

**“Pasture and Livestock  
Management Improvement Project”  
IDA Credit No. 5521-KG  
IDA Grant No. H976-KG**

**Special purpose project financial statements  
for the year ended December 31, 2017**

**and independent auditors' report**

**"PASTURE AND LIVESTOCK MANAGEMENT IMPROVEMENT PROJECT"**  
**IDA CREDIT NO. 5521-KG**  
**IDA GRANT NO. H976-KG**

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## **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

The following statement, which should be read in conjunction with the independent auditors' responsibilities is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the special purpose project financial statements of the Project "Pasture and Livestock Management Improvement Project", IDA Credit No. 5521-KG, IDA Grant No. H976-KG (the "Project").

Management is responsible for the preparation of the special purpose project financial statements that present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Project for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

In preparing the special purpose project financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and WB Guidelines have been followed, subject to any material departures disclosed and explained in the special purpose project financial statements; and
- preparing the special purpose project financial statements on a going concern basis, unless it is inappropriate to presume that the Project will continue its activity for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining effective and sound system of internal control and for revealing risks in system of internal control;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Kyrgyz Republic, accounting system of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud and other irregularities.

The special purpose project financial statements for the year ended December 31, 2017 were approved and authorized for issue by the management of the Project on May 11, 2018.

**On behalf of the Management of the Project:**

Tynaev S.  
Acting director

May 11, 2018  
Bishkek, Kyrgyz Republic

Zhusupbekova S.  
Financial manager

May 11, 2018  
Bishkek, Kyrgyz Republic

## INDEPENDENT AUDITORS' REPORT

To the management of the Project "Pasture and Livestock Management Improvement Project" under the Ministry of Agriculture, Food Industry and Melioration of the Kyrgyz Republic:

### **Report on the special purpose project financial statements**

#### **Opinion**

We have audited the special purpose project financial statements of the Project "Pasture and Livestock Management Improvement Project" (the "Project") which comprise the statement of cash proceeds and disbursements and the statement of uses of funds by project components for the year ended December 31, 2107, and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Project for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the special purpose project financial statements section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the special purpose project financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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**

Without qualifying our opinion, we draw attention to Note 2 to the special purpose project financial statements which describe the basis of accounting. These special purpose project financial statements were prepared for complying with the appropriate World Bank Guidelines and Financing agreement requirements.

#### **Other matter**

The special purpose project financial statements are prepared to assist the Project to comply with the requirements of the World Bank. As a result, the special purpose project financial statements may not be suitable for another purpose.

## **Responsibilities of management and those charged with governance for the special purpose project financial statements**

Management is responsible for the preparation and fair presentation of the special purpose project financial statements in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Accounting Standards Board of the International Federation of Accountants, and the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”), and for such internal control as management determines is necessary to enable the preparation of the special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor’s responsibilities for the audit of the special purpose project financial statements**

Our objectives are to obtain reasonable assurance about whether the special purpose project 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 the special purpose project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose project 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 Project’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Rayval*

Kubat Alymkulov



## Certified accounta

Certified accountant, FCCA  
Audit certificate of the Kyrgyz Republic No. 0069  
Audit Director, Baker Tilly Bishkek LLC

Baker Tilly Bishkek LLC, License Series A No. 0049 issued by the State Committee on Review and Regulation of the financial market of the Kyrgyz Republic

