

**ADDITIONAL FINANCING TO THE NATIONAL WATER RESOURCES
MANAGEMENT PROJECT**

SWISS GRANT NUMBER TFOB1013

**IMPLEMENTED BY PROJECT IMPLEMENTATION UNIT
UNDER THE STATE AGENCY OF WATER RESOURCES
UNDER THE MINISTRY OF AGRICULTURE, WATER MANAGEMENT AND REGIONAL DEVELOPMENT
OF THE KYRGYZ REPUBLIC**

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 11 May 2020 to 31 December 2020

**BISHKEK
February 2021**

ADDITIONAL FINANCING TO THE NATIONAL WATER RESOURCES MANAGEMENT PROJECT

SWISS GRANT NUMBER TFOB1013

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS	3
INDEPENDENT AUDITOR'S REPORT	4-5
SPECIAL PURPOSE FINANCIAL STATEMENTS For the period from 11 May 2020 to 31 December 2020	
Statement of cash receipts and payments	6
Statement of expenditures per components	7
Notes to the special purpose financial statements	8-13
ANNEX 1. RECONCILIATION BETWEEN THE AMOUNTS SUBMITTED BY THE PIU SAWR AND DISBURSED BY THE WORLD BANK	14

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

The management of the Project Implementation Unit under State Agency of Water Resources under the Ministry of Agriculture, Water Management and Regional Development of the Kyrgyz Republic ("PIU SAWR") is responsible for the preparation of the special purpose financial statements for the period from 11 May 2020 to 31 December 2020 of "Additional Financing to the National Water Resources Management Project" ("Project") financed by Grant Agreement: Swiss Grant Number TFOB1013 dated 5 November 2019, 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 Standard Conditions for Grants Made by the World Bank Out of Various Funds ("WB Guidelines").

In preparing the special purpose financial statements, PIU SAWR's management is responsible for:

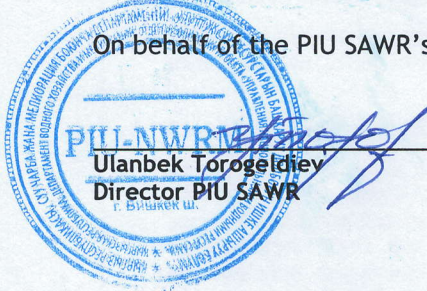
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the period from 11 May 2020 to 31 December 2020.

PIU SAWR'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 Grant Agreement SWISS GRANT NUMBER TFOB1013 dated 5 November 2019, 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 11 May 2020 to 31 December 2020 were authorized for issue on 23 February 2021 by the PIU SAWR's Management.

On behalf of the PIU SAWR's Management:



Saltanat Djumaeva
Financial Manager PIU SAWR

INDEPENDENT AUDITOR'S REPORT

To the management of the Project Implementation Unit under the State Agency of Water Resources under the Ministry of Agriculture, Water Management and Regional Development of the Kyrgyz Republic ("PIU SAWR")

Opinion

We have audited the special purpose financial statements of "Additional Financing to the National Water Resources Management Project" ("Project") financed by Grant Agreement Swiss Grant Number TFOB1013 dated 5 November 2019 ("Grant Agreement"), and implemented by PIU SAWR which comprise the statement of cash receipts and payments, and the statement of expenditures per components for the period from 11 May 2020 to 31 December 2020, 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 11 May 2020 to 31 December 2020 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") of the International Federation of Accountants ("IFAC"). 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 SAWR 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.

Emphasis of Matter-Slow progress of the Project implementation

Without qualifying our opinion, we draw your attention to Note 7 of these special purpose financial statements disclosing slow progress in the Project implementation.

Responsibilities of the Management for the Financial Statements

Management of the PIU SAWR 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") of the IFAC 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 Grant Agreement, the PIU SAWR management shall insure that:

1. funds have been used in accordance with the conditions of the Grant 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 Grant Agreement. Interim Unaudited Financial Statements (“IFSs”) issued by PIU SAWR 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 Grant Agreement, and World Bank related guidelines.
4. Goods and Services financed have been procured in accordance with the Grant Agreement and provisions of the World Bank Procurement Guidelines.

In our opinion, the PIU SAWR management has complied with the above requirements for the period from 11 May 2020 to 31 December 2020.

