

**ECAPDEV PROJECT PREPARATION GRANT FOR THE THIRD
VILLAGE INVESTMENT PROJECT**

ECAPDEV PPG GRANT No. TF018709

IMPLEMENTED BY COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY

SPECIAL PURPOSE FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

For the period from 4 February 2015 to 30 March 2016

**BISHKEK
March 2016**

ECAPDEV PROJECT PREPARATION GRANT FOR THE THIRD VILLAGE INVESTMENT PROJECT

ECAPDEV PPG GRANT No. TF018709

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND PRESENTATION OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD FROM 4 FEBRUARY 2015 TO 30 MARCH 2016

The management of the Community Development and Investment Agency (hereinafter: ARIS) is responsible for the preparation of the special purpose financial statements of "ECAPDEV Project Preparation Grant for the Third Village Investment Project" (hereafter: the Project) financed by Letter Agreement ECAPDEV PPG Grant No. TF018709 that present fairly the Project's cash receipts and payments, expenditures per components, summary reports and SOEs, and designated accounts movements for the period from 4 February 2015 to 30 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) 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, ARIS's management is responsible for:

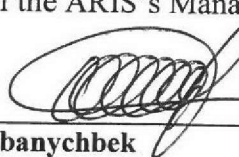
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional required disclosures for the period from 4 February 2015 to 30 March 2016.

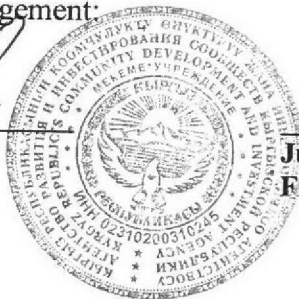
ARIS's Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions, and which enable them to ensure that the special purpose financial statements of the Project comply with *IPSAS – Cash Basis* and the *WB Guidelines*;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project and to affirm that funds received have been used in accordance with the Letter Agreement ECAPDEV PPG Grant No. TF018709 dated 26 January 2015, 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.

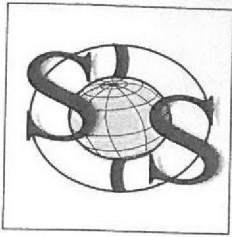
The special purpose financial statements for the period from 4 February 2015 to 30 March 2016 were authorized for issue on 31 March 2016 by the ARIS's Management.

On behalf of the ARIS's Management:


Ismailov Kubanychbek
Executive Director




Junushova Rahat
Financial Manager



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"SOS-AUDIT" LTD

INDEPENDENT AUDITOR'S REPORT

*On the special purpose financial statements of the
ECAPDEV Project Preparation Grant for the Third Village Investment Project
for the period from 4 February 2015 to 30 March 2016*

To the management of the Community Development and Investment Agency (hereinafter: ARIS)

We have audited the accompanying special purpose financial statements of the "ECAPDEV Project Preparation Grant for the Third Village Investment Project" (the Project) financed by Letter Agreement ECAPDEV PPG Grant No. TF018709, which comprise the statement of cash receipts and payments, the statement of expenditures per components, the summary of summary reports and SOEs, the statement of designated account for the period from 4 February 2015 to 30 March 2016, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Special Purpose Financial Statements

The management of the ARIS 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.

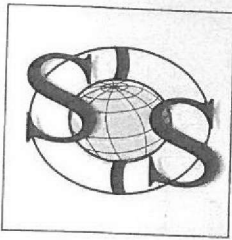
An audit involves performing procedures to obtain reasonable audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatement of the special purpose financial 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 4 February 2015 to 30 March 2016 in accordance with IPSAS-Cash Basis;
2. funds have been used in accordance with the conditions of the Letter Agreement ECAPDEV PPG Grant No. TF018709 dated 26 January 2015 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 Letter Agreement ECAPDEV PPG Grant No. TF018709;
4. The Designated account used has been maintained in accordance with the provision of the Letter Agreement ECAPDEV PPG Grant No. TF018709, and World Bank related guidelines.

