

# **AUDITED PROJECT FINANCIAL STATEMENTS**

---

Project N° : 1100001709

IFAD Loan No. 2000000438

IFAD Grant No. 2000000439

ASAP Grant No. 2000000440

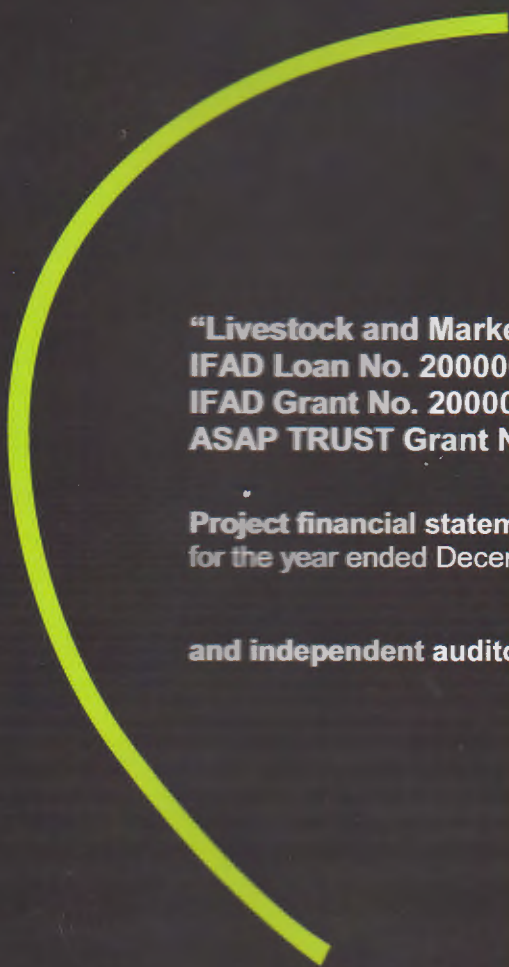
Period covered: 1<sup>st</sup> January 2018 – 31<sup>st</sup> December 2018

## **Livestock and Market Development Programme II (LMDP II)**

Prepared by: Bakertilly

Received on 27<sup>th</sup> June, 2019

The Audited project financial statements are documents owned by the Borrower/ Recipient. The views expressed herein do not necessarily represent those IFAD's Executive Board, Management or Staff. This document is made publicly available in accordance with the "Conceptual Framework on Financial Reporting and Auditing of IFAD-Financed Projects (2018)"



**“Livestock and Market Development Programme – II”**

**IFAD Loan No. 2000000438**

**IFAD Grant No. 20000000439**

**ASAP TRUST Grant No. 2000000440**

**Project financial statements**  
for the year ended December 31, 2018

**and independent auditors’ report**

**TABLE OF CONTENTS**

	<b>Page</b>
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018	2
INDEPENDENT AUDITORS' REPORT	3-5
PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018:	
Summary of funds received and expenditures paid	6-7
Summary of expenditures paid by project components	8-9
Notes to the project financial statements	10-23



**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND  
APPROVAL OF THE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

---

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the project financial statements of the Programme "Livestock and Market Development Programme - II", IFAD Loan No. 2000000438, IFAD Grant No. 2000000439, ASAP TRUST Grant No. 2000000440 (the "Programme").

Management of the Programme is responsible for the preparation of the project financial statements that present fairly, in all material respects, the summary of funds received and expenditures paid and the summary of expenditures paid by project components of the Programme for the year ended December 31, 2018 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 International Fund for Agricultural Development's (the "IFAD") "Handbook for financial reporting and auditing of IFAD-financed Projects" (the "IFAD Handbook").

In preparing the 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 IFAD Handbook have been followed, subject to any material departures disclosed and explained in the project financial statements; and
- preparing the project financial statements on a going concern basis, unless it is inappropriate to presume that the Programme 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 Programme, and which enable them to ensure that the project financial statements of the Programme comply with IPSAS and IFAD Handbook;
- compliance with laws and regulations of the Kyrgyz Republic, accounting system of the Programme and the requirements of the IFAD;
- taking such steps as are reasonably available to them to safeguard the assets of the Programme; and
- detecting and preventing fraud and other irregularities.

The project financial statements for the year ended December 31, 2018 were approved and authorized for issue on May 17, 2019 by the management of the Programme.

On behalf of the Management of the Programme:

  
Tynaev S.  
Acting director

May 17, 2019  
Bishkek, the Kyrgyz Republic

  
Zhusupbekova S.  
Financial manager

May 17, 2019  
Bishkek, the Kyrgyz Republic



## **INDEPENDENT AUDITORS' REPORT**

To the management of the Programme "Livestock and Market Development Programme - II" under the Ministry of Agriculture, Food Industry and Melioration of the Kyrgyz Republic:

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

#### **Opinion**

We have audited the project financial statements of the "Livestock and Market Development Programme - II" (the "Programme"), which comprise the summary of funds received and expenditures paid and summary of expenditures paid by project components for the year ended December 31, 2018, and a summary of significant accounting policies and other explanatory information (the "project financial statements").

