

# COMMUNITY ENGAGEMENT AND SOCIAL ACCOUNTABILITY PROJECT

CASA-1000 MDTF GRANT NO. TF0A7727

IMPLEMENTED BY  
THE BRANCH OF AGA KHAN FOUNDATION  
IN THE KYRGYZ REPUBLIC

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021

BISHKEK  
June 2022

# COMMUNITY ENGAGEMENT AND SOCIAL ACCOUNTABILITY PROJECT

CASA-1000 MDTF GRANT NO. TF0A7727

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

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The management of the Branch of Aga Khan Foundation in the Kyrgyz Republic ("AKF-KG") is responsible for the preparation of the special purpose financial statements for the year ended 31 December 2021 of "Community Engagement and Social Accountability Project" ("the Project") financed by Letter Agreement CASA-1000 MDTF Grant No. TF0A7727, 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) and the Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines).

In preparing the special purpose financial statements, AKF-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 year ended 31 December 2021.

AKF-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 CASA-1000 MDTF Grant No. TF0A7727 dated 14 June 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 year ended 31 December 2021 were authorized for issue on 8 June 2022 by the AKF-KG's Management.

On behalf of the AKF-KG's Management:

  
  
**Davlatsulton Dorgabekova**  
Chief Executive Officer of AKF-KG  
**Sergei Kabanov**  
Finance Director of AKF-KG

## INDEPENDENT AUDITOR'S REPORT

To the management of the Branch of Aga Khan Foundation in the Kyrgyz Republic

### **Opinion**

We have audited the special purpose financial statements of "Community Engagement and Social Accountability Project" ("Project") financed by Letter Agreement CASA-1000 MDTF Grant No. TFOA7727 dated 14 June 2018 ("Letter Agreement"), and implemented by the Branch of Aga Khan Foundation in the Kyrgyz Republic ("AKF-KG") which comprise the statement of cash receipts and payments, and the statement of expenditures per components for the year ended 31 December 2021, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements for the year ended 31 December 2021 are prepared, in all material respects, 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). 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 AKF-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.

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

Management of the AKF-KG is responsible for the preparation of the special purpose financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board (IPSASB) 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 AKF-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 (IFSSs) issued by AKF-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 AKF-KG management has complied with the above requirements for the year ended 31 December 2021.

"BDO Armenia" CJSC  
8 June 2022

  
Gnel Khachatryan, FCCA  
Engagement Partner



**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**Statement of cash receipts and payments**

For the year ended 31 December 2021

(Amounts are shown in US dollars)

(Amounts are shown in US dollars)

	Note	Actual			Budget	Variance
		Year ended 31 Dec 2021	Cumulative as at 31 Dec 2021	Year ended 31 Dec 2020	Cumulative as at 31 Dec 2020	Cumulative as at 31 Dec 2021
TOTAL OPENING CASH		17,560	-	41,815	-	
Sources of Funds	8					
CASA-1000 MDTF Grant No. TF0A7727		361,392	623,794	162,402	262,402	
TOTAL FUNDS		361,392	623,794	162,402	262,402	
Project Expenditures	7					
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs		343,301	587,888	186,377	244,587	3,202
TOTAL PROJECT EXPENDITURES		343,301	587,888	186,377	244,587	3,202
Foreign currency gain/(loss)		298	43	(280)	(255)	
TOTAL CLOSING CASH	6	35,949	35,949	17,560	17,560	

  
**Davlatsulton Dorgabekova**  
 Chief Executive Officer of AKF-KG

  
**Sergei Kabanov**  
 Finance Director of AKF KG

8 June 2022

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



Community Engagement and Social Accountability Project  
CASA-1000 MDTF Grant No. TF0A7727

Statement of expenditures per components

For the year ended 31 December 2021

(Amounts are shown in US dollars)

Components	Actual			Planned	Variance
	Year ended 31 Dec 2021	Cumulative as at 31 Dec 2021	Year ended 31 Dec 2020	Cumulative as at 31 Dec 2021	Cumulative as at 31 Dec 2021
Part 1. Community mobilization and capacity building	111,058	150,587	33,437	149,550	1,037
Part 2. Youth engagement in awareness building and social accountability	156,220	232,884	76,556	230,900	1,984
C. Project management, monitoring and evaluation, and communication	76,023	204,417	76,384	204,236	181
<b>TOTAL</b>	<b>343,301</b>	<b>587,888</b>	<b>186,377</b>	<b>584,686</b>	<b>3,202</b>

