

**NATIONAL WATER RESOURCES MANAGEMENT PROJECT -
PHASE 1**

SWISS GRANT NO. TF016315

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STATEMENT OF MANAGEMENT RESPONSIBILITIES
AND PRESENTATION OF THE SPECIAL PURPOSE

**IMPLEMENTED BY PROJECT IMPLEMENTATION UNIT
UNDER THE DEPARTMENT OF WATER RESOURCES AND MELIORATION
OF THE MINISTRY OF AGRICULTURE AND MELIORATION
OF THE KYRGYZ REPUBLIC**

Statement of management responsibilities and presentation

Statement of management responsibilities and presentation

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 29 April 2015 to 31 December 2015

**BISHKEK
June 2016**

NATIONAL WATER RESOURCES MANAGEMENT PROJECT - PHASE 1

SWISS GRANT NO. TF016315

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The special purpose financial statements for the period from 29 April 2015 to 31 December 2015 were audited by [auditor name] on [date].


Katharina Buechelner
Acting Executive Director



STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD FROM 29 APRIL 2015 TO 31 DECEMBER 2015

The management of the Project Implementation Unit under the Department of Water Resources and Melioration of the Ministry of Agriculture and Melioration of the Kyrgyz Republic (hereinafter: PIU DWR) is responsible for the preparation of the special purpose financial statements of "National Water Resources Management Project - Phase 1" (hereafter: the Project) financed by Grant Agreement: Swiss Grant No. TF016315 dated 17 April 2014, that present fairly the Project's cash receipts and payments for the period from 29 April 2015 to 31 December 2015, 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) within the International Federation of Accountants (IFAC) and the Financial Management Manual for World Bank Financed Investment Operations (WB Guidelines).

In preparing the special purpose financial statements, PIU DWR'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 29 April 2015 to 31 December 2015.

PIU DWR'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 Swiss Grant No. TF016315 dated 17 April 2014, 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 29 April 2015 to 31 December 2015 were authorized for issue on 17 June 2016 by the PIU DWR's Management.

On behalf of the PIU DWR's Management:


Kydykbek Beyshekeev
Acting Executive Director




Saltanat Djumaeva
Financial Manager



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INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of the
National Water Resources Management Project - Phase I
for the period from 29 April 2015 to 31 December 2015*

To the management of the Project Implementation Unit under the Department of Water Resources and Melioration of the Ministry of Agriculture and Melioration of the Kyrgyz Republic (hereinafter: PIU DWR)

We have audited the accompanying special purpose financial statements of the "National Water Resources Management Project - Phase I" (the Project) financed by Financing Agreement Swiss Grant No. TF016315, which comprise the statement of cash receipts and payments, the statement of expenditures per components, for the period from 29 April 2015 to 31 December 2015, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

The management of the PIU DWR is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with 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) within the International Federation of Accountants (IFAC), and Financial Management Manual for World Bank Financed Investment Operations, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as issued by International Auditing and Assurance Standards Board (IAASB) within the IFAC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the preparation and fair presentation of the special purpose financial statement 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.

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An audit also includes the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the special purpose financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion,

1. the special purpose financial statements present fairly in all material respects the cash receipts and payments for the period from 29 April 2015 to 31 December 2015 in accordance with IPSAS-Cash Basis;
2. funds have been used in accordance with the conditions of the Grant Agreement: Swiss Grant No. TF016315 dated 17 April 2014, 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;
3. 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 Swiss Grant No. TF016315;
4. The Designated account used has been maintained in accordance with the provision of the Swiss Grant No. TF016315, and World Bank related guidelines.

