

**IRRIGATION AND LAND MARKET DEVELOPMENT PROJECT (“ILMDP”)**

**IDA CREDIT NUMBER 5456-GE**

**IMPLEMENTED BY  
INTERNATIONAL RELATIONS DEPARTMENT (“IRD”)  
OF THE MINISTRY OF ENVIRONMENTAL PROTECTION AND AGRICULTURE OF GEORGIA  
AND  
NATIONAL AGENCY OF PUBLIC REGISTRY (“NAPR”)  
OF THE MINISTRY OF JUSTICE OF GEORGIA**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR’S REPORT**

**For the year ended 31 December 2019**

**TBILISI  
May 2020**

# IRRIGATION AND LAND MARKET DEVELOPMENT PROJECT

IDA CREDIT NUMBER 5456-GE

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## **STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

The management of the International Relations Department (“IRD”) of the Ministry of Environmental Protection and Agriculture of Georgia (“MEPA”) and National Agency of Public Registry (“NAPR”) of the Ministry of Justice of Georgia are responsible for the preparation of the special purpose financial statements of “Irrigation and Land Market Development Project” (“Project”) financed by Financing Agreement IDA Credit Number 5456-GE dated 21 November 2014, that present fairly the Project’s cash receipts and payments, and expenditures per components for the year ended 31 December 2019, 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 the Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines).

In preparing the special purpose financial statements, IRD’s and NAPR’s management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the year ended 31 December 2019.

IRD’s and NAPR’s Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project’s transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with *IPSAS - Cash Basis* and the *WB Guidelines*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Financing Agreement IDA Credit Number 5456-GE dated 21 November 2014, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the year ended 31 December 2019 were authorized for issue on 25 May 2020 by the IRD’s and NAPR’s management.

  
\_\_\_\_\_  
**George Khanishvili**  
First Deputy Minister of MEPA

  
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**Nino Tatishvili**  
Consultant in Financial Management of IRD

  
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**Natia Chirikashvili**  
Chairman of NAPR

  
\_\_\_\_\_  
**Tamar Avakimova**  
Consultant in Financial Management of NAPR

## INDEPENDENT AUDITOR'S REPORT

To the Ministry of Environmental Protection and Agriculture of Georgia

### **Opinion**

We have audited the special purpose financial statements of "Irrigation and Land Market Development Project" ("Project") financed by Financing Agreement IDA Credit Number 5456-GE dated 21 November 2014 ("Financing Agreement"), and implemented jointly by International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of Georgia and National Agency of Public Registry ("NAPR") of the Ministry of Justice of Georgia, which comprise the statement of cash receipts and payments and the statement of expenditures per components for the year ended 31 December 2019, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash flows 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, of the IRD and of the NAPR 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 that 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.

### **Emphasis of matter-Delays in the Project implementation**

Without qualifying our opinion, we draw your attention to Note 7 of these special purpose financial statements disclosing delays of the Project implementation.

### **Emphasis of Matter - Subsequent events**

Without qualifying our opinion, we draw attention to Note 9.1 to the financial statements, which describes possible effect of the impact of COVID-19 after the reporting date.

### **Responsibilities of the Management for the Financial Statements**

Management of the IRD and NAPR are responsible for the preparation and fair presentation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") of the 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 misstatement, 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 judgement 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.

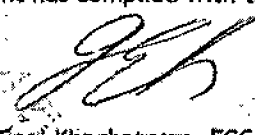
### **Report on Other Legal Requirements**

To comply with the terms of the Financing Agreement, the IRD's and NAPR's management shall insure that:

1. funds have been used in accordance with the conditions of the Financing Agreement concluded between the International Development Association ("IDA") and the Georgia, and WB 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 Agreement; Interim Unaudited Financial Statements (IFSs) issued by IRD during the Reporting year are in agreement with the underlying books of account;
3. The Designated Accounts used has been maintained in accordance with the provision of the Financing Agreement, and World Bank related guidelines;
4. Works, Goods and Services financed have been procured in accordance with the Financing Agreement and World Bank related guidelines.

