

AUDITED PROJECT FINANCIAL STATEMENTS

Loan no. 1000004150, 1000004151

Period covered: 1 July 2017 to 30 June 2018

Promotion of Rural Incomes through Market Enhancement
PRIME Project

Prepared by the Ministry of Agriculture

Received on 17 March 2019

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

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 2017 through 30 June 2018 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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**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, 2017 through June 30, 2018.

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, 2017 through June 30, 2018.

. 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 2017 through 30 June 2018 , 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:



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- 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 February 25, 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.



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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, except for that there are movements on project's account at CIB bank, for which we were not furnished with supporting documents and these movements are represented in remittance with amount of USD 1 679 000 to hold time deposit and transfer with amount of USD 855 000 from investment account, the Financial statements of the Project present fairly, in all material respects, the financial position of the project as of June 30, 2018 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).

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 March 3, 2019.

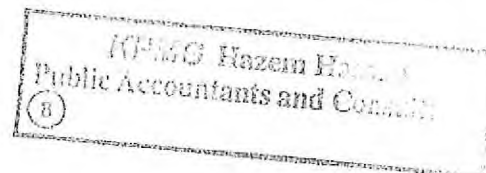
Restriction on use and Distribution

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, March 3, 2019



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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)**

Qualified 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 2017 through 30 June 2018 and notes comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter referred to in paragraph of basis of qualified opinion below on the financial statements , the accompanying Financial statements present fairly , in all material respect the financial position of the project as at June 30, 2018 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 Qualified Opinion

We were not furnished with supporting documents of some movements occurred on project's account at CIB bank, they are represented in remittance to hold time deposit with amount of USD 1 679 000 and transfer from investment account with amount of USD 855 000.

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. 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:

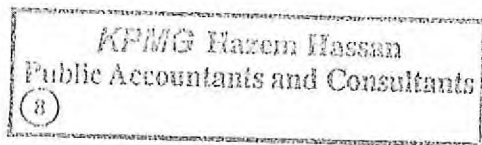
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.



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- 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, March 3, 2019



Hazem Hassan

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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, 2017 through June 30, 2018, 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.



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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.



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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, 2017 through June 30, 2018 were used, in all material respect, for purposes intended under the financing agreement and in compliance with the financial terms of the financing agreement.

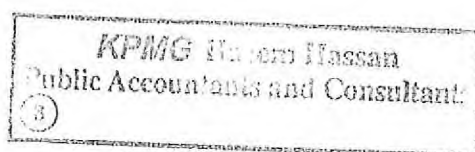
Restriction of Use of Our Report

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, March 3, 2019

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 2017 through 30 June 2018

	Note	<u>Total</u>	<u>Current Period</u>	<u>Prior Period</u>
	No	<u>L.E.</u>	<u>from 1-7-2017</u>	<u>from 1-7-2015</u>
			<u>til 30-6-2018</u>	<u>til 30-6-2017</u>
			<u>L.E.</u>	<u>L.E.</u>
<u>Sources of Funds</u>				
Cash received for Loan		647,644,345	428,249,337	219,395,008
Cash received for Grant		9,325,633	7,990,157	1,335,476
Cash received for Marketing activities		14,763,520	-	14,763,520
Total Sources of Funds		<u>671,733,498</u>	<u>436,239,494</u>	<u>235,494,004</u>
<u>Uses of Funds</u>				
Credit lines (through [REDACTED])		(417,765,000)	(294,869,000)	(122,896,000)
Credit lines (through [REDACTED])		(216,774,000)	(131,354,000)	(85,420,000)
Training and researches		(5,728,905)	(3,229,017)	(2,499,888)
Total Uses of Funds		<u>(640,267,905)</u>	<u>(429,452,017)</u>	<u>(210,815,888)</u>
Surplus as of 30 June		<u>31,465,593</u>	<u>6,787,477</u>	<u>24,678,116</u>

