

AGRICULTURE POLICY MONITORING AND EVALUATION CAPACITY BUILDING PROJECT

PHRD GRANT No. TFOA4449

IMPLEMENTED BY MINISTRY OF ECONOMY OF THE REPUBLIC OF ARMENIA

Special Purpose Project Financial Statements
and
Independent Auditor's Report

For the period from March 23, 2017 to December 31, 2020

YEREVAN
June 2021

IMPLEMENTATION OF AGRICULTURE POLICY MONITORING AND EVALUATION CAPACITY BUILDING
PROJECT

PHRD GRANT No. TFOA4449

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INDEPENDENT AUDITOR'S REPORT

To the Ministry of Economy of the Republic of Armenia ("Ministry")

Opinion

We have audited the accompanying special purpose financial statements of the "Agriculture Policy Monitoring and Evaluation Capacity Building Project" (the Project) financed by the PHRD Grant No. TFOA4445 dated 23 March 2017 (Letter Agreement) and implemented by the Ministry of Economy of the Republic of Armenia ("Ministry"), which comprise the statement of cash receipts and payments, the statement of uses of funds by Project activity for the period from March 23, 2017 to December 31, 2020, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the special purpose financial statements present fairly in all material respects the cash receipts and payments of the Project for the period from March 23, 2017 to December 31, 2020 in accordance with International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting*, (IPSAS-Cash Basis).

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 Ministry in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled out 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- Cash Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes those 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.

Management's Responsibility for the Special Purpose Financial Statements

The management of SC RA is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines), and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, 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 judgment 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.

Report on Other Legal Requirements

To comply with the terms of the Letter Agreement, the Project's management shall insure that:

1. funds have been used in accordance with the conditions of the Letter Agreement concluded between the International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been maintained to support expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Letter Agreement; Interim Unaudited Financial Reports (IFRs) issued by Project during the Reporting period are in agreement with the underlying books of account;
3. The Designated account used have been maintained in accordance with the provision of the Letter Agreement, and World Bank related guidelines;
4. Goods and Services financed have been procured in accordance with the Letter Agreement and World Bank related guidelines.

In our opinion, the Project management has complied with the above requirements during the period from March 23, 2017 to December 31, 2020.

23 June 2021
"BDO Armenia" cjsc

Vahagn Sahakyan, FCCA
Managing partner

Gnel Khachatryan, FCCA
Engagement partner

Agriculture Policy Monitoring and Evaluation Capacity Building Project
PHRD Grant No. TFOA4449

Statement of cash receipts and payments

For the period from March 23 2017 to December 31, 2020

(Amounts are shown in US dollars)

	Actual					Planned	Variance	PAD
	Period from 23-Mar-2017 to 31-Dec- 2017	Year ended 31-Dec- 2018	Year ended 31- Dec-2019	Year ended 31- Dec-2020	Cumulative as at 31-Dec-2020	Cumulative as at 31-Dec-2020	Cumulative as at 31-Dec-2020	
OPENING CASH BALANCE								
Designated Account (Grant No. TFOA4449)	-	-	-	71,393.05	-			
Project Account (GOA)	-	-	-	-	-			
TOTAL OPENING CASH	-	-	-	71,393.05	-			
Sources of Funds								
Grant No. TFOA4449	8.1	-	80,000.00	164,665.65	244,665.65			
Government of RoA	8.2	-	2,878.27	27,339.93	30,218.20			
TOTAL FUNDS	-	-	82,878.27	192,005.58	274,883.85			
Foreign currency gain/(loss)			78.32	(3,045.12)	(2,966.80)			
Uses of funds	7	-	-					
1.Goods, non-consulting services and consulting services under Part 1 of the Project		-	4,920.36	161,277.83	166,198.19	307,190.24	(140,992.05)	1,638,000.00
2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project		-	6,643.18	44,757.58	51,400.76	59,371.54	(7,970.78)	162,000.00
TOTAL PROJECT EXPENDITURES			11,563.54	206,035.41	217,598.95	366,561.78	(148,962.83)	1,800,000.00
CLOSING CASH BALANCE	6							
Designated Account (Grant No. TFOA4449)	-	-	71,393.05	54,318.10	54,318.10			
Project Account (GOA)	-	-	-	-	-			
TOTAL CLOSING CASH		-	71,393.05	54,318.10	54,318.10			

Garnik Sevoyan
Project Manager

Aram Zakaryan
Financial management consultant

23 June 2021

The notes on pages 7-14 form an integral part of these special purpose project financial statements.