In our opinion, the accompanying project financial statements present fairly, in all material respects, funds received and expenditures paid and expenditures paid by project component of the Programme for the year ended December 31, 2018 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 IFAD's "Handbook for financial reporting and auditing of IFAD-financed Projects" (the "IFAD Handbook").

#### **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 project financial statements section of our report. We are independent of the Programme 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 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 project financial statements, which describe the basis of accounting. These project financial statements were prepared for complying with the appropriate IFAD Handbook and Financing agreement requirements.

#### **Other matter**

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



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

Management is responsible for the preparation and fair presentation of these 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 IFAD's "Handbook for financial reporting and auditing of IFAD-financed Projects" (the "IFAD Handbook"), and for such internal control as management determines is necessary to enable the preparation of the project financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the project financial statements**

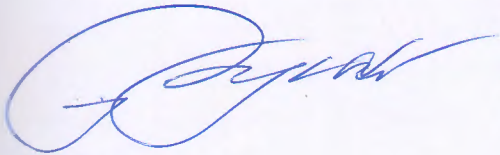
Our objectives are to obtain reasonable assurance about whether these project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 these 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:

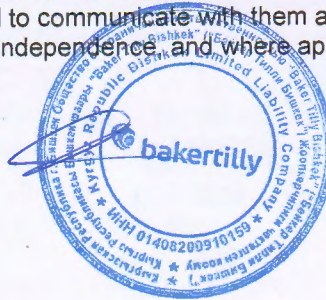
- Identify and assess the risks of material misstatement of the project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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 Programme'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 Programme'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 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 Programme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the project financial statements, including the disclosures, and whether the 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.



Kubat Alymkulov



Certified accountant, FCCA  
Certificate of auditor of the Kyrgyz Republic No. A 0069  
Audit Partner, 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 17, 2019  
Bishkek, the Kyrgyz Republic



**"LIVESTOCK AND MARKET DEVELOPMENT PROGRAMME - II"**  
**IFAD LOAN NO. 2000000438, IFAD GRANT NO. 2000000439,**  
**ASAP TRUST GRANT NO. 2000000440**

**SUMMARY OF FUNDS RECEIVED AND EXPENDITURES PAID**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

*(in US Dollars)*

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017	Cumulative
<b>Opening balance</b>	4	<b>2,175,399</b>	<b>1,713,768</b>	-
APIU		546,617	534,010	-
ARIS		1,628,782	1,179,758	-
<b>Funding sources</b>				
<b>IFAD Loan No. 2000000438</b>	5	<b>3,733,380</b>	<b>752,533</b>	<b>5,673,197</b>
APIU		297,746	252,533	993,019
ARIS		3,435,634	500,000	4,680,178
<b>IFAD Grant No. 2000000439</b>	5	<b>1,494,421</b>	<b>1,914,269</b>	<b>5,236,556</b>
APIU		555,970	262,556	1,223,595
ARIS		938,451	1,651,713	4,012,961
<b>ASAP Trust Grant No. 2000000440</b>	5	<b>3,180,326</b>	<b>1,394,218</b>	<b>5,599,844</b>
APIU		500,000	-	650,000
ARIS		2,680,326	1,394,218	4,949,844
<b>Community contribution</b>	5	<b>2,363,662</b>	<b>445,387</b>	<b>2,861,288</b>
APIU		-	-	-
ARIS		2,363,662	445,387	2,861,288
<b>Government of the Kyrgyz Republic</b>	5	<b>95,797</b>	<b>75,542</b>	<b>241,157</b>
APIU		79,151	13,041	111,296
ARIS		16,646	62,501	129,861
<b>Total receipts</b>	5	<b>10,867,586</b>	<b>4,581,949</b>	<b>19,612,042</b>
<b>Other income</b>	6	<b>10,646</b>	<b>48,156</b>	<b>97,242</b>
APIU		2,841	10,485	30,854
ARIS		7,805	37,671	66,388
<b>Total funds received</b>		<b>10,878,232</b>	<b>4,630,105</b>	<b>19,709,284</b>
<b>Programme expenses</b>				
<b>I. Equipment, Goods and Vehicles</b>	7	<b>490,556</b>	<b>99,407</b>	<b>786,622</b>
APIU		452,103	99,407	665,358
ARIS		38,453	-	121,264
<b>II. Consultancies</b>	7	<b>1,197,869</b>	<b>850,502</b>	<b>3,049,779</b>
APIU		269,052	54,016	388,107
ARIS		928,817	796,486	2,661,672
<b>III. Trainings and Workshops</b>	7	<b>329,572</b>	<b>212,111</b>	<b>705,201</b>
APIU		130,831	56,357	250,083
ARIS		198,741	155,754	455,118

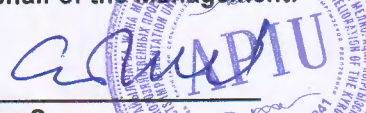


**"LIVESTOCK AND MARKET DEVELOPMENT PROGRAMME - II"**  
**IFAD LOAN NO. 2000000438, IFAD GRANT NO. 2000000439,**  
**ASAP TRUST GRANT NO. 2000000440**


