

AUDITED PROJECT FINANCIAL STATEMENTS

Loan no. 200000044000, 200000043900, 200000043800

Period covered: 1 January 2017 to 31 December 2017

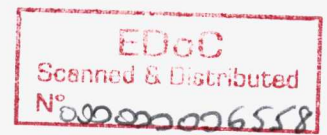
Livestock And Market Development Programme li
(Lmdp li)

Prepared by the Independent Auditor

Received on 22 June 2018

The Audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those IFAD's Board of Directors, Management or Staff. These documents are made publicly available in accordance with the "IFAD Handbook for Financial Reporting and Auditing of IFAD-Financed Projects (2018)"

2458



**“Livestock and Market Development Programme - II”
IFAD Loan No. 2000000438
IFAD Grant No. 20000000439
ASAP TRUST Grant No. 2000000440**

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

and independent auditors' report

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

The following statement, which should be read in conjunction with the independent auditors' responsibilities is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the special purpose project financial statements of the 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 special purpose project financial statements that present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Programme for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants and the International Fund for Agricultural Development's (the "IFAD") "General Conditions for Agricultural Development Financing" (the "IFAD Guidelines").

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

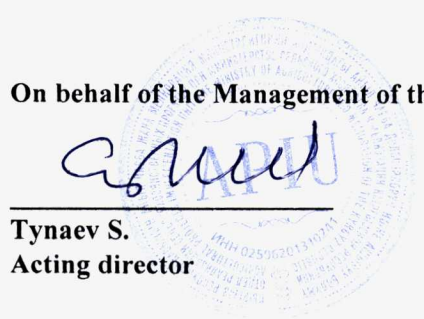
- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and IFAD Guidelines have been followed, subject to any material departures disclosed and explained in the special purpose project financial statements; and
- preparing the special purpose project financial statements on a going concern basis, unless it is inappropriate to presume that the 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 special purpose project financial statements of the Programme comply with IPSAS and IFAD Guidelines;
- 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.

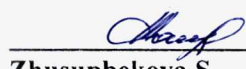
The special purpose project financial statements for the year ended December 31, 2017 were approved and authorized for issue on May 11, 2018 by the management of the Programme.

On behalf of the Management of the Programme:



Tynaev S.
Acting director

May 11, 2018
Bishkek, Kyrgyz Republic



Zhushupbekova S.
Financial manager

May 11, 2018
Bishkek, Kyrgyz Republic



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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 special purpose project financial statements

Opinion

We have audited the special purpose project financial statements of the Programme "Livestock and Market Development Programme - II" (the "Programme"), which comprise the statement of cash proceeds and disbursements and the statement of uses of funds by project components for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Programme for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the IFAD's "General Conditions for Agricultural Development Financing" (the "IFAD Guidelines").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the special purpose project financial statements section of our report. We are independent of the 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 special purpose project financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

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

Other matter

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

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

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

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

Our objectives are to obtain reasonable assurance about whether these special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose project financial statements.

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

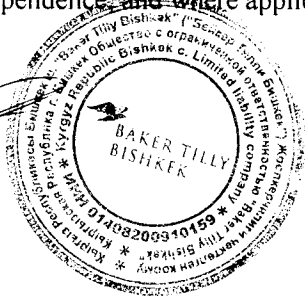
- Identify and assess the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Programme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



Kubat Alymkulov



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

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

May 11, 2018
Bishkek, Kyrgyz Republic

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

STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

(in US Dollars)