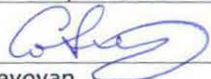
Agriculture Policy Monitoring and Evaluation Capacity Building Project
PHRD Grant No. TFOA4449

Statement of uses of funds by Project activity

For the period from March 23, 2017 to December 31, 2020

(Amounts are shown in US dollars)

Project Activities	Actual					Planned	Variance	PAD
	Period from 23-Mar-2017 to 31-Dec- 2017	Year ended 31-Dec-2018	Year ended 31- Dec-2019	Year ended 31- Dec-2020	Cumulative as at 31-Dec-2020	Cumulative as at 31-Dec-2020	Cumulative as at 31-Dec-2020	
Part 1: Capacity building for evidence-based policy making analysis and formulation	-	-	4,920.36	161,277.83	166,198.19	307,190.24	(140,992.05)	1,638,000.00
Part 2: Project Management and Administration, Monitoring and Evaluation, and Knowledge Dissemination	-	-	6,643.18	44,757.58	51,400.76	59,371.54	(7,970.78)	162,000.00
Total Project Expenditure	-	-	11,563.54	206,035.41	217,598.95	366,561.78	(148,962.83)	1,800,000.00


Garnik Sevoyan
Project Manager


Aram Zakaryan
Financial management consultant

23 June 2021

The notes on pages 7-14 form an integral part of these special purpose project financial statements.

Notes to the special purpose financial statements
For the period from March 23, 2017 to December 31, 2020

1. General information

1.1. The Project

The Letter Agreement No. TFOA4449 was concluded on 23 March 2017 between the Republic of Armenia and the International Bank for Reconstruction and Development (IBRD), according to which IBRD provided a grant in an amount of 1,800,000 USD.
The Letter Agreement becomes effective on October 16, 2017.

The grant is provided for the purpose of implementation of "Agriculture Policy Monitoring and Evaluation Capacity Building Project" (the Project).

According to the Letter Agreement, the Closing Date of the Project is set on 31 May 2022. The Grace Period for submitting withdrawal applications for the expenditures incurred before the Closing date is four months following the Closing date.
Transactions on the Project started in August 2019.

1.2. The Project objective

The objective of the Project is to strengthen the Recipient's monitoring and evaluation capacity and systems to enable itself to carry out evidence-based agriculture policy analysis and formulation.

The Project consists of the following parts:

- Part I. Capacity building for evidence-based policy making analysis and formulation,
- Part II. Project Management and Administration, Monitoring and Evaluation, and Knowledge Dissemination.

Notes to the special purpose financial statements
For the period from March 23, 2017 to December 31, 2020

1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- Grant No. TFOA4449 - 100% exclusive of taxes,
- The Government of the Republic of Armenia (Government of RoA) - taxes.

Category	Grant No. TFOA4449	Government of the RoA	Total
	USD	USD	USD
1. Goods, non-consulting services and consulting services under Part 1 of the Project	1,638,000.00	477,000.00	2,115,000.00
2. Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	162,000.00	49,000.00	211,000.00
Total	1,800,000.00	526,000.00	2,326,000.00

1.4. Project Implementation

The Project is implemented by Ministry of Economy of the Republic of Armenia ("Ministry").

The address of the Ministry is: Mher Mkrtchyan 5, Yerevan 10, Republic of Armenia.

Notes to the special purpose financial statements

For the period from March 23, 2017 to December 31, 2020

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 Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 - Financial Reporting and Auditing.

