

**LIVELIHOODS FOR YOUTH COMMUNITY SUPPORT PROJECT**

**JSDF GRANT NO. TF0A8254**

**IMPLEMENTED BY  
THE PUBLIC FOUNDATION MOUNTAIN SOCIETIES DEVELOPMENT SUPPORT PROGRAMME**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**For the period from April 10 to December 31, 2019**

**BISHKEK  
June 2020**

# LIVELIHOODS FOR YOUTH COMMUNITY SUPPORT PROJECT

JSDF GRANT NO. TF0A8254

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

The management of the Public Foundation Mountain Societies Development Support Programme in Kyrgyz Republic ("MSDSP KG") is responsible for the preparation of the special purpose financial statements of "Livelihoods for Youth Community Support Project" ("the Project") financed by Letter Agreement JSDF Grant No. TF0A8254 that present fairly the Project's cash receipts and payments, and expenditures per components for the period from April 10 to December 31, 2019, in compliance with the International Public Sector Accounting Standard "Financial Reporting under the Cash Basis of Accounting" (IPSAS-Cash Basis) issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC) and the Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines).

In preparing the special purpose financial statements, MSDSP KG'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 period from Apr 10 to Dec 31, 2019.

MSDSP KG's Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with *IPSAS - Cash Basis* and the *WB Guidelines*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Letter Agreement JSDF Grant No. TF0A8254 dated 10 December 2018, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided; and
- Preventing and detecting fraud and other errors.

The special purpose financial statements for the period from Apr 10 to Dec 31, 2019 were authorized for issue on 30 June 2020 by the MSDSP KG's Management.

On behalf of the MSDSP KG's Management:

  
\_\_\_\_\_  
Arslan Miashev  
Executive Director of MSDSP KG

  
\_\_\_\_\_  
Sergei Kabanov  
Director Finance of AKF KG and MSDSP KG



## INDEPENDENT AUDITOR'S REPORT

To the management of the Public Foundation Mountain Societies Development Support Programme in Kyrgyz Republic ("MSDSP KG")

### **Opinion**

We have audited the special purpose financial statements of "Livelihoods for Youth Community Support Project" ("Project") financed by Letter Agreement JSDF Grant No. TF0A8254 dated 10 December 2018 ("Letter Agreement"), and implemented by the MSDSP KG, which comprise the statement of cash receipts and payments, and the statement of expenditures per components for the period from April 10 to December 31, 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 respect, the cash flows for the period from April 10 to December 31, 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 MSDSP KG in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled out other ethical requirements in accordance with IESBA Code.

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

### **Emphasis of Matter- Cash Basis of Accounting**

We draw attention to Note 2 to the financial statements, which describes that financial statements are prepared in accordance with cash basis framework, as a result, they may not be suitable for another purposes. Our opinion is not modified in respect of this matter.

### **Emphasis of Matter-Project implementation**

We draw your attention to Note 7 of these special purpose financial statements disclosing delays of the project implementation.

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

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

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

Management of the MSDSP KG 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 Management Manual for World Bank Financed Investment Operations ("WB Guidelines"), and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.



### **Auditor's Responsibility for the Audit of the Special Purpose Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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 Letter Agreement, the MSDSP KG management shall insure that:

1. funds have been used in accordance with the conditions of the Letter Agreement concluded between the International Development Association (IDA) and the Kyrgyz Republic, and World Bank related guidelines, with due attention to economy and efficiency, and only for the purposes for which the financing was provided;
2. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Letter Agreement. Interim Unaudited Financial Statements (IFs) issued by MSDSP KG during the reporting period are in agreement with the underlying books of account;
3. The Designated account used has been maintained in accordance with the provision of the Letter Agreement, and World Bank related guidelines.
4. Goods and Services financed have been procured in accordance with the Letter Agreement and World Bank related guidelines.

In our opinion, the MSDSP KG management has complied with the above requirements for the period from April 10 to December 31, 2019.

