

**AGRICULTURE MODERNIZATION, MARKET ACCESS AND RESILIENCE
PROJECT (“AMMAR”)**

IFAD LOAN NUMBER 2000000778
IFAD GRANT NUMBER 2000000248
GEF GRANT NUMBER 2000000827
DANIDA GRANT NUMBER 2000001739

IMPLEMENTED BY
INTERNATIONAL RELATIONS DEPARTMENT (“IRD”)
OF THE MINISTRY OF ENVIRONMENTAL PROTECTION AND AGRICULTURE OF GEORGIA

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR’S REPORT

For the year ended 31 December 2017

TBILISI
April 2018

AGRICULTURE MODERNIZATION, MARKET ACCESS AND RESILIENCE PROJECT

IFAD LOAN NUMBER 2000000778
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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS

The management of the International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of Georgia ("MEPA") is responsible for the preparation of the special purpose financial statements of "Agriculture Modernization, Market Access and Resilience Project" ("Project") financed by Financing Agreement IFAD Loan Number 2000000778 dated 17 Feb 2015, Grant Agreement IFAD Grant Number 2000000248 dated 18 Dec 2013, Financing Agreement DANIDA Grant Number 2000001739 dated 1 May 2017 and Financing Agreement GEF Grant Number 2000000827 dated 17 Feb 2015 (all together "Financing Agreements"), that present fairly the Project's cash receipts and payments, and expenditures per components for the year ended 31 December 2017, in accordance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC) and financial reporting relevant requirements of IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook").

In preparing the special purpose financial statements, IRD's management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the year ended 31 December 2017.

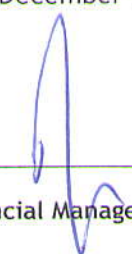
IRD's Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with *IPSAS - Cash Basis* and the *IFAD Handbook*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Financing Agreements, and IFAD Handbook, with due attention to economy and efficiency, and only for the purposes for which the financing was provided; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the year ended 31 December 2017 were authorized for issue on 27 April 2018 by the IRD's Management.


Nodar Kereselidze
First Deputy Minister of MEPA




Nino Tatishvili
Consultant in Financial Management of IRD

INDEPENDENT AUDITOR'S REPORT

To the Ministry of Environmental Protection and Agriculture of Georgia

Opinion

We have audited the special purpose financial statements of "Agriculture Modernization, Market Access and Resilience Project" ("Project") financed by Financing Agreement IFAD Loan Number 2000000778 dated 17 Feb 2015, Grant Agreement IFAD Grant Number 2000000248 dated 18 Dec 2013, Financing Agreement GEF Grant Number 2000000827 dated 17 Feb 2015, and Financing Agreement IFAD Grant Number 2000001739 dated 1 May 2017 (all together "Financing Agreements"), and implemented by International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of Georgia, which comprise the statement of cash receipts and payments and the statement of expenditures per components for the year ended 31 December 2017, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion,

1. the accompanying financial statements present fairly, in all material respects, the cash flows for the year ended 31 December 2017 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, ("IPSAS-Cash Basis");
2. funds have been used in accordance with the conditions of the Financing Agreements concluded between the International Fund for Agriculture Development ("IFAD") and the Georgia, and IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook"), with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support expenditures incurred. Expenditures included in the withdrawal applications (SOEs) and reimbursed against are eligible for financing under the Letter Agreement. Amounts withdrawn from the project account on the basis of such SOEs were used for the purposes intended under the Letter Agreement. Respective unaudited financial reports issued by IRD during the reporting period are in agreement with the underlying books of account;
4. the Designated Account used has been maintained and withdrawals from it were in accordance with the provision of the Financing Agreement, and IFAD Handbook;
5. Works, Goods and Services financed have been procured in accordance with the Financing Agreement and IFAD Handbook;
6. Assets procured exist, are properly safeguarded and there is verifiable ownership by IRD or beneficiaries in line with the Financing Agreements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Project and of the IRD in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical requirements in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter-Slow progress in the Project implementation

Without qualifying our opinion, we draw your attention to Note 6.2 of these special purpose financial statements disclosing slow progress of the Project implementation and the measures taken by the management of the IRD.

