

Independent Auditor's Report and Special
Purpose Financial Information

**Albania Climate Resilience and Agriculture
Development Project**

For the period from February 15 to December 31, 2024

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Independent Auditor's Report

To the Management of the Project for "Albania Climate Resilience and Agriculture Development Project"

Opinion

We have audited the accompanying special purpose financial information comprising the statement of sources and uses of funds, statement of withdrawal applications and related notes and appendixes of the "Albania Climate Resilience and Agriculture Development Project" (further referred to as the "Project"), implemented by the Ministry of Agriculture and Rural Development (MARD) financed under International Bank for Reconstruction and Development (IBRD) Loan Agreement Number 94890-AL for the period from 15 February to 31 December 2024.

In our opinion, the special purpose financial information of the Project "Albania Climate Resilience and Agriculture Development Project" is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in note 2 to the special purpose financial information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Special Purpose Financial Information section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Special Purpose Financial Information in Albania, and we have fulfilled our other ethical responsibilities in accordance with the 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 – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to note 2 to the special purpose financial information, which describes the basis of accounting. The Special Purpose Financial Information is prepared to assist the Projects in complying with the financial reporting provisions of the financing agreements set out in note 1 to the special purpose information. As a result, the special-purpose financial information may not be suitable for another purpose.

Our report is intended solely for the Project, the donors, and the Ministry of Finance and Economy and should not be used by or distributed to parties other than the Project, the donors, or the Ministry of Finance and Economy.

Responsibilities of Management for the Special Purpose Financial Information

Management is responsible for preparation and fair presentation of the Special Purpose Financial Information in accordance with the basis of accounting described in notes 2; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the Special Purpose Financial Information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a Special Purpose Financial Information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 this Special Purpose Financial Information.

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

- Identify and assess the risks of material misstatement of the Special Purpose Financial Information, 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 entity's internal control.
- 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 entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Special Purpose Financial Information 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Special Purpose Financial Information, including the disclosures, and whether the Special Purpose Financial Information represents the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton sh.p.k.

Tirane, Albania

12 June 2025



Albania Climate Resilience and Agriculture Development Project - IBRD 94890

For the period from 15 February to 31 December 2024

(Amounts are expressed in EUR unless otherwise stated)

Statement of Sources and Uses of Funds

Sources and uses	Note	For the period from	Cumulative
		15 February 31 December 2024	
Sources of Funds			
IBRD funding (Advance to DA)	3	2,000,000	2,000,000
Front-end Fee		161,500	161,500
Other secondary income and service payment		123	123
Total Source of Funds		2,161,623	2,161,623
Add: Foreign Exchange Difference		29,185	29,185
Uses of Funds			
Goods	4	(243,949)	(243,949)
Consultancy services	5	(82,933)	(82,933)
Incremental Operating Cost	6	(24,616)	(24,616)
Training	7	(5,508)	(5,508)
Front-end Fee		(161,500)	(161,500)
Total Uses of Funds		(518,506)	(518,506)
Excess of receipts over disbursements		1,672,302	1,672,302
Cash at the beginning of the period		-	-
Cash at the end of the period	8	1,672,302	1,672,302

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 8 and forming an integral part of the special purpose financial information.

The special purpose financial information of the Project "Albania Climate Resilience and Agriculture Development", as implemented by the Ministry of Agriculture and Rural Development ("MARD") was authorized for issue by the management of MARD on 30 May 2025 and signed on its behalf by:


Arben Molla
Project Manager


Viola Xhindi
Financial Management Specialist



Statement of Withdrawal Applications

WA	Type of application	Appl. paym. amount	Goods	Consultant services	Operating Costs	Works	Training	Total disbursed	Date received	Value date
1	Advance to DA	2,000,000						2,000,000	29-Mar-24	09-Apr-24
	Front-end-fee	161,500						161,500	15-Feb-24	15-Feb-24
Total		2,161,500						2,161,500		

Notes to the Special Purpose Financial Information

1. General Information

The "Albania Climate Resilience and Agricultural Development" (CRAD) Project is financed by an IBRD loan of Euro 64.6 ml under the Loan Agreement dated August 4, 2023, between the Republic of Albania and the International Bank for Reconstruction and Development ("IBRD" of the "Bank").

