

AUDITED PROJECT FINANCIAL STATEMENTS

Project N° : 2000001501

IFAD Loan No. 2000002130/200000213000

IFAD Grant No. 2000002129/200000212900

Period covered 1 July 2018 – 30 June 2019

Financial Access for Rural Markets, Smallholders and Enterprise Programme (FARMSE)

Prepared by: National Audit Office - Malawi

Received on 18 December 2019

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Investing in rural people

**MINISTRY FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISES
(FARMSE) PROGRAMME**

**FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30th JUNE, 2019**

FINANCED BY:

**Government of the Republic of Malawi and International Fund for Agricultural
Development (IFAD) Through**

IFAD Loan No: 2000002130

IFAD Grant No: 2000002129

**National Audit Office
P O Box 30045
Lilongwe 3**

GENERAL INFORMATION

Registered Offices

Ministry of Finance, Economic Planning and Development

Capital Hill

P O Box 30049

Capital City

Lilongwe 3

Project Implementing Unit

Betta House

Off Paul Kagame Road

P O Box 30049

Capital City

Lilongwe 3

Tel (265) 1 756 931

Bankers

FDH Bank Limited

City Centre Branch

Centre Arcade

P.O. Box 30432

Lilongwe 3

Reserve Bank of Malawi

Capital City

P O Box 30063

Capital City

Lilongwe 3

Independent Auditors

National Audit Office

P.O Box 30045

Lilongwe 3

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE) PROGRAMME
IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

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CONTROLLING OFFICER'S REPORT

1.0 Programme Outline

The Financial Access for Rural Markets, Smallholders and Enterprise (FARMSE) Programme is a seven-year Government Programme being financed by a loan and a grant which the Government of Malawi obtained from the International Fund for Agricultural Development (IFAD). The loan amount is USD 21,000,000 while the grant element is a similar amount of USD 21,000,000. The Malawi Government's contribution towards the Programme is US\$9,579,000 while the private sector contribution is USD 6,151,000. The Malawi Government will start repaying the IFAD loan on 7th June, 2028.

The Programme financing agreement was signed on 06th June, 2018 and the Programme became into force on the same date of 6th June, 2018. The implementation of Programme activities will be completed on 5th December 2024 while the entire Programme will close on 5th June, 2025. FARMSE is a nationwide programme focusing on financial inclusion and ultra poor graduation. The Programme is operating in all of the 28 districts in Malawi except for the island district of Likoma. The Programme has so far engaged 12 partners who are carrying out projects in various parts of the 27 districts of the country.

The Programme Management Unit (PMU) offices are located in Betta House, Off Paul Kagame Road in the City of Lilongwe. The Ministry of Finance, Economic Planning and Development is the lead implementing agency while direct supervision is carried out by IFAD.

1.1 Programme Objectives

The overall goal of FARMSE is to reduce poverty, improve livelihoods and enhance the resilience of rural households on a sustainable basis. The Programme's Development Objective (PDO) is to increase access to, and use of a range of sustainable financial services by rural households and micro, small, and medium enterprises.

1.2 Summary of Programme Performance

The Programme has been in operation for one year so far. The initial advance of USD 2,000,000 from IFAD was received in September 2018. The advance was increased by USD 1,000,000 in March 2019. The main activity during the year was the selection of implementing partners. Twelve partners were selected and awarded grants for implementing various projects. 10 out of the 12 grantees signed the grant agreements during the year while 2 signed the agreements after year end in July 2019. First disbursement of funds was made to the 10 grantees who signed the contracts before the year end. The programme also procured equipment in the likes of motor vehicles, computers and furniture. The other smaller activities included the programme launch, start up workshop and three national workshops. The national workshops were intended to sensitize potential implementing partners about the programme. The programme also drafted the guidelines and tools for selecting and assessing implementing partners. The PDO will be

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achieved through four components namely (a) Ultra-poor Graduation Model Development and Scaling up; b). Community Based Financial Organisations (CBFO) and Innovation and Outreach Facility (IOF), (c) Strategic Partnerships, Knowledge Generation and Policy and (d) Programme Management and Coordination.

Component 1: Ultra Poor Graduation Model Development and Scaling up

The component is supporting on-going government efforts in developing and delivering effective graduation programmes in rural areas with a view to reducing extreme poverty levels among both ultra-poor labour constrained and non-labour constrained households. The component is overseen by the PMU and led by the National Social Support Programme, under the Ministry of Finance (MOFEPD, NSSP) who are piloting a model graduation programme in some districts of southern Malawi. FARMSE is following the graduation concept adopted by the GoM and where applicable it will borrow aspects from the universally tested *Consultative Group to Assist the Poor (CGAP)/Ford Foundation model*. The component was allocated a total budget sum of **MK 657,295,800 (USD906,615)** for the 2018/19 financial year. The expenditures for the year amounted to **MK566,779,813 (USD744,952)** representing **86%** utilization rate. The main activities included the provision of funds to implementing partners. A total sum of **MK506,549,690 (USD661,560)** was disbursed as grants to three grantees as follows :- **World Relief MK238,556,632 (USD311,677); COMSIP MK156,013,200 (USD203,686) and Care International MK 111,979,858 (USD146,198)**. The other activities carried out included national conference and the drafting of the grant guidelines for ultra poor implementing partners. It may also be reported that about 80% of the funds allocated for ultra poor activities have been committed to grants such that no new grants will be awarded unless a reallocation of funds is effected.