Emphasis of Matter- Cash Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

Responsibilities of the Management for the Financial Statements

Management of the IRD is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") of the IFAC and Financial reporting requirements of IFAD Handbook, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose 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 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 special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"BDO Armenia" CJSC
27 April 2018


Gnel Khachatryan, FCCA
Engagement Partner



Agriculture Modernization, Market Access and Resilience Project
 IFAD Loan Number 2000000778
 IFAD Grant Number 2000000248
 GEF Grant Number 2000000827
 DANIDA Grant Number 2000001739

Statement of cash receipts and payments
 For the year ended 31 December 2017
(Amounts are shown in US dollars)

	Note	Actual Reporting year	Cumulative as at 31.Dec.2017	Budget Cumulative as at 31.Dec.2017	Variance Cumulative as at 31.Dec.2017
TOTAL OPENING CASH		2,063,864	-		
Sources of Funds	7				
IFAD Loan Number 2000000778		2,171,818	4,001,183		
IFAD Grant Number 2000000248		(295)	159,705		
GEF Grant Number 2000000827		624,976	1,561,860		
DANIDA Grant Number 2000001739		1,500,000	1,500,000		
Government cofinancing		356,464	441,303		
Beneficiary cofinancing		-			
TOTAL FUNDS		4,652,963	7,664,051		
Other income (sale of bidding documents)		1,006	1,205		
Project Expenditures	6				
Works		1,871,173	2,151,444	6,642,000	(4,490,556)
Consultancies		524,453	776,901	2,784,300	(2,007,399)
Grants and Subsidies		801,252	801,252	5,305,000	(4,503,748)
Operating costs		332,279	746,953	626,162	120,791
TOTAL PROJECT EXPENDITURES		3,529,157	4,476,550	15,357,462	(10,880,912)
Foreign exchange gain/(loss)		(36)	(65)		
TOTAL CLOSING CASH	5	3,188,640	3,188,640		

Nodar Kereselidze
 First Deputy Minister of MEPA

27 April 2018

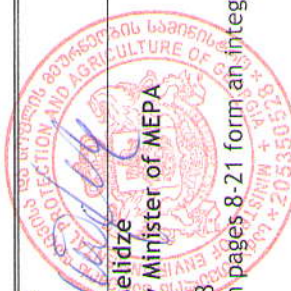
The notes on pages 8-21 form an integral part of these special purpose financial statements.

Nino Tatishvili
 Consultant in Financial Management of IRD

Agriculture Modernization, Market Access and Resilience Project
 IFAD Loan Number 2000000778
 IFAD Grant Number 2000000248
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Statement of expenditures per components
 For the year ended 31 December 2017
(Amounts are shown in US dollars)

Components	Actual		Planned		Variance	
	Reporting year	Cumulative as at 31.Dec.2017	Cumulative as at 31.Dec.2017	Cumulative as at 31.Dec.2017	Cumulative as at 31.Dec.2017	Cumulative as at 31.Dec.2017
Part 1. Irrigation and Agricultural Value Chain Investment	2,509,232	2,959,439	13,729,800	(10,770,361)		
1.1. Investment in secondary off-farm irrigation and value chain infrastructure	1,707,980	2,158,187	8,424,800	(6,266,613)		
1.2. Private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities	801,252	801,252	5,305,000	(4,503,748)		
Part 2. Climate-smart Agriculture and Value Chain development	876,825	1,142,973	1,001,500	141,473		
Part 3. Project management	143,100	374,137	626,162	(252,024)		
TOTAL	3,529,157	4,476,550	15,357,462	(10,880,912)		



