

Audited Project Financial Statements

Project Number: 44458-013
Loan/Grant Number: 3025/3026
Period covered: 1 January 2016 to 31 December 2016

UZB: Amu Bukhara Irrigation System Rehabilitation Project

Prepared by Ministry of Agriculture and Water Resources, Republic of Uzbekistan

For the Asian Development Bank
Date received by ADB: 30 June 2017

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Ministry of Agriculture and Water Resources.

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MINISTRY OF AGRICULTURE
AND WATER RESOURCES OF
THE REPUBLIC OF UZBEKISTAN

PROJECT IMPLEMENTATION UNIT OF
THE ASIAN DEVELOPMENT BANK'S
PROJECTS

Toshkent sh. 100128, Labzakko'ch., I-A;
Tel/faks: (99871) 241-84-24; e-mail: abisr@mail.ru

I-A, Labzak str., Tashkent 100128
Tel/fax: (99871) 241-84-24; e-mail: abisr@mail.ru

No. 96/01-1-94

Dated: June 30, 2017

To: Director, CWER
Asian Development Bank
Akmal Siddiq

Subject: Loan No.3025/3026 – UZB. Submission of Audited Financial Statements and Management Letter for FY2016.

Herewith we would like to submit the Audited Financial Statements and Management letter for FY 2016 prepared by LLC PKF MAK ALYANS for your review and no-objection.

Yours sincerely,

G. Kasimov

Acting manager of PIU

Attachment: Audited Financial Statements and Management letter for FY 2016.

ASIAN DEVELOPMENT BANK

"AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT"

PROJECT MANAGEMENT OFFICE

MINISTRY OF AGRICULTURE AND WATER RESOURCES OF THE REPUBLIC OF UZBEKISTAN
(EXECUTING AGENCY)

ADB LOAN #3025-UZB, ADB LOAN #3026- UZB (SF)

SPECIAL-PURPOSE CASH BASIS FINANCIAL STATEMENTS
AND STATEMENTS OF EXPENDITURE FOR THE YEAR ENDED TO 31 DECEMBER 2016

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT

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AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2016

The Management of the Amu-Bukhara Irrigation System Rehabilitation Project (hereinafter - the "Project") is responsible for the preparation of the Special Purpose Financial Statements of the Project funded by the Asian Development Bank (hereafter - the "ADB") that present fairly the financial position of the Project as of 31 December 2016, and the funds received, and expenditures incurred for the year ended 31 December 2016, in compliance with International Public Sector Accounting Standards "Financial Reporting under the Cash Basis of Accounting" ("IPSAS-Cash Basis").

In preparing the Special Purpose Financial Statements, the management of the Project is responsible for:

- Selecting suitable accounting policies and applying them consistently;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS-Cash Basis are insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the Project's Special Purpose Financial Statements; and
- Making an assessment of the Project's ability to continue as a going concern.

The Management of the Project is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the fund balance of the Project, and which enable them to ensure that the Special Purpose Financial Statements of the Project comply with specific requirements in IPSAS-Cash Basis;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- Preventing and detecting fraud and other irregularities.

The Special Purpose Financial Statements of the Project for the year ended 31 December 2016 were authorized for issue by the Project's Management on 30 June 2017.

On behalf of the Project's Management:


Gafur Kasimov
PMO Manager




Doniyor Quldoshov
Chief Accountant

INDEPENDENT AUDITOR'S REPORT

To the Management of the Project Management Office under the Ministry of Agriculture and Water Resources of the Republic of Uzbekistan

Opinion

We have audited the accompanying Special-Purpose Cash Basis Financial Statements ("the Financial Statements") for the year ended 31 December 2016 of the Project Management Office of "Amu-Bukhara Irrigation System Rehabilitation Project" (the "Project") financed by the Asian Development Bank ("ADB"), Loan #3025-UZB, Loan #3026-UZB (SF) dated 21 November 2013, and contributions received from the Government of the Republic of Uzbekistan which comprise the Special-purpose statement of cash receipts and payments for the year ended 31 December 2016, Statement of financial position and summary a significant accounting policies and other explanatory notes thereto. The Special-Purpose Cash Basis Financial Statements have been prepared by the Management of the Project Management Office ("PMO") in accordance with the International Public Sector Accounting Standards "Financial Reporting under the Cash Basis of Accounting" ("IPSAS-Cash Basis").