In our opinion, the IRD's and NAPR's management has complied with the above requirements for the year ended 31 December 2019.

"BDO Armenia" CJSC  
25 May 2020



Gnel Khachatryan, FCCA  
Engagement Partner

**Irrigation and Land Market Development Project**  
**IDA Credit Number 5456-GE**

**Statement of cash receipts and payments**  
 For the year ended 31 December 2019  
 (Amounts are shown in US dollars)

	Note	Actual		Budget		Variance	
		Reporting year	Cumulative as at 31.Dec.2019	Reporting year	Cumulative as at 31.Dec.2019	Reporting year	Cumulative as at 31.Dec.2019
<b>TOTAL OPENING CASH</b>		<b>1,388,828</b>	-				
Sources of Funds	8						
IDA Credit Number 5456-GE		2,722,465	24,215,285				
<b>TOTAL FUNDS</b>		<b>2,722,465</b>	<b>24,215,285</b>				
Other income (sale of bidding documents)		-	8,874				
Project Expenditures	7						
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:							
(a) Part A.1 of the Project		2,669,658	21,033,264	6,576,276	24,939,882	(3,906,618)	(3,906,618)
(b) Part A.2 of the Project		1,584,010	17,269,366	5,386,812	21,072,168	(3,802,802)	(3,802,802)
(c) Part C.1 of the Project		781,655	2,362,445	872,900	2,453,690	(91,245)	(91,245)
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:		303,993	1,401,453	316,564	1,414,024	(12,571)	(12,571)
(a) Part B.1, B.3 and C.2 of the Project		503,341	2,251,523	665,755	2,413,937	(162,414)	(162,414)
(b) Part B.2 of the Project		289,777	852,477	411,830	974,530	(122,053)	(122,053)
		213,564	1,399,046	253,925	1,439,407	(40,361)	(40,361)
<b>TOTAL PROJECT EXPENDITURES</b>		<b>3,172,999</b>	<b>23,284,787</b>	<b>7,242,031</b>	<b>27,353,819</b>	<b>(4,069,032)</b>	<b>(4,069,032)</b>
Foreign exchange loss		428	1,506				
<b>TOTAL CLOSING CASH</b>	6	<b>937,866</b>	<b>937,866</b>				

George Khanishvili  
 First Deputy Minister of MEPA

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 Consultant in Financial Management of IRD

Natia Chirikashvili  
 Chairman of NAPR

Tamar Avakimova  
 Consultant in Financial Management of NAPR

25 May 2020

The notes on pages 8-16 form an integral part of these special purpose financial statements.

**Irrigation and Land Market Development Project**  
**IDA Credit Number 5456-GE**

**Statement of expenditures per components**

For the year ended 31 December 2019

(Amounts are shown in US dollars)

Components	Actual		Planned		Variance	
	Reporting year	Cumulative as at 31.Dec.2019	Reporting year	Cumulative as at 31.Dec.2019	Reporting year	Cumulative as at 31.Dec.2019
<b>Part A. Irrigation and Drainage Improvement</b>	<b>2,365,665</b>	<b>19,631,811</b>	<b>6,259,712</b>	<b>23,525,858</b>	<b>(3,894,047)</b>	<b>(3,894,047)</b>
A.1. Rehabilitation and modernization of existing irrigation and drainage schemes selected under the Project	1,584,010	17,269,366	5,386,812	21,072,168	(3,802,802)	(3,802,802)
A.2. Provision of goods and consultants' services for strengthening of irrigation and drainage institutions	781,655	2,362,445	872,900	2,453,690	(91,245)	(91,245)
<b>Part B. Land Market Development</b>	<b>442,567</b>	<b>2,035,410</b>	<b>609,794</b>	<b>2,202,637</b>	<b>(167,227)</b>	<b>(167,227)</b>
B.1. Development of policies and procedures for land registration	229,003	608,310	347,151	726,458	(118,148)	(118,148)
B.2. Carrying out a pilot for land registration in selected areas	213,564	1,399,046	253,925	1,439,407	(40,361)	(40,361)
B.3. Development and implementation of system for monitoring and registration, and evaluating its economic impact	-	28,054	8,718	36,772	(8,718)	(8,718)
<b>Part C. Project management</b>	<b>364,767</b>	<b>1,617,566</b>	<b>372,525</b>	<b>1,625,324</b>	<b>(7,758)</b>	<b>(7,758)</b>
C.1. Supporting project management for Part A of the Project	303,993	1,401,453	316,564	1,414,024	(12,571)	(12,571)
C.2. Supporting project management for Part B of the Project	60,774	216,113	55,961	211,300	4,813	4,813
<b>TOTAL</b>	<b>3,172,999</b>	<b>23,284,787</b>	<b>7,242,031</b>	<b>27,353,819</b>	<b>(4,069,032)</b>	<b>(4,069,032)</b>

