

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 year ended 31 December 2021

**BISHKEK
June 2022**

LIVELIHOODS FOR YOUTH COMMUNITY SUPPORT PROJECT

JSDF GRANT NO. TF0A8254

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION 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 for the year ended 31 December 2021 of "Livelihoods for Youth Community Support Project" ("the Project") financed by Letter Agreement JSDF Grant No. TFOA8254, 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, 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 year ended 31 December 2021.

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. TFOA8254 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 year ended 31 December 2021 were authorized for issue on 8 June 2022 by the MSDSP KG's Management.

On behalf of the MSDSP KG's Management:


Arslan Mifashev
Executive Director of MSDSP KG


Sergei Kabanov
Finance Director 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. TFOA8254 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 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 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.

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) 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

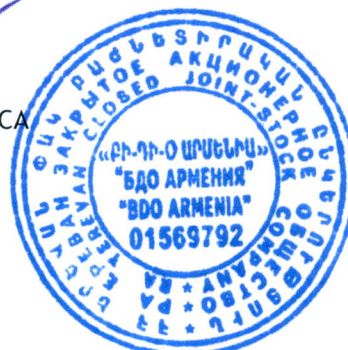
To comply with the terms of the Letter Agreement, the MSDSP KG management shall insure that:

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 year ended 31 December 2021.

"BDO Armenia" CJSC
8 June 2022


Gnel Khachatryan, FCCA
Engagement Partner




Livelihoods for Youth Community Support Project
JSDF Grant No. TF0A8254

Statement of cash receipts and payments

For the year ended 31 December 2021

(Amounts are shown in US dollars)

	Note	Actual		Cumulative as at 31 Dec 2021	Cumulative as at 31 Dec 2020	Variance Cumulative as at 31 Dec 2021
		Year ended 31 Dec 2021	Cumulative as at 31 Dec 2021		Year ended 31 Dec 2020	
TOTAL OPENING CASH		110,057	-	161,949	-	
Sources of Funds	8					
JSDF Grant No. TF0A8254		508,806	826,504	117,698	317,698	
TOTAL FUNDS		508,806	826,504	117,698	317,698	
Project Expenditures	7					
(1) Consulting services		101,720	192,416	84,127	90,696	(34,147)
(2) Training		250,669	266,931	15,211	16,262	(1,552)
(3) Goods		113,134	128,251	4,202	15,117	(204,466)
(4) Operating costs		134,507	219,597	64,966	85,090	(636,342)
(5) Sub-Grants		-	-	-	-	(175,606)
TOTAL PROJECT EXPENDITURES		600,030	807,195	168,506	207,165	(1,052,113)
Foreign currency gain/(loss)		675	199	(1,084)	(476)	
TOTAL CLOSING CASH	6	19,508	19,508	110,057	110,057	


Arslan Mitashev
 Executive Director of MSDSP KG


Sergei Kabanov
 Finance Director of AKF KG and MSDSP KG

8 June 2022

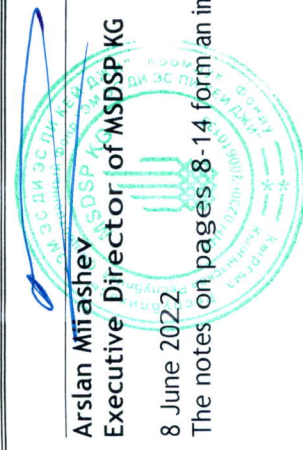
The notes on pages 8-14 form an integral part of these special purpose financial statements.

Livelihoods for Youth Community Support Project
JSDF Grant No. TF0A8254

Statement of expenditures per components

For the year ended 31 December 2021
(Amounts are shown in US dollars)