Nodar Kereselidze
 First Deputy Minister of MEPA

Nino Tatishvili
 Consultant in Financial Management of IRD

27 April 2018
 The notes on pages 8-21 form an integral part of these special purpose financial statements.

Agriculture Modernization, Market Access and Resilience Project
IFAD Loan Number 2000000778
IFAD Grant Number 2000000248
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Notes to the special purpose financial statements

For the year ended 31 December 2017

(Amounts are shown in US dollars)

1. General information

1.1. The Project

The Financing Agreement IFAD Loan Number 2000000778 was signed on 17 February 2015 between the Georgia and the International Fund for Agriculture Development ("IFAD"), according to which IFAD provided financing to the Georgia in the amount of 8,610,000 Special Drawing Rights (SDR). The payment currency of the loan is United States dollars (USD). The Financing Agreement became effective on 28 May 2015.

The Grant Agreement IFAD Grant Number 2000000248 was signed on 18 Dec 2013 between the Georgia and IFAD, according to which IFAD provided financing to the Georgia in the amount of 500,000 USD. The Grant Agreement became effective on 18 Dec 2013.

The Financing Agreement DANIDA Grant Number 2000001739 was signed on 1 May 2017 between the Georgia and IFAD, according to which IFAD provided financing to the Georgia in the amount of 4,110,000 USD. The Financing Agreement became effective on 1 May 2017.

The IFAD Loan and Grant were provided for the implementation of "Agriculture Modernization, Market Access and Resilience Project" (the Project).

The Financing Agreement GEF Grant Number 2000000827 was signed on 17 February 2015 between the Georgia and the IFAD, according to which Global Environment Facility ("GEF") Secretariat provided additional financing for the Project in the amount of 5,300,000 USD. The Financing Agreement became effective on 17 Feb 2015.

The Completion date of financing under IFAD Loan Number 2000000778 is set 30 June 2019. The Closing date for making payments for expenditures incurred before the Completion date is set: 31 December 2019.

The Completion date of financing under IFAD Grant Number 2000000248 is set 31 December 2016. The Closing date is set: 30 September 2017.

The Completion date of financing under GEF Grant Number 2000000827 is set 31 March 2019. The Closing date is set: 30 September 2019.

The Completion date of financing under DANIDA Grant Number 2000001739 is set 31 December 2019. The Closing date is set: 30 June 2020.

1.2. The Project objectives

The objective of the Project is to stimulate investment in climate smart agricultural value chains to increase incomes and strengthen resilience of smallholder farmers.

The Project consists of the following components:

Component 1: Irrigation and Agricultural Value Chain Investment

1. Support investment in secondary off-farm irrigation and value chain infrastructure;

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For the year 31 December 2017

(Amounts are shown in US dollars)

2. Stimulate private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities through a partial matching grant scheme.
 Component 2: Climate Smart Agriculture and Value Chain Development

- (i) an initial value chain screening and prioritization process;
- (ii) an ongoing multi-stakeholder process of value chain facilitation in each value chain to identify critical constraints thereof and ways to remove such constraints; and
- (iii) climate-smart good agricultural practices and technology transfer, training and promotion including practical field training at small-scale technology plots.

Part C: Project Management

1.3. The Project Budget

The Project is financed by:

- IFAD Loan Number 2000000778 -100% exclusive of duties and value added taxes (VAT),
- IFAD Grant Number 2000000248 -100% exclusive of duties and VAT,
- GEF Grant Number 2000000827 -100% exclusive of duties and VAT,
- DANIDA Grant Number 2000001739-100% exclusive of duties and VAT,
- Government cofinancing - duties and VAT,
- Beneficiary cofinancing (5% on Civil works, and 60% on Grants and Subsidies).