Emphasis of matters

Without qualifying our opinion we draw your attention to Note 7 of these special purpose financial statements which disclosed that the Project was completed as at the reporting date.

"SOS-Audit" LLC
31 March 2016


Manvel Ghazaryan
Director


Ghel Khachatryan, FCCA
Auditor



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ECAPDEV Project Preparation Grant for the Third Village Investment Project
 ECAPDEV PPG Grant No. TF018709

Statement of cash receipts and payments
 For the period from 4 February 2015 to 30 March 2016
 (Amounts are shown in US dollars)

	Note	Actual		Budget		Variance	
		Reporting period	Cumulative as at 30 March 2016	Reporting period	Cumulative as at 30 March 2016	Reporting period	Cumulative as at 30 March 2016
TOTAL OPENING CASH		-	-	-	-	-	-
Sources of Funds	5						
ECAPDEV PPG Grant No. TF018709		411,185	411,185				
TOTAL FUNDS		411,185	411,185				
Other income (interest accrued)		390	390				
Project Expenditures	4						
(1) Goods, Consultants' Services, Training and Workshops, and Operating Costs							
(a) Goods		411,185	411,185	435,000	435,000	(23,815)	(23,815)
(b) Consultants' Services, including Audit		46,996	46,996	1,500	1,500	45,496	45,496
(c) Operating Costs		334,512	334,512	370,500	370,500	(35,988)	(35,988)
(d) Training		18,031	18,031	20,000	20,000	(1,969)	(1,969)
		11,646	11,646	43,000	43,000	(31,354)	(31,354)
TOTAL PROJECT EXPENDITURES		411,185	411,185	435,000	435,000	(23,815)	(23,815)
Other expenditures (banking charges)		390	390				
TOTAL CLOSING CASH		-	-	-	-	-	-



Ismailov Kubanychbek
Ismailov Kubanychbek
 Executive Director

Junushova Rahat
Junushova Rahat
 Financial Manager

31 March 2016

The notes on pages 10-15 form an integral part of these special purpose financial statements.

ECAPDEV Project Preparation Grant for the Third Village Investment Project
 ECAPDEV PPG Grant No. TF018709

Statement of expenditures per components
 For the period from 4 February 2015 to 30 March 2016
 (Amounts are shown in US dollars)

Components	Actual		Planned		Variance	
	Reporting period	Cumulative as at 30 March 2016	Reporting period	Cumulative as at 30 March 2016	Reporting period	Cumulative as at 30 March 2016
Part 1. ARIS Organizational and Institutional Mapping						
Trainings	60,216	60,216	75,000	75,000	(14,784)	(14,784)
Consultants' services	-	-	11,000	11,000	(11,000)	(11,000)
Goods	48,839	48,839	52,500	52,500	(3,661)	(3,661)
Operating costs	1,495	1,495	1,500	1,500	(5)	(5)
	9,882	9,882	10,000	10,000	(118)	(118)
Part 2. Technical Supervision Review-Implementation						
Consultants' services	20,139	20,139	35,000	35,000	(14,861)	(14,861)
Goods	17,655	17,655	30,000	30,000	(12,345)	(12,345)
Operating costs	-	-	-	-	-	-
	2,484	2,484	5,000	5,000	(2,516)	(2,516)
3. Baseline Capacity Assessment of Local Governments						
Consultants' services (CDSO)	91,745	91,745	75,000	75,000	16,745	16,745
	91,745	91,745	75,000	75,000	16,745	16,745
4. Economic Analysis Implementation						
Trainings	43,533	43,533	90,000	90,000	(46,467)	(46,467)
Consultants' services	153	153	20,000	20,000	(19,847)	(19,847)
	43,380	43,380	70,000	70,000	(26,620)	(26,620)
5. Improving the Quality and Accessibility of the VIP Operational Manual						
Consultants' services	23,303	23,303	25,000	25,000	(1,697)	(1,697)
Operating costs	17,638	17,638	20,000	20,000	(2,362)	(2,362)
	5,665	5,665	5,000	5,000	665	665
6. Consultations and study tour on community engagement						
Consultants' services	172,249	172,249	135,000	135,000	37,249	37,249
Trainings	115,255	115,255	123,000	123,000	(7,745)	(7,745)
Goods	11,493	11,493	12,000	12,000	(507)	(507)
	45,501	45,501	-	-	45,501	45,501
TOTAL	411,185	411,185	435,000	435,000	(23,815)	(23,815)



