

**COMMUNITY AGRICULTURAL RESOURCE MANAGEMENT AND
COMPETITIVENESS PROJECT**

GEF MSP GRANT NUMBER TF013724

**IMPLEMENTED BY "AGRICULTURAL PROJECTS IMPLEMENTATION UNIT"
STATE AGENCY UNDER THE MINISTRY OF AGRICULTURE OF
THE REPUBLIC OF ARMENIA**

**Special Purpose Project Financial Statements
and
Independent Auditor's Report**

For the year ended 31 December 2015

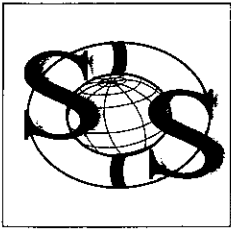
**YEREVAN
June 2016**

**COMMUNITY AGRICULTURAL RESOURCE MANAGEMENT AND COMPETITIVENESS
PROJECT**

GEF MSP GRANT NUMBER TF013724

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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of the
"Community Agricultural Resource Management and Competitiveness Project"
for the year ended 31 December 2015*

To the Management of the "Agricultural Projects Implementation Unit" State Agency

We have audited the accompanying special purpose financial statements of the "Community Agricultural Resource Management and Competitiveness Project" (hereafter: the Project) financed by GEF MSP Grant No. TF013724, and implemented by the "Agricultural Projects Implementation Unit" State Agency (the APIU), which comprise the statement of cash receipts and payments, the statement of uses of funds by Project activity for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

The management of APIU is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with 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 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

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) within the IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

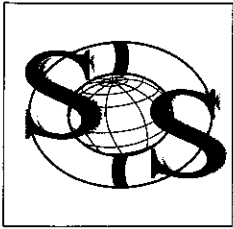
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statement 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 entity's internal control.

Քրոու Հորվաթ Բիզնես Ալյանսի Ասոցիացված Անդամ

Գր: ք. Երևան 0037, Ա.Տիգրանյան 38/55; Բեռ: (+37410) 20 11 51; Ֆաքս (+37410) 20 11 50; www.sosaudit.am; Էլ-փոստ info@sosaudit.am

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An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

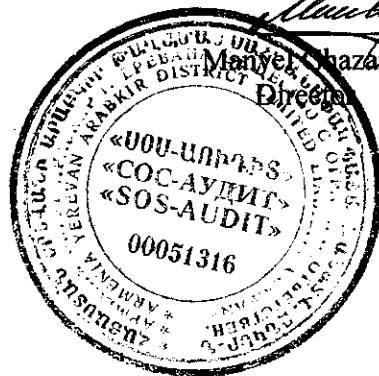
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

1. 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 2015 in accordance with IPSAS-Cash Basis and World Bank related guidelines;
2. funds have been used in accordance with the conditions of the Letter Agreement GEF MSP Grant No.TF013724 dated 18 April 2013 between the International Bank for Reconstruction and Development (IBRD) and the Republic of Armenia, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
3. 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 GEF MSP Grant No. TF013724 dated 18 April 2013;
4. The Designated account used has been maintained in accordance with the provision of the GEF MSP Grant No.TF013724 dated 18 April 2013, and World Bank related guidelines.

"SOS-Audit" LLC
16 June 2016



Maryel Chazarayan
Maryel Chazarayan
Director

Nazik Chitchyan
Nazik Chitchyan
Auditor

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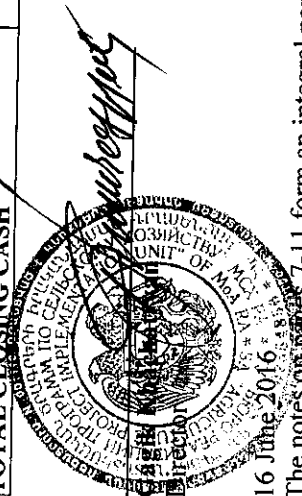
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Community Agricultural Resource Management and Competitiveness Project
GEF MSP Grant No. TF013724

Statement of cash receipts and payments
For the year ended 31 December 2015
(Amounts are shown in US dollars)

	Actual		Planned		Variance		PAD
	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	
TOTAL OPENING CASH	149,012.56	-					
Sources of Funds							
8.1 GEF MSP Grant No. TF013724	319,624.60	690,064.48					900,000.00
8.2 Government of RoA	71,544.26	135,981.84					180,000.00
TOTAL FUNDS	391,168.86	826,046.32					1,080,000.00
Foreign currency gain/(loss)	(315.52)	(3,414.33)					
Uses of funds							
7							
1. Consultants' services and Training	154,429.90	392,142.90	110,286.00	347,999.00	44,143.90	44,143.90	582,000.00
2. Community Grants under Part 1(b)	194,271.04	239,324.13	306,274.00	351,327.09	(112,002.96)	(112,002.96)	498,000.00
TOTAL PROJECT EXPENDITURES	348,700.94	631,467.03	416,560.00	699,326.09	(67,859.06)	(67,859.06)	1,080,000.00
CLOSING CASH BALANCE							
6 Designated Account (GEF Grant)	155,582.33	155,582.33					
Project Account (GOA)	35,582.63	35,582.63					
TOTAL CLOSING CASH	191,164.96	191,164.96					



Armine Hakobyan
Armine Hakobyan
 Financial manager

16 June 2016

The notes on pages 7-11 form an integral part of these special purpose project financial statements.

