

AGRICULTURAL PRODUCTIVITY AND NUTRITION IMPROVEMENT PROJECT

GAFSP GRANT NUMBER TF0A0645

**IMPLEMENTED BY PROJECT IMPLEMENTATION UNIT
OF WATER RESOURCES SERVICE
UNDER THE MINISTRY OF AGRICULTURE OF THE KYRGYZ REPUBLIC**

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 01 January 2023 to 03 October 2023

**BISHKEK
November 2023**

AGRICULTURAL PRODUCTIVITY AND NUTRITION IMPROVEMENT PROJECT

GAFSP GRANT NUMBER TF0A0645

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

The management of the Project Implementation Unit of Water Resources Service under the Ministry of Agriculture of the Kyrgyz Republic ("PIU WRS") is responsible for the preparation of the special purpose financial statements for the period from 01 January 2023 to 03 October 2023 of "Agricultural Productivity and Nutrition Improvement Project" ("Project") financed by Grant Agreement: GAFSP Grant Number TFOA0645 dated 18 March 2016, 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 Standard Conditions for Grants Made by the World Bank Out of Various Funds ("WB Guidelines").

In preparing the special purpose financial statements, PIU WRS'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 01 January 2023 to 03 October 2023.

PIU WRS'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 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 Financing Agreement GAFSP GRANT NUMBER TFOA0645 dated 18 March 2016, 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 01 January 2023 to 03 October 2023 were authorized for issue on 27 November 2023 by the PIU WRS's Management.

On behalf of the PIU WRS's Management:



PIU-APNIP
Ulanbek Torogeldiev
Director PIU WRS



Nurzat Rysbekova
Financial Manager PIU WRS

INDEPENDENT AUDITOR'S REPORT

To the management of the Project Implementation Unit of Water Resources Service under the Ministry of Agriculture of the Kyrgyz Republic ("PIU WRS")

Opinion

We have audited the special purpose financial statements of "Agricultural Productivity and Nutrition Improvement Project" ("Project") financed by Financing Agreement GAFSP Grant Number TF0A0645 dated 18 March 2016 ("Financing Agreement"), and implemented by PIU WRS which comprise the statement of cash receipts and payments, and the statement of expenditures per components for the period from 01 January 2023 to 03 October 2023, 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 period from 01 January 2023 to 03 October 2023 are prepared, in all material respect, 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 PIU WRS 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

Without modifying our opinion, we draw your attention to Note 2 to the special purpose 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 Special Purpose Financial Statements

Management of the PIU WRS 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 Standard Conditions for Grants Made by the World Bank Out of Various Funds ("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 Financing Agreement, the PIU WRS management shall insure that:

1. funds have been used in accordance with the conditions of the Financing 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 Financing Agreement. Interim Unaudited Financial Statements ("IFs") issued by PIU WRS during the reporting year are in agreement with the underlying books of account;
3. The Designated account used has been maintained in accordance with the provision of the Financing Agreement, and World Bank related guidelines.
4. Goods and Services financed have been procured in accordance with the Financing Agreement and provisions of the World Bank Procurement Guidelines.

In our opinion, the PIU WRS management has complied with the above requirements for the period from 01 January 2023 to 03 October 2023.

"BDO Armenia" CJSC
27 November 2023

Vahagn Sahakyan, FCCA
Engagement Partner



Agricultural Productivity and Nutrition Improvement Project
GAFSP Grant Number TF0A0645-KG

Statement of cash receipts and payments

For the period from 01 January 2023 to 03 October 2023
(Amounts are shown in US dollars)

Note		Actual		Budget	Variance
		For the period from 01 January 2023 to 03 October 2023	Cumulative as at 03 October 2023	Cumulative as at 03 October 2023	Cumulative as at 03 October 2023
	TOTAL OPENING CASH	1,212,697	-	1,038,902	-
	Sources of Funds				
8	GAFSP Grant Number TF0A0645	358,259	38,000,000	7,992,822	37,641,741
	TOTAL FUNDS	358,259	38,000,000	7,992,822	37,641,741
11	Other income	5,449	201,668	24,139	196,219
	Project Expenditures				
	1. Works, Goods, Training, Operating Costs, Consultants' services, Non-consultant services and Small Grants				
	Goods	1,492,748	38,000,000	7,797,780	36,507,253
	Works	757,097	8,764,387	2,955,722	8,007,290
	Consultants' services (including training)	411,221	21,724,071	4,052,841	21,312,850
	Operating costs	159,831	5,607,973	429,045	5,448,142
	TOTAL PROJECT EXPENDITURES	1,492,748	38,000,000	7,797,780	36,507,253
12	Other outflows	83,356	201,367	45,386	118,010
6	TOTAL CLOSING CASH	301	301	1,212,697	1,212,697


Ulanbek Torogeldiev
 Director PIU WRS
 27 November 2023


Nurzat Rysbekova
 Financial Manager PIU WRS

The notes on pages 8-15 form an integral part of these special purpose financial statements.

