

**COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY
RURAL WATER SUPPLY AND SANITATION IMPROVEMENT IN BATKEN
AND TALAS REGIONS PROJECT
ISFD LOAN KGZ-1020 AND SFD LOAN 6/750**

**SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2025 TO 31 AUGUST 2025
AND
THE INDEPENDENT AUDITOR'S REPORT**

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INDEPENDENT AUDITOR'S REPORT
"HLB MARKA AUDIT" LLC
ON FINANCIAL STATEMENTS OF RURAL WATER SUPPLY AND SANITATION
IMPROVEMENT IN BATKEN AND TALAS REGIONS PROJECT
ISFD LOAN KGZ-1020 AND SFD LOAN 6/750

Islamic Development Bank
Community Development and Investment Agency

Opinion

We have audited the accompanying special purpose financial statements of the Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project (hereinafter referred to as the "Project") prepared as per the special purpose financial statements' concept, implemented by the Community Development and Investment Agency (ARIS) and financed by the Islamic Solidarity Fund for Development (ISFD) under the Loan Agreement KGZ-1020 dated 6 April 2019 and by the Saudi Fund for Development (SFD) under the Loan Agreement 6/750 (hereinafter referred to as the "Agreement") and co-financed by the Cabinet of Ministers of the Kyrgyz Republic (CMKR), which includes the Statement of financial position as of August 31, 2025, Statement of sources and uses of funds for 2025, Statement of reconciliation on the ISFD special account balance for the period from January 1, 2025 to August 31, 2025, as well as a summary of significant accounting policies and other explanatory information.

We believe,

- The special purpose financial statements and Notes to them reliably represent, in all material aspects, the receipt and expenditure of funds from the Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project for the period from January 1, 2025 to August 31, 2025, as well as the balances as of August 31, 2025 following International Financial Reporting Standards for the Public Sector "Financial reporting using the cash accounting method", published by the International Public Sector Accounting Standards Board of the International Federation of Accountants ("IPSAS") as described in Note 2 to the financial statements;
- The Community Development and Investment Agency (ARIS), in all essential aspects, applied all the funds provided for the Project in accordance with the terms of the Agreements, with due regard to economy and efficiency, and only for the purposes for which the financing was provided;
- Goods and services for the Project were purchased and provided in accordance with the terms of the Agreement, including the specific provisions of the procurement guidelines of the Islamic Development Bank;
- Cash flow of the special accounts, as well as the supporting documents and information provided with it, can be truthfully relied upon to be supported by replenishment requests in accordance with the requirements described in the Agreements;
- Within the audited period, the financing from the SFD, IFSD and Cabinet of Ministers of the Kyrgyz Republic, as well as their expenditure reimbursement ratios, as set out in the Agreement, were observed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities in accordance with these standards are described below in the section "*Responsibility of the auditor for the audit of the financial statements*" of our conclusion. We are independent of the ARIS in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants Council (IESBA Code) and ethical requirements applicable to our audit of financial statements carried out in the Kyrgyz Republic, and we carried out other ethical duties in accordance with these requirements, and the IESBA Code. We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without modifying our opinion, we refer to Note 2 to the special purpose financial statements describing the basis of accounting. The special purpose financial statements of the Project have been prepared in order to help the ARIS' management follow requirements of the IDB and CMKR, as a result, the financial statements of the Project cannot be used for another purpose.

Management's responsibility and those charged with responsibility of corporate governance, for the Project's special purpose financial statements

The ARIS management is responsible for preparation and fair presentation of these special purpose financial statements in accordance with the Agreements, the IDB requirements and the International Public Sector Accounting Standard "Cash Basis Accounting" as published by the International Public Sector Accounting Standards Board (IPSASB), described in Note 2. The responsibility includes the following: method of accounting for receipts and expenditure of funds, ensuring and maintaining the internal control system relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for the overseeing for the preparation of the Project's financial statements following the special purpose concept.

Responsibility of auditor for audit of the Project's special purpose financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 the International Standards on Auditing 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 financial statements.

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

- identify and assess the risk of material misstatement of the Project' special purpose financial statements, whether due to fraud or errors, 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 errors, 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 the management;
- conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Project's ability to continue as going concern. If we conclude that there is a material uncertainty, we must draw attention in our auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our audit opinion. The Project' implementation period ended on August 31, 2025;
- evaluate the overall presentation of the special purpose financial statements, their structure and content, including the disclosures, and whether the special purpose financial statements present the underlying transactions and events in a manner that ensures their 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.

LLC «HLB Marka Audit»

*Has been registered in the "Register of Audit Organizations authorized to audit public interest entities, large business entities" of the Unified State Register of Auditors, Audit Organizations, and Professional Audit Associations dated 15 August 2023
Individual registration No. 2102114
Kyrgyz Republic, Bishkek,
38 Professor Zima Str., tel. +996 220 073030*

Asylbekova A.M., Auditor, Director

*Auditor's Qualification Certificate
Series AD No. 0012, reg. No. 0461 dated 07 August 2019
Registered in the "Register of Auditors" dated 15 August 2023
Individual registration No. 11072*

A.T. Tilemishov, Auditor

*Qualified Auditor Certificate # 0042 of 11 March 2008
Register of Auditors, 15 August 2023
Individual registration No. 11067
CAP Certificate # 0012561 of 15.12.2009*

5 November 2025

**Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE FINANCIAL
STATEMENTS**

The following statement, which should be read in conjunction with the independent auditors' responsibilities contained in the independent auditors' report, was made with a view to distinguishing responsibilities of the auditors and the management of the Community Development and Investment Agency (ARIS) over the special purpose financial statements of the Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project (the "Project").