Community Agricultural Resource Management and Competitiveness Project
GEF MSP Grant No. TF013724

Statement of uses of funds by Project activity
For the year ended 31 December 2015
(Amounts are shown in US dollars)

Component	Actual		Planned		Variance		PAD
	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	
Component 1. Community Pasture/livestock Management System							
1 (a). Development of Community Pasture/livestock Management Plans	345,335.03	563,759.99	405,531.00	623,955.96	(60,195.97)	(60,195.97)	1,008,000.00
1 (b). Community grants	151,063.99	324,435.86	99,257.00	272,628.87	51,806.99	51,806.99	426,000
Component 2. Strengthening Support Services	194,271.04	239,324.13	306,274.00	351,327.09	(112,002.96)	(112,002.96)	582,000
Component 3. Project Management and Monitoring and Evaluation	-	56,110.85	-	56,110.85	-	-	60,000.00
	3,365.91	11,596.19	11,029.00	19,259.28	(7,663.09)	(7,663.09)	12,000.00
Total Project Expenditure	348,700.94	631,467.03	416,560.00	699,326.09	(67,859.06)	(67,859.06)	1,080,000.00

Statement of uses of funds by Project activity

For the year ended 31 December 2015

(Amounts are shown in US dollars)

1. General information

1.1. The Project

The Letter Agreement GEF MSP Grant No.TF013724 was concluded on 18 April 2013 between the Republic of Armenia and the International Bank for Reconstruction and Development (IBRD), according to which IBRD, acting as an administrator of grant funds provided by the Global Environment Facility (GEF), provided a grant in the amount not exceed 900,000 United States dollars (USD).

The grant is provided to assist in the financing of the “Community Agricultural Resource Management and Competitiveness Project” (the Project).

The Closing Date of the financing under GEF MSP Grant No.TF013724 is set on 11 December 2016. 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 objectives

The objectives of the Project are to improve flows of agro-system service to sustain livelihoods of local communities and reduce pressures on natural resources from competing land uses in the wider landscape.

The Project consists of the following parts:

Part 1. Community pasture/livestock management system:

- (a) Provision of technical assistance and training to develop the Community Pasture/Livestock Management Plans;
- (b) Provision of the Community Grants to Beneficiaries to implement the Community Pasture/Livestock Management Plans.

Part 2. Strengthening support services,

- (a) Provision of technical assistance and training to strengthen Marz Agriculture Support Centers (MASC) capacity in delivering advisory and educational services;
- (b) Provision of technical assistance and training for improving public awareness on sustainable land management.

Part 3. Project management and monitoring and evaluation.

1.3. The Project Budget and Financing

The Project is being financed by the following sources:

- GEF MSP Grant No.TF013724 – 100% of all expenditures, exclusive of taxes,
- The Government of the Republic of Armenia (Government of RoA) - expenditures related taxes.

Category	GEF MSP Grant No.TF013724	Government of the RA	Total
	USD	USD	USD
1. Consultants' services and Training	485,000.00	97,000.00	582,000.00
2. Community Grants under Part 1(b)	415,000.00	83,000.00	498,000.00
Total	900,000.00	180,000.00	1,080,000.00

Statement of uses of funds by Project activity

For the year ended 31 December 2015

(Amounts are shown in US dollars)

1.4. Project Implementation

The Project is implemented by the "Agricultural Projects Implementation Unit" State Agency under the Ministry of Agriculture of the Republic of Armenia (the APIU) that was established in accordance with the Republic of Armenia Government decree #765 dated 22 December 1999.

The APIU's address is: 54B/15 Komitas avenue, Yerevan, Republic of Armenia.

2. Summary of significant accounting policies

2.1. Preparation and presentation of financial statements

The special purpose financial statements are prepared in accordance with the International Public Sector Accounting Standard: *Financial Reporting Under the Cash Basis of Accounting* (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Financial Management Manual for World Bank Financed Investment Operations (March 2010): RM 3 – Financial Reporting and Auditing.

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2 Cash basis of accounting

Project financing is recognised as a source of project funds when the cash is received. Project expenditures are recognised as a use of project funds when the payments are made.

2.3 Reporting currency

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

The average exchange rate at currency market issued by the CBA as at 31 December 2014 is 1 USD =474.97 AMD.

