

**ENGAGING COMMUNITIES FOR BETTER SCHOOLS IN KYRGYZ REPUBLIC
PROJECT**

JSDF GRANT NO. TF0A5035

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

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period 1 January 2021 to 31 May 2022

**BISHKEK
June 2022**

ENGAGING COMMUNITIES FOR BETTER SCHOOLS IN KYRGYZ REPUBLIC PROJECT
JSDF GRANT NO. TF0A5035

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

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 period 1 January 2021 to 31 May 2022 of "Engaging Communities for Better Schools Project" ("the Project") financed by Letter Agreement JSDF Grant No. TF0A5035, 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 Dec 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 JSDF Grant No. TF0A5035 dated 21 June 2017, 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 1 January 2021 to 31 May 2022 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 “Engaging Communities for Better Schools in Kyrgyz Republic Project” (“Project”) financed by Letter Agreement JSDF Grant No. TFOA5035 dated 21 June 2017 (“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 period 1 January 2021 to 31 May 2022, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements for the period 1 January 2021 to 31 May 2022 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- Closing of Project

Without modifying our opinion, we draw attention to Note 9 to the financial statements, which describes that project is closed as at reporting date.

Emphasis of Matter- Cash Basis of Accounting

Without modifying our opinion, 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.

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.



Engaging Communities for Better Schools in Kyrgyz Republic Project
JSDF Grant Number TF0A5035

Statement of cash receipts and payments

For the period from 1 January 2021 to 31 May 2022
(Amounts are shown in US dollars)

	Note	Actual			Cumulative as at 31 May 2022	Budget Cumulative as at 31 May 2022	Variance Cumulative as at 31 May 2022
		Period Jan 1 -May 31 2022	Year ended 31 Dec 2021	Year ended 31 Dec 2020			
TOTAL OPENING CASH		160,633	3,981	119,418	-		
Sources of Funds	8						
JSDF Grant No. TF0A5035		100,000	765,936	620,260	2,629,229		
TOTAL FUNDS		100,000	765,936	620,260	2,629,229		
Project Expenditures	7						
(1) Goods		21,568	-	25,997	84,654	163,543	(78,889)
(2) Consultants' services		48,731	35,999	71,033	513,869	531,163	(17,294)
(3) Micro-grants under Part B of the Project		-	175,898	353,102	529,000	529,000	-
(4) Training and Workshops		175,904	363,792	175,689	1,148,985	1,166,156	(17,171)
(5) Operating Costs		98	33,981	110,678	339,900	340,138	(238)
TOTAL PROJECT EXPENDITURES		246,301	609,670	736,499	2,616,408	2,730,000	(113,592)
Foreign currency gain/(loss)		421	386	802	1,932		
TOTAL CLOSING CASH	6	14,753	160,633	3,981	14,753		


Davlatsulton Dorgabekova
 Chief Executive Officer of AKF KG


Sergei Kabanov
 Finance Director of AKF KG

8 June 2022

The notes on pages 8-13 form an integral part of these special purpose financial statements.

Engaging Communities for Better Schools in Kyrgyz Republic Project
JSDf Grant Number TF0A5035

Statement of expenditures per components

For the period from 1 January 2021 to 31 May 2022
(Amounts are shown in US dollars)

Components	Actual			Planned Cumulative as at 31 May 2022	Variance Cumulative as at 31 May 2022
	Period Jan 1-May 31 2022	Year ended 31 Dec 2021	Year ended 31 Dec 2020	Cumulative as at 31 May 2022	
Part A. Community engagement processes and capacity-building					
A.1. Development and strengthening of boards of trustees	-	45	177,256	890,242	-
A.2. Access to information and awareness building on performance and budgets	-	45	157,115	655,030	-
A.3. Citizen feedback and joint action	-	-	(309)	42,887	-
			20,450	192,325	-
Part B. Micro-grants for priority investments in underprivileged schools	-	205,995	403,522	610,221	-
C. Project management and administration, monitoring and evaluation, and knowledge dissemination	246,301	403,630	155,721	1,115,945	(113,592)
TOTAL	246,301	609,670	736,499	2,730,000	(113,592)


Davlatsulton Dorgabekova
 Chief Executive Officer of AKF KG


Sergei Kabanov
 Finance Director of AKF KG

8 June 2022
 The notes on pages 8-13 form an integral part of these special purpose financial statements.

Engaging Communities for Better Schools in Kyrgyz Republic Project
JSDF Grant Number TF0A5035

Notes to the special purpose financial statements

For the period from 1 January 2021 to 31 May 2022

(Amounts are shown in US dollars)

1. General information

1.1. The Project

The Letter Agreement was concluded on 21 June 2017 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 Fund (“JSDF”), provided grant to the Kyrgyz Republic: JSDF Grant No. TF0A5035 in the amount of 2,730,000 United States Dollars (USD).

