,069           | -        | 388            | -                                   | 61,457           |
| 2.2 Market Access and Rural Finance Services                              | 8,393            | -        | -              | -                                   | 8,393            |
| 2.3 Enhanced Institutional Capacity for Market-led Agriculture Production | 663,207          | -        | 10,231         | -                                   | 673,438          |
| 3 Programme Coordination:   | 979,656          | -        | 225,281        | -                                   | 1,204,937        |
| <b>Total Project Expenditures</b>   | <b>2,236,158</b> | <b>-</b> | <b>239,571</b> | <b>-</b>                            | <b>2,475,729</b> |
| <b>Surplus/(Deficit) for the period</b>                                   | <b>1,206,754</b> | <b>-</b> | <b>214,439</b> | <b>1,948</b>                        | <b>1,423,141</b> |



**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe,  
OFID and Beneficiaries**

**Statement of Cashflows for the 18 months ended 31 December 2018**

|  | Notes | USD                       |
|--|-------|---------------------------|
| <b>Cash flows from operating activities</b>                |       |                           |
| Surplus/(deficit) for the period                           |       | 1,423,141                 |
| <b>Adjusted for:</b>                                       |       |                           |
| Property and Equipment expensed                            | 3     | <u>1,876,427</u>          |
| <b>Operating cash flows before working capital changes</b> |       | <u>3,299,568</u>          |
| Increase/(Decrease) in Receivables                         |       | (823,313)                 |
| Increase/Decrease in Payables                              |       | <u>885,567</u>            |
| <b>Net cash generated from operating activities</b>        |       | <u><b>3,361,823</b></u>   |
| <b>Cash flows from Investing Activities</b>                |       |                           |
| Purchases of Property and Equipment                        | 3     | <u>(1,876,427)</u>        |
| <b>Net cash flows from Investing Activities</b>            |       | <u><b>(1,876,427)</b></u> |
| <b>Net increase/ Decrease in cash and cash equivalents</b> |       | <b>1,485,395</b>          |
| <b>Cash and cash equivalent at beginning of the period</b> |       | -                         |
| <b>Cash and cash equivalent at end of the period</b>       | 4     | <u><b>1,485,395</b></u>   |

**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe,  
OFID and Beneficiaries**

**Statement of Comparison of Budget and actual amounts by category for the 18 months ended 31  
December 2018**

|                            | <b>Budget<br/>USD</b> | <b>Actual<br/>USD</b> | <b>Variance<br/>USD</b> | <b>Burn Rate</b> |
|----------------------------|-----------------------|-----------------------|-------------------------|------------------|
| Consultancies              | 1,076,151             | 409,917               | 666,234                 | 38%              |
| Goods, Services and Inputs | 2,553,586             | 1,269,137             | 1,284,449               | 50%              |
| Training and Workshops     | 825,121               | 134,441               | 690,680                 | 16%              |
| Works                      | 1,096,280             | -                     | 1,096,280               | 0%               |
| Operating Costs            | 324,994               | 118,216               | 206,778                 | 36%              |
| Salaries and Allowances    | 683,516               | 544,019               | 139,497                 | 80%              |
| <b>Total</b>               | <b>6,559,648</b>      | <b>2,475,729</b>      | <b>4,083,919</b>        | <b>38%</b>       |

**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries**

**Statement of Comparison of Actual and Budget By Component for the 18 months ended  
31 December 2018**

|  | <b>Budget</b>    | <b>Actual</b>    | <b>Variance</b>  | <b>Burn<br/>Rate</b> |
|--|------------------|------------------|------------------|----------------------|
|  | <b>US\$</b>      | <b>US\$</b>      | <b>US\$</b>      | <b>%</b>             |
| 1. Sustainable Smallholder Irrigation Development (Lead by<br>Dept. of Irrigation) |                  |                  |                  |                      |
| 1.1 Scheme Selection and Rehabilitation  | 1,630,250        | 253,843          | 1,376,407        | 16%                  |
| 1.2 Improved Smallholder Irrigation Management                                     | 211,502          | 36,839           | 174,663          | 17%                  |
| 1.3 Enhanced Institutional Capacity for Irrigation<br>Development                  | 878,175          | 236,823          | 641,352          | 27%                  |
| <b>Sub Total</b>   | <b>2,719,927</b> | <b>527,505</b>   | <b>2,192,422</b> | <b>19%</b>           |
| 2. Climate-smart Agriculture and Market Access (Lead<br>by Agritex)                |                  |                  |                  |                      |
| 2.1 Organisational Capacity  | 343,471          | 61,457           | 282,014          | 18%                  |
| 2.2 Market Access and Rural Financial Services                                     | 323,909          | 8,393            | 315,516          | 3%                   |
| 2.3 Enhanced Institutional Capacity for Market-led<br>Agricultural Production      | 1,518,900        | 673,438          | 845,462          | 44%                  |
| <b>Sub Total</b>   | <b>2,186,280</b> | <b>743,288</b>   | <b>1,442,992</b> | <b>34%</b>           |
| 3. Programme Coordination  |                  |                  |                  |                      |
| 3.1 Programme Management and Coordination  | 1,653,441        | 1,204,937        | 448,504          | 73%                  |
| <b>Sub Total</b>   | <b>1,653,441</b> | <b>1,204,937</b> | <b>448,504</b>   | <b>73%</b>           |
| <b>Grand Total</b>   | <b>6,559,648</b> | <b>2,475,729</b> | <b>4,083,918</b> | <b>38%</b>           |