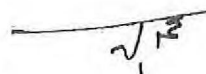
The accompanying notes from No (1) to No. (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No. I-X-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 2017 through 30 June 2018

	<u>Prior Period</u> <u>from 1-7-2015</u> <u>till 30-6-2017</u>	<u>Current Period</u> <u>from 1-7-2017</u> <u>till 30-6-2018</u>	<u>Total</u>
	<u>L.E.</u>	<u>L.E.</u>	<u>L.E.</u>
Revenues			
Opening balance	31,692,297	(19,905,226)	11,787,071
Cash received for Loan	219,395,008	428,249,337	647,644,345
Cash received for Grant	1,335,476	7,990,157	9,325,633
Cash received for Marketing activities	14,763,520	"	14,763,520
Forex	13,185,939	53,449,702	66,635,641
Total Cash Available	280,372,240	469,783,970	750,156,210
Expenditures			
	(122,896,000)	(294,869,000)	(417,765,000)
	(85,420,000)	(131,354,000)	(216,774,000)
Training and Reserches	(2,499,888)	(3,229,017)	(5,728,905)
Bank charges	(3,205)	(61,764)	(64,969)
Forex	(57,758,366)	(1,999,119)	(59,757,485)
Total Expenditures	(268,577,459)	(431,512,900)	(700,090,359)
Add/ Less:			
Provision	-	(264,546)	(264,546)
Creditors	(16,392)	(40,195)	(56,587)
Debtors	8,681	54,785	63,466
Total	(7,711)	(249,956)	(257,667)
Cash Surplus of the project	11,787,070	38,021,114	49,808,184
represented as follows:			
Cash on Bank			
	8,898,625	3,604,732	12,503,357
	(12,088,554)	14,743,719	2,655,165
	745,207	3,003,455	3,748,662
	14,231,793	16,253,468	30,485,261
Cash balance at the Ministry of Finance		415,740	415,740
Balance as of 30 June	11,787,071	38,021,114	49,808,185

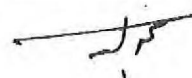
The accompanying notes from No (1) to No. (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



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 2017 through 30 June 2018

	Note	Prior Period from 1-7-2015 III 30-6-2016 L.E.	Prior Period from 1-7-2016 III 30-6-2017 L.E.	Current Period from 1-7-2017 III 30-6-2018 L.E.	Total L.E.
Revenues					
Opening balance			756,705	962,507	1,719,212
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	13,041,940
Expenditures					
Training and Reserches	(4-1)	(666,751)	(621,424)	(1,578,189)	(2,866,364)
Total Expenditures		(666,751)	(621,424)	(1,578,189)	(2,866,364)
Add/ Less:					
Provision	(5)	-	-	(264,546)	(264,546)
Creditors		(133,546)	-	(26,600)	(160,146)
Debtors		3,617	121,219	43,185	168,021
Total		(129,929)	121,219	(247,961)	(256,671)
Cash Surplus of the project	(7)	756,705	962,507	8,199,693	9,918,905
represented as follows:					
Cash on Bank		97,913	10,590	764,359	872,862
		658,792	951,917	7,326,594	8,937,303
		-	-	108,740	108,740
		756,705	962,507	8,199,693	9,918,905

The accompanying notes from No (1) to No. (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