Component 2: Support to Community Based Financial Organisations and Financial Innovation and Outreach

¹The objective of the component is to support CFBOs expand outreach to poor but food secure households, households vulnerable to poverty, and resilient households in rural Malawi. The component also seeks to overcome numerous barriers to financial services to the rural poor. It supports the development of informal and formal financial services best suited to ultra-poor non-labour constrained, poor but food-secure, vulnerable to poverty, and low income but resilient to poverty households, emphasizing savings and credit for on and off farm enterprise. The component also employs financial interventions within select value chains to enhance economic returns to smallholder participation and value chain efficiency.

The component was allocated a total budget sum of **MK2,185,288,900 (USD3,014,192)** for the 2018/19 financial year. The expenditures for the year amounted to **MK1,746,837,220 (USD2,290,251)** representing **80%** utilization rate. A total sum of **MK 1,696,174,937**

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(USD2,362,748) was disbursed as grants to 7 service providers to implement various projects. Three service providers are implementing projects under sub component 2.1, community based financial organization while the other 4 are implementing projects under the innovation and outreach facility (IOF). The other activities included organizing national conferences for players in the financial sector and the drafting of the grant guidelines for community based financial organizations (CBFO's) and the Innovation Outreach Facility (IOF).

Component 3: Strategic Partnerships, Knowledge Generation and Policy

The outcome of this component is to increase the capacity and knowledge bases of rural financial sector support organizations, and has three objectives: i) strengthening macro level regulatory and financial sector policy and institutional capacity; ii) strengthening financial sector organizations/ infrastructure; and iii) producing and distributing rural finance sector knowledge products which enhance the outreach and innovation potential of sector stakeholders. The component was allocated a total budget sum of **MK148,961,250 (USD205,464)** for the 2018/19 financial year. The expenditures for the year amounted to **MK26,495,054 (USD35,707)** representing 15% of the allocation. Three main activities were carried out under component three. Firstly, the programme conducted a mapping exercise to determine the number and spread of community based financial organisations in selected districts in the country. The second and third activities included the study tour to Uganda where officers visited ultra poor projects and a study tour to Zambia where officers visited financial inclusion projects. The activities not carried out included meetings of the technical working groups and the production and dissemination of rural finance messages

Component 4: Programme Management and Coordination

The PMU is responsible for day to day management of the Programme including consolidation of AWPBs, preparation of procurement plans, progress, and financial reports, and co-ordinates the procurement of goods, works and services. The PMU manages monitoring and evaluation, and provides support to implementation and supervision missions. During the reporting period, the PMU produced and submitted the AWPB to PSC for approval and IFAD for funding. Three PSC meetings were convened at which the AWPB, half year progress report and grants were approved. The PMU also facilitated the launch of the Programme and the start up workshop. The programme also procured 5 vehicles, computers, office furniture and the accounting software. A sum of **MK716,557,255 (USD995,323)** representing **82%** of the total provision of **MK875,172,878**.

Category wise expenditure performance

The expenditures according to categories were as follows: -

Category 1: Goods services and outputs 94%

Category 2: Studies and consultancies 63%

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Category 3: Operations 149%
 Category 4: Salaries and allowances 88%

Categories 1 and 2 recorded highest expenditures because grants were paid mainly from category one some from category 2 as per the design document. Expenditures under category 3 were higher than budget due to two reasons firstly, the programme omitted to provide for motor vehicle running costs such as insurance and fuel and repairs. Secondly, there was serious under budgeting for operating costs. The last component on salaries and allowances recorded 88% because most employees were recruited late in March 2019 when provision was made for their recruitment in November 2018.

