"Enhancing the foundation of learning project" GPE Grant No. TF0B6138

Financial statements for the year ended December 31, 2023

and independent auditor's report



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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The following statement, which should be read in conjunction with the independent auditor's responsibilities is made with a view to distinguish the respective responsibilities of management and those of the independent auditor in relation to the project financial statements of the "Enhancing the Foundation of Learning Project" under grant agreement between the Kyrgyz Republic and International Bank for Reconstruction and Development and International Development Association acting as Trustee of the Global Partnership for Education Fund (the "GPE"), GPE Grant No. TF0B6138 (the "Project").

Management 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 parts for the year ended December 31, 2023 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 World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

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 WB Guidelines have been followed, subject to any material departures disclosed and explained in the project financial statement; and
- preparing the project financial statements on the assumption that the Project will be implemented in accordance with the established period.

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 Project financial position, and which enable them to ensure that the project financial statements comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Kyrgyz Republic, the requirements of the Operational Manual
 of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and

· detecting and preventing fraud, error and other irregularities.

The project financial statements for the year ended December 31, 2023 were approved and authorized for May 15, 2024 by the management of the Project.

On behalf of the Management:

Ainekenova A.R.

Director of the PCU under the MoES KR

May 15, 2024

Bishkek, the Kyrgyz Republic

Sydykova L.S.

Financial manager of the PCU under the MoES KR

May 15, 2024

Bishkek, the Kyrgyz Republic



103, Ibraimov str. BC "Victory", 7th floor Bishkek, 720011 the Kyrgyz Republic

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INDEPENDENT AUDITOR'S REPORT

To the Management of the "Enhancing the Foundation of Learning Project" under the Ministry of Education and Science of the Kyrgyz Republic:

Report on the project financial statements

Opinion

We have audited the accompanying project financial statements of the "Enhancing the Foundation of Learning Project" (the "Project") which comprise the summary of funds received and expenditures paid and the summary of expenditures paid by project parts for the year ended December 31, 2023, 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, the summary of funds received and expenditures paid and the summary of expenditures paid by project parts for the year ended December 31, 2023 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 World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (the "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 Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the project financial statements, 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 describes the basis of accounting. The project financial statements were prepared for complying with the appropriate World Bank Guidelines, as well as the Grant agreement requirements.

Other matter

The project financial statements are prepared to assist the Project to comply with the requirements of the World Bank. 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 the 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 World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines"), 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.

SUMMARY OF FUNDS RECEIVED AND EXPENDITURES PAID FOR THE YEAR ENDED DECEMBER 31, 2023

(In US dollars)

	Notes	For the year ended December 31, 2023	For the period from September 30, 2021 to December 31, 2022	Cumulative
Opening balance	4	294,354		-
Funds received GPE Grant No. TF0B6138	5	994,508	480,001	1,474,509
Total funds received		994,508	480,001	1,474,509
Other income	6	8,663	12,383	21,046
Total receipts		1,003,171	492,384	1,495,555
Expenses Works				
Goods	7	569,361	(569,361
	7	260,925	45,434	306,359
Consultants' services	7	90,690	87,465	178,155
Training	7	11,907	778	12,685
Operating costs	7	99,823	62,913	162,736
Total expenses		1,032,706	196,590	1,229,296
Other expenses Forex loss	8	9,834 395	1,440	11,274 395
Closing balance	4	254,590	294,354	254,590

Management:

Attrekenova A.R. Director of the PCU under MoES KR

May 15, 2024

Bishkek, the Kyrgyz Republic

Sydykova L.S

Financial manager of the PCU under MoES KR

May 15, 2024

Bishkek, the Kyrgyz Republic

The notes on pages 7-14 form an integral part of the project financial statements. The independent auditor's report is on pages 3-4.

SUMMARY OF EXPENDITURES PAID BY PROJECT PARTS FOR THE YEAR ENDED DECEMBER 31, 2023

(In US dollars)

	For the year ended December 31, 2023	For the period from September 30, 2021 to December 31, 2022	Cumulative
Part 1: Expansion of preschool education for under-served children Part 2: Improving policy and financing for the system effectiveness	910,146	87,465	997,611
Part 3: Ensuring citizens' engagement and implementation		-	e-
support	122,560	109,125	231,685
	1,032,706	196,590	1,229,296

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Ainekenova A.R.
Director of the PCU under MoES KR

May 15, 2024 Bishkek, the Kyrgyz Republic Sydykova L.S.