"BDO Armenia" CJSC  
30 June 2020

Gnel Khachatryan, FCCA  
Engagement Partner

**Livelihoods for Youth Community Support Project**  
**JSDF Grant No. TF0A8254**

**Statement of cash receipts and payments**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

	Note	Actual		Budget		Variance	
		Apr 10 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Apr 10 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Apr 10 - Dec 31, 2019	Cumulative as at 31 Dec 2019
<b>TOTAL OPENING CASH</b>		-	-	-	-	-	-
<b>Sources of Funds</b>							
JSDF Grant No. TF0A8254	8	200,000	200,000				
<b>TOTAL FUNDS</b>		200,000	200,000				
<b>Project Expenditures</b>							
(1) Consulting services	7	6,569	6,569	66,538	66,538	(59,969)	(59,969)
(2) Training		1,050	1,050	8,762	8,762	(7,712)	(7,712)
(3) Goods		10,914	10,914	21,100	21,100	(10,186)	(10,186)
(4) Operating costs		20,125	20,125	21,268	21,268	(1,143)	(1,143)
(5) Sub-Grants		-	-	-	-	-	-
<b>TOTAL PROJECT EXPENDITURES</b>		38,658	38,658	117,668	117,668	(79,010)	(79,010)
Foregin currency gain/(loss)		607	607				
<b>TOTAL CLOSING CASH</b>	6	161,949	161,949				

**Arslan Mitashev**  
**Executive Director of MSDSP KG**

**Sergei Kabanov**  
**Director Finance of AKF KG and MSDSP KG**

30 June 2020

The notes on pages 8-14 form an integral part of these special purpose financial statements.



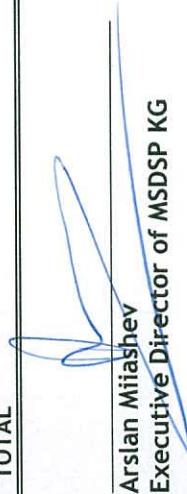
**Livelihoods for Youth Community Support Project**  
**JSDF Grant No. TF0A8254**

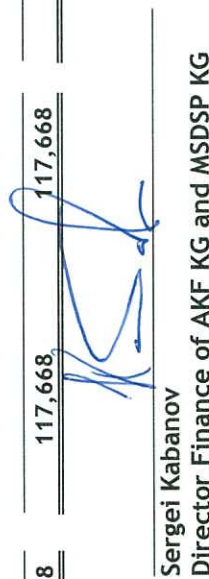
**Statement of expenditures per components**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

Components	Actual		Planned		Variance	
	Apr 10 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Apr 10 - Dec 31, 2019	Cumulative as at 31 Dec 2019	Apr 10 - Dec 31, 2019	Cumulative as at 31 Dec 2019
<b>Part 1. Preparing Youth for the labor market</b>						
1.a. Support of employable skills for selected Youth	4,282	4,282	7,200	7,200	(2,918)	(2,918)
1.b. Support of ICT and e-service	-	-	-	-	-	-
<b>Part 2. Creating market opportunities for Youth</b>						
2.a. Support for value-addition in selected value chains	11,093	11,093	52,100	52,100	(41,007)	(41,007)
2.b. Support for the development of e-enterprises	11,093	11,093	45,100	45,100	(34,007)	(34,007)
2.c. Support for the development of e-enterprises	-	-	7,000	7,000	(7,000)	(7,000)
<b>C. Project management and administration, monitoring and evaluation, and knowledge dissemination</b>						
3.a. Project Management and Administration	23,283	23,283	58,368	58,368	(35,085)	(35,085)
3.b. Monitoring & Evaluation	23,283	23,283	41,368	41,368	(18,085)	(18,085)
3.c. Knowledge Dissemination	-	-	17,000	17,000	(17,000)	(17,000)
<b>TOTAL</b>	<b>38,658</b>	<b>38,658</b>	<b>117,668</b>	<b>117,668</b>	<b>(79,010)</b>	<b>(79,010)</b>

  
**Arslan Mitashev**  
**Executive Director of MSDSP KG**

  
**Sergei Kabanov**  
**Director Finance of AKF KG and MSDSP KG**

30 June 2020

The notes on pages 8-14 form an integral part of these special purpose financial statements.