The financing was provided for the implementation of “Engaging Communities for Better Schools Project” (the Project).

The Project became effective on 6 July 2017.

The Closing date of financing under JSDF Grant TF0A5035 is set on 31 March 2022 (as updated by WB letter dated 23 March 2021).

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 develop inclusive approaches to citizen engagement that support improvements in the accountability and responsiveness of teachers and school management in the poorest districts and contribute to enhancing student performance.

The Project consists of the following parts:

Part A: Community Engagement Processes and Capacity-Building

1. Develop and strengthen the school-level Board of Trustees (BoTs).
2. Improve access to information and build awareness on budget and performance in education.
3. Citizen feedback and joint action.

Part B. Micro-grants for Priority Investments in Underprivileged Schools

Part C. 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. TF0A5035.

Category	JSDF Grant No. TF0A5035		Total	IDA Credit/Grant Expenditure Financing (inclusive of taxes)
	Initial	Updated (a)		
	USD	USD	USD	
(1) Goods	103,826	163,543	163,543	100%
(2) Consultants' services	545,241	531,163	531,163	100%
(3) Micro-grants under Part B of the Project	712,500	529,000	529,000	100%
(4) Training and Workshops	1,042,424	1,166,156	1,166,156	100%
(5) Operating Costs	326,009	340,138	340,138	100%
Total	2,730,000	2,730,000	2,730,000	

(a) The budget reallocation was approved by WB letter dated March 23, 2021.

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 period from 1 January 2021 to 31 May 2022

(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), 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 recognized as a source of project funds when the cash is received. Project expenditures are recognized 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.

31 May 2022: USD 1 = 81.00 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.

Engaging Communities for Better Schools in Kyrgyz Republic Project
JSDG Grant Number TF0A5035

Notes to the special purpose financial statements
For the period from 1 January 2021 to 31 May 2022
(Amounts are shown in US dollars)

3. Summary of Summary Reports and SOEs

Withdrawal application No	Withdrawal application value date	Payment categories					Total
		Goods	Consultants' services	Micro-grants under Part B of the	Trainings and Workshops	Operating Costs	
		(1)	(2)	(3)	(4)	(5)	
For the year ended 31 Dec 2021							
11	08-Feb-2021	-	-	188,384.92	84,662.77	24,097.09	297,144.78
13	29-Apr-2021	-	-	172,155.87	104,964.01	12,949.15	290,069.03
14	12-Oct-2021	-	16,193.14	3,741.89	137,949.85	20,836.81	178,721.69
Subtotal			16,193.14	364,282.68	327,576.63	57,882.05	765,935.50
For the period from 1 January to 31 May, 2022							
15	28-Jan-2022		19,805.93	-	121,177.04	200.00	141,182.97
16	18-May-2022	21,568.56	48,730.78	-	175,604.65	92.60	245,996.59
Subtotal		21,568.56	68,536.71	-	296,781.69	292.60	387,179.56
Total		21,568.56	84,729.85	364,282.68	624,358.32	58,175.65	1,153,115.06

4. Statement of Designated Accounts

Letter Agreement	JSDG Grant No. TF0A5035
Bank account number	1280016040525401
Bank	CJSC "Kyrgyz Investment and Credit Bank"
Bank location	21 Erkindik avenue, Bishkek, Kyrgyz Republic
Account currency	USD

	Period Jan 1 - May 31, 2022	Year ended 31 Dec 2021	Year ended 31 Dec 2020
1. Opening balance	160,072	3,810	116,516
2. Add: opening discrepancy *	(951)	(955)	2,578
3. IDA advance/replenishment	100,000	765,936	620,260
4. Less: Refund to IDA from DA	-	-	-
5. Present outstanding amount advanced to DA	259,121	768,791	739,354
6. DA closing balance	14,542	160,072	3,810
7. Add: Amount of eligible expenditures paid	246,301	609,670	736,499
8. Less: interest earned (if credited to DA)	-	-	-
9. Total advance accounted for	260,843	769,742	740,309
10. Closing discrepancy (5)-(9)*	(1,722)	(951)	(955)
(*) The discrepancy is due to:			
	31 May 2022	31 Dec 2021	31 Dec 2020
Balance at Transit account (Note 6)	210	120	8
Balance at Receivables account (Note 6)	-	441	163
Foreign currency gain	(1,932)	(1,511)	(1,126)
Total	(1,722)	(951)	(955)

Engaging Communities for Better Schools in Kyrgyz Republic Project
JSDF Grant Number TF0A5035

Notes to the special purpose financial statements
For the period from 1 January 2021 to 31 May 2022
(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 May 2022	31 Dec 2021 USD	31 Dec 2020 USD
ASSETS				
Cash	6	14,753	160,633	3,981
Prepayments		-	-	-
Total assets		14,753	160,633	3,981
LIABILITIES				
Payables (a)		-	1,434	10,668
Total liabilities		-	1,434	10,668
NET ASSETS				
Cumulative income	8			
JSDF Grant No. TF0A5035		2,629,229	2,529,229	1,763,294
		2,629,229	2,529,229	1,763,294
Cumulative expenses				
Project expenses	7	2,616,408	2,371,541	1,771,107
		2,616,408	2,371,541	1,771,107
Foreign exchange gain, net		1,932	1,511	1,126
Total net assets		14,753	159,199	(6,687)

(a) Mostly relate to Operational costs and Training/Workshops categories.