Agricultural Productivity and Nutrition Improvement Project
GAFSP Grant Number TF0A0645-KG

Statement of expenditures per components

For the period from 01 January 2023 to 03 October 2023
(Amounts are shown in US dollars)

Activity	Actual		Budget		Variance
	For the period from 01 January 2023 to 03 October 2023	FY2022	Cumulative as at 03 October 2023	Cumulative as at 03 October 2023	
Part 1. Rehabilitation and Modernization of Irrigation and Drainage Infrastructure	452,723	4,302,417	25,180,915	25,180,931	(16)
1.a. Rehabilitation and modernization of selected existing irrigation and drainage system	452,723	4,302,417	22,587,293	22,587,309	(16)
1.b. Maintenance equipment for WUAs	-	-	1,540,820	1,540,820	-
1.c. Off-farm irrigation infrastructure and water measurement structures	-	-	1,033,867	1,033,867	-
1.d. Limited rehabilitation works on critical off-farm structures	-	-	18,935	18,935	-
Part 2. Agricultural Advisory Services	775,752	3,012,507	7,399,089	7,399,115	(26)
2.a. Training and technical advisory services	28,274	43,389	227,407	227,433	(26)
2.b. Small Grants to participating WUAs	747,478	2,969,118	6,728,944	6,728,944	-
2.c. Technical advisory services and promoting knowledge dissemination	-	-	345,636	345,636	-
2.d. Demonstrations on on-farm water management	-	-	97,102	97,102	-
Part 3. Nutrition Improvements	25,286	139,836	2,911,657	2,911,659	(2)
3.a. Household nutrition education program	18,190	61,550	116,201	116,212	(11)
3.b. Provision of micronutrient supplements	-	-	127,412	127,412	-
3.c. Improvement of household nutrition and dietary	-	62,647	2,350,517	2,350,517	-
3.d. Improvement of national coordination for food and nutrition security	7,096	15,639	317,527	317,518	9
Part 4. Project Management	238,987	343,019	2,508,339	2,508,295	44
Total	1,492,748	7,797,779	38,000,000	38,000,000	-


Ulanbek Torogeldiev
Director PIU WRS


Nurzat Rysbekova
Financial Manager PIU WRS

27 November 2023

The notes on pages 8-15 form an integral part of these special purpose financial statements.

Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(Amounts are shown in US dollars)

1 General information

1.1 The Project

According to the Grant Agreement between the Kyrgyz Republic and the International Development Association (IDA) on 18 March 2016, GAFSP Grant Number TF0A0645, the IDA acting as Trustee of the Global Agriculture and Food Security Multi-Trust Fund under the Global Agriculture and Food Security Program, provided to the Kyrgyz Republic grant in the amount of 38,000,000 United States dollars (USD).

The Grant is provided for implementation of “Agricultural Productivity and Nutrition Improvement Project” (the Project).

The Grant Agreement became effective on 14 Sept 2016.

The Closing date of GAFSP Grant Number TF0A0645 is set 30 June 2023 (as updated).

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

1.2 The Project objectives

The purpose of the Project is to increase agricultural productivity, and food and nutrition security of rural households in selected areas in Kyrgyz Republic.

The Project comprises of the following parts:

Part 1: Rehabilitation and Modernization of Irrigation and Drainage Infrastructure

Increasing agricultural productivity and ensuring access to adequate agriculture water resources: a) rehabilitation and modernization of selected existing irrigation and drainage systems; (b) provision of maintenance equipment to Water Users Associations (WUAs) and Federations of WUAs; (c) provision of off-farm irrigation infrastructure and water measurement structures; and (d) carrying out limited rehabilitation works on critical off-farm structures.

Part 2: Agricultural Advisory Services

Carrying out of activities to increase irrigated agricultural production and food and nutrition security, including:

- a) provision of training and technical advisory services;
- b) provision of Small Grants to Participating WUAs to implement the Agriculture Development Plans;
- c) providing technical advisory services and promoting knowledge dissemination through: and
- d) conducting demonstrations on on-farm water management and facilitating selected WUA members to attend said demonstration events.

Part 3: Nutrition Improvements

- a) Carrying out of a household nutrition education program for women, children and adolescent girls to improve household nutrition;
- b) Provision of micronutrient supplements to targeted women and children to improve their nutritional health;
- c) Carrying out of activities to improve household nutrition and dietary consumption;
- d) Improving national coordination for food and nutrition security.