**SUMMARY OF FUNDS RECEIVED AND EXPENDITURES PAID (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(in US Dollars)*

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017	Cumulative
<b>IV. Grants.</b>	7	<b>9,797,884</b>	<b>2,767,898</b>	<b>13,533,601</b>
<b>IV.a. Pasture/Livestock Improvements (ARIS)</b>		9,408,183	2,119,238	12,367,299
<b>IV.b. Value Chain, Diversification (ARIS)</b>		-	-	-
<b>IV.c. Other grants</b>	7	<b>389,701</b>	<b>648,660</b>	<b>1,166,302</b>
APIU		206,811	81,524	402,560
ARIS		182,890	567,136	763,742
<b>V. Operating expenses (APIU)</b>	7	<b>294,116</b>	<b>218,147</b>	<b>654,554</b>
APIU		294,116	218,147	654,554
<b>Total programme expenses</b>		<b>12,109,997</b>	<b>4,148,065</b>	<b>18,729,757</b>
<b>Other expenses</b>	8	<b>10,395</b>	<b>20,409</b>	<b>46,288</b>
APIU		10,301	16,557	28,991
ARIS		94	3,852	17,297
<b>Closing balance of cash and cash equivalents</b>	4	<b>933,239</b>	<b>2,175,399</b>	<b>933,239</b>
APIU		619,111	546,617	619,111
ARIS		314,128	1,628,782	314,128

On behalf of the Management:

  
**Tynaev S.**  
**Acting Director**

May 17, 2019  
 Bishkek, the Kyrgyz Republic

  
**Zhusupbekova S.**  
**Financial Manager**

May 17, 2019  
 Bishkek, the Kyrgyz Republic

The notes on pages 10-23 form an integral part of the project financial statements.  
 The independent auditors' report is on pages 3-5.

**"LIVESTOCK AND MARKET DEVELOPMENT PROGRAMME - II"**  
**IFAD LOAN NO. 2000000438, IFAD GRANT NO. 2000000439,**  
**ASAP TRUST GRANT NO. 2000000440**

**SUMMARY OF EXPENDITURES PAID BY PROJECT COMPONENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

*(in US Dollars)*

	For the year ended December 31, 2018	For the year ended December 31, 2017	Cumulative	Budget IFAD	Expenses incurred by IFAD	Deviation
<b>Component 1. Community-based Pasture Management and Vulnerability Reduction</b>						
Sub-component 1.1 Community Risk- mitigation Pasture Management and Investments	<b>10,507,138</b>	<b>2,849,818</b>	<b>15,147,987</b>	<b>10,706,481</b>	<b>8,132,077</b>	<b>(2,574,404)</b>
APIU	207,171	-	210,762	415,300	202,635	(212,665)
ARIS	10,299,967	2,849,818	14,937,225	10,291,181	7,929,442	(2,361,739)
Sub-component 1.2. Pasture Institutional Strengthening	<b>845,062</b>	<b>209,096</b>	<b>1,350,572</b>	<b>1,174,576</b>	<b>772,847</b>	<b>(401,729)</b>
APIU	721,796	74,097	923,369	992,000	651,715	(340,285)
ARIS	123,266	134,999	427,203	182,576	121,132	(61,444)




**"LIVESTOCK AND MARKET DEVELOPMENT PROGRAMME - II"**  
**IFAD LOAN NO. 2000000438, IFAD GRANT NO. 2000000439,**  
**ASAP TRUST GRANT NO. 2000000440**


**SUMMARY OF EXPENDITURES PAID BY PROJECT COMPONENTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(in US Dollars)*

	For the year ended December 31, 2018	For the year ended December 31, 2017	Cumulative	Budget IFAD	Expenses incurred by IFAD	Deviation
<b>Component 2. Livestock Health and Production Services</b>						
Sub-component 2.1 Strengthening Veterinary and Community Animal Health Services	<b>346,275</b>	<b>647,344</b>	<b>1,010,636</b>	<b>454,240</b>	<b>338,559</b>	<b>(115,681)</b>
APIU	52,777	7,517	60,294	78,300	52,915	(25,385)
ARIS	293,498	639,827	950,342	375,940	285,644	(90,296)
Sub-component 2.2 Animal Health Education and Capacity Building (APIU)	<b>107,387</b>	<b>180,943</b>	<b>406,010</b>	<b>328,000</b>	<b>105,201</b>	<b>(222,799)</b>
<b>Component 3. Diversification and Market/Value Chain Initiatives (ARIS)</b>	<b>40,353</b>	<b>13,970</b>	<b>54,323</b>	<b>477,000</b>	<b>40,353</b>	<b>(436,647)</b>
<b>Component 4. Project Management (APIU)</b>	<b>263,782</b>	<b>246,894</b>	<b>760,229</b>	<b>316,100</b>	<b>261,295</b>	<b>(54,805)</b>
	<b>12,109,997</b>	<b>4,148,065</b>	<b>18,729,757</b>	<b>13,456,397</b>	<b>9,650,333</b>	<b>(3,806,064)</b>

On behalf of the Management

  
**Tynaev S.**  
**Acting Director**

May 17, 2019  
 Bishkek, the Kyrgyz Republic

  
**Zhusupbekova S.**  
**Financial Manager**

May 17, 2019  
 Bishkek, the Kyrgyz Republic

The notes on pages 10-23 form an integral part of the project financial statements.  
 The independent auditors' report is on pages 3-5.