6. Cash

	Underlying Currency	31 May 2022 USD	31 Dec 2021 USD	31 Dec 2020 USD
JSDF Grant No. TF0A5035				
Designated Account	USD	14,543	160,072	3,810
Transit account	KGS	210	120	8
Receivables account	KGS	-	441	163
		14,753	160,633	3,981

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

(b) Use of cash balances after 31 May 2022 is presented at Note 9.

Notes to the special purpose financial statements
For the period from 1 January 2021 to 31 May 2022
(Amounts are shown in US dollars)

7. Project Expenditures Budget Execution

Category	Cumulative Expenditures as at 31 May 2022	Total budget	Execution (Note 9)
	USD	USD	%
(1) Goods	84,654	163,543	52%
(2) Consultants' services	513,869	531,163	97%
(3) Micro-grants under Part B of the Project	529,000	529,000	100%
(4) Training and Workshops	1,148,985	1,166,156	99%
(5) Operating Costs	339,900	340,138	100%
Total	2,616,408	2,730,000	96%

8. Financing

	Period 1 Jan - 31 May, 2022 USD	Year ended 31 Dec 2021 USD	Year ended 31 Dec 2020 USD	Cumulative as at 31 May 2022 USD
Advance	(287,180)	-	-	12,820
SOE and Summary Report	387,180	765,936	620,260	2,616,409
Total	100,000	765,936	620,260	2,629,229
Total financing budget				2,730,000
Percentage of finance provided as at 31 May 2022 (Note 9)				96%

9. Closing of the project

The Project completed as at 31 March 2022 ("Closing date"), with Grace period for paying the accrued expenditures is set 31 July 2022 ("Grace period").

As at 31 May 2022 ("Reporting date") most of the transactions are completed.

- ✓ There were no SOE submitted to WB after the Reporting date.
- ✓ The cash balance outstanding at Designated account (Note 6) will be paid for final audit service, and for refunding the advance balance outstanding to WB after (Note 8).
- ✓ There are no outstanding advances or payables to the contractors as at Reporting date, except for the final audit fee in the amount of USD 8,344.
- ✓ The advance balance of funding (Note 8) will be covered through paying final audit service and refunding to WB.
- ✓ The undisbursed balance USD 100,771 (Note 8) will be canceled.
- ✓ There are no litigations against the Project as at signing these financial statements.

Engaging Communities for Better Schools in Kyrgyz Republic Project
JSDf Grant Number TF0A5035

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

For the period from 1 January 2021 to 31 May 2022

(Amounts are shown in US dollars)

For the year ended 31 Dec 2021

Expenditure Category	Appl.	AKF KG	WB	Difference
Advance/(advance recovery)	11	(90,000)	(90,000)	-
	12	90,000	90,000	-
		-	-	
(2) Consultants' services	14	16,193.14	16,193.14	-
		16,193.14	16,193.14	
(3) Micro-grants under Part B of the Project	11	188,384.92	188,384.92	-
	13	172,155.87	172,155.87	
	14	3,741.89	3,741.89	
		364,282.68	364,282.68	
(4) Training and Workshops	11	84,662.77	84,662.77	-
	13	104,964.01	104,964.01	-
	14	137,949.85	137,949.85	-
		327,576.63	327,576.63	
(5) Operating Costs	11	24,097.09	24,097.09	-
	13	12,949.15	12,949.15	-
	14	20,836.81	20,836.81	-
		57,883.05	57,883.05	
Total		765,935.50	765,935.50	

For the period from 1 January to 31 May 2022

Expenditure Category	Appl.	AKF KG	WB	Difference
Advance/(advance recovery)	15	(41,182.97)	(41,182.97)	-
	16	(245,996.59)	(245,996.59)	-
		(287,179.56)	(287,179.56)	
(1) Goods	16	21,568.56	21,568.56	-
		21,568.56	21,568.56	
(2) Consultants' services	15	19,805.93	19,805.93	-
	16	48,730.78	48,730.78	
		68,536.71	68,536.71	
(4) Training and Workshops	15	121,177.04	121,177.04	-
	16	175,604.65	175,604.65	-
		296,781.69	296,781.69	
(5) Operating Costs	15	200.00	200.00	-
	16	92.60	92.60	-
		292.60	292.60	
Total		100,000.00	100,000.00	