Financial manager of the PCU under MoES KR

May 15, 2024 Bishkek, the Kyrgyz Republic

The notes on pages 7-14 form an integral part of the project financial statements. The independent auditor's report is on pages 3-4.

NOTES TO THE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(In US dollars)

1. GENERAL INFORMATION

On July 13, 2021 the Grant Agreement of the "Enhancing the Foundation of Learning Project" (the "Project") was signed between the Kyrgyz Republic and International Bank for Reconstruction and Development and International Development Association acting as Trustee of the Global Partnership for Education Fund (the "GPE").

According to the Grant Agreement, the GPE provided the Kyrgyz Republic GPE Grant No. TF0B6138 in the amount of 4,800,000 US dollars (the "USD").

The Grant Agreement of the Project became effective on September 30, 2021.

Project purpose

The objective of the Project is to increase equitable access to quality pre-school education.

The Project comprises the following parts:

- Part 1: Expansion of preschool education for under-served children;
- Part 2: Improving policy and financing for the system effectiveness:
- Part 3: Ensuring citizens' engagement and implementation support.

Part 1: Expansion of preschool education for under-served children

1.1 Expansion of preschool education:

- (i) assistance to Ayil Okmoty in development of proposals for establishment the community-based kindergartens; and
- (ii) establishment of selected number of community-based kindergartens, including provision of furniture, equipment, materials, outdoor playgrounds and minor works.

1.2 Increasing effectiveness in teaching practices:

Training and other capacity building activities for the selected number of instructors and staff at the Republican Institute of the In-Service Teacher Training (the "RIIT"), Oblast Institute of the In-Service Teacher Training (the "OIIT"), universities, colleges and regional education authorities, as well as, for the community-based kindergartens' teachers.

Part 2: Improving policy and financing for the system effectiveness

2.1 Enhancing policy for equity and efficiency:

Technical assistance to reforms in early childhood areas promoting equitable access to pre-school education, including:

- (i) revision of pre-school programs to bring these in line with the State Early Development Standards and their further dissemination to preschools, territorial education management bodies and local self-government authorities;
- (ii) development of pre-school teacher competencies framework linked to National Qualification Framework;
- (iii) revision of the regulatory framework pertaining to per-capita financing of preschools, scaling up of the per-capita financing model countrywide; and
- (iv) development of public-private partnership mechanisms in pre-schools.

2.2 Enhancing measurement:

Technical assistance to improve the monitoring and evaluation of early childhood development and education, including:

- (i) scaling up of the monitoring and evaluation framework for early childhood development and education;
- (ii) establishment of a system for the monitoring and evaluation of children's development at pre-school and at the system level; as well as a roll out of a child development measurement tool; and (iii) national sample-based survey of pre-school children's development.

Part 3: Ensuring citizens' engagement and implementation support

3.1 Stakeholders' engagement:

- (i) preparation of awareness-raising materials on importance of early development of children and their dissemination among local communities; and
- (ii) community monitoring through community scorecards.

3.2 Evaluation:

Assessment of the Project's impact.

- 3.3 Implementation support for:
- (i) Project management activities, including overall coordination and supervision of Project implementation, communications and public outreach, Project audits, and financing of Operating Costs;
- (ii) Project monitoring and evaluation (M&E) activities, transparency, and citizen feedback; and
- (iii) managing a beneficiary feedback mechanism, including a grievance redress mechanism and citizen engagement.

Project management

The Project is implemented by the Projects Coordination Unit (the "PCU") under the Ministry of Education and Science of the Kyrgyz Republic.

Duration period of the Project under grant agreement GPE Grant No. TF0B6138 is from September 30, 2021 to July 31, 2025.

2. PRESENTATION OF THE PROJECT FINANCIAL STATEMENTS

Basis of preparation

The project financial statements has 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 World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB 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 Project's approved budget disclosed by categories of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

The project financial statements consist of:

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

The reporting currency of the project financial statement is US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

The 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. The 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 using the currency exchange rate set by the serving bank on a date of operation.

All payments made in local currency are translated into US dollars at the official exchange rate defined by the serving bank at the date of transaction.

Monetary assets and liabilities expressed in national currencies are converted to functional currency at official exchange rate on a date settled by the serving bank.

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.

Expenses

The expenses are recorded in the period when they were actually paid.

Sources of funds

The funds were provided by the GPE to the Project by initial deposit and replenishment of designated account.