Components	Actual		Cumulative as at 31 Dec 2020	Planned Cumulative as at 31 Dec 2021	Variance Cumulative as at 31 Dec 2021
	Year ended 31 Dec 2021	Cumulative as at 31 Dec 2021			
Part 1. Preparing Youth for the labor market					
1.a. Support of employable skills for selected Youth	271,650	292,229	16,296	647,023	(354,794)
1.b. Support of ICT and e-service	144,698	165,277	16,296	390,023	(224,746)
	126,952	126,952	-	257,000	(130,048)
Part 2. Creating market opportunities for Youth					
2.a. Support for value-addition in selected value chains	165,209	242,485	66,183	790,466	(547,981)
2.b. Support for the development of e-enterprises	150,222	227,498	66,183	598,466	(370,968)
	14,987	14,987	-	192,000	(177,013)
C. Project management and administration, monitoring and evaluation, and knowledge dissemination					
3.a. Project Management and Administration	163,171	272,481	86,027	421,819	(149,338)
3.b. Monitoring & Evaluation	142,039	246,282	80,960	341,252	(94,970)
3.c. Knowledge Dissemination	18,820	23,887	5,067	43,067	(19,180)
	2,312	2,312	-	37,500	(35,188)
TOTAL	600,030	807,195	168,506	1,859,308	(1,052,113)


Arslan Mirashev
Executive Director of MSDSP KG
 8 June 2022


Sergei Kabanov
Finance Director of AKF KG and MSDSP KG

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 2021

(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%
Total	2,730,000	2,730,000	2,730,000	

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

Notes to the special purpose financial statements

For the year ended 31 December 2021

(Amounts are shown in US dollars)

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 Aga Khan Foundation Branch in Kyrgyz Republic.

The MSDSP KG address is:

25, A.Tokombaev str., BC Monaco-Avanguard, 720028, Bishkek, Kyrgyzstan

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 = 82.80 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) Consulting services	(2) Training	(3) Goods	(4) Operating costs	(5) Sub-Grants	
L4Y - 4	14-Apr-2021	51,605.98	3,178.98	4,201.69	30,460.02	-	89,446.67
L4Y - 5	19-May-2021	27,548.66	34,377.54	-	22,099.30	-	84,025.50
L4Y - 6	21-Jun-2021	11,761.74	18,022.90	-	15,867.94	-	45,652.58
L4Y - 7	19-Oct-2021	24,529.69	24,210.21	-	19,059.06	-	67,798.96
L4Y - 8	08-Nov-2021	5,858.03	35,292.34	55,733.77	5,619.25	-	102,503.39
L4Y - 9	13-Dec-2021	5,504.63	55,483.04	45,778.17	12,612.68	-	119,378.52
Total		126,808.73	170,565.01	105,713.63	105,718.25	-	508,805.62

4. Statement of Designated Accounts

Letter Agreement

JSDF Grant No. TF0A8254

Bank account number

1280016053327781

Bank

CJSC "Kyrgyz Investment and Credit Bank"

Bank location

21 Erkendik avenue, Bishkek, Kyrgyz Republic

Account currency

USD

	31 Dec 2021	31 Dec 2020
1. Opening balance	107,492	161,858
2. Add: opening discrepancy	3,042	(516)
3. IDA advance/replenishment	508,806	117,698
4. Less: Refund to IDA from DA	-	-
5. Present outstanding amount advanced to DA	619,340	279,040
6. DA closing balance	1,934	107,492
7. Add: Amount of eligible expenditures paid	600,030	168,506
8. Less: interest earned (if credited to DA)	-	-
9. Total advance accounted for	601,964	275,998
10. Closing discrepancy (5)-(9)*	17,376	3,042
(*) The discrepancy is due to:		
	31 Dec 2021 USD	31 Dec 2020 USD
Balance at Transit account (Note 6)	125	2,524
Receivables account (Note 6)	17,449	41
Foreign currency (gain)/loss	(198)	477
Total	17,376	3,042

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).

	Note	31 Dec 2021 USD	31 Dec 2020 USD
ASSETS			
Cash	6	19,508	110,057
Prepayments		-	-
Total assets		19,508	110,057
LIABILITIES			
Payables		2,319	-
Total liabilities		2,319	-
NET ASSETS			
Cumulative income	8		
JSDF Grant No. TF0A8254		826,504	317,698
		826,504	317,698
Cumulative expenses			
Project expenses	7	809,514	207,165
		809,514	207,165
Foreign exchange gain/(loss)		199	(476)
Total net assets		17,189	110,057

6. Cash

	Underlying Currency	31 Dec 2021 USD	31 Dec 2020 USD
JSDF Grant No. TF0A8254			
Designated Account	USD	1,934	107,492
Transit account	KGS	125	2,524
Receivables account (b)	KGS	95	41
Receivables account (c)	KGS	17,354	-
		19,508	110,057

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

(b) Represents advances to staff.