"SOS-Audit" LLC

17 June 2016



Mansel Ghazaryan
Director


Gnel Khachatryan, FCCA
Auditor

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National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Statement of cash receipts and payments

For the period from 29 April 2015 to 31 December 2015
(Amounts are shown in US dollars)

	Note	Actual		Budget		Variance	
		Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015
TOTAL OPENING CASH							
Sources of Funds	8						
Swiss Grant No. TF016315		915,877	915,877	3,350,000	3,350,000	(2,434,123)	(2,434,123)
TOTAL FUNDS		915,877	915,877	3,350,000	3,350,000	(2,434,123)	(2,434,123)
Other income	9	5,229	5,229				
Project Expenditures	7						
1. Goods, Training, Operating Costs and Consultants' services		377,371	377,371	3,350,000	3,350,000	(2,972,629)	(2,972,629)
TOTAL PROJECT EXPENDITURES		377,371	377,371	3,350,000	3,350,000	(2,972,629)	(2,972,629)
Other expenditures		686	686				
Foreign currency gain/(loss)		(1,862)	(1,862)				
TOTAL CLOSING CASH	6	541,187	541,187				



[Signature]
Saltanat Djumaeva
Financial Manager

[Signature]
Kydykbek Beyshekeev
Acting Executive Director

17 June 2016

The notes on pages 9-16 form an integral part of these special purpose financial statements.

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Statement of expenditures per components

For the period from 29 April 2015 to 31 December 2015
(Amounts are shown in US dollars)

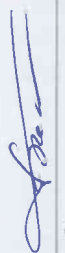
Activity	Actual		Budget		Variance	
	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015
Part 1. Strengthening National Water Management Capacity						
1.1. Linking all DWRLI offices with a digital information network	103,576	103,576	1,518,190	1,518,190	(1,414,614)	(1,414,614)
1.2. Establishing a digital Water Information System (WIS)	2,995	2,995	1,020,900	1,020,900	(1,017,905)	(1,017,905)
1.3. Enhancing basin water resource planning and management	96,689	96,689	497,290	497,290	(400,601)	(400,601)
1.4. National consulting services	3,892	3,892	-	-	3,892	3,892
1.5. Social contribution from employer	-	-	-	-	-	-
	-	-	-	-	-	-
Part 2. Improving Irrigation Service Delivery to Water Users Associations (WUAs)						
2.1. Activities at National Level	18,563	18,563	1,120,990	1,120,990	(1,102,427)	(1,102,427)
2.2. Activities at Scheme level	16,637	16,637	300,000	300,000	(283,363)	(283,363)
2.3. Supporting studies and activities	-	-	401,290	401,290	(401,290)	(401,290)
2.4. National consulting services	-	-	419,700	419,700	(419,700)	(419,700)
2.5. Social contribution from employer	1,643	1,643	-	-	1,643	1,643
	283	283	-	-	283	283
Part 3. Improving Irrigation Management by WUAs						
3.1. Assessment and Strengthening of WUAs	132,457	132,457	308,520	308,520	(176,063)	(176,063)
3.2. Strengthening WUS Support Units	8,636	8,636	308,520	308,520	(299,884)	(299,884)
3.3. Support and strengthening Federations of WUAs	109,564	109,564	-	-	109,564	109,564
3.4. Strengthening other water management organizations	10,832	10,832	-	-	10,832	10,832
3.5. National Consulting Services	3,425	3,425	-	-	3,425	3,425
3.6. Social contribution from employer	-	-	-	-	-	-
	-	-	-	-	-	-

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

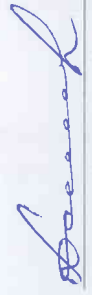
Statement of expenditures per components

For the period from 29 April 2015 to 31 December 2015
(Amounts are shown in US dollars)

Activity	Actual		Budget		Variance	
	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015	Reporting year	Cumulative as at 31 Dec 2015
Part 4. Project Management	122,775	122,775	402,300	402,300	(279,525)	(279,525)
4.1. Operating costs PIU	26,294	26,294	55,000	55,000	(28,706)	(28,706)
4.2. National consulting Services	68,634	68,634	257,300	257,300	(188,666)	(188,666)
4.3. Support Staff	12,340	12,340	25,000	25,000	(32,660)	(32,660)
4.4. Social contribution from employer (SP)	2,102	2,102	25,000	25,000	(22,898)	(22,898)
4.5. Social contribution from employer (CS)	13,405	13,405	20,000	20,000	(6,595)	(6,595)
4.6. International consulting services & M&E	-	-	-	-	-	-
4.7. Audit services	-	-	-	-	-	-
Total	377,371	377,371	3,350,000	3,350,000	(2,972,629)	(2,972,629)


Kydykbek Beyshekeev
Acting Executive Director




Saltanat Djumacva
Financial Manager

17 June 2016

The notes on pages 9-16 form an integral part of these special purpose financial statements.