The project is implemented by the Ministry of Agriculture and Rural Development ("MARD"), and it became effective on February 14, 2024. Its closing date is set on September 30, 2028.

The objective of the Project is to enhance competitiveness and climate resilience of selected agri-food value chains.

The Project consists of the following components:

Component 1. Promoting Climate Smart Agriculture and Access to Markets

Sub. Comp. 1.1 - Promoting Climate Smart and Resilient Value Chains

a) Development of short value chains

Support local producers through feasibility studies, construction of MFHs near major cities, and operational support.

b) Promotion of typical products and value addition to enhance rural development:

Support producer clusters with technical assistance and construction of processing units to increase product value.

c) Development of a Climate Smart Agriculture IT Platform:

Develop and pilot an IT platform for Climate Smart Agriculture, including software, training, hardware, sensors, and maintenance.

Sub. Comp. 1.2. Modernizing Selected Irrigation and Drainage Schemes for High-value Agricultural Production

a) Modernization and Pressurization of Divjaka irrigation scheme (Divjake municipality):

Modernize secondary/tertiary irrigation networks into closed, pressurized systems, including solar panel installation.

b) Modernization of Mursi Irrigation Scheme downstream of the reservoir (Konispol Municipality)

Upgrade to pressurized systems with new pumping stations and solar energy integration.

c) Revitalization of Lushnja irrigation scheme:

Reintroduce irrigation services by analyzing alternatives, preparing designs, and piloting chosen options.

d) Modernization of Drainage Systems:

Upgrade Seman and Darzeza stations with modern pumps, install SCADA systems and solar panels, and deploy sensors.

1 General Information (continued)

Component 2. Enhancing Compliance with Food Safety and Quality Standards

- A. *Establishment and upgrading of Border Inspection Posts (BIPs):*
Rehabilitate and equip BIPs to improve official controls for animal/plant products and inputs, including construction, solar energy, and training.
- B. Improvement of diagnostic support in the areas of food safety, veterinary and plant health analyses:
Upgrade laboratory infrastructure, equipment, and capacity to meet EU standards, including rehabilitation, training, and accreditation support.
- C. Establishment of storage facilities for NFA/AKU purposes:
Construct energy-efficient storage facilities and provide necessary equipment.

Component 3: Strengthening Evidence-based Analysis Capacity of MARD and Municipalities

- A. Consistent and comprehensive data collection and assessments of the MARD policy effectiveness and efficiency:
Development of a Business Intelligence (BI) system with hardware, software, and technical assistance to enhance MARD's policymaking.
- B. Strengthening of irrigation and drainage performance monitoring and management:
Expansion of the IDMIS system, development of GIS mapping, and training for municipal-level users.
- C. Project Management Team (PMT):
Includes financial management, procurement, monitoring and evaluation, recruitment of necessary staff or consultants, and implementation of environmental and social requirements.

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Works, and non-consulting services for the Project	56,838,500	100%
(2) Consulting services, Training and Operating Costs for the Project	7,600,000	100%
(3) Front-end Fee	161,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	-	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	64,600,000	

2. Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

2.1. Basis of preparation

The special purpose financial information has been prepared on a cash receipts basis, consistent with the Cash Basis of Accounting, as further detailed in paragraph C, Recognition of Income and Expenses. The financial information covers the period from 15 February to 31 December 2024.

For informational purposes only, cumulative data on cash receipts and disbursements from the Project's inception to date is presented in the Statement of Sources and Uses of Funds.

The financial statements are presented in Euro.

The financial statements comprise the Statement of Sources and Uses of Funds, the Statements of Expenditures used as the basis for the submission of withdrawal applications and a summary of significant accounting policies and other explanatory notes.

