

AUDITED PROJECT FINANCIAL STATEMENTS

Project № : 1100001571

IFAD Grant No. 1000004151 / G-I-C-1338-

IFAD Loan No. 1000004150 / L-I--860-

Period covered: 1 July 2018 – 30 June 2019

Promotion Of Rural Incomes Through Market Enhancement Project (PRIME)

Prepared by: KPMG

Received on 5 February 2020

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Promotion of Rural Incomes through Market Enhancement PRIME Project.

Implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt.

Funded through The International Fund for Agricultural Development (IFAD).

Financial Statements For the year from 1 July 2018 through 30 June 2019 and auditor's report

Statements of sources and application of funds

Statements of receipts and payments

Withdrawals and Related Expenditures Statement

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**Statements of sources and application of funds
Statements of receipts and payments
Withdrawals and Related Expenditures Statement**

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Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village
Km 28 Cairo – Alex Desert Road
Giza – Cairo – Egypt
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005
E-mail : Egypt@kpmg.com.eg
Fax : (202) 35 37 3537
P.O. Box : (5) Smart Village

**To: Promotion of Rural Incomes through Market Enhancement PRIME Project
Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt
International Fund for Agricultural Development (IFAD)**

Our reports present the results of our audit financial statements of “Promotion of Rural Incomes through Market Enhancement-PRIME” project Implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and Funded by International Fund for Agricultural Development (IFAD) for the year from July 1, 2018 through June 30, 2019.

Background

According to the (financing) cooperation agreement International Fund for Agricultural Development IFAD loan No. I-C-1338-EG/ IFAD Grant No. I-860-EG dated April 10, 2012 between the Arab Republic of Egypt and International Fund for Agricultural Development (IFAD) to finance the activities of “Promotion of Rural Incomes through Market Enhancement PRIME” project, with total budget amounts to (Loan 44 140 000 special drawing rights equivalent to US \$ 70 million plus a non-refundable grant of 630,000 units special drawing rights equivalent to US \$ 1 million with a total of 71 million US dollars). for the purpose of contributing to the financing of the project to strengthen the marketing capabilities of small farmers in rural Egypt. The project is eight years from the date of entry into force of the project

On July 11, 2016, the International Fund for Agricultural Development (IFAD) approved the request of the Ministry of Agriculture on the recommendation of the International Development Fund for Agricultural Development (IFAD), which visited Egypt in November 2015 to support the marketing capacities of small farmers in rural Egypt (Prime) To allocate \$ 2.3 million from the total rural lending component to facilitate amounted to the \$ 70 million to marketing component and rural finance component to be more effective and responsive to the needs of target groups of small farmers.

On 3 August 2015, the Medium, small and Micro Enterprises Development Agency (MSMEDA) contracted NBE loans of LE105 million to restore its lending to small projects targeted.

We engaged with Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt to audit the financial statements of PRIME project for the financial year from July 1, 2018 through June 30, 2019.

. Project Objective and Target Group:

The objective of the project is to contribute to reducing rural poverty and increasing food security in Egypt. The development objective is to increase the income and food security of the target group in seven governorates: Qena, Sohag, Minya, Assiut and Beni Suef in Upper Egypt, the lake, Kafr El-Sheikh and in the Upper Egypt. The target group includes small farmers and farmers who do not own land Women and youth unemployed and small and medium-sized entrepreneurs.

The aim of the project

The project aims to:

- 1- Increase the prices of crop delivery in the fields of smallholder farmers through the organization of the best negotiating information and market access
- 2- Reduce production losses through access to finance through the use of new technology, access to facilities, transport and treatment of crops after harvest, and integration of agricultural value chain
- 3- Increase the assets and workers by increasing employment opportunities in the countryside within and outside the farms

Audit Objectives and Scope

The objective of the engagement was to conduct a financial audit in accordance with international standards on auditing and International standard on Assurance Engagements (ISAE) 3000 of "Promotion of Rural Incomes through Market Enhancement PRIME " project financial statements which comprise a Statement of Sources and Application of Funds , receipts and payments Statements and Withdrawals and Related Expenditures Statement and a summary of significant accounting policies and other explanatory information for the financial year from 1 July 2018 through 30 June 2019 , the project Implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and Funded by International Fund for Agricultural Development (IFAD).

The audit encompassed an examination of the project expenditures in order to determine whether they were in compliance with the terms and conditions of the contract and applicable laws and regulations.

The specific objectives were to:

- 1- Express an opinion on whether the financial statements presented fairly in all material respects the project's financial position and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS-Financial reporting under the cash basis of accounting).

- 2- Determine whether the expenditures, reported by the project are in fact allowable, allocable and reasonable in accordance with the terms of the project contract.
- 3- Determine whether the project's activities are in compliance, in all material respects, with the financial terms of the project contract and applicable laws, rules and regulations.

