

AUDITED PROJECT FINANCIAL STATEMENTS

Loan no. 1000003666, 1000004376, 1000003587,
1000004375

Period covered: 1 January 2017 to 31 December 2017

Hilly Areas Sustainable Agriculture Development Project
(HASAD)

Prepared by the Independent Auditor

Received on 29 May 2018

The Audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of 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)"



INTERNATIONAL
Audit - Tax - Consulting

إنترناشيونال
تدقيق - ضرائب - إستشارات

The Green Plan

by Areas Sustainable Agriculture Development
Project

المشروع الأخضر
الرقم: ٦٠١
تاريخ الورود: ٥-٥-٢٠١٨



INTERNATIONAL
Audit - Tax - Consulting

إنترناتيونال
تدقيق - ضرائب - إستشارات

The Green Plan

Hilly Areas Sustainable Agriculture Development (HASAD) Project

IFAD Loan No. 791-LB

Financial Statements and Auditor's Report For the Year Ending 31 December 2017



Table of Contents

	Page
Independent Auditor's Report	3 - 5
Statement of Sources and Uses of Funds by Category	6
Statement of Reconciliation of the Special/Programme Account	7
Statement of Comparison between Actual Expenditures and Budget Estimates by Component	8 - 11
Comprehensive List of Fixed Assets	12
Notes to the Project's Financial Statements	13 - 15



Independent Auditor's Report

The Green Plan
Beirut - Lebanon

We have audited the accompanying Project financial statements of the "Hilly Areas Sustainable Agriculture Development (HASAD) Project - IFAD Loan No. 791-LB" which consists of the Statement of Sources and Uses of Funds, the Statement of Reconciliation of the Special/Programme Account, Statement of Comparison between Actual Expenditures and Budget Estimates for the year ending 31 December 2017, comprehensive list of fixed assets as at 31 December 2017 and other explanatory information. The Project's financial statements have been prepared by the management of the Green Plan in accordance with the financial reporting provisions of the signed loan agreement (Loan number 791-LB) dated June 17, 2010 between the Republic of Lebanon and the International Fund for Agricultural Development (IFAD).

Management's Responsibility

The management of HASAD Project - The Green Plan through the Project Management Unit (PMU) is responsible for the preparation of the Project's financial statements in accordance with the Cash Basis of Accounting Method of the International Public Sector Accounting Standards (IPSAS), and for such internal control as Management determines is necessary to enable the preparation of the Project's financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Project's financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Project's financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Project's financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Project's financial statements, whether due to fraud or error.



Independent Auditor's Report (continued)

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Project financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Project financial statements.

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

Opinion

In our opinion, the financial statements of Hilly Areas Sustainable Agriculture Development (HASAD) Project related to IFAD LOAN # 791-LB for the year ending 31 December 2017 present fairly, in all material respects, the financial performance of Hilly Areas Sustainable Agriculture Development (HASAD) Project related to the funds received and expenditures incurred by the loan in accordance with International Public Sector Accounting Standards (IPSAS).

In addition,

(a) The use of the Special/Programme Account including the activities associated with the Project was in all material respects in compliance with the Disbursement and Procurement Guidelines of the IFAD.

(b) The procedures used by the Project for preparing the Statement of expenditures (SOE) are adequate, withdrawals related to expenditures were used for the purposes intended under the agreement and adequate supporting documents are available.

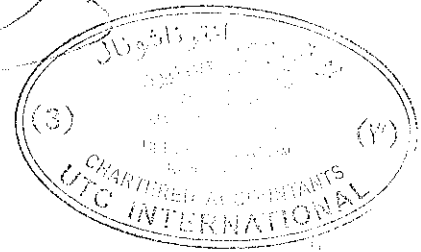


Independent Auditor's Report (continued)

Basis of Accounting and Restriction on Use and Distribution

Without modifying our opinion, we draw attention to Note 2 to the Project's financial statements, which describes the basis of accounting. The Project's financial statements are prepared to assist HASAD to comply with the financial reporting provisions of the contract referred to above. As a result, the Project's financial statements may not be suitable for another purpose. Our report is intended solely for the Management of HASAD and the International Fund for Agricultural Development (IFAD) and should not be distributed to or used by parties other than HASAD and IFAD.

Dr. Oussama Tabbara DBA, CPA
Chairman & Managing Partner
UTC International



15 May 2018
Beirut, Lebanon

Hilly Areas Sustainable Agriculture Development (HASAD) Project
Statement of Sources and Uses of Funds by Category
For the Year Ending 31 December 2017
US Dollars

