

**SECOND COMMUNITY AGRICULTURAL RESOURCE MANAGEMENT
AND COMPETITIVENESS PROJECT**

IBRD Loan No. 8374-AM

IDA Credit No. 5504-AM

IDA Credit No. 5505-AM

**IMPLEMENTED BY
MINISTRY OF ECONOMY OF THE REPUBLIC OF ARMENIA**

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

YEREVAN

June 2020

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INDEPENDENT AUDITOR'S REPORT

To the Ministry of Economy of the Republic of Armenia

Opinion

We have audited the accompanying special purpose financial statements of the "Second Community Agricultural Resource Management and Competitiveness Project" ("Project") financed by the IBRD Loan No. 8374-AM, IDA Credit No. 5504-AM and IDA Credit No. 5505-AM, which comprise the statement of cash receipts and payments, the statement of uses of funds by Project activity for the year ended 31 December 2019, 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 year ended 31 December 2019 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 The Ministry of Economy of RA 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 - Change of the Implementing Organization

Without modifying our opinion, we draw your attention to Note 1.4 of the financial statements, describing the change of the implementing organization of the Project.

Emphasis of Matter- Cash Basis of Accounting

Without modifying our opinion, 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.

Emphasis of Matter -Subsequent events

Without modifying our opinion, we draw attention to Note 9 to the financial statements, which describes possible effect of the impact of COVID-19 epidemic after the reporting date.

Management's Responsibility for the Special Purpose Financial Statements

The Project Management 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.

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 Loan/Financing Agreements, the Project management shall insure that:

1. Funds have been used in accordance with the conditions of the Loan Agreement No. 8374-AM concluded between the International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, Financing Agreement No. 5504-AM and 5505-AM between the International Development Association (IDA) and the Republic of Armenia both dated 6 August 2014 ("Financing Agreements"), 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 claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Financing Agreements;
3. The Designated accounts used have been maintained in accordance with the provision of the Financing Agreements, and World Bank related guidelines;
4. Works, Goods and Services financed have been procured in accordance with the Financing Agreements and World Bank related guidelines.
5. Sub-Projects grants complied with eligibility criteria, procedures and requirements set forth in the Project Operational Manual and Sub-Project grants agreements.

In our opinion, the Project management has complied with the above requirements during the year ended 31 December 2019.

24 June 2020
"BDO Armenia" cjsc

Vahagn Sahakyan, FCCA
Managing Partner

Gnel Khachatryan, FCCA
Engagement Partner

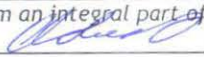



STATEMENT OF CASH RECEIPTS AND PAYMENTS

*Second Community Agricultural Resource Management and Competitiveness Project
IBRD Loan No.8374-AM, IDA Credit No. 5504- AM, IDA Credit No. 5505- AM
For the year ended 31 December 2019
In USD*

| Items | Actual | | Planned | | Variance | | PAD |
|--|---------------------|-----------------------------|---------------------|-----------------------------|-----------------------|-----------------------------|----------------------|
| | Reporting year | Cumulative as at 31.12.2019 | Reporting year | Cumulative as at 31.12.2019 | Reporting year | Cumulative as at 31.12.2019 | |
| Opening Cash Balance | 652,896.93 | - | | | | | |
| Sources of Funds | | | | | | | |
| IBRD Loan No. 8374-AM | 1,521,435.92 | 10,906,697.54 | | | | | |
| IDA Credit No. 5504-AM | - | 4,316,022.44 | | | | | |
| IDA Credit No. 5505-AM | - | 2,400,582.15 | | | | | |
| GoA fund | 104,301.98 | 1,097,881.86 | | | | | |
| Community fund | 66,391.22 | 1,787,762.25 | | | | | |
| Other beneficiary | 588,218.36 | 2,466,238.71 | | | | | |
| Bidding | (2,655.22) | 604.13 | | | | | |
| Total | 2,277,692.26 | 22,975,789.08 | | | | | |
| Exchange gain/(loss) | 3,761.60 | (556.84) | | | | | |
| Uses of Funds | | | | | | | |
| 1.Goods, works, non- consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 424,325.57 | 4,307,608.54 | 1,061,745.44 | 5,302,788.63 | (637,419.87) | (995,180.09) | 9,150,000.00 |
| 2.Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | 2,000,518.43 | 18,100,616.91 | 3,471,485.15 | 20,321,924.47 | (1,470,966.72) | (2,221,307.56) | 30,850,000.00 |
| 3.Front- end fee | - | 57,500.00 | - | 57,500.00 | - | - | 57,500.00 |
| Unallocated | | | | | | | 2,612,500.00 |
| Total | 2,424,844.00 | 22,465,725.45 | 4,533,230.60 | 25,682,213.11 | (2,108,386.60) | (3,216,487.66) | 42,670,000.00 |
| Closing cash and cash equivalents Balance (note 6) | 509,506.79 | 509,506.79 | | | | | |