Other income

Other income represents interest income accrued by the servicing commercial bank on cash balances of the designated account, and also the amounts of guarantees received against non-performance of suppliers and sale of tender documents.

Other expenses

Other expenses represent the return of interest income to the Ministry of finance of the Kyrgyz Republic, as well as interest and tender account bank charges and refunds of bank guarantees.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2023 and 2022 are presented as follows:

	Source of financing	Currency	December 31, 2023	December 31, 2022
Designated account Interest account Interest account Tender account	GPE Grant No. TF0B6138 Other Other Other	US dollar US dollar Som Som	245,213 5,320 139 3,918	283,411 6,582 533 3,828 294,354

5. FUNDS RECEIVED

The funds received are presented by the following methods of financing:

	For the year ended December 31, 2023	For the period from September 30, 2021 to December 31, 2022	Cumulative
GPE Grant No. TF0B6138 Initial deposit Replenishment of designated account	994,508	400,000 80,001	400,000 1,074,509
	994,508	480,001	1,474,509

6. OTHER INCOME

Other income is presented as follows:

	For the year ended December 31, 2023	For the period from September 30, 2021 to December 31, 2022	Cumulative
Interest income Collateral guarantee Sale of tender documents	6,879 1,324 460 8,663	7,166 5,217 ————————————————————————————————————	14,045 6,541 460 21,046

7. EXPENSES

Breakdowns of the Project expenses by sub-categories, nature and sources of financing for the year ended December 31, 2023 and for the period from September 30, 2021 to December 31, 2022 are presented as follows:

	For the year ended December 31, 2023	For the period from September 30, 2021 to December 31, 2022	Cumulative
Works			
Construction of sanitary facilities and rehabilitation of			
indoor rooms for 60 kindergartens	569,361	<u> </u>	569,361
	569,361		569,361
Goods			
Play grounds for 60 kindergartens	180,480	_	190 400
Furniture for 60 kindergartens	63,907	1.5	180,480
Printing of visual education materials	16,538		63,907
Office transport for PCU	-	26,609	16,538 26,609
Office equipment for PCU	47	18,825	18,825
	260,925	45,434	306,359
Consultants' services			300,359
Translation of the training course	29,278		20.270
Construction design of sanitary facilities and rehabilitation	,		29,278
of 60 kindergarten rooms	18,169	83,953	102,122
Technical supervision of the construction of sanitary facilities and rehabilitation of indoor rooms in 60			*
kindergartens	16,974		
Audit services	10,830	■ 0	16,974
Training course revision	4,927	432	10,830
Development of preschool teacher competencies	7,527	432	5,359
framework	4,636	2,084	6,720
Developing a partial modular program on STEM education for preschoolers	2.240		
Development of methodological recommendations for	3,219	Ħ	3,219
differentiated preschool education	2,657	996	3,653
	90,690	87,465	1
Training	00,000	07,403	178,155
Trainings and study tours			
Information campaign on stakeholder's engagement	11,276		11,276
	631	778	1,409
_	11,907	778	12,685
Operating costs			:=,000
Payroll and related taxes	82,170	E2 20E	405.455
Organisation of a workshop by the MoES KR	6,156	53,285	135,455
Advertisement expenses	2,666	910	6,156
Transportation expenses (including technical maintenance)	2,128	810	3,476
Business trip expenses	1,379	1,760	3,888
Stationery	772	1,995	3,374
Insurance	702	911	1,683
Property and equipment maintenance	702 158	720	1,422
Bank commission	120	642	800
Other	3,572	60	180
_		2,730	6,302
_	99,823	62,913	162,736
	1,032,706	196,590	1,229,296

8. OTHER EXPENSES

Other expenses for the year ended December 31, 2023 and for the period from September 30, 2021 to December 31, 2022 are presented as follows:

	For the year ended December 31, 2023	For the period from September 30, 2021 to December 31, 2022	Cumulative
Transfer of accrued interest income to the Ministry of Finance of the Kyrgyz Republic Guarantees refunds Bank fees	8,024 1,324 486	1,389 51	8,024 2,713 537
	9,834	1,440	11,274

9. FINANCIAL POSITION

Financial position as at December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
ASSETS AND EXPENSES Cash and cash equivalents Cumulative expenses Other expenses Forex loss	254,590 1,229,296 11,274 395	294,354 196,590 1,440
TOTAL ASSETS AND EXPENSES	1,495,555	492,384
FINANCING Funds received Other income	1,474,509 21,046	480,001 12,383
TOTAL FINANCING	1,495,555	492,384