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 2017 through 30 June 2018

	<u>Note</u>	<u>Prior Period</u> <u>from 1-7-2016</u> <u>till 30-6-2017</u> <u>L.E.</u>	<u>Current Period</u> <u>from 1-7-2017</u> <u>till 30-6-2018</u> <u>L.E.</u>	<u>Total</u> <u>L.E.</u>
<u>Revenues</u>				
Opening balance		-	13,256,223	13,256,223
Cash received for Marketing activities		14,763,520	-	14,763,520
Total Cash Available		<u>14,763,520</u>	<u>13,256,223</u>	<u>28,019,743</u>
<u>Expenditures</u>				
Training and Reserches	(4-2)	(1,211,713)	(1,650,828)	(2,862,541)
Forex		(296,584)	(130,429)	(427,013)
Total Expenditures		<u>(1,508,297)</u>	<u>(1,781,257)</u>	<u>(3,289,554)</u>
<u>Add/ Less:</u>				
Creditors		-	(13,596)	(13,596)
Debtors		1,000	11,600	12,600
Total		<u>1,000</u>	<u>(1,996)</u>	<u>(996)</u>
Cash Surplus of the project	(7)	<u>13,256,223</u>	<u>11,472,970</u>	<u>24,729,193</u>
represented as follows:				
<u>Cash on Bank</u>				
		635,139	2,239,096	2,874,235
		12,621,084	8,926,874	21,547,958
Cash balance at the Ministry of Finance		-	307,000	307,000
Balance as of 30 June		<u>13,256,223</u>	<u>11,472,970</u>	<u>24,729,193</u>

The accompanying notes from No (1) to No. (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



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 2017 through 30 June 2018

	<u>Note</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>Current Period</u> <u>from 1-7-2017</u> <u> till 30-6-2018</u> <u>L.E.</u>	<u>Total</u> <u>L.E.</u>
Revenues					
Opening balance		-	8,897,467	1,158	8,898,625
Cash received for Loan		112,744,902	-	300,403,028	413,147,930
Forex		1,154,148	9,001,313		10,155,461
Total Cash Available		<u>113,899,050</u>	<u>17,898,780</u>	<u>300,404,186</u>	<u>432,202,016</u>
		(105,000,000)	(17,896,000)	(294,869,000)	(417,765,000)
Bank charges		(1,583)	(1,622)	(61,764)	(64,969)
Forex	(6-1)			(1,868,690)	(1,868,690)
Total Expenditures		<u>(105,001,583)</u>	<u>(17,897,622)</u>	<u>(296,799,454)</u>	<u>(419,698,659)</u>
Cash Surplus of the project	(7)	<u>8,897,467</u>	<u>1,158</u>	<u>3,604,732</u>	<u>12,503,357</u>
represented as follows:					
Cash on Bank					
	(3-1)	<u>8,897,467</u>	<u>1,158</u>	<u>3,604,732</u>	<u>12,503,357</u>
Balance as of 30 June		<u>8,897,467</u>	<u>1,158</u>	<u>3,604,732</u>	<u>12,503,357</u>

The accompanying notes from No (1) to No. (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



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)

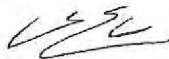
Statement of receipts and payments for Medium, Small and Micro Enterprises Development Agency (MSMEDA) Loan
For the year from 1 July 2017 through 30 June 2018

	Note	Prior Period from 1-7-2015 till 30-6-2016 L.E.	Prior Period from 1-7-2016 till 30-6-2017 L.E.	Current Period from 1-7-2017 till 30-6-2018 L.E.	Total L.E.
Revenues					
Opening balance		-	8,897,467	1,158	8,898,625
Cash received for Loan		112,744,902	-	300,403,028	413,147,930
Forex		1,154,148	9,001,313		10,155,461
Total Cash Available		113,899,050	17,898,780	300,404,186	432,202,016
Expenditures					
		(105,000,000)	(17,896,000)	(294,869,000)	(417,765,000)
Bank charges		(1,583)	(1,622)	(61,764)	(64,969)
Forex	(6-1)			(1,868,690)	(1,868,690)
Total Expenditures		(105,001,583)	(17,897,622)	(296,799,454)	(419,698,659)
Cash Surplus of the project	(7)	8,897,467	1,158	3,604,732	12,503,357
represented as follows:					
Cash on Bank					
Balance as of 30 June	(3-1)	8,897,467	1,158	3,604,732	12,503,357
		8,897,467	1,158	3,604,732	12,503,357

The accompanying notes from No (1) to No, (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No. I-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 ADP Loan
For the year from 1 July 2017 through 30 June 2018