**"LIVESTOCK AND MARKET DEVELOPMENT PROGRAMME - II"**  
**IFAD LOAN NO. 2000000438, IFAD GRANT NO. 2000000439,**  
**ASAP TRUST GRANT NO. 2000000440**

**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
*(in US Dollars)*

---

**1. GENERAL INFORMATION**

According to the Financing agreement between the Kyrgyz Republic, International Fund for Agricultural Development (the "IFAD") and Adaptation for Smallholder Agriculture Programme Trust Fund (the "ASAP Trust Fund") signed on April 7, 2014, the IFAD provided IFAD Loan No. 2000000438 in the amount of 7,200,000 Special Drawing Rights, IFAD Grant No. 2000000439 in the amount of 6,500,000 Special Drawing Rights and ASAP TRUST Grant No. 2000000440 in the amount of 6,500,000 SDR to the Kyrgyz Republic.

Estimated contribution of the Government of the Kyrgyz Republic to the Programme equals to 270,000 US dollars. Estimated contribution of the Pasture Users' Unions (the "PUUs") to the Programme equals to 25% of provided grant "Pasture/livestock improvements" and 20% of grant "Value chain, diversification". At least 5% of the contribution must be provided in cash, while 20% should be provided in labor and materials.

Financing was provided for the Programme "Livestock and Market Development Programme - II" (the "Programme").

Duration of the Programme is from August 6, 2014 to September 30, 2019.

**Programme purpose**

The objectives of the "Livestock and Market Development Programme – II" are to improve livestock productivity and to enhance climate resilience of pasture communities reflected in improved and equitable returns to livestock farmers, which should lead to decrease of poverty and increase of economic development in rural communities.

The Programme consists of the following components:

Component 1: Community-based pasture management and vulnerability reduction:  
Sub-component 1.1: Community risk-mitigation pasture management and investments;  
Sub-component 1.2: Pasture institutional strengthening;

Component 2: Livestock health and production services:  
Sub-component 2.1: Strengthening veterinary and community animal health services;  
Sub-component 2.2: Animal health education and capacity building;

Component 3: Diversification and market/value chain initiatives;

Component 4: Programme Management.

**Component 1: Community-Based Pasture Management and Vulnerability Reduction**

This component shall take advantage of the conducive environment provided by the Pasture Law, the national emergency response activities and climate change adaptation policies, and will support Pasture Users' Unions (the "PUUs") and the executive body thereof, namely the Pasture Committees (the "PCs"), in the design, development and implementation of community-based pasture management plans that fully integrate animal health activities as well as adaptation and disaster risk-reduction measures. The outcome from this component would be more productive and resilient pastures and increased supplementary feed available to community livestock. Component 1 is divided into two sub-components:



#### Sub-component 1.1: Community risk-mitigation pasture management and investments

This sub-component shall provide for the initiatives that are required to improve the resilience and productivity, use and access to pastures within approximately one hundred and ninety PUUs/PCs areas. It shall provide support to PUUs/PCs in the design, development planning and implementation of risk mitigation community-based pasture management and animal health plans that fully integrate adaptation measures to increase the resilience of this sector to climate change.

#### Sub-component 1.2: Pasture institutional strengthening

This sub-component shall expand to the Programme Area the activities initiated under Programme sub-component 1.2 as defined in the LMDP - I Financing agreement. Nonetheless, this sub-component shall integrate climate change adaptation throughout all the relevant activities. Investment shall primarily focus on the following national institutions that support pasture development: Pasture Department, Kyrgyz Jaiyty Pasture Users Association, Kyrgyz National Agrarian University, and the Kyrgyz Livestock and Pasture Research Institute. In addition, an effective Early Warning System for floods, frost and drought shall be established under the sub-component.

### ***Component 2: Livestock health and production services***

The main objective of this component is to establish an effective private veterinary service through additional support and training to ensure that private veterinarians are self-sufficient and deliver an effective demand-driven service. The component shall have two sub-components:

#### Sub-component 2.1: Strengthening veterinary and community animal health services

The sub-component shall contribute to (i) the establishment and training of Animal Health Sub-Committees (the "AHSCs"); and (ii) PVs' capacity building. In particular, the Programme shall support the establishment of approximately one hundred and ninety AHSCs as sub-committees of the PCs in the Programme Area through three (3) key investments: (i) upgrading AHSC guidelines and training materials; (ii) AHSC mobilisation/facilitation; and (iii) AHSC strengthening. In addition, this sub-component shall provide support to approximately three hundred and eighty PVs in the Programme Area, who meet the following criteria: (i) registered with the Veterinary Chamber; (ii) under contract with an AHSC; and (iii) membership of the rayon level veterinary association, in order to promote PVs as the primary service providers for comprehensive preventative herd/flock health and productivity improvement programme.

#### Sub-component 2.2: Animal health education and capacity building

This sub-component shall provide support to the educational system to provide the facilities, teaching and incentives to produce a cadre of motivated young vets who will work in the Programme Area communities. In particular investment shall be made in the following activities: (i) updating veterinary education programme; (ii) veterinary education and training; (iii) student incentive programme; (iv) professional development and training; and (v) research by the Kyrgyz Scientific-Research Veterinary Institute.

