

AUDITED PROJECT FINANCIAL STATEMENTS

Project № : 1100001760

IFAD Loan No. 2000000778

IFAD Grant No. 2000000248

GEF Grant No. 2000000827

DANIDA Grant No. 2000001739

Period covered 1st January 2019 – 31st December 2019

Agriculture Modernization, Market Access And Resilience Project (AMMAR)

Prepared by: BDO Armenia CJSJ

Received on 18th May 2020

The Audited project financial statements are documents owned by the Borrower/ Recipient. The views expressed herein do not necessarily represent those IFAD's Executive Board, Management or Staff. This document is made publicly available in accordance with the "Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects (2018)"

**AGRICULTURE MODERNIZATION, MARKET ACCESS AND RESILIENCE
PROJECT ("AMMAR")**

**IFAD LOAN NUMBER 2000000778
IFAD GRANT NUMBER 2000000248
GEF GRANT NUMBER 2000000827
DANIDA GRANT NUMBER 2000001739**

**IMPLEMENTED BY
INTERNATIONAL RELATIONS DEPARTMENT ("IRD")
OF THE MINISTRY OF ENVIRONMENTAL PROTECTION AND AGRICULTURE OF GEORGIA**

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

**TBILISI
May 2020**

AGRICULTURE MODERNIZATION, MARKET ACCESS AND RESILIENCE PROJECT

IFAD LOAN NUMBER 2000000778
IFAD GRANT NUMBER 2000000248
GEF GRANT NUMBER 2000000827
DANIDA GRANT NUMBER 2000001739

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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") is responsible for the preparation of the special purpose financial statements of "Agriculture Modernization, Market Access and Resilience Project" ("Project") financed by Financing Agreement IFAD Loan Number 2000000778 dated 17 Feb 2015, Grant Agreement IFAD Grant Number 2000000248 dated 18 Dec 2013, Financing Agreement DANIDA Grant Number 2000001739 dated 1 May 2017 and Financing Agreement GEF Grant Number 2000000827 dated 17 Feb 2015 (all together "Financing Agreements"), 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 financial reporting relevant requirements of IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook").

In preparing the special purpose financial statements, IRD'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 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 *IFAD Handbook*;
- 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 Agreements, and IFAD Handbook, 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 15 May 2020 by the IRD's Management.



George Khanishvili
First Deputy Minister of MEPA



Nino Tatishvili
Consultant in Financial Management of IRD

INDEPENDENT AUDITOR'S REPORT

To the Ministry of Environmental Protection and Agriculture of Georgia

Opinion

We have audited the special purpose financial statements of "Agriculture Modernization, Market Access and Resilience Project" ("Project") financed by Financing Agreement IFAD Loan Number 2000000778 dated 17 Feb 2015, Grant Agreement IFAD Grant Number 2000000248 dated 18 Dec 2013, Financing Agreement GEF Grant Number 2000000827 dated 17 Feb 2015, and Financing Agreement DANIDA Grant Number 2000001739 dated 1 May 2017 (all together "Financing Agreements"), and implemented by International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture 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 and of the IRD in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our 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 - 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 is 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 reporting requirements of IFAD Handbook, 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 management shall insure that:

1. funds have been used in accordance with the conditions of the Financing Agreements concluded between the International Fund for Agriculture Development ("IFAD") and the Georgia, and IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook"), 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 expenditures incurred. Expenditures included in the withdrawal applications (SOEs) and reimbursed against are eligible for financing under the Letter Agreement. Amounts withdrawn from the project account on the basis of such SOEs were used for the purposes intended under the Letter Agreement. Respective unaudited financial reports issued by IRD during the reporting period are in agreement with the underlying books of account;
3. the Designated Account used has been maintained and withdrawals from it were in accordance with the provision of the Financing Agreement, and IFAD Handbook;
4. Works, Goods and Services financed have been procured in accordance with the Financing Agreement and IFAD Handbook;
5. Assets procured exist, are properly safeguarded and there is verifiable ownership by IRD or beneficiaries in line with the Financing Agreements.