In our opinion,

- I. The accompanying Special-Purpose Cash Basis Financial Statements, in all material respects, give a true and fair view of the Financial Position of the Project as of 31 December 2016, as well as Sources and Uses of Funds, Designated Accounts movements and its balances for the periods then ended and complies with the conditions of the Loan Agreements and in accordance with International Public Sector Accounting Standard; and the Project has utilized all proceeds of the loan withdrawn from ADB only for purposes of the Project as agreed between the ADB and Republic of Uzbekistan in accordance with the Loan Agreements; and no proceeds of the Loans have been utilized for other purposes;
- II. Moreover, (a) with respect to the SOE for the year ended 31 December 2016 adequate supporting documents, records and accounts have been maintained to support claims to the ADB for reimbursements of expenditures incurred; and (b) the expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Loan Agreements.
- III. The Designated Accounts statement for the year ended 31 December 2016 give a true and fair view of the Financial Position of the DA of the Project and of the cash flow for the periods then ended.

Basis for Opinion

We conducted our audit in accordance with the 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' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the SPFSs in the Republic of Uzbekistan and we have fulfilled our other responsibilities under 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 audit opinion.

Key Audit Matters

There is no key audit matters to communicate.

Responsibilities of Management and Those Charged with Governance for the Special-Purpose Financial Statements

The Management of the PMO under the Ministry of Agriculture and Water Resources of the Republic of Uzbekistan ("MAWR") is responsible for the preparation and fair presentation of these SPFSs in accordance with the International Public Sector Accounting Standard ("IPSAS"), and for such internal control as management determines is necessary to enable the preparation of SPFSs that are free from material misstatement, whether due to fraud or error.

Tel: +99871 294-73-86 • Fax: +99871 294-73-85 • info@pkf.uz • www.pkf.uz • www.pkf.com
PKF MAK ALYANS LLC • 22, Aviasozlar street • 1 passage • Tashkent, Uzbekistan • 100016

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In preparing the SPFSs, 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.

Those charged with governance are responsible for overseeing the Project's financial reporting.

Auditor's Responsibility for the Audit of the Special-Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the SPFSs 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 SPFSs.

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 SPFSs, 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 SPFSs, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PKF MAK ALYANS

Audit Organization "PKF MAK ALYANS LLC"
Authorized audit license issued by the Ministry of Finance
of the Republic of Uzbekistan under No 00531 dated
30 January 2008.



22, Aviasozlar Street, 1st Passage
100016, Tashkent, Uzbekistan

30 June 2017
Tashkent, Uzbekistan

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2016
Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