Preliminary planning and review procedures consisted of:

- Review of financing agreement and fund commitment between Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and International Fund for Agricultural Development (IFAD).
- Interviews and discussions with PRIME project's key personnel concerning the status of the contract, accomplishments during the period, reporting requirements, contract budget, and procedures governing actual expenditures incurred under the agreement.
- A review of PRIME project's organizational structure and established policies and procedures, and controls related to personnel, financial accounting and reporting.

The field work segment of our audit was completed on December 26, 2019. The scope of our work was to audit expenditures incurred by the project under fund commitment for the Promotion of Rural Incomes through Market Enhancement PRIME" project. We selected transactions on a judgmental basis in order to perform substantive test of details.

Our tests included, but were not limited to the following:

1. Reconciling accounting records to financial reports issued to International Fund for Agricultural Development (IFAD) and testing expenditures for allowability, allocability, and adequacy of supporting documentation.
2. Determining whether the project's expenditures were appropriate and consistent with the terms of the contract and applicable rules, regulations and were adequately supported and approved.
3. Inquire of any related parties with whom the project has had transactions during the audited period.

Results of Audit

Financial statements of the project

In our opinion, the Financial statements of the Project present fairly, in all material respects, the financial position of the project as of June 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS-Financial reporting under the cash basis of accounting).



Hazem Hassan

The Withdrawals and Related Expenditures Statement

In our opinion, the amounts on Withdrawals and Related Expenditures Statement were used for purposes intended under the financing agreement.

The project activities

In our opinion, the project activities are in compliance with financial provisions of the financing agreement.

Management Letter

We noted some issues related to internal control weakness and non-compliance with laws, regulation and project contract therefore we issued a Management Letter dated December 26, 2019.

Restriction on use and Distribution

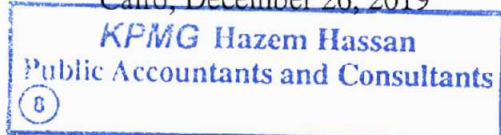
This report is intended solely for the information of Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and International Fund for Agricultural Development (IFAD) and should not be used for other purposes or distributed to any other parties.

Ahmed Ali Mahmoud - Partner

KPMG Hazem Hassan

Public Accountants and Consultants

Cairo, December 26, 2019





Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village
Km 28 Cairo – Alex Desert Road
Giza – Cairo – Egypt
Postal Code : 12577

Telephone : (202) 35 37 5000 – 35 37 5005
E-mail : Egypt@kpmg.com.eg
Fax : (202) 35 37 3537
P.O. Box : (5) Smart Village

Independent Auditor's Report

**To: Promotion of Rural Incomes through Market Enhancement - PRIME Project
Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt
International Fund for Agricultural Development (IFAD)**

Opinion

We have audited the Financial statements of Promotion of Rural Incomes through Market Enhancement - PRIME Project implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and funded through International Fund for Agricultural Development (IFAD), which comprise the Statement of Sources and Application of Funds , Program Account Statement and Withdrawals and Related Expenditures Statement for the year from 1 July 2018 through 30 June 2019 and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Financial statements present fairly , in all material respect the financial position of the project as at June 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS-Financial reporting under the cash basis of accounting).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the project in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Hazem Hassan

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

Responsibility of project's Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSAS-Financial reporting under the cash basis of accounting) , and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to terminate the project or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the project's financial reporting process.

Auditor's Responsibility for the audit of Financial Statements

Our objectives are 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout 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.



Hazem Hassan

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the project to cease to continue as a going concern.
- 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.

We communicate with project's 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.

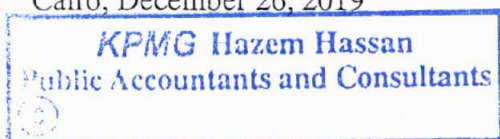


Ahmed Ali Mahmoud – Partner

KPMG Hazem Hassan

Public accountants and consultants

Cairo, December 26, 2019





Hazem Hassan

Public Accountants & Consultants

B (105) – Avenue (2) – Smart Village
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Independent Reasonable Assurance Report on compliance with financing agreement of Promotion of Rural Incomes through Market Enhancement - PRIME Project and on usage of the project funds for the purpose of the project.

**To: Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt
and International Fund for Agricultural Development (IFAD)**

We were engaged by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt to report on compliance with financing agreement of Promotion of Rural Incomes through Market Enhancement - PRIME Project and usage of the project's funds for the purposes of the project for the period From July 1, 2018 through June 30, 2019, in the form of an independent reasonable assurance conclusion about whether the program account was used in all material respect, in compliance with terms of IFAD financing agreement, the project activities are in all material respect, in compliance with financial terms of financing agreement and the amounts on withdrawals and related expenditures statement were used in all material respect for purposes intended under the financing agreement.