As supplementary schedules for the financial statements are presented, the Statements of Special Accounts associated with the Project.

2.2. Foreign currency transactions

The Project has adopted the Euro as its reporting currency to align with the reporting requirements of its main donor, the World Bank.

Cash and bank balances in other currencies are converted into Euro at the year-end exchange rate, based on the official rate published by the Bank of Albania. Transactions in currencies other than Euro are converted into the reporting currency using the historical exchange rate of fund inflows as of April 23, 2024 (the date of transfer from the Special Account in the Bank of Albania), for the purpose of converting expenditures from the local currency (ALL) into Euro.

Foreign exchange differences are recognized in the Statement of Sources and Uses of Funds. As of December 31, 2024, 1 Euro was equivalent to 98.15 ALL

2.3. Recognition of income and expenses

Income is recognized when received rather than when earned and expenses are recognized when paid rather than when incurred. Accordingly, direct payments of the Project's expenses, which are made from the proceeds of the Project, are recognized as sources and uses of funds at the time the payment is made. The Statement of Withdrawal Applications presents only applications submitted during the year and only expenses settled through such applications. Expenses presented in the notes to the financial statements include all expenses settled during the year despite the supporting withdrawal application period.

2.4. Taxation

The Project is exempt from income tax. The Project is liable for withholding tax and personnel income tax for its staff.

Albania Climate Resilience and Agriculture Development Project - IBRD 94890

For the period from 15 February to 31 December 2024

*(Amounts are expressed in EUR unless otherwise stated)***3. IBRD funding**

IBRD funding for the period from 15 February to 31 December 2024 is composed as follows:

	For the period from 15 February to 31 December 2024
Advance to DA	2,000,000
Total	2,000,000

4. Goods

The expenditure under this category comprises the purchase of various goods as follows

	For the period from 15 February to 31 December 2024
IT equipment for PMT	30,400
Purchase of Vehicle s	44,000
Purchase of Office Furniture for PMT)	11,532
Equipping ISUV with solar panel installations	158,017
Total	243,949

The expenditure "Equipping ISUV with solar panel installations" refers to a contract dated October 2024 for the purchase and installation of solar panels for the Institute for Food Safety and Veterinary (ISUV) in Tirana, which has been partially executed during Y2024 and finalized during Y2025.

5. Consultancy services

The expenditure on consultant services consists of the following

	For the period from 15 February to 31 December 2024
PMT net salaries	70,663
Health and social contribution for PMT (employee)	12,270
Total	82,933

6. Incremental operating costs

The expenditure related to incremental operating costs consists in the following:

	For the period from 15 February to 31 December 2024
Meetings and related costs	9,265
Health and Social contributions (employer)	7,136
Printing and publishing services	4,262
Travel and maintenance expenses	2,285
Office supplies	881
Bank charges	289
Other expenditures	498
Total	24,616

Albania Climate Resilience and Agriculture Development Project - IBRD 94890

For the period from 15 February to 31 December 2024

*(Amounts are expressed in EUR unless otherwise stated)***7. Training**

The expenditure related to trainings consist in the following

	For the period from 15 February to 31 December 2024
Training Costs	2,835
Travel costs related to trainings	2,673
Total	5,508

8. Cash at the end of the period

Cash at banks on 31 December 2024 were as follows:

	Original currency	For the period from 15 February to 31 December 2024	
		<i>Amount in Original currency</i>	<i>Amount translated in Eur</i>
<i>Cash at Banks:</i>			
Bank of Albania			
IBRD Credit Special account		-	-
Total		-	-
Second Level Bank			
IBRD Project Account in Euro at Raiffeisen Bank	Eur	747,962	747,962
IBRD Project Account in All at Raiffeisen Bank	ALL	90,723,980	924,340
Total		91,471,942	1,672,302

The year-end balance in the ALL account has been converted using the Bank of Albania exchange rate as of 31.12.2024.