Overall performance

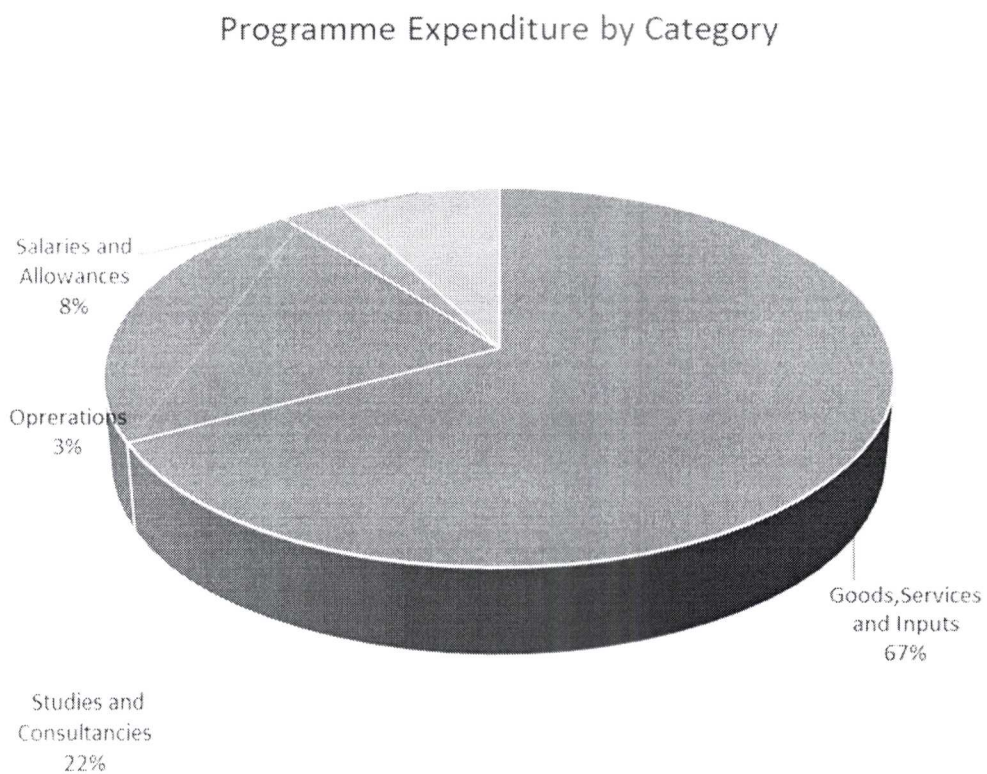
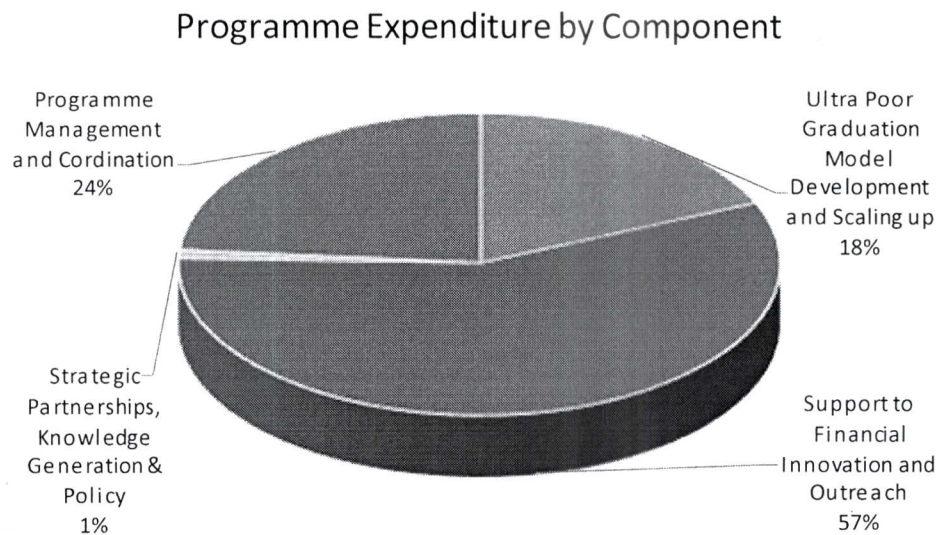
The Programme utilized a sum of **MK3,056,669,343 (USD4,066,233)** out of the total provision of **MK 3,866,718,828** representing **79%** overall utilization rate and **86%** for IFAD resources. The main reason for the high utilization is that the programme managed to give out grants to partners as planned. A total of **MK2,202,724,087 (USD2,878 ,781)** was utilized to award grants to partners representing 57% of the annual budget. As compared with the DPR allocation for 2018/2019 of USD 1,906,000 the programme has spent 214% of that allocation mainly due to award of grants which were budgeted for in the year 2020. The exchange rate of the Malawi Kwacha against the US Dollar was stable during the most part of the year standing at MK718 until the last month of June when the currency lost value decreasing to MK776 to 1 US dollar. The Programme submitted seven withdrawal applications during the period two being the initial advances, one direct payment and four being reimbursement requests.

As per the financing agreement, the funds from IFAD allocated to four categories namely;

	<u>USD</u>
I Goods, Services and Inputs	21,600,000
II Studies and Consultancies	13,100,000
III Operations	600,000
IV Salaries and Allowances	2,500,000
Unallocated	4,200,000
TOTAL	42,000,000

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PIE CHART DEPICTING ACTUAL ANNUAL EXPENDITURE BY COMPONENT



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STATEMENT OF PROGRAMME GOVERNANCE

Governance is defined as the way the Programme is led and managed. The governance structure of the programme includes the Programme Steering Committee, the management team and the internal control environment. The Programme strives to maintain highest standards of governance.

In its quest to maintain high standards of governance, the Programme is guided by five core values namely:-

- Professionalism and honesty
- Efficiency and effectiveness
- Commitment to team work and result orientation
- Equity and fairness and
- Accountability and transparency

THE PROGRAMME STEERING COMMITTEE (PSC)

The Programme Steering Committee comprises ten members with five members coming from the public sector and another five coming from the private sector. The chairperson of the committee is the Secretary to the Treasury who is also the Programme Legal Accounting Officer. The responsibility of the PSC is to provide policy guidance on Programme activities and to approve annual work plans and budgets and periodic progress reports -prior to submitting the same to the Government and IFAD. The PSC is also responsible for making major programme decisions such as approval of partners to be awarded grant funds.

Composition of the Programme Steering Committee

The PSC comprises organisations and agencies with stakes in social safety nets, graduation, financial inclusion and rural financing. The composition of PSC may be revised from time to time to accommodate programme implementation contextual changes. The current membership of PSC is as follows.