	Note	Prior Period from 1-7-2015 till 30-6-2016 L.E.	Prior Period from 1-7-2016 till 30-6-2017 L.E.	Current Period from 1-7-2017 till 30-6-2018 L.E.	Total L.E.
Revenues					
Opening balance			22,038,125	(34,125,114)	(12,086,989)
Cash received for Loan		19,931,563	86,718,543	127,846,309	234,496,415
Forex	(6-2)	2,106,562	-	52,376,523	54,483,085
Total Cash Available		22,038,125	108,756,668	146,097,718	276,892,511
Expenditures					
Credit lines through [REDACTED]			(85,420,000)	(131,354,000)	(216,774,000)
Forex	(6-2)	-	(57,461,782)	-	(57,461,782)
Total Expenditures		-	(142,881,782)	(131,354,000)	(274,235,782)
Cash Surplus of the project	(7)	22,038,125	(34,125,114)	14,743,718	2,656,729
represented as follows:					
Cash on Bank					
[REDACTED] urrent account USD	(3-2)	22,038,125	(34,126,679)	14,743,698	2,655,144
[REDACTED] urrent account LE		-	1,565	20	1,585
Balance as of 30 June		22,038,125	(34,125,114)	14,743,718	2,656,729

The accompanying notes from No (1) to No. (7) an integral part of this Financial Statements and to be read there with.

Independent Auditor's Report "attached"

Project Financial Controller

Project Executive Manager

Financial Audit of IFAD Grant No. I-C-1338 EG and Loan No. L-1-870 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 2017 through 30 June 2018

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	30/09/2014	187,300	1,335,476	July 2015	-	-	-	-	-
Credit line	21/11/2014	1,250,000	8,937,625	August 2015	10,080	-	449,000	-	459,080
Credit line	25/08/2015	2,750,000	21,205,275	September 2015	321	-	2,862,900	-	2,863,221
Credit line	02/12/2015	3,400,289	26,315,423	October 2015	116,850	-	16,179,000	-	16,294,850
Credit line	14/01/2016	3,400,242	26,310,213	November 2015	-	-	11,128,200	-	11,128,200
Credit line	08/04/2016	3,400,269	26,808,366	December 2015	108,697	-	14,739,600	-	14,848,307
Credit line	20/11/2014	1,250,000	8,912,500	January 2016	51,170	-	3,699,600	-	3,750,770
Credit line	30/06/2016	1,250,000	11,019,063	February 2016	-	-	9,303,400	-	9,303,400
				March 2016	161,154	-	12,118,400	-	12,279,554
				April 2016	28,242	-	8,463,100	-	8,491,342
				May 2016	74,660	-	9,744,800	-	9,819,460
				June 2016	120,597	-	11,422,000	-	11,542,597
Total 30-6-2016		16,000,000	134,011,941		660,761		105,000,000		105,660,761
Marketing activities	08/12/2016	500,000	14,763,520	July 2016	10	-	-	-	10
Credit line	14/11/2016	910,018	14,869,138	August 2016	10	-	-	-	10
Credit line	07/12/2016	2,750,000	49,225,000	September 2016	28,242	-	-	19,292,000	19,320,242
Credit line	14/12/2017	1,235,482	22,624,405	October 2016	50,102	-	250,000	18,069,000	18,369,102
				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	578,806	250,000	-	683,903
				March 2017	170,939	10	772,500	-	943,439
				April 2017	40,002	10	18,000,000	-	18,040,012
				May 2017	46,399	109,524	623,500	-	779,423
				June 2017	170,698	523,950	-	-	694,648
Total 30-6-2017		5,704,500	101,482,063		621,424	1,211,713	17,895,000	65,420,000	105,149,137
Marketing activities	Grant	463,741	7,990,166	July 2017	42,775	1,490	53,999,000	-	54,441,265
Credit line	24/07/2017	3,035,343	55,090,039	August 2017	170,819	131,506	-	27,716,000	28,018,325
Credit line	10/09/2017	3,095,325	70,783,969	September 2017	24,639	60,660	63,825,000	-	64,010,319
Credit line	18/10/2017	3,632,001	64,301,997	October 2017	11,642	362,485	21,825,000	-	22,199,127
Credit line	23/11/2017	3,230,287	57,190,911	November 2017	259,113	61,626	89,222,500	-	89,543,239
Credit line	08/01/2018	3,639,604	64,769,448	December 2017	82,027	141,916	825,000	26,433,000	27,481,943
Credit line	19/02/2018	2,661,345	47,197,097	January 2018	76,789	264,068	47,200,000	-	47,539,857
Credit line	26/03/2018	(3,235,830)	(58,026,432)	February 2018	163,972	219,639	1,900,000	-	2,283,611
Credit line	20/09/2017	2,523,042	44,455,994	March 2018	38,690	142,392	2,247,500	-	2,428,582
Credit line	11/12/2017	1,840,511	29,110,077	April 2018	91,743	66,610	2,760,000	-	2,858,353
Credit line	25/12/2017	1,485,127	26,494,607	May 2018	167,416	100,868	1,025,000	75,205,000	76,390,284
Credit line	06/02/2018	1,575,529	27,776,572	June 2018	449,557	11,650	-	-	461,207
Total 30-6-2018		24,586,145	436,239,493		1,578,189	1,650,828	204,869,000	131,354,000	420,452,017
Total till 30-6-2018		47,178,725	671,733,497		2,866,364	2,862,541	417,765,000	216,774,000	640,267,995