*The accompanying notes form an integral part of these project special purpose financial statements.
24 June 2020*


Davit Mejlumyan
Project Manager


Hrant Ter Vardanyan
Financial manager

STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY

Second Community Agricultural Resource Management and Competitiveness Project

IBRD Loan No.8374-AM, IDA Credit No. 5504- AM, IDA Credit No. 5505- AM

For the year ended 31 December 2019

In USD

| Parts | Actual | | Planned | | Variance | | PAD |
|--|---------------------|-----------------------------|---------------------|-----------------------------|-----------------------|-----------------------------|----------------------|
| | Reporting year | Cumulative as at 31.12.2019 | Reporting year | Cumulative as at 31.12.2019 | Reporting year | Cumulative as at 31.12.2019 | |
| A. Community Pasture/Livestock Management System | 1,102,915.14 | 14,462,823.34 | 2,741,567.82 | 16,904,103.62 | (1,638,652.68) | (2,441,280.28) | 27,870,000.00 |
| A.1 Pasture/Livestock Management Planning & Support System | 58,332.15 | 940,263.81 | 174,409.05 | 1,066,449.64 | (116,076.90) | (126,185.83) | 3,870,000.00 |
| A.2 Community Grants | 1,044,582.99 | 13,522,559.53 | 2,567,158.77 | 15,837,653.98 | (1,522,575.78) | (2,315,094.45) | 24,000,000.00 |
| B. Value chain development | 971,408.14 | 4,705,373.70 | 956,779.37 | 4,674,124.60 | 14,628.77 | 31,249.10 | 7,440,000.00 |
| B.1 Sub-project investments | 955,935.44 | 4,578,057.38 | 904,326.38 | 4,484,270.49 | 51,609.06 | 93,786.89 | 6,850,000.00 |
| B.2 Support Services | 15,472.70 | 127,316.32 | 52,452.99 | 189,854.11 | (36,980.29) | (62,537.79) | 590,000.00 |
| C. Strengthening Public Sector Institution | 74,535.46 | 1,995,854.22 | 353,820.92 | 2,542,822.14 | (279,285.46) | (546,967.92) | 2,450,000.00 |
| C.1 Public Animal Health Services | 30,745.66 | 655,554.36 | 292,162.30 | 1,218,201.85 | (261,416.64) | (562,647.49) | 1,940,000.00 |
| C.2 Institutional development | 43,789.80 | 1,340,299.86 | 61,658.62 | 1,324,620.29 | (17,868.82) | 15,679.57 | 510,000.00 |
| D. Project Coordination and Management | 275,985.26 | 1,244,174.19 | 481,062.49 | 1,503,662.75 | (205,077.23) | (259,488.56) | 2,240,000.00 |
| D.1 Project Management | 257,425.49 | 1,164,885.99 | 469,062.49 | 1,425,601.95 | (211,637.00) | (260,715.96) | 1,740,000.00 |
| D.2 Monitoring and Evaluation | 18,559.77 | 79,288.20 | 12,000.00 | 78,060.80 | 6,559.77 | 1,227.40 | 500,000.00 |
| Front end fee | - | 57,500.00 | - | 57,500.00 | - | - | 57,500.00 |
| Unallocated | - | - | - | - | - | - | 2,612,500.00 |
| Total Expenditure | 2,424,844.00 | 22,465,725.45 | 4,533,230.60 | 25,682,213.11 | (2,108,386.60) | (3,216,487.66) | 42,670,000.00 |

