



Republic of Zambia
MINISTRY OF NATIONAL DEVELOPMENT PLANNING

**TRANSFORMING LANDSCAPES FOR RESILIENCE AND
DEVELOPMENT IN ZAMBIA (TRALARD) - PROJECT NO.
P164764/V1790/IDA63980 NPCU**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31st DECEMBER 2020**

**MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980**

Table of Contents	Page
Table of Contents.....	1
Statement of Programme Management’s Responsibilities	2
Independent Auditor’s Report.....	3 to 5
Statement of Sources and Utilization of funds	6
Notes to the Financial Statements.....	7 to 12

**MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980**

STATEMENT OF PROGRAMME MANAGEMENT'S RESPONSIBILITIES

The Controlling Officer, for the Ministry of National Development Planning is responsible for the preparation of the Statement of Sources and Utilization of Funds for Transforming Landscapes for Resilience and Development in Zambia Project, Project which gives a true and fair view of the state of affairs of the Project. In preparing the Statement of Sources and Utilization of Funds, the Project Management:

- Selects suitable accounting policies and then applies them consistently
- Makes judgments that are reasonable and prudent; and
- Follows International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting.

The Statement of Sources and Utilization of Funds is prepared on a cash basis of accounting in accordance with International Public Sector Accounting Standards.

The Project Management is responsible for ensuring that the TRALARD keeps accounting records, registers and other relevant documents which disclose with reasonable accuracy at any time the financial position and activities of the Project as required by the Financing Agreement. Management is responsible for taking reasonable steps for the prevention and detection of errors, fraud and other irregularities.

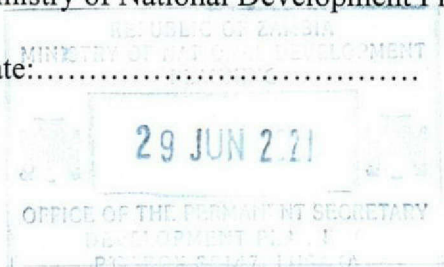
The Project Management is also responsible for the systems of internal controls designed to provide reasonable, but not absolute assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with appropriate segregations of authority and duties. Nothing has come to the attention of the Project Management to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Project Management, the Statement of Sources and Utilization of Funds is drawn up so as to give true and fair view of the financial activities for the year ended 31st December 2020.

Signed on behalf of the Project Management by:

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Chola J. Chabala
Permanent Secretary – DPA
Ministry of National Development Planning

Date:.....



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Chitembo K Chunga
National Coordinator – NPCU
Ministry of National Development Planning

Date:.....



OFFICE OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Stand No.7951
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Longacre's
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To the Permanent Secretary,

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of the Transforming Landscapes for Resilience and Development Project which comprises the Statement of Sources and Utilization of Funds for the year ended 31st December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 9 to 11.

In my opinion, the accompanying financial statements of the Transforming Landscapes for Resilience and Development Project are prepared, in all material respects, in accordance with International Public Sector Accounting Standards (IPSASs) Cash Basis of Accounting and the Financing Agreement between the Internal Development Association – World Bank and the Republic of Zambia.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Transforming Landscapes for Resilience and Development Project in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that are relevant to my audit of the financial statements in Zambia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

OFFICE OF THE AUDITOR GENERAL

Responsibilities of Management and Those Charged with Governance 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 (IPSASs) Cash Basis of Accounting and the Financing Agreement between the International Development Association – World Bank and the Republic of Zambia, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

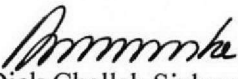
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit. I also provide those charged with governance with a Statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

OFFICE OF THE AUDITOR GENERAL

Report on Other Legal and Regulatory Requirements

In my opinion, the Statement of Sources and Utilization of Funds of the Transforming Landscapes for Resilience and Development Project has been prepared in accordance with the Financing Agreement between the International Development Association – World Bank and the Government of the Republic of Zambia


Dr. Dick Chellah Sichembe
AUDITOR GENERAL
OFFICE OF THE AUDITOR GENERAL



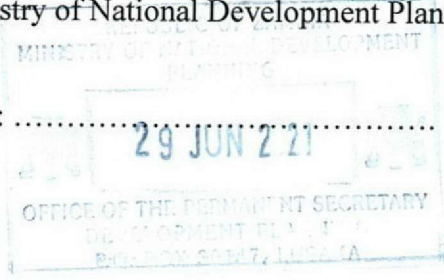
MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