  
Davlatsulton Dorgabekova  
Chief Executive Officer of AKF-KG

  
Sergei Kabanov  
Finance Director of AKF KG

8 June 2022

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



**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

**Notes to the special purpose financial statements**

For the year ended 31 December 2021

(Amounts are shown in US dollars)

**1. General information**

**1.1. The Project**

The Letter Agreement was concluded on 14 June 2018 between the Kyrgyz Republic and the International Development Association (“IDA”, “IBRD” or “WB”), according to which IDA acting as administrator of grant funds provided by the Central Asia South Asia Transmission Project Multi-Donor Trust Fund (“CASA-1000 MDTF”), provided grant to the Kyrgyz Republic: CASA-1000 MDTF Grant No. TF0A7727 in the amount of 1,000,000 United States Dollars (USD).

The financing was provided for the implementation of «Community Engagement and Social Accountability Project» (the Project).

The Project became effective on 15 March 2019.

The Closing date of financing under CASA-1000 MDTF Grant No. TF0A7727 is March 31, 2022 (as updated by WB letter dated 11 June 2020).

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing date: 31 July 2022.

**1.2. The Project objectives**

The objective of the Project is to support youth engagement and social accountability for better services and infrastructure in selected areas of the Kyrgyz Republic.

The Project consists of the following parts:

Part 1: Community Mobilization and Capacity Building

Part 2: Youth Engagement in Awareness Building and Social Accountability

Part 3: Project Management, Monitoring and Evaluation, and Communication

**1.3. The Project Budget and Financing**

The Project is wholly financed by CASA-1000 MDTF Grant No. TF0A7727.

Category	CASA-1000 MDTF Grant No. TF0A7727	Total	IDA Credit/Grant Expenditure Financing (inclusive of taxes)
	USD	USD	
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	1,000,000	1,000,000	100%
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	

**1.4. Project Implementation**

The Project is implemented by the Branch of Aga Khan Foundation in the Kyrgyz Republic (“AKF-KG”).

The AKF-KG address is: 25, A.Tokombaev str., BC Monaco-Avangard, 720028, Bishkek, Kyrgyzstan .



**Notes to the special purpose financial statements**

For the year ended 31 December 2021

(Amounts are shown in US dollars)

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**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), 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 2020: USD 1 = 82.70 KGS.

31 December 2021: USD 1 = 84.50 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.

### Notes to the special purpose financial statements

For the year ended 31 December 2021

(Amounts are shown in US dollars)

#### 3. Summary of Summary Reports and SOEs

Withdrawal application No	Withdrawal application value date	Disbursement categories	Total
		(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	
4	25-Feb-2021	82,185.23	82,185.23
5	26-Apr-2021	90,754.76	90,754.76
6	11-Aug-2021	91,353.09	91,353.09
7	08-Nov-2021	97,098.95	97,098.95
<b>Total</b>		<b>361,392.03</b>	<b>361,392.03</b>

#### 4. Statement of Designated Accounts

Letter Agreement

CASA-1000 MDTF Grant No. TF0A7727

Bank account number

1280016053671224

Bank

CJSC "Kyrgyz Investment and Credit Bank"

Bank location

21 Erkendik avenue, Bishkek, Kyrgyz Republic

Account currency

USD

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
1. Opening balance	17,236	40,728
2. Add: opening discrepancy	579	1,062
3. IDA advance/replenishment	361,392	162,402
4. Less: Refund to IDA from DA	-	-
<b>5. Present outstanding amount advanced to DA</b>	<b>379,207</b>	<b>204,192</b>
6. DA closing balance	35,157	17,236
7. Add: Amount of eligible expenditures paid	343,301	186,377
8. Less: interest earned (if credited to DA)	-	-
<b>9. Total advance accounted for</b>	<b>378,458</b>	<b>203,613</b>
10. Closing discrepancy (5)-(9)*	749	579

(\*) The discrepancy is due to:

	As at 31 Dec 2021 USD	As at 31 Dec 2020 USD
Balance at Transit account (Note 6)	126	243
Balance at Receivables account (Note 6)	666	81
Foreign currency (gain)/loss	42	255
<b>Total</b>	<b>749</b>	<b>579</b>

**Notes to the special purpose financial statements**

For the year ended 31 December 2021

(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).