	31 December 2016		31 December 2015		Cumulative Actual	2016	
	Budget	Actual	Budget	Actual		Variance Amount	Variance e %
Opening Funds Balances		30 399		98 178	-		
FUNDS RECEIVED							
Direct Payments		435 856		-	435 856		
Advance Payment		-		13 750 000	13 750 000		
Replenishments		103 575		-	103 575		
Total ADB Loan No.3025-UZB	42 749 000	539 431	42 749 000	13 750 000	14 289 431		
Direct Payments		1 049 103		1 119 476	2 168 579		
Additional/Initial Advance Payment		130 502		-	366 402		
Reimbursements		52 232		-	52 232		
Replenishments		103 577		79 858	183 435		
Total ADB Loan No.3026-UZB (SF)	174 000 000	1 335 414	174 000 000	1 199 334	2 770 648		
Uzbek Government co-financing		26 075		30 839	70 536		
Tax & Customs benefits		-		-	-		
Total Uzbek Government Contributions	64 456 900	26 075	64 456 900	30 839	70 536		
Tender Proceeds		44 635		10 973	55 608		
Other receipts		-		1 922	1 922		
Total Other Sources		44 635		12 895	57 530		
TOTAL FUNDS RECEIVED	281 205 900	1 945 556	281 205 900	14 993 068	17 188 146		
EXPENDITURE INCURRED							
1. Turnkey:	144 320 000	-	144 320 000	-	-	144 320 000	100
1A. New Amu-Bukhara 1 Pump Station	92 040 00	-	92 040 00	-	-	92 040 000	100
1B. Kizil Tepa Pump Station	52 280 000	-	52 280 000	-	-	52 280 000	100
2. Works	5 040 000	539 431	5 040 000	-	539 431	4 500 569	89.30
3. Unallocated	10 890 000	-	10 890 000	-	-	10 890 000	100
4. Work Claims in Agricultural Sector	13 750 000	-	13 750 000	13 750 000	13 750 000	-	-
Total Expenditure Loan No.3025-UZB	174 000 000	539 431	174 000 000	13 750 000	14 289 431	159 710 569	91.79
1. Turnkey – Kuyu Mazar Pump Station	25 909 700	-	25 909 700	-	-	25 909 700	100
2. Works	319 400	-	319 400	-	-	319 400	100
3. Equipment	4 120 400	306 963	4 120 400	9 629	316 592	3 803 808	92.32
4. Consulting Services	6 420 700	810 056	6 420 700	1 119 476	1 929 532	4 491 168	69.95
5. Project Management & Monitoring	1 360 300	132 457	1 360 300	148 880	419 056	941 244	68.19
6. Unallocated	4 618 500	-	4 618 500	-	-	4 618 500	100
Total Expenditure Loan No.3026-UZB	42 749 000	1 249 476	42 749 000	1 277 985	2 665 180	40 083 820	93.77
1. Project Management (including SSP)	257 900	26 075	257 900	30 839	70 529	187 371	72.65
2. Financing during investment period	16 531 400	-	16 531 400	1 922	1 922	16 529 478	99.99
3. Tax & Customs benefits	45 997 600	-	45 997 600	-	-	45 997 600	100
4. Cost of existing fixed assets	1 670 000	-	1 670 000	-	-	1 670 000	-
Total Expenditure by Uzbek Government	64 456 900	26 075	64 456 900	32 761	72 451	64 384 449	99.89
Other expenditure		6 480		-	6 480		
Total Other Expenditure		6 480		-	6 480		
FX Exchange Loss		3 096		101	3 207		
TOTAL EXPENDITURE INCURRED	281 205 900	1 824 558	281 205 900	15 060 847	17 036 749	264 175 631	93.94
Closing Funds Balances		151 397		30 399	151 397		

Gafur Kasimov
PMO Manager



Signed on behalf of the Project's Management on 30 June 2017

Doniyor Quidoshov
Chief Accountant

Notes on pages 9 to 26 form an integral part of the Special-Purpose Cash Basis Financial Statements.

"AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT"
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2016
Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

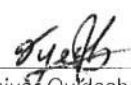
Items	Note	Periods	
		31.12.2016	31.12.2015
ASSETS			
Current assets			
Cash and cash equivalents		151 397	30 399
Advances to suppliers		-	-
Total current assets		151 397	30 399
Non-current assets			
Property, plant and equipment (net)*		76 313	69 196
Total non-current assets		76 313	69 196
TOTAL ASSETS		227 710	99 595
LIABILITIES AND EQUITY/FINANCING			
Liabilities			
Accounts payable		-	58 037
Salary payable		8 285	4 283
Other liabilities		6	12
Total liabilities		8 291	62 332
Equity/Financing			
Financing from ADB		3 310 080	1 435 235
Other financing		100 069	55 434
Less: Cumulative expenditures, net		(3 190 730)	(1 453 406)
Total Equity/Financing		219 419	37 263
TOTAL LIABILITIES AND EQUITY/FINANCING		227 710	99 595

(*) Note: In 2016, the fixed assets were increased due to merging of several projects under the one PMO.