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25 May 2020

The notes on pages 8-16 form an integral part of these special purpose financial statements.

**Irrigation and Land Market Development Project**  
**IDA Credit Number 5456-GE**

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

*(Amounts are shown in US dollars)*

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**1. General information**

*1.1. The Project*

The Financing Agreement IDA Credit Number 5456-GE was signed on 21 November 2014 between the Georgia and the International Development Association (“IDA”), according to which IDA provided financing to the Georgia in the amount of 32,400,000 Special Drawing Rights (SDR). The Financing Agreement became effective on 13 March 2015.

The financing was provided for the implementation of “Irrigation and Land Market Development Project” (the Project).

The payment currency of IDA Credit Number 5456-GE is United States dollars (USD).

The Closing date of IDA Credit Number 5456-GE is set 31 July 2021 (as updated).

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing date: 30 November 2021.

*1.2. The Project objectives*

The objective of this project is to: (i) improve the delivery of irrigation and drainage services in selected areas; and (ii) develop improved policies and procedures as a basis for a national program of land registration.

The Project consists of the following parts:

**Part A: Irrigation and Drainage Improvement**

1. Rehabilitation and modernization of existing irrigation and drainage schemes selected under the Project;
2. Provision of goods and consultants’ services for strengthening of irrigation and drainage institutions.

**Part B: Land Market Development**

1. Development of policies and procedures for land registration;
2. Carrying out a pilot for land registration in selected areas;
3. Development and implementation of system for monitoring and registration, and evaluating its economic impact.

**Part C: Project Management**

1. Supporting project management for Part A of the Project;
2. Supporting project management for Part B of the Project.



**Irrigation and Land Market Development Project  
IDA Credit Number 5456-GE**

**Notes to the special purpose financial statements**  
For the year ended 31 December 2019  
(Amounts are shown in US dollars)

**1.3. The Project Budget**

The Project is wholly financed by IDA Credit Number 5456-GE, inclusive of all taxes.

Category	IDA Credit Number 5456-GE		Total	IDA Credit Expenditure Financing (Inclusive of taxes)
	SDR	USD equivalent (a)	USD equivalent	
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:				
	<b>30,830,000</b>	<b>42,803,688</b>	<b>42,803,688</b>	
(a) Part A.1 of the Project	27,310,000	37,916,598	37,916,598	100%
(b) Part A.2 of the Project	2,270,000	3,151,618	3,151,618	100%
(c) Part C.1 of the Project	1,250,000	1,735,472	1,735,472	100%
(2) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:				
	<b>1,570,000</b>	<b>2,179,753</b>	<b>2,179,753</b>	
(a) Part B.1, B.3 and C.2 of the Project	590,000	819,143	819,143	100%
(b) Part B.2 of the Project	980,000	1,360,610	1,360,610	100%
<b>Total</b>	<b>32,400,000</b>	<b>44,983,441</b>	<b>44,983,441</b>	

(a) The budget USD equivalents for IDA Credit Number 5456-GE with underlying currency of SDR, is calculated based on cumulative funds received in USD plus, if any, USD equivalent of undisbursed funds in SDR as at reporting date. SDR/USD rate as at 31.12.2019 is set at 1.38283 (31.12.2018 is set at 1.39079).