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

"BDO Armenia" CJSC

15 May 2020

Gnel Khachatryan, FCCA
Engagement Partner



Agriculture Modernization, Market Access and Resilience Project
IFAD Loan Number 2000000778
IFAD Grant Number 2000000248
GEF Grant Number 2000000827
DANIDA Grant Number 2000001739

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	Cumulative as at 31.Dec.2019	Cumulative as at 31.Dec.2019
TOTAL OPENING CASH		1,217,057	-		
Sources of Funds	7				
IFAD Loan Number 2000000778		3,875,031	10,511,800		
IFAD Grant Number 2000000248		-	159,705		
GEF Grant Number 2000000827		1,627,816	4,241,642		
DANIDA Grant Number 2000001739		1,859,950	4,110,000		
Government cofinancing		583,453	1,424,981		
Beneficiary cofinancing		147,298	147,298		
TOTAL FUNDS		8,093,548	20,595,426		
Other income (sale of bidding documents)		-	1,204		
Project Expenditures	6				
Works		3,311,374	8,136,839	9,800,459	(1,663,620)
Consultancies		477,982	1,760,705	1,794,956	(34,251)
Grants and Subsidies		4,003,390	8,470,794	8,824,826	(354,032)
Operating costs		172,197	869,315	908,776	(39,461)
TOTAL PROJECT EXPENDITURES		7,964,943	19,237,653	21,329,017	(2,091,364)
Foreign exchange gain		17,809	4,494		
TOTAL CLOSING CASH	5	1,363,471	1,363,471		

George Khanishvili
First Deputy Minister of MEPA

Nino Tatishvili
Consultant in Financial Management of IRD

15 May 2020

The notes on pages 8-18 form an integral part of these special purpose financial statements.

Agriculture Modernization, Market Access and Resilience Project
 IFAD Loan Number 2000000778
 IFAD Grant Number 2000000248
 GEF Grant Number 2000000827
 DANIDA Grant Number 2000001739

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	Cumulative as at 31.Dec.2019	Cumulative as at 31.Dec.2019	
Part 1. Irrigation and Agricultural Value Chain Investment	7,515,758	16,911,439	18,884,658		(1,973,219)
1.1. Investment in secondary off-farm irrigation and value chain infrastructure	3,312,558	8,171,820	9,786,263		(1,614,443)
1.2. Private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities	4,203,200	8,739,619	9,098,395		(358,776)
Part 2. Climate-smart Agriculture and Value Chain development	262,361	1,592,490	1,597,130		(4,640)
2.1. Value Chain development process and support	63,391	1,000,053	1,033,503		(33,450)
2.2. Climate-smart agricultural technology transfer	198,970	592,437	563,627		28,810
Part 3. Project management	186,824	733,724	847,229		(113,505)
TOTAL	7,964,943	19,237,653	21,329,017		(2,091,364)

George Khanishvili
 First Deputy Minister of MEPA

Nino Tatishvili
 Consultant in Financial Management of IRD

15 May 2020

The notes on pages 8-18 form an integral part of these special purpose financial statements.

Notes to the special purpose financial statements

For the year ended 31 December 2019

(Amounts are shown in US dollars)

1. General information

1.1. The Project

The Financing Agreement IFAD Loan Number 2000000778 was signed on 17 February 2015 between the Georgia and the International Fund for Agriculture Development ("IFAD"), according to which IFAD provided financing to the Georgia in the amount of 8,610,000 Special Drawing Rights (SDR).

The payment currency of the loan is United States dollars (USD).

The Financing Agreement became effective on 28 May 2015.

The Grant Agreement IFAD Grant Number 2000000248 was signed on 18 Dec 2013 between the Georgia and IFAD, according to which IFAD provided financing to the Georgia in the amount of 500,000 USD.

The Grant Agreement became effective on 18 Dec 2013.

The Financing Agreement DANIDA Grant Number 2000001739 was signed on 1 May 2017 between the Georgia and IFAD, according to which IFAD provided financing to the Georgia in the amount of 4,110,000 USD.

The Financing Agreement became effective on 1 May 2017.

The IFAD Loan and Grant were provided for the implementation of "Agriculture Modernization, Market Access and Resilience Project" (the Project).

The Financing Agreement GEF Grant Number 2000000827 was signed on 17 February 2015 between the Georgia and the IFAD, according to which Global Environment Facility ("GEF") Secretariat provided additional financing for the Project in the amount of 5,300,000 USD.

The Financing Agreement became effective on 17 Feb 2015.

The Completion date of financing under IFAD Loan Number 2000000778 is set 31 October 2020 (as updated).