Project Management's Responsibilities

Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt is responsible for compliance with agreement of financing of Promotion of Rural Incomes through Market Enhancement - PRIME Project, usage of the project's funds for the purposes of the project intended under the agreement and for preparing the financial statements of the project that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the presentation of financial statement that are free from material misstatement, whether due to fraud or error. It also includes ensuring that Ministry of Agriculture and Land Reclamation complies with agreement of financing of Promotion of Rural Incomes through Market Enhancement - PRIME Project, funds of the project were used for the purpose of the project, designing, implementing and effectively operating controls to achieve the said compliance, selecting and applying policies, making judgments and estimates that are reasonable in the circumstances, and maintaining adequate records in relation to the compliance with agreement of financing and usage of the project's funds for the purposes of the project.



Hazem Hassan

Ministry of Agriculture and Land Reclamation is also responsible for preventing and detecting fraud and for identifying and ensuring that, the project complies with laws and regulations applicable to its activities. Ministry of Agriculture and Land Reclamation is responsible for ensuring that staff involved with the preparation of financial statements is properly trained, systems are properly updated and that any changes in reporting encompass all significant project sites.

Our Responsibilities

Our responsibility is to examine the adherence to financing agreement, usage of the project's funds and the financial statements preparation by Ministry of Agriculture and Land Reclamation according to the financing agreement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the financial statements is prepared in all material respects in compliance with agreement of financing and the funds on the statements are used for the purpose of the project

The firm applies International Standard on Quality Control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the financial statements in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Project's internal control over the preparation and presentation of the financial statements. Our engagement also includes assessing the appropriateness of the financial statements, the suitability of the criteria used by Ministry of Agriculture and Land Reclamation in preparing the financial statements in the circumstances of the engagement, evaluating the appropriateness of the policies and procedures used in the preparation of the financial statements and the reasonableness of estimates made by Ministry of Agriculture and Land Reclamation and evaluating the overall presentation of the financial statements. Reasonable assurance is less than absolute assurance.



Hazem Hassan

Our procedures are determined in terms of reference.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

In our opinion, the amounts in the financial statements of PRIME project for the year from July 1, 2018 through June 30, 2019 were used, in all material respect, for purposes intended under the financing agreement and in compliance with the financial terms of the financing agreement.

Restriction of Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and International Fund for Agricultural Development (IFAD) for any purpose or in any context. Any party other than Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and International Fund for Agricultural Development (IFAD) who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. We accept or assume no responsibility and deny any liability to any party other than Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt and International Fund for Agricultural Development (IFAD) for our work, for this independent reasonable assurance report, or for the conclusions, we have reached.

Ahmed Ali Mahmoud - Partner

KPMG Hazem Hassan

Public accountants and consultants

Cairo, December 26, 2019

KPMG Hazem Hassan
Public Accountants and Consultants

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Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No.L-I-860 EG
Promotion of Rural Incomes through Market Enhancement PRIME Project

implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt

funded through The International Fund for Agricultural Development (IFAD)

Statement of sources and application of funds

For the year from 1 July 2018 through 30 June 2019

	Note No	<u>Total</u> <u>L.E.</u>	<u>Current Period</u> <u>from 1-7-2018</u> <u>till 30-6-2019</u> <u>L.E.</u>	<u>Prior Period</u> <u>from 1-7-2015</u> <u>till 30-6-2018</u> <u>L.E.</u>
<u>Sources of Funds</u>				
Cash received for Loan		830,254,381	156,661,683	673,592,698
Cash received for Grant		9,325,633	-	9,325,633
Cash received for Marketing activities		14,763,520	-	14,763,520
loans repayment from beneficiaries and intrests		240,270,398	130,732,001	109,538,397
Investment intrests		5,984,895	3,937,537	2,047,358
Total Sources of Funds		1,100,598,827	291,331,221	809,267,606
<u>Uses of Funds</u>				
Credit lines through MSMEDA		(420,790,000)	(3,025,000)	(417,765,000)
Credit lines through ADP		(412,166,400)	(172,851,400)	(239,315,000)
Training and researches		(11,839,731)	(5,948,951)	(5,890,780)
Total Uses of Funds		(844,796,131)	(181,825,351)	(662,970,780)
Surplus as of 30 June		255,802,696	109,505,870	146,296,826

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Samir Maly

Project Executive Manager

M. Elkersh

Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No.L-I-860 EG
Promotion of Rural Incomes through Market Enhancement PRIME Project

implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt

funded through The International Fund for Agricultural Development (IFAD)

Consolidation Statement of receipts and payments
For the year from 1 July 2018 through 30 June 2019