**1.4. Project Implementation**

The Project is jointly implemented by International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of the Georgia and National Agency of Public Registry ("NAPR") of the Ministry of Justice of the Georgia.

The Components A and C.1 are implemented by the IRD and the Component B and C.2 by the NAPR (Note 1.2.).

The IRD is responsible for combining financial reporting of the Project.

The IRD address is: 6 Marshal Gelovani Avenue, Tbilisi, Georgia, 0159.

The NAPR address is: 2, Sanapiro street, Tbilisi, Georgia, 0114

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

*(Amounts are shown in US dollars)*

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**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.

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 dollars (USD). The expenditures made in local currency, Georgian Lari (GEL), are translated into USD based at the exchange rate prevailing at the date of the transaction as issued by the National Bank of Georgia (NBG).

The exchange rate defined by the NBG is as follows:

31 December 2018:	USD 1 = 2.6766 GEL.
31 December 2019:	USD 1 = 2.8677 GEL.

*2.4. Taxes*

The taxes are paid in accordance with the tax regulation of the Georgia.

*2.5. Budget*

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

**Irrigation and Land Market Development Project  
IDA Credit Number 5456-GE**

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

(Amounts are shown in US dollars)

**3. Summary of Summary Reports and SOEs**

IDA Credit Number 5456-GE

Withdrawal application No	Withdrawal application value date	Disbursement category			Total
		(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:			
		(a) Part A.1 of the Project	(b) Part A.2 of the Project	(c) Part C.1 of the Project	
18	29-Jan-2019	304,217.34	29,841.04	47,446.34	381,504.72
19	03-Jun-2019	496,591.63	539,755.58	149,225.37	1,185,572.58
20	10-Oct-2019	567,465.69	129,078.40	105,173.27	801,717.36
<b>Subtotal</b>		<b>1,368,274.66</b>	<b>698,675.02</b>	<b>301,844.98</b>	<b>2,368,794.66</b>

Withdrawal application No	Withdrawal application value date	Disbursement category		Total
		(2) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:		
		(a) Part B.1, B.3 and C.2 of the Project	(b) Part B.2 of the Project	
144B	01-Mar-2019	14,813.29	23,504.76	38,318.05
145B	19-Apr-2019	74,417.06	140,935.62	215,352.68
146B	24-Sep-2019	55,815.77	39,624.05	95,439.82
147B	22-Oct-2019	14,613.67	8,653.02	23,266.69
<b>Subtotal</b>		<b>159,659.79</b>	<b>212,717.45</b>	<b>372,377.24</b>

**Total for the year ended 31 Dec 2019**

Category	Amount
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs	2,368,794.66
(2) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs	372,377.24
<b>Total</b>	<b>2,741,171.90</b>

**Irrigation and Land Market Development Project  
IDA Credit Number 5456-GE**

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

(Amounts are shown in US dollars)

**4. Statement of Designated Accounts**

	IDA Credit Number 5456-GE		<i>Total</i>
	IRD	NAPR	
Financing Agreement			
Implementing Agency	IRD	NAPR	
Bank account number	GE65NB0331100001150207	GE65NB0331100001150207	
Bank	National Bank of Georgia		
Bank location	2 Sanapiro street, Tbilisi, Georgia, 0114		
Account currency	USD	USD	
	<u>IRD</u>	<u>NAPR</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
1. Opening balance as at 1.Jan.2019	1,169,212	211,682	1,380,894
2. Add: opening discrepancy	-	-	-
3. IDA advance/replenishment	2,368,794	353,671	2,722,465
4. Less: Refund to IDA from DA	-	-	-
5. Present outstanding amount advanced to DA	<u>3,538,006</u>	<u>565,353</u>	<u>4,103,359</u>
6. DA closing balance as at 31.Dec.2019	868,347	61,890	930,237
7. Add: Amount of eligible expenditures paid	2,669,659	503,341	3,173,000
8. Less: interest earned (if credited to DA)	-	-	-
9. Total advance accounted for	<u>3,538,006</u>	<u>565,231</u>	<u>4,103,237</u>
10. Closing discrepancy (5)-(9)*	-	122	122

(\*) Discrepancy relates to transit account (Note 6).