	<b>Note</b>	<b>31 Dec 2021</b> USD	<b>31 Dec 2020</b> USD
<b>ASSETS</b>			
Cash	6	35,949	17,560
Prepayments		-	-
<b>Total assets</b>		<b>35,949</b>	<b>17,560</b>
<b>LIABILITIES</b>			
Payables		5,822	2,011
<b>Total liabilities</b>		<b>5,822</b>	<b>2,011</b>
<b>NET ASSETS</b>			
<b>Cumulative income</b>	8		
CASA-1000 MDTF Grant No. TF0A7727		623,794	262,402
		<b>623,794</b>	<b>262,402</b>
<b>Cumulative expenses</b>			
Project expenses	7	593,709	246,598
		<b>593,709</b>	<b>246,598</b>
Foreign exchange gain/(loss)		42	(255)
<b>Total net assets</b>		<b>30,127</b>	<b>15,549</b>

**6. Cash**

	<b>Underlying Currency</b>	<b>31 Dec 2021</b> USD	<b>31 Dec 2020</b> USD
<b>CASA-1000 MDTF Grant No. TF0A7727</b>			
Designated Account	USD	35,157	17,236
Transit account	KGS	126	243
Receivables account	KGS	666	81
		<b>35,949</b>	<b>17,560</b>

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



**Notes to the special purpose financial statements**

For the year ended 31 December 2021

(Amounts are shown in US dollars)

**7. Project Expenditures Budget Execution**

	Cumulative Expenditures as at 31 Dec 2021	Total budget	Execution (a)
Category	USD	USD	%
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	<b>587,888</b>	<b>1,000,000</b>	<b>59%</b>
<i>Goods</i>	<i>3,320</i>	<i>10,110</i>	<i>33%</i>
<i>Non-consulting services</i>	-	-	-
<i>Consulting services</i>	<i>207,753</i>	<i>433,000</i>	<i>48%</i>
<i>Training and Workshops</i>	<i>99,403</i>	<i>158,590</i>	<i>63%</i>
<i>Incremental operating Costs</i>	<i>277,412</i>	<i>398,300</i>	<i>70%</i>
<b>Total</b>	<b>587,888</b>	<b>1,000,000</b>	<b>59%</b>

(a) The Project became effective on 15 March 2019 and Closing date is set on 31 March 2022, which was initially set on 30 Sept 2020 (Note 1.1.).

As at 31 Dec 2021 59% of the Project expenditures are completed. The main reasons for slow progress of the implementations were delays in the finalization of the project target areas by the CESA's parent project, the CASA1000 Community Support Project (CSP), and the COVID-19 situation. The following measures are taken: (1) hire a new facilitator and (2) request a NCE to align the implementation periods of the CSP and the CESA.

The project management applied to WB for a no-cost extension of the project. It is expected that it will be extended till 30 June 2023. An official approval will be received by the beginning of June 2022.

**8. Financing**

	Year ended 31 Dec 2021 USD	Year ended 31 Dec 2020 USD	Cumulative as at 31 Dec 2021 USD
Advance	-	-	100,000
SOE and Summary Report	361,392	162,402	523,794
<b>Total</b>	<b>361,392</b>	<b>162,402</b>	<b>623,794</b>
Total financing budget			<b>1,000,000</b>
Percentage of finance provided as at 31 Dec 2021			<b>62%</b>

**Notes to the special purpose financial statements**

For the year ended 31 December 2021

*(Amounts are shown in US dollars)*

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**9. Events after reporting date**

**SOE applications**

The application N 8 including expenditures relating to the reporting period in the amount of 64,094 USD was submitted to WB on 2 Feb 2022 and approved on 3 Feb 2022.

***Military conflict between Russian Federation and Republic of Ukraine***

On February 24, 2022, Russia launched a large-scale military operations against Ukraine. In order to resist Russia, the EU and the United States, and other countries around the world, have imposed economic and political sanctions, as a result of which the Russian economy is facing significant issues. At present, the course of the war, the impact of sanctions, and the extent of the consequences are unpredictable.

Taking into consideration of Russia's political and economic influence on the Kyrgyz Republic, as well as the fact that country is a member of the Russia lead Eurasian Economic Union (EEU), the current situation may indirectly affect the stability of Kyrgyz Republic's financial and economic systems.

At the moment, given the unpredictability of these circumstances, the Project management finds it difficult to assess the potential impact on the Project implementation.

**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.

**Community Engagement and Social Accountability Project**  
**CASA-1000 MDTF Grant No. TF0A7727**

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

For the year ended 31 December 2021

*(Amounts are shown in US dollars)*

Expenditure Category	Appl.	AKF-KG	WB	Difference
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	4	82,185.23	82,185.23	-
	5	90,754.76	90,754.76	-
	6	91,353.09	91,353.09	-
	7	97,098.95	97,098.95	-
<b>Total</b>		<b>361,392.03</b>	<b>361,392.03</b>	