Category	IFAD Loan Number 2000000778		IFAD Grant Number 2000000248 (b)	GEF Grant Number 2000000827	Danida Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing (c)	Total
	SDR	USD equivalent (a)	USD	USD		USD equivalent	USD equivalent	USD equivalent
Works	4,645,000	6,566,155	-	1,316,000		1,812,896	394,108	10,089,159
Consultancies	60,000	84,816	48,512	878,000	326,052	40,121	-	1,377,501
Grants and Subsidies	2,605,000	3,682,419	-	2,076,000	3,372,948	-	-	9,131,367
Operating costs	440,000	621,982	111,193	500,000		36,995	-	1,270,170
Unallocated	860,000	1,215,693	-	530,000	411,000	-	-	2,156,693
Total	8,610,000	12,171,065	159,705	5,300,000	4,110,000	1,890,012	394,108	24,024,890

- (a) The budget USD equivalents for IFAD Loan Number 2000000778 with underlying currency of SDR, is calculated based on cumulative funds received in USD plus, if any, USD equivalent of undisbursed funds in SDR as at reporting date. SDR/USD rate as at 31.12.2017 is set at 1.42413 (31.12.2016 is set at 1.34433).
- (b) The IFAD Grant Number 2000000248 initial budget was 500,000 USD; however the grant was completed on 31 Dec 2016 with disbursement of just 159,705 USD. Undisbursed balance was cancelled, and updated budget was set to actual allocation made.
- (c) The Beneficiary shall provide prove of 60% share of the grants and subsidies through supporting documents (bank statements); which is estimated 13,697,128 USD equivalent as at 31.12.2017. The Amount of 394,108 USD reported in above table is an estimation of the beneficiaries community cofinancing share on Construction works is set 5% of total contract amount, to cover retained amount for liquation of defects within one year.

Agriculture Modernization, Market Access and Resilience Project
IFAD Loan Number 2000000778
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Notes to the special purpose financial statements

For the year 31 December 2017

(Amounts are shown in US dollars)

1.4. Project Implementation

The Project is implemented by the International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of the Georgia.

The IRD address is: 6 Marshall Gelovani Avenue, Tbilisi, Georgia, 0159.

The Agricultural Projects Management Agency ("APMA") is selected to implement activities related to grants under the Component 1: Irrigation and Agriculture Value Chain Investment.

The grants and subsidies are provided in accordance with Investment Guideless dated.

The APMA address is: 10a, Akhmeteli Str, Tbilisi, Georgia.

Agriculture Modernization, Market Access and Resilience Project
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Notes to the special purpose financial statements

For the year 31 December 2017

(Amounts are shown in US dollars)

2. Summary of significant accounting policies

2.1. Preparation and presentation of financial statements

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial reporting guidelines of IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook").

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2 Cash basis of accounting

Project financing is recognised as a source of project funds when the cash is received. Project expenditures are recognised as a use of project funds when the payments are made.

2.3 Reporting currency

The reporting currency of these special purpose financial statements is United States dollars (USD). The expenditures made in local currency, Georgian Lari (GEL), are translated into USD based at the exchange rate prevailing at the date of the transaction as issued by the National Bank of Georgia (NBG).

The exchange rate defined by the NBG is as follows:

31 December 2016:	USD 1 = 2.6468 GEL.
31 December 2017:	USD 1 = 2.5922 GEL.

2.4. Taxes

The taxes are paid in accordance with the tax regulation of the Georgia.

2.5. Budget

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the Reporting year.

Notes to the special purpose financial statements
 For the year 31 December 2017
 (Amounts are shown in US dollars)

3. Summary of SOEs

3.1. IFAD Loan Number 2000000778

Withdrawal application No	Withdrawal application value date	Payment categories				Total
		Code: 200003, Works	Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200016 Operating costs	
3	30.Mar.2017	319,954.52	2,299.78	5,500.00	87,314.51	415,068.81
4	13.Jun.2017	238,464.27	-	71,480.00	61,351.28	371,295.55
5	10.Aug.2017	178,905.15	-	81,790.00	34,974.27	295,669.42
6	22.Dec.2017	567,883.34	37,425.02	380,250.00	104,226.07	1,089,784.43
Total		1,305,207.28	39,724.80	539,020.00	287,866.13	2,171,818.21

3.2. IFAD Grant Number 2000000248

The IFAD Grant Number 2000000248 was completed on 31 Dec 2016; no withdrawal application were submitted after that date.

