

**THE PALESTINIAN MINISTRY OF FINANCE AND PLANNING**

**Project Title**  
**FINANCE FOR JOBS PROJECT I**  
**(TF0A1490)**

**Funded by**  
**INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)**

**Implemented by**  
**DEVELOPMENT ALTERNATIVES, Inc. GLOBAL, LLC**

**Financial Statements**  
**for the Year Ended December 31, 2019**  
**and Independent Auditors' Report**

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**Correspondent Firm of RSM International in East Jerusalem, West Bank and Gaza**

**Independent Auditors' Report**

**To The Development Alternatives, Inc. Global, LLC**  
**Ramallah**

**Opinion**

We have audited the financial statements of “**Finance for Jobs Project**” (TF0A1490) (hereinafter “**the Project**”), which comprise the statement of balance sheet funded by the International Development Association (IDA) and implemented by Development Alternatives Inc. (hereinafter “DAI Global, LLC”) as at December 31, 2019, and the related statement of sources and uses of funds, designated bank account statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balance sheet of **the Project** as at December 31, 2019, and the related statement of sources and uses of funds, designated bank account statement for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**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 Financial Statements section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in areas under the jurisdiction of the Palestinian Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Going Concern**

The Project’s financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management’s use of the going concern basis of accounting in the preparation of the Project’s financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the Project’s ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Project’s ability to continue as a going concern.

**Other Matters**

Based on our review, in all material respects:

1. The Project expenditures reimbursed on basis of Statements of Expenditures (SOE) are eligible to the Grant Agreement and are reflected on the financial statements.
2. The Designated Bank Account has been used exclusively for payment of eligible expenditures as reflected in the financial statements.

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3. The Project's accounting system (books and records), established and maintained by the DAI Global, LLC to record the financial transactions of the Project, provides the basis for preparation of the Project's financial statements;
4. Internal control over financial reposting involved in the preparation of replenishments, direct payments, payments through special commitments, and reimbursements can be relied upon to support the related withdrawals.
5. The Project was in all material respects in compliance with the laws, regulations, guidelines and provisions governed by the Grant Agreement.
6. Procurement Guidelines have been properly applied in accordance with the Project's Grant Agreement.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. DAI Global, LLC is responsible for overseeing the Project's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the Project financial statements taken 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 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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4. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, if any.



**Ismail Suleiman**  
**Certified Public Accountant**  
**License number 131/2000**  
**Ramallah, April 28, 2020**

**The Palestinian Ministry of Finance and Planning**  
**Finance for Jobs Project (TF0A1490)**  
**Funded by International Development Association**  
**Financial Statements for the Year Ended December 31, 2019**

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**Statement of Balance Sheet**

(All amounts in USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and on hand	8	42,834	368,109
<b>Total current assets</b>		<u><b>42,834</b></u>	<u><b>368,109</b></u>
<b>Total assets</b>		<u><b>42,834</b></u>	<u><b>368,109</b></u>
 <b>Liabilities and fund balance</b>			
<b>Current Liabilities</b>			
Accrued payroll tax		427	2,221
<b>Total current Liabilities</b>		<u><b>427</b></u>	<u><b>2,221</b></u>
<b>Total liabilities</b>		<u><b>427</b></u>	<u><b>2,221</b></u>
 Fund balance	 8	 42,407	 365,888
<b>Total liabilities and fund balance</b>		<u><b>42,834</b></u>	<u><b>368,109</b></u>

The accompanying notes form an integral part of these financial statements.

**The Palestinian Ministry of Finance and Planning**  
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**Statement of Sources and Uses of Funds**