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

(Amounts are shown in US dollars)

**5. Statement of Financial Position (Statement of Fund balances)**

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 2019 USD	31 Dec 2018 USD
<b>ASSETS</b>			
Cash	6	937,866	1,388,828
Prepayments (a)		226,129	20,710
<b>Total assets</b>		<b>1,163,995</b>	<b>1,409,538</b>
<b>LIABILITIES</b>			
Payables (b)		-	365
<b>Total liabilities</b>		<b>-</b>	<b>365</b>
<b>NET ASSETS</b>			
<b>Cumulative income</b>			
IDA Credit Number 5456-GE	8	24,215,285	21,492,819
Other income		8,874	8,874
		<b>24,224,159</b>	<b>21,501,693</b>
<b>Cumulative expenses</b>			
Project expenses		23,058,658	20,091,441
		<b>23,058,658</b>	<b>20,091,441</b>
Foreign exchange loss		1,506	1,079
<b>Total net assets</b>		<b>1,163,995</b>	<b>1,409,173</b>

(a) Prepayments consist of advances for construction works up to 20% of the contract amount. Most of advances were settled as at reporting date.

(b) Payable consists of warranty amounts of 5% withhold from contractors' invoices for construction works. Most of payables were settled as at reporting date.

**6. Cash**

	Implementing Agency	Underlying Currency	31 Dec 2019 USD	31 Dec 2018 USD
<b>IDA Credit 5456-GE</b>				
Designated Account	IRD	USD	868,347	1,169,212
Designated Account	NAPR	USD	61,890	211,682
Transit Account	NAPR	GEL	122	-
			<b>930,359</b>	<b>1,380,894</b>
<b>Other</b>				
Tender account	IRD	GEL	5,754	6,165
Tender account	IRD	USD	1,079	1,079
Tender account	IRD	EUR	674	690
			<b>7,507</b>	<b>7,934</b>
			<b>937,866</b>	<b>1,388,828</b>

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

(Amounts are shown in US dollars)

**7. Project Expenditures Implementation Progress**

Category	Cumulative Expenditures as at 31 Dec 2019	Project total budget	Progress (a)
	USD	USD	%
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:	21,033,264	42,803,688	49%
(a) Part A.1 of the Project	17,269,366	37,916,598	46%
(c) Part A.2 of the Project	2,362,445	3,151,618	75%
(d) Part C.1 of the Project	1,401,453	1,735,472	81%
(2) Goods, works, non-consulting services, consultants' services, Training and incremental Operating Costs for:	2,251,523	2,179,753	103%
(a) Part B.1, B.3 and C.2 of the Project	852,477	819,143	104%
(c) Part B.2 of the Project	1,399,046	1,360,610	103%
<b>Total</b>	<b>23,284,787</b>	<b>44,983,441</b>	<b>52%</b>

(a) The Financing Agreement became effective on 13 March 2015 and Closing date of IDA Credit Number 5456-GE is set at 31 July 2021 (as updated). However, as at 31 Dec 2019 only 52% of the project budget was implemented.

Main reason of low disbursement in 2019 was the extension of the Design works of Algeti and Sioni dams caused by low precipitation and as consequence the water level in the reservoirs did not reached the desired level to carry all the relevant studies. Accordingly the tender for the rehabilitation works have been postponed for 2020. In addition the Law on Water User Organizations was approved in December 2019 (much more later then it was expected) accordingly related activities were also postponed for 2020.

**8. Financing IDA Credit Number 5456-GE**

	Reporting year USD	Cumulative as at 31 Dec 2019 USD
Advance/ (advance recovery)	(18,707)	2,231,293
Direct Payment	-	254,832
SOE and Summary Report	2,741,172	21,729,160
<b>Total</b>	<b>2,722,465</b>	<b>24,215,285</b>
Total financing budget		<b>44,983,441</b>
Percentage of finance provided as at 31 Dec 2019		<b>54%</b>

**9. Reimbursements after the reporting date**

**9.1. Outbreak of COVID-19**

Considering breakout of new coronavirus (COVID-19) in the world, as well as Republic of Georgia, the Government of Georgia declared State of Emergency from March 21 to May 22, 2020 throughout Georgia. 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 imposed to access the office and work sites.