NOTES TO THE PROJECT SPECIAL PURPOSE FINANCIAL STATEMENTS

*Second Community Agricultural Resource Management and Competitiveness Project
IBRD Loan No.8374-AM, IDA Credit No. 5504- AM, IDA Credit No. 5505- AM
For the year ended 31 December 2019*

1. General Information

1.1. The Project

On 6 August 2014 the Loan agreement was signed between the Republic of Armenia and International Bank for Reconstruction and Development (IBRD), according to which IBRD provided to the Republic of Armenia Loan No. 8374-AM at the amount of 23,000,000 United States dollars (USD).

On 6 August 2014 the Financing agreement was signed between the Republic of Armenia and International Development Association (IDA), according to which IDA provided to the Republic of Armenia credit No. 5504-AM at the amount of 3,800,000 Special Drawing Rights (SDR) and credit No. 5505-AM at the amount of 2,460,000 Special Drawing Rights (SDR).

Loan and Credits were provided for implementation of Second Community Agricultural Resource Management and Competitiveness Project (the Project).

Both Loan Agreement and Financing agreement became effective on 23 January 2015.

The closing date of the Project was initially presented to be 31 May 2020. On the 26th of March 2020 some changes in the Loan/Financing Agreements were made, by which the closing date of the Project was set 30 April 2022. The Grace Period for submitting withdrawal applications for the expenditures incurred before the Closing date is four months following the Closing date.

1.2. The Project's objectives

The objectives of the Project are to: (i) improve productivity and sustainability of pasture and livestock systems in targeted communities; and (ii) increase the marketed production from selected livestock and high value agri-food value chains.

The Project consists of the following components.

- Community pasture/livestock management system,
- Value chain development,
- Strengthening public sector institutions,
- Project coordination and management.

1.3. Project Budget

The Project is financed from the following sources:

- International Bank for Reconstruction and Development (IBRD),
- International Development Association (IDA),
- The Government of the Republic of Armenia (GoA),
- Beneficiaries.

| Category | IBRD Loan 8374-AM | IDA Credit 5504-AM | | | IDA Credit 5505-AM | | | Government of the RA | Beneficiari es | Total |
|---|----------------------|-----------------------|------------------|------------------|-----------------------|------------------|------------------|-------------------------|-------------------|-------------------|
| | USD | SDR origin | SDR updated* | USD updated** | SDR origin | SDR updated* | USD updated** | USD | USD | USD |
| 1.Goods, works, non-consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 4,800,000 | 930,000 | 1,324,000 | 1,826,871 | 450,000 | 990,000 | 1,374,938 | 2,460,785 | - | 10,462,594 |
| 2.Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | 18,142,500 | 2,170,000 | 2,476,000 | 3,460,103 | 1,050,000 | 1,470,000 | 2,039,933 | 1,806,752 | 5,728,000 | 31,177,288 |
| 3.Front- end fee | 57,500 | - | - | - | - | - | - | - | - | 57,500 |
| Unallocated | - | 700,000 | - | - | 960,000 | - | - | - | - | - |
| Total | 23,000,000 | 3,800,000 | 3,800,000 | 5,286,974 | 2,460,000 | 2,460,000 | 3,414,871 | 4,267,537 | 5,728,000 | 41,697,382 |

*Amendment Credit Agreements dated 26 March, 2020, reallocation of the expenditures category.

* Budget USD equivalent of SDR underlined loan is calculated based on cumulative funds received in USD plus USD equivalent of undisbursed funds (if any) in SDR as at reporting date. SDR/USD rate at 31.12.2019 is set 1 SDR=1.3828 USD (31.12.2018 is 1.3941).

1.4. Project implementation

Till 13 October 2017, the Project was implemented by “Agricultural Projects Implementation Unit” State Institution (the APIU) under the Ministry of Agriculture of the Republic of Armenia (RoA) that was established in accordance with the Republic of Armenia Government decree #765 dated 22 December 1999.