(All amounts in USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>Cumulative to December 31, 2019</u>
<b>Fund balance – beginning of year</b>		<b>365,888</b>	<b>320,126</b>	<b>-</b>
<b>Sources of fund</b>				
Advance payment	3	-	-	500,000
Replenishments received	3	861,877	977,339	2,954,994
<b>Total sources of fund</b>		<b>861,877</b>	<b>977,339</b>	<b>3,454,994</b>
<b>Uses of funds</b>				
Category 1: Matching Grants under Part A of the project	4 & Annex I	363,689	88,296	451,985
Category 2: Goods, Non-consulting Services, Management Fees, and Incremental Operating Costs under Part B and C of the project:				
Part A: Matching Grants	4	10,559	10,893	30,590
Part B: ICF & Capacity Building	4	201,002	315,895	1,218,615
Part C: Project Management	4	528,912	440,057	1,450,228
Fixed Fee		81,196	76,436	261,139
Currency variances loss		-	-	30
<b>Total uses of funds</b>		<b>1,185,358</b>	<b>931,577</b>	<b>3,412,587</b>
<b>Change in fund balance</b>		<b>(323,481)</b>	<b>45,762</b>	<b>42,407</b>
<b>Fund balance – end of year</b>	8	<b>42,407</b>	<b>365,888</b>	<b>42,407</b>

The accompanying notes form an integral part of these financial statements.

**The Palestinian Ministry of Finance and Planning**  
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**Designated Bank Account Statement**

**IBAN** PS18 PALS 0458 2222 8700 0130 0100 0

**Bank Account number** 0458 / 2222870 / 001 / 3001 / 000

**Depository bank** Bank of Palestine

**Address** Ramallah

**Related loan/ credit** TF0A1490

**Currency** U.S. Dollar (USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Balance – beginning of year</b>		<b>368,109</b>	<b>322,151</b>
Receipts during the year	3	<u>861,877</u>	<u>977,339</u>
<b>Total</b>		<b><u>1,229,986</u></b>	<b><u>1,299,490</u></b>
<b>Deduct</b>			
Payments for project expenditures from designated bank account	5	<u>1,187,152</u>	<u>931,381</u>
<b>Total</b>		<b><u>1,187,152</u></b>	<b><u>931,381</u></b>
<b>Balance – end of year</b>	8	<b><u><u>42,834</u></u></b>	<b><u><u>368,109</u></u></b>

The accompanying notes form an integral part of these financial statements.



**Notes to the Project Financial Statements**

(All amounts in USD)

**1. The Project and its Financing**

The Palestinian Liberation Organization (PLO), For the benefit of the Palestinian Authority (PA), and the International Development Association (the World Bank), acting as an administrator of the Trust Fund for Gaza and West Bank, signed a Trust Fund Grant Agreement dated March 10, 2016 (the Grant Agreement), whereby the world made a grant, to the PA in an amount equals to USD 5,000,000, grant number TF0A 1490,

To finance a project entitled “**Finance for Jobs Project I**” (the Project). In accordance with the Grant Agreement, the PA shall cause the Project to be carried out jointly by the Palestinian Ministry of Finance and Planning (MoFP) and a Project Implementation Agreement agency. Accordingly, an Implementation Agreement dated November 20, 2016 (the Implementation Agreement), has been signed between the MoFP and Development Alternatives, Inc. Global, LLC (DAI Global, LLC) under which DAI Global, LLC has been contracted as the Project Implementation Agency (PIA). The effective date of the Grant Agreement is November 30, 2016. The categories to be financed by the World Bank and the percentage of expenditure for items to be financed in each category, is as updated by the amendment to the Grant Agreement dated July 17, 2017, are as follows:

<u>Category</u>	<u>Allocated Amount (USD)</u>	<u>Percentage of Expenditure to be financed</u>
Category 1: Matching Grants under Part A of the Project	1,500,000	100%
Category 2: Goods, Non-consulting Services, Consultants Services, Management Fees, Training and Incremental Operating Costs under Part B and C of the Project.	3,500,000	100%
	<b><u>5,000,000</u></b>	

The objective of the Project is to test the effectiveness of selected financial inventions.

The Project consists of the following parts:

**Part A: Entrepreneurship Ecosystem Matching Grant**

Provision of Matching Grants to Beneficiaries to build their business development capacity and their business advisory capacity.

**Part B: Capacity Building**

1. Building a pipeline of job-focused private sector investments through conducting feasibility assessments on said private investments; and developing and utilizing a cost-benefit analysis methodology in conducting said assessments.
2. Supporting a program of activities to support the market preparation and related capacity building activities to assist the recipient to issue a development-impact bond instrument.
3. Supporting a program of activities to develop capacity of the MoFP to enable it to: (a) effectively engage with the private sector to collaborate on innovative solutions to job creation; (b) better understand market failures and risks of the private sector; and (c) assess, develop, and manage innovative financing instruments.