May 11, 2018  
Bishkek, Kyrgyz Republic

**"PASTURE AND LIVESTOCK MANAGEMENT IMPROVEMENT PROJECT"**  
**IDA CREDIT NO. 5521-KG**  
**IDA GRANT NO. H976-KG**

**STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(in US Dollars)*

	Notes	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
<b>Opening balance</b>	4	<b>1,585,509</b>	-	-	-
APIU		393,402	-	-	-
ARIS		1,192,107	-	-	-
<b>Funds received</b>					
IDA Credit 5521-KG	5	-	-	-	-
IDA Grant H976-KG	5	<b>1,165,054</b>	<b>3,366,050</b>	<b>2,200,996</b>	<b>2,200,996</b>
APIU		328,580	1,029,576	700,996	700,996
ARIS		836,474	2,336,474	1,500,000	1,500,000
Community contribution	5	<b>27,821</b>	<b>27,821</b>	-	-
ARIS		27,821	27,821	-	-
<b>Total funds received</b>		<b>1,192,875</b>	<b>3,393,871</b>	<b>2,200,996</b>	<b>2,200,996</b>
<b>Other income</b>	7	<b>20,388</b>	<b>45,988</b>	<b>25,600</b>	<b>25,600</b>
APIU		4,599	22,175	17,576	17,576
ARIS		15,789	23,813	8,024	8,024
<b>Total receipts</b>		<b>1,213,263</b>	<b>3,439,859</b>	<b>2,226,596</b>	<b>2,226,596</b>
<b>Project expenses</b>					
1. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(i), (ii), and (iv), Part I.B, Parts I.C(i) - (iii), Parts II.A(ii) - (iii), Parts II.B(i) and (iii) - (v), and Part III(i) of the Project	6	<b>454,579</b>	<b>779,276</b>	<b>324,697</b>	<b>324,697</b>
APIU		454,579	779,276	324,697	324,697
2. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(iii) and (v) and Part III(ii) of the Project	6	<b>451,280</b>	<b>691,939</b>	<b>240,659</b>	<b>240,659</b>
ARIS		451,280	691,939	240,659	240,659
3. Sub-Grants for Part I.A(v) and Part I.C(iv) of the Project	6	<b>194,845</b>	<b>270,103</b>	<b>75,258</b>	<b>75,258</b>
ARIS		194,845	270,103	75,258	75,258
4. Sub-Grants for Part II.A(i) and Part II.B(ii) of the Project	6	-	-	-	-
<b>Total project expenses</b>		<b>1,100,704</b>	<b>1,741,318</b>	<b>640,614</b>	<b>640,614</b>

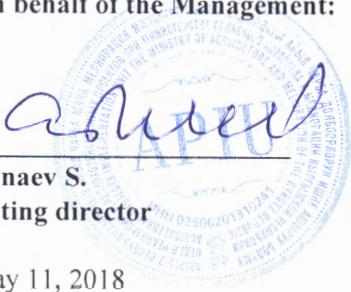
**"PASTURE AND LIVESTOCK MANAGEMENT IMPROVEMENT PROJECT"**  
 IDA CREDIT NO. 5521-KG  
 IDA GRANT NO. H976-KG

**STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS (CONTINUED)**  
 FOR THE YEAR ENDED DECEMBER 31, 2017  
*(in US Dollars)*

	Notes	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2017	Cumulative
<b>Other expenses</b>	8	<b>15,488</b>	<b>15,961</b>	<b>473</b>	<b>473</b>
APIU		13,809	14,282	473	473
ARIS		1,679	1,679	-	-
<b>Closing balance</b>	4	<b>1,682,580</b>	<b>1,682,580</b>	<b>1,585,509</b>	<b>1,585,509</b>
APIU		258,193	258,193	393,402	393,402
ARIS		1,424,387	1,424,387	1,192,107	1,192,107

On behalf of the Management:

Tynaev S.  
Acting director



May 11, 2018  
Bishkek, Kyrgyz Republic

Zhusupbekova S.  
Financial manager

May 11, 2018  
Bishkek, Kyrgyz Republic

The notes on pages 9-16 form an integral part of the special purpose project financial statements.  
The independent auditors' report is on pages 3-5.