**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe,  
OFID and Beneficiaries**

**International Fund for Agricultural Development (IFAD) Statement of Special Account Activities for  
the 18 months ended 31 December 2018**

|   | Ref            | USD              |
|---|----------------|------------------|
| <b>Opening Balance</b>                  |                | -                |
| <b>Add:</b>                             |                |                  |
| <b>IFAD Replenishments:</b>             |                |                  |
| 01/07/2017                              | WA No: 1       | 398,025          |
| 27/03/2018                              | WA No:2        | 1,000,000        |
| 16/10/2018                              | WA No: 5 and 6 | 617,835          |
| 28/12/2018                              | WA No:8        | 354,563          |
| Bank Interest                           |                | -                |
| <b>Total</b>                            |                | <b>2,370,422</b> |
| <b>Deduct:</b>                          |                |                  |
| <b>Transfers to Operating Accounts:</b> |                |                  |
| 23/08/2017                              | RBZ001         | 397,985          |
| 21/05/2018                              | RBZ002         | 300,000          |
| 22/06/2018                              | C0100          | 5,547            |
| 01/10/2018                              | RBZ003         | 400,000          |
| 24/10/2018                              | C234           | 6,403            |
| 23/10/2018                              | C267           | 6,935            |
| 06/11/2018                              | RBZ007         | 100,000          |
| Bank Charges                            |                | 417              |
| <b>Total</b>                            |                | <b>1,217,287</b> |
| <b>Closing Balance as at 31/12/2018</b> |                | <b>1,153,136</b> |

Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement

Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)

Project Number: 2000001640

Funded By : International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries

**Special Account Reconciliation for the 18 months ended 31 December 2018**

|   | USD                                  |
|---|--------------------------------------|
| 1 TOTAL ADVANCED BY IFAD  | 1,398,025                            |
| 2 LESS: TOTAL AMOUNT RECOVERED BY IFAD  | -                                    |
| 3 EQUALS PRESENT OUSTANDING AMOUNT ADVANCED TO THE SPECIAL ACCOUNT (NUMBER 1 LESS NUMBER 2)   | 1,398,025                            |
| <hr/>   |                                      |
| 4 BALANCE OF SPECIAL ACCOUNT PER ATTACHED BANK STATEMENT AS OF DATE: 31/12/18   | 1,153,136                            |
| 5 PLUS BALANCE OF THE PROGRAMME ACCOUNT(S)  | 29,169                               |
| PLUS BALANCE OF SUB-ACCOUNTS  | -                                    |
| PLUS CASH ON HAND   | -                                    |
| <b>Sub-total of 5:</b>  | 29,169                               |
| <b>TOTAL OF BANK BALANCES, PA, SUB-ACCOUNTS &amp; CASH IN HAND BALANCE (4+5):</b>   | <b>1,182,305</b>                     |
| 6 PLUS: TOTAL AMOUNT CLAIMED IN THIS APPL. No.  | 111,979                              |
| 7 PLUS: TOTAL AMOUNT WITHDRAWN FROM THE SPECIAL ACCOUNT/PA AND NOT YET CLAIMED (=3-4-5-8-11)<br>REASON: <u>Eligible amount for which disb. Appl. has not yet been prepared.</u> | 21,170                               |
| 8 PLUS: AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS NOT YET CREDITED AT DATE OF BANK STATEMENT AND CLAIMED AFTER DATE OF BANK STATEMENT  |                                      |
| <u>APPLICATION No.</u>  | <u>Date</u>                          |
|   | <u>USD</u>                           |
|   | <u>AMOUNT</u>                        |
|   | USD 0.00                             |
|   | USD 0.00                             |
|   | USD 0.00                             |
| SUBTOTAL OF PREVIOUS APPLICATIONS NOT YET CREDITED  | -                                    |
| 9 MINUS: INTEREST EARNED  | (852.77)                             |
| 10 TOTAL ADVANCE ACCOUNTED FOR (NO.4 THROUGH NO.9)  | 1,314,600                            |
| 11 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10   | 83,425                               |
| Counterpart financial Resources to be Reimbursed  |                                      |
| 12 DATE:  | 31 December 2018                     |
|   | SIGNATURE:.....                      |
|   | Name in Full:.....                   |
|   | Title in Full: Programme Coordinator |

**Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement**

**Project Title: Smallholder Irrigation Revitalisation Programme (SIRP)**

**Project Number: 2000001640**

**Funded By: International Fund for Agricultural Development (IFAD), Government of Zimbabwe, OFID and Beneficiaries**

**Notes to the financial statement for the 18 months ended 31 December 2018**

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**1. Accounting policies**

The Financial Statements have been prepared in accordance with the following policies, which have been applied consistently in all material aspects, unless otherwise indicated. However, where appropriate and meaningful, additional information has been disclosed to enhance the usefulness of the Financial Statements and to comply with the requirements of IPSAS Accrual accounting

The Financial Statements have been prepared based on generally Accepted Accounting Standards, except where stated otherwise. financial transactions are recognized in the books of account as follows:

**2 Significant Accounting Policies**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**a) Basis of Preparation**

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) based on the Accrual Basis of Accounting/ International Financial Reporting Standards (IFRS).

**b) Accrual basis of Accounting**

The accrual basis of accounting recognizes transactions and events when they occur rather than when cash is received or paid by the entity. Expenses are therefore recognised when incurred and income when earned.

**c) Foreign Currency Transactions**

Foreign currency translation for the income and expenditure account items are converted using the actual historic exchange rate at the conversion from special to local account. Where part of the expenditures has to be met from the proceeds of subsequent drawdowns from special to local account, this is done on First in First out (FIFO) basis. All local expenditures paid from the local accounts/currency are translated back to the USD at the actual rate used for the transfer from special to local account. Cash balances held in foreign currency are reported using the closing rate. Gains/Losses on foreign currency transactions/balances are dealt within the Statement of Special Account Activities.



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**d) Property, Plant and Equipment**

Expenditures incurred on the acquisition of fixed assets are initially written-off as expenses to comply with the financing agreement, the cost of the fixed assets are then capitalized by creating a Capital donation Fund to acknowledge the existence of the fixed assets procured by the project.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                   | Average useful life |
|------------------------|---------------------|
| Furniture and fixtures | 6 Years             |
| Motor vehicles         | 4 Years             |
| IT equipment           | 3 Years             |

**e) Liabilities**

Invoices for goods and services which are outstanding on the date of the closure of the fiscal year are recognized as liabilities for that specific fiscal year;

Loans and advances paid by the Fund are recognised as liabilities at the time of disbursement and shall become repayable from 4<sup>th</sup> year of implementation

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**Notes to the Financial statements for the 18 months ended 31 December 2018**

**3 Property and equipment**

|                                 | <b>Furniture<br/>US\$</b> | <b>Vehicles<br/>US\$</b> | <b>Equipment<br/>US\$</b> | <b>Software<br/>US\$</b> | <b>Totals<br/>US\$</b> |
|---------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|------------------------|
| <b>Cost</b>                     |                           |                          |                           |                          |                        |
| Opening Balance                 | -                         | -                        | -                         | -                        | -                      |
| Additions                       | 4,785                     | 1,743,631                | 118,115                   | 9,897                    | 1,876,427              |
| Disposals                       | -                         | -                        | -                         | -                        | -                      |
| <b>Closing Balance</b>          | <b>4,785</b>              | <b>1,743,631</b>         | <b>118,115</b>            | <b>9,897</b>             | <b>1,876,427</b>       |
| <b>Accumulated depreciation</b> |                           |                          |                           |                          |                        |
| Opening Balance                 | -                         | -                        | -                         | -                        | -                      |
| Additions                       | 1,283                     | 2,932                    | 8,934                     | 1,925                    | 15,072                 |
| Disposals                       | -                         | -                        | -                         | -                        | -                      |
| <b>Closing Balance</b>          | <b>1,283</b>              | <b>2,932</b>             | <b>8,934</b>              | <b>1,925</b>             | <b>15,072</b>          |
| <b>Net book Value</b>           |                           |                          |                           |                          |                        |
| <b>01/01/2018</b>               | -                         | -                        | -                         | -                        | -                      |
| <b>31/12/2018</b>               | <b>3,502</b>              | <b>1,740,699</b>         | <b>109,181</b>            | <b>7,973</b>             | <b>1,861,355</b>       |