### ***Component 3: Diversification and market/value chain initiatives***

The objective of this component is to enable livestock producers in the Programme Area to expand their milk production to meet market demand and thereby achieve improved returns from their dairy animals, as well as introduce a set of additional viable income-generating activities that would increase the resilience of poor vulnerable groups. In the milk production sector, two initiatives shall be financed under this component: (i) the establishment of milk collection and cooling centres, through a partnership arrangement with milk processing plants; and (ii) the support to women's groups to set up small-scale milk processing facilities focused primarily on high quality traditional products. In other sectors, this component shall invest in, inter alia, (i) solar greenhouses for the production of vegetable and horticulture products, which would meet a growing need coming not only from the communities themselves, but also from the fast-growing national and international tourism sector; and (ii) multipurpose solar dryers or electricity-powered dryers for the drying of fruits, herbs and aromatic plants.



#### **Component 4: Programme Management**

This component shall provide financing or the overall management of the Programme by the Lead Programme Agency.

##### *Programme management*

LMDP - II Programme is implemented by:

- Agriculture Projects Implementation Unit of the Ministry of Agriculture, Food Industry and Melioration of the Kyrgyz Republic (the "APIU");
- Community Development and Investment Agency (the "ARIS").

The APIU is the Lead Programme Agency, and takes overall responsibility for Programme implementation, coordination, oversight and reporting to IFAD 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 PROJECT FINANCIAL STATEMENTS**

### **Basis of preparation**

These 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 IFAD's "Handbook for financial reporting and auditing of IFAD-financed Projects" (the "IFAD Handbook")

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

These project financial statements consist of:

- Summary of funds received and expenditures paid;
- Summary of expenditures paid by project components;
- Notes to the project financial statements, including short description of main statements of accounting policy and other descriptive notes;

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

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

### **Cash basis of accounting**

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 Programme. Project financial statements prepared under the cash basis provide readers 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 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 IFAD 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 Fund for Agricultural Development to the Programme by advance payment and replenishment of designated account.

The funds were also provided by the Government of the Kyrgyz Republic for payment of taxes.

Community contribution comprises contribution in cash and contribution in kind. Contribution in kind is not included in the summary of funds received and expenditures paid, as these project financial statements are prepared under cash basis of accounting.

#### 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2018 and 2017 comprise:

	Account holder	Currency	December 31, 2018	December 31, 2017
<b>IFAD Loan No. 2000000438</b>				
Designated account	ARIS	US dollars	3,922	269,624
Designated account	APIU	US dollars	138,953	145,449
<b>IFAD Grant No. 2000000439</b>				
Designated account	ARIS	US dollars	230,137	585,651
Designated account	APIU	US dollars	204,842	245,489
<b>ASAP Trust Grant No. 2000000440</b>				
Designated account	ARIS	US dollars	31,184	732,128
Designated account	APIU	US dollars	273,416	146,319
<b>Other</b>				
Interest account	ARIS	US dollars	48,885	41,379
Interest account	APIU	US dollars	697	8,368
		Kyrgyz som	741	530
Tender account	APIU		462	462
Tender account	APIU	US dollars		
			<u>933,239</u>	<u>2,175,399</u>

#### 5. FUNDS RECEIVED

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

	For the year ended December 31, 2018	For the year ended December 31, 2017	Cumulative
<b>IFAD Loan No.2000000438</b>			
Advance	-	500,000	1,250,000
Replenishment of designated account	<u>3,733,380</u>	<u>252,533</u>	<u>4,423,197</u>
	<u>3,733,380</u>	<u>752,533</u>	<u>5,673,197</u>
<b>IFAD Grant No.2000000439</b>			
Advance	-	250,000	1,000,000
Replenishment of designated account	<u>1,494,421</u>	<u>1,664,269</u>	<u>4,236,556</u>
	<u>1,494,421</u>	<u>1,914,269</u>	<u>5,236,556</u>
<b>ASAP Trust Grant No. 2000000440</b>			
Advance	250,000	700,000	1,400,000
Replenishment of designated account	<u>2,930,326</u>	<u>694,218</u>	<u>4,199,844</u>
	<u>3,180,326</u>	<u>1,394,218</u>	<u>5,599,844</u>
<b>Government of the Kyrgyz Republic</b>			
Contribution in cash	<u>95,797</u>	<u>75,542</u>	<u>241,157</u>
<b>Community contribution</b>			
Contribution in cash	<u>2,363,662</u>	<u>445,387</u>	<u>2,861,288</u>
	<u>10,867,586</u>	<u>4,581,949</u>	<u>19,612,042</u>



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

In accordance with the Financing agreement communities should also provide in-kind contributions, which should not be less than 20% of provided financing. In-kind contribution includes contribution with labor and contribution with materials. The amount is presented for information purposes and is not included in the summary of funds received and expenditures paid and summary of expenditures paid by project components, which are prepared in accordance with cash basis of accounting.

	For the year ended December 31, 2018	For the year ended December 31, 2017	Cumulative
Community contributions in kind	<u>215,454</u>	<u>215,582</u>	<u>431,036</u>
	<u>215,454</u>	<u>215,582</u>	<u>431,036</u>

#### 6. OTHER INCOME

Other income represents interest income accrued by the serving bank on the outstanding balances of cash on designated account and income from selling of tender documents.