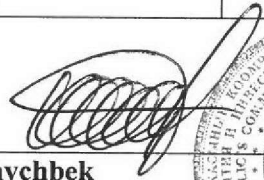
[Signature]
 Ismailov Kubanychbek
 Executive Director

[Signature]
 Junushova Rahat
 Financial Manager

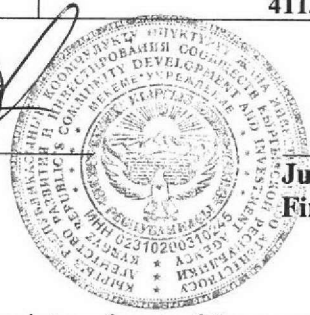
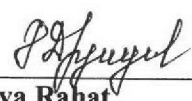
31 March 2016
 The notes on pages 10-15 form an integral part of these special purpose financial statements.

Summary of Summary Reports and SOEs
 For the period from 4 February 2015 to 30 March 2016
 (Amounts are shown in US dollars)

Withdrawal application No	Withdrawal application value date	Payment categories	Total
		(1) Goods, Consultants' Services, Training and Workshops, and Operating Costs	
2	20.Jul.2015	94,549.58	94,549.58
3	20.Oct.2015	93,755.08	93,755.08
4	10.Nov.2015	74,999.94	74,999.94
5	30.Nov.2015	44,912.07	44,912.07
6	17.Dec.2015	44,968.25	44,968.25
7	28.Dec.2015	44,996.41	44,996.41
8	12.Feb.2016	10,553.65	10,553.65
9	30.Mar.2016	2,450.00	2,450.00
Total		411,184.98	411,184.98



Ismailov Kubanychbek
 Executive Director

Junushova Rahat
 Financial Manager

31 March 2016

The notes on pages 10-15 form an integral part of these special purpose financial statements.

ECAPDEV Project Preparation Grant for the Third Village Investment Project
 ECAPDEV PPG Grant No. TF018709

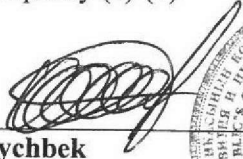
Statement of Designated Account

For the period from 4 February 2015 to 30 March 2016

(Amounts are shown in US dollars)

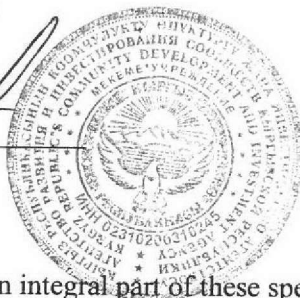
Financing Agreement	ECAPDEV PPG Grant No. TF018709
Bank account number	1280016017009264
Bank	Kyrgyz Investment and Credit Bank
Bank location	Erkindik 21, Bishkek
Account currency	USD

	Reporting year
1. Opening balance as at 04.02.2015	-
2. Add: opening discrepancy	-
3. IDA advance/replenishment	411,185
4. Less: Refund to IDA from DA	-
5. Present outstanding amount advanced to DA	411,185
6. DA closing balance as at 30.03.2016	-
7. Add: Amount of eligible expenditures paid	411,185
8. Less: interest earned (if credited to DA)	-
9. Total advance accounted for	411,185
10. Closing discrepancy (5)-(9)	-


Ismailov Kubanychbek
 Executive Director

31 March 2016

The notes on pages 10-15 form an integral part of these special purpose financial statements.