**"PASTURE AND LIVESTOCK MANAGEMENT IMPROVEMENT PROJECT"**  
 IDA CREDIT NO. 5521-KG  
 IDA GRANT NO. H976-KG

**STATEMENT OF FUNDS BY PROJECT COMPONENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(in US Dollars)*

	<b>For the year ended December 31, 2017</b>	<b>Cumulative</b>	<b>For the year ended December 31, 2016</b>	<b>Cumulative</b>
<b>Component I. Community-based Pasture Management</b>	<b>669,093</b>	<b>983,345</b>	<b>314,252</b>	<b>314,252</b>
1.1. Carrying out strengthening of community-based pasture management and related investments	595,058	875,999	280,941	280,941
APIU	148,971	241,506	92,535	92,535
ARIS	446,087	634,493	188,406	188,406
1.2. Strengthening MoAM Pasture Department, local departments of agrarian development, and the KLPRI	74,035	107,346	33,311	33,311
APIU	74,035	107,346	33,311	33,311
ARIS	-	-	-	-
<b>Component II. Community Based Animal Health and Husbandry Services</b>	<b>56,867</b>	<b>126,154</b>	<b>69,287</b>	<b>69,287</b>
2.1. Carrying out community animal health and husbandry planning and investments	5,812	5,812	-	-
APIU	-	-	-	-
ARIS	5,812	5,812	-	-
2.2. Strengthening the development of private veterinarians in the Project Area	51,055	120,342	69,287	69,287
APIU	48,441	116,194	67,753	67,753
ARIS	2,614	4,148	1,534	1,534
<b>Component III. Project Management</b>	<b>374,744</b>	<b>631,819</b>	<b>257,075</b>	<b>257,075</b>
APIU	183,132	314,230	131,098	131,098
ARIS	191,612	317,589	125,977	125,977
	<b>1,100,704</b>	<b>1,741,318</b>	<b>640,614</b>	<b>640,614</b>

**On behalf of the Management:**

Tynaev S.  
 Acting director



May 11, 2018  
 Bishkek, Kyrgyz Republic

Zhusupbekova S.  
 Financial manager

May 11, 2018  
 Bishkek, Kyrgyz Republic

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**"PASTURE AND LIVESTOCK MANAGEMENT IMPROVEMENT PROJECT"**  
**IDA CREDIT NO. 5521-KG**  
**IDA GRANT NO. H976-KG**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(in US Dollars)*

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## **1. GENERAL INFORMATION**

According to the Financing Agreement between the Kyrgyz Republic and International Development Association (the "IDA") signed on December 10, 2014, the IDA provided a Credit No. 5521-KG in the amount of 5,400,000 Special Drawing Rights and a Grant No. H976-KG in the amount of 4,400,000 Special Drawing Rights to the Kyrgyz Republic.

The financing was provided for the Project "Pasture and Livestock Management Improvement Project" (the "Project").

Estimated contribution of the Pasture Users Unions (the "PUUs") to the Project equals to 537,500 Special Drawing Rights. Contribution of the PUU's to the Project should be not less than 25% of provided sub-grants amount. At least 5% of the contribution must be provided in-cash, while 20% should be provided in labor and materials.

Effective date of the Project is August 27, 2015. Project completion date is March 31, 2019.

### **Project purpose**

The objective of the Project "Pasture and Livestock Management Improvement Project" (the "Project") is to improve community based pasture and livestock management in the Project Area.

The Project comprises the following components:

Component I: Community-based pasture management;  
Component II: Community-based animal health and husbandry services;  
Component III: Project management.

#### ***Component I: Community-based pasture management***

This component focuses on improving community-based pasture management in the Project Area. The component consists of 3 sub-components:

*Sub-component I.A. Carrying out strengthening of community-based pasture management and related investments through:*

- (i) carrying out public awareness workshops on pasture legislation and providing legal advice to Pasture User Unions (the "PUUs");
- (ii) carrying out pasture boundary demarcation and inventory;
- (iii) strengthening community-based pasture governance;
- (iv) strengthening the capacity of PUUs; and
- (v) delivering PUU Sub-Grants.

*Sub-component I.B. Strengthening MoAM Pasture Department, local departments of agrarian development, and the KLPRI through:*

- (i) building capacity of the MoAM Pasture Department, and carrying out a public awareness campaign on pasture management;
- (ii) building capacity of local departments of agrarian development; and
- (iii) building capacity of the KLPRI and supporting field research on pasture improvement.