	<u>Prior Period</u> <u>from 1-7-2015</u> <u>till 30-6-2018</u>	<u>Current Period</u> <u>from 1-7-2018</u> <u>till 30-6-2019</u>	<u>Total</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
<u>Revenues</u>			
Opening balance	23,874,060	130,649,255	154,523,315
Cash received for Loan	673,592,698	156,661,683	830,254,381
Cash received for Grant	9,325,633	-	9,325,633
Cash received for Marketing activities	14,763,520	-	14,763,520
loans repayment from beneficiaries and intrests	109,538,397	130,732,001	240,270,398
Investment intrests	2,047,358	3,937,537	5,984,895
Forex	14,209,705	20,158,593	34,368,298
Total Cash Available	847,351,371	248,232,126	1,289,490,440
<u>Expenditures</u>			
Credit lines through MSMEDA	(417,765,000)	(3,025,000)	(420,790,000)
Credit lines through [REDACTED]	(239,315,000)	(172,851,400)	(412,166,400)
Training and Reserches	(5,890,780)	(5,948,951)	(11,839,731)
Bank charges	(284,186)	(7,967)	(292,153)
CIB Expenses	(2,585,740)	(8,376,084)	(10,961,824)
Forex	(4,384,559)	(11,699,235)	(16,083,794)
Total Expenditures	(670,225,265)	(190,687,206)	(872,133,902)
<u>Add/ Less:</u>			
Provision	(264,546)	-	(264,546)
Creditors	(56,587)	120,204	63,617
Debtors	63,466	(26,092)	37,374
Total	(257,667)	94,112	(163,555)
Cash Surplus of the project	176,868,439	57,639,032	417,192,983
represented as follows:			
<u>Cash on Bank</u>			
[REDACTED] USD - MSMEDA	12,503,357	576,216	13,079,573
[REDACTED] L.E	129,716,984	227,898,846	357,615,830
[REDACTED] USD	3,747,098	(372,683)	3,374,415
Cash balance at the Ministry of Finance	30,485,261	12,526,474	43,011,735
	415,740	(304,309)	111,431
Balance as of 30 June	176,868,440	240,324,544	417,192,984

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Samer Mary

Project Executive Manager

M. Elker

Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No.L-I-860 EG
Promotion of Rural Incomes through Market Enhancement PRIME Project

implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt

funded through The International Fund for Agricultural Development (IFAD)

Statement of receipts and payments for the IFAD Grant

For the year from 1 July 2018 through 30 June 2019

	<u>Note</u> <u>No</u>	<u>Prior Period</u> <u>from 1-7-2015</u> <u>till 30-6-2016</u> <u>L.E.</u>	<u>Prior Period</u> <u>from 1-7-2016</u> <u>till 30-6-2017</u> <u>L.E.</u>	<u>Prior Period</u> <u>from 1-7-2017</u> <u>till 30-6-2018</u> <u>L.E.</u>	<u>Current Period</u> <u>from 1-7-2018</u> <u>till 30-6-2019</u> <u>L.E.</u>	<u>Total</u> <u>L.E.</u>
Revenues						
Opening balance			756,705	962,507	8,199,693	9,918,905
Cash received for Grant		1,335,476	-	7,990,157	-	9,325,633
Forex		217,909	706,007	1,073,179		1,997,095
Total Cash Available		1,553,385	1,462,712	10,025,843	8,199,693	21,241,633
Expenditures						
Training and Reserches	(4-1)	(666,751)	(621,424)	(1,578,189)	(2,345,496)	(5,211,860)
Forex					(1,052,138)	(1,052,138)
Total Expenditures		(666,751)	(621,424)	(1,578,189)	(3,397,634)	(6,263,998)
Add/ Less:						
Provision		-	-	(264,546)	-	(264,546)
Creditors		(133,546)	-	(26,600)	54,914	(105,232)
Debtors		3,617	121,219	43,185	(13,497)	154,524
Total		(129,929)	121,219	(247,961)	41,417	(215,254)
Cash Surplus of the project	(5)	756,705	962,507	8,199,693	4,843,476	14,762,381
represented as follows:						
Cash on Bank						
	L.E	97,913	10,590	764,359	715,787	1,588,649
	USD	658,792	951,917	7,326,594	4,209,398	13,146,701
Cash balance at the Ministry of Finance		-	-	108,740	(81,709)	27,031
Balance as of 30 June		756,705	962,507	8,199,693	4,843,476	14,762,381

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Saneh Maly

Project Executive Manager

M. Elkarsh

Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No.L-I-860 EG
Promotion of Rural Incomes through Market Enhancement PRIME Project

implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt

funded through The International Fund for Agricultural Development (IFAD)