Junushova Rahat
 Financial Manager

Notes to the special purpose financial statements
For the period from 4 February 2015 to 30 March 2016
(Amounts are shown in US dollars)

1. General information

1.1. The Project

In accordance with Letter Agreement dated 26 January 2015, the International Development Association (“IDA”, or “WB”), acting as administrator of grant funds provided by the Russian Federation under the Trust Fund for Europe and Central Asia Region Capacity Development, provided Kyrgyz Republic a grant in the amount of 435,000 United States dollars (USD).

The ECAPDEV PPG Grant No. TF018709 was provided for implementation of «ECAPDEV Project Preparation Grant for the Third Village Investment Project» (the Project).

The Closing date of the Grant expenditures is set 30 November 2015.
The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing dates: 31 March 2016.

1.2. The Project objectives

The objective of this project is to support technical assessments and Beneficiary consultation activities to inform the design of the proposed Third Village Investment Project (“VIP-3”), which has the objective of building local capacity for participatory development planning and improving access to quality community infrastructure in targeted areas.

The Project consists of the following parts:

Part 1: ARIS Organizational and Institutional Mapping

Implementation of the ARIS institutional review recommendations to enhance ARIS’s performance and effectiveness.

Part 2: Technical Supervision Review-Implementation

Implementation of the technical supervision review recommendations to ensure the engineering quality of infrastructure micro-projects.

Part 3: Baseline Capacity Assessment of Local Governments

Collection of baseline information on the capacity of LSGBs to carry out the roles and responsibilities that will be assigned to them during the implementation of the VIP 3.

Part 4: Economic Analysis Implementation

Assistance in the implementation and provision of training to ARIS staff on the economic and financial analysis recommendations for the VIP 3, to increase its capacity to train local stakeholders on economic analysis of community infrastructure during the implementation of the VIP 3.

Part 5: Improving the Quality and Accessibility of the VIP 2 Operational Manual

Revision of the VIP 2 Operational Manual to improve its quality and accessibility.

Part 6: Consultations and study tour on community engagement

Carrying out of consultations with Beneficiaries’, including local communities and local governments, on good practices in community development, provision of relevant training and financing of relevant study tours.

Notes to the special purpose financial statements
For the period from 4 February 2015 to 30 March 2016
(Amounts are shown in US dollars)

1.3. The Project Budget and Financing

The Project is 100% financed by ECAPDEV PPG Grant No. TF018709, inclusive of taxes.

Category	ECAPDEV PPG Grant No. TF018709	Total
	USD	USD
(1) Goods, Consultants' Services, Training and Workshops, and Operating Costs	435,000	435,000
Total	435,000	435,000

1.4. Project Implementation

The Project is implemented by Community Development and Investment Agency (ARIS).

The ARIS was established on 15 October 2003 according to the Kyrgyz President's Decree for operating control over the Projects financed by the World Bank. 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.

Co-founders of ARIS are Administration of the President of the Kyrgyz Republic, association of legal entities "Association of local self-government bodies of villages and communities of the Kyrgyz Republic" and "Counterpart-Sheriktesh" public association. The work of ARIS is supervised by the Supervisory Board, which is the superior steering body of ARIS.

The ARIS address is: 102 Bokonbayeva Street, Bishkek, the Kyrgyz Republic, 720040.

Notes to the special purpose financial statements

For the period from 4 February 2015 to 30 March 2016

(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. These policies have been consistently applied to all the periods presented.

2.2 Cash basis of accounting

Project financing is recognised as a source of project funds when the cash is received. Project expenditures are recognised as a use of project funds when the payments are made.

2.3 Reporting currency

The reporting currency of these special purpose financial statements is United States dollars (USD).

The cofinancing received and expenditures made in local currency, Kyrgyz Som (KGS), are translated into USD based at the exchange rate prevailing at the date of the transaction as issued by the KICB of the Kyrgyz Republic.

The exchange rate defined by the National Bank of Kyrgyz Republic is as follows:

30 March 2016: USD 1 = 70.2004 KGS.

2.4. Taxes

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

2.5. Budget

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the Reporting year.