The ARIS management is responsible for preparing the Project's special purpose financial statements of the Project financed by the Islamic Solidarity Fund for Development (ISFD) under the Loan Agreement KGZ-1020 dated 6 April 2019 and by the Saudi Fund for Development (SFD) under the Loan Agreement 6/750 reliably reflecting in all material respects the sources and use of Project funds for the period from January 1, 2025 to August 31, 2025, in accordance with International Public Sector Accounting Standard "Cash Basis Accounting" as published by the International Public Sector Accounting Standards Board (IPSASB), the requirements of the Islamic Development Bank and the relevant articles of the Agreement concluded between the Kyrgyz Republic and the Islamic Development Bank on April 6, 2019.

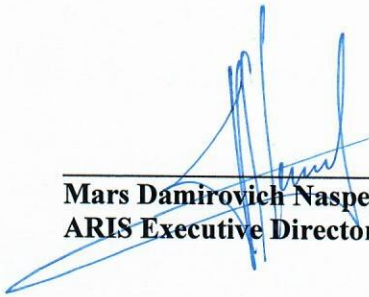
When preparing the special purpose financial statements of the Project, the ARIS management is responsible for:

- selecting appropriate accounting principles and applying them consistently;
- application of reasonable estimates and calculations;
- compliance with the requirements of the Islamic Development Bank, and disclosure of all significant deviations from these standards in the comments to the financial statements of the Project.

In addition, the ARIS management is responsible for:

- development, implementation and maintenance of an effective and reliable internal control system in of the Project;
- maintaining an accounting system that allows at any time with a sufficient degree of accuracy to prepare information about the financial position of the Project and ensure compliance of special-purpose financial statements with the requirements of the Islamic Development Bank;
- taking measures within its competence to ensure the safety of the Project assets;
- identification and prevention of fraud and other abuses.

On 5 November 2025, the ARIS' management approved these special purpose financial statements of the Project for the period from January 1, 2025 to August 31, 2025.


Mars Damirovich Naspekov
ARIS Executive Director



5 November 2025
Bishkek, the Kyrgyz Republic

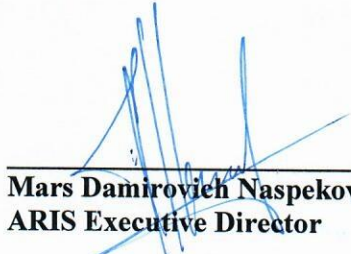
Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Statement of financial position

At 31 August 2025

(amounts in the tables are in US dollars)

	Note	31 August 2025	31 December 2024
ASSETS			
Cash	4	69 548,10	3 501 972,30
Project expenditures	6	33 428 082,14	22 690 288,21
Other costs		78 295,13	36 990,57
FX rate difference (loss)		2 989,90	3 317,13
TOTAL ASSETS		33 578 915,27	26 232 568,21
LIABILITIES			
ISFD Loan #1020	5	17 410 814,57	17 360 000,00
SFD Loan #6/750	5	11 800 629,70	5 935 995,12
CMKR co-finance	5	4 259 865,78	2 858 244,90
Other incomes		107 605,22	78 328,19
TOTAL LIABILITIES		33 578 915,27	26 232 568,21


Mars Damirovich Naspekov
ARIS Executive Director




Stalbek uulu Baktybek
ARIS Financial Manager

Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Statement of sources and uses of funds

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

	Note	Reporting period	Since the Project launch to 31.08.2025	2024	Since the Project launch to 31.12.2024
Opening balance					
ISFD funds		3 460 696,77		2 319 975,49	
Other funds		41 275,53		17 619,00	
	4	3 501 972,30		2 337 594,49	
Financing sources:					
ISFD Loan #1020		50 814,57	17 410 814,57	8 900 000,00	17 360 000,00
SFD Loan #6/750		5 864 634,58	11 800 629,70	4 302 488,62	5 935 995,12
CMKR		1 401 620,88	4 259 865,78	2 064 770,07	2 858 244,90
Other incomes		29 277,03	107 605,22	41 325,48	78 328,19
Total:	5	7 346 347,06	33 578 915,27	15 308 584,17	26 232 568,21
Project expenditures:					
A. Improving rural water supply and sanitation					
ISFD Loan #1020		2 395 979,39	14 507 497,55	6 977 857,16	12 111 518,16
SFD Loan #6/750		5 446 443,41	10 548 968,69	4 019 550,23	5 102 525,28
CMKR		1 155 298,82	3 683 307,66	1 947 117,74	2 528 008,84
	6	8 997 721,62	28 739 773,90	12 944 525,13	19 742 052,28
B. Supply of machinery and equipment					
ISFD Loan #1020		715 178,80	896 573,67	166 583,17	181 394,87
CMKR		119 139,57	130 556,32	11 120,52	11 416,75
		834 318,37	1 027 129,99	177 703,69	192 811,62
C. Capacity building in sanitation and institutional development					
ISFD Loan #1020		180 119,21	711 879,43	198 957,17	531 760,22
CMKR		4 899,78	78 276,38	21 754,79	73 376,60
	6	185 018,99	790 155,81	220 711,96	605 136,82
D. Design, supervision and advisory services					
ISFD Loan #1020		18 103,45	114 171,86	62 372,11	96 068,41
SFD Loan #6/750		418 191,16	1 251 661,00	282 938,39	833 469,84
CMKR		58 547,70	166 877,55	43 367,31	108 329,85
	6	494 842,31	1 532 710,41	388 677,81	1 037 868,10
E. Project management					
ISFD Loan #1020		202 130,49	1 180 754,06	353 509,11	978 623,57
CMKR		23 762,15	157 557,97	41 687,40	133 795,82
	6	225 892,64	1 338 312,03	395 196,51	1 112 419,39
Project total expenditures:					
	6	10 737 793,93	33 428 082,14	14 126 815,10	22 690 288,21
ISFD Loan #1020		3 511 511,34	17 410 876,57	7 759 278,72	13 899 365,23
SFD Loan #6/750		5 864 634,57	11 800 629,69	4 302 488,62	5 935 995,12
CMKR		1 361 648,02	4 216 575,88	2 065 047,76	2 854 927,86
Other costs		41 304,56	78 295,13	17 668,86	36 990,57