**Livelihoods for Youth Community Support Project**  
**JSDF Grant No. TF0A8254**

**Notes to the special purpose financial statements**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

**1. General information**

**1.1. The Project**

The Letter Agreement was concluded on 10 December 2018 between the Kyrgyz Republic and the International Development Association ("IDA" or "WB"), according to which IDA acting as administrator of grant funds provided by the Japan Social Development Association ("JSDF"), provided grant to the Kyrgyz Republic: JSDF Grant No. TF0A8254 in the amount of 2,730,000 United States Dollars (USD).

The financing was provided for the implementation of «Livelihoods for Youth Community Support Project» (the Project).

The Project became effective on 10 April 2019.

The Closing date of financing under JSDF Grant No. TF0A8254 is 15 July 2022.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing dates: 15 November 2022.

**1.2. The Project objectives**

The objective of the Project is to support innovative livelihoods development and the employability of an estimated 4,000 young women and men in about 20 target communities in order to improve socio-economic opportunity and inclusion.

The Project consists of the following parts:

Part 1: Preparing Youth for the labor market

- (a) Support of employable skills for selected Youth
- (b) Support of Information Communication Technology (ICT) and e-services.

Part 2: Creating market opportunities for Youth

- (a) Support for value-addition in selected value chains
- (b) Support for the development of e-enterprises and enterprise capacity to promote opportunities for newly-skilled Youth in ICT and digital economy.

Part 3: Project Management and Administration, Monitoring and Evaluation, and Knowledge Dissemination

**1.3. The Project Budget and Financing**

The Project is wholly financed by JSDF Grant No. TF0A8254.

Category	JSDF Grant No. TF0A8254		Total	IDA Credit/Grant Expenditure Financing (inclusive of taxes)
	Initial	Updated (a)		
	USD	USD	USD	
(1) Consulting services	544,117	544,117	544,117	100%
(2) Training	1,234,879	1,234,879	1,234,879	100%
(3) Goods	247,100	247,100	247,100	100%
(4) Operating costs	335,904	409,500	409,500	100%
(5) Sub-Grants	368,000	294,404	294,404	100%
<b>Total</b>	<b>2,730,000</b>	<b>2,730,000</b>	<b>2,730,000</b>	

(a) Reallocation between Categories 4<sup>th</sup> and 5<sup>th</sup> was agreed with WB on 27 Aug 2019.



**Notes to the special purpose financial statements**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

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**1.4. Project Implementation**

The Project is implemented by the Public Foundation Mountain Societies Development Support Programme in Kyrgyz Republic ("MSDSP KG"), an initiative of the Agh Khan Foundation Branch in Kyrgyz Republic.

The MSDSP KG address is: 124/1 Turusbekova street, Bishkek, the Kyrgyz Republic, 720033.

**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 dollars (USD). The expenditures made in local currency, Kyrgyz Som (KGS), are translated into USD based at the exchange rate prevailing at the date of the transaction.

The exchange rate defined by the operating bank is as follows:

31 December 2019: USD 1 = 69.25 KGS.

**2.4. Taxes**

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

**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.

**Livelihoods for Youth Community Support Project**  
**JSDG Grant No. TF0A8254**

**Notes to the special purpose financial statements**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

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

There was no SOE or Summary reports application submitted during reporting period.

**4. Statement of Designated Accounts**

Letter Agreement	<b>JSDG Grant No. TF0A5035</b>
Bank account number	1280016053327781
Bank	CJSC "Kyrgyz Investment and Credit Bank"
Bank location	21 Erkendik avenue, Bishkek, Kyrgyz Republic
Account currency	USD

	<b>JSDG Grant No. TF0A8254</b>
<b>1. Opening balance as at 10 April 2019</b>	-
2. Add: opening discrepancy	-
3. IDA advance/replenishment	200,000
4. Less: Refund to IDA from DA	-
<b>5. Present outstanding amount advanced to DA</b>	<b>200,000</b>
6. DA closing balance as at 31 December 2019	161,858
7. Add: Amount of eligible expenditures paid	38,658
8. Less: interest earned (if credited to DA)	-
<b>9. Total advance accounted for</b>	<b>200,516</b>
10. Closing discrepancy (5)-(9)*	(516)