Statement of Sources and Utilization of Funds By Activity for Year Ended 31st December 2020

	Notes	2020		2019		Cumulative US \$	
		ZMW	US \$	ZMW	US \$	ZMW	USD
Sources of Funds							
Opening Cash Balances	4	6,008,017.43	427,516.49	3,953,064.17	331,499.41	9,961,081.60	
Receipts from World Bank (IDA)	5	9,530,000.00	500,000.00	8,963,579.98	703,158.24	24,281,879.98	1,703,158.24
Total Cash Available		15,538,017.43	927,516.49	12,916,644.15	1,034,657.65	34,242,961.58	1,703,158.24
Less Utilization of Funds							
Sub Component 1.1- Diversifying, Livelihoods and Improved Farming Practices	6.1	5,173,475.39	316,426.77	2,047,284.87	166,659.75	5,173,475.39	483,751.61
Sub Component 3(a) - Project Management, Coordination and Monitoring	6.2	10,061,112.13	593,832.37	5,419,550.12	440,481.41	26,101,445.98	1,193,531.97
Total Expenditure		15,234,587.52	910,259.15	7,466,834.99	607,141.16	33,322,206.24	1,677,283.58
Surplus/Deficit for the year		303,429.91	17,257.34	5,449,809.16	427,516.49	920,755.34	453,391.14
Foreign Exchange Gain/(Loss)	7	- 58,457.50	- 0.00	558,208.27	-	499,750.77	-
Net Cash Available		244,972.41	17,257.34	6,008,017.43	427,516.49	-	-
Represented by cash and cash equivalent Bank Balances	8	244,972.41	17,257.34	6,008,017.43	427,516.49	-	-

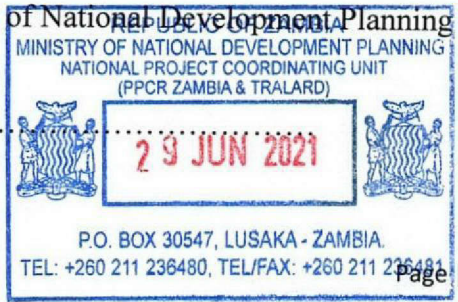
.....
 Chola J. Chabala
 Permanent Secretary – DPA
 Ministry of National Development Planning

Date:



.....
 Chitembo K. Chunga
 National Coordinator – NPCU
 Ministry of National Development Planning

Date:



MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

**NOTES TO THE STATEMENT OF SOURCES AND UTILIZATION OF FUNDS FOR
THE FINANCIAL FOR YEAR ENDED 31st DECEMBER 2019**

1. Background

On 5th November 2019, the Government of the Republic of Zambia and International Development Association (World Bank) signed a Project Financing agreement – **P164764/63980** for the Transforming Landscapes for Resilience and Development in Zambia Project under the Ministry of National Development Planning.

The Project Development Objective (PDO) is "to improve natural resource management in select districts of Luapula, Muchinga and Northern Provinces to support sustainable livelihoods, and in the event of an eligible crisis or emergency, to provide immediate and effective response to the eligible crisis or emergency". This objective will be achieved by improving natural resource management in Project areas, also by supporting sustainable livelihoods, and provision of immediate and effective responses to eligible crisis or emergency.

The key components of the project include:

Component 1: Promoting Diversified, Resilient, Sustainable Livelihoods

This component is designed to create conditions for poverty-stricken communities facing climatic impacts to strengthen their resilience. This component also supports ward-level development planning, TA, workshops, and trainings for capacity building and institutional development.

The activities under this component are structured around the following tasks: (a) increase smallholder production and productivity, (b) mitigate farmers' risks through the adoption of new technologies, and (c) facilitate adoption of alternative livelihoods as sustainable and resilient initiatives with reduced reliance on natural resources. This component also aims to support and improve infrastructure in vulnerable areas suffering from the lack of investments and that are also adversely affected by climate change.

Component 2: Management of Community Forests and Protected Areas (PAs)

Under this component, the project supports the establishment of Community Forest Management Groups (CFMGs) as well as Natural Forest Regeneration (NFR) areas to more effectively manage available forests and to create the minimal necessary conditions for restoring degraded forest areas. The component also addresses the problem of insufficient funding of the established PAs in the LMN Provinces. The main activities include developing basic infrastructure and strengthening capacity and management to protect and preserve biodiversity and ecosystem services.