*Sub-component I.C. Piloting community-based management of Forestry Enterprise pastures by:*

- (i) providing legal and administrative advice to MoAM Pasture Department and training for PUUs;
- (ii) carrying out an inventory of land use;
- (iii) providing advice on the integration of Forestry Enterprise pastures into PUU plans; and
- (iv) providing PUU sub-grants.

***Component II: Community-based animal health and husbandry services***

This component focuses on improving animal health and husbandry in the Project Area. The component consists of 2 subcomponents:

*Sub-component II.A. Carrying out community animal health and husbandry planning investments by:*

- (i) providing PUU Sub-Grants for the preparation and implementation of PUU animal health plans;
- (ii) supervising the provision of veterinary services to PUUs;
- (iii) providing specialist advice on implementation and monitoring of national disease control strategies.

*Sub-component II.B. Strengthening the development of private veterinarians in the Project Area by:*

- (i) training of private veterinarians;
- (ii) providing Private Veterinarians Sub-Grants for veterinary equipment and veterinary medicine;
- (iii) strengthening rayon associations of private veterinarians;
- (iv) supporting a Graduate Incentive Program on veterinary medicine;
- (v) building capacity of the Veterinary Chamber.

***Component III: Project management***

This component finances:

- (i) supporting APIU;
- (ii) supporting ARIS.

The Project is implemented jointly by the Agriculture Projects Implementation Unit (the “APIU”) under the Ministry of Agriculture, Food, Industry and Melioration (the “MoAM”) of the Kyrgyz Republic; and the Community Development and Investment Agency (the “ARIS”).

The APIU is the Lead Programme Agency, and takes overall responsibility for the Project implementation, coordination, oversight and reporting to the World Bank and the Government of the Kyrgyz Republic, including liaising closely with the ARIS which shall be accountable to APIU.

ARIS is an independent legal entity, and it is registered in the legal organizational form envisaged by the legislation of the Kyrgyz Republic for non-for-profit organizations.

## **2. PRESENTATION OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

### **Basis of preparation**

These special purpose project financial statements have been prepared in accordance with the International Public Sector Accounting Standard (the “IPSAS”) “Financial Reporting under the Cash Basis of Accounting” issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the World Bank’s Financial Management Sector

Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Under the cash basis approach income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received or provided.

The Project's approved budget disclosed by categories of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

These special purpose project financial statements consist of:

- Statement of cash proceeds and disbursements;
- Statement of uses of funds by project components;
- Notes to the special purpose project financial statements, including short description of main statements of accounting policy and other descriptive notes;
- Annex to the special purpose project financial statements.

The reporting currency of these special purpose project financial statements is US dollars (the "USD").

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Cash basis of accounting**

Special purpose project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Project. Special purpose project financial statements prepared under the cash basis provide users with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the special purpose project financial statements is balances of cash and changes therein.

#### **Foreign currency**

Operations in foreign currency initially are counted in functional currency by the currency exchange rate settled by commercial bank on a date of operation.

All payments made in national currency are translated into USD at the currency exchange rate defined by commercial bank, at the date of transaction.

Funds are provided by IDA in US dollars at official exchange rate of Special Drawing Rights (the "SDR") at the date of transfer of funds.

Monetary assets and liabilities expressed in foreign currency are converted to functional currency at currency exchange rate on a date settled by commercial bank.

Non-monetary items are valued according to their historic cost in foreign currency, which are recalculated on rates of the initial operation date.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and due from banks, which can be converted to the corresponding amount of cash in the short term.

#### **Taxes**

Calculation and payment of personal income tax and social security contributions from income of staff and consultants is made in accordance with the requirements and rates of the Tax Code of the Kyrgyz Republic and relevant legislation of the Kyrgyz Republic.

### **Project expenses**

The expenses are recorded in the period when they were actually paid.