“BDO Armenia” CJSC
23 February 2021

Gnel Khachatryan, FCCA
Engagement Partner



Additional Financing to the National Water Resources Management Project
Swiss Grant Number TF0B1013

Statement of cash receipts and payments

For the period from 11 May 2020 to 31 December 2020
(Amounts are shown in US dollars)

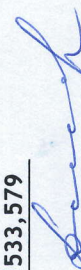
	Note	Actual		Budget		Variance	
		Reporting period	Cumulative as at 31 Dec 2020	Reporting period	Cumulative as at 31 Dec 2020	Reporting period	Cumulative as at 31 Dec 2020
TOTAL OPENING CASH		-	-	-	-	-	-
Sources of Funds							
Swiss Grant Number TF0B1013	8	628,082	628,082				
TOTAL FUNDS		628,082	628,082				
Other income (interest accrued)		5,032	5,032				
Project Expenditures							
1. Goods, Consultants' services, Training, and Operating Costs for Parts 4 (as described in Schedule 1 of the Original Project), 5, and 6 under the Project	7						
Goods		-	-	-	-	-	-
Consultants' services		45,526	45,526	513,123	513,123	467,597	467,597
Training		-	-	-	-	-	-
Operating costs		54,009	54,009	236,877	236,877	182,868	182,868
TOTAL PROJECT EXPENDITURES		99,535	99,535	750,000	750,000	650,465	650,465

TOTAL CLOSING CASH 533,579



Ulanbek Torogeldiev
 Director PIU SAWR

23 February 2021



 Saltanat Djumaeva
 Financial Manager PIU SAWR

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

Additional Financing to the National Water Resources Management Project
Swiss Grant Number TF0B1013

Statement of expenditures per components
 For the period from 11 May 2020 to 31 December 2020
 (Amounts are shown in US dollars)

Activity	Actual		Budget		Variance	
	Reporting period	Cumulative as at 31 Dec 2020	Reporting period	Cumulative as at 31 Dec 2020	Reporting period	Cumulative as at 31 Dec 2020
Part 5. Strengthening National Water Management Capacity						
5.a. Water resources management at the national level	18,596	18,596	281,722	281,722	263,126	263,126
5.b. Water resources management at the river basin level	-	-	152,042	152,042	152,042	152,042
	18,596	18,596	129,680	129,680	111,084	111,084
Part 6. Irrigation and Drainage Management						
6.a. Preparation of an irrigation and land improvement sector policy and a strategy for irrigation management	27,123	27,123	332,331	332,331	305,208	305,208
6.b. Preparation of irrigation and land improvement investment plan	-	-	85,000	85,000	85,000	85,000
6.c. Improved management of both canal/off-farm and on-farm system	-	-	89,000	89,000	89,000	89,000
	27,123	27,123	158,331	158,331	131,208	131,208
Part 4 Project Management						
	53,816	53,816	135,947	135,947	82,131	82,131
Total	99,535	99,535	750,000	750,000	650,465	650,465


 Saltanat Djumaeva
 Financial Manager PIU SAWR


 Ulanbek Torogeldiev
 Director PIU SAWR
 23 February 2021

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

**Additional Financing to the National Water Resources Management Project
Swiss Grant Number TF0B1013**

Notes to the special purpose financial statements

For the period from 11 May 2020 to 31 December 2020
(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”, “WB”) on 5 November 2019, Swiss Grant Number TF0B1013, the IDA acting as administrator of Kyrgyz Republic National Water Resources Management Project Single Donor Trust Fund, provided to the Kyrgyz Republic grant in the amount of 4,490,000 United States dollars (USD).

The Grant are provided for implementation of “Additional Financing to the National Water Resources Management Project” (the Project).
The Grant Agreement became effective on 11 May 2020.

The Closing date of Swiss Grant Number TF0B1013 is set 31 December 2022.

The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing dates: 30 April 2023.

1.2. The Project objectives

The purpose of the Project is to the Kyrgyz Republic water resources management capability and irrigation service delivery for the benefit of water users.

The Project comprises of the following parts:

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.

Part 5: Strengthening National Water Resources Management Capacity

- (a) Provide support to establish, at the national level, institutional structure for national water resources management.
- (b) Provide support to establish institutional capacity, at the river basin level, namely the river basin water resources management offices, and the river basin council of stakeholder participation.

Part 6: Irrigation and Drainage System Management

Provide support to improve operation and maintenance of both main canal/off-farm and on-farm systems through, inter alia:

- (a) preparation of an irrigation and land improvement sector policy and a strategy for irrigation management decentralization and transfer;
- (b) preparation of irrigation and land improvement investment plan; and
- (c) improvement management of both canal/off-farm and on-farm systems.

**Additional Financing to the National Water Resources Management Project
Swiss Grant Number TF0B1013**

Notes to the special purpose financial statements

For the period from 11 May 2020 to 31 December 2020
(Amounts are shown in US dollars)

1.3. Budget

The percentage of expenditures to be financed (inclusive of taxes) from Swiss Grant Number TF0B1013 is set 100%.

The total budget of the project is as follows:

Category	SWISS GRANT NUMBER TF0B1013	Total
	USD	USD
(1) Goods, Consultants' services, Training, and Operating Costs for Parts 4 (as described in Schedule 1 of the Original Project), 5, and 6 under the Project	4,490,000	4,490,000
Total	4,490,000	4,490,000

1.4. Project Implementation

The Project was implemented by the Project Implementation Unit under State Agency of Water Resources under the Ministry of Agriculture, Water Management and Regional Development of the Kyrgyz Republic. ("PIU SAWR")

It was renamed to Project Implementation Unit under State Agency of Water Resources under the Ministry of Agriculture, Water Management and Regional Development of the Kyrgyz Republic in accordance to the decree of the Government of the Kyrgyz Republic # 38 dated February 12, 2021,

The PIU SAWR was established for the purpose of the Project implementation by the Decree #118 dated 1 June 2006 of the Ministry of Agriculture, Water Management and Regional Development of the Kyrgyz Republic.