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Notes to the special purpose financial statements

For the period from 29 April 2015 to 31 December 2015
(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 17 April 2014, Swiss Grant No. TF016315, the IDA acting as administrator of grant funds under provided by the Swiss Agency for Development and Cooperation under the Kyrgyz Republic National Water Resources Management Project Single-Donor Trust Fund, provided to the Kyrgyz Republic grant in the amount of 7,750,000 United States dollars (USD).

The Grant are provided for implementation of “National Water Resources Management Project - Phase 1” (the Project).

The Grant Agreement became effective on 29 April 2015.

The Closing date of Swiss Grant No. TF016315 is set 30 June 2017.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing dates: 31 October 2017.

1.2. The Project objectives

The purpose of the Project is to improve the Recipient’s water resources management capability and irrigation service delivery for the benefit of water users.

The Project comprises of the following parts:

Part 1: Strengthening National Water Management Capacity

Improving the capacity of the Department of Water Resources and Land Improvement (DWRLI) for water resources planning and management and for implementing key elements of the Water Code through the carrying out of a program of activities.

Part 2: Improving Irrigation Service Delivery to Water Users Associations (WUAs)

Strengthening the Irrigation and Drainage Management Division (IDM Division) to improve the service delivery to water users, increase the level of service fee collected from water users and increase the expenditure on system maintenance.

Part 3: Improving Irrigation Management by WUAs

Strengthening the capacity of the WUAs, the Federation of Water Users Association (FWUAs) to provide better irrigation services to their members and supporting other water users’ organizations, including the local water councils and the National Union of WUAs to improve their capacity for coordination and management.

Part 4: Project Management

Carrying out Project management, including, administration, coordination, procurement, financial management and monitoring, management of environmental and social safeguards, and evaluation of the Project.

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Notes to the special purpose financial statements

For the period from 29 April 2015 to 31 December 2015
(Amounts are shown in US dollars)

1.3. Budget

The percentage of expenditures to be financed (inclusive of taxes) from Swiss Grant No. TF016315 is set 100%.

The total budget of the project is as follows:

Category	Swiss Grant No. TF016315	Total
	USD	USD
Goods, Training, Operating Costs and Consultants' services	7,750,000	7,750,000
Total	7,750,000	7,750,000

1.4. Project Implementation

The Project is implemented by the Project Implementation Unit under Department of Water Resources and Melioration of the Ministry of Agriculture and Melioration of the Kyrgyz Republic (the PIU DWR).

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

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

Notes to the special purpose financial statements

For the period from 29 April 2015 to 31 December 2015

(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) within the International Federation of Accountants (IFAC), 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.

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).

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 separate line item in the statement of cash receipts and payments.

The exchange rate defined by the CBKG as at 31 December 2015 is USD 1 = 75.60 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 approved budget of the project agreement.

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

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.

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Notes to the special purpose financial statements
 For the period from 29 April 2015 to 31 December 2015
 (Amounts are shown in US dollars)

3. Summary of Summary Reports and SOEs

Withdrawal application No	Withdrawal application value date	Payment categories	Total
		(1) Goods, Training, Operating Costs and Consultants' services	
2	13.Oct.2015	133,465.15	133,465.15
3	3.Dec.2015	132,411.39	132,411.39
Total		265,876.54	265,876.54

4. Statement of Designated Account

Designated account number	1030120800005714
Bank	OJSC "Commercial Bank Kyrgyzstan"
Bank location	54a, Togolok Moldo St., Bishkek, Kyrgyz Republic
Account currency	USD