The Closing date for making payments for expenditures incurred before the Completion date is set: 30 April 2021.

The Completion date of financing under IFAD Grant Number 2000000248 is set 31 December 2016.

The Closing date is set: 30 September 2017.

The Completion date of financing under GEF Grant Number 2000000827 is set 31 July 2020 (as updated).

The Closing date is set: 31 January 2021.

The Completion date of financing under DANIDA Grant Number 2000001739 is set 31 December 2019.

The Closing date is set: 30 June 2020.

1.2. The Project objectives

The objective of the Project is to stimulate investment in climate smart agricultural value chains to increase incomes and strengthen resilience of smallholder farmers.

The Project consists of the following components:

Component 1: Irrigation and Agricultural Value Chain Investment

Agriculture Modernization, Market Access and Resilience Project

IFAD Loan Number 2000000778

IFAD Grant Number 2000000248

GEF Grant Number 2000000827

DANIDA Grant Number 2000001739

Notes to the special purpose financial statements

For the year 31 December 2019

(Amounts are shown in US dollars)

1. Support investment in secondary off-farm irrigation and value chain infrastructure;
2. Stimulate private investment by smallholder farmers and agribusinesses in climate smart production methods and value chain activities through a partial matching grant scheme.

Component 2: Climate Smart Agriculture and Value Chain Development

- (i) an initial value chain screening and prioritization process;
- (ii) an ongoing multi-stakeholder process of value chain facilitation in each value chain to identify critical constraints thereof and ways to remove such constraints; and
- (iii) climate-smart good agricultural practices and technology transfer, training and promotion including practical field training at small-scale technology plots.

Part C: Project Management.

1.3. Project Implementation

The Project is implemented by the International Relations Department ("IRD") of the Ministry of Environmental Protection and Agriculture of the Georgia.

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

The Agricultural Projects Management Agency ("APMA") is selected to implement activities related to grants under the Component 1: Irrigation and Agriculture Value Chain Investment.

The grants and subsidies are provided in accordance with Investment Guideless dated.

The APMA address is: 10a, Akhmeteli Str, Tbilisi, Georgia.

1.4. The Project Budget

The Project is financed by:

- IFAD Loan Number 2000000778 -100% exclusive of duties and value added taxes (VAT),
- IFAD Grant Number 2000000248 -100% exclusive of duties and VAT,
- GEF Grant Number 2000000827 -100% exclusive of duties and VAT,
- DANIDA Grant Number 2000001739-100% exclusive of duties and VAT,
- Government cofinancing - duties and VAT,
- Beneficiary cofinancing (5% on Civil works, and 60% on Grants and Subsidies).

Agriculture Modernization, Market Access and Resilience Project
IFAD Loan Number 2000000778
IFAD Grant Number 2000000248
GEF Grant Number 2000000827
DANIDA Grant Number 2000001739

Notes to the special purpose financial statements

For the year ended 31 December 2019

(Amounts are shown in US dollars)

Category	IFAD Loan Number 2000000778			IFAD Grant Number 2000000248 (c)	GEF Grant Number 2000000827		Danida Grant Number 2000001739		Government cofinancing	Beneficiary cofinancing (f)	Total
	Initial	Updated (b)	USD equivalent (a)		Initial	Updated (d)	Initial	Updated (e)	USD equivalent	USD equivalent	USD equivalent
	SDR	SDR			USD	USD	USD	USD			
Works	4,645,000	5,070,000	7,071,061	-	1,316,000	1,586,000	-	-	1,991,124	432,853	11,081,038
Consultancies	60,000	60,000	83,681	48,512	878,000	1,138,000	326,052	526,052	53,887	-	1,850,132
Grants and Subsidies	2,605,000	3,040,000	4,239,848	-	2,076,000	2,076,000	3,372,948	3,583,948	-	-	9,899,796
Operating costs	440,000	440,000	613,662	111,193	500,000	500,000	-	-	36,746	-	1,261,601
Unallocated	860,000	-	-	-	530,000	-	411,000	-	-	-	-
Total	8,610,000	8,610,000	12,008,252	159,705	5,300,000	5,300,000	4,110,000	4,110,000	2,081,757	432,853	24,092,567