Albania Climate Resilience and Agriculture Development Project - IBRD 94890
For the period from 15 February to 31 December 2024
(Amounts are expressed in EUR unless otherwise stated)

9. Expenditures by component

Project Components\ Category of expense	Goods	Non-consulting services	Works	Consultancy services	Operating Costs	Training	Period from February 14 to December 31, 2024
Component 1: Promoting Climate Smart Agriculture and Access to Markets							
Sub-component 1.1.: Promoting Climate Smart and Resilient Value Chains	-	-	-	-	-	-	-
Sub-component 1.2.: Modernizing Selected Irrigation and Drainage Schemes for High-value Agricultural Production	-	-	-	-	-	-	-
Component 2: Enhancing Compliance with Food Safety and Quality Standards	158,017	-	-	-	-	-	158,017
Component 3: Strengthening Evidence-based Analysis Capacity of MARD and Municipalities	85,932	-	-	82,933	49,232	11,016	229,113
Total	243,949	-	-	82,933	49,232	11,016	387,130

10. Subsequent events

There are no other significant events that require either adjustments or additional disclosures in the special purpose financial information.

APPENDICES

(Loan IBRD 94890-AL)

Albania Climate Resilience and Agriculture Development Project

Statements of Special Accounts and Project Accounts for the period from 15 February 2024 to 31 December 2024

(Supplementary schedules for the Special Purpose Financial Information)

Albania Climate Resilience and Agriculture Development Project

For the period from 15 February to 31 December 2024

(Amounts are expressed in EUR unless otherwise stated)

Appendix 1

Supplementary Schedule for Special Account Statement

Account No:	211770DE
Depository Bank	BANK OF ALBANIA
Address	"Skanderbeg" Square, No.1 Tirana
Currency	Euro

	EUR
Balance as of 15 February 2024	-
Funds received:	
WDA - 1	2,000,000
Disbursements:	2,000,000
Transfer to IBRD Project Account in Euro at Raiffeisen Bank	1,000,000
Transfer to IBRD Project Account in ALL at Raiffeisen Bank	1,000,000
Balance on 31 December 2024	-

Albania Climate Resilience and Agriculture Development Project

For the period from 15 February to 31 December 2024

(Amounts are expressed in EUR unless otherwise stated)

Appendix 2**Supplementary Schedule of Project Account Statement in EUR**

Account Name:	Qëndrueshmëria ndaj Klimës dhe Zhvillimit të Bujqësisë
Account No:	IBAN - AL59202110060000000011979003
Depository Bank	Raiffeisen Bank
Address	Rr. Kavajes , Tirane
Currency	Euro

	EUR
Balance as of 15 February 2024	-
Funds received:	1,000,000
Funds transferred from IBRD Special Account	1,000,000
Interest received	-
<hr/>	
Disbursements:	252,038
Project expenditures	251,901
Bank charges	137
Foreign exchange diff	-
Balance on 31 December 2024	747,962

Albania Climate Resilience and Agriculture Development Project

For the period from 15 February to 31 December 2024

(Amounts are expressed in EUR unless otherwise stated)

Appendix 3**Supplementary Schedule of Project Account Statement in ALL**

Account Name:	Qëndrueshmëria ndaj Klimës dhe Zhvillimit të Bujqësisë
Account No:	IBAN - AL74202110060000000001979003
Depository Bank	Raiffeisen Bank
Address	Rr. Kavajes , Tirane
Currency	ALL

	In ALL	In EUR
Balance as at 15 February 2024		-
Funds received:	101,362,500	1,000,123
Funds transferred from IBRD		
Special Account	101,350,000	1,000,000
	12,500	123
Interest received	-	-
Disbursements:	10,638,520	104,968
Project expenditures	10,623,120	104,816
Bank charges	15,400	152
Foreign exchange diff		29,185
Balance on 31 December 2024	90,723,980	924,340