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

**Notes to the special purpose financial statements**

For the year ended 31 December 2019

*(Amounts are shown in US dollars)*

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**9.2. IRD**

The application N 21 in the total amount of 1,131,515.39 USD, that consists expenditures relating to the reporting year, was submitted to WB on 30 Jan 2020 and was approved on 30 January 2020.

**9.3. NAPR**

The application N 151B in the total amount of 173,786.46 USD, that consists of expenditures relating to the reporting year, was submitted to WB on 27 February 2020 and was approved on 27 February 2020.

**10. Litigations**

A Contractor, "Mshenebeli 80 LTD", (Contract # IDIC-CW-ICB-01-L2) applied to the Adjudicator in order to claim compensation to the Employer, MEPA, for the amount of 764,697 GEL (equivalent of USD 266K).

On 25th February 2019 the Adjudicator approved partially contractors claim on the amount of 720,180 GEL and considered that there was compensation basis. MEPA did not agree with the Adjudicator's decision and as it was fixed in the requested the rectification of this decision to the appointed Adjudicator "Dispute Resolution Center LTD" (DRS) (this organization was also indicated in the contract).

On 15th October 2019 DRS decision was released where Contractor's claim was considered as not justification, accordingly there was no basis for compensation and the Contractor was obliged to pay all the costs of the claim process. Currently, MEPA is waiting for the decision of Tbilisi Court of Appeals for the Enforcement Sheet which will impose contractor to pay the costs of the Adjudicator.

**Irrigation and Land Market Development Project  
IDA Credit Number 5456-GE**

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND NAPR  
AND DISBURSED BY THE WORLD BANK**

For the year ended 31 December 2019

(Amounts are shown in US dollars)

**IDA Credit Number 5456-GE**

**A. International Relations Department ("IRD")**

Expenditure Category	Appl.	IRD	WB	Difference
(1) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:				
(1) (a) Part A.1 of the Project	18	304,217.34	304,217.34	-
	19	496,591.63	496,591.63	-
	20	567,465.69	567,465.69	-
		<b>1,368,274.66</b>	<b>1,368,274.66</b>	
(1) (b) Part A.2 of the Project	18	29,841.04	29,841.04	-
	19	539,755.58	539,755.58	-
	20	129,078.40	129,078.40	-
		<b>698,675.02</b>	<b>698,675.02</b>	
(1) (c) Part C.1 of the Project	18	47,446.34	47,446.34	-
	19	149,225.37	149,225.37	-
	20	105,173.27	105,173.27	-
		<b>301,844.98</b>	<b>301,844.98</b>	
<b>Subtotal</b>		<b>2,368,794.65</b>	<b>2,368,794.65</b>	

**B. National Agency of Public Registry ("NAPR")**

Expenditure Category	Appl.	NAPR	WB	Difference
Advance/(advance recovery)	146B	(95,439.82)	(95,439.82)	-
	147B	(23,266.69)	(23,266.69)	-
	148B	100,000.00	100,000.00	-
		<b>(18,706.51)</b>	<b>(18,706.51)</b>	
(2) Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs for:				
(2) (a) Part B.1, B.3 and C.2 of the Project	144B	14,813.29	14,813.29	-
	145B	74,417.06	74,417.06	-
	146B	55,815.77	55,815.77	-
	147B	14,613.67	14,613.67	-
		<b>159,659.79</b>	<b>159,659.79</b>	
(2) (b) Part B.2 of the Project	144B	23,504.76	23,504.76	-
	145B	140,935.62	140,935.62	-
	146B	39,624.05	39,624.05	-
	147B	8,653.02	8,653.02	-
<b>Subtotal</b>		<b>212,717.45</b>	<b>212,717.45</b>	
<b>Total</b>		<b>353,670.73</b>	<b>353,670.73</b>	