In accordance with the Government of the RoA Decree N 243-A dated 9 Mar 2017, the Minister of Finance of the RoA and Minister of Agriculture of the RoA get order to make changes in the Project Loan/Financing agreements in order to pass the implementation of the Project to Agriculture Development Fund, while to pass fiduciary responsibility of the Project to the “Foreign Financing Projects Management Center” of the Ministry of Finance of the RoA (FFPMC). The related changes in the Loan/Financing Agreements was approved by the Decree of the President of the RoA. The Decree become effective on 12 October 2017.

From November 2017 until 29 March 2019, the fiduciary part of the Project was implemented by the FFPMC.

Started from 29 March 2019 until 1 June 2019, by the Decree N 283-A dated 21 March 2019, the project implementation and fiduciary part of the Project was transferred to the Ministry of Agriculture of the Republic of Armenia.

After 1 June 2019; by the law of RA on making changes and amendments in the law of RA on “Government Structure and Activities” (HO-253-N dated 23 March 2018), The Ministry of Agriculture of RA and the Ministry of Economic Development and Investment of RA have been reorganized through the merger, creating the Ministry of Economy of RA. Currently, the program is implemented by the Ministry of Economy of RA, coordinated by the Agriculture Projects Implementation Department of the Ministry of Economy of RA.

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 (IPSAS): *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: RM 3 - Financial Reporting and Auditing (March 2010).

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

The special purpose financial statements are prepared and presented using the cash basis of accounting.

Cash basis means a basis of accounting under which transactions and other events are recognized only when cash or its equivalent is received or paid.

Financial statements prepared under the cash basis provide information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date.

2.3. Presentation currency

The presentation currency of these special purpose financial statements is United States Dollar (USD).

2.4. Foreign currency transactions

Foreign currency is a currency other than the presentation currency of the Project. Transactions in foreign currencies are translated to functional currency at exchange rates at the dates of the transactions. Settlement rate of foreign currency over presentation currency published by the Central Bank of the Republic of Armenia is taken as the exchange rate.

Project accounts are maintained and transactions are made in USD and Armenian Dram (AMD). Transactions denominated in local currency are translated into USD as follows:

- Contributions of the Republic of Armenia and beneficiaries expressed in AMD are presented in USD at the official exchange rate defined by the Central Bank of Armenia at the date of transfer.
- Payments to contractors and suppliers expressed in AMD are presented in USD at the exchange rates defined by the CBA at the date of payment.

The currency exchange rate defined by the CBA as at 31.12.2018 is: USD 1 = 483.75 AMD.

The currency exchange rate defined by the CBA as at 31.12.2019 is: USD 1 = 479.70 AMD.

2.5. Taxes

All applicable taxes are paid in accordance to common tax regulations of the Republic of Armenia.

3. Summary of Summary reports and SOEs

For the year ended 31 December 2019

3.1. IDA Credit No. 5504-AM

No SOE withdrawal application was submitted related to IDA Credit No. 5504-AM during the reporting period.

3.2. IDA Credit No. 5505-AM

No SOE withdrawal application was submitted related to IDA Credit No. 5505-AM during the reporting period.

3.3. IBRD Loan No. 8374-AM

| Application number | Value date | 1. Goods, works, non-consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 2. Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | Total |
|--------------------|------------|--|---|---------------------|
| | | USD | USD | USD |
| 17 | 25.01.2019 | 47,337.56 | 690,319.16 | 737,656.72 |
| 18 | 29.03.2019 | 123,556.50 | 460,222.70 | 583,779.20 |
| Total | | 170,894.06 | 1,150,541.86 | 1,321,435.92 |