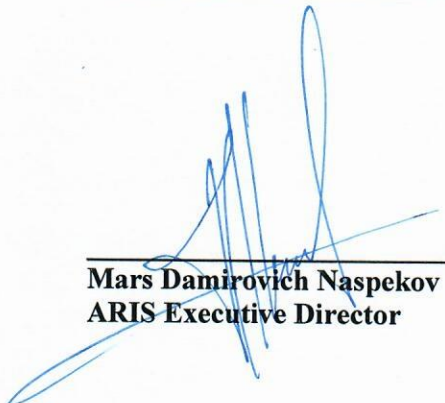
Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Statement of sources and uses of funds

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

	Note	Reporting period	Since the Project launch to 31.08.2025	2024	Since the Project launch to 31.12.2024
FX rate difference loss		327,23	(2 989,90)	277,60	(3 317,13)
Closing balance, of which:	4	69 548,10	69 548,10	3 501 972,30	3 501 972,30
ISFD Loan #1020		-	-	3 460 696,77	3 460 696,77
CMKR		40 300,10	40 300,10	-	-
Other funds		29 248,00	29 248,00	41 275,53	41 275,53


Mars Damirovich Naspekov
ARIS Executive Director




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ARIS Financial Manager

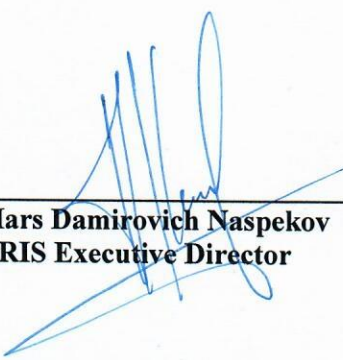
Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Statement of reconciliation on the ISFD special account balance

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

Code	Description	Amount
A	Opening balance at 1 January 2025	3 460 696,77
B	Funds income	
	- Replenishment of current account from ISFD: 24.07.2025	80 000,00
	- Others	-
C	Reimbursement of non-targeted expenses	
	Total resources (1)	3 540 696,77
D	Expenditure	
	A. Improving rural water supply and sanitation	(2 395 979,39)
	B. Supply of machinery and equipment	(715 178,80)
	C. Capacity building in sanitation and institutional development	(180 119,21)
	D. Design, supervision and advisory services	(18 103,45)
	E. Project management	(202 130,49)
	Subtotal	(3 511 511,34)
	Funds return to ISD 29.08.2025	(29 185,43)
	Total expenditure (2)	(3 540 696,77)
	Special account balance (3)=(1)-(2)	-
E	Balance of funds in the special account as of 31.08.2025 and according to bank statement (4)	-
	Balance of funds in the transit account as of 31.08.2025 and according to bank statement (4)	-
	Difference (5)=(3)-(4)	-
F	Eligible difference (6)	-
	Justified difference (7)=(5)-(6)	-


Mars Damirovich Naspekov
ARIS Executive Director




Stalbek uulu Baktybek
ARIS Financial Manager

Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Notes to the special purpose financial statements

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

1. PROJECT BACKGROUND

The Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project is being implemented in accordance with the Loan Agreement concluded between the Government of the Kyrgyz Republic (currently the Cabinet of Ministers of the Kyrgyz Republic) and the Islamic Development Bank (IDB) on April 6, 2019.

The Islamic Solidarity Fund for Development (ISFD) is a special fund within the IDB, established to finance various projects and programs aimed at developing production and access to services leading to poverty reduction in the member countries of the Organization of Islamic Cooperation (OIC).

The Cabinet of Ministers of the Kyrgyz Republic (CMKR) and the Saudi Fund for Development (SFD) are co-financing this Project.

The Project is aimed to assist the Kyrgyz Republic in (i) improving the availability and quality of sustainable water supply and sanitation services in targeted rural communities, and (ii) strengthening the capacity of institutions in the water supply and sanitation sector.

The Project is being implemented in the Batken and Talas regions of the Kyrgyz Republic.

The Project consists of the following five components:

Component A: Improving rural water supply and sanitation – rehabilitation and construction of (i) water supply systems for 15 subprojects, including the installation of electromechanical water production equipment (i.e. wells, pumps, intakes, reservoirs, basic sewage treatment/disinfection plants), main and distribution pipelines connecting households; (ii) rehabilitation of 60 sanitary facilities in social institutions (primarily schools) and (iii) acquisition of land (as needed).

Component B: Supply of machinery and equipment – in order to ensure the sustainable functioning of the water supply system in the project area, essential machinery and equipment for operation and maintenance (EIT), as well as IT equipment for the Aiyi okmotu (local government body) and Rural Public Associations of Drinking Water Consumers (RPADWC) will be supplied. Sanitary and Epidemiological Surveillance Services (SES) will be equipped with laboratory and IT equipment to improve control and monitoring of water quality and sanitation.

Component C: Capacity building in sanitation and institutional development – improvement of water supply, sanitation and hygiene (WSSH) practices in targeted rural communities and institutional capacity-building at the local level, which includes: (i) tariff setting, billing and service delivery; (ii) increased communication and public awareness campaigns, and (iii) baseline research and evaluation of the Project completion, including social and environmental impact assessment.

Component D: Design, supervision and advisory services – (i) the development of design and estimate documentation by local licensed consulting firms funded by the Government of the Kyrgyz Republic; and (ii) the consulting service for the review of design and estimate documentation (DED) and supervision of construction will be performed by an international qualified consulting firm as part of the financing of the SFD.

Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Notes to the special purpose financial statements

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

The Project budget stipulated by the Loan Agreement was amended on November 1, 2023 and November 19, 2024. The current budget is presented below:

Component		IDB		SFD Loan		CMKR		Total amount
		IFSD Loan						
		Amount	%	Amount	%	Amount	%	
A	A. Improving rural water supply and sanitation	15,51	31,40	26,60	52,30	7,25	14,69	49,36
B	B. Supply of machinery and equipment	1,28	90,20	0,00		0,14	9,86	1,42
C	C. Capacity building in sanitation and institutional development	1,74	85,20	0,00		0,30	14,71	2,04
D	D. Design, supervision and advisory services	0,12	3,10	2,50	63,10	1,34	33,84	3,96
D.1	D.1 Design and construction cost documentation			0,00		1,00	100,00	1
D.2	D.2 Design and construction cost documentation, supervision			2,50	88,30	0,33	11,66	2,83
D.3	Civil engineers and cost estimators	0,12	92,30	0,00	-	0,01	7,69	0,13
E	E. Project management	1,35	87,10	0,00	-	0,20	12,90	1,55
	Base cost	20,00	34,29	29,10	0,50	9,23	16,8	58,33
	Physical unforeseen circumstances					0,38	23,3	0,38
	Price contingencies			0,90		0,39	23,8	1,29
	Total cost	20,00	33,30	30,00	50,00	10,00	16,7	60,00

The Project' total budget funded by the ISFD, SFD and, respectively, CMKR, is USD 60.00 millions, including:

	Total finance		Actually disbursed since the Project launch	Balance
	USD mln.	in %		
IDB:				
ISFD Loan	20,00	33%	17,41	2,59
SFD:				
SFD Loan	30,00	50%	11,80	18,20
CMKR	10,00	17%	4,26	5,74
Total	60,00	100%	33,47	26,53

The Project completion date stipulated by the Loan Agreement was set on June 30, 2024.

Based on the letter from the Islamic Development Bank dated 30 June 2025 #DGCP-15002, the Project' implementation period has been prolonged up to 31 August 2025.

According to the Loan Agreement, the repayment of the ISFD' Loan will be carried out from 2029 for 20 years. The Loan repayment is guaranteed by the Cabinet of Ministers of the Kyrgyz Republic.

Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Notes to the special purpose financial statements

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

The State Institution of Drinking Water Supply and Sanitation at the Water Resources Service under the Ministry of Water Resources, Agriculture and Processing Industry of the Kyrgyz Republic (formerly the Department for the Development of Drinking Water Supply and Sanitation) is the Executive Agency.

The Implementing Agency of the Project, responsible for the timely and effective execution of work on the Project, is the ARIS.

The ARIS was established by Decree of the President of the Kyrgyz Republic on October 15, 2003 in order to deepen the measures taken to attract investment to overcome poverty, develop and support private entrepreneurship within the framework of the National Poverty Reduction Strategy, strengthen the activities of local governments and strengthen local communities and community organizations. The ARIS is a non-profit organization with the status of a legal entity. The founders of the ARIS are:

- Office of the President of the Kyrgyz Republic;
- Association of local self-government bodies of villages and Towns of the Kyrgyz Republic;
- The public association "Counterpart-Sheriktesch".

The operational management and implementation of the Project is handled by the ARIS Project Management Unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. *Basis for preparation of financial statements*

These financial statements have been prepared based on the International Public Sector Accounting Standards (IPSAS) under Cash Basis of Accounting, the requirements of the Asian Development Bank "Financial Management and Project Analysis" and the relevant articles of the Loan Agreement concluded between the Kyrgyz Republic and the Islamic Development Bank on April 6, 2019 (hereinafter referred to as the "Agreement").

The Accounting policy has been applied consistently throughout the period.

The procedures for refunding funds to a special account comply with the Guidelines for the Use of Credit Facilities. When forming an application, the Project fills out statements of expenditure based on the actual expenses incurred and the projected data, with the reconciliation account signed by the responsible persons.

Accounting basis

These financial statements have been prepared on the basis of the cash accounting method, which consists of the following:

- Income is considered to be all funds, regardless of their source (the Islamic Development Bank, the Cabinet of Ministers, or other donors), held in a special account in dollars, a settlement account in the national currency and which are reflected in the reports on the date of their receipt.
- Expenses are funds allocated to pay for works, goods and services, and which are reflected in the report on the date of their payment.

Presentation and transaction currencies

These financial statements are expressed in US dollars, which allows reconciliation between the credit account and the records of the SFD, and ISFD. The primary accounting for the Project is conducted in the national currency, the Kyrgyz som (KGS). For the purposes of preparing the financial statements in US dollars, expenses:

Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Notes to the special purpose financial statements

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

- at the expense of the ISFD funds, the funds produced in KGS were denominated in US dollars at a commercial exchange rate of OJSC “Eldik Bank” effective on the day of the transaction;
- at the expense of the CMKR’ co-financing, the funds produced in KGS were denominated in US dollars at a commercial exchange rate of OJSC “Eldik Bank”, effective on the day of the transaction.

inancing

The financing from the funds of the IFSD is represented by the procedure of the current expenses fund – the IDB makes an advance payment from the loan account to the deposit, forming a current expense account, which is used exclusively to finance the share of eligible expenses of the IFSD.

The financing through the current expense fund procedure is recognized upon actual receipt of the money.

The Saudi Fund for Development (SFD) is providing co-financing for this Project.

The financing from the SFD funds is represented by the following procedures:

- Direct payment procedure – the SFD pays directly to a specified supplier.

The financing through direct payments is recognized when the transaction is approved and funds are paid to a specified supplier by the SFD.

The amount of the CMKR’ co-financing is recognized as such and is included in the financial statements if the funds have been transferred to the current account of the Project (Public Financing Account).