3.3. GEF Grant Number 2000000827

Withdrawal application No	Withdrawal application value date	Payment categories				Total
		Code: 200003, Works	Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200016 Operating costs	
3	30.Mar.2017	-	269,396.88	20,500.00	7,443.35	297,340.23
4	12.Jun.2017	57,919.38	22,012.89	15,000.00	15,534.96	110,467.23
5	10.Aug.2017	59,971.97	32,759.71	-	1,879.31	94,610.99
6	26.Sep.2017	40,988.70	50,171.92	28,055.00	3,341.90	122,557.52
Total		158,880.05	374,341.40	63,555.00	28,199.52	624,975.97

3.4. DANIDA Grant Number 2000001739

The DANIDA Grant Number 2000001739 was became effective on 1 May 2017. There were no SOE applications submitted during the reporting year.

Notes to the special purpose financial statements
 For the year 31 December 2017
 (Amounts are shown in US dollars)

4. Statement of Designated Accounts

4.1. IFAD Loan Number 2000000778

Bank account number	209250238
Bank	National Bank of Georgia
Bank location	2 Sanapiro street,, Tbilisi, Georgia, 0114
Account currency	USD

	Year ended 31.Dec.2017
	USD
1. Opening balance	1,335,651
2. Add: opening discrepancy	-
3. IFAD advance/replenishment	2,171,818
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	3,507,469
6. DA closing balance	1,073,169
7. Add: Amount of eligible expenditures paid	2,434,300
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	3,507,469
10. Closing discrepancy (5)-(9)	-

4.2. IFAD Grant Number 2000000248

Bank account number	209230238
Bank	National Bank of Georgia
Bank location	2 Sanapiro street,, Tbilisi, Georgia, 0114
Account currency	USD

	Year ended 31.Dec.2017
	USD
1. Opening balance	295
2. Add: opening discrepancy	-
3. IFAD advance/replenishment	(295)
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	-
6. DA closing balance	-
7. Add: Amount of eligible expenditures paid	-
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	-
10. Closing discrepancy (5)-(9)	-

Agriculture Modernization, Market Access and Resilience Project
 IFAD Loan Number 2000000778
 IFAD Grant Number 2000000248
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Notes to the special purpose financial statements

For the year 31 December 2017

(Amounts are shown in US dollars)

4.3. GEF Grant Number 2000000827

Bank account number	299230238
Bank	National Bank of Georgia
Bank location	2 Sanapiro street,, Tbilisi, Georgia, 0114
Account currency	USD

	Year ended 31.Dec.2017
	USD
1. Opening balance	727,748
2. Add: opening discrepancy	-
3. IFAD advance/replenishment	624,976
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	1,352,724
6. DA closing balance	619,283
7. Add: Amount of eligible expenditures paid	733,441
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	1,352,724
10. Closing discrepancy (5)-(9)	-

4.4. DANIDA Grant Number 2000001739

Bank account number	209330238
Bank	National Bank of Georgia
Bank location	2 Sanapiro street,, Tbilisi, Georgia, 0114
Account currency	USD

	Year ended 31.Dec.2017
	USD
1. Opening balance	-
2. Add: opening discrepancy	-
3. IFAD advance/replenishment*	1,499,970
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	1,499,970
6. DA closing balance	1,494,970
7. Add: Amount of eligible expenditures paid	4,920
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	1,499,890
10. Closing discrepancy (5)-(9)**	80

(*) From the transfer made by IFAD, USD 30 was charged by the intermediary bank.

(**) Balance at transit account (Note 5).

