

**Central Asia Hydrometeorology Modernization Project
(Component “A”, Kazakhstan)
Grant No. D356-7C**

Financial statements

*for the period ended 31 May 2023
together with independent auditor's report*

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Independent auditor's report

To the Management of "Central Asia Hydrometeorology Modernization Project"

Opinion

We have audited the accompanying financial statements of "Central Asia Hydrometeorology Modernization Project" (Component "A", Kazakhstan) (hereinafter - the "Project"), which comprise the statement cash receipts and payments, statement of funds by Project components, statement of applications, statement of special account for the five months ended 31 May 2023, and notes, including short description of significant accounting policies and other descriptive notes (hereinafter - "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, cash receipts and payments on the Project for the five months ended 31 May 2023 in accordance with the International Public Sector Accounting Standard (hereinafter - the "IPSAS") Financial Reporting under the Cash Basis of Accounting and the relevant points of Grant D356-7C between EC-IFAS and IDA.

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 financial statements* section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, 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

Responsibilities of management for the financial statements

Management of the Project is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Project'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 Project'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 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 Project to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with persons responsible for corporate 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.

Ernst & Young LLP



Paul Cohn
Audit Partner



Rustamzhan Sattarov
Auditor / General Director
Ernst & Young LLP

Auditor qualification certificate
No. MF-0000060 dated 6 January 2012



State Audit License for audit activities on
the territory of the Republic of
Kazakhstan: series MFYU-2 No. 0000003
issued by the Ministry of Finance of the
Republic of Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty
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29 September 2023

STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the period ended 31 May 2023

In US dollars

	Notes	For the five months ended 31 May 2023		For the twelve months ended 31 December 2022	
		For the period	Cumulative	For the period	Cumulative
Cash balance, beginning					
Grant D356-7C	4	87,420	-	44,010	-
Other accumulated income		-	-	-	-
Total balance, beginning	4	87,420	-	44,010	-
Fund received					
Grant D356-7C	6	260,000	1,004,000	364,000	744,000
Other accumulated income		-	-	-	-
Total funds received	6	260,000	1,004,000	364,000	744,000
Direct payments					
Grant D356-7C	6	1,712,126	2,276,826	564,700	564,700
Other accumulated income		-	-	-	-
Total direct payments	6	1,712,126	2,276,826	564,700	564,700
Expenses incurred					
Grant D356-7C	5	(2,042,814)	(3,264,076)	(885,278)	(1,221,262)
Foreign exchange loss, net	5	(45)	(63)	(12)	(18)
Total expenses incurred	5	(2,042,859)	(3,264,139)	(885,290)	(1,221,280)
Cash balance, ending					
Grant D356-7C	4	16,687	16,687	87,420	87,420
Other accumulated income		-	-	-	-
Total balance, ending	4	16,687	16,687	87,420	87,420

Signed and authorized for issue on 29 September 2023:

Executive director of Corporate Fund "Regional Center of Hydrology"

Bultekov N.U.



Notes on pages 5-9 form an integral part of these special purpose financial statements.

STATEMENT OF FUNDS BY PROJECT COMPONENTS

For the period ended 31 May 2023

In US dollars

Project components	For the five months ended 31 May 2023		For the twelve months ended 31 December 2022	
	For the period	Cumulative	For the period	Cumulative
1. Construction				
Improve the technical and organizational capacity of EC-IFAS and the Agency	473,249	750,422	277,173	277,173
Improve the provision of hydro meteorological services	1,295,607	1,719,464	349,785	423,857
Integration of Project's systems	223,756	367,709	130,844	143,953
Project Management	50,202	426,481	127,476	376,279
Total expenses	2,042,814	3,264,076	885,278	1,221,262

Signed and authorized for issue on 29 September 2023:

Executive director of Corporate Fund "Regional Center of Hydrology"