	Notes	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Opening balance	4	1,713,768	-	1,132,076	-
APIU		534,009	-	590,512	-
ARIS		1,179,759	-	541,564	-
Funds received	5				
IFAD Loan No. 2000000438		752,533	1,939,817	669,667	1,187,284
APIU		252,533	695,273	175,123	442,740
ARIS		500,000	1,244,544	494,544	744,544
IFAD Grant No. 2000000439		1,914,269	3,742,135	1,113,536	1,827,866
APIU		262,556	667,625	99,421	405,069
ARIS		1,651,713	3,074,510	1,014,115	1,422,797
ASAP TRUST					
Grant No. 2000000440		1,394,218	2,419,518	625,300	1,025,300
APIU		-	150,000	-	150,000
ARIS		1,394,218	2,269,518	625,300	875,300
Community contribution		445,387	497,626	52,239	52,239
APIU		-	-	-	-
ARIS		445,387	497,626	52,239	52,239
Government of the Kyrgyz Republic		75,542	145,360	49,827	69,818
APIU		13,041	32,145	8,042	19,104
ARIS		62,501	113,215	41,785	50,714
Total funds received		4,581,949	8,744,456	2,510,569	4,162,507
Other income	6	48,156	86,596	26,641	38,440
APIU		10,485	28,013	11,209	17,528
ARIS		37,671	58,583	15,432	20,912
Total receipts		4,630,105	8,831,052	2,537,210	4,200,947
Programme expenses	8				
I. Equipment, Goods and Vehicles		99,407	296,066	121,325	196,659
APIU		99,407	213,255	38,514	113,848
ARIS		-	82,811	82,811	82,811
II. Consultancies		850,502	1,851,910	660,003	1,001,408
APIU		54,016	119,055	58,035	65,039
ARIS		796,486	1,732,855	601,968	936,369
III. Training and Workshops		212,111	375,629	112,272	163,518
APIU		56,357	119,252	58,776	62,895
ARIS		155,754	256,377	53,496	100,623

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

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

	Notes	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
IV. Grants		2,767,898	3,735,717	921,430	967,819
IV. a Pasture / Livestock Improvements		2,119,238	2,959,116	839,878	839,878
IV. b Value Chain, Diversification (ARIS)		-	-	-	-
IV. c Other grants		648,660	776,601	81,552	127,941
APIU		81,524	195,749	67,836	114,225
ARIS		567,136	580,852	13,716	13,716
V. Operating expenses		218,147	360,438	126,555	142,291
APIU		218,147	360,438	126,555	142,291
Total programme expenses		4,148,065	6,619,760	1,941,585	2,471,695
Other expenses	7	20,409	35,893	14,698	15,484
Foreign exchange rates differences		-	-	765	-
Closing balance	4	2,175,399	2,175,399	1,713,768	1,713,768
APIU		546,617	546,617	534,009	534,009
ARIS		1,628,782	1,628,782	1,179,759	1,179,759

On behalf of the Management:



Tynaev S.
Acting Director

May 11, 2018
Bishkek, Kyrgyz Republic



Zhusupbekova S.
Financial Manager

May 11, 2018
Bishkek, Kyrgyz Republic


The notes on pages 9-20 form an integral part of the special purpose 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**

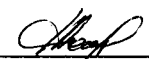
**STATEMENT OF FUNDS BY PROJECT COMPONENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(in US Dollars)**

	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Component 1: Community-based pasture management and vulnerability reduction				
Sub-component 1.1: Community risk-mitigation pasture management and investments	2,849,818	4,640,849	1,428,357	1,791,031
APIU	-	3,591	3,591	3,591
ARIS	2,849,818	4,637,258	1,424,766	1,787,440
Sub-component 1.2: Pasture institutional strengthening	209,096	505,510	204,693	296,414
APIU	74,097	201,573	54,607	127,476
ARIS	134,999	303,937	150,086	168,938
Component 2: Livestock health and production services				
Sub-component 2.1: Strengthening veterinary and community animal health services	647,344	664,361	17,017	17,017
APIU	7,517	7,517	-	-
ARIS	639,827	656,844	17,017	17,017
Sub-component 2.2: Animal health education and capacity building	180,943	298,623	73,934	117,680
Component 3: Diversification and market / value chain initiatives	13,970	13,970	-	-
Component 4: Programme management	246,894	496,447	217,584	249,553
	4,148,065	6,619,760	1,941,585	2,471,695