Other income and expenses

Income earned from interest accrued on cash balances in local commercial banks and sales of tender documents are recognized as other income of the Project. Accordingly, the costs of replicating the tender documents, advertising costs related to the tender procedures, as well as other funds are recognized as other expenses.

Other income and other expenses related to similar types of activities (tender documents and bank services) are reflected on a net basis.

Expenditures

The Project expenditures are recognized as such and included in the financial statements if payments are made to suppliers of goods, works and/or services.

To confirm the expenditure of the Project funds, the procedure for submitting expense statements is used, indicating the expenses for the categories specified in the Loan Agreement. The statements of expenditure are compiled based on the actual expenses incurred.

In accordance with the procedure of the expense statements, the ARIS sends Application for withdrawal of funds to the Islamic Development Bank in accordance with the established form.

The expenses of the SFD funds are covered by the direct payment procedure – the SFD pays directly to the specified supplier.

Fixed assets

Fixed assets purchased from Project funds for office use are assessed at cost of acquisition and included in expenses under the “Project management” category.

Community Development and Investment Agency
Rural Water Supply and Sanitation Improvement in Batken and Talas Regions Project

Notes to the special purpose financial statements

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

Procurement of goods, works and services

Procurement of goods, services and construction works within the framework of the Project are carried out in accordance with the "Guidelines for Procurement of Goods and Works under IDB Financing", as well as the requirements stipulated in the Loan Agreement.

The evaluation of commercial proposals is carried out by a tender evaluation commission established by the Executive Agency and approved by the IDB.

Procurement of consulting services

The selection and hiring of consultants for detailed design and supervision was carried out through International competitive bidding among consulting firms from the IDB member countries included in the short list in accordance with the "IDB Guidelines for the Procurement of Goods and Works" and the terms of the Loan Agreement.

When evaluating commercial offers:

- advisory firms are evaluated using a selection method based on "Quality and value";
- the Project management consultants are hired on an individual basis.

Financial audit

The annual financial audit of the Project was conducted by a local audit company selected from a short list in accordance with the IDB Guidelines for Procurement of Goods and Works and the terms of the Loan Agreement.

2.2. Internal control system

Project Forecast

- The actual implementation of the Project Forecast is monitored on a semi - annual basis by submitting reports to the IDB;
- For the effective functioning of the process, information on operational results is analyzed in a timely manner based on the previous period within the Project budget.

Using an automated program

The ARIS uses the automated 1C: Enterprise 8.3 program, which generates the necessary accounting books: a cash register, a special bank account in US dollars and transit account in KGS, interest accounts, bank accounts accounting for the share of the CMKR.

Access to the automated program is granted to the Financial Manager, payment specialist, and software IT specialist who have their own individual password in order to gain access to the system:

- The Financial Manager has a full set of access rights, i.e. data entry, review, and correction, confirmation of processed transactions, and control over data deletion;

The payment specialist has the right to enter data, review, and correct, and confirm processed transactions in the current open period.

Cash

- Reconciliation of the bank accounts. According to accounting data, cash account balances are checked against bank statements on a monthly basis.

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For the period from January 1, 2025 to August 31, 2025

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- Reconciliation of the credit account is performed on payments periodically based on statements received from the IDB.

Procurement and expenditure

The expenditure of funds is recorded in the relevant accounts, and only for authorized purposes, and according to the budget lines of the Project.

All expenses are approved by the ARIS Financial Manager and the Project coordinator in accordance with contracts, invoices, receipts.

During an employee's stay on a business trip, guaranteed payment from the Project was reimbursement of the employee's expenses for travel to and from the place of business trip, accommodation expenses (hotel expenses) and daily expenses, in accordance with the norms established by the legislation of the Kyrgyz Republic.

Salaries

- The HR specialist keeps records of working hours, and the timesheets are approved by the Executive Director of the ARIS.
- Accounting documents are stored in separate files with established access rights.
- According to the Decree of the Government of the Kyrgyz Republic dated July 12, 2022 "On the terms of remuneration of employees involved in the preparation and implementation of projects funded by international financial organizations and donor countries", the Ministry of Finance of the Kyrgyz Republic establishes official salaries of employees and approves staffing tables.

Fixed assets

The FA registers are maintained for the purpose of preserving and controlling the fixed assets acquired at the expense of the Project. All equipment has identification numbers. The fixed assets are recorded in inventory lists. The annual inventory of the fixed assets is carried out with mandatory comparison of data with the previous inventory and documentation of inventory-taking results.

3. TAXATION

According to the Loan Agreement, the Loan funds should not be used to pay any taxes and duties, payment of all taxes and duties is the responsibility of the Cabinet of Ministers of the Kyrgyz Republic.

The Project paid insurance contributions to the Social Fund of the Kyrgyz Republic from employer in the amount of 17.25%.

4. CASH

According to the Loan Agreement, special accounts were used to make payments of the Loan funds for the operational financing of expenses necessary for the implementation of the Project:

- The IFSFD special account (Loan 1020) in US dollars No.1299003250030586 opened with OJSC "Eldik Bank".
- The special financing account of the Kyrgyz Republic in KGS No.4402011101098177 opened with the Pervomaisky Regional Branch of the Treasury. The state financing account is used for expenses financed by the Cabinet of Ministers of the Kyrgyz Republic.