Component 3: Project management, Coordination, and Monitoring

This component will finance the establishment and activities of three Provincial Project Implementation Units (PPIUs), TA, works, goods, services, workshops, and operational costs to

MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

support the project's day-to-day implementation and management, including procurement, financial management (FM), environmental and social safeguards, and preparation of annual work plans and organization of audit reports. The component further includes the design and implementation of a communication strategy to report on the project results and to raise awareness about land degradation, restoration and climate change impacts, vulnerability, and adaptation. It also supports the monitoring and evaluation (M&E) system to report on the project's expected results (disaggregating by gender, where appropriate) and systematizes the project's lessons learned.

Component 4: Contingency Emergency Response Component (CERC, Standardized)

This component had been embedded in the project to finance early recovery and/or specific emergency works, goods, and services in case of eligible emergencies/crises/disasters caused by natural or man-made hazards, including public health crisis. The mechanism is designed to support enhancement of preparedness, early recovery activities, and provision of rapid response to disaster that can be implemented in a relatively short period.

2. Statement of Compliance

The Statement of Sources and Utilization of Funds has been prepared in accordance with International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting.

3. Significant Accounting Policies

Significant accounting policies adopted in the preparation of these financial statements and applied in all material respects, are set out below:

3.1 Basis of Financial Statement Preparation

The Statement of Sources and Utilization of Funds were prepared under historical cost convention.

3.2 Sources of Funds

The source of funds for the Project represent amounts received from the International Development Association (IDA) - World Bank during the accounting period. The total agreed Project loan amount was US\$100,000,000 for an initial Project period from 05th November, 2019 to 31st December 2025. After the closure of the Project Preparation grant number V1790 in 2019, there was a cash balance of US\$427,516.49 (ZMW6,008,017.43) which was brought forward from the Project Preparatory Grant. During the year ended 31st December 2020, US\$500,000 (K9,530,000.00) advance was received.

MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

3.3 Foreign Currency Translations

Foreign currency transactions are translated at the ruling rate on the day of translation. Transfer from the US Dollar Designated Account at Bank of Zambia are translated at the ruling rate at the time of the transfer. The Project converts Kwacha payments at the rate at the value of the Kwacha amounts transferred to operational accounts on a First In First Out basis. Closing balances are translated at the Bank of Zambia rate of transfer to Zambian Kwacha at the date of transaction for the financial year ended 31st December 2020.

4. Opening Balances and Cash Receipts from IBRD

Below were the opening balances:

	2020		2019	
	ZMW	US \$	ZMW	US \$
Designated Account (BOZ)	4,572,401.78	325,361.43	536,616.00	45,000
Operating Account (Zanaco)	29,190.94	2,077.16	3,416,448.17	286,49941
Operating Account (ZICB)	1,406,424.71	100,077.90	0.00	0.00
Total	6,008,017.43	427,516.49	3,953,064.17	331,499.41

5. Receipts

The Receipts represent the total funds that were disbursed by the bank in to the Project's Designated Account for the period under review.

Details	2020		2019		Cumulative	
	ZMW	US \$	ZMW	US \$	ZMW	USD
IDA Receipts - Advances	-	-	8,963,579.98	703,158.24	14,751,879.98	1,203,158.24
IDA Receipts - World Bank	9,530,000.00	500,000.00	-	-	9,530,000.00	500,000.00
Total	9,530,000.00	500,000.00	8,963,579.98	703,158.24	24,281,879.98	1,703,158.24

6. Utilization of Funds by Component

Utilization of funds represents amounts paid during the accounting period and no provisions are made for accrued expenses. Expenses are recognized at the time they are paid.

MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

6.1 Goods, Works, Non-Consulting Services, Consultants Services, Workshops and Operating Costs

The following is the breakdown for Category 1 items - Goods, Non-Consulting Services, Consultants Services, Workshops and Operating Costs undertaken during the 12 Months period to 31st December 2019:

Details	2020		2019		Cumulative	
	ZMW	US \$	ZMW	US \$	ZMW	US \$
Sub Component 1.1- Promoting Diversified, Resilient, Sustainable Livelihoods	5,173,475.39	316,426.77	2,047,284.87	166,659.75	7,220,760.26	483,751.61
Sub Component 3(b) - Project Management, Coordination and Monitoring	10,061,112.13	593,823.37	5,419,550.12	440,481.41	26,101,445.98	1,193,531.97
Total	15,234,587.52	910,259.15	7,466,834.99	607,141.16	33,322,206.24	1,677,283.58

6.1. Sub Component 1: Promoting Diversified, Resilient, Sustainable Livelihoods

	2020		2019		Cumulative	
	ZMW	US \$	ZMW	US \$	ZMW	US\$
Sub Component 1.1- Diversifying, Livelihoods and Farming Practices						
Priority Adaptation Sub Projects	981,979.00	51,520.41	-	-	981,979.00	51,520.41
Consultancy & Technical Assistance	3,674,979.37	194,975.37	2,047,284.87	166,659.75	5,77,264.24	362,300.12
Incremental Operating Costs	516,517.02	69,930.99	-	-	516,517.02	69,930.99
Total	5,173,475.39	316,426.77	2,047,284.87	166,659.75	7,220,760.26	483,751.61

MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

6.2 Sub Component 3(b) - Project Management, Coordination and Monitoring

	2020		2019		Cumulative	
	ZMW	US \$	ZMW	US \$	ZMW	US\$
Sub Component 3(b) Project Management, & Coordination						
Goods	548,113.16	30,776.43	928,273.30	241,800.84	959,049.73	272,577.27
Works	1,063,905.69	65,804.55	-	-	1,063,905.69	65,804.55
Services	79,413.68	4,420.91	-	-	79,413.68	4,420.91
Training Work Shops	487,001.69	30,220.93	1,491,134.61	78,697.21	3,459,116.47	209,596.07
Incremental Operating Costs	7,882,677.91	462,609.55	3,000,142.21	119,983.36	20,539,960.41	641,133.17
Total	10,061,112.13	593,832.37	5,419,550.12	440,481.41	26,101,445.98	1,193,531.97

7. Foreign Currency Exchange Difference

	2020		2019	
	ZMW	US\$	ZMW	US\$
Opening Balance	6,008,017.43	427,516.49	3,953,064.17	331,499.41
Receipts from IBRD	9,530,000.00	500,000.00	8,963,579.98	703,158.24
Total Cash Balances and Receipts	15,538,017.43	927,516.49	12,916,644.15	1,034,657.65
Total Expenditure (Note 6.1)	15,234,587.52	910,259.15	7,466,834.99	607,141.16
Total Cash Balances and Receipts Less Expenditure	303,429.91	17,257.34	5,449,809.16	427,516.49
Less: Actual Closing Cash Balances (See Note 8)	244,972.41	17,257.34	6,008,017.43	427,516.49
Foreign Currency Exchange Difference	-58,457.50	0.00	558,208.27	0.00

8. Cash and Cash equivalent (Closing Cash Balances)

The Designated Account cash balances were translated at the Bank of Zambia rate of transfer to Commercial Bank at date of transaction date and the rates used to transfer funds from the USD Designated Account being K19.0602/\$ and 16.0500/\$ respectively. The cash and cash equivalents as at 31st December 2020 were as follows:

MINISTRY OF NATIONAL DEVELOPMENT PLANNING
TRANSFORMING LANDSCAPES FOR RESILIENCE AND DEVELOPMENT IN ZAMBIA
PROJECT - NO. P164764/V1790/IDA63980

	2019		2018	
	ZMW	US \$	ZMW	US \$
Designated Account (BOZ)	6,888.86	361.43	4,572,401.78	325,361.43
Operating Account (Zanaco)	2,647.84	138.92	29,190.94	2,077.16
Operating Account (ZICB)	235,435.71	16,756.99	1,406,424.71	100,077.90
Total	244,972.41	17,257.34	6,008,017.43	427,516.49

9. Contingent liabilities

There were no contingent liabilities as at 31st December 2020.

10. Post Reporting Period events

There were no significant events after the balance sheet date requiring adjustment to the accounts or disclosure.

11. Non-Current Assets

Non-Current Assets Procured under the Project were distributed to Provincial Implementation units (PPIUs) and disclosed in the Consolidated Financials as well as those for the individual PPIU.