The accompanying notes from No (1) to No. (7) are an integral part of this Financial Statements and to be read therewith.

Independent Auditor's Report "attached"

Project Financial Controller



Project Executive Manager



**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 2017 through 30 June 2018

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 Modified cash basis adopted by the project, 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 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 [REDACTED]

	USD	LE
Amounts received from IFAD to the Social Fund for Development	31 108 975	413 147 930
Payments from loan	(30 902 976)	(417 765 000)
Bank Charges	(3 792)	(64 969)
Foreign exchange difference	-	8 286 771
Book Balance	202 232	3 604 732
Balance on 30 June 2018 as per Bank statement	202 232	3 604 732

3-2 Bank Balance [REDACTED]

	USD	LE
Amounts received from IFAD to ADP	14 628 709	234 496 415
Payments from loan	(13 803 194)	(216 774 000)
Foreign exchange difference	-	2 978 700
Book Balance	825 515	14 743 716
Balance on 30 June 2018 as per Bank statement	1 850	33 062
Difference	823 665	14 710 654

This difference comprises the following:

	USD
Credit interests	336
Transfer to hold Time deposit transferred to the project account from the investment account	(1 679 000)
Total	823 665

4- Training and Researches

This item represented as follows:

4-1 Training and Researches IFAD Grant

	<u>30-6-2018</u>	<u>30-6-2017</u>	<u>30-6-2016</u>
	<u>LE</u>	<u>LE</u>	<u>LE</u>
Supervision on training sessions	89,000	28,500	87,000
Tax authority	-	3,617	-
Meeting expenses	-	-	20,095
Allowance for committees attendance	-	-	14,575
Survey Study	-	-	355,702
Marketing experts fees	-	-	14,500
Bank charges	4,965	50	1,598
Accounting program	15,000	35,000	-
Documenting farm systems	181,670	20,400	-
Survey of the project	210,000	-	-
Training activities	1,007,554	440,807	129,376
Travel	-	23,050	43,905
Audit fees	70,000	70,000	-
Total	1,578,189	621,424	666,751

4-2 Training and Researches IFAD Loan

	<u>30-6-2018</u>	<u>30-6-2017</u>
	<u>LE</u>	<u>LE</u>
Consultants fees	745,583	390,000
Management allowance	531,020	314,650
Governance allowances	315,200	444,000
Bank charges	5,243	1,800
Documenting farm systems	39,905	54,900
Travel	13,877	6,363
Total	1,650,828	1,211,713

5- Provisions

The provision balance amounted to LE 264,546 is represented in the amount deducted by the Ministry of Finance on May 28, 2018 (15% of the last transfer from IFAD dated 22 April 2018 amounted to LE 1 763 640). This has been objected by IFAD, the Ministry of International Cooperation and the Ministry of Agriculture and Reclamation Agricultural, however a letter was sent on 20/9/2018 to claim the refund.