Statement of receipts and payments for the IFAD Loan

For the year from 1 July 2018 through 30 June 2019

	<u>Note</u>	<u>Prior Period</u> <u>from 1-7-2016</u> <u>till 30-6-2017</u> <u>L.E.</u>	<u>Prior Period</u> <u>from 1-7-2017</u> <u>till 30-6-2018</u> <u>L.E.</u>	<u>Current Period</u> <u>from 1-7-2018</u> <u>till 30-6-2019</u> <u>L.E.</u>	<u>Total</u> <u>L.E.</u>
<u>Revenues</u>					
Opening balance		-	13,256,223	11,165,971	24,422,194
Cash received for Marketing activities		14,763,520	-	-	14,763,520
Total Cash Available		14,763,520	13,256,223	11,165,971	39,185,714
<u>Expenditures</u>					
Training and Reserches	(4-2)	(1,211,713)	(1,650,828)	(3,603,455)	(6,465,996)
Forex		(296,584)	(130,429)	(609,205)	(1,036,218)
Total Expenditures		(1,508,297)	(1,781,257)	(4,212,660)	(7,502,214)
<u>Add/ Less:</u>					
Creditors		-	(13,596)	(12,595)	(26,191)
Debtors		1,000	11,600	65,290	77,890
Total		1,000	(1,996)	52,695	51,699
Cash Surplus of the project	(5)	13,256,223	11,472,970	7,006,006	31,735,199
represented as follows:					-
Cash on Bank					-
L.E		635,139	2,239,096	(1,088,470)	1,785,765
USD		12,621,084	8,926,874	8,317,076	29,865,034
Cash balance at the Ministry of Finance		-	307,000	(222,600)	84,400
Balance as of 30 June		13,256,223	11,472,970	7,006,006	31,735,199

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Samir Maly

Project Executive Manager

M. Elkarh

Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No.L-I-860 EG
Promotion of Rural Incomes through Market Enhancement PRIME Project

implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt

funded through The International Fund for Agricultural Development (IFAD)

Statement of receipts and payments for Medium, Small and Micro Enterprises Development Agency (MSMEDA) Loan
For the year from 1 July 2018 through 30 June 2019

	Note No	Prior Period from 1-7-2015 till 30-6-2016 L.E.	Prior Period from 1-7-2016 till 30-6-2017 L.E.	Prior Period from 1-7-2017 till 30-6-2018 L.E.	Current Period from 1-7-2018 till 30-6-2019 L.E.	Total L.E.
Revenues						
Opening balance		-	8,897,467	1,158	3,604,732	12,503,357
Cash received for Loan		112,744,902	-	300,403,028	-	413,147,930
Forex	(3-1)	1,154,148	9,001,313	-	3,412	10,158,873
Total Cash Available		113,899,050	17,898,780	300,404,186	3,608,144	435,810,160
Expenditures						
Credit lines through MSMEDA		(105,000,000)	(17,896,000)	(294,869,000)	(3,025,000)	(420,790,000)
Bank charges		(1,583)	(1,622)	(61,764)	(6,927)	(71,896)
Forex	(3-1)	-	-	(1,868,690)	-	(1,868,690)
Total Expenditures		(105,001,583)	(17,897,622)	(296,799,454)	(3,031,927)	(422,730,586)
Cash Surplus of the project	(5)	8,897,467	1,158	3,604,732	576,217	13,079,574
represented as follows:						
Cash on Bank						
USD - MSMEDA		8,897,467	1,158	3,604,732	576,216	13,079,573
balance as at 30 June		8,897,467	1,158	3,604,732	576,216	13,079,573

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Samah Maly

Project Executive Manager

M. Elkersh

**Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No.L-I-860 EG
Promotion of Rural Incomes through Market E**

implemented by Ministry of Agriculture and La

funded through The International Fund for Agr

**Statement of receipts and payments for ADP Loan
For the year from 1 July 2018 through 30 June 2019**

	Note	Prior Period from 1-7-2015 till 30-6-2018 L.E.	Current Period from 1-7-2018 till 30-6-2019 L.E.	Total L.E.
<u>Revenues</u>				
Opening balance		-	107,678,859	107,678,859
Cash received for Loan		238,244,768	156,661,683	394,906,451
loans repayment from beneficiaries and intrest		109,538,397	130,732,001	240,270,398
Investment interests		2,047,358	3,937,537	5,984,895
Foreign exchange gain	(3-2)	2,057,149	20,155,181	22,212,330
Total Cash Available		351,887,672	419,165,261	771,052,933
<u>Expenditures</u>				
Credit lines through ADP		(239,315,000)	(172,851,400)	(412,166,400)
Bank interest		(219,217)	(1,040)	(220,257)
Management unit fees		-	(300,000)	(300,000)
Credit system expenses		(543,900)	(4,132,783)	(4,676,683)
Interest to ministry of agriculture		(2,041,840)	(3,943,301)	(5,985,141)
Foreign exchange loss	(3-2)	(2,088,856)	(10,037,892)	(12,126,748)
Total Expenditures		(244,208,813)	(191,266,416)	(435,475,229)
Cash Surplus of the project	(5)	107,678,859	227,898,845	335,577,704
represented as follows:				
<u>Cash on Bank</u>				
current account USD		14,743,698	71,130	14,814,828
current account LE		21	115,460	115,481
Time Deposite USD		92,935,140	185,452,256	278,387,396
Time Deposite LE			42,260,000	42,260,000
Balance as of 30 June		107,678,859	227,898,846	335,577,705

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there w

Independent Auditor's Report "attached"