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

Additional Financing to the National Water Resources Management Project
Swiss Grant Number TF0B1013

Notes to the special purpose financial statements
For the period from 11 May 2020 to 31 December 2020
(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 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 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 "Aiyi Bank" (AB), on the date of transaction.

Cash balances held in AB at the reporting date are translated into USD at the exchange rate determined by the AB 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 AB as at 31 December 2020 is USD 1 = 82.80 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.

Additional Financing to the National Water Resources Management Project
Swiss Grant Number TFOB1013

Notes to the special purpose financial statements

For the period from 11 May 2020 to 31 December 2020
(Amounts are shown in US dollars)

3. Summary of Summary Reports and SOEs

No Summary Reports or SOEs were submitted and approved for the reporting period.

4. Statement of Designated Account

Designated account number	1350108036380514
Bank	OJSC "Aiyl Bank"
Bank location	Logvinenko 14, Bishkek, Kyrgyz Republic
Account currency	USD

	SWISS GRANT NUMBER TFOB1013
1. Opening balance as at 11.05.2020	-
2. Add: opening discrepancy	-
3. IDA advance/replenishment	628,082
4. Less: Refund to IDA from DA	-
5. Present outstanding amount advanced to DA	628,082
6. DA closing balance as at 31.12.2020	528,547
7. Add: Amount of eligible expenditures paid	99,535
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	628,082
10. Closing discrepancy (5)-(9)	-

Additional Financing to the National Water Resources Management Project
Swiss Grant Number TFOB1013

Notes to the special purpose financial statements

For the period from 11 May 2020 to 31 December 2020

(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 2020 USD
ASSETS		
Cash	6	533,579
Prepayments		-
Total assets		533,579
LIABILITIES		
Payables		-
Total liabilities		-
NET ASSETS		
Cumulative income		
Swiss Grant Number TFOB1013	8	628,082
Other income (interest accrued)		5,032
		633,114
Cumulative expenses		
Project expenses		99,535
		99,535
Total net assets		533,579

6. Cash

	Underlying Currency	31 Dec 2020 USD
Swiss Grant Number TFOB1013		
Designated Account	USD	528,547
		528,547
Other		
Interest account	USD	5,028
Interest account	KGS	4
		5,032
		533,579

Additional Financing to the National Water Resources Management Project
Swiss Grant Number TFOB1013

Notes to the special purpose financial statements
 For the period from 11 May 2020 to 31 December 2020
 (Amounts are shown in US dollars)

7. Project expenditure

Project Activity	Cumulative Expenditures as at 31 Dec 2020	Total budget	Implementation*
	USD	USD	%
Part 5. Strengthening National Water Management Capacity	18,596	2,530,000	0.7%
Part 6. Irrigation and Drainage Management	27,123	1,590,000	1.7%
Part 4. Project Management	53,816	370,000	14.5%
Total	99,535	4,490,000	2.2%

Project Category	Cumulative Expenditures as at 31 Dec 2020	Total budget	Implementation*
	USD	USD	%
1. Goods, Consultants' services, Training, and Operating Costs			
Goods	-	828,750	-
Consultants' services	45,526	2,503,850	1.8%
Training	-	576,900	-
Operating costs	54,009	580,500	9.3%
Total	99,535	4,490,000	2.2%

(*) The project became effective on 11 May 2020, however, as at 31 Dec 2020, only 2% of the project budget is implemented.

The slow progress of the Project are mainly due to pandemic situation in Kyrgyz Republic, which imposed restrictions and limitations resulting to: (a) the specialists for Part 5 were enrolled only in July 2020, while for Part 6: Sept 2020; (b) planned conference on water management and workshop of river basin workgroups on Fall 2020 were not held, as well as postponement of other planned activities.

8. Financing

8.1. SWISS GRANT NUMBER TFOB1013

	Reporting period USD	Cumulative as at 31 Dec 2020 USD
Advances/ (advance recovery)	628,082.00	628,082.00
SOE and Summary Report	-	-
Total	628,082.00	628,082.00
Total financing budget		4,490,000
Percentage of finance provided as at 31 Dec 2020		14%

9. Litigations

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

Additional Financing to the National Water Resources Management Project
Swiss Grant Number TFOB1013

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

For the period from 11 May 2020 to 31 December 2020

(Amounts are shown in US dollars)

Swiss Grant Number TFOB1013

Expenditure Category	Application N	PIU SAWR	WB	Difference
		USD	USD	USD
Advance	1	628,082.00	628,082.00	-
		628,082.00	628,082.00	
Total		628,082.00	628,082.00	