STATEMENT OF APPLICATIONS

For the period ended 31 May 2023

In US dollars

Grant	For the five months ended 31 May 2023			For the twelve months ended 31 December 2022		
	Application No.	Direct payments	Goods, advisory services, including audit, trainings, operating expenses	Application No.	Direct payments	Goods, advisory services, including audit, trainings, operating expenses
Grant No. D356-7C	16	–	110,000	7	–	150,000
	17	312,972	–	9	154,435	–
	18	–	150,000	10	98,500	–
	19	69,480	–	11	–	84,000
	20	259,501	–	12	89,282	–
	21	70,404	–	13	89,391	–
	22	85,800	–	14	–	130,000
	23	94,500	–	15	133,092	–
	24	194,149	–			
	25	416,880	–			
	26	208,440	–			
Total		1,712,126	260,000		564,700	364,000

Signed and authorized for issue on 29 September 2023:

Executive director of Corporate Fund "Regional Center of Hydrology"



STATEMENT OF SPECIAL ACCOUNT

For the period ended 31 May 2023

In US dollars

Special account Grant No. D356-7C
Bank account KZ466018771000789721
Bank Halyk Savings Bank of Kazakhstan JSC
Bank address 153 G, Gagarin street, Almaty, Kazakhstan

Balance as at 1 January 2022	44,010
Plus: Advance/Reimbursement during the reporting period (Note 6)	364,000
Plus: Direct payments during the reporting period (Note 6)	564,700
Less: The amount of acceptable expenses paid during the reporting period (Note 5)	(885,278)
Foreign exchange difference (Note 5)	(12)
Balance as at 31 December 2022 (Note 4)	87,420
Plus: Advance/Reimbursement during the reporting period (Note 6)	260,000
Plus: Direct payments during the reporting period (Note 6)	1,712,126
Less: The amount of acceptable expenses paid during the reporting period (Note 5)	(2,042,814)
Foreign exchange difference (Note 5)	(45)
Balance as at 31 May 2023 (Note 4)	16,687

Signed and authorized for issue on 29 September 2023:

Executive director of Corporate Fund "Regional Center of Hydrology"



1. General information

According to the Agreement between Executive Committee of International Fund for Saving Aral Sea (hereafter – “EC-IFAS”) and International Development Association (hereafter – “IDA”) dated 3 December 2019 (hereafter – “Agreement”), IDA provided to EC-IFAS a Grant No. D356-7C in the amount of 2,500,000 SDR (Special Drawing Rights) to finance realization of Central Asia Hydrometeorology Modernization Project (hereafter – “Project”).

Project management

The Project management is implemented by Corporate Fund “Regional Center of Hydrology” (hereafter – “Agency”) – non-commercial organization on behalf of EC-IFAS. Agency was founded under the decree No. 104018-1910 on 25 May 2010.

Agency carries out activities of financial management, procurement, disbursement of funds and reporting of the Project, as well as implementation of activities envisaged in the Project Implementation Plan for Component A.

Agency carries out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Project Operations Manual, and do not assign, amend, abrogate or waive any provisions of the Project Operations Manual without prior approval of the IDA.

Address of agency: 32 Abay ave., Almaty, Republic of Kazakhstan, 050022.

Duration of the Project is from 13 December 2019 to 31 May 2023.

Purpose of Project

The purpose of the Project is to improve the accuracy and timeliness of rendering hydrometeorological services in Central Asia.

The Project comprises the following components:

Component A

Strengthening regional coordination and information sharing: this component will ensure that each of the National Hydrometeorological Services (hereafter – “NHMSs”) in the region can share, use, exchange and archive common hydromet data and information, and that each agency has a comparable level of expertise in the production of information and delivery of hydromet services. This component will be implemented by EC-IFAS through a Project Management Unit (hereafter – “PMU”) that will be set up by EC-IFAS in Almaty, Kazakhstan.

Component B

Strengthening of Hydromet Services in Kyrgyz Republic: the component will help strengthen Kyrgyzhydromet to ensure that it has the infrastructure and capability to sustainably observe, forecast and deliver weather, water and climate services that meet the country’s identified economic and societal needs. This component will be implemented by Kyrgyzhydromet through a Project Coordination Unit (hereafter – “PCU”) that will be set up within Kyrgyzhydromet in Bishkek, Kyrgyzstan.