Agricultural Productivity and Nutrition Improvement Project
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Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(Amounts are shown in US dollars)

Part 4: Project Management

Strengthening the institutional capacity of the PIU to carry out Project management activities, including the administration, coordination and monitoring and evaluation of the Project.

1.3 Budget

The percentage of expenditures to be financed (inclusive of taxes) from GAFSP Grant Number TF0A0645 is set 100%.

The total budget of the project is as follows:

Category	GAFSP GRANT NUMBER TF0A0645	Total
	USD	USD
Works, Goods, Training, Operating Costs, Consultants' services, Non-consultant services and Small Grants	38,000,000	38,000,000
Total	38,000,000	38,000,000

1.4 Project Implementation

The Project was implemented by the Project Implementation Unit of Water Resources Service under the Ministry of Agriculture of the Kyrgyz Republic (the PIU WRS).

The PIU WRS was established for the purpose of the Project implementation by the Decree #118 dated 1 June 2006 of the Ministry of Agriculture of the Kyrgyz Republic.

The address of the PIU WRS is 4a Toktonaliev str., Bishkek, 720055, Kyrgyz Republic.

Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(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 the Standard Conditions for Grants Made by the World Bank Out of Various Funds (WB Guidelines).

The principal accounting policies applied in the preparation of these special purpose financial statements are set out below.

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).

Project expenditures, other incomes and expenditures made denominated in KGS are translated into USD at the exchange rate determined by the account holder bank, OJSC "Commercial Bank Kyrgyzstan" (CBKG), on the date of transaction.

Cash balances held in KGS at the reporting date are translated into USD at the exchange rate determined by the CBKG on that date.

The effect of exchange rate changes on cash held on foreign currency is reported as a separate line item in the statement of cash receipts and payments.

The exchange rate defined by the CBKG as at 31 December 2022 is USD 1 = 85.00 KGS.

The exchange rate defined by the CBKG as at 03 October 2023 is USD 1 = 88.50 KGS.

2.4 Taxes

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

2.5 Budget

Annual budgets for funding and expenditures are based on the approved budget of the project agreement.

The expenditure budget is created based on actual accumulated expenditures for the last period, if any, plus the updated procurement plans for the period.

The financing budget is created based on actual accumulated expenditures for the last period, if any, plus funding for the coming period budgeted expenditures.

2.6 Petty cash

Petty cash is cash held at authorized staff of the Project, to carry out cash expenditures for the Project purposes. The expenditures from the petty cash are recorded in the financial reports based on the expenditure reports submitted by the authorized staff.

Agricultural Productivity and Nutrition Improvement Project
GAFSP Grant Number TF0A0645-KG

Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(Amounts are shown in US dollars)

3 Summary of Summary Reports and SOEs

Withdrawal application No	Withdrawal application value date	Payment categories	Total
		Works, Goods, Training, Operating Costs, Consultants' services, Non-consultant services and Small Grants	
67	27-Apr-2023	1,536,745.95	1,536,745.95
69	31-Jul-2023	821,513.33	821,513.33
Total		2,358,259.28	2,358,259.28

4 Statement of Designated Account

Grant	GAFSP Grant Number TF0A0645-KG
Designated account number	1030120800009855
Bank	OJSC "Commercial Bank Kyrgyzstan"
Bank location	54a, Togolok Moldo St., Bishkek, Kyrgyz Republic
Account currency	USD

	For the period from 01 January 2023 to 03 October 2023	FY2022
1. Opening balance	1,133,205	929,326
2. Add: opening discrepancy	1,284	10,120
3. IDA advance/replenishment	358,259	7,992,822
4. Less: Refund to IDA from DA	-	-
5. Present outstanding amount advanced to DA	1,492,748	8,932,268
6. DA closing balance	-	1,133,205
7. Add: Amount of eligible expenditures paid	1,492,748	7,797,780
8. Less: interest earned (if credited to DA)	-	-
9. Total advance accounted for	1,492,748	8,930,985
10. Closing discrepancy (5)-(9) *	-	1,283

(*) Discrepancy consists of petty cash (Note 6).

Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(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	03 Oct 2023 USD	31 Dec 2022 USD
ASSETS			
Cash	6	301	1,212,697
Prepayments	9	-	44,783
Total assets		301	1,257,480
LIABILITIES			
Payables	10	-	200,805
Total liabilities		-	200,805
NET ASSETS			
Cumulative income			
GAFSP Grant Number TF0A0645	8	38,000,000	37,641,741
Other income	11	201,668	196,219
		38,201,668	37,837,960
Cumulative expenses			
Project expenses		38,000,000	36,663,275
Other outflows	12	201,367	118,010
		38,201,367	36,781,285
Total net assets		301	1,056,675

6 Cash

	Underlying Currency	03 Oct 2023 USD	31 Dec 2022 USD
GAFSP Grant Number TF0A0645			
Designated Account	USD	-	1,133,205
Petty cash	KGS	-	1,283
		-	1,134,488
Other (a)			
Interest account	KGS	301	19,649
Tender account	KGS	-	9,379
Tender account	USD	-	100
Other account (Note 11.a)	KGS	-	49,081
		301	78,209
		301	1,212,697

(a) All accounts are held at OJSC "Commercial Bank Kyrgyzstan".

Agricultural Productivity and Nutrition Improvement Project
GAFSP Grant Number TF0A0645-KG

Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(Amounts are shown in US dollars)

7 Project expenditure progress

Project Activity	Cumulative Expenditures as at 03 October 2023	Total budget (updated)	Implementation
	USD	USD	%
1.Rehabilitation and Modernization of Irrigation and Drainage Infrastructure	25,180,915	25,238,721	100%
2.Agricultural Advisory Services	7,399,089	7,315,126	101%
3.Nutrition Improvements	2,911,657	2,909,715	100%
4.Project Management	2,508,339	2,536,438	99%
Total	38,000,000	38,000,000	100%

(a) Budget of subcomponents were reallocated based on the Procurement Plan approved by the WB dated January 20, 2023.

8 Financing

GAFSP GRANT NUMBER TF0A0645

	For the period from 01 January 2023 to 03 October 2023 USD	FY2022 USD	Cumulative as at 03 October 2023 USD
Advances/ (advance recovery)	-	-	2,000,000
SOE and Summary Report	358,259	7,992,822	36,000,000
Total	358,259	7,992,822	38,000,000
Total financing budget			38,000,000
Percentage of finance provided as at 03 October 2023			100%

9 Prepayments

Subcategory	03.10.2023 USD	31.12.2022 USD
Works	-	44,783
Consulting	-	-
Other	-	-
Total	-	44,783

10 Payables

Subcategory	03.10.2023 USD	31.12.2022 USD
Works (warranty amounts)	-	200,428
Other	-	377
Total	-	200,805

Notes to the special purpose financial statements

For the period from 01 January 2023 to 03 October 2023

(Amounts are shown in US dollars)

11 Other income

	For the period from 01 January 2023 to 03 October 2023 USD	FY2022 USD	Cumulative as at 03 October 2023 USD
Interest accrued	5,449	25,343	140,789
Tender fees	-	-	11,508
Other	-	(1,204)	49,371
Total	5,449	24,139	201,668

12 Other outflow

	For the period from 01 January 2023 to 03 October 2023 USD	FY2022 USD	Cumulative as at 03 October 2023 USD
Transfer of interest to state budget	20,197	39,969.00	113,890
FX (gain)/loss	1,814	2,462.00	4,277
Other expenditures (bank charges, other)	61,345	2,955.00	83,200
Total	83,356	45,386	201,367

13 Project completion

The Closing date of the funding as updated is set at 30 June 2023 ("Closing date"), and the Grace Period is set at 31 October 2023 ("Grace period").

The transactions are completed as at 03 October 2023 ("Reporting date").

As at signing these financial statements:

- The CASA-1000 MDTF Grant No. TF0A7727 has no refundable balance.
- SOEs for 821,513.33 USD was submitted for expenses documentation with WB value date 31 July 2023.
- No cash balance outstanding at Designated account and other accounts, except for the interest accrued and to be transferred to state budget at the amount of 301 USD.
- There are no outstanding payables or uncovered advances to contractors as at the Reporting date.

14 Litigations

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

Agricultural Productivity and Nutrition Improvement Project
GAFSP Grant Number TF0A0645-KG

ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE PIU WRS AND DISBURSED BY THE WORLD BANK

For the period from 01 January 2023 to 03 October 2023

(Amounts are shown in US dollars)

GAFSP Grant Number TF0A0645

Expenditure Category	Application N	PIU WRS	WB	Difference
		USD	USD	USD
Advance/(recovery)	67	(1,178,486.67)	(1,178,486.67)	-
Advance/(recovery)	69	(821,513.33)	(821,513.33)	-
Sub-Total		(2,000,000.00)	(2,000,000.00)	-
(1) Goods, non-consulting services, consulting services, training and workshops, and incremental operating costs	67	1,536,745.95	1,536,745.95	-
	69	821,513.33	821,513.33	-
Sub-Total		2,358,259.28	2,358,259.28	-
Total		358,259.28	358,259.28	