	Institution	Position	Designation
1	Ministry of Finance, Economic Planning and Development	Secretary to the Treasury	Chairperson
2	Ministry of Agriculture, Irrigation and Food Security	Principal Secretary	Member

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3	Ministry of Industry, Trade and Tourism	Principal Secretary	Member
4	Ministry of Local Government and Rural Development	Principal Secretary	Member
5	Ministry of Civic Education, Culture and Community Development	Principal secretary	Member
6	Reserve Bank of Malawi	Deputy Governor	Member
7	Bankers Association of Malawi	President	Member
8	The Department of Economic Planning and Development	Chief Director	Member
9	Malawi Microfinance Network	President	Member
10	Farmers Union of Malawi (FUM)	President	Member

The Committee met three times during the reporting period to consider and approve AWPB for 2018/19, to consider and approve their terms of reference, half year progress report and the partners to be awarded grant funds.

Other Governance Committees

The other governance committees include the Technical Committee of the PSC which was instituted and mandated to review any reports and grant proposals and make recommendations for the PSC's consideration and action. The committee's meetings precede the meetings of the PSC. Three meetings were held during the reporting period. The other governance committee is the Internal Procurement and Asset Disposal Committee (IPADC) with the responsibility of ensuring that Programme procurement is carried out in accordance with the Government of Malawi procurement guidelines. The IPADC is housed in the Ministry of Finance Economic Planning and Development. The Committee ensures that procurement is carried out in a manner that is transparent, accountable, and competitive and with due regard to fairness, efficiency and equity. IPADC meetings are convened regularly to transact procurement business for the whole ministry. The programme does not have an IPADC of its own.

Members of the Programme Management

Designations and Qualifications

Programme Coordinator

Dixon Ngwende, MBA

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Accounting and Finance

Samuel Elisa, FCCA, CA (MW), BSOC

Monitoring and Evaluation

Manuel Mang'anya -BSOC, MSC

Procurement and Contracts Officer

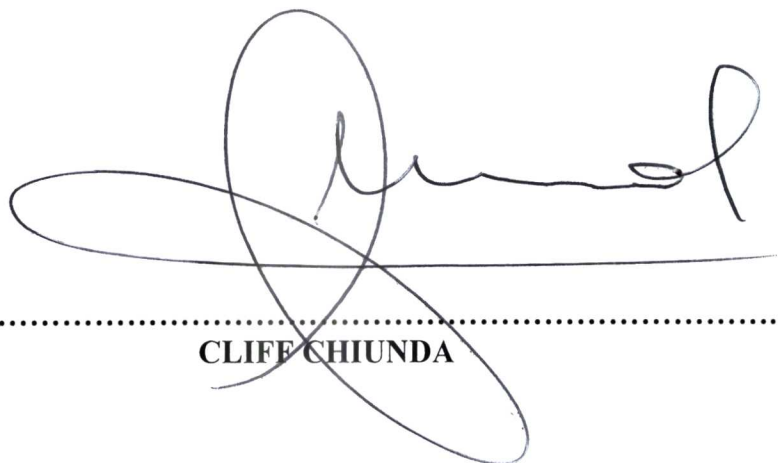
Alfrey Kamenya -CIPS, MBA

Rural Finance/Micronance Specialist

Rodgers Mbekeani- MSC Finance, BSOC

Community Based Financial Management Specialist

O'brian Mandala- MA Development Studies



.....
CLIFFE CHIUNDA

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management of the Financial Access for Rural Markets, Smallholders and Enterprise (FARMSE) Project is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the project as at the end of the financial year and of the operating results for that year.

The management is also required to ensure that the project keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the project and enable them to ensure that the financial statements comply with the financial agreements and statutes.

In preparing the financial statements the management accepts responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgment and estimates that are reasonable and prudent; and
- Compliance with applicable accounting standards when preparing the financial statements, subject to any material departures being disclosed and explained in the financial statements.

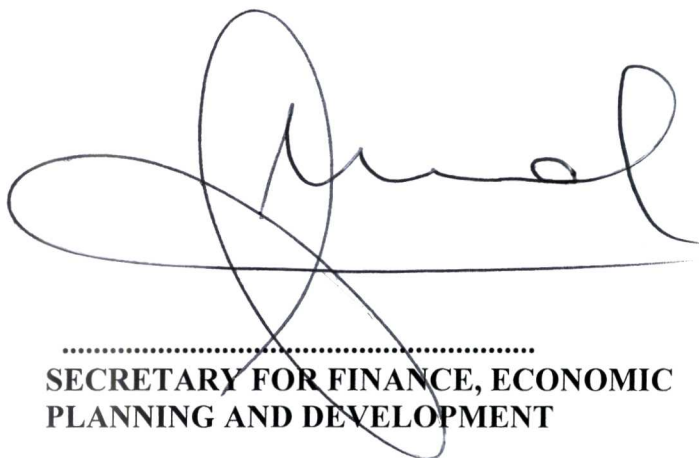
The management also accepts responsibility for taking such steps as are reasonably open to them to safeguard the assets of the project and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The management is of the opinion that the financial statements give a true and fair view of the financial affairs of the project and of its operating results.