- (a) The budget USD equivalents for IFAD Loan Number 2000000778 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).
- (b) The reallocation of IFAD Loan Number 2000000778 is approved by the WB on 18 March 2019.
- (c) The IFAD Grant Number 2000000248 initial budget was 500,000 USD; however the grant was completed on 31 Dec 2016 with disbursement of just 159,705 USD. Undisbursed balance was cancelled, and updated budget was set to actual allocation made.
- (d) The reallocation of GEF Grant Number 2000000827 is approved by the IFAD on 18 March 2019.
- (e) The reallocation of Danida Grant Number 2000001739 is approved by the IFAD on 5 August 2019.
- (f) The amount of 423,853 USD reported in above table is an estimation of the beneficiaries' community cofinancing share on Construction works is set 5% of total contract amount, to cover retained amount for liquidation of defects within one year. The financing is provided by the beneficiaries to "Georgian Amelioration" LTD (State Owned), which transfers cash cofinancing to Treasury account of IRD for making payments to contractors.
- (g) The budget above does not include beneficiary cofinancing related to Grants. The Beneficiaries shall provide prove of 60% share of the grants and subsidies through supporting documents (bank statements, payment receipts); which is estimated 14,849,694 USD equivalent as at 31.12.2019.

Notes to the special purpose financial statements

For the year 31 December 2019

(Amounts are shown in US dollars)

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 reporting guidelines of IFAD Handbook for Financial Reporting and Auditing for IFAD-Financed Projects ("IFAD Handbook").

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.

Agriculture Modernization, Market Access and Resilience Project**IFAD Loan Number 2000000778****IFAD Grant Number 2000000248****GEF Grant Number 2000000827****DANIDA Grant Number 2000001739****Notes to the special purpose financial statements**

For the year 31 December 2019

*(Amounts are shown in US dollars)***3. Summary of SOEs****3.1. IFAD Loan Number 2000000778**

Withdrawal application No	Withdrawal application value date	Payment categories				Total
		Code: 200003, Works	Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200016 Operating costs	
10	06-Feb-2019	684,660.78	2,922.02	321,183.23	4,960.17	1,013,726.20
15	26-Apr-2019	763,319.38	2,853.38	484,327.70	12,086.83	1,262,587.29
Total		1,447,980.16	5,775.40	805,510.93	17,047.00	2,276,313.49

3.2. IFAD Grant Number 2000000248

The IFAD Grant Number 2000000248 was completed on 31 Dec 2016; no withdrawal application were submitted after that date.

3.3. GEF Grant Number 2000000827

Withdrawal application No	Withdrawal application value date	Payment categories				Total
		Code: 200003, Works	Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200016 Operating costs	
9	06-Feb-2019	112,260.90	87,455.23	283,095.35	49,349.15	532,160.63
10	26-Feb-2019	64,635.81	29,768.68	523,649.50	56,480.01	674,534.00
11	23-Dec-2019	156,131.56	133,374.81	121,238.51	10,376.16	421,121.04
Total		333,028.27	250,598.72	927,983.36	116,205.32	1,627,815.67

3.4. DANIDA Grant Number 2000001739

Withdrawal application No	Withdrawal application value date	Payment categories			Total
		Code: 200008, Consultancies	Code: 200012 Grants and Subsidies	Code: 200019 Trainings	
3	06-Jan-2019	60,114.58	830,164.59	68,256.59	958,535.76
4	04-Dec-2019	29,911.33	1,028,581.77	84,730.77	1,143,223.87
Total		90,025.91	1,858,746.36	152,987.36	2,101,759.63

Notes to the special purpose financial statements

For the year 31 December 2019

(Amounts are shown in US dollars)

4. Statement of Designated Accounts

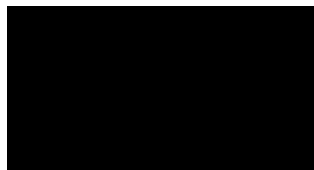
4.1. IFAD Loan Number 2000000778

Bank account number

Bank

Bank location

Account currency



	Year ended 31.Dec.2019
	USD
1. Opening balance	146,146
2. Add: opening discrepancy	-
3. IFAD advance/replenishment	3,776,313
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	<u>3,922,459</u>
6. DA closing balance	822,532
7. Add: Amount of eligible expenditures paid	3,099,927
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	<u>3,922,459</u>
10. Closing discrepancy (5)-(9)	-

4.2. IFAD Grant Number 2000000248

The IFAD Grant Number 2000000248 funding was completed and the Designated account was closed as at 31 Dec 2017.