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(amounts in the tables are in US dollars)

	31 August 2025	31 December 2024
Special account Loan #1020		
IFSFD special account (Loan #1020)	-	3 460 696,77
Other funds		
Subtotal	-	3 460 696,77
CMKR		
Current account	40 300,10	-
Subtotal	40 300,10	
Other Project accounts:		
Interest account	29 248,00	41 275,53
Subtotal	29 248,00	41 275,53
Total cash	69 548,10	3 501 972,30

In the reporting period, the cash flows on the accounts of the Project (the ISFD and CMKR) are presented below:

	Special account	CMKR account	Others	Total
Opening balance	3 460 696,77	-	41 275,53	3 501 972,30
Account replenishment (with an initial advance and other receipts)	80 000,00	1 401 620,88	29 277,03	1 510 897,91
Use of funds	(3 511 511,34)	(1 361 648,02)	(41 304,56)	(4 914 463,92)
FX rate difference	-	327,23	-	327,23
Funds return	(29 185,43)	-	-	(29 185,43)
Closing balance	-	40 300,10	29 248,00	69 548,10

The cash flows for the year ended December 31, 2024 on the accounts of the Project (the ISFD and CMKR) are presented below:

	Special account	CMKR account	Others	Total
Opening balance	2 319 975,49	-	17 619,00	2 337 594,49
Account replenishment (with an initial advance and other receipts)	8 900 000,00	2 064 770,07	41 325,48	11 006 095,55
Use of funds	(7 759 278,72)	(2 065 047,76)	(17 668,86)	(9 841 995,34)
FX rate difference	-	277,69	(0,09)	277,60
Closing balance	3 460 696,77	-	41 275,53	3 501 972,30

Since the Project' launch, the cash flows on the accounts of the Project (both the FSFD and the Cabinet of Ministers of the Kyrgyz Republic) are presented below:

	Special account	CMKR account	Others	Total
Opening balance	-	-	-	-
Account replenishment (with an initial advance and other receipts)	17 440 000,00	4 382 036,09	107 605,22	21 929 641,31
Redistribution	62,00	-	(62,00)	-
Use of funds	(17 410 876,57)	(4 216 575,88)	(78 295,13)	(21 705 747,58)
FX rate difference	-	(2 989,81)	(0,09)	(2 989,90)
Refund	(29 185,43)	(122 170,31)	-	(151 355,74)
Closing balance	-	40 300,10	29 248,00	69 548,10

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(amounts in the tables are in US dollars)

Replenishment of the IFSD special account

	Date	Amount
Initial advance	July 2, 2020	160 000,00
Replenishment of current account	December 30, 2021	500 000,00
Replenishment of current account	October 13, 2022	1 700 000,00
Replenishment of current account	June 26, 2023	945 000,00
Replenishment of current account	November 2, 2023	1 855 000,00
Replenishment of current account	December 12, 2023	3 300 000,00
Replenishment of current account	March 13, 2024	2 360 000,00
Replenishment of current account	July 30, 2024	3 000 000,00
Replenishment of current account	December 13, 2024	3 540 000,00
Replenishment of current account	July 24, 2025	80 000,00
Total since the Project' launch		17 440 000,00

ISFD statements of expenditure

App.#	SOE #	Period	Amount
1	SOE 1	01.08.2020-31.12.2020	16 157,96
2	SOE 2	01.01.2021-31.12.2021	41 316,65
3	SOE 3	01.01.2022-15.09.2022	280 622,19
4	SOE 4	16.09.2022-31.12.2022	935 816,98
5	SOE 5	01.04.2023-30.09.2023	1 928 407,98
6	SOE 6	01.10.2023-20.11.2023	1 228 729,05
7	SOE 7	21.11.2023-31.12.2023	2 362 066,76
8	SOE 8	09.02.2024-19.06.2024	2 991 326,69
9	SOE 9	20.06.2024-20.11.2024	3 546 311,60
10	SOE 10	21.11.2024-23.05.2025	2 021 590,37
10	SOE 11	24.05.2025-31.08.2025	2 058 530,34
Total since the Project' launch			17 410 876,57

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Notes to the special purpose financial statements
For the period from January 1, 2025 to August 31, 2025
(amounts in the tables are in US dollars)

5. FINANCING

	Reporting period					2020	2021	2022	2023	2024	2025	Project' launch to 31 December 2024
IDB: Loan KGZ												
Current account replenishment	80 000,00	8 900 000,00	6 100 000,00	1 700 000,00	500 000,00	-	-	160 000,00	-	-	-	17 280 000,00
Initial advance												160 000,00
Funds return to IDB	(29 185,43)											(29 185,43)
Subtotal	50 814,57	8 900 000,00	6 100 000,00	1 700 000,00	500 000,00	160 000,00						17 410 814,57
SFD: Loan KGZ												
Direct pays	5 864 634,58	4 302 488,62	294 487,37	1 138 261,35	200 757,78							11 800 629,70
Subtotal SFD	5 864 634,58	4 302 488,62	294 487,37	1 138 261,35	200 757,78							11 800 629,70
Total IDB and SFD	5 915 449,15	13 202 488,62	6 394 487,37	2 838 261,35	700 757,78	160 000,00						29 211 444,27
CMKR												
Current account replenishment	1 401 620,88	2 064 770,07	498 882,68	291 995,13	96 518,74	28 248,58						4 382 036,08
Refund (corrected)				(52 268,92)	(44 083,99)	(25 817,39)						(122 170,30)
Subtotal	1 401 620,88	2 064 770,07	498 882,68	239 726,21	52 434,75	2 431,19						4 259 865,78
Other sources:												
Other income including	29 277,03	41 325,48	17 628,08	15 401,06	2 707,67	1 265,90						107 605,22
Interest account	29 277,03	41 325,48	17 628,08	15 401,06	2 707,67	1 265,90						107 605,22
TOTAL other sources	29 277,03	41 325,48	17 628,08	15 401,06	2 707,67	1 265,90						107 605,22
	7 346 347,06	15 308 584,17	6 910 998,13	3 093 388,62	755 900,20	163 697,09						33 578 915,27

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For the period from January 1, 2025 to August 31, 2025

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6. EXPENDITURES

For the period from January 1, 2025 to August 31, 2025:

Components	IDB Loan	SFD Loan	CMKR	Others	TOTAL
A. Improving rural water supply and sanitation					
<i>Rehabilitation and construction of rural water supply systems</i>	2 355 988,17	5 446 443,41	1 150 990,72	-	8 953 422,30
<i>Rehabilitation of sanitary facilities</i>	39 991,22	-	4 308,10	-	44 299,32
	2 395 979,39	5 446 443,41	1 155 298,82	-	8 997 721,62
B. Supply of machinery and equipment					
<i>IT equipment for sanitary and epidemiological service</i>	715 178,80	-	119 139,57	-	834 318,37
	715 178,80	-	119 139,57	-	834 318,37
C. Capacity building in sanitation and institutional development					
<i>Sanitation development and awareness-raising</i>	66 481,10	-	1 391,64	-	67 872,74
<i>Institutional development and billing system</i>	99 017,41	-	1 461,24	-	100 478,65
<i>Basic research and evaluation of project completion</i>	14 620,69	-	2 046,90	-	16 667,59
	180 119,20	-	4 899,78	-	185 018,99
D. Design, supervision and advisory services					
<i>Design and cost budget development</i>					
<i>Design overview and supervision</i>	18 103,45	418 191,16	58 547,70	-	494 842,31
	18 103,45	418 191,16	58 547,70	-	494 842,31
E. Project management					
<i>Operating expenses</i>	179 607,38	-	23 341,89	-	202 949,27
<i>Audit</i>	10 506,46	-	420,26	-	10 926,72
<i>Products (equipment for ARIS)</i>	4 016,66	-	-	-	4 016,66
<i>Initial seminars and trainings</i>	8 000,00	-	-	-	8 000,00
	202 130,49	-	23 762,15	-	225 892,64
Project total	3 511 511,34	5 864 634,57	1 361 648,02	-	10 737 793,93
Other costs					
<i>Bank fees</i>	-	-	-	28,82	28,82
<i>Return of interest to the Ministry of Finance of the Kyrgyz Republic</i>	-	-	-	41 275,74	41 275,74
Total expenditures	3 511 511,34	5 864 634,57	1 361 648,02	41 304,56	10 779 098,49

From January 1, 2024 to December 31, 2024:

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Notes to the special purpose financial statements

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(amounts in the tables are in US dollars)

Components	IDB Loan	SFD Loan	CMKR	Others	TOTAL
A. Improving rural water supply and sanitation					
<i>Rehabilitation and construction of rural water supply systems</i>	6 651 735,28	4 019 550,23	1 914 485,89		12 585 771,40
<i>Rehabilitation of sanitary facilities</i>	326 121,88	-	32 631,85	-	358 753,73
	6 977 857,16	4 019 550,23	1 947 117,74	-	12 944 525,13
B. Supply of machinery and equipment					
IT equipment for sanitary and epidemiological service	166 583,17	-	11 120,52	-	177 703,69
	166 583,17	-	11 120,52	-	177 703,69
C. Capacity building in sanitation and institutional development					
<i>Sanitation development and awareness-raising</i>	103 930,87	-	11 723,82	-	115 654,69
<i>Institutional development and billing system</i>	95 026,30	-	10 030,97	-	105 057,27
	198 957,17	-	21 754,79	-	220 711,96
D. Design, supervision and advisory services					
<i>Design and cost budget development</i>					
<i>Design overview and supervision</i>	62 372,11	282 938,39	43 367,31	-	388 677,81
	62 372,11	282 938,39	43 367,31	-	388 677,81
E. Project management					
<i>Operating expenses</i>	273 524,86	-	40 855,45		314 380,31
<i>Audit</i>	6 821,74	-	272,87	-	7 094,61
<i>Products (equipment for ARIS)</i>	46 615,74	-	559,08	-	47 174,82
<i>Initial seminars and trainings</i>	26 546,77	-	-	-	26 546,77
<i>Consulting services</i>	-	-			
	353 509,11		41 687,40	-	395 196,51
Project total	7 759 278,72	4 302 488,62	2 065 047,76	-	14 126 815,10
Other costs					
<i>Bank fees</i>	-	-	-	55.21	55.21
<i>Return of interest to the Ministry of Finance of the Kyrgyz Republic</i>	-	-	-	17 613.65	17 613.65
Total expenditures	7 759 278,72	4 302 488,62	2 065 047,76	17 668,86	14 144 483,96

Since the Project launch:

Components	IDB Loan	SFD Loan	CMKR	Others	TOTAL
A. Improving rural water supply and sanitation					
<i>Rehabilitation and construction of rural water supply systems</i>	13 934 053,75	10 548 968,69	3 645 391,79	-	28 128 414,23
<i>Rehabilitation of sanitary facilities</i>	573 443,80	-	37 915,87	-	611 359,67
	14 507 497,55	10 548 968,69	3 683 307,66	-	28 739 773,90

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(amounts in the tables are in US dollars)