The financial statements have been approved by the Ministry of Finance, Economic Planning and Development and are signed on its behalf by:



.....
PROGRAMME COORDINATOR



.....
**SECRETARY FOR FINANCE, ECONOMIC
PLANNING AND DEVELOPMENT**

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**AUDITOR GENERAL'S REPORT TO THE SECRETARY FOR FINANCE,
ECONOMIC PLANNING AND DEVELOPMENT FINANCIAL ACCESS FOR RURAL
MARKETS, SMALLHOLDERS AND ENTERPRISE (FARMSE) IFAD LOAN NO:
2000002130, GRANT DSF: 2000002129 FOR THE YEAR ENDED 30TH JUNE 2019**

Opinion

I have audited the Financial Statements of the Financial Access for Rural Markets, Smallholders and Enterprise (FARMES) IFAD Loan No: 2000002130, grant DSF: 2000002129 for the year ended 30th June 2019, comprising; Statement of Receipts and Payments, Statements of Special Accounts, Statement of Withdrawal applications and related notes as set out on pages 16 to 31.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Access for Rural Markets, Smallholders and Enterprise (FARMES) Programme for the year ended 30 June 2019 in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 am independent of the Financial Access for Rural Markets, Smallholders and Enterprise (FARMES) Programme and the Ministry of Finance, Economic Planning and Development in accordance with the international standards of supreme Audit Institutions - *Code of ethics* (ISSAI 30) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI), and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined that there is no need to communicate key audit matters in my report due the nature of the project.

Responsibilities of Management for the Financial Statements

Management of the Financial Access for Rural Markets, Smallholders and Enterprise (FARMES) Programme 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 historical cost convention and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Financial Statements

My 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 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 International Standards of Supreme Audit Institutions (ISSAIs) 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 ISSAIs, I exercise professional judgment and maintain professional scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the 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, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

- The Special Account has been maintained in accordance with the provisions of the Grant/Loan agreements and in accordance with the IFAD's disbursement rules and procedures.
- Adequate supporting documentation has been maintained to support claims to the IFAD for disbursements of expenditure incurred in accordance with the loan agreements.

The engagement auditor on the audit resulting in this independent Auditor's report is:

Signature:

**THOMAS K B MAKIWA
ACTING AUDITOR GENERAL
NATIONAL AUDIT OFFICE
LILONGWE
MALAWI**

Date

29th NOVEMBER 2019



MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

STATEMENT OF RECIPITS AND PAYMENTS BY CATEGORY

FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 MK	Cumulative MK	2019 USD	Cumulative USD
FINANCING					
<u>IFAD Funds[1]</u>					
Initial Deposit- Grant	7	1,340,137,687	1,340,137,687	1,833,480	1,833,480
Initial Deposit- Loan	7	1,340,137,687	1,340,137,687	1,833,480	1,833,480
Direct payments- Loan and grant	8	401,660,953	401,660,953	524,396	524,396
Exchange gains		84,262,048	84,262,048	-	-
Government Contribution	9	92,291,676	92,291,676	139,224	139,224
IFAD TOTAL		3,166,198,375	3,166,198,375	4,191,356	4,191,356
TOTAL FINANCING		3,258,490,051	3,258,490,051	4,330,580	4,330,580
PROJECT EXPENDITURES					
IFAD DSF GRANT NO : 2000002129					
Goods, services and Inputs		978,577,709	978,577,709	1,291,567	1,291,567
Studies and Consultancies		341,514,842	341,514,842	447,491	447,491
Operations		43,912,576	43,912,576	66,492	66,492
Salaries and Allowances		118,183,706	118,183,706	163,296	163,296
Grant total		1,482,188,833	1,482,188,833	1,968,846	1,968,846
IFAD LOAN NO : 2000002130					
Goods, services and Inputs		978,577,709	978,577,709	1,291,567	1,291,567
Studies and Consultancies		341,514,842	341,514,842	447,491	447,491
Operations		43,912,576	43,912,576	66,492	66,492
Salaries and Allowances		118,183,706	118,183,706	163,296	163,296
Loan Total		1,482,188,833	1,482,188,833	1,968,846	1,968,846
TOTAL IFAD GRANT AND LOAN		2,964,377,667	2,964,377,667	3,937,693	3,937,693

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
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(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

Government Contribution	92,291,676	92,291,676	139,224	139,224
TOTAL PROJECT EXPENDITURES	3,056,669,343	3,056,669,343	4,076,917	4,076,917
BALANCE C/F	201,820,708	201,820,708	253,663	253,663
Represented by;				
Programme Special Account	12,596,446	12,596,446	16,840	16,840
Programme Operating Account	181,568,475	181,568,475	226,759	226,759
VAT receivable from MRA	7,655,787	7,655,787	10,064	10,064
TOTAL	201,820,708	201,820,708	253,663	

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FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