<u>Sources of Funds</u>	2012	2013	2014	2015	2016	2017	Total
International Fund for Agricultural Development	800,000	-	-	343,400	379,284	362,722	1,885,406
<u>Uses of Funds</u>							
Civil Works	-	-	-	-	-	-	-
Vehicles and Equipments	-	-	-	-	-	-	-
Technical Assistance, Studies, Workshops	-	-	-	-	-	-	-
Recurrent Cost a	-	25,948	29,294	39,752	164,249	422,291	681,534
• Salaries and Incentives							
Recurrent Cost b	26,750	138,750	137,800	159,900	126,650	153,600	743,450
• Other Expenditures							
Total Expenditures	-	13,340	24,475	16,254	7,820	41,013	102,902
Checks issued during 2017 and withdrawn in 2018	26,750	178,038	191,569	215,906	298,719	616,904	1,527,886
Balance	773,250	595,212	403,643	531,137	611,702	633,005	275,485
							633,005

Hilly Areas Sustainable Agriculture Development (HASAD) Project
Statement of Reconciliation of the Special/Programme Account
As at 31 December 2017
US Dollars

IFAD Loan no. 791-LB

<u>IFAD Special/Programme Account</u>	<u>2017</u>
Opening Balance of Account Number [REDACTED] as at 1 January 2017	611,702
<u>Receipts</u>	
Transfers	362,722
<u>Payments</u>	
Payments related to the year 2017	616,904
Total Payments	<u>616,904</u>
<u>Checks</u>	
Checks issued during 2017 and withdrawn in 2018	<u>275,485</u>
Balance of Account Number [REDACTED] as at 31 December 2017	<u><u>633,005</u></u>

Hilly Areas Sustainable Agriculture Development (HASAD) Project
Statement of Comparison between Actual Expenditures and Budget Estimates by Component
For the Year Ending 31 December 2017
US Dollars

<u>Component 1: Soil and Water Conservation</u>	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Hill lakes			
Feasibility Studies- 3rd Batch of 4 Hill Lakes	-	-	-
Supervision -2nd Batch of 8 Hill Lakes	-	-	-
Construction - 2nd Batch of 8 Hill Lakes	-	-	-
	-	-	-
	-	-	-
Irrigation Networks			
Farmers Training and Sensitization of 8 Regions	<u>20,000</u>	<u>12,000</u>	<u>8,000</u>
Terracing and Retaining Walls			
Terracing	-	-	-
Stone Retaining Walls	-	-	-
	-	-	-
Very Small Water Reservoir			
Concrete Reservoirs	-	-	-
Earth reservoirs	-	-	-
	-	-	-

**Hilly Areas Sustainable Agriculture Development (HASAD) Project
Statement of Comparison between Actual Expenditures and Budget Estimates by Component**

For the Year Ending 31 December 2017

US Dollars

	Budget	Actual Expenditure	Variance
Multidisciplinary Teams			
Socio-Economists / Team Leaders (2000*12)	50,400	33,600	16,800
Project Incentives for Civil Engineers / Irrigation	10,800	7,200	3,600
Project Incentives/Allowances for Agricultural Engineer	10,800	7,200	3,600
	<u>72,000</u>	<u>48,000</u>	<u>24,000</u>
Total Component 1: Soil and Water Conservation	<u>2,008,897</u>	<u>378,578</u>	<u>1,630,319</u>
<u>Component 2: Technical Support to Farmers</u>			
Farmer Service Center			
Farmer Service Center Equipments	705,000	-	705,000
Farmer Service Center Civil Work	164,763	-	164,763
Extension and Training	65,465	15,000	50,465
Technical Assistance	720,381	297,525	422,856
Total	<u>1,655,609</u>	<u>312,525</u>	<u>1,343,084</u>
Staff Salaries - FSC			
Staff Salaries - FSC Akkar	55,500	23,250	32,250
Staff Salaries - FSC (BH)	55,500	26,100	29,400
Staff Salaries - FSC (BJ)	66,000	-	66,000
Total of Staff Salaries	<u>177,000</u>	<u>49,350</u>	<u>127,650</u>
Operating Expenses - FSC			
Operating Expenses - FSC (Akkar)	59,315	7,200	52,115
Operating Expenses - FSC (BH)	58,842	9,503	49,339
Operating Expenses - FSC (BJ)	58,131	-	58,131
Total of Operating Expenses	176,288	16,703	159,585
Sub Total of Recurrent cost component II	353,288	66,053	287,235
Total Component 2: Technical Support to Farmers	<u>2,008,897</u>	<u>378,578</u>	<u>1,630,319</u>

Hilly Areas Sustainable Agriculture Development (HASAD) Project
Statement of Comparison between Actual Expenditures and Budget Estimates by Component
For the Year Ending 31 December 2017

US Dollars

	Budget	Actual Expenditures	Variance
<u>Component 3: Project Coordination and Management</u>			
Capacity Building - PCM			
International Technical Assistant	25,000	-	25,000
National Technical Assistant	25,000	-	25,000
Training Budget	35,313	14,796	20,517
Workshop- Seminars	20,000	-	20,000
Visibility and Documentation	30,000	-	30,000
Total	135,313	14,796	120,517
Monitoring and Evaluation System - PCM			
Socio- Economic and Anthropometric (RIMS) Survey	45,000	-	45,000
Annual Audit for year 2016/2017/2018	60,000	9,950	50,050
Total	105,000	9,950	95,050
Staff Salaries - PCM (Project Management)			
Staff Salaries	269600	102000	167600
Staff Allowances	83700	37200	46500
Total Component	353300	139200	214100