## 7. PROGRAMME EXPENSES

Programme expenses by major categories are presented in the summary of funds received and expenditures paid. Programme expenditures by components are presented in the summary of expenditures paid by project components. Breakdown of Programme expenses by categories and sources of financing is presented as follows:

For the year ended December 31, 2018								
	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP Trust Grant No. 2000000440	Government of the Kyrgyz Republic	Community contributions in cash	Total	Budget IFAD	Deviation
<b>I. Equipment Goods and Vehicles</b>	80,294	-	341,244	69,018	-	490,556	797,076	(375,538)
APIU	42,210	-	341,244	68,649	-	452,103	713,000	(329,546)
ARIS	38,084	-	-	369	-	38,453	84,076	(45,992)
<b>II. Consultancies</b>	-	1,189,863	-	7,800	206	1,197,869	2,077,041	(887,178)
APIU	-	268,610	-	442	-	269,052	520,300	(251,690)
ARIS	-	921,253	-	7,358	206	928,817	1,556,741	(635,488)
<b>III. Trainings and Workshops</b>	-	322,543	3,809	3,220	-	329,572	683,480	(357,128)
APIU	-	126,439	3,809	583	-	130,831	168,600	(38,352)
ARIS	-	196,104	-	2,637	-	198,741	514,880	(318,776)
<b>IV. Grants</b>	3,663,252	378,176	3,381,270	11,525	2,363,661	9,797,884	9,583,400	(2,160,702)
APIU	-	201,567	-	5,244	-	206,811	412,400	(210,833)
ARIS	3,663,252	176,609	3,381,270	6,281	2,363,661	9,591,073	9,171,000	(1,949,869)
<b>V. Operating expenses (APIU)</b>	262,031	-	27,851	4,234	-	294,116	315,400	(25,518)
	<u>4,005,577</u>	<u>1,890,582</u>	<u>3,754,174</u>	<u>95,797</u>	<u>2,363,867</u>	<u>12,109,997</u>	<u>13,456,397</u>	<u>(3,806,064)</u>

Microprojects were implemented in 2018 in mountainous remote areas. In many such projects contractors were not interested in carrying out construction works in hard to reach mountain areas, thus there were cases when tenders were repeated. Preparation of design and estimate documents and other permits from local communities also took longer period than expected. 36 business plans were selected within third component. Preparation of design and estimate documents and technical assignments for the business plans also took longer period than expected and the tenders for these 36 business plans were postponed to 2019. Scheduled training programs are expected to be held in 2019, since training modules for some trainings are not ready yet.



For the year ended December 31, 2017

	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP Trust Grant No. 2000000440	Government of the Kyrgyz Republic	Community contribution s in cash	Total	Budget (IFAD funds)	Deviation (IFAD funds)
<b>I. Equipment Goods and Vehicles</b>	94,103	-	-	5,304	-	99,407	94,700	(597)
APIU	94,103	-	-	5,304	-	99,407	94,700	(597)
ARIS	-	-	-	-	-	-	-	-
<b>II. Consultancies</b>	-	837,953	-	12,549	-	850,502	2,060,817	(1,222,864)
APIU	-	52,576	-	1,440	-	54,016	53,000	(424)
ARIS	-	785,377	-	11,109	-	796,486	2,007,817	(1,222,440)
<b>III. Trainings and Workshops</b>	-	208,813	-	3,298	-	212,111	488,880	(280,067)
APIU	-	55,097	-	1,260	-	56,357	56,400	(1,303)
ARIS	-	153,716	-	2,038	-	155,754	432,480	(278,764)
<b>IV. Grants.</b>	728,386	597,458	945,466	51,202	445,386	2,767,898	6,522,300	(4,250,990)
APIU	-	79,675	-	1,849	-	81,524	79,200	475
ARIS	728,386	517,783	945,466	49,353	445,386	2,686,374	6,443,100	(4,251,465)
<b>V. Operating expenses (APIU)</b>	214,961	-	-	3,186	-	218,147	224,500	(9,539)
	<u>1,037,450</u>	<u>1,644,224</u>	<u>945,466</u>	<u>75,539</u>	<u>445,386</u>	<u>4,148,065</u>	<u>9,391,197</u>	<u>(5,764,057)</u>

Category	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP Trust Grant No. 2000000440	Cumulative Government of the Kyrgyz Republic	Community contributions in cash	Total	Budget (IFAD funds)	Deviation (IFAD funds)
I. Equipment Goods and Vehicles	348,418	-	341,244	96,960	-	786,622	1,251,926	(562,264)
II. Consultancies	-	3,010,809	3,681	35,083	206	3,049,779	7,328,617	(4,314,127)
III. Trainings and Workshops	-	688,953	3,809	12,439	-	705,201	1,928,610	(1,235,848)
IV. Grants.	4,564,840	1,101,799	4,918,659	87,017	2,861,286	13,533,601	22,437,950	(11,852,652)
V. Operating expenses (APIU)	617,048	-	27,851	9,655	-	654,554	697,120	(52,221)
	<u>5,530,306</u>	<u>4,801,561</u>	<u>5,295,244</u>	<u>241,154</u>	<u>2,861,492</u>	<u>18,729,757</u>	<u>33,644,223</u>	<u>(18,017,112)</u>

## 8. OTHER EXPENSES

Other expenses comprise tax expenses, payments for bank and other services and return of interest income to the Ministry of finance of the Kyrgyz Republic in amount of 9,300 US dollars.