STATEMENT OF RECEIPTS AND PAYMENTS BY COMPONENT

FOR THE YEAR ENDED 30TH JUNE 2019

	Notes	2019 MK	Cumulative MK	2019 USD	Cumulative USD
FINANCING					
Initial Deposit- Grant		1,340,137,687	1,340,137,687	1,833,480	1,833,480
Initial Deposit- Loan		1,340,137,687	1,340,137,687	1,833,480	1,833,480
Direct payments- Loan and grant		401,660,953	401,660,953	524,396	524,396
Exchange gains		84,262,048	84,262,048		-
Government Contribution		92,291,676	92,291,676	139,224	139,224
IFAD TOTAL		3,166,198,375	3,166,198,375	4,191,356	4,191,356
TOTAL FINANCING		3,258,490,051	3,258,490,051	4,330,580	4,330,580
PROJECT EXPENDITURES(IFAD)					
Ultra Poor Graduation Model Development and Scaling up		566,779,813	566,779,813	744,952	744,952
Support to Financial Innovation and Outreach		1,746,837,220	1,746,837,220	2,290,251	2,290,251
Strategic Partnerships, Knowledge Generation & Policy		26,495,054	26,495,054	35,707	35,707
Programme Management and Coordination		624,295,579	624,295,579	866,783	866,783
TOTAL IFAD		2,964,377,667	2,964,377,667	3,937,693	3,937,693
Government Contribution		92,291,676	92,291,676	139,224	139,224
TOTAL PROJECT EXPENDITURES		3,056,669,343	3,056,669,343	4,076,917	4,076,917
BALANCE C/F		201,820,708	201,820,708	253,663	253,663
Programme Special Account		12,596,446	12,596,446	16,840	16,840
Programme Operating Account		181,568,475	181,568,475	226,759	226,759
VAT from MRA		7,655,787	7,655,787	10,064	10,064
TOTAL		201,820,708	201,820,708	253,663	253,663

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

STATEMENT OF BUDGET VS ACTUAL COMPARISON

FOR THE YEAR ENDED 30TH JUNE 2019

	2019 Actual	2019 Budget	Variance	
	Local currency MK	Local currency MK	Local currency MK	% AGE
FINACING				
IFAD Funds				
Replenishments to SA & direct pay-				
	1,340,137,687	1,730,264,278	(390,126,591)	77%
Replenishments to SA & direct pay-				
	1,340,137,687	1,730,264,278	(390,126,591)	77%
Government Funds	92,291,676	56,190,272	36,101,404	164%
Private Sector Contribution	-	350,000,000	(350,000,000)	0%
TOTAL FINANCING	2,772,567,050	3,866,718,828	(1,094,151,778)	72%
PROJECT EXPENDITURES				
IFAD DSF GRANT NO : 2000002129				
Goods, Services and Inputs	978,577,709	1,034,978,697	56,400,988	95%
Studies and Consultancies	341,514,842	527,231,281	185,716,439	65%
Operations	43,912,576	29,762,500	(14,150,076)	148%
Salaries and Allowances	118,183,706	138,291,800	20,108,094	85%
Grant total	1,482,188,833	1,730,264,278	248,075,445	86%
IFAD LOAN NO : 2000002130				
Goods, Services and Inputs	978,577,709	1,034,978,697	56,400,988	95%
Studies and Consultancies	341,514,842	527,231,281	185,716,439	65%
Operations	43,912,576	29,762,500	(14,150,076)	148%
Salaries and Allowances	118,183,706	138,291,800	20,108,094	85%
Loan total	1,482,188,833	1,730,264,278	248,075,445	86%
IFAD TOTAL GRANT AND LOAN	2,964,377,667	3,460,528,556	496,150,889	86%
Government Funds	92,291,676	56,190,272	(36,101,404)	164%
Private Sector Contribution	-	350,000,000	350,000,000	0%
TOTAL PROJECT EXPENDITURES	3,056,669,343	3,866,718,828	810,049,485	79%

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

STATEMENT OF SPECIAL ACCOUNT MOVEMENT

Account No: [REDACTED]

Bank: Reserve Bank of Malawi

Address: P.O Box 30063 Lilongwe 3

		USD	USD	MK	MK
Initial Deposit			3,000,000		2,201,397,800
Add	Receipts				
	WA 02	276,910		198,821,674	
	WA 03	390,050		280,055,000	
	Exchange gains			84,262,048	
			666,960		563,138,722
Total Receipts			3,666,960		2,764,536,522
Deduct:	Withdrawals				
	PI 01	500,000		359,000,000	
	PI 02	500,000		359,000,000	
	PI 03	1,200,000		918,477,360	
	PI 04	1,000,000		765,949,100	
	PI 05	450,000		348,998,625	
	unclaimed bank charges	120		514,991	
			3,650,120		2,751,940,076
Balance as at 30 June 2019			16,840		12,596,446

**MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)**

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

**STATEMENT OF SPECIAL ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30TH JUNE 2019**

Account No: [REDACTED]
Bank: Reserve Bank of Malawi
Address: P.O Box 30063 Lilongwe 3

	Notes	USD
1	Initial Deposit – Loan	1,500,000
	- Grant	1,500,000
2	Less amount(s) recovered:	
3	Outstanding Amount advanced	3,000,000
	Represented by:	
4	Special Account Balance as at 30/06/2019	16,840
	Programme Account as at 30/06/2019	269,876
	Cash on Hand	-
		286,716
5	Plus amounts claimed but not yet credited as at 30/06/2019:	2,705,718
	Plus amounts withdrawn not yet claimed, composed of:	
	Was Prepared not yet submitted:	7,566
6	Total amount withdrawn not yet claimed	
7	Less Interest earned and/or plus Bank charges (if included in the Special Account)	
8	Total Special Account Advance as at 30/06/2019	3,000,000

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
 FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE (FARMSE)
 IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