Component C

Strengthening of Hydromet Services in Republic of Tajikistan: the component will help strengthen Tajikhydromet to ensure that it has the infrastructure and capability to sustainably observe, forecast and deliver weather, water and climate services that meet the country’s identified economic and societal needs. This component will be implemented by Tajikhydromet through a PCU that will be set up within Tajikhydromet in Dushanbe, Tajikistan.

Total costs of Grant (distribution)

<i>Component A, in US dollars</i>	<i>Total Project budget</i>
A.1 Improve the technical and organizational capacity of EC-IFAS and the Agency	725,000
A.2 Improve the regional system of training	190,000
A.3 Improve the provision of hydro meteorological services	1,990,000
A.4 Integration of Project’s systems	155,000
A.5 Project Management	440,000
Total	3,500,000*

1. General information (continued)

Total costs of Grant (distribution) (continued)

<i>Category of Component A, in US dollars</i>	<i>Total Project budget</i>	<i>IDA financing, %</i>
Goods and works	2,335,000	100%
Consulting Services (Selection based on Qualification of Consultants and Individual Consultants)	586,000	100%
Operational Costs	420,000	100%
Training	159,000	100%
Total	3,500,000*	100%

* Total budget is recalculated by applying SDR rate to the total Project budget established in the agreement (SDR 2,500,000). The total amount of budget as at 31 May 2023 is 3,329,046 US dollars.

The above budget represents US dollars denominated initial budget accepted in the agreement.

The rate of SDR to US dollars as at 31 May 2023: 1 SDR = 1.331618502 US dollars.

Budget

Categories of authorized expenses, distribution of the amounts of grant and rate of expenses financed were presented as follows:

<i>Category</i>	<i>Amount of allocated grant, SDR</i>	<i>Rate of financed expenses, %</i>
Goods, non-advisory services (including relevant services on installation), advisors services, additional operating costs and training for Component A of the Project	2,500,000	100%
Total	2,500,000	100%

Budget of the Project by categories was presented as follows:

<i>Category Grant No. D356-7C, in US dollars</i>	<i>For the five months ended 31 May 2023</i>	<i>For the twelve months ended 31 December 2022</i>
1. Goods	1,740,522	565,393
2. Advisory services, training and audit	252,070	192,379
3. Operating expenses (including Project Coordination Division personnel)	50,267	127,518
Total	2,042,859	885,290

<i>Sources of financing</i>	<i>Budget in SDR</i>	<i>Undrawn amounts as at 31 May 2023, SDR</i>	<i>Available amounts as at 31 May 2023, US dollars*</i>
Grant No. D356-7C	2,500,000	36,211	48,219
Total	2,500,000	36,211	48,219

* Available funds on Grant No. D356-7C as at 31 May 2023 were calculated as the amount of unpaid balance, according to IDA of 48,219 US dollars including actual cash balance at the accounts of the Agency as at 31 May 2023 relating to Grant No. D356-7C equal to 16,687 US dollars.

<i>Sources of financing</i>	<i>Budget in SDR</i>	<i>Undrawn amounts as at 31 December 2022, SDR</i>	<i>Available amounts as at 31 December 2022, US dollars*</i>
Grant No. D356-7C	2,500,000	1,516,631	2,018,383
Total	2,500,000	1,516,631	2,018,383

* Available funds on Grant No. D356-7C as at 31 December 2022 were calculated as the amount of unpaid balance, according to IDA of 2,018,383 US dollars including actual cash balance at the accounts of the Agency as at 31 December 2022 relating to Grant No. D356-7C equal to 87,420 US dollars.

2. Basis of preparation

Financial statements were prepared in accordance with International Public Sector Accounting Standard (IPSAS) *Financial Statements Prepared under Cash Method of Accounting*, published by International Accounting Standards Board for Public Sector of International Federation of Accountants and Financial Management Manual within the framework of investment activities financed by the IDA.