### **Sources of funds**

The funds were provided by the International Development Association to the Project by providing advances, replenishment of designated account or through direct payment to the end supplier of goods and/or services.

Community contribution for the year ended December 31, 2017 comprises contribution in-cash.

## **4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at December 31, 2017 and 2016 comprise:

	<b>Account holder</b>	<b>Currency</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>IDA Grant H976-KG</b>				
Designated account	APIU	USD	250,259	376,300
Designated account	ARIS	USD	1,402,253	1,184,083
<b>Other</b>				
Interest account	APIU	USD	7,892	17,102
Interest account	ARIS	USD	22,134	8,024
Accounts receivable from employees	APIU	USD	42	-
			<u>1,682,580</u>	<u>1,585,509</u>

## **5. FUNDS RECEIVED**

The funds were provided to the Project by the following methods and from the following sources of financing:

	<b>For the year ended December 31, 2017</b>	<b>Cumulative</b>	<b>For the year ended December 31, 2016</b>	<b>Cumulative</b>
<b>IDA Grant H976-KG</b>				
Advances	-	1,950,000	1,950,000	1,950,000
Reimbursement of expenses	<u>1,165,054</u>	<u>1,416,050</u>	<u>250,996</u>	<u>250,996</u>
	<u>1,165,054</u>	<u>3,366,050</u>	<u>2,200,996</u>	<u>2,200,996</u>
<b>Community contribution</b>				
Contributions in cash	<u>27,821</u>	<u>27,821</u>	-	-
	<u>27,821</u>	<u>27,821</u>	-	-
	<u>1,192,875</u>	<u>3,393,871</u>	<u>2,200,996</u>	<u>2,200,996</u>

In-cash contributions should be not less than 5% of financing provided to PUUs.

## 6. PROJECT EXPENSES

Project expenses on major categories are presented in the statement of cash proceeds and disbursements. Project expenses by components are presented in the statement of funds by Project components. Breakdown of Project expenses by sources of financing is presented as follows:

	For the year ended December 31, 2017		Total
	IDA Grant H976-KG	Community contribution	
1. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(i), (ii), and (iv), Part I.B, Parts I.C(i) - (iii), Parts II.A(ii) - (iii), Parts II.B(i) and (iii) - (v), and Part III(i) of the Project	454,579	-	454,579
2. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(iii) and (v) and Part III(ii) of the Project	451,280	-	451,280
3. Sub-Grants for Part I.A(v) and Part I.C(iv) of the Project	167,024	27,821	194,845
4. Sub-Grants for Part II.A(i) and Part II.B(ii) of the Project	-	-	-
	<u>1,072,883</u>	<u>27,821</u>	<u>1,100,704</u>
	Cumulative		Total
	IDA Grant H976-KG	Community contribution	
1. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(i), (ii), and (iv), Part I.B, Parts I.C(i) - (iii), Parts II.A(ii) - (iii), Parts II.B(i) and (iii) - (v), and Part III(i) of the Project	779,276	-	779,276
2. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(iii) and (v) and Part III(ii) of the Project	691,939	-	691,939
3. Sub-Grants for Part I.A(v) and Part I.C(iv) of the Project	242,282	27,821	270,103
4. Sub-Grants for Part II.A(i) and Part II.B(ii) of the Project	-	-	-
	<u>1,713,497</u>	<u>27,821</u>	<u>1,741,318</u>

## 7. OTHER INCOME

Other income for the year ended December 31, 2017 comprise interest income accrued by the serving bank on outstanding balances of cash at special accounts and income for realization of tender documents.

## 8. OTHER EXPENSES

Other expenses for the year ended December 31, 2017 comprise tax expenses, bank commissions, payments for other services.