Project Financial Controller

Sabeh Mahy

Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No. L-1-860 EG
Promotion of Rural Incomes through Market Enhancement PRIME Project
implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt
funded through The International Fund for Agricultural Development (IFAD)
Statement of Withdrawals and related Expenditures (SOEs)
For the year from 1 July 2018 through 30 June 2019

Source	Withdrawal Date	amount of Withdrawal USD	amount of Withdrawal L.E.	Month	Grant Studies Workshops & Training L.E.	Loan Studies Workshops & Training L.E.	SFD Credit Facility L.E.	ADP Credit Facility L.E.	Total L.E.
Grant	30/06/2014	187,300	1,335,476	July 2015	-	-	-	-	-
Credit line- MSMEDA	21/11/2014	1,250,000	8,937,625	August 2015	10,080	-	448,000	-	458,080
Credit line- MSMEDA	25/08/2015	2,750,000	21,285,275	September 2015	321	-	2,852,900	-	2,853,221
Credit line- MSMEDA	02/12/2015	3,400,269	26,315,423	October 2015	115,850	-	16,179,000	-	16,294,850
Credit line- MSMEDA	14/01/2016	3,400,242	26,318,213	November 2015	-	-	11,128,200	-	11,128,200
Credit line- MSMEDA	06/04/2016	3,400,269	29,888,366	December 2015	106,687	-	14,739,600	-	14,846,287
Credit line- ADP	20/11/2014	1,250,000	11,100,000	January 2016	51,170	-	8,599,600	-	8,650,770
Credit line- ADP	30/06/2016	1,250,000	11,100,000	February 2016	-	-	9,303,400	-	9,303,400
				March 2016	161,154	-	12,119,400	-	12,280,554
				April 2016	26,242	-	8,463,100	-	8,489,342
				May 2016	74,660	-	9,744,800	-	9,819,460
				June 2016	120,587	-	11,422,000	-	11,542,587
Total 30-6-2016		16,888,080	136,280,378		666,751		105,000,000		105,666,751
Marketing activities	06/12/2016	800,000	14,763,520	July 2016	10	-	-	-	10
Credit line- ADP	14/11/2016	918,018	14,688,288	August 2016	10	-	-	-	10
Credit line- ADP	07/12/2016	2,750,000	50,450,434	September 2016	28,242	-	-	19,292,000	19,320,242
Credit line- ADP	14/12/2017	1,236,482	22,684,019	October 2016	50,102	-	250,000	18,068,000	18,368,102
				November 2016	4,794	-	-	40,564,000	40,568,794
				December 2016	28,374	313	-	7,496,000	7,524,687
				January 2017	20,698	0	-	-	20,698
				February 2017	55,097	578,906	250,000	-	884,003
				March 2017	176,999	10	772,500	-	949,509
				April 2017	40,002	10	16,000,000	-	16,040,012
				May 2017	46,399	108,524	623,500	-	778,423
				June 2017	170,698	523,950	-	-	694,648
Total 30-6-2017		5,704,500	102,586,261		621,424	1,211,713	17,896,000	85,420,000	105,149,137
Marketing activities	Grant	453,741	7,990,156	July 2017	42,775	1,490	53,999,000	-	54,043,265
Credit line- MSMEDA	24/07/2017	3,035,343	55,096,038	August 2017	170,819	131,506	-	27,716,000	28,018,325
Credit line- MSMEDA	10/09/2017	3,995,325	70,783,969	September 2017	24,639	60,680	63,925,000	-	64,010,319
Credit line- MSMEDA	18/10/2017	3,632,081	64,301,997	October 2017	11,642	362,485	21,825,000	-	22,199,127
Credit line- MSMEDA	23/11/2017	3,230,267	57,190,911	November 2017	259,113	61,626	99,222,500	-	99,543,239
Credit line- MSMEDA	08/01/2018	3,639,664	64,759,448	December 2017	82,027	141,916	825,000	28,433,000	29,481,943
Credit line- MSMEDA	13/02/2018	2,661,345	47,197,097	January 2018	75,789	264,068	47,200,000	-	47,539,857
Credit line- MSMEDA	25/06/2018	(3,285,830)	(58,926,432)	February 2018	163,972	219,639	1,900,000	-	2,283,611
Credit line- ADP	28/09/2017	2,523,042	45,024,725	March 2018	38,696	142,392	2,247,500	22,541,000	24,969,590
Credit line- ADP	11/12/2017	1,640,511	29,320,551	April 2018	91,743	66,510	2,700,000	-	2,858,253
Credit line- ADP	25/12/2017	1,485,127	26,672,882	May 2018	167,416	186,866	1,025,000	75,205,000	76,584,282
Credit line- ADP	06/02/2018	1,575,529	28,296,497	June 2018	449,557	11,650	-	-	461,207
Total 30-6-2018		24,586,145	437,707,839		1,578,189	1,650,828	294,869,000	153,895,000	451,993,017
Credit line- ADP	05/10/2018	2,381,347	42,768,992	July 2018	172,942	294,277	575,000	-	1,042,218
Credit line- ADP	30/10/2018	2,370,392	42,572,244	August 2018	136,588	271,102	525,000	-	932,691
Credit line- ADP	28/11/2018	3,993,786	70,227,819	September 2018	31,205	104,973	700,000	-	836,178
				October 2018	263,115	154,918	450,000	172,851,400	173,719,432
				November 2018	20,070	51,261	75,000	-	146,331
				December 2018	120	120	625,000	-	625,240
				January 2019	264,741	273,468	-	-	538,209
				February 2019	88,939	235,685	-	-	324,624
				March 2019	408,984	218,321	75,000	-	702,304
				April 2019	285,081	417,582	-	-	702,663
				May 2019	224,220	741,680	-	-	965,899
				June 2019	449,492	840,070	-	-	1,289,562
Total 30-6-2019		8,745,525	155,569,055		2,345,496	3,603,455	3,025,000	172,851,400	181,825,351
Total till 30-6-2019		55,924,250	832,143,533		5,211,860	6,465,996	420,790,000	412,166,400	844,634,256

