

COMMUNITY ENGAGEMENT AND SOCIAL ACCOUNTABILITY PROJECT

CASA-1000 MDTF GRANT NO. TFOA7727

**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 2022

**BISHKEK
May 2023**

COMMUNITY ENGAGEMENT AND SOCIAL ACCOUNTABILITY PROJECT

CASA-1000 MDTF GRANT NO. TF0A7727

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS	3
INDEPENDENT AUDITOR'S REPORT	4
SPECIAL PURPOSE FINANCIAL STATEMENTS	
Statement of cash receipts and payments	6
Statement of expenditures per components	7
Notes to the special purpose financial statements	8
ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE AKF-KG AND DISBURSED BY THE WORLD BANK	14

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 year ended 31 December 2022 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 2022.

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 2022 were authorized for issue on 25 May 2023 by the AKF-KG's Management.

On behalf of the AKF-KG's Management:



Davlatsulton Dorgabekova
Chief Executive Officer of AKF-KG



Nadira Erkebaeva
Chief Finance Officer 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. TF0A7727 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 2022, and notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements for the year ended 31 December 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 all 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 special purpose financial statements, which describes that special purpose 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.

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 2022.

"BDO Armenia" CJSC
25 May 2023

Vahagn Sahakyan, FCCA
Engagement Partner



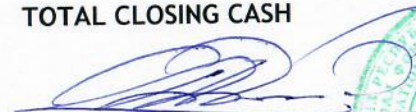
Community Engagement and Social Accountability Project
CASA-1000 MDTF Grant No. TF0A7727

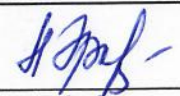
Statement of cash receipts and payments

For the year ended 31 December 2022

(Amounts are shown in US dollars)

	Note	Actual				Budget	Variance
		Year ended 31 Dec 2022	Cumulative as at 31 Dec 2022	Year ended 31 Dec 2021	Cumulative as at 31 Dec 2021	Cumulative as at 31 Dec 2022	Cumulative as at 31 Dec 2022
TOTAL OPENING CASH		35,949	-	17,560	-		
Sources of Funds							
CASA-1000 MDTF Grant No. TF0A7727	8	232,095	855,889	361,392	623,794		
TOTAL FUNDS		232,095	855,889	361,392	623,794		
Project Expenditures							
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	7	202,500	790,388	343,301	587,888	812,837	22,449
TOTAL PROJECT EXPENDITURES		202,500	790,388	343,301	587,888	812,837	22,449
Foreign currency gain/(loss)		689	732	298	43		
TOTAL CLOSING CASH	6	66,233	66,233	35,949	35,949		


Davlatsulton Dorgabekova
 Chief Executive Officer of AKF-KG


Nadira Erkebaeva
 Chief Finance Officer of AKF KG

25 May 2023

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 2022

(Amounts are shown in US dollars)

Components	Actual				Planned	Variance
	Year ended 31 Dec 2022	Cumulative as at 31 Dec 2022	Year ended 31 Dec 2021	Cumulative as at 31 Dec 2021	Cumulative as at 31 Dec 2022	Cumulative as at 31 Dec 2022
Part 1. Community mobilization and capacity building	18,218	168,804	111,058	150,587	168,804	-
Part 2. Youth engagement in awareness building and social accountability	131,405	364,289	156,220	232,884	386,560	22,271
C. Project management, monitoring and evaluation, and communication	52,877	257,295	76,023	204,417	257,473	178
TOTAL	202,500	790,388	343,301	587,888	812,837	22,449


Davlatsulton Dorgabekova
 Chief Executive Officer of AKF-KG


Nadira Erkebaeva
 Chief Finance Officer of AKF KG

25 May 2023

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

Notes to the special purpose financial statements

For the year ended 31 December 2022

(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 June 30, 2023 (as updated by WB letter dated 14 July 2022).

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing date: 31 October 2023.

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%
Total	1,000,000	1,000,000	

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 2022

(Amounts are shown in US dollars)

2. Summary of significant accounting policies

2.1. 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 2021: USD 1 = 84.50 KGS.