## 9. FINANCIAL POSITION

Financial position as at December 31, 2018 and 2017 is presented as follows:

	December 31, 2018	December 31, 2017
<b>ASSETS AND EXPENDITURES</b>		
Cash and cash equivalents	933,239	2,175,399
APIU	619,111	546,617
ARIS	314,128	1,628,782
Cumulative project expenditures	18,729,757	6,619,760
APIU	2,360,662	1,007,749
ARIS	16,369,095	5,612,011
Other expenses	46,288	35,893
APIU	28,991	18,690
ARIS	17,297	17,203
<b>TOTAL ASSETS AND EXPENDITURES</b>	<b>19,709,284</b>	<b>8,831,052</b>
<b>FINANCING</b>		
Funds received	19,612,042	8,744,456
APIU	2,977,910	1,545,043
ARIS	16,634,132	7,199,413
Other income	97,242	86,596
APIU	30,854	28,013
ARIS	66,388	58,583
<b>TOTAL FINANCING</b>	<b>19,709,284</b>	<b>8,831,052</b>

## 10. SUMMARY OF SOES

Withdrawal applications for the year ended December 31, 2018 comprise of:

IFAD Loan No. 2000000438

APIU

Application	Date	Equipment, Goods and Vehicles	Operating expenses	Total	Financing method	Paid by IFAD
13	May 18, 2018	33,089	153,843	186,932	Replenishment of DA	186,932
19	December 17, 2018	25,936	84,878	110,814	Replenishment of DA	110,814
		<u>59,025</u>	<u>238,721</u>	<u>297,746</u>		<u>297,746</u>



# **ARIS**

Application	Date	Equipment, Goods and Vehicles	Grants	Total	Financing method	Paid by IFAD
25A	January 5, 2018	-	719,559	719,559	Replenishment of DA	719,559
27A	April 12, 2018	-	769,093	769,093	Replenishment of DA	769,093
30A	July 12, 2018	-	979,820	979,820	Replenishment of DA	979,820
32A	September 21, 2018	18,791	948,371	967,162	Replenishment of DA	967,162
		<u>18,791</u>	<u>3,416,843</u>	<u>3,435,634</u>		<u>3,435,634</u>

## **IFAD Grant No. 2000000439**

# **APIU**

Application	Date	Consultancies, Technical assistance and studies	Training and Workshops	Grants	Total	Financing method	Paid by IFAD
14	May 18, 2018	61,172	12,546	111,757	185,475	Replenishment of DA	185,475
17	September 18, 2018	75,579	30,178	83,179	188,936	Replenishment of DA	188,936
20	December 17, 2018	104,687	70,976	5,896	181,559	Replenishment of DA	181,559
		<u>241,438</u>	<u>113,700</u>	<u>200,832</u>	<u>555,970</u>		<u>555,970</u>

# **ARIS**

Application	Date	Consultancies, Technical assistance and studies	Training and Workshops	Grants	Total	Financing method	Paid by IFAD
29A	June 26, 2018	426,620	81,011	-	507,631	Replenishment of DA	507,631
33A	October 15, 2018	255,903	63,963	110,954	430,820	Replenishment of DA	430,820
		<u>682,523</u>	<u>144,974</u>	<u>110,954</u>	<u>938,451</u>		<u>938,451</u>

**ASAP TRUST Grant No. 2000000440**

**APIU**

Application	Date	Advance	Equipment, Goods and Vehicles	Consultancies, Technical assistance and studies	Training and Workshops	Operating expenses	Total	Financing method	Paid by IFAD
16	August 30, 2018	50,000	-	-	-	-	50,000	Advance	50,000
15	August 30, 2018	200,000	-	-	-	-	200,000	Advance	200,000
18	November 19, 2018	-	233,876	2,519	2,607	10,998	250,000	Replenishment of DA	250,000
		<u>250,000</u>	<u>233,876</u>	<u>2,519</u>	<u>2,607</u>	<u>10,998</u>	<u>500,000</u>		<u>500,000</u>

**ARIS**

Application	Date	Training and Workshops	Pasture/Livestock Improvement	Total	Financing method	Paid by IFAD
26A	April 12, 2018	-	710,364	710,364	Replenishment of DA	710,364
28A	June 6, 2018	-	762,475	762,475	Replenishment of DA	762,475
31A	August 30, 2018	-	944,761	944,761	Replenishment of DA	944,761
34A	October 10, 2018	-	262,726	262,726	Replenishment of DA	262,726
		<u>-</u>	<u>2,680,326</u>	<u>2,680,326</u>		<u>2,680,326</u>



## 11. DESIGNATED ACCOUNT

Movement at designated accounts for the year ended December 31, 2018 is presented as follows:

### APIU

**Bank** CJSC Kyrgyz Investment and Credit Bank  
**Bank account** [REDACTED]  
**Currency** US Dollars  
**Bank's location** [REDACTED] the Kyrgyz Republic

	IFAD Loan No.2000000438	IFAD Grant No.2000000439	ASAP Trust Grant No. 2000000440	Total
<b>Balance as at December 31, 2017</b>	145,449	245,489	146,319	537,257
Advances received	-	-	250,000	250,000
Replenishment of DA	297,746	555,970	250,000	1,103,716
<b>Total funds received</b>	297,746	555,970	500,000	1,353,716
Expenditures paid	1,167	69,141	54,065	124,373
Transfer between accounts	303,075	501,290	318,838	1,093,894
Encashed	-	26,186	-	55,495
<b>Balance as at December 31, 2018</b>	138,953	204,842	273,416	617,211

### ARIS

**Bank** CJSC Kyrgyz Investment and Credit Bank  
**Bank account** [REDACTED]  
**Currency** US dollars  
**Bank's location** [REDACTED] the Kyrgyz Republic

	IFAD Loan No.2000000438	IFAD Grant No.2000000439	ASAP Trust Grant No. 2000000440	Total
<b>Balance as at December 31, 2017</b>	269,624	585,651	732,128	1,587,403
Advances received	-	-	-	-
Replenishment of DA	3,435,634	938,451	2,680,326	7,054,411
<b>Total funds received</b>	3,435,634	938,451	2,680,326	7,054,411
Expenditures paid	-	43,000	-	43,000
Transfer between accounts	3,701,336	1,250,965	3,381,270	8,333,571
<b>Balance as at December 31, 2018</b>	3,922	230,137	31,184	265,243

## 12. UNDRAWN FUNDS

As at December 31, 2018, undrawn funds are presented as follows:

	IFAD Loan No.2000000438 <i>In SDR</i>	IFAD Grant No.2000000439 <i>In SDR</i>	ASAP Trust Grant No. 2000000440 <i>In SDR</i>	Total <i>In SDR</i>
Approved financing amount	7,200,000	7,200,000	6,500,000	20,900,000
Disbursed from August 6, 2014 to December 31, 2018	<u>4,028,796</u>	<u>3,764,140</u>	<u>4,005,148</u>	<u>11,798,084</u>
Undrawn financing amount	<u>3,171,204</u>	<u>3,435,860</u>	<u>2,494,852</u>	<u>9,101,916</u>

	IFAD Loan No.2000000438 <i>in SDR</i>	IFAD Grant No.2000000439 <i>in SDR</i>	ASAP Trust Grant No. 2000000440 <i>in SDR</i>	Total <i>in SDR</i>
Financing received as at January 1, 2018	1,398,289	2,699,470	1,758,943	5,856,702
Disbursed in 2018	<u>2,630,507</u>	<u>1,064,670</u>	<u>2,246,205</u>	<u>5,941,382</u>
Financing received as at December 31, 2018	<u>4,028,796</u>	<u>3,764,140</u>	<u>4,005,148</u>	<u>11,798,084</u>

## 13. COMMITMENTS

In the normal course of activities, the Programme 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, 2018 was as follows:

### APIU

Counterparty	Contract #	Contract currency	Cost per contract (in CCY)	Paid up to December 31, 2018 (in CCY)	Remaining amount to be paid (in CCY)
"Sinobeis" LLC	CONTRACT [REDACTED]	US dollars	579,060	347,436	231,624

### ARIS

Counterparty	Contract #	Contract Currency	Cost per contract in (in CCY)	Paid up to December 31, 2018 (in CCY)	Remaining amount to be paid (in CCY)
"Ushurova S.F." IE	[REDACTED]	Kyrgyz som	88,641	-	88,641
"Ushurova S.F." IE		Kyrgyz som	1,224,000	-	1,224,000
"Zetaline» LLC		Kyrgyz som	1,069,500	-	1,069,500
"Zetaline» LLC		Kyrgyz som	170,380	-	170,380
"ABT" LLC		Kyrgyz som	3,395,000	-	3,395,000
"TATS" LLC		Kyrgyz som	4,128,000	416,124	3,711,876



#### 14. LEGAL CASES

There were no any legal claims related to the Programme.

#### 15. EVENTS AFTER THE REPORTING DATE

During 2018 until the date of issue of these project financial statements the IFAD made replenishment of designated account of the Programme as follows:

Date	Application	Recipient	IFAD Loan No.2000000438	IFAD Grant No.2000000439	ASAP Trust Grant No. 2000000440	Total
January 30, 2019	35A	ARIS	996,078	-	-	996,078
March 26, 2019	21	APIU	-	169,436	-	169,436
April 4, 2019	38A	ARIS	998,552	-	-	998,552
April 24, 2019	36A	ARIS	-	-	987,392	987,392
April 24, 2019	22	APIU	50,439	-	-	50,439
April 29, 2019	24	APIU	-	198,000	-	198,000
April 29, 2019	23	APIU	-	138,545	-	138,545
April 29, 2019	37A	ARIS	-	614,362	-	614,362
			<u>2,045,069</u>	<u>1,120,343</u>	<u>987,392</u>	<u>4,152,804</u>

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