## 9. FINANCIAL POSITION

Financial position as at December 31, 2017 and 2016 is presented as follows:

	December 31, 2017	December 31, 2016
<b>ASSETS AND EXPENDITURES</b>		
<b>Cash and cash equivalents</b>	<b>1,682,580</b>	<b>1,585,509</b>
APIU	258,193	393,402
ARIS	1,424,387	1,192,107
<b>Cumulative project expenditures</b>	<b>1,741,318</b>	<b>640,614</b>
APIU	779,276	324,697
ARIS	962,042	315,917
<b>Other expenses</b>	<b>15,961</b>	<b>473</b>
APIU	14,282	473
ARIS	1,679	-
<b>TOTAL ASSETS AND EXPENDITURES</b>	<b>3,439,859</b>	<b>2,226,596</b>
<b>FINANCING</b>		
<b>Funds received</b>	<b>3,393,871</b>	<b>2,200,996</b>
APIU	1,029,576	700,996
ARIS	2,364,295	1,500,000
<b>Other income</b>	<b>45,988</b>	<b>25,600</b>
APIU	22,175	17,576
ARIS	23,813	8,024
<b>TOTAL FINANCING</b>	<b>3,439,859</b>	<b>2,226,596</b>

## 10. SUMMARY OF SOEs

Withdrawal applications for the year ended December 31, 2017 comprise:

Appli- cation	Date of application submission	Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(i), (ii), and (iv), Part I.B, Parts I.C(i) - (iii), Parts II.A(ii) - (iii), Parts II.B(i) and (iii) - (v), and Part III(i) of the Project	Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(iii) and (v) and Part III(ii) of the Project	Sub-Grants for Part I.A(v) and Part I.C(iv) of the Project	Total
<b>APIU</b>					
APIU/G-5	May 23, 2017	158,111	-	-	158,111
APIU/G-6	October 6, 2017	170,469	-	-	170,469
		<b>328,580</b>	<b>-</b>	<b>-</b>	<b>328,580</b>
<b>ARIS</b>					
4A	February 16, 2017	-	245,001	94,673	339,674
5A	December 22, 2017	-	375,791	121,009	*496,800
		<b>-</b>	<b>620,792</b>	<b>215,682</b>	<b>836,474</b>

\*On December 21, 2017 the ARIS submitted a withdrawal application No. 5A for total amount of 496,918 US Dollars. On December 22, 2017 the IDA replenished special account of ARIS for 496,800 US Dollars. The difference of 118 US Dollars is recovery of initial advance received by ARIS from IDA.

## 11. DESIGNATED ACCOUNTS

Movement at APIU's designated account for the year ended December 31, 2017 is presented as follows:

<i>Bank</i>	OJSC Commercial Bank Kyrgyzstan
<i>Bank account</i>	1030120800007128
<i>Bank's location</i>	54 A, Togolok Moldo, Bishkek
	<b>IDA Grant H976-KG</b>
	<b>Total</b>
<b>Balance as at December 31, 2016</b>	376,300
Reimbursement of expenses	328,560
<b>Total funds received to the special account</b>	<b>328,560</b>
Expenditures paid	3,960
Transferred to transit account	448,361
Encashed	2,280
<b>Balance as at December 31, 2017</b>	<b>250,259</b>

Movement at ARIS's designated account for the year ended December 31, 2017 is presented as follows:

<i>Bank</i>	OJSC Commercial Bank Kyrgyzstan
<i>Bank account</i>	1030120800007532
<i>Bank's location</i>	54 A, Togolok Moldo, Bishkek
	<b>IDA Grant H976-KG</b>
	<b>Total</b>
<b>Balance as at December 31, 2016</b>	1,184,083
Reimbursement of expenses	836,464
<b>Total funds received to the special account</b>	<b>836,464</b>
Expenditures paid	7,187
Transferred to transit account	610,233
Encashed	874
<b>Balance as at December 31, 2017</b>	<b>1,402,253</b>

Correspondent bank charged a commission in amount of 10 US dollars for the transfer of IDA financing in accordance with withdrawal application 4A.