Components	IDB Loan	SFD Loan	CMKR	Others	TOTAL
B. Supply of machinery and equipment					
IT equipment for sanitary and epidemiological service	896 573,67	-	130 556,32	-	1 027 129,99
	896 573,67	-	130 556,32	-	1 027 129,99
C. Capacity building in sanitation and institutional development					
Sanitation development and awareness-raising	321 357,11	-	34 465,13	-	355 822,24
<i>Institutional development and billing system</i>	375 901,62	-	41 764,33	-	417 665,95
Basic research and evaluation of project completion	14 620,70		2 046,92		16 667,62
	711 879,43	-	78 276,38	-	790 155,81
D. Design, supervision and advisory services					
<i>Design and cost budget development</i>	-	550 531,45	59 761,11	-	610 292,56
<i>Design overview and supervision</i>	114 171,86	701 129,55	107 116,44	-	922 417,85
	114 171,86	1 251 661,00	166 877,55	-	1 532 710,41
E. Project management					
<i>Operating expenses</i>	956 352,95	-	142 217,31	-	1 098 570,26
<i>Audit</i>	37 695,60	-	2 609,90	-	40 305,50
<i>Products (equipment for ARIS)</i>	144 260,72	-	12 730,76		156 991,48
<i>Initial seminars and trainings</i>	42 444,79	-	-	-	42 444,79
	1 180 754,06	-	157 557,97	-	1 338 312,03
Project total	17 410 876,57	11 800 629,69	4 216 575,88	-	33 428 082,14
Other costs					
<i>Bank fees</i>	-	-	-	2 895,18	2 895,18
<i>Return of interest to the Ministry of Finance of the Kyrgyz Republic</i>	-	-	-	75 399,95	75 399,95
Total expenditures	17 410 876,57	11 800 629,69	4 216 575,88	78 295,13	33 506 377,27

7. PROJECT BUDGET PERFORMANCE

ISFD Loan

Component	Disbursed since the Project launch		Total Project budget		Available funds (budgeted/fact)	
	amount	%	Amount	%	amount	%
A. Improving rural water supply and sanitation	14 507 497,55	93,53%	15 511 304,35	77,56%	1 003 806,80	6,47%
B. Supply of machinery and equipment	896 573,67	69,86%	1 283 301,20	6,42%	386 727,53	30,14%

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Notes to the special purpose financial statements

For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

Component	Disbursed since the Project launch		Total Project budget		Available funds (budgeted/fact)	
C. Capacity building in sanitation and institutional development	711 879,43	40,95%	1 738 537,55	8,69%	1 026 658,12	59,05%
D. Design, supervision and advisory services	114 171,86	94,42%	120 919,40	0,60%	6 747,54	5,58%
E. Project management	1 180 754,06	87,73%	1 345 937,50	6,73%	165 183,44	12,00%
Base cost	17 410 876,57	87,05%	20 000 000,00	100,00%	2 589 123,43	12,95%
Physical unforeseen costs	-					
Price windfalls	-					
Total cost	17 410 876,57	87,05%	20 000 000,00	100,00%	2 589 123,43	12,95%

SFD Loan

Component	Disbursed since the Project launch		Total Project budget		Available funds (budgeted/fact)	
	amount	%	Amount	%	amount	%
A. Improving rural water supply and sanitation	10 548 968,69	39,66%	26 600 000,00	88,67%	16 051 031,31	60,34%
D. Design, supervision and advisory services	1 251 661,00	50,07%	2 500 000,00	8,33%	1 248 339,00	49,93%
Base cost	11 800 629,69	40,55%	29 100 000,00	97,00%	17 299 370,31	59,45%
Physical unforeseen costs						
Price windfalls			900 000,00	3,00%	900 000,00	100,00%
Total cost	11 800 629,69	39,34%	30 000 000,00	100,00%	18 199 370,31	60,66%

8. LIABILITIES

As of August 31, 2025, the Project for the *Improving rural water supply and sanitation* component had the following obligations for invoices issued (withheld guarantee amounts of 5% in accordance with the terms of construction contracts).

Contractor	Contract	Guarantees withheld	
		USD	KGS equivalent
Consortium of "Engineering Protection" LLC and "Minur" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2023-1-R/1	(83 353)	(7 201 937)
Consortium of "Engineering Protection" LLC and "Minur" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2023-1-R/2	(32 471)	(2 764 980)
"Arkstroyinvest" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2023-4	(55 636)	(4 840 359)
Consortium of "Omega Story" LLC and "City Complex" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2023-6	(116 637)	(10 133 368)
"Pobeda" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2023-8	(106 949)	(9 304 604)

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Notes to the special purpose financial statements

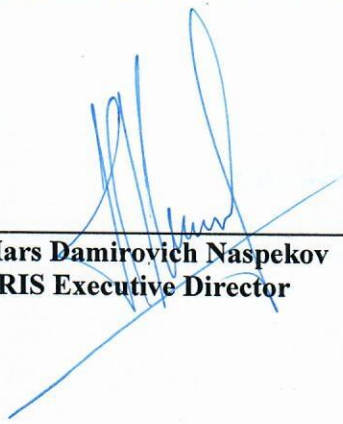
For the period from January 1, 2025 to August 31, 2025

(amounts in the tables are in US dollars)

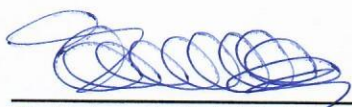
JSC "Zhumgalsuukurulush"	ARIS-SFD-DWSNRAP-NCB-CW-2024-1	(44 233)	(3 848 273)
Pobeda LLC	ARIS-SFD-DWSNRAP-NCB-CW-2024-2-R	(279 379)	(24 305 987)
Consortium of "PolimerSnabAsia" LLC and "Art Plast" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2024-3/2	(19 693)	(1 713 302)
Consortium of "PolimerSnabAsia" LLC and "Art Plast" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2024-3/3	(28 520)	(2 481 236)
"Pobeda" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2024-4	(33 793)	(2 939 982)
Consortium of "KapitalBilding LTD" LLC and "Victory" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2024-5	(45 153)	(3 928 271)
Consortium of "Profit Express" LLC and "Turan Group" LLC	ARIS-SFD-DWSNRAP-NCB-CW-2024-7	(55 731)	(4 848 596)
Total		(901 549)	(78 310 895)

9. EVENTS AFTER THE REPORTING DATE

In the period after the reporting date and before the date of approval of these financial statements, no events occurred that would affect the amounts in the presented financial statements.


Mars Damirovich Naspekov
ARIS Executive Director




Stalbek uulu Baktybek
ARIS Financial Manager