On behalf of the Management:


Tynaev S.
Acting Director

May 11, 2018
Bishkek, Kyrgyz Republic


Zhusupbekova S.
Financial Manager

May 11, 2018
Bishkek, Kyrgyz Republic

The notes on pages 9-20 form an integral part of the special purpose project financial statements.
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**“LIVESTOCK AND MARKET DEVELOPMENT PROGRAMME - II”
IFAD LOAN NO. 2000000438, IFAD GRANT NO. 2000000439,
ASAP TRUST GRANT NO. 2000000440**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(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 SDR and ASAP TRUST Grant No. 2000000440 in the amount of 6,500,000 SDR to the Kyrgyz Republic.

Estimated contribution of the Government of 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 SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

Basis of preparation

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

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.

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

These special purpose project financial statements consist of:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

Special purpose project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Programme. Special purpose 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 special purpose project financial statements is balances of cash and changes therein.

Foreign currency

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

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

Funds are provided by 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/ initial deposit 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 statement of cash proceeds and disbursements, as these special purpose project financial statements are prepared under cash basis of accounting.

4. CASH AND CASH EQUIVALENTS

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

	Account holder	Currency	December 31, 2017	December 31, 2016
IFAD Loan No. 2000000438				
Special account	ARIS	USD	269,624	498,010
Special account	APIU	USD	145,449	201,996
IFAD Grant No. 2000000439				
Special account	ARIS	USD	585,651	390,812
Special account	APIU	USD	245,489	170,134
Local account	APIU	KGS	-	165
ASAP Trust Grant No. 2000000440				
Special account	ARIS	USD	732,128	283,376
Special account	APIU	USD	146,319	146,319
Other				
Interest account	ARIS	USD	41,379	7,561
Interest account	APIU	USD	8,368	14,942
Tender account	APIU	USD	462	98
Tender account	APIU	KGS	530	355
			<u>2,175,399</u>	<u>1,713,768</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, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
IFAD Loan No. 2000000438				
Advances	500,000	1,250,000	250,000	750,000
Reimbursement of expenses	<u>252,533</u>	<u>689,817</u>	<u>419,667</u>	<u>437,284</u>
	<u>752,533</u>	<u>1,939,817</u>	<u>669,667</u>	<u>1,187,284</u>
IFAD Grant No. 2000000439				
Advances	250,000	1,000,000	250,000	750,000
Reimbursement of expenses	<u>1,664,269</u>	<u>2,742,135</u>	<u>863,536</u>	<u>1,077,866</u>
	<u>1,914,269</u>	<u>3,742,135</u>	<u>1,113,536</u>	<u>1,827,866</u>
ASAP TRUST Grant No. 2000000440				
Advances	700,000	1,150,000	50,000	450,000
Reimbursement of expenses	<u>694,218</u>	<u>1,269,518</u>	<u>575,300</u>	<u>575,300</u>
	<u>1,394,218</u>	<u>2,419,518</u>	<u>625,300</u>	<u>1,025,300</u>

	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Government of the Kyrgyz Republic				
Contributions in cash	<u>75,542</u>	<u>145,360</u>	<u>49,827</u>	<u>69,818</u>
Community contribution				
Contribution in cash	<u>445,387</u>	<u>497,626</u>	<u>52,239</u>	<u>52,239</u>
	<u>4,581,949</u>	<u>8,744,456</u>	<u>2,510,569</u>	<u>4,162,507</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 statement of cash proceeds and disbursements and statement of funds by project components, which are prepared in accordance with cash basis of accounting.

	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Contributions in kind	<u>215,582</u>	<u>215,582</u>	<u>-</u>	<u>-</u>
	<u>215,582</u>	<u>215,582</u>	<u>-</u>	<u>-</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 for realization of tender documents.

7. OTHER EXPENSES

Other expenses comprise tax expenses, payments for other services and return of interest income to the Ministry of finance of the Kyrgyz Republic in amount of 15,000 US Dollars.