**4 Cash/Fund Balances**

The bank amounts shown in the table below have been reconciled to the bank statements as at 31 December 2018.

| <b>Bank name</b>          |   | <b>Account<br/>currency</b> | <b>Amount</b>    |
|---------------------------|---|-----------------------------|------------------|
| Designated Account        |  | USD                         | 1,153,136        |
| Operational Nostro        |   | USD                         | 14,210           |
| Operational RTGS          |   | USD                         | 12,305           |
| Govt Contribution         |   | USD                         | 301,143          |
| Petty Cash                |   | USD                         | 2,654            |
| Beneficiary contributions |   | USD                         | 1,948            |
| <b>Total</b>              | <b>Scheme A/C</b>   |                             | <b>1,485,395</b> |

During 2018 the project transacted using a combination of the United States Dollars (USD), bond notes and bond coins and electronic money. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in utilization of different modes of payment for goods and services such as settlement via the Real Time Gross Settlement (RTGS) system overseen by the Central Bank and mobile money platforms. There was a significant divergence in the purchasing power of USD cash, bond notes, bond coins, mobile money platforms and electronic money as the year progressed.

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**Notes to the financial statement for the 18 months ended 31 December 2018**

**4 Cash/Fund Balances (continued)**

This necessitated the Central Bank to separate bank balances into the Nostro Foreign Currency Accounts (Nostro FCA) and Real Time Gross Settlement Foreign Currency Accounts (RTGS FCA) with effect from 1 October 2018 through Exchange Control directive RT120 of 2018. The parity between Nostro FCA and RTGS FCA was maintained to be 1:1 by the Central Bank until the issue of the 2019 first quarter monetary policy. However, the multi-tier pricing system, where a single product had different prices depending on the mode of payment, whether USD cash, RTGS Nostro, RTGS FCA, mobile money or bond notes, became more pronounced in the Zimbabwean economy. This was an indication that values of Nostro FCA and RTGS FCA are not at par.

**5 Commitment Schedule**

The Project is for duration of seven years from 2016 to 2023 with an approved budget of USD 51.7m as highlighted in the table below:

| Source of funds                | Total<br>Commitment-<br><br>(in USD)<br>(A) | Amount<br>received to date<br>-<br>(31 December<br>2018)<br>(in USD)<br>(B) | Undrawn<br>balance to<br>31 December<br>2018<br>(in USD)<br>(A)-(B) |
|--------------------------------|---|---|---|
| <b>Grant</b>                   |   |   |   |
| IFAD                           | 25,500,000                                  | 3,442,912   | 21,557,088  |
| <b>Loan</b>                    |   |   |   |
| OFID                           | 15,000,000                                  | -   | 15,000,000  |
| <b>Other Counterpart funds</b> |   |   |   |
| Government of Zimbabwe         | 7,885,000                                   | 454,010   | 7,430,990   |
| Beneficiary Contribution       | 3,283,000                                   | 1,948   | 3,281,052   |
| <b>Total</b>                   | <b>51,668,000</b>                           | <b>3,898,870</b>  | <b>47,769,130</b>   |

**6 Events after the reporting period**

**Introduction of the RTGS Dollar**

On the 22 February 2019, a Statutory Instrument 32 of 2019 (S.I 32/19), was issued as an amendment to the Reserve Bank of Zimbabwe Act that introduced a new currency called the RTGS Dollar. An Exchange Control Directive RU 28 of 2019 was also issued on the same day which introduced an interbank exchange rate for the RTGS Dollar to the US\$ as well as other existing currencies in the multi-currency regime.

**Abolishment of the multicurrency system**

The Reserve Bank of Zimbabwe through Statutory Instrument 142 of 2019, on 24 June 2019 introduced the Zimbabwean dollar as the sole legal tender for the settlement of domestic transactions in Zimbabwe. The Zimbabwean Dollar is at par with the RTGS Dollar, Bonds Notes and Coins. The functional currency for the project changed to the Zimbabwe Dollar on abolishment of the multi-currency system.