Notes to the special purpose financial statements
For the year 31 December 2017
(Amounts are shown in US dollars)

5. Cash

	Underlying Currency	31 Dec 2017 USD	31 Dec 2016 USD
Designated Account (IFAD Loan Number 2000000778)	USD	1,073,169	1,335,651
Designated Account (IFAD Grant Number 2000000248)	USD	-	295
Designated Account (GEF Grant Number 2000000827)	USD	619,283	727,748
Designated Account (DANIDA Grant Number 2000001739)	USD	1,494,970	-
Transit account (Danida Grant Number 2000001739)	GEL	80	-
Tender account	GEL	1,138	170
		3,188,640	2,063,864

6. Project Expenditures

6.1. Expenditure per funding source per categories

Category	For the year ended 31.Dec.2017						
	IFAD LOAN Number 2000000778	IFAD Grant Number 2000000248	GEF Grant Number 2000000827	DANIDA Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing	Total
	USD	USD	USD	USD	USD	USD	USD
Works	1,369,717	-	226,787	-	274,669	-	1,871,173
Consultancies	60,730	-	382,684	4,920	76,119	-	524,453
Grants and Subsidies	717,447	-	83,805	-	-	-	801,252
Operating costs	286,408	-	40,165	30	5,676	-	332,279
Total	2,434,302	-	733,441	4,950	356,464	-	3,529,157

Category	Cumulative as at 31.Dec.2017						
	IFAD LOAN Number 2000000778	IFAD Grant Number 2000000248	GEF Grant Number 2000000827	DANIDA Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing	Total
	USD	USD	USD	USD	USD	USD	USD
Works	1,627,014	-	226,787	-	297,643	-	2,151,444
Consultancies	62,397	48,512	546,951	4,920	114,121	-	776,901
Grants and Subsidies	717,447	-	83,805	-	-	-	801,252
Operating costs	521,157	111,193	85,034	30	29,539	-	746,953
Total	2,928,015	159,705	942,577	4,950	441,303	-	4,476,550

6.2. Progress expenditure progress per categories

Category	Cumulative Expenditures as at 31 Dec 2017	Project total budget	Progress (a)
	USD	USD	%
Works	2,151,444	10,089,159	21%
Consultancies	776,901	1,377,501	56%
Grants and Subsidies	801,252	9,131,367	9%
Operating costs	746,953	1,270,170	59%
Unallocated		2,156,693	n/a
Total	4,476,550	24,024,890	19%

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For the year 31 December 2017

(Amounts are shown in US dollars)

- a) The project became effective on May 28, 2015. As of 31 Dec 2017 the project financial implementation is completed by 19%, though the Project Completion date is set 31 Dec 2019. The first 15 months of the Project was dedicated to activities as follows: identification and selection of prospective commodities for project intervention; conduction of a practical value chain analysis of selected food commodities whose production, processing, commercialization, and consumption proved to be crucial for country food security. Identification and selection of irrigation infrastructure and other kind of infrastructure sites, related to selected prospective commodities.
- Preparation of ToRs for project key service providers, preparation and finalization of grant manual; preparation of tender conditions and conduction of tenders etc.

Starting mid 2016 project moved into active, practical implementation phase, and by the end of December 2017:

- 7 irrigation schemes serving about 9,035 ha were under rehabilitation works;
 - 5 Small Infrastructure, out of which are 4 roads and one combined site of road and bridge were under rehabilitation;
 - 3 Land Restoration sited were under rehabilitation;
 - 9 out of selected 12 demonstration plots were established and trainings were delivered at 8 demo plots;
 - 198 grant applications were submitted out of which 141 applications were approved and 122 were contracted;
 - CCNAP for Georgia's Agriculture sector was prepared.
- Majority of above listed activities are still under process.

Due to the above described circumstances, there is an objective need to extend the project implementation period with 24 more months. This matter will be discussed during IFAD supervision mission that will take place in May 2018.