4. Statement of designated account

4.1. IDA Credit No. 5504-AM and IDA Credit No. 5505-AM

| <u>Designated Account</u> | <u>IDA Credit No. 5504-AM and IDA Credit No. 5505-AM</u> |
|--|--|
| Currency | USD |
| Account number | 900000903873 |
| Bank | Central Treasury |
| | 1 Meliq Adamyas str., Yerevan, 0010 |
| Location | Republic of Armenia |
| | For the year |
| | ended 31 |
| | December 2019 |
| | <u>USD</u> |
| 1. Opening balance as at 01.01.2019 | - |
| Add: | |
| 2. Cumulated opening discrepancy | - |
| 3. IDA Fund advance/replenishment | - |
| Less: | |
| 4. Refund to IDA from DA | - |
| 5. Present outstanding amount advanced to DA | <u>-</u> |
| 6. DA closing balance as at 31.12.2019 | - |
| Add: | |
| 7. Amount of eligible expenditures paid | - |
| Less: | |
| 8. Interest earned (if credited into DA) | - |
| 9. Total advance accounted for | <u>-</u> |
| 10. Discrepancy (5)-(9) | - |

4.2. IBRD Loan 8374-AM

| <u>Designated Account</u> | <u>IBRD Loan No. 8374-AM</u> |
|---|--|
| Currency | USD |
| Account number | 900000903881 |
| Bank | Central Treasury |
| Location | 1 Meliq Adamyan str., Yerevan, 0010 Republic of Armenia |
| | For the year ended 31 December 2019 |
| | <u>USD</u> |
| 1. Opening balance as at 01.01.2019 | <u>162,343.28</u> |
| Add: | |
| 2. Cumulated opening discrepancy | - |
| 3. IBRD Fund advance/replenishment | 1,521,435.92 |
| Less: | |
| 4. Refund to IBRD from DA | - |
| 5. Present outstanding amount advanced to DA | <u>1,683,779.20</u> |
| 6. SA closing balance as at 31.12.2019 | 144,525.05 |
| Add: | |
| 7. Amount of eligible expenditures paid | 1,539,254.15 |
| Less: | |
| 8. Interest earned (if credited into DA) | - |
| 9. Total advance accounted for | <u>1,683,779.20</u> |
| 10. Discrepancy (5)-(9) | - |

5. Statement of financial position

The Statements 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 | 31.12.2019 USD | 01.01.2019 USD |
|-------------------------------------|------|------------------------|------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 6 | 509,506.79 | 652,896.93 |
| Prepayments | | 44,656.49 | 380,558.12 |
| Total assets | | 554,163.28 | 1,033,455.05 |
| LIABILITIES | | | |
| Payables | | 88,480.85 | 46,054.57 |
| Total liabilities | | 88,480.85 | 46,054.57 |
| NET ASSETS | | | |
| Cumulative income | | | |
| IBRD Loan No. 8374-AM | 8.1 | 10,906,697.54 | 9,385,261.62 |
| IDA Credit No. 5504-AM | 8.2 | 4,316,022.44 | 4,316,022.44 |
| IDA Credit No. 5505-AM | 8.3 | 2,400,582.15 | 2,400,582.15 |
| GoA fund | 8.4 | 1,097,881.86 | 993,579.88 |
| Community fund | 8.5 | 1,787,762.25 | 1,721,371.03 |
| Other beneficiary | 8.5 | 2,466,238.71 | 1,878,020.35 |
| Bidding | | 604.13 | 3,259.35 |
| | | 22,975,789.08 | 20,698,096.82 |
| Cumulative expenses | | | |
| Project expenses | | (22,462,118.11) | (19,670,524.89) |
| | | (22,462,118.11) | (19,670,524.89) |
| Foreign exchange gain/(loss) | | (47,988.54) | (40,171.45) |
| Total net assets | | 465,682.43 | 987,400.48 |

| 6. Cash and cash equivalents | Account held at | Underlying Currency | 31.12.2019 USD | 01.01.2019 USD |
|--|-----------------|---------------------|-------------------|-------------------|
| Designated Account IDA Credit 5504-AM, 5505-AM | Treasury | USD | - | - |
| Designated Account IBRD Loan 8374-AM | Treasury | USD | 144,525.05 | 162,343.28 |
| Government Co-financing account | Treasury | AMD | - | - |
| Community Co-financing account | Treasury | AMD | 364,981.74 | 487,898.43 |
| Bidding account | Treasury | AMD | - | 2,655.22 |
| Total | | | 509,506.79 | 652,896.93 |