8. PROGRAMME EXPENSES

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

For the year ended December 31, 2017

Category	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP TRUST Grant No. 2000000440	Government of the Kyrgyz Republic	Community contribution in cash	Total
I. Equipment, Goods and Vehicles	94,103	-	-	5,304	-	99,407
II. Consultancies	-	837,953	-	12,549	-	850,502
III. Training and Workshops	-	208,813	-	3,298	-	212,111
IV. Grants	728,386	597,458	945,466	51,202	445,386	2,767,898
V. Operating expenses	214,961	-	-	3,186	-	218,147
	<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>

Cumulative as at December 31, 2017

Category	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP TRUST Grant No. 2000000440	Government of the Kyrgyz Republic	Community contribution in cash	Total
I. Equipment, Goods and Vehicles	268,124	-	-	27,942	-	296,066
II. Consultancies	-	1,820,946	3,681	27,283	-	1,851,910
III. Training and Workshops	-	366,410	-	9,219	-	375,629
IV. Grants	901,588	723,623	1,537,389	75,492	497,625	3,735,717
V. Operating expenses	355,017	-	-	5,421	-	360,438
	<u>1,524,729</u>	<u>2,910,979</u>	<u>1,541,070</u>	<u>145,357</u>	<u>497,625</u>	<u>6,619,760</u>

9. FINANCIAL POSITION

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

	December 31, 2017	December 31, 2016
ASSETS AND EXPENDITURES		
Cash and cash equivalents	2,175,399	1,713,768
APIU	546,617	534,009
ARIS	1,628,782	1,179,759
Cumulative project expenditures	6,619,760	2,471,695
APIU	1,007,749	498,298
ARIS	5,612,011	1,973,397
Other expenditures	35,893	15,484
TOTAL ASSETS AND EXPENDITURES	8,831,052	4,200,947
FINANCING		
Funds received	8,744,456	4,162,507
APIU	1,545,043	1,016,913
ARIS	7,199,413	3,145,594
Other income	86,596	38,440
TOTAL FINANCING	8,831,052	4,200,947

10. SUMMARY OF SOEs

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

IFAD Loan No. 2000000438

APIU

Application	Date	Equipment, Goods and Vehicles	Grants	Operating expenses	Total
9	May 15, 2017	20,664	-	-	20,664
9	May 15, 2017	-	-	102,665	102,665
11	October 5, 2017	41,067	-	-	41,067
11	October 5, 2017	-	-	88,137	88,137
		61,731	-	190,802	252,533

ARIS

Application	Date	Advance	Grants	Operating expenses	Total
18A	February 14, 2017	500,000	-	-	500,000
		500,000	-	-	500,000

IFAD Grant No. 2000000439**APIU**

Application	Value date	Consultancies	Training and Work-shops	Grants	Total
8	January 26, 2017	15,638	-	-	15,638
8	January 26, 2017	-	34,967	-	34,967
8	January 26, 2017	-	-	23,859	23,859
10 APIU	July 25, 2017	28,803	-	-	28,803
10 APIU	July 25, 2017	-	19,452	-	19,452
10 APIU	July 25, 2017	-	-	22,581	22,581
12	December 19, 2017	23,608	-	-	23,608
12	December 19, 2017	-	35,740	-	35,740
12	December 19, 2017	-	-	57,908	57,908
		<u>68,049</u>	<u>90,159</u>	<u>104,348</u>	<u>262,556</u>

ARIS

Application	Value date	Advance	Consultancies	Training and Workshops	Grants	Total
17A	February 15, 2017	250,000	-	-	-	250,000
19A	March 7, 2017	-	97,233	-	-	97,233
19A	March 7, 2017	-	-	6,774	-	6,774
19A	March 7, 2017	-	-	-	238,754	238,754
20A	June 23, 2017	-	272,449	-	-	272,449
20A	June 23, 2017	-	-	33,127	-	33,127
20A	June 23, 2017	-	-	-	291,602	291,602
22A	October 5, 2017	-	256,328	-	-	256,328
22A	October 5, 2017	-	-	30,657	-	30,657
24A	December 19, 2017	-	111,385	-	-	111,385
24A	December 19, 2017	-	-	63,404	-	63,404
		<u>250,000</u>	<u>737,395</u>	<u>133,962</u>	<u>530,356</u>	<u>1,651,713</u>