Notes to the special purpose financial statements

For the year 31 December 2017

(Amounts are shown in US dollars)

7. Financing

7.1. IFAD Loan Number 2000000778

A. Per payment method

	Year ended 31 Dec 2017 USD	Cumulative as at 31 Dec 2017 USD
Advance/ (advance recovery)	-	1,500,000
Direct Payment	-	-
SOEs	2,171,818	2,501,183
Total	2,171,818	4,001,183
Total financing budget		12,171,065
Percentage of finance provided as at 31 Dec 2017		33%

B. Per budget category

Category	Cumulative Expenditures as at 31 Dec 2017 USD	Project total budget USD	Progress %
Works	1,447,523	6,566,155	22%
Consultancies	41,260	84,816	49%
Grants and Subsidies	539,020	3,682,419	15%
Operating costs	473,379	621,982	76%
Unallocated	-	1,215,693	n/a
Advance	1,500,000	-	n/a
Total	4,001,183	12,171,065	33%

7.2. IFAD Grant Number 2000000248

A. Per payment method

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
Advance/ (advance recovery)*	(295)	-
Direct Payment	-	-
SOEs	-	159,705
Total	(295)	159,705
Total financing budget		159,705
Percentage of finance provided as at 31 Dec 2017		100%

(*) The amount 295.05 USD was refunded to WB on 23 June 2017.

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B. Per budget category

Category	Cumulative Expenditures as at 31 Dec 2017	Project total budget	Progress
	USD	USD	%
Consultancies	45,042	45,042	100%
Equipment and materials	82,432	82,432	100%
Operating costs	-	-	n/a
Salaries and allowances	25,783	25,783	100%
Training	6,448	6,448	100%
Advance	-	-	n/a
Total	159,705	159,705	100%

The IFAD Grant Number 2000000248 initial budget was 500,000 USD; however the grant was completed on 31 Dec 2016 with disbursement of just 159,705 USD. Undisbursed balance was cancelled, and updated budget was set to actual allocation made.

7.3. GEF Grant Number 2000000827

A. Per payment method

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
Advance/ (advance recovery)	-	800,000
Direct Payment	-	-
SOEs	624,976	761,860
Total	624,976	1,561,860
Total financing budget		5,300,000
Percentage of finance provided as at 31 Dec 2017		29%

B. Per budget category

Category	Cumulative Expenditures as at 31 Dec 2017	Project total budget	Progress
	USD	USD	%
Works	158,880	1,316,000	12%
Consultancies	471,167	878,000	54%
Grants and Subsidies	63,555	2,076,000	3%
Operating costs	68,257	500,000	14%
Unallocated		530,000	n/a
Advance	800,000	-	n/a
Total	1,561,860	5,300,000	29%

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7.4. DANIDA Grant Number 2000001739

A. Per payment method

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
Advance/ (advance recovery)	1,500,000	1,500,000
Direct Payment	-	-
SOEs	-	-
Total	1,500,000	1,500,000
Total financing budget		4,110,000
Percentage of finance provided as at 31 Dec 2017		36%

B. Per budget category

	Cumulative Expenditures as at 31 Dec 2017 USD	Project total budget USD	Progress %
Category			
Works	-	-	-
Consultancies	-	326,052	-
Grants and Subsidies	-	3,372,948	-
Operating costs	-	-	-
Unallocated	-	411,000	n/a
Advance	1,500,000	-	n/a
Total	1,500,000	4,110,000	36%

7.5. Government cofinancing

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
Contributions in cash	356,464	441,303
Total financing budget		1,890,012
Percentage of finance provided as at 31 Dec 2017		23%

Notes to the special purpose financial statements

For the year 31 December 2017

(Amounts are shown in US dollars)

7.6. Community Contribution

A. For Works

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
Cash contributions	-	-
Total financing budget		394,108
Percentage of finance provided as at 31 Dec 2017		-

B. Grants and Subsidies

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
In cash	500,963	500,963
Total financing budget		13,697,050
Percentage of finance provided as at 31 Dec 2017		4%

Grants and Subsidies are provided to individual small farmers and producers up to USD 15,000, and cooperatives and associations up to USD 150,000 with maximum per benefiting member not exceeding USD 15,000; with beneficiary cofinancing of minimum of 60% in cash.