LOAN NO 2000002130

STATEMENT OF WITHDRAWAL APPLICATIONS (SOE's) BY CATEGORY IN MK
 FOR THE YEAR ENDED JUNE 30, 2019

Cat No	Goods, services and Inputs 1	Studies & Consultancies II	Operations III	Salaries & Allowances IV	Initial Advance	Total	In USD Equivalent	Rejected from IFAD	Net Reimbursed
WA 01	-	-			718,000,000	718,000,000.00	1,000,000		1,000,000
WA 02	41,065,491	201,055	13,982,687	44,963,073		100,212,306	136,730	-	136,730
WA 03	94,442,437	7,474,422	17,394,096	20,719,326		140,030,281	195,025		195,025
WA 04					382,698,900	382,698,900	500,000		500,000
Total disbursed	135,507,928	7,675,477	31,376,783	65,682,399	1,100,698,900	1,340,941,487	1,831,755	-	1,831,755
WA 's Pending Disbursement									
WA 05	233,122,141	160,424,651	10,821,250	38,278,426		442,646,468	588,103		
WA 06	200,830,477					200,830,477	262,198		
WA 07	402,005,687	172,906,464	-	10,666,977		585,579,128	764,756		
Total pending	835,958,305	333,331,115	10,821,250	48,945,402	-	1,229,056,073	1,615,057		
TOTAL	971,466,233	341,006,592	42,198,033	114,627,801	1,100,698,900	2,569,997,560	3,446,812		

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
 FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE (FARMSE)
 IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

DSF GRANT NO DSF 2000002129

STATEMENT OF WITHDRAWAL APPLICATIONS (SOE's) BY CATEGORY IN MK
 FOR THE YEAR ENDED 30, 2019

Cat No	Goods, services and Inputs	Studies & Consultancies	Operations	Salaries & Allowances	Initial Advance	Total	In USD Equivalent	Rejected from IFAD	Net Reimbursed
	1	II	III	IV					
WA 01					718,000,000	718,000,000	1,000,000		1,000,000
WA 02	40,145,716	201,055	13,641,368	46,661,110		100,649,248	136,730	-	136,730
WA 03	94,442,437	7,474,422	17,394,096	20,719,326		140,030,281	195,025		195,025
WA 04					382,698,900	382,698,900	500,000		500,000
Total disbursed	134,588,153	7,675,477	31,035,464	67,380,436	1,100,698,900	1,341,378,430	1,831,755	-	1,831,755
WA 's Pending Disbursement									
WA 05	233,122,141	160,424,651	10,821,250	38,278,426		442,646,468	588,103		
WA 06	200,830,477					200,830,477	262,198		
WA 07	402,005,687	172,906,464	-	10,666,977		585,579,128	764,756		
Total pending	835,958,305	333,331,115	10,821,250	48,945,402	-	1,229,056,073	1,615,057		
TOTAL	970,546,458	341,006,592	41,856,714	116,325,839	1,100,698,900	2,570,434,502	3,446,812	-	-

**MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)**

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

**ALLOCATION AND USE OF THE LOAN FUNDS; IFAD LOAN NO 2000002130
FOR THE YEAR ENDED 30TH JUNE 2019**

Category Description	Allocated USD	Actual Disbursed USD	Available Balance USD	% Usage
Initial Advance		1,500,000	(1,500,000)	
Goods, services and Inputs	10,800,000	187,490	10,612,510	2%
Studies and Consultancies	6,550,000	10,690	6,539,310	0%
Operations	300,000	43,700	256,300	15%
Salaries and Allowances	1,250,000	90,875	1,159,125	7%
Unallocated	2,100,000		2,100,000	0%
TOTAL	21,000,000	1,832,755	19,167,245	9%

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

ALLOCATION AND USE OF THE LOAN FUNDS; IFAD LOAN NO 2000002129
FOR THE YEAR ENDED 30TH JUNE 2019

Category Description	Allocated USD	Actual Disbursed USD	Available Balance USD	% Usage
Initial Advance		1,500,000	(1,500,000)	
Goods, services and Inputs	10,800,000	187,445	10,612,555	2%
Studies and Consultancies	6,550,000	10,690	6,539,310	0%
Operations	300,000	43,225	256,775	15%
Salaries and Allowances	1,250,000	93,845	1,156,155	7%
Unallocated	2,100,000		2,100,000	0%
TOTAL	21,000,000	1,835,205	19,164,795	9%

**MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)**

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

RECONCILIATION OF FUNDS DISBURSED AND FUNDS RECEIVED

	GRANT 20000002129	LOAN 20000002130	TOTAL
Funds disbursed per IFAD Records	2,423,308	2,419,858	4,843,166
Funds received per FARMSE Records	1,831,755	1,835,205	3,666,960
Difference Withdrawal application no 5 disbursed after year end	591,553	584,653	1,176,206

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2019**

1. Basis of accounting

The Project Financial Statements and Statement of the Special Account have been prepared in accordance with International Public Sector Accounting Standards with particular emphasis on Cash Basis Financial Reporting where income is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. However, this has been modified to some extent. The Programme Financing Agreement states that proceeds of the programme shall not be used for the payment of any form of taxes. During the course of the period being reported on, the Programme prefinanced Value Added Taxes (VAT) on procurement of certain goods and services. As at the reporting period, the total amount of VAT prefinanced had not yet been refunded by the Malawi Revenue Authority and such an amount has been included under receivables.