ASAP TRUST Grant No. 2000000440

Application	Value date	Advance	Consultancies	Trainings and Workshops	Grants	Total
16A	February 14, 2017	700,000	-	-	-	700,000
21A	June 22, 2017	-	-	-	514,673	514,673
23A	October 5, 2017	-	-	-	179,545	179,545
		<u>700,000</u>	<u>-</u>	<u>-</u>	<u>694,218</u>	<u>1,394,218</u>

11. DESIGNATED ACCOUNT

Movement at designated accounts for the year ended December 31, 2017 is presented as follows:

APIU

<i>Bank</i>	CJSC "Kyrgyz Investment and Credit Bank"			
<i>Currency</i>	USD			
<i>Bank account</i>	[REDACTED]			
<i>Bank's location</i>	[REDACTED]			
<i>Financing source</i>	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP TRUST Grant No. 2000000440	Total
Balance as at December 31, 2016	201,996	170,134	146,319	518,449
Advances received	-	-	-	-
Reimbursement of expenses	252,533	262,556	-	515,089
Total funds received to the designated accounts	252,533	262,556	-	515,089
Expenditures paid	55,153	6,975	-	62,128
Transferred between accounts	253,927	158,694	-	412,621
Encashed	-	21,532	-	21,532
Balance as at December 31, 2017	145,449	245,489	146,319	537,257

ARIS

<i>Bank</i>	CJSC "Kyrgyz Investment and Credit Bank"			
<i>Currency</i>	USD			
<i>Bank account</i>	[REDACTED]			
<i>Bank's location</i>	[REDACTED]			
<i>Financing source</i>	IFAD Loan No. 2000000438	IFAD Grant No. 2000000439	ASAP TRUST Grant No. 2000000440	Total
Balance as at December 31, 2016	498,010	390,812	283,376	1,172,198
Advances received	500,000	250,000	700,000	1,450,000
Reimbursement of expenses	-	1,401,713	694,218	2,095,931
Total funds received to the designated accounts	500,000	1,651,713	1,394,218	3,545,931
Expenditures paid	-	41,933	-	41,933
Transferred between accounts	728,386	1,413,632	945,466	3,087,484
Encashed	-	1,309	-	1,309
Balance as at December 31, 2017	269,624	585,651	732,128	1,587,403

12. UNDRAWN FUNDS

As at December 31, 2017, 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 loan/grant amount	7,200,000	7,200,000	6,500,000	20,900,000
Disbursed in previous periods	847,349	1,311,590	741,353	2,900,292
Disbursed in 2017	<u>550,940</u>	<u>1,387,880</u>	<u>1,017,590</u>	<u>2,956,410</u>
Undrawn amount	<u>5,801,711</u>	<u>4,500,530</u>	<u>4,741,057</u>	<u>15,043,298</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>
Received as at January 1, 2017	847,349	1,311,590	741,353	2,900,292
Disbursed in 2017	<u>550,940</u>	<u>1,387,880</u>	<u>1,017,590</u>	<u>2,956,410</u>
Received as at December 31, 2017	<u>1,398,289</u>	<u>2,699,470</u>	<u>1,758,943</u>	<u>5,856,702</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, 2017 was as follows:

APIU

Counterparty	Contract #	Contract currency	Cost per contract in USD	Paid up to December 31, 2017	Remaining amount to be paid
PF “Door Media”	LMDP-1,2\LTA\Communication activities\CQ-5\17	KGS	4,884	2,230	2,654
PF “Aitysh”	1 LMDP- 1,2\LTA\Communication activities\CQ-6\17	KGS	4,527	2,726	1,801