ECAPDEV Project Preparation Grant for the Third Village Investment Project
ECAPDEV PPG Grant No. TF018709

Notes to the special purpose financial statements
 For the period from 4 February 2015 to 30 March 2016
 (Amounts are shown in US dollars)

3. 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	As at 30 March 2016 USD
ASSETS		
Cash		-
Prepayments		-
Total assets		-
LIABILITIES		
Payables		-
Total liabilities		-
NET ASSETS		
Cumulative income		
ECAPDEV PPG Grant No. TF018709	5	411,185
Other income (accrued interest)		390
		411,575
Cumulative expenses		
Project expenses	4	411,185
Other expenses		390
		411,575
Total net assets		-

4. Project Expenditures Budget Execution

Category	Cumulative Expenditures as at 30 March 2016	Total budget	Execution
	USD	USD	%
(1) Goods, Consultants' Services, Training and Workshops, and Operating Costs	411,185	435,000	95%
Total	411,185	435,000	95%

5. Financing ECAPDEV PPG Grant No. TF018709

	Reporting period USD	Cumulative as at 30 March 2016 USD
Advances/ (advance recovery)	-	-
Direct Payments	-	-
SOE and Summary Report	411,185	411,185
Total	411,185	411,185
Total financing budget		435,000
Percentage of finance provided as at 30 March 2016		95%

Notes to the special purpose financial statements
 For the period from 4 February 2015 to 30 March 2016
 (Amounts are shown in US dollars)

6. Schedule of Fixed Assets

The schedule of fixed assets procured and received by ARIS for the Project implementation is follows:

	4 Feb 2015	Additions	Deductions	USD 30 March 2016
Office furniture	-	714	-	714
	-	714	-	714

7. Project completion

The Closing date of ECAPDEV PPG Grant No. TF018709 is set 30 November 2015. The Grace Period for submitting withdrawal application for expenditures incurred before the Closing date is four months following the Closing date (Grace period). All the transactions were completed as at 30 March 2016 (Reporting Date).

As at the date of signing these special purpose financial statements:

- a. No expenditures related to the Project were incurred after the Closing Date; the payments made during the Grace period related to expenditures incurred before the Closing Date;
- b. No payments were made after the Reporting date;
- c. No withdrawals from ECAPDEV PPG Grant No. TF018709 accounts were made after Reporting date;
- d. No expenditures related to the Project were submitted to the WB after the Reporting date;
- e. There were no uncovered prepayments or payables outstanding to contractors related to the Project as at the Reporting Date;
- f. There was no outstanding cash balance as at Reporting Date;
- g. "Third Village Investment Project" ("VIP-3") Financing Agreement was concluded on 12 June 2015 between the IDA and Kyrgyz Republic, and became effective on 26 February 2016. According to it, IDA Credit Number 5601-KG with amount of SDR 4,700,000 and IDA Grant Number D041-KG with amount of SDR 3,900,000 were provided to the Kyrgyz Republic.
- h. Fixed assets acquired shall be used for the by ARIS office for implementing VIP-3;
- i. We are not aware about any pending or existing litigations against the Project.

ECAPDEV Project Preparation Grant for the Third Village Investment Project
 ECAPDEV PPG Grant No. TF018709

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

For the period from 4 February 2015 to 30 March 2016

(Amounts are shown in US dollars)

Expenditure Category	Appl.	ARIS	WB	Difference
Advances	1		100,000.00	
	3		(25,000.00)	
	4		(29,999.94)	
	7		(31,996.41)	
	8		(10,553.65)	
	9		(2,450.00)	
				-
(1) Goods, Consultants' Services, Training and Workshops, and Operating Costs	2	94,549.58	94,549.58	-
	3	93,755.08	93,755.08	-
	4	74,999.94	74,999.94	-
	5	44,912.07	44,912.07	-
	6	44,968.25	44,968.25	-
	7	44,996.41	44,996.41	-
	8	10,553.65	10,553.65	-
	9	2,450.00	2,450.00	-
		411,184.98	411,184.98	
Total		411,184.98	411,184.98	