**Notes to the Project Financial Statements – continued**

(All amounts in USD)

**1. The Project and its Financing – continued**

**Part C: Project Management**

Strengthening the capacity of DAI Global, LLC for project management, coordination, monitoring and evaluation, including, inter alia, fiduciary control and oversight, environmental and social safeguards assessment, and preparation of project reports.

**2. Summary of Significant Accounting Policies**

The Project financial statements are prepared under the historical cost convention.

Significant accounting policies follow:

- **Basis of accounting**

The Project financial statements are prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than International Financial Reporting Standards (IFRS). Under this basis of accounting, sources of funds are recognized when related cash is received from the World Bank and uses of funds are recognized when cash payments are made by DAI.

- **Foreign currency**

The Project's basic functional currency is the United States Dollar (USD). Transactions that are expressed or denominated in other currencies were translated to USD using exchange rates in effect at the time of each transaction. Differences arising from the fluctuations in exchange rates were treated as exchange gains or losses in the statement of sources and uses of funds and designated bank account statement.

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**Notes to the Project Financial Statements – continued**

(All amounts in USD)

**3. Sources of Funds**

Up to December 31, 2019, DAI received the following payments from the World Bank:

<b>Withdrawal Application (WA) Number</b>	<b>Date of Fund Transfer</b>	<b>Advance Payment</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Total</b>
<b>Cumulative amount up to December 31, 2018</b>		<b>500,000</b>	<b>73,384</b>	<b>2,019,733</b>	<b>2,593,117</b>
<b><u>2019</u></b>					
F4JS-14	March 4, 2019	-	14,912	248,515	263,427
F4JS-15	July 6, 2019	-	32,828	241,188	274,016
F4JS-16	October 6, 2019	-	126,881	197,553	324,434
<b>Amount received during the year 2018</b>		<b>-</b>	<b>174,621</b>	<b>687,256</b>	<b>861,877</b>
<b>Cumulative amount up to December 31, 2019</b>		<b>500,000</b>	<b>248,005</b>	<b>2,706,989</b>	<b>3,454,994</b>

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**Notes to the Project Financial Statements – continued**  
(All amounts in USD)

**4. Uses of Funds**

This item represents the following:

	2019			2018		
	Part A: Entrepreneur ship Ecosystem Matching Grant	Part B: Capacity Building	Part C: Project Management	Total	Total	Cumulative up to December 31, 2019
Category 1: Matching Grants (A) & Annex I	363,689	-	-	363,689	88,296	451,985
Category 2: Goods, Non-consulting Services, Consultants' Services, Management Fees, Training and Incremental Operating Costs	10,559	201,002	610,108	821,669	843,281	2,960,572
	<b>374,248</b>	<b>201,002</b>	<b>610,108</b>	<b>1,185,358</b>	<b>931,577</b>	<b>3,412,557</b>

A) During year 2019, payments made to grantees amounted to USD 363,689, namely to: Ibtikar Funds (261,167), Leaders International (44,957) and The Syndicates (57,565). Subsequent to December 31, 2019, The Syndicates refunded USD 57,565 to F4J Project. Additionally, USD 20,041 will be refunded to F4J Project from Ibtikar Funds, because of ineligible expenses incurred by Redcrow Inc. during years 2019 & 2018.

**5. Payments for Project Expenditures**

Below is reconciliation of the Project expenditures shown in the designated bank account statement with the Project expenditures shown in the statement of sources and uses of funds:

	2019	2018
<b>Total uses of funds per statement of sources and uses of funds</b>	<b>1,185,358</b>	<b>931,577</b>
Add: Accrued payroll tax as of December 31, 2018	2,221	2,025
Deduct: Accrued payroll tax as of December 31, 2019	(427)	(2,221)
<b>Payments as reported in designated bank account statement</b>	<b>1,187,152</b>	<b>931,381</b>

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**Notes to the Project Financial Statements – continued**  
(All amounts in USD)