2. Receipts

Included in the receipts are initial deposits and disbursements into the Special Account on the basis of the withdrawal applications submitted during the period.

3. Expenditures

The expenditures include all expenses actually incurred through the local operating account and payments made directly from the loan and grant accounts in the period under review.

4. Foreign Currency Translations

Foreign currency transactions for the income and expenditure account items are converted using actual historic exchange rate ruling at the conversion from the special to the local account. Where part of the expenditures have to be met from the proceeds of subsequent draw downs from special to the local account, the translation is done on first in first out (FIFO) basis. All local expenditures incurred from the local account/currency are translated back to the US Dollar at the actual rate reported using the closing rate. Gains/Losses on foreign currency transactions/balances are dealt with within the statements of special account activities.

5. Capital Expenditure items

Fixed assets investments and other capital items are recorded at cost (treated as operating expenditures) and classified under the respective project headings of the statement of the expenditures. An asset register is maintained that provides information on the value, location and identity of all assets acquired. No depreciation or amortization is recognized on fixed assets.

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

6. Motor vehicles and equipment

The total cost of the programme assets has been taken to accumulated expenditure to be in line with cash based accounting. No depreciation is being charged on these assets. An asset register is however maintained for purposes of control.

7. IFAD Financing

	Date	Loan (USD)	Grant (USD)
WA 01: Initial Advance	10/09/2018	1,000,000	1,000,000
WA 02: Replenishment	08/03/2019	138,455	138,455
WA 03: Replenishment	19/06/2019	195,025	195,025
WA 04: Second advance	13/06/2019	500,000	500,000
Total		<u>1,833,480</u>	<u>1,833,480</u>

8. Direct Payments

	Date	Amount (USD)
WA 06: NBS Bank	28/06/2019	524,396

9. Government contribution

Government contribution includes all co financing from the borrower or recipient country. Domestic contribution can be in form of Government Cash and in kind contribution, implementing partner contribution and beneficiary contributions.

The domestic contribution herein represents forgone represent the customs and excise duty that the Government would have collected had the Programme paid the taxes on the procurement of motor vehicles. The taxes forgone are government contribution recovered at source and recorded as such in the financial statements. The contribution also includes refunds of Value Added Tax (VAT) paid on the procurement of goods and services. The breakdown is as follows: -

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FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)

IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

	Mwk	USD
	2019	2019
Customs and Excise duty waived	84,620,868	128,540
Value Added Tax refunds	7,670,808	10,684
Total	<u>92,291,676</u>	<u>139,224</u>

10. Commitments

The Programme has entered into contract agreements with partners and the performance periods extend to three years. The undischarged part of the commitments is not reflected in the financial statements as creditors. The details of the commitments are as follows: -

Commitments in MWK

COMPONENT	Ultra poor	CBFO	IOF	Total
Committed	6,515,993,599	2,523,083,531	2,546,502,271	11,585,579,401
Paid during the year	770,711,531	635,407,634	1,060,767,303	2,466,886,468
Balance	5,745,282,068	1,887,675,897	1,485,734,969	9,118,696,933

Commitments in USD

COMPONENT	Ultra poor	CBFO	OIF	Total
Committed	8,987,577	3,480,115	3,512,417	15,980,110
Paid during the year	661,707	830,851	1,368,699	2,879,257
Balance	8,325,870	2,649,264	2,125,718	13,100,852

11. ECONOMIC FACTORS

Economic factors relevant to the entity's performance are set out below:

Year	<u>2019</u>
US dollar	776
Euro	847
British pound	977
SA rand	<u>56</u>
Inflation rate (%)	<u>9</u>

The exchange rates above are based on selling rate as at 30th June of 2019

Source: June 2019 monthly economic review published by Reserve Bank of Malawi.

No adjustments arising from the movement of the exchange and inflation rates after the period end have been made in the financial statement

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT
FINANCIAL ACCESS FOR RURAL MARKETS, SMALLHOLDERS AND ENTERPRISE
(FARMSE)
IFAD LOAN NO: 2000002130, GRANT DSF : 2000002129

APPENDICES

1. FIXED ASSET REGISTER

VEHICLES	VALUE	CONDITION	LOCATION	
Toyota Fortuner BW453	42,386,440	New	FARMSE POOL	
Toyota pickup BV4216	37,184,080	New	FARMSE POOL	
Toyota pickup BV4218	37,184,080	New	FARMSE POOL	
Toyota pickup BV4219	37,184,080	New	FARMSE POOL	
Toyota pickup BV4220	37,184,080	New	Ministry	
Subtotal	191,122,760			
OFFICE EQUIPMENT				
HP desk top computer	1,010,000	New	FC	
HP Printers	507,000	New	Stores	
Dell laptop computers	6,459,502	New	M & E, RFMS,CBFOS, ACCT,AA, KMC,DO	
Uninterrupted power supplies	495,000	New	FC, ACCT, PCO	
Xerox photocopier	6,800,000	New	Reception	
ACCPAC accounting software	7,276,500	New	FC, ACCT, PCO	
FARMSE sign post	471,420	New	Entrance	
Boardroom furniture	4,025,500	New	Boardroom	
Office furniture	7,458,400	New		
Subtotal	34,503,322			
Grand total	225,626,082			