

THE PALESTINIAN MINISTRY OF FINANCE AND PLANNING

Project Title

FINANCE FOR JOBS PROJECT PHASE- II
(TF0A5297)

Funded by

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

Implemented by

DEVELOPMENT ALTERNATIVES, Inc. GLOBAL,LLC

Financial Statements
For the Year Ended December 31, 2019
and Independent Auditor's Report

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

Independent Auditor's Report

To The Development Alternatives, Inc. Global, LLC
Ramallah

Opinion

We have audited the financial statements of “**Finance for Jobs Project Phase- II**” (TF0A5297) (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 ended December 31, 2019, 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 26, 2020

The Palestinian Ministry of Finance and Planning
Finance for Jobs Project Phase- II (TF0A5297)
Funded by International Development Association
Financial Statements for the Year Ended December 31, 2019

Statement of Balance Sheet

(All amounts in USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Assets			
Current assets			
Cash at bank and on hand	7	306,217	349,920
Total current assets		<u>306,217</u>	<u>349,920</u>
Total assets		<u>306,217</u>	<u>349,920</u>
Liabilities and fund balance			
Current liabilities			
Accrued payroll tax		2,331	-
Total current liabilities		<u>2,331</u>	<u>-</u>
Total liabilities		<u>2,331</u>	<u>-</u>
Fund balance	7	303,886	349,920
Total liabilities and fund balance		<u>306,217</u>	<u>349,920</u>

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

The Palestinian Ministry of Finance and Planning
Finance for Jobs Project Phase- II (TF0A5297)
Funded by International Development Association
Financial Statements for the Year Ended December 31, 2019

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>
Fund balance – beginning of year		349,920	-	-
Sources of funds				
Advance payment	3	-	350,000	350,000
Replenishments received	3	2,000,000	-	2,000,000
Total sources of funds		2,000,000	350,000	2,350,000
Uses of funds				
Category 1: DIB		-	-	-
Category 2: ICF	4	2,000,000	-	2,000,000
Category 3: EEMG		-	-	-
Category 4: Project Management	4			
Incremental Operating Costs		46,034	80	46,114
Total uses of funds		2,046,034	80	2,046,114
Change in fund balance		(46,034)	349,920	303,886
Fund balance – end of year	7	303,886	349,920	303,886

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

The Palestinian Ministry of Finance and Planning
Finance for Jobs Project Phase- II (TF0A5297)
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Financial Statements for the Year Ended December 31, 2019

Designated Bank Account Statement

IBAN	PS63 PALS 0458 3202 1140 0130 0100 0
Bank account number	0458 / 3202114 / 001 / 3001 / 000
Depository bank	Bank of Palestine
Address	Ramallah
Related loan/ credit	TF0A5297
Currency	U.S. Dollar (USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance – beginning of year		349,920	-
Receipts during the year	3	-	350,000
Total		<u>-</u>	<u>350,000</u>
Deduct			
Payments for project expenditures from designated bank account	5	46,034	80
Currency variances loss		-	-
Total		<u>46,034</u>	<u>80</u>
Balance – end of year	7	<u>303,886</u>	<u>349,920</u>

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

The Palestinian Ministry of Finance and Planning
Finance for Jobs Project Phase- II (TF0A5297)
Funded by International Development Association
Financial Statements for the Year Ended December 31, 2019

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 September 27, 2017 (the Grant Agreement), whereby the world made a grant, to the PA in an amount equals to USD 8,000,000, grant number TF0A 5297.

To finance a project entitled “**Finance for Jobs Project- Phase II**” (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.

The categories to be financed by the World Bank and the percentage of expenditure for items to be financed in each category, are as follows:

<u>Category</u>	<u>Allocated Amount (USD)</u>	<u>Percentage of Expenditure to be financed</u>
Cat 1: DIB Payments under Component 1	3,500,000	100%
Cat 2: ICF Payments under Component 2	3,500,000	100%
Cat 3: EEMG under Component 1	-	-
Cat 4: Project Management	1,000,000	100%
	<u>8,000,000</u>	

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

The implementation of the project has been delayed to 2019, so there were no payments during 2018 except bank account commissions.

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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Finance for Jobs Project Phase- II (TF0A5297)
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Financial Statements for the Year Ended December 31, 2019

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:

<u>Withdrawal Application (WA)</u> <u>Number</u>	<u>Description</u>	<u>Advance Payment</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Category 4</u>	<u>Total</u>
Cumulative amount up to December 31, 2018		<u>350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
<u>2019</u>							
F4JS II GA- 3	Direct payment transferred to PRICO Co.	-	-	2,000,000	-	-	2,000,000
Amount received during the year 2019		<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Cumulative amount up to December 31, 2019		<u>350,000</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,350,000</u>

4. Uses of Funds

This item represents the following:

	<u>2019</u>					<u>2018</u>	<u>Cumulative up to December 31, 2019</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Category 4</u>	<u>Total</u>	<u>Total</u>	
ICF	-	2,000,000	-	-	2,000,000	-	2,000,000
Operating costs, Management fees	-	-	-	46,034	46,034	80	46,114
	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>64,034</u>	<u>2,046,034</u>	<u>80</u>	<u>2,046,114</u>

**The Palestinian Ministry of Finance and Planning
Finance for Jobs Project Phase- II (TF0A5297)
Funded by International Development Association
Financial Statements for the Year Ended December 31, 2019**

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

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:

	<u>2019</u>	<u>2018</u>
Total uses of funds per statement of sources and uses of funds	2,046,034	80
Deduct: amount directly spent from PRICO Company	(2,000,000)	-
Accrued payroll tax as of December 31, 2019	(2,331)	-
Payments as reported in designated bank account statement	43,703	80

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

	<u>Cumulative up to December 31, 2019</u>
Project account per the client connection	
Advance payment transferred to DAI	350,000
Category 2: ICF	2,000,000
	2,350,000
Project accounts per DAI Global, LLC records	
Category 2: ICF	2,000,000
Category 4: Operating costs, Management fees	46,114
Accrued income tax	(2,331)
Cash at bank	306,217
	2,350,000
Difference	-

7. Fund Balance – End of Year

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

	<u>USD</u>
Cash maintained in the USD designated bank account	306,217
Deduct: Accrued payroll tax	(2,331)
	303,886