(\*) The discrepancy is due to:

	<b>31 Dec 2019 USD</b>
Balance at Transit account (Note 6)	84
Impressed account (Note 6)	7
Foreign currency (gain)/loss	(607)
<b>Total</b>	<b>(516)</b>



**Livelihoods for Youth Community Support Project**  
**JSDF Grant No. TF0A8254**

**Notes to the special purpose financial statements**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

**5. Statement of Financial Position**

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

	Note	31 Dec 2019 USD
<b>ASSETS</b>		
Cash	6	161,949
Prepayments		-
<b>Total assets</b>		<b>161,949</b>
<b>LIABILITIES</b>		
Payables		-
<b>Total liabilities</b>		<b>-</b>
<b>NET ASSETS</b>		
Cumulative income	8	
JSDF Grant No. TF0A8254		200,000
		<b>200,000</b>
<b>Cumulative expenses</b>		
Project expenses	7	38,658
		<b>38,658</b>
Foreign exchange gain/(loss)		607
<b>Total net assets</b>		<b>161,949</b>

**6. Cash**

	Underlying Currency	31 Dec 2019 USD
<b>JSDF Grant No. TF0A8254</b>		
Designated Account	USD	161,858
Transit account	KGS	84
Impressed account	KGS	7
		<b>161,949</b>

(a) AKF bank accounts are held at CJSC "Kyrgyz Investment and Credit Bank".

**Notes to the special purpose financial statements**

For the period from 10 April to 31 December 2019

(Amounts are shown in US dollars)

**7. Project Expenditures Budget Execution**

Category	Cumulative Expenditures as at 31 Dec 2019	Total budget	Execution (a)
	USD	USD	%
(1) Consulting services	6,569	544,117	1.2%
(2) Training	1,050	1,234,879	0.1%
(3) Goods	10,914	247,100	4.4%
(4) Operating costs	20,125	409,500	4.9%
(5) Sub-Grants	-	294,404	-
<b>Total</b>	<b>38,658</b>	<b>2,730,000</b>	<b>1.4%</b>

(a) The Project became effective on 10 April 2019 and Closing date is set on 15 July 2022 (Note 1.1.).

As at 31 Dec 2019 only 1.4% of the Project expenditures are completed. The main reasons for slow progress of the implementations were that: (a) responsible staff for the project, including Project Manager, was hired later from September 2019 due to some challenges in recruitment process; (b) most of project activities are depending from CESA project implemented by the Agh Khan Foundation Branch in Kyrgyz Republic which has slow progress.

**8. Financing**

	Reporting year USD	Cumulative as at 31 Dec 2019 USD
Advance	200,000	200,000
<b>Total</b>	<b>200,000</b>	<b>200,000</b>
Total financing budget		<b>2,730,000</b>
Percentage of finance provided as at 31 Dec 2019		<b>7%</b>

**9. Events after reporting date**

**9.1. Outbreak of COVID-19**

Breakout of new coronavirus (COVID-19) in the world also affected the Kyrgyz Republic. The Government of Kyrgyz Republic declared state of the Emergency from March 25 to May 21, 2020 throughout country to reduce infections and strengthen management of the disease.

The epidemic is negatively affects implementation of the Project due to limitation limitations on accesses to the project offices and sites, challenges to organize meetings and other project related activities. .

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



**Notes to the special purpose financial statements**

For the period from 10 April to 31 December 2019

*(Amounts are shown in US dollars)*

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**9.2. SOE applications**

The application N L4Y-2 including expenditures relating to the reporting period in the amount of 38,051 USD was submitted to WB on 11 March 2020 and approved on 11 March 2020.

**10. Litigations**

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

**Livelihoods for Youth Community Support Project**  
**JSDF Grant No. TF0A8254**

**ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE MSDSP KG AND  
DISBURSED BY THE WORLD BANK**

For the period from 10 April to 31 December 2019

*(Amounts are shown in US dollars)*

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Expenditure Category	Appl.	MSDSP KG	WB	Difference
Advance	L4Y-1	200,000.00	200,000.00	-
		200,000.00	200,000.00	
Total		200,000.00	200,000.00	