6- Forex

6-1 Forex for [REDACTED] bank account

	<u>Date</u>	<u>USD</u>	<u>LE</u>
opening balance		64	1,158
transfers	24/07/2017	3,035,343	55,096,038
transfers	10/09/2017	3,995,325	70,783,969
transfers	18/10/2017	3,632,081	64,301,997
transfers	23/11/2017	3,230,267	57,190,911
transfers	08/01/2018	3,639,664	64,759,448
transfers	13/02/2018	2,661,345	47,197,097
transfers	25/06/2028	(3,285,830)	(58,926,432)
Expenditures		(16,702,535)	(294,869,000)
Bank charges		(3,492)	(61,764)
Book balance as of 30-6-2018			5,472,264
reevaluate ending balance (17.8246 LE per 1 USD)			3,604,732
Forex			1,868,690

6-2 Forex for bank account

	<u>Date</u>	<u>USD</u>	<u>LE</u>
<u>IFAD transfers</u>			
transfers	20/11/2014	1,250,000	8,912,500
transfers	30/06/2016	1,250,000	11,019,063
transfers	14/11/2016	918,018	14,869,138
transfers	07/12/2016	2,750,000	49,225,000
transfers	14/12/2016	1,236,482	22,624,406
transfers	28/09/2017	2,523,042	44,455,994
transfers	11/12/2017	1,640,511	29,119,077
	25/12/2017	1,485,127	26,494,667
	06/02/2018	1,575,529	27,776,572
		<u>14,628,709</u>	<u>234,496,415</u>
Expenditures		(13,803,194)	(216,774,000)
the difference - Note (3-2)		<u>(823,665)</u>	<u>(14,710,656)</u>
Book balance as of 30-6-2018		1,850	3,011,759
reevaluate ending balance (17.8246 LE per 1 USD)			<u>33,062</u>
Forex			<u><u>2,978,697</u></u>

The Forex from Statement of receipts and payments for ADP Loan

	<u>LE</u>
Credit Forex	54,483,085
Debit Forex	<u>(57,461,782)</u>
Forex	<u><u>(2,978,697)</u></u>

7- Detailed project Accounts

7-1 For the year from 1 July 2017 through 30 June 2018

	<u>Total</u> L.E.	<u>Grant Studies Workshops & Training</u> L.E.	<u>Loan Studies Workshops & Training</u> L.E.	<u>MSMEDA Credit Facility</u> L.E.	<u>ADP Credit Facility</u> L.E.
<u>Revenues</u>					
Opening balance	(19,905,226)	962,507	13,256,223	1,158	(34,125,114)
Cash received for Loan	428,249,337	-	-	300,403,028	127,846,309
Cash received for Grant	7,990,157	7,990,157	-	-	-
Forex	53,449,702	1,073,179	-	-	52,376,523
Total Cash Available	469,783,970	10,025,843	13,256,223	300,404,186	146,097,718
<u>Expenditures</u>					
	(294,869,000)	-	-	(294,869,000)	-
	(131,354,000)	-	-	-	(131,354,000)
Training and Reserches	(3,229,017)	(1,578,189)	(1,650,828)	-	-
Bank charge	(61,764)	-	-	(61,764)	-
Forex	(1,999,119)	-	(130,429)	(1,868,690)	-
Total Expenditures	(431,512,900)	(1,578,189)	(1,781,257)	(296,799,454)	(131,354,000)
<u>Add/ Less:</u>					
Provision	(264,546)	(264,546)	-	-	-
Debtors	54,785	43,185	11,600	-	-
Creditors	(40,195)	(26,600)	(13,596)	-	-
Cash Surplus of the project	38,021,114	8,199,693	11,472,970	3,604,732	14,743,718
<u>Cash on Bank</u>					
	3,604,732	-	-	3,604,732	-
	14,743,719	-	-	-	14,743,718
	3,003,455	764,359	2,239,096	-	-
	16,253,468	7,326,594	8,926,874	-	-
	415,740	108,740	307,000	-	-
Balance as of 30 June	38,021,114	8,199,693	11,472,970	3,604,732	14,743,718