The special purpose project financial statements consist of:

- Statement of cash receipts and payments,
- Statement of uses of funds by project activity,
- Summary of significant accounting policies and other explanatory notes.

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 dollar (USD). The contribution of the Government of RA and expenditures made in local currency, Armenian Dram (AMD), are translated into USD based at the exchange rate defined by the Central Bank of the Republic of Armenia (CBA) at the date of the transaction. The effect of exchange rate changes on cash held on local currency is reported as separate line item in the statement of cash receipts and payments.

The average exchange rate at currency market issued by the CBA as at 31 December 2018 is 1 USD =483.75 AMD.

The average exchange rate at currency market issued by the CBA as at 31 December 2019 is 1 USD =479.70 AMD.

The average exchange rate at currency market issued by the CBA as at 31 December 2020 is 1 USD =522.59 AMD

2.4. Taxes

Taxes are paid in accordance with the tax regulations of the Republic of Armenia.

2.5. Budget

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

Notes to the special purpose financial statements

For the period from March 23, 2017 to December 31, 2020

3. Summary of Summary Reports and SOEs

For the period from March 23, 2017, to December 31, 2020

Withdrawal No	Withdrawal application value date	Payment categories		Total
		1.Goods, non-consulting services and consulting services under Part 1 of the Project	2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	
		USD	USD	USD
2	02-Jun-2020	35,818.92	13,080.90	48,899.82
3	04-Aug-2020	43,526.57	7,146.72	50,673.29
4	21-Dec-2020	59,003.52	6,089.02	65,092.54
Total		138,349.01	26,316.64	164,665.65

Notes to the special purpose financial statements
For the period from March 23, 2017 to December 31, 2020

4. Statement of Designated Account

Bank account number	900000903956
Bank	Central Treasury
Bank location	1 Meliq-Adamyany str. Yerevan, Republic of Armenia 0010
Currency	USD

	PHRD Grant No. TFOA4449				
	Period 23-Mar- 2017 to 31-Dec- 2017	Year ended 31- Dec- 2018	Year ended 31-Dec- 2019	Year ended 31-Dec- 2020	Total
1. Opening balance	-	-	-	71,393.05	-
2. Add: opening discrepancy	-	-	-	-	-
3. IBRD advance/replenishment	-	-	80,000.00	164,665.65	244,665.65
4. Less: Refund to IBRD from DA	-	-	-	-	-
5. Present outstanding amount advanced to DA	-	-	80,000.00	236,058.70	244,665.65
6. DA closing balance	-	-	71,393.05	54,318.10	54,318.10
7. Add: Amount of eligible expenditures paid	-	-	8,606.95	181,740.60	190,347.55
8. Less: interest earned (if credited to DA)	-	-	-	-	-
9. Total advance accounted for	-	-	80,000.00	236,058.70	244,665.65
10. Closing discrepancy (5)-(9)	-	-	-	-	-

Notes to the special purpose financial statements
For the period from March 23, 2017 to December 31, 2020

5. Statement of financial position

The Statement of financial position discloses assets, liabilities, and net assets of the Project as at reporting date. It is prepared in accrual basis that is transactions are recognized when they occur (and not only when cash is received or paid).

	note	31-Dec-2020 USD	31-Dec- 2019 USD	31-Dec- 2018 USD	31-Dec- 2017 USD
ASSETS					
Cash	6	54,318.10	71,393.05	-	-
Prepayments		-	-	-	-
Total assets		54,318.10	71,393.05	-	-
LIABILITIES					
Payables		-	-	-	-
Total liabilities		-	-	-	-
NET ASSETS					
Cumulative income	8				
PHRD Grant No. TFOA4449		244,665.65	80,000.00	-	-
Government of RoA		30,218.20	2,878.27	-	-
		274,883.85	82,878.27	-	-
Cumulative expenses					
Project expenses		(217,598.95)	(11,563.54)	-	-
		(217,598.95)	(11,563.54)	-	-
Foreign exchange gain/(loss)		(2,966.80)	78.32	-	-
Total net assets		54,318.10	71,393.05	-	-