**6. SOE Procedures (Payments from Designated Bank Account)**

Payments from designated bank account represent amounts disbursed by DAI under the Project for the following disbursement categories:

<b>Withdrawal Application (WA) Number</b>	<b>Payment Method</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Total</b>
<b>Cumulative amount up to December 31, 2018</b>		<b>88,296</b>	<b>2,138,903</b>	<b>2,227,199</b>
<b><u>2019</u></b>				
F4JS-14	Payment from designated bank account	-	129,345	129,345
F4JS-15	Payment from designated bank account	32,828	241,188	274,016
F4JS-16	Payment from designated bank account	126,881	197,553	324,434
<b>Total Client connection up to December 31, 2019</b>		<b>159,709</b>	<b>568,086</b>	<b>727,795</b>
<b>Add: Expenses recorded by DAI in year 2019 but not reported to IDA as of December 31, 2019: (Reported subsequently in WA #17)</b>		203,980	253,156	457,136
Accrued payroll tax		-	427	427
<b>DAI records as of December 31, 2019</b>		<b>451,985</b>	<b>2,960,572</b>	<b>3,412,557</b>

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**Notes to the Project Financial Statements – continued**

(All amounts in USD)

**7. Reconciliations Between World Bank Records (Client Connection) and DAI Records**

	<b>Cumulative up to December 31, 2019</b>
<b>Project account per the client connection</b>	
Advance payment transferred to DAI	500,000
Category 1: Matching Grants under Part A of the Project	248,005
Category 2: Goods, Non-consulting services, consultants' services, management fees, training and incremental operating costs under part A, B and C of the project	2,706,989
	<b>3,454,994</b>
<b>Project accounts per DAI Global, LLC records</b>	
Category 1: Matching Grants under Part A of the Project	451,985
Category 2: Goods, Non-consulting services, consultants' services, management fees, training and incremental operating costs under part A, B and C of the project	2,960,572
Accrued payroll tax	(427)
Currency variances loss	30
	<b>3,412,160</b>
<b>Cash at bank as of December 31, 2019 (note 8)</b>	<b>42,834</b>

**8. Fund Balance – End of Year**

The fund balance at December 31, 2019 represents the following:

	<b>USD</b>
Cash maintained in the USD designated bank account	42,834
Deduct: Accrued payroll tax	(427)
	<b>42,407</b>

**ANNEX I**

Summary of payments made by F4J I Project to key grantees and their sub-grantees during 2019 under part A of the Project are:

<b>A</b>	<b>Ibtikar Grant Agreement</b>	<b>Amount Paid in 2019 in USD</b>
<b>1</b>	Ibtikar Capacity Building	5,339
<b>2</b>	Redcrow	76,554
<b>3</b>	Mashvisor	52,961
<b>4</b>	Kenz	30,113
<b>5</b>	Inggez	20,999
<b>6</b>	Safra	32,612
<b>7</b>	Fans Republic	1,103
<b>8</b>	Gamiphy	28,494
<b>9</b>	Play 3arabi	4,884
<b>10</b>	Vidmas	6,160
<b>11</b>	Receet	1,947
	<b>Sub-Total</b>	<b>261,167</b>

<b>B</b>	<b>Leaders Grant Agreement</b>	<b>Amount Paid in 2019 in USD</b>
<b>1</b>	Logestechs	9,524
<b>2</b>	Growth Arabi	6,857
<b>3</b>	Tabib Find	4,286
<b>4</b>	Menha - Esnad	3,809
<b>5</b>	Crowdpoll	6,650
<b>6</b>	Jwar	4,310
<b>7</b>	Azman	9,522
	<b>Sub-Total</b>	<b>44,957</b>

<b>C</b>	<b>The Syndicate</b>	<b>Amount Paid in 2019 in USD</b>
	<b>Sub-Total</b>	<b>57,565</b>

	<b>Grant Total EEMG Payment in 2019</b>	<b>363,689</b>
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We have audited all payments stated above, including supporting documents related to each payment, which were submitted to F4J I management by Grantees. The result of our work revealed ineligible expenses of USD 20,041 related to Redcrow Inc. (Startup entity) under Ibtikar grant agreement. Please refer to Special Purpose Audit Report dated April 6, 2020 for further details.