Notes to the special purpose financial statements

For the year 31 December 2019

(Amounts are shown in US dollars)

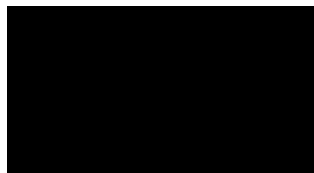
4.3. GEF Grant Number 2000000827

Bank account number

Bank

Bank location

Account currency



	Year ended 31.Dec.2019
	<u>USD</u>
1. Opening balance	267,839
2. Add: opening discrepancy	-
3. IFAD advance/replenishment	1,627,816
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	<u>1,895,655</u>
6. DA closing balance	387,943
7. Add: Amount of eligible expenditures paid	1,507,712
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	<u>1,895,655</u>
10. Closing discrepancy (5)-(9)	-

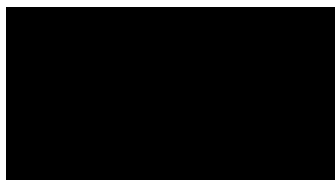
4.4. DANIDA Grant Number 2000001739

Bank account number

Bank

Bank location

Account currency



	Year ended 31.Dec.2019
	<u>USD</u>
1. Opening balance	654,050
2. Add: opening discrepancy	161,132
3. IFAD advance/replenishment	1,859,950
4. Less: Refund to IFAD from DA	-
5. Present outstanding amount advanced to DA	<u>2,675,132</u>
6. DA closing balance	-
7. Add: Amount of eligible expenditures paid	2,675,132
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	<u>2,675,132</u>
10. Closing discrepancy (5)-(9)	-

Agriculture Modernization, Market Access and Resilience Project
IFAD Loan Number 2000000778
IFAD Grant Number 2000000248
GEF Grant Number 2000000827
DANIDA Grant Number 2000001739
Notes to the special purpose financial statements

For the year 31 December 2019

(Amounts are shown in US dollars)
5. Cash

	Underlying Currency	31 Dec 2019 USD	31 Dec 2018 USD
Designated Account (IFAD Loan Number 2000000778)	USD	822,532	146,146
Designated Account (GEF Grant Number 2000000827)	USD	387,943	267,839
Designated Account (DANIDA Grant Number 2000001739)	USD	-	654,050
Transit account (DANIDA Grant Number 2000001739)	GEL	-	147,918
Tender account	GEL	1,029	1,104
Transit account (LTD Amelioration Company)	GEL	151,967	-
		1,363,471	1,217,057

6. Project Expenditures
6.1. Expenditure per funding source per categories

Category	For the year ended 31.Dec.2019						
	IFAD LOAN Number 2000000778	IFAD Grant Number 2000000248	GEF Grant Number 2000000827	DANIDA Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing	Total
	USD	USD	USD	USD	USD	USD	USD
Works	2,386,532	-	399,628		525,214	-	3,311,374
Consultancies	11,324	-	169,160	265,562	31,936	-	477,982
Grants and Subsidies	707,151	-	870,667	2,409,570	16,002	-	4,003,390
Operating costs	93,638	-	68,257		10,301	-	172,197
Total	3,198,645	-	1,507,712	2,675,132	583,453	-	7,964,943

Category	Cumulative as at 31.Dec.2019						
	IFAD LOAN Number 2000000778	IFAD Grant Number 2000000248	GEF Grant Number 2000000827	DANIDA Grant Number 2000001739	Government cofinancing	Beneficiary cofinancing	Total
	USD	USD	USD	USD	USD	USD	USD
Works	5,994,139	-	1,006,091	-	1,136,609	-	8,136,839
Consultancies	100,750	48,512	907,650	516,617	187,176	-	1,760,705
Grants and Subsidies	3,111,752	-	1,710,315	3,593,383	55,344	-	8,470,794
Operating costs	482,628	111,193	229,642	-	45,852	-	869,315
Total	9,689,269	159,705	3,853,698	4,110,000	1,424,981	-	19,237,653

6.2. Progress expenditure progress per categories

Category	Cumulative Expenditures as at 31.Dec.2019	Project total budget	Progress (a)
	USD	USD	%
Works	8,136,839	11,081,038	73%
Consultancies	1,760,705	1,850,132	95%
Grants and Subsidies	8,470,794	9,899,796	86%
Operating costs	869,315	1,261,601	69%
Total	19,237,653	24,092,567	80%