6. Cash

	Account held at	Underl ying Curren cy	31-Dec- 2020 USD	31-Dec- 2019 USD	31-Dec- 2018 USD	31-Dec- 2017 USD
Designated account (PHRD Grant No. TFOA4449)	Treasury	USD	54,318.10	71,393.05	-	-
Project account (Government of RoA)	Treasury	AMD	-	-	-	-
Total			54,318.10	71,393.05	-	-

Notes to the special purpose financial statements
For the period from March 23, 2017 to December 31, 2020

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	PHRD Grant No. TFOA4449	Government of RA	Total
	USD	USD	USD
Year ended 31 Dec 2019			
1.Goods, non-consulting services and consulting services under Part 1 of the Project	4,898.03	1,936.60	6,834.63
2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	3,708.92	1,019.99	4,728.91
Total	8,606.95	2,956.59	11,563.54
Year ended 31 Dec 2020			
1.Goods, non-consulting services and consulting services under Part 1 of the Project	147,456.73	11,938.27	159,395.00
2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	34,283.87	12,356.54	46,640.41
Total	181,740.60	24,294.81	206,035.41
Cumulative as at 31 Dec 2020			
1.Goods, non-consulting services and consulting services under Part 1 of the Project	152,354.76	13,874.87	166,229.63
2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	37,992.79	13,376.53	51,369.32
Total	190,347.55	27,251.40	217,598.95

Notes to the special purpose financial statements
For the period from March 23, 2017 to December 31, 2020

7.2. Project expenditure budget execution

Category	Cumulative Expenditures as at 31 Dec 2020	Total budget	Execution
	USD	USD	%
1.Goods, non-consulting services and consulting services under Part 1 of the Project	166,198.19	2,115,000.00	8%
2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	51,400.76	211,000.00	24%
Total	217,598.95	2,326,000.00	9%

8. Financing

8.1. PHRD Grant No. TFOA4449

	Period ended 31 Dec 2017 USD	Year ended 31 Dec 2018 USD	Year ended 31 Dec 2019 USD	Year ended 31 Dec 2020 USD	Cumulative as at 31 Dec 2020 USD
Advances/ (advance recovery)	-	-	80,000.00		80,000.00
SOE and Summary Report	-	-	-	164,665.65	164,665.65
Total	-	-	80,000.00	164,665.65	244,665.65
Total financing budget					1,800,000.00
Percentage of finance provided as at 31 Dec 2020					14%

8.2. Government of RoA

	Period ended 31 Dec 2018 USD	Year ended 31 Dec 2019 USD	Year ended 31 Dec 2019 USD	Year ended 31 Dec 2020 USD	Cumulative as at 31 Dec 2020 USD
Financed			2,878.27	27,339.93	30,218.20
Total			2,878.27	27,339.93	30,218.20
Total financing budget					526,000.00
Percentage of finance provided as at 31 Dec 2020					6%

ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE PROJECT AND DISBURSED BY THE WORLD BANK

Agriculture Policy Monitoring and Evaluation Capacity Building Project

PHRD Grant No. TFOA4449

For the period from March 23, 2017, to December 31, 2020

In USD

Expenditure Category	Appl.	Project	WB	Difference
Advances/ (advance recovery)	1	80,000.00	80,000.00	-
		80,000.00	80,000.00	
1.Goods, non-consulting services and consulting services under Part 1 of the Project	2	35,818.92	35,818.92	-
	3	43,526.57	43,526.57	-
	4	59,003.52	59,003.52	-
		138,349.01	138,349.01	-
2.Goods, non-consulting services, consulting services and operating costs under Part 2 of the Project	2	13,080.90	13,080.90	-
	3	7,146.72	7,146.72	-
	4	6,089.02	6,089.02	-
		26,316.64	26,316.64	-
Total		244,665.65	244,665.65	-