(c) Represents second tranche payment to Accelerate Prosperity, the balance amount was closed in March 2022.

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

Category	Cumulative Expenditures as at 31 Dec 2021	Total budget, updated (a)	Execution (b)
	USD	USD	%
(1) Consulting services	192,416	506,135	38%
(2) Training	266,931	1,167,150	23%
(3) Goods	128,251	270,100	47%
(4) Operating costs	219,597	384,134	57%
(5) Sub-Grants	-	402,481	-
Total	807,195	2,730,000	30%

(a) Represents modified budget submitted for extension to WB on 22 December 2021.

(b) The Project became effective on 10 April 2019 and Closing date is set on 15 July 2022 (Note 1.1.). The MSDSP KG submitted for a no-cost extension of the project until 15 January 2023 and is waiting for an official approval, which is expected to be received by the end of June 2022.

As at 31 Dec 2021 30% of the Project expenditures are completed.

The main reasons for slow progress to the L4Y were beyond the control of MSDSP, namely the delay in finalizing the route of the CASA1000 Electricity Trade and Transmission Project (CASA10000) transmission line and the impact that had on both the CASA1000 Community Support Project (CSP) and the L4Y in being able to pin down the target areas so that the village list could be finalized. This was then followed by the COVID-19 pandemic, which also severely affected the L4Y given its focus on building capacity.

Low disbursement rate is also the result of the slow progress in implementing other parts of the approved work plan (i.e., procurement, completion of preparatory studies). Given the interdependence between the L4Y and the CSP and the Community Engagement and Social Accountability Project (CESA), it is essential that implementation is aligned.

Originally the L4Y was planned for three years to close on July 15, 2022 in order to be aligned with the implementation of the IDA-financed CASA1000 CSP and CASA1000. However, at the time the L4Y trust fund was processed, the CASA1000 CSP was not effective and the route of the CASA1000 transmission line had not been finalized hence the communities have not been identified which affected L4Y.

8. Financing

	2021 USD	2020 USD	Cumulative as at 31 Dec 2021 USD
Advance	-	-	200,000
SOE and Summary Report	508,806	117,698	626,504
Total	508,806	117,698	826,504
Total financing budget			2,730,000
Percentage of finance provided as at 31 Dec 2021			30%

Notes to the special purpose financial statements

For the year ended 31 December 2021

(Amounts are shown in US dollars)

9. Events after reporting date

SOE applications

The application N L4Y-10 including expenditures relating to the reporting period in the amount of 108,588 USD was submitted to WB on 30 December 2021 and approved on 3 January 2022.

The application N L4Y-11 including expenditures relating to the reporting period in the amount of 71,633 USD was submitted to WB on 31 January 2022 and approved on 9 February 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.

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

For the year ended 31 December 2021

(Amounts are shown in US dollars)

Expenditure Category	Appl.	MSDSP KG	WB	Difference
(1) Consulting services	L4Y - 4	51,605.98	51,605.98	-
	L4Y - 5	27,548.66	27,548.66	-
	L4Y - 6	11,761.74	11,761.74	-
	L4Y - 7	24,529.69	24,529.69	-
	L4Y - 8	5,858.03	5,858.03	-
	L4Y - 9	5,504.63	5,504.63	-
		126,808.73	126,808.73	
(2) Training	L4Y - 4	3,178.98	3,178.98	-
	L4Y - 5	34,377.54	34,377.54	-
	L4Y - 6	18,022.90	18,022.90	-
	L4Y - 7	24,210.21	24,210.21	-
	L4Y - 8	35,292.34	35,292.34	-
	L4Y - 9	55,483.04	55,483.04	-
		170,565.01	170,565.01	
(3) Goods	L4Y - 4	4,201.69	4,201.69	-
	L4Y - 8	55,733.77	55,733.77	-
	L4Y - 9	45,778.17	45,778.17	-
		105,713.63	105,713.63	
(4) Operating costs	L4Y - 4	30,460.02	30,460.02	-
	L4Y - 5	22,099.30	22,099.30	-
	L4Y - 6	15,867.94	15,867.94	-
	L4Y - 7	19,059.06	19,059.06	-
	L4Y - 8	5,619.25	5,619.25	-
	L4Y - 9	12,612.68	12,612.68	-
		105,718.25	105,718.25	
Total		508,805.62	508,805.62	