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7. Financing

7.1. IFAD Loan Number 2000000778

A. Per payment method

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
Advance/ (advance recovery)	1,500,000	3,000,000
Direct Payments	98,718	98,718
SOEs	2,276,313	7,413,082
Total	3,875,031	10,511,800
Total financing budget		12,008,252
Percentage of finance provided as at 31.Dec.2019		88%

B. Per budget category

	Cumulative allocation as at 31.Dec.2019 USD	Project total budget (updated) USD	Progress %
Category			
Works	4,190,530	7,071,061	59%
Consultancies	114,308	83,681	137%
Grants and Subsidies	2,551,304	4,239,848	60%
Operating costs	655,658	613,662	107%
Advance	3,000,000	-	n/a
Total	10,511,800	12,008,252	88%

7.2. IFAD Grant Number 2000000248

A. Per payment method

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
SOEs	-	159,705
Total	-	159,705
Total financing budget		159,705
Percentage of finance provided as at 31.Dec.2019		100%

(*) The amount 295.05 USD was refunded to WB on 23 June 2017.

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B. Per budget category

	Cumulative allocation as at 31.Dec.2019	Project total budget	Progress
Category	USD	USD	%
Consultancies	45,042	45,042	100%
Equipment and materials	82,432	82,432	100%
Operating costs	-	-	n/a
Salaries and allowances	25,783	25,783	100%
Training	6,448	6,448	100%
Advance	-	-	n/a
Total	159,705	159,705	100%

The IFAD Grant Number 2000000248 initial budget was 500,000 USD; however the grant was completed on 31 Dec 2016 with disbursement of just 159,705 USD. Undisbursed balance was cancelled, and updated budget was set to actual allocation made.

7.3. GEF Grant Number 2000000827

A. Per payment method

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
Advance/ (advance recovery)	-	800,000
SOEs	1,627,816	3,441,642
Total	1,627,816	4,241,642
Total financing budget		5,300,000
Percentage of finance provided as at 31 Dec 2019		80%

B. Per budget category

	Cumulative allocation as at 31.Dec.2019	Project total budget (updated)	Progress
Category	USD	USD	%
Works	624,122	1,586,000	40%
Consultancies	1,167,726	1,138,000	103%
Grants and Subsidies	1,423,498	2,076,000	69%
Operating costs	226,296	500,000	45%
Advance	800,000	-	n/a
Total	4,241,642	5,300,000	80%

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(Amounts are shown in US dollars)

7.4. DANIDA Grant Number 2000001739

A. Per payment method

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
Advance/ (advance recovery)	(241,810)	1,173,753
SOEs	2,101,760	2,936,247
Total	1,859,950	4,110,000
Total financing budget		4,110,000
Percentage of finance provided as at 31.Dec.2019		100%

B. Per budget category

	Cumulative allocation as at 31.Dec.2019 USD	Project total budget (updated) USD	Progress %
Category			
Works	-	-	n/a
Consultancies	212,689	274,097	78%
Grants and Subsidies	2,486,589	3,583,948	69%
Trainings	236,969	251,954	94%
Advance	1,173,753	-	n/a
Total	4,110,000	4,110,000	100%

7.5. Government cofinancing

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
Contributions in cash	583,453	1,424,981
Total financing budget		2,081,757
Percentage of finance provided as at 31.Dec.2019		68%

Notes to the special purpose financial statements

For the year 31 December 2019

(Amounts are shown in US dollars)

7.6. Community Contribution

A. For Works

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
Cash contributions	147,298	147,298
Total financing budget		432,853
Percentage of finance provided as at 31.Dec.2019		34%

B. Grants and Subsidies

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
In cash	4,206,873	10,048,041
Total financing budget		14,849,694
Percentage of finance provided as at 31.Dec.2019		68%

Grants and Subsidies are provided to individual small farmers and producers up to USD 15,000, and cooperatives up to USD 150,000 with maximum per benefiting member not exceeding USD 15,000; with beneficiary cofinancing of minimum of 60% in cash.

Grants are to be used only for acquisition of equipment/machinery and/or certification.