7. Project expenditures

7.1. Project expenditures per funds

| Expenditure | IBRD Loan 8374-AM | IDA Credit 5504-AM | IDA Credit 5505-AM | Government of the RA | Community fund | Other beneficiaries | Total |
|---|----------------------|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------|
| | USD | USD | USD | USD | USD | | USD |
| Reporting year | | | | | | | |
| 1.Goods, works, non-consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 320,067.43 | - | - | 104,258.14 | - | - | 424,325.57 |
| 2.Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | 1,219,186.72 | - | - | - | 193,113.48 | 588,218.23 | 2,000,518.43 |
| 3.Front-end fee | - | - | - | - | - | - | - |
| Total | 1,539,254.15 | - | - | 104,258.14 | 193,113.48 | 588,218.23 | 2,424,844.00 |
| Cumulative as at 31.12.2019 | | | | | | | |
| 1.Goods, works, non-consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 1,327,702.93 | 1,354,829.19 | 549,914.17 | 1,074,689.54 | - | 472.71 | 4,307,608.54 |
| 2.Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | 9,376,969.56 | 2,961,193.25 | 1,850,667.98 | 21,914.49 | 1,423,633.15 | 2,466,238.48 | 18,100,616.91 |
| 3.Front-end fee | 57,500.00 | - | - | - | - | - | 57,500.00 |
| Total | 10,762,172.49 | 4,316,022.44 | 2,400,582.15 | 1,096,604.03 | 1,423,633.15 | 2,466,711.19 | 22,465,725.45 |

7.2. Expenditure budget execution

| Category | Cumulative Expenditures as at 31 Dec 2019 | Total budget | Execution |
|--|---|-------------------|------------|
| | USD | USD | % |
| 1.Goods, works, non- consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 4,307,608.54 | 10,462,594 | 41% |
| 2.Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | 18,100,616.91 | 31,177,288 | 58% |
| 3.Front-end fee | 57,500.00 | 57,500 | 100% |
| Unallocated | - | - | - |
| Total | 22,465,725.45 | 41,697,382 | 54% |

8. Financing

8.1. IBRD Loan 8374-AM

| | Reporting year USD | Cumulative as at 31 Dec 2019 USD |
|--|--------------------------|--|
| Advances/ (advance recovery) | 200,000.00 | 1,100,000.00 |
| SOE and Summary Report | 1,321,435.92 | 9,749,197.54 |
| Front-end fee | - | 57,500.00 |
| Total | <u>1,521,435.92</u> | <u>10,906,697.54</u> |
| Total financing budget | | <u>23,000,000.00</u> |
| Percentage of finance provided as at 31 Dec 2019 | | <u>47%</u> |

8.2. IDA Credit 5504-AM

| | Reporting year USD | Cumulative as at 31 Dec 2019 USD |
|--|--------------------------|--|
| Advances/ (advance recovery) | - | - |
| SOE and Summary Report | - | 4,316,022.44 |
| Total | <u>-</u> | <u>4,316,022.44</u> |
| Total financing budget | | <u>5,286,974.00</u> |
| Percentage of finance provided as at 31 Dec 2019 | | <u>82%</u> |

8.3. IDA Credit 5505-AM

| | Reporting year USD | Cumulative as at 31 Dec 2019 USD |
|--|--------------------------|--|
| Advances/ (advance recovery) | - | - |
| SOE and Summary Report | - | 2,400,582.15 |
| Total | <u>-</u> | <u>2,400,582.15</u> |
| Total financing budget | | <u>3,414,871.00</u> |
| Percentage of finance provided as at 31 Dec 2019 | | <u>70%</u> |

8.4. Government of RoA

| | Reporting year USD | Cumulative as at 31 Dec 2019 USD |
|--|--------------------------|--|
| Financed | 104,301.98 | 1,097,881.86 |
| Total financing budget | | <u>4,267,537.00</u> |
| Percentage of finance provided as at 31 Dec 2019 | | <u>26%</u> |

| 8.5. Beneficiaries | Reporting year USD | Cumulative as at 31 Dec 2019 USD |
|--|--------------------------|--|
| Community funds | 66,391.22 | 1,787,762.25 |
| Other beneficiaries | 588,218.36 | 2,466,238.71 |
| | <u>654,609.58</u> | <u>4,254,000.96</u> |
| Total financing budget | | <u>5,728,000.00</u> |
| Percentage of finance provided as at 31 Dec 2019 | | <u>74%</u> |