Detailed project Accounts
7-2 For the year from 1 July 2016 through 30 June 2017

	<u>Total</u> L.E.	<u>Grant Studies Workshops & Training</u> L.E.	<u>Loan Studies Workshops & Training</u> L.E.	<u>MSMEDA Credit Facility</u> L.E.	<u>ADP Credit Facility</u> L.E.
<u>Revenues</u>					
Opening balance	31,692,297	756,705	-	8,897,467	22,038,125
Cash received for Loan	86,718,543	-	-	-	86,718,543
Cash received for Marketing activities	14,763,520	-	14,763,520	-	-
Forex	9,707,320	706,007	-	9,001,313	-
Total Cash Available	142,881,680	1,462,712	14,763,520	17,898,780	108,756,668
<u>Expenditures</u>					
	(17,896,000)	-	-	(17,896,000)	-
	(85,420,000)	-	-	-	(85,420,000)
Training and Reserches	(1,833,137)	(621,424)	(1,211,713)	-	-
Bank charge	(1,622)	-	-	(1,622)	-
Forex	(57,758,366)	-	(296,584)	-	(57,461,782)
Total Expenditures	(162,909,125)	(621,424)	(1,508,297)	(17,897,622)	(142,881,782)
<u>Add/ Less:</u>					
Debtors	122,219	121,219	1,000	-	-
Cash Surplus of the project	(19,905,226)	962,507	13,256,223	1,158	(34,125,114)
<u>Cash on Bank</u>					
	1,158	-	-	1,158	-
	(34,126,679)	-	-	-	(34,126,679)
	647,294	10,590	635,139	-	1,565
	13,573,001	951,917	12,621,084	-	-
Balance as of 30 June	(19,905,226)	962,507	13,256,223	1,158	(34,125,114)

Detailed project Accounts

7-3 For the year from 1 July 2015 through 30 June 2016

	<u>Total</u> L.E.	<u>Grant Studies Workshops & Training</u> L.E.	<u>MSMEDA Credit Facility</u> L.E.	<u>ADP Credit Facility</u> L.E.
<u>Revenues</u>				
Cash received for Loan	132,676,465	-	112,744,902	19,931,563
Cash received for Grant	1,335,476	1,335,476	-	-
Forex	3,478,619	217,909	1,154,148	2,106,562
Total Cash Available	137,490,560	1,553,385	113,899,050	22,038,125
<u>Expenditures</u>				
	(105,000,000)	-	(105,000,000)	-
	-	-	-	-
Training and Reserches	(666,751)	(666,751)	-	-
Bank charge	(1,583)	-	(1,583)	-
Total Expenditures	(105,668,334)	(666,751)	(105,001,583)	0
<u>Add/ Less:</u>				
Debtors	3,617	3,617	-	-
Creditors	(133,546)	(133,546)	-	-
Cash Surplus of the project	31,692,297	756,705	8,897,467	22,038,125
<u>Cash on Bank</u>				
	8,897,467	-	8,897,467	-
	22,038,125	-	-	22,038,125
	97,913	97,913	-	-
	658,792	658,792	-	-
Balance as of 30 June	31,692,297	756,705	8,897,467	22,038,125