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Saneh Mahy

Project Executive Manager

M. El Kersh

Promotion of Rural Incomes through Market Enhancement PRIME Project
Implemented by Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt
Funded through The International Fund for Agricultural Development (IFAD).
For the Period from 1 July 2018 through 30 June 2019

Statement of Sources and Application of Funds
Statements of receipts and payments
Statement of withdrawals and related expenditures

Notes to the Financial Statements

1- Background

In April 10, 2012, a Contract No. 1-860-EG and I-C-1338-EG was signed between The International Fund for Agricultural Development (IFAD) and Ministry of Agriculture and Land Reclamation of the Arab Republic of Egypt concerning the implementation of Promotion of Rural Incomes through Market Enhancement PRIME Project with a total budget of US \$ 630,000 (US \$ 44,140,000). The Ministry of Agriculture and Land Reclamation in the Arab Republic of Egypt has been associated with the review of Prime's financial statements.

2- Significant accounting policies

2-1 Accounting Framework

The project financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS-Financial reporting under the cash basis of accounting) and the International Fund for Agriculture Development (IFAD) procedures and the project agreement clauses. On cash basis, revenues are recognized when received rather than when earned and expenditures related to loans are recognized when paid rather than when incurred whereas the training and researches expenditures are only recognized when incurred.

2-2 Foreign Currency Transactions

The project maintains its accounts in Egyptian pound. The transactions in foreign currencies are denominated in Egyptian pound according to average exchange rates and at the end of the fiscal year bank balances are retranslated at the exchange rates declared by the bank on June 30.

2-3 Payments and expenses

Payments and expenses are recognized in accordance with the modified cash basis.

3- Bank Balances

3-1 Bank Balance –MSMEDA loan

	<u>USD</u>	<u>LE</u>
Amounts received from IFAD to the SFD	31,108,975	413,147,930
Payments from loan	(31,072,646)	(420,790,000)
Bank Charges	(4,151)	(71,896)
Foreign exchange difference-Credit	0	10,158,872
Foreign exchange difference - Debit		(1,868,690)
Book Balance	<u>32,178</u>	<u>576,216</u>
Balance on 30 June - as per Bank statement	<u><u>32,178</u></u>	<u><u>576,216</u></u>

3-2 Bank Balance –ADP Loan

	<u>LE</u>
Amounts received from IFAD to ADP	394,906,451
Payments from loan	(412,166,400)
loans repayment from beneficiaries and intrests	240,270,398
Investment interests	5,984,895
Bank interest	(220,257)
Management unit fees	(300,000)
Credit system expenses	(4,676,683)
Interest to ministry of agriculture	(5,985,141)
Foreign exchange difference-Credit	22,212,330
Foreign exchange difference - Debit	(12,126,748)
Book Balance	<u><u>227,898,845</u></u>
Balance on 30 June as per Bank statement - USD	185,523,386
Balance on 30 June as per Bank statement - LE	42,375,460
Balance on 30 June - as per Bank statement	<u><u>227,898,846</u></u>

4- Training and Researches

This item represented as follows:

4-1 Training and Researches IFAD Grant

	<u>Total</u>	<u>30/06/2019</u>	<u>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2016</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>	<u>LE</u>
Supervision on training sessions	395,000	190,500	89,000	28,500	87,000
Tax authority	3,617			3,617	-
Meeting expenses	20,095			-	20,095
Allowance for committees attendance	14,575			-	14,575
Survey Study	355,702			-	355,702
Marketing experts fees	14,500			-	14,500
Bank charges	11,202	4,589	4,966	50	1,598
Accounting program	50,000		15,000	35,000	-
Documenting farm systems	482,303	280,232	181,671	20,400	-
Survey of the project	280,000	70,000	210,000	-	-
Training activities	2,805,005	1,227,268	1,007,554	440,807	129,376
Travel	75,462	8,507		23,050	43,905
Audit fees	210,000	70,000	70,000	70,000	-
Association Conference	230,000	230,000	0		
Tent	190,800	190,800	0		
Consultants fees	73,600	73,600	-		
Total Training and Researches IFAD Grant	<u>5,211,861</u>	<u>2,345,496</u>	<u>1,578,190</u>	<u>621,424</u>	<u>666,751</u>