31 December 2022: USD 1 = 85.00 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.

Notes to the special purpose financial statements

For the year ended 31 December 2022

(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	
8	03-Feb-2022	64,093.72	64,093.72
10	25-Jul-2022	56,959.28	56,959.28
11	13-Sep-2022	64,981.10	64,981.10
12	28-Nov-2022	46,060.80	46,060.80
Total		232,094.90	232,094.90

4. Statement of Designated Accounts

Letter Agreement

CASA-1000 MDTF Grant No. TF0A7727

Bank account number

1280016053671224

Bank

CJSC "Kyrgyz Investment and Credit Bank"
21 Erkendik avenue, Bishkek, Kyrgyz Republic

Bank location

Account currency

USD

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
1. Opening balance	35,157	17,236
2. Add: opening discrepancy	749	579
3. IDA advance/replenishment	232,095	361,392
4. Less: Refund to IDA from DA	-	-
5. Present outstanding amount advanced to DA	268,001	379,207
6. DA closing balance	66,217	35,157
7. Add: Amount of eligible expenditures paid	202,500	343,301
8. Less: interest earned (if credited to DA)	-	-
9. Total advance accounted for	268,717	378,458
10. Closing discrepancy (5)-(9)*	(716)	749

(*) The discrepancy is due to:

	As at 31 Dec 2022 USD	As at 31 Dec 2021 USD
Balance at Transit account (Note 6)	-	126
Balance at Receivables account (Note 6)	16	666
Foreign currency (gain)/loss	(732)	(42)
Total	(716)	749

Notes to the special purpose financial statements

For the year ended 31 December 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 on an accrual basis, that is transactions are recognized when they occur (and not only when cash is received or paid).

	Note	31 Dec 2022 USD	31 Dec 2021 USD
ASSETS			
Cash	6	66,233	35,949
Prepayments		-	-
Total assets		66,233	35,949
LIABILITIES			
Payables		-	5,822
Total liabilities		-	5,822
NET ASSETS			
Cumulative income			
CASA-1000 MDTF Grant No. TF0A7727	8	855,889	623,794
		855,889	623,794
Cumulative expenses			
Project expenses	7	790,388	593,709
		790,388	593,709
Foreign exchange gain/(loss)		732	42
Total net assets		66,233	30,127

6. Cash

	Underlying Currency	31 Dec 2022 USD	31 Dec 2021 USD
CASA-1000 MDTF Grant No. TF0A7727			
Designated Account	USD	66,217	35,157
Transit account	KGS	-	126
Receivables account	KGS	16	666
		66,233	35,949

(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 2022

(Amounts are shown in US dollars)

7. Project Expenditures Budget Execution

Category	Cumulative Expenditures as at 31 Dec 2022	Total budget updated (a)	Execution
	USD	USD	%
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	790,388	1,000,000	79%
<i>Goods</i>	4,201	4,350	97%
<i>Non-consulting services</i>	-	-	0%
<i>Consulting services</i>	259,528	268,517	97%
<i>Training and Workshops</i>	152,303	262,296	58%
<i>Incremental operating Costs</i>	374,356	464,837	81%
Total	790,388	1,000,000	79%

(a) Represents modified budget submitted to WB on November 16, 2022

8. Financing

	Year ended 31 Dec 2022 USD	Year ended 31 Dec 2021 USD	Cumulative as at 31 Dec 2022 USD
Advance	-	-	100,000
SOE and Summary Report	232,095	361,392	755,889
Total	232,095	361,392	855,889
Total financing budget			1,000,000
Percentage of finance provided as at 31 Dec 2022			86%

Notes to the special purpose financial statements

For the year ended 31 December 2022

(Amounts are shown in US dollars)

9. Events after reporting date

SOE applications

Application N 13 including expenditures relating to the period from November 6, 2022, to February 3, 2023, in the amount of 56,329.55 USD was submitted to WB on February 10, 2023, and approved on February 16, 2023.

Military conflict between Russian Federation and Republic of Ukraine

On February 24, 2022, Russia launched a large-scale military operation 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 2022

(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	8	64,093.72	64,093.72	-
	10	56,959.28	56,959.28	-
	11	64,981.10	64,981.10	-
	12	46,060.80	46,060.80	-
Total		232,094.90	232,094.90	