9. Events after the reporting date/ Subsequent events

COVID-19 epidemic

Considering breakout of new coronavirus (COVID-19) epidemic in the world, as well as Republic of Armenia Government Decree on declaring State of Emergency from March 16 to July 13, 2020 throughout Armenia, the Project management believes that the situation may have a negative impact on the Project, in particular it may lead to:

- Delays in the works,
- Difficulties to coordinate project activities, and
- Other negative outcomes due to limitations.

Given the unpredictability of events, Project management does not consider it possible to estimate the financial impact of the above event on the reports.

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

*Second Community Agricultural Resource Management and Competitiveness Project
IBRD Loan No.8374-AM, IDA Credit No. 5504- AM, IDA Credit No. 5505- AM
For the year ended 31 December 2019
In USD*

IBRD Loan No. 8374-AM

| Category | Appl. N | Project | WB | Difference |
|--|---------|---------------------|---------------------|------------|
| Advance/(repayment) | 18 | (400,000.00) | (400,000.00) | - |
| | 19 | 400,000.00 | 400,000.00 | - |
| | 20 | 200,000.00 | 200,000.00 | - |
| | | 200,000.00 | 200,000.00 | - |
| 1.Goods, works, non- consulting services, consultant's services, training and incremental operating costs under the Project (except for activities under Part I (b) and Part II (a) of the Project). | 17 | 47,337.56 | 47,337.56 | - |
| | 18 | 123,556.50 | 123,556.50 | - |
| | | 170,894.06 | 170,894.06 | |
| 2.Community fund financing and targeted sub-project grants under Part I (b) and Part II (a) of the Project | 17 | 690,319.16 | 690,319.16 | - |
| | 18 | 460,222.70 | 460,222.70 | - |
| | | 1,150,541.86 | 1,150,541.86 | |
| | | 1,521,435.92 | 1,521,435.92 | |

IDA Credit No. 5504- AM

No withdrawal applications were submitted related to IDA Credit No. 5504-AM during the reporting period.

IDA Credit No. 5505-AM

No withdrawal applications were submitted related to IDA Credit No. 5505-AM during the reporting period.

Management Representation Letter

24 June 2020

To: BDO Armenia cjsc
23/6 Davit Anhaght Street, floor 5,
Yerevan, Armenia


This representation letter is provided in connection with your audit of the Financial Statements for the year ended 31 Dec 2019 of the "Second Community Agricultural Resource Management and Competitiveness Project" ("Project") financed by IBRD Loan No. 8374-AM, IDA Credit No. 5504-AM and IDA Credit No. 5505-AM, and implemented by the Ministry of Economy of the RA.

We acknowledge our responsibility for:


- preparation of the financial statements in accordance with IPSAS-cash basis;
- keeping accounts and financial documents that are correct, complete, fair, representing the true facts, in conformity with the objectives of the Project, and national legislation.
- design and implementation of internal control to prevent and detect fraud.
- completeness of information concerning financing received or due and own financing concerning their period examined, for the project being examined.
- availability of any information and explanations, either orally or by written confirmation, which might be required by the Auditor in the execution of their audit.

We confirm, to the best of our knowledge, that:

- We have made available to you all books of account and supporting documentation.
- There were no material transactions that had not been properly recorded in the accounting records underlying the financial statements.
- The internal control system is reliable: approval and control of financial and other documents, segregation of duties is adequately done;
- The project funds have been used in accordance with the established budget;
- The financial activities are performed in conformity with the project objectives and adherence to the Loan/Financing agreements terms.
- The financial resources are used in an economical and efficient manner.
- There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
- The financial statements are free of material misstatements, including omissions.
- There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of noncompliance.
- Events subsequent to period end were disclosed.
- No claims in connection with litigation have been or are expected to be received.
- We not aware of any fraud or suspected fraud affecting the Project involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.



Davit Mejlumyan
Project manager



Hrant Ter-Vardanyan
Financial manager