ARIS

Counterparty	Contract #	Contract currency	Cost per contract in USD	Paid up to December 31, 2017	Remaining amount to be paid
“TATS” LLC	ARIS-IFAD-LMDP-HO-CQS- 16-25	KGS	59,298	13,213	46,085
CAIAG	ARIS-IFAD-LMDP2-HO-1- CQS-17-1	KGS	30,728	9,352	21,376
Tairov M.A.	ARIS-AP-HO-IC-17-18	KGS	13,982	265	13,717

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 special purpose project financial statements the IFAD provided financing to the Programme as follows:

Date	Application	Recipient	IFAD Loan No. 2000000438	ASAP TRUST Grant No. 2000000440	Total
January 5, 2018	25A	ARIS	719,558	-	719,558
April 12, 2018	26A, 27A	ARIS	<u>769,093</u>	<u>710,363</u>	<u>1,479,456</u>
			<u>1,488,651</u>	<u>710,363</u>	<u>2,199,014</u>

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

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

IFAD Loan No. 2000000438

APIU

Application	Date	Expenditure category	Payment type	Claimed by APIU	Paid by IFAD	Difference
9	May 15, 2017	Equipment, Goods and Vehicles	Reimbursement	20,664	20,664	-
		Operating expenses	Reimbursement	102,665	102,665	-
11	October 5, 2017	Equipment, Goods and Vehicles	Reimbursement	41,067	41,067	-
		Grants	Reimbursement	<u>88,137</u>	<u>88,137</u>	-
				252,533	<u>252,533</u>	-

ARIS

Application	Date	Expenditure category	Payment type	Claimed by ARIS	Paid by IFAD	Difference
18A	February 14, 2017	N/A	Advance	<u>500,000</u>	<u>500,000</u>	<u>-</u>
				<u>500,000</u>	<u>500,000</u>	<u>-</u>

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

(in US Dollars)

IFAD Grant No. 2000000439

APIU

Application	Date	Expenditure category	Payment type	Claimed by APIU	Paid by IFAD	Difference
8	January 26, 2017	Consultancies	Reimbursement	15,638	15,638	-
		Training and Workshops		34,967	34,967	-
		Grants		23,859	23,859	-
10 APIU	July 25, 2017	Consultancies	Reimbursement	28,803	28,803	-
		Training and Workshops		19,452	19,452	-
		Grants		22,581	22,581	-
12	December 19, 2017	Consultancies	Reimbursement	23,608	23,608	-
		Training and Workshops		35,740	35,740	-
		Grants		57,908	57,908	-
				262,556	262,556	-

ARIS

Application	Date	Expenditure category	Payment type	Claimed by ARIS	Paid by IFAD	Difference
17A	February 15, 2017	N/A	Advance	250,000	250,000	-
		Consultancies		97,233	97,233	-
19A	March 7, 2017	Training and Workshops	Reimbursement	6,774	6,774	-
		Grants		238,754	238,754	-
		Consultancies		272,449	272,449	-
20A	June 23, 2017	Training and Workshops	Reimbursement	33,127	33,127	-
		Grants		291,602	291,602	-
		Consultancies		256,328	256,328	-
22A	October 5, 2017	Training and Workshops	Reimbursement	30,657	30,657	-
		Consultancies		111,385	111,385	-
24A	December 19, 2017	Training and Workshops	Reimbursement	63,404	63,404	-
				1,651,713	1,651,713	-

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

ASAP TRUST Grant No. 2000000440

ARIS

Application	Date	Expenditure category	Payment type	Claimed by ARIS	Paid by IFAD	Difference
16A	February 14, 2017	N/A	Advance	700,000	700,000	-
21A	June 22, 2017	Grants	Reimbursement	514,673	514,673	-
23A	October 5, 2017	Grants	Reimbursement	179,545	179,545	-
				<u>1,394,218</u>	<u>1,394,218</u>	<u>-</u>