## 12. UNDRAWN FUNDS

As at December 31, 2017 undrawn funds are presented as follows:

	<b>IDA Credit 5521-KG <i>in SDR</i></b>	<b>IDA Grant H976-KG <i>in SDR</i></b>	<b>Total <i>in SDR</i></b>
Approved grant amount	5,400,000	4,400,000	9,800,000
Disbursed in previous periods	-	1,584,955	1,584,955
Disbursed in 2017	-	837,253	837,253
 Undrawn amount	 5,400,000	 1,977,792	 7,377,792
	<b>IDA Credit 5521-KG <i>in SDR</i></b>	<b>IDA Grant H976-KG <i>in SDR</i></b>	<b>Total <i>in SDR</i></b>
Received as at January 1, 2017	-	1,584,955	1,584,955
Disbursed in 2017	-	837,253	837,253
 Received as at December 31, 2017	 -	 2,422,208	 2,422,208

## 13. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan. Contract value of obligations valid as at December 31, 2017 was as follows:

Counterparty	Contract #	Contract Currency	Cost per contract	Paid up to December 31, 2017	Remaining amount to be paid
Michael Brent Hale	PLMIP/Ind-03-2016	USD	80,826	59,778	21,048

## 14. LEGAL CASES

There were no any legal claims related to the Project.

## 15. EVENTS AFTER THE REPORTING DATE

During 2018 until the date of issue of these special purpose project financial statements the International Development Association provided financing to the Project as follows:

Date	Application	Recipient	<b>IDA Credit 5521-KG</b>	<b>IDA Grant H976-KG</b>	<b>Total</b>
April 30, 2018	APIU/G-7	APIU	-	283,330	283,330
April 13, 2018	6A	ARIS		1,311,133	1,311,133
			-	1,594,463	1,594,463

As at the date of issue of the special purpose project financial statements no other significant events or transactions occurred, except for the events or transactions described above.

**ANNEX TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**  
**RECONCILIATION OF THE AMOUNTS PROVIDED BY THE APIU AND ARIS AND REFUNDED BY THE IDA**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(in US Dollars)*

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**IDA Grant H976-KG**

<b>APIU Withdrawal Application No.</b>	<b>Date</b>	<b>Expenditure category</b>	<b>Payment type</b>	<b>Claimed by APIU</b>	<b>Paid by IDA</b>	<b>Difference</b>
APIU/G-5	May 23, 2017	1. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(i), (ii), and (iv), Part I.B, Parts I.C(i) - (iii), Parts II.A(ii) - (iii), Parts II.B(i) and (iii) - (v), and Part III(i) of the Project	Reimbursement	158,111	158,111	-
APIU/G-6	October 6, 2017	1. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(i), (ii), and (iv), Part I.B, Parts I.C(i) - (iii), Parts II.A(ii) - (iii), Parts II.B(i) and (iii) - (v), and Part III(i) of the Project	Reimbursement	170,469	170,469	-
<b>ARIS</b>						
<b>Withdrawal Application No.</b>	<b>Date</b>	<b>Expenditure category</b>	<b>Payment type</b>	<b>Claimed by ARIS</b>	<b>Paid by IDA</b>	<b>Difference</b>
4A	February 16, 2017	2. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(iii) and (v) and Part III(ii) of the Project	Reimbursement	245,001	245,001	-
		3. Sub-Grants for Part I.A(v) and Part I.C(iv) of the Project	Reimbursement	94,673	94,673	-
5A	December 22, 2017	2. Goods, works, non-consulting services, consultant's services, training, and incremental operating costs for Parts I.A(iii) and (v) and Part III(ii) of the Project	Reimbursement	375,909	375,791	*(118)
		3. Sub-Grants for Part I.A(v) and Part I.C(iv) of the Project	Reimbursement	121,009	121,009	-

\*On December 21, 2017 the ARIS submitted a withdrawal application No. 5A for total amount of 496,918 US Dollars. On December 22, 2017 the IDA replenished special account of ARIS for 496,800 US Dollars. The difference of 118 US Dollars is recovery of initial advance received by ARIS from IDA.