The average exchange rate at currency market issued by the CBA as at 31 December 2015 is 1 USD =483.75 AMD

2.4. Taxes

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

2.5. Budget

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

Statement of uses of funds by Project activity

For the year ended 31 December 2015

(Amounts are shown in US dollars)

3. Summary of Summary Reports and SOEs

Withdrawal application No	Withdrawal application value date	Payment categories		Total
		1. Consultants' services and Training	2. Community Grants under Part 1(b)	
		USD	USD	
4	13-Mar-2015	61,621.37	-	61,621.37
5	26-May-2015	73,537.86	97,158.62	170,696.48
6	15-Sep-2015	22,594.11	64,712.64	87,306.75
Total		157,753.34	161,871.26	319,624.60

4. Statement of Designated Account

Bank account number 900000929027
 Bank Central Treasury
 Bank location 4 Tigran Mets str., 1-st floor, Yerevan, 0010
 Republic of Armenia
 Currency USD

	GEF MSP Grant No. TF013724 Year ended 31 Dec 2015
1. Opening balance as at 01.01.2015	132,221.62
2. Add: opening discrepancy	-
3. IBRD advance/replenishment	319,624.60
4. Less: Refund to IBRD from DA	-
5. Present outstanding amount advanced to DA	451,846.22
6. DA closing balance as at 31.12.2015	155,582.33
7. Add: Amount of eligible expenditures paid	296,263.89
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	451,846.22
10. Closing discrepancy (5)-(9)	-

Statement of uses of funds by Project activity

For the year ended 31 December 2015

(Amounts are shown in US dollars)

5. Statement of Financial Position

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

	note	31.12.2015 USD	31.12.2014 USD
ASSETS			
Cash	6	191,164.96	149,012.56
Prepayments		-	25,854.26
Total assets		191,164.96	174,866.82
LIABILITIES			
Payables		12,140.14	2,007.92
Total liabilities		12,140.14	2,007.92
NET ASSETS			
Cumulative income			
GEF MSP Grant No. TF013724	8.1	690,064.48	370,439.88
Government of RoA	8.2	135,981.84	64,437.58
		826,046.32	434,877.46
Cumulative expenses			
Project expenses		(640,910.33)	(255,381.15)
		(640,910.33)	(255,381.15)
Foreign exchange gain/(loss)		(6,111.17)	(6,637.41)
Total net assets		179,024.82	172,858.90

6. Cash

	Account held at	Underlying Currency	31.12.2015 USD	31.12.2014 USD
Designated account (GEF MSP Grant No. TF013724)	Treasury	USD	155,582.33	132,221.62
Project account (Government of RoA)	Treasury	AMD	35,582.63	16,790.94
Total			191,164.96	149,012.56

7. Project Expenditures

7.1. Project expenditures financing per funds

Expenditure category	Reporting year			Cumulative As at 31 Dec 2015		
	GEF MSP Grant No. TF013724	Government of RA	Total	GEF MSP Grant No. TF013724	Government of RA	Total
	USD	USD	USD	USD	USD	USD
1. Consultants' services and Training	134,392.63	20,037.27	154,429.90	335,019.87	57,123.03	392,142.90
2. Community Grants under Part 1(b)	161,871.26	32,399.78	194,271.04	199,462.28	39,861.85	239,324.13
Total	296,263.89	52,437.05	348,700.94	534,482.15	96,984.88	631,467.03

Statement of uses of funds by Project activity

For the year ended 31 December 2015

(Amounts are shown in US dollars)

7.2. Project expenditure budget execution

Expenditure category	Cumulative Expenditures as at 31 Dec 2015	Total budget	Execution
	USD	USD	%
1. Consultants' services and Training	392,142.90	582,000.00	67%
2. Community Grants under Part 1(b)	239,324.13	498,000.00	48%
Total	631,467.03	1,080,000.00	58%

8. Financing

8.1. GEF MSP Grant No. TF013724

	Reporting year USD	Cumulative as at 31 Dec 2015 USD
Advances/ (advance recovery)	-	180,000.00
SOE and Summary Report	319,624.60	510,064.48
Total	319,624.60	690,064.48
Total financing budget		900,000.00
Percentage of finance provided as at 31 Dec 2015		77%

8.2. Government of RoA

	Reporting year USD	Cumulative as at 31 Dec 2015 USD
Financed	71,544.26	135,981.84
Total financing budget		180,000.00
Percentage of finance provided as at 31 Dec 2015		76%

9. Event after the reporting date

The application No. 7 in the total amount of 48,312.15 USD, that includes expenditures relating to the reporting period (from 11 October 2015 to 31 December 2015) in the amount of 24,417.67 USD was submitted to WB on 29 January 2016 and approved on 1 February 2016.

**Community Agricultural Resource Management and Competitiveness Project
GEF MSP Grant No. TF013724**

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE APIU AND
DISBURSED BY THE WORLD BANK**
For the year ended 31 December 2015
(Amounts are shown in US dollars)

Expenditure Category	Appl. N	APIU	WB	Difference
1. Consultants' services and training under the Project	4	61,621.37	61,621.37	-
	5	73,537.86	73,537.86	-
	6	22,594.11	22,594.11	-
		157,753.34	157,753.34	
2. Community Grants under part 1(b)	5	97,158.62	97,158.62	-
	6	64,712.64	64,712.64	-
		161,871.26	161,871.26	
		319,624.60	319,624.60	