Grants are to be used only for acquisition of equipment/machinery and/or training/technology. APMA is implementing the selection and administration of the grants and subsidies (Note 1.4). The cash contribution by the beneficiaries is assessed through supporting payment documents (bank statements, credit line) to APMA; and do not implemented through bank venues of APMA or IRD. That is why, these financing is not included in the cash flow statements of the Project and is disclosed for information purposes.

The grant and subsidies provision were commenced from Feb 2017.

8. Property and equipment

	Year ended 31.Dec.2017 USD	Cumulative as at 31 Dec 2017 USD
Computers and equipment	-	97,269
	-	97,269

The equipment and inventory was acquired for in Vitro reproduction of Perennial Crops for LEPL Agriculture Scientific-Research Center.

9. Litigations

There are no pending litigations related to the Project as at reporting date and as at approval date of these financial statements.

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ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD

For the year 31 December 2017

(Amounts are shown in US dollars)

A. IFAD Loan Number 2000000778

Expenditure Category	Appl.	IRD	IFAD	Difference
Works	3	319,954.52	319,954.52	-
	4	238,464.27	238,464.27	-
	5	178,905.15	178,905.15	-
	6	567,883.34	567,883.34	-
		1,305,207.28	1,305,207.28	
Consultancies	3	2,299.78	2,299.78	-
	6	37,425.02	37,425.02	-
		39,724.80	39,724.80	
Grants and Subsidies	3	5,500.00	5,500.00	-
	4	71,480.00	71,480.00	-
	5	81,790.00	81,790.00	-
	6	380,250.00	380,250.00	-
		539,020.00	539,020.00	
Operating costs	3	87,314.51	87,314.51	-
	4	61,351.28	61,351.28	-
	5	34,974.27	34,974.27	-
	6	104,226.07	104,226.07	-
		287,866.13	287,866.13	
Total		2,171,818.21	2,171,818.21	

B. IFAD Grant Number 2000000248

Expenditure Category	Appl.	IRD	IFAD	Difference
Advance/(recovery)	1.Refund	(295.05)	(295.05)	-
Total		(295.05)	(295.05)	

IFAD Grant Number 2000000248 was completed on 31 December 2016. The amount 295.05 USD was refunded to WB on 23 June 2017.

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ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD

For the year 31 December 2017

(Amounts are shown in US dollars)

C. GEF Grant Number 2000000827

Expenditure Category	Appl.	IRD	IFAD	Difference
Works	4	57,919.38	57,919.38	-
	5	59,971.97	59,971.97	-
	6	40,988.70	40,988.70	-
		158,880.05	158,880.05	
Consultancies	3	269,396.88	269,396.88	-
	4	22,012.89	22,012.89	-
	5	32,759.71	32,759.71	-
	6	50,171.92	50,171.92	-
		374,341.40	374,341.40	
Grants and Subsidies	3	20,500.00	20,500.00	-
	4	15,000.00	15,000.00	-
	6	28,055.00	28,055.00	-
		63,555.00	63,555.00	
Operating costs	3	7,443.35	7,443.35	-
	4	15,534.96	15,534.96	-
	5	1,879.31	1,879.31	-
	6	3,341.90	3,341.90	-
		28,199.52	28,199.52	
Total		624,975.97	624,975.97	

D. DANIDA Grant Number 2000001739

Expenditure Category	Appl.	IRD	IFAD	Difference
Advance/(recovery)	1	670,000.00	670,000.00	-
	1A	830,000.00	830,000.00	-
Total		1,500,000.00	1,500,000.00	