4-2 Training and Researches IFAD Loan

Consultants fees	1,876,655	741,072	745,583	390,000	
Management allowance	1,437,270	591,600	531,020	314,650	
Governance allowances	1,362,600	603,400	315,200	444,000	
Bank charges	11,996	4,953	5,243	1,800	
Documenting farm systems	122,805	28,000	39,905	54,900	
Travel	58,595	38,355	13,877	6,363	
Training activities	527,400	527,400			
Tent	441,650	441,650			
Outlets	345,450	345,450			
Computers and Printers	186,700	186,700			
documentary film	67,500	67,500			
Announcements and publications	27,375	27,375			
Total Training and Researches IFAD Loan	<u>6,465,996</u>	<u>3,603,455</u>	<u>1,650,828</u>	<u>1,211,713</u>	<u>0</u>
Total Training and Researches	<u>11,677,858</u>	<u>5,948,951</u>	<u>3,229,018</u>	<u>1,833,137</u>	<u>666,751</u>

5- Detailed project Accounts

For the year from 1 July 2018 through 30 June 2019

	<u>Total</u>	<u>Grant</u>	<u>Loan</u>	<u>MSMEDA</u>	<u>ADP</u>
	<u>L.E.</u>	<u>Studies</u>	<u>Studies</u>	<u>Credit</u>	<u>Credit</u>
		<u>Workshops</u>	<u>Workshops</u>	<u>Facility</u>	<u>Facility</u>
		<u>& Training</u>	<u>& Training</u>	<u>L.E.</u>	<u>L.E.</u>
		<u>L.E.</u>	<u>L.E.</u>		
Revenues					
Opening balance	130,649,255	8,199,693	11,165,971	3,604,732	107,678,859
Cash received for Loan	156,661,683				156,661,683
loans repayment from beneficiaries and intres	130,732,001				130,732,001
Investment interests	3,937,537				3,937,537
Forex	20,158,593		0	3,412	20,155,181
Total Cash Available	442,139,069	8,199,693	11,165,971	3,608,144	419,165,261
Expenditures					
Credit lines through MSMEDA	(3,025,000)			(3,025,000)	
Credit lines through [REDACTED]	(172,851,400)				(172,851,400)
[REDACTED] expenses	(8,376,084)				(8,376,084)
Training and Reserches	(5,948,951)	(2,345,496)	(3,603,455)		
Bank charge	(7,967)			(6,927)	(1,040)
Forex	(11,699,235)	(1,052,138)	(609,205)		(10,037,892)
Total Expenditures	(201,908,637)	(3,397,634)	(4,212,660)	(3,031,927)	(191,266,416)
Add/ Less:					
Provision					
Debtors	120,204	54,914	65,290		
Creditors	(26,092)	(13,497)	(12,595)		
Cash Surplus of the project	240,324,544	4,843,476	7,006,006	576,217	227,898,845
Cash on Bank					
[REDACTED] USD - MSMEDA	576,216			576,216	
[REDACTED]	227,898,846				227,898,846
[REDACTED] L.E	(372,683)	715,787	(1,088,470)		
[REDACTED] USD	12,526,474	4,209,398	8,317,076		
Cash balance at the Ministry of Finance	(304,309)	(81,709)	(222,600)		
Balance as of 30 June	240,324,544	4,843,476	7,006,006	576,216	227,898,846

The accompanying notes from No (1) to No. (6) an integral part of this Financial Statements and to be read there with.

6- Bank Reconciliation - Loan

	<u>Date</u>	<u>LE</u>	<u>LE</u>
Bank Balance			70,564.59
outstanding checks			
eprinter maintainenec	14/05/2019	8,950.00	
allownces jan - feb - march	14/05/2019	17,400.00	
computers	16/05/2019	98,863.00	
traning expenses	26/06/2019	332,156.00	
traning expenses	26/06/2019	509,065.00	
the result of ltour contract	26/06/2019	192,600.00	
total		1,159,034.00	
total outstanding			<u>1,159,034.00</u>
Book balances			<u>(1,088,469.41)</u>

Bank Reconciliation - Grant

	<u>Date</u>	<u>LE</u>	<u>LE</u>
Bank Balance			743,436.66
outstanding checks			
English courses	26/06/2019	27,650.00	
total		27,650.00	
total outstanding			<u>27,650.00</u>
Book balances			<u>715,786.66</u>