APMA is implementing the selection, administration and approval of the grant application (Note 1.4). The cash contribution by the beneficiaries is assessed through supporting payment documents (bank statements, payment checks) submitted to APMA; and those cash contributions are not done through bank venues of APMA or IRD. That is why, these financing is not included in the cash flow statements of the Project and is disclosed for information purposes.

The IRD transferred following amounts to APMA for providing grants to beneficiaries:

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
Opening balance of undisbursed amount	131,136	-
Amount transferred	3,855,736	7,888,520
Amount disbursed	(2,836,775)	(6,738,423)
Closing balance of undisbursed funds	1,150,097	1,150,097

C. In-kind contributions

	Year ended 31.Dec.2019 USD	Cumulative as at 31.Dec.2019 USD
In-kind contributions	9,560	79,686
	9,560	79,686

Notes to the special purpose financial statements

For the year 31 December 2019

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8. Litigations

There are no pending litigations related to the Project as at reporting date and as at approval date of these financial statements.

9. Events after 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.

9.2. Reimbursement of IFAD Loan Number 2000000778

The application N 17 that includes expenditures 1,485,955 USD relating to the reporting year was approved by IFAD on 22 January 2020.

9.3. Reimbursement of GEF Grant Number 2000000827

The application N 12 that includes expenditures 412,057 USD relating to the reporting year was approved by IFAD on 17 Jan 2020.

9.4. Reimbursement of DANIDA Grant Number 2000001739

The application N 5 including expenditures 1,173,753 USD relating to the reporting year was submitted to IFAD on 16 January 2020 to recover the advance balance.

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ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD

For the year 31 December 2019

(Amounts are shown in US dollars)

A. IFAD Loan Number 2000000778

Expenditure Category	Appl.	IRD	IFAD	Difference
Advance	16	1,500,000.00	1,500,000.00	-
		1,500,000.00	1,500,000.00	
Works	10	684,660.78	684,660.78	-
	11 DP	11,950.15	11,950.15	-
	12 DP	29,023.85	29,023.85	-
	13 DP	40,758.56	40,758.56	-
	14 DP	16,985.36	16,985.36	-
	15	763,319.38	763,319.38	-
		1,546,698.08	1,546,698.08	
Consultancies	10	2,922.02	2,922.02	-
	15	2,853.38	2,853.38	-
		5,775.40	5,775.40	
Grants and Subsidies	10	321,183.23	321,183.23	-
	15	484,327.70	484,327.70	-
		805,510.93	805,510.93	
Operating costs	10	4,960.17	4,960.17	-
	15	12,086.83	12,086.83	-
		17,047.00	17,047.00	
Total		3,875,031.41	3,875,031.41	

B. IFAD Grant Number 2000000248

IFAD Grant Number 2000000248 was completed and closed as at 31 December 2017.

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ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE IRD AND DISBURSED BY THE IFAD

For the year 31 December 2019

(Amounts are shown in US dollars)

C. GEF Grant Number 2000000827

Expenditure Category	Appl.	IRD	IFAD	Difference
Works	9	112,260.90	112,260.90	-
	10	64,635.81	64,635.81	-
	11	156,131.56	156,131.56	-
		333,028.27	333,028.27	
Consultancies	9	87,455.23	87,455.23	-
	10	29,768.68	29,768.68	-
	11	133,374.81	133,374.81	-
		250,598.72	250,598.72	
Grants and Subsidies	9	283,095.35	283,095.35	-
	10	523,649.50	523,649.50	-
	11	121,238.51	121,238.51	-
		927,983.36	927,983.36	
Operating costs	9	49,349.15	49,349.15	-
	10	56,480.01	56,480.01	-
	11	10,376.16	10,376.16	-
		116,205.32	116,205.32	
Total		1,627,815.67	1,627,815.67	

D. DANIDA Grant Number 2000001739

Expenditure Category	Appl.	IRD	IFAD	Difference
Advance/(Advance recovery)	4	(241,809.97)	(241,809.97)	-
		(241,809.97)	(241,809.97)	
Consultancies	3	60,114.58	60,114.58	-
	4	29,911.33	29,911.33	-
		90,025.19	90,025.19	
Grants and Subsidies	3	830,164.59	830,164.59	-
	4	1,028,581.77	1,028,581.77	-
		1,858,746.36	1,858,746.36	
Trainings	3	68,256.59	68,256.59	-
	4	84,730.77	84,730.77	-
		152,987.36	152,987.36	
Total		1,859,949.66	1,859,949.66	