**Hilly Areas Sustainable Agriculture Development (HASAD) Project
Statement of Comparison between Actual Expenditures and Budget Estimates by Component
For the Year Ending 31 December 2017**

US Dollars

	Budget	Actual Expenditures	Variance
Operating Expenses			
Vehicles	40,000	8,350	31,650
Field Allowances	15,000	-	15,000
Other Expenditures	69,507	6,030	63,477
Total	124,507	14,380	110,127

Total Component 3: Project Coordination and Management	718,120	178,326	539,794
Unallocated	170,000	-	170,000
Total Budget compared to Actual Expenditures	2,989,017	616,904	2,372,113

Hilly Areas Sustainable Agriculture Development (HASAD) Project
Comprehensive List of Fixed Assets
As at 31 December 2017
US Dollars

Assets were acquired during the years:

Year	Vehicles and Equipment	Other Assets	Total
2011	-	-	-
2012	-	-	-
2013	-	1,283	1,283
2014	-	3,024	3,024
2015	-	-	-
2016	-	-	-
2017	-	-	-
Total	-	4,307	4,307

Most of these assets are still in good condition.

Other Assets purchased include digital scale height and weight, binding machine, cameras and fax.

Other Assets were disbursed from "Recurrent Cost (b)" and classified as other expenditures under this category.

Hilly Areas Sustainable Agriculture Development (HASAD) Project

Notes to the Project's Financial Statements For the Year Ending 31 December 2017

1. Project Background & Components

On June 17, 2010 the Republic of Lebanon has signed a Financing Agreement (Loan number 791-LB) with the International Fund for Agricultural Development (IFAD) to receive financing in term of a loan for an amount of USD 4,000,000 and a grant of USD 600,000 toward the cost of Hilly Areas Sustainable Agriculture Development (HASAD). The Republic of Lebanon has also obtained on June 22, 2010, as a Co-financing for this Project, a loan from the Organization of the Petroleum Exporting Countries Fund for International Development (OFID) for an amount USD 8,400,000. OFID requests that the Republic of Lebanon provides a counterpart contribution in kind for an amount of USD 300,000.

The Lead Agency of this Project is the Ministry of Agriculture (MOA) through the Green Plan (GP).

The overall objective of the Project is to reduce rural poverty by substantially increasing agricultural productivity and income of the poor smallholders of various hilly regions and communities of the territory of Lebanon directly or indirectly affected by the July 2006 War.

The sub-objectives of the Project comprise of three technical components targeting at:

- *Component 1: Water and Soil Conservation Development:* to support the development of small-scale irrigation schemes and reservoirs supplied by harvested runoffs and spring flows.

This Component comprises of the following two sub-components:

- (1.a) *Sub-Component: Mobilization and Distribution of Water:* to support the mobilization of a sufficient quantity and efficient use of water for irrigation through the construction of small hill lakes on a pilot basis for storing water from springs, runoffs and harvested water for irrigation by small groups of farms. It also supports irrigation networks and development of terracing and stone retaining walls, in addition to construction of reservoirs for storing water.

Hilly Areas Sustainable Agriculture Development (HASAD) Project

Notes to the Project's Financial Statements For the Year Ending 31 December 2017

1. Project Background & Components (continued)

(1.b) *Sub-Component: Institutional Strengthening and Technical Assistance:* to support Two Field Multi-Disciplinary Teams, technical assistance for the hill lakes, and consulting engineering services for feasibility studies, designs and supervision of construction.

- *Component 2: Technical Support to Farmers:* to provide agricultural extension, marketing support, irrigation advisory services to farmers and capacity building of the farmers groups and associations. It also foresees the provision of technical assistance and training of the trainers and farmers.
- *Component 3: Project Coordination and Management:* to finance the operational cost of a Project Management Unit (PMU) who will be in charge of Project implementation.

2. Basis of Accounting

The Project financial statements have been prepared in accordance with the terms of the Loan Agreement and applicable Lebanese laws and regulations which follow the cash receipt and disbursement basis of accounting. On this basis, funds are recognized when received and expenses are recognized when paid.

3. Presentation Currency

The Project's financial statements are presented in US Dollars.

Hilly Areas Sustainable Agriculture Development (HASAD) Project
Notes to the Project's Financial Statements
For the Year Ending 31 December 2017
US Dollars

4. Procedure Used for Disbursements from Special/Programme Account

Technical Assistance, Studies, Workshops	
Payments by Checks	124,766
Bank Transfers	<u>297,525</u>
	<u>422,291</u>
Recurrent Cost (a)	
<u>Salaries and Incentives</u>	
Payments by Checks	153,600
Bank Transfers	-
	<u>153,600</u>
Recurrent Cost (b)	
<u>Other Expenditures</u>	
Payments by Checks	41,013
Bank Transfers	-
	<u>41,013</u>
Total Disbursements	<u><u>616,904</u></u>