	Swiss Grant No. TF016315
1. Opening balance as at 29.04.2015	-
2. Add: opening discrepancy	-
3. IDA advance/replenishment	915,877
4. Less: Refund to IDA from DA	-
5. Present outstanding amount advanced to DA	915,877
6. DA closing balance as at 31.12.2015	514,376
7. Add: Amount of eligible expenditures paid	377,371
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	891,747
10. Closing discrepancy (5)-(9) *	24,130

*Discrepancy consists as follows:

	31.12.2015 USD
Petty cash (in KGS)	22,664
Foreign exchange loss/(gain)	1,466
Total	24,130

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Notes to the special purpose financial statements

For the period from 29 April 2015 to 31 December 2015

(Amounts are shown in US dollars)

5. Balance Sheet

The Balance Sheet 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 2015 USD
ASSETS		
Cash	6	541,187
Prepayments		-
Total assets		541,187
LIABILITIES		
Payables		470
Total liabilities		470
NET ASSETS		
Cumulative income		
Swiss Grant No. TF016315	8	915,877
Other income	9	5,229
		921,106
Cumulative expenses		
Project expenses		377,841
Other expenses		686
		378,527
Foreign exchange gain/(loss)		(1,862)
Total net assets		540,717

6. Cash

	Account held at	Underlying Currency	31 Dec 2015 USD
Swiss Grant No. TF016315			
Designated Account	CBK*	USD	514,376
Petty cash		KGS	22,664
			537,040
Other			
Interest account	CBK	KGS	3,369
Tender account	CBK	USD	687
Tender account	CBK	KGS	91
			4,147
			541,187

(*) OJSC "Commercial Bank Kyrgyzstan".

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Notes to the special purpose financial statements

For the period from 29 April 2015 to 31 December 2015
 (Amounts are shown in US dollars)

7. Project expenditure

7.1. Expenditure sub-categories

Category	For reporting period	Cumulative as at 31.Dec.2015
	USD	USD
Goods	-	-
Consultants' services	224,560	224,560
Training	53,169	53,169
Operating costs	99,642	99,642
Total	377,371	377,371

7.2. Budget implementation

Project Activity	Cumulative Expenditures as at 31.12.2015	Total budget	Implementation
	USD	USD	%
Strengthening national water management capacity	103,576	2,670,000	4%
Improving irrigation service delivery to Water Users Associations	18,563	1,960,000	1%
Improving irrigation management by Water Users Associations	132,457	1,660,000	8%
Project Management	122,775	1,460,000	8%
Total	377,371	7,750,000	5%

8. Financing

8.1. Swiss Grant No. TF016315

	Reporting period USD	Cumulative as at 31 Dec 2015 USD
Advances/ (advance recovery)	650,000	650,000
Direct Payments	-	-
SOE and Summary Report	265,877	265,877
Special Commitment	-	-
Total	915,877	915,877
Total financing budget		7,750,000
Percentage of finance provided as at 31 Dec 2015		12%

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

Notes to the special purpose financial statements

For the period from 29 April 2015 to 31 December 2015

(Amounts are shown in US dollars)

9. Other income

	Reporting period USD	Cumulative as at 31 Dec 2015 USD
Interest accrued	4,442	4,442
Tender fees	787	787
Total	5,229	5,229

10. Event after reporting date

10.1. Swiss Grant No. TF016315

The application N 4 with total amount of 183,063.17 USD that includes expenditures relating to the reporting period in the amount of 111,494.37 USD was submitted to WB on 3 February 2016 and approved on 11 February 2016.

11. Litigations

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

National Water Resources Management Project – Phase 1
Swiss Grant No. TF016315-KG

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

For the period from 29 April 2015 to 31 December 2015

(Amounts are shown in US dollars)

Swiss Grant No. TF016315

Expenditure Category	Application N	PIU DWR	WB	Difference
		USD	USD	USD
Advances/ (advance recovery)	1	650,000.00	650,000.00	-
		650,000.00	650,000.00	
Goods, Training, Operating Costs and Consultants' services	2	133,465.15	133,465.15	-
	3	132,411.39	132,411.39	-
		265,876.54	265,876.54	
Total		915,876.54	915,876.54	-