10. WITHDRAWAL APPLICATIONS

Withdrawal applications for the year ended December 31, 2023 are presented as follows:

Source of financing	Application	Date	Replenishment of designated account	Total
GPE Grant No. TF0B6138	3 4 5 6 7 8	February 22, 2023 June 21, 2023 September 21, 2023 November 22, 2023 November 27, 2023 December 18, 2023	80,334 291,760 149,866 215,481	139,550 80,334 291,760 149,866 215,481 117,517
		i	994,508	994,508

11. STATEMENT OF DESIGNATED ACCOUNT

Statement of designated account for the year ended December 31, 2023 are presented as follows .

86	
Bank's location US dollar 14 Logvinenko Bishkek, Kyrg Republic Balance as at September 30, 2021 Initial deposit Replenishment of designated account 400	nk
Initial deposit Replenishment of designated account 400 800	str
Replenishment of designated account 400	
Total fundament	,000 ,001
Total funds received	
	,001
Transfer to transit account Bank commissions 196	,530
Balance as at December 31, 2022	411
Initial deposit	
Replenishment of designated account	- 508
Total funds received	000
	508
Expenses paid	
Transfer to transit account 263	
Bank commission 768,	931 180
Balance as at December 31, 2023	100
	213

12. UNDRAWN FUNDS

Undrawn funds as at December 31, 2023 are presented as follows:

	GPE Grant No. TF0B6138 in USD
Approved amount of financing Disbursed for the period from September 30, 2021 to December 31, 2022 Disbursed for the year ended December 31, 2023	4,800,000 480,001 994,508
Undrawn amount of financing as at December 31, 2023	3,325,491

13. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan.

Commitments as at December 31, 2023 are presented as follows:

Counterparty	Contract No.	Cost per Contract (in CCY)	Contract CCY	Paid up to December 31, 2023 (in contract CCY)	Remaining amount to be paid (in contract CCY)
Incom Systems LLC	KG/GPE/CW/RFB-03/Lots №10,11,12,22,25 KG/GPE/CW/RFB-03/ Lots №3,4,6 KG/GPE/CW/RFB-03A/ Lots №11,15,16,17 KG/GPE/CW/RFB-03 Lots №19,21 KG/GPE/CW/RFB-03A/ Lots №9,10 KG/GPE/CW/RFB-03 KG/GPE/CW/RFB-03 KG/GPE/CW/RFB-03A	17,850,401	Som	12,130,162	F 700 000
Sniper LLC		13,320,212	Som	11,433,843	5,720,239 1,886,368
Dastan Stroy Group LLC Consortium of Chyngyz International Group LLC and Beishembai Kurulush LLC Tuura Zhol Kurulush LLC Asia Progress Group LLC Asia Progress Group LLC Expertise and Technical Supervision Consulting Company LLC Consortium of Arktonik LLC and China Educational		12,927,917	Som	9,813,948	3,113,969
		6,742,533	Som	4,767,166	1,975,367
		5,697,409 4,553,870 4,484,399	Som Som Som	1,422,063 3,340,019 3,043,175	4,275,346 1,213,851 1,441,224
	KG/GPE/CS/CQS-02	4,272,500	Som	1,503,809	2,768,691
Instrument& Equipment Corp. Consortium of Aman Road LLC	KG-MES KR-G-RFB_2023-3	225,600	US dollar	180,480	45,120
and Azat Mebel LLC	KG-MES KR-G-RFB-2023-4	79,884	US dollar	63,907	15,977

14. LEGAL CASES

There were no any legal claims related to the Project.

15. EVENTS AFTER THE REPORTING DATE

During 2024 until the date of issue of these project financial statements, the GPE provided financing to the Project as follows:

Source of financing	Application 9 10	Date	Replenishment of designated account	Total
GPE Grant No. TF0B6138		January 22, 2024 March 19, 2024	154,805 151,856 306,661	154,805 151,856 306,661

In July 2023, the former financial manager of the Project, N. Rysbekova, submitted a resignation letter at her own request. Thereafter, the Project accrued and paid compensation for unused vacation days amounting to 81 days for a total of 41,047 soms. According to clause 5 of the Project's operational manual, compensation for unused vacation days cannot be carried over to periods beyond the contract's term. Currently, an amount of 24,324 soms for 48 days has been returned, and the remaining amount of 16,723 soms for 33 days is expected to be returned.

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