Financial Statements comprises:

- Statement of cash receipts and payments;
- Statement of funds by Project components;
- Statement of applications;
- Statement of special account;
- Notes to the financial statements including the summary of significant accounting policies and other explanatory notes.

The summary of significant accounting policies used in preparation of the financial statements is stated below. These policies were consistently used during the whole reporting period.

3. Summary of significant accounting policies

Cash basis of accounting

The financial statements were prepared and presented based on cash basis of accounting.

Cash basis of accounting is the accounting principle, according to which changes in the financial position of the entity are recognized only at the time when cash is paid or received.

Financial statements were prepared based on cash method presents information on the source of cash, cash use purposes and cash balances as at the reporting date.

Currency

The Project's financial statements are presented in US dollars, unless otherwise is stated.

Foreign exchange transactions

Cash receipts and payments in foreign currency are translated into US dollars using exchange rate as at the date of cash receipts and payments. Cash balances held in a foreign currency reported using the exchange rate at reporting date.

31 May 2023	447.08
31 December 2022	462.65

Taxation

Personal income tax of non-resident is calculated and paid out in accordance with requirements and rates as determined in Tax Code of Republic of Kazakhstan.

Budgeting

Annual budgets on financing and expenses are presented based on approved budget of the agreement (*Note 1*). Budget is reconsidered based on the amount of actual expenses accumulated for the prior period.

4. Cash and cash equivalents

Cash and cash equivalents comprise the following:

<i>In US dollars</i>	<i>31 May 2023</i>	<i>31 December 2022</i>
	<i>Grant No. D356-7C</i>	<i>Grant No. D356-7C</i>
Special account	16,687	87,386
Special transit account	-	34
Total	16,687	87,420

5. Cumulative Project expenses

Project expenses on major components are presented in the Statement of funds by the Project components. Project expenses based on sources of financing are presented as follows:

<i>Source of finance, in US dollars</i>	<i>Cumulative Project expenses for the five months ended 31 May 2023</i>	<i>Cumulative Project expenses for the twelve months ended 31 December 2022</i>
Grant No. D356-7C	2,042,814	885,278
Foreign exchange	45	12
Total	2,042,859	885,290

6. Funds

The financing comprise:

<i>Reimbursement method, in US dollars</i>	<i>For the five months ended 31 May 2023</i>	<i>For the twelve months ended 31 December 2022</i>
	<i>Grant No. D356-7C</i>	<i>Grant No. D356-7C</i>
Advance/reimbursement	260,000	364,000
Direct payments	1,712,126	564,700
Total	1,972,126	928,700

7. Project budget

The Project budget comprise:

<i>Category, in US dollars</i>	<i>Project budget for the five months ended 31 May 2023</i>	<i>Project expenses for the five months ended 31 May 2023</i>	<i>Deviation, %</i>	<i>Total updated budget</i>	<i>Execution, %</i>
Goods, advisory services, trainings and audit and operating expenses	2,043,072	2,042,859	0%	3,329,046	61%
	2,043,072	2,042,859	0%	3,329,046	61%

<i>Category, in US dollars</i>	<i>Project budget for the twelve months ended 31 December 2022</i>	<i>Project expenses for the twelve months ended 31 December 2022</i>	<i>Deviation, %</i>	<i>Total updated budget</i>	<i>Execution, %</i>
Goods, advisory services, trainings and audit and operating expenses	890,200	885,290	1%	3,327,083	27%
	890,200	885,290	1%	3,327,083	27%

8. Taxation

According to the Chapter 33, article 683 of Civil Code of Republic of Kazakhstan, agreement for consultation services cannot be treated as labor agreement. Therefore, in accordance with Article 341 of Tax Code of Republic of Kazakhstan disbursement financed from grant are not subject to personal income tax, as well as social contributions, social tax and obligatory pension contributions cannot be withheld from the consultants' remuneration.

9. Legal proceedings

In the opinion of the management, there are no current legal proceedings or other claims outstanding, which could have a material negative effect on the results of operations or financial position of the Project and which have not been recognized or disclosed in these financial statements.

10. Insurance

The Project's property was not insured.