Signed on behalf of the Project's Management on 30 June 2017


Gafur Kasimov
PMO Manager




Doniyor Qulldoshov
Chief Accountant

Notes on pages 9 to 26 form an integral part of the Special-Purpose Cash Basis Financial Statements.

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2016
Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF USES OF FUNDS BY PROJECT CATEGORIES FOR THE YEAR ENDED 31 DECEMBER 2016
(ADB LOAN #3025 –UZB)

Category	Actual		Budget	Cumulative balance
	2016	Cumulative		
Category 1A: Construction of Amu-Bukhara 1 Pump Station				
Civil works	-	-	59 223 500	59 223 500
Equipment	-	-	32 816 500	32 816 500
Total	-	-	92 040 000	92 040 000
Category 1B: Rehabilitation of Kizil Tepa Pump Station				
Civil works	-	-	5 479 200	5 479 200
Equipment	-	-	46 800 800	46 800 800
Total	-	-	52 280 000	52 280 000
Category 2: Works	539 431	539 431		
Total	539 431	539 431	5 040 000	4 500 569
Category 3: Unallocated	-	-		
Total	-	-	10 890 000	10 890 000
Category 4: Construction works in Agricultural sector	-	13 750 000	13 750 000	-
Total	-	13 750 000	13 750 000	-
TOTAL ADB EXPENDITURE	539 431	14 289 431	174 000 000	159 710 569

SPECIAL-PURPOSE STATEMENT OF USES OF FUNDS BY PROJECT CATEGORIES FOR THE YEAR ENDED 31 DECEMBER 2016
(ADB LOAN #3026 –UZB (SF))

Category	Actual		Budget*	Cumulative balance
	2016	Cumulative		
Category 1: Rehabilitation of Kuyu-Mazar Pump Station				
Civil works	-	-	5 724 600	5 724 600
Equipment	-	-	20 185 100	20 185 100
Total	-	-	25 909 700	25 909 700
Category 2: Works				
Total	-	-	319 400	319 400
Category 3: Equipment				
Total	306 963	316 592	4 120 400	3 803 808
Category 4: Consulting services				
Total	810 056	1 929 532	6 420 700	4 491 168
Category 5: Project Management and Monitoring				
Total	135 380	421 979	1 360 300	938 321
Category 6: Unallocated				
Total	-	-	4 618 500	4 618 500
TOTAL ADB EXPENDITURE	1 252 399	2 668 103	42 749 000	40 080 897

(*) –The budget figures are fixed in equivalent of USD based on SDR rate on the date of a new President's Decree No.2396 dated 25 August 2015. Therefore, the available funds for distribution for future expenditure might be different due to SDR rate changes.

Gafur Kasimov
PMO Manager



Doniyor Quldoshov
Chief Accountant

Notes on pages 9 to 26 form an integral part of the Special-Purpose Cash Basis Financial Statements.

AMU-BUKHARA IRRIGATION SYSTEM REHABILITATION PROJECT
PROJECT MANAGEMENT OFFICE

Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2016

Tabular amounts are presented in US Dollars

SPECIAL-PURPOSE STATEMENT OF USES OF FUNDS BY PROJECT CATEGORIES FOR THE YEAR ENDED 31 DECEMBER 2016
(UZBEK GOVERNMENT CONTRIBUTIONS)

Category	Actual		Budget	Cumulative balance
	2016	Cumulative		
Category: Project Management				
Single Social Payments (SSP)	26 075	68 614	257 900	187 371
Total	26 075	68 614	257 900	187 371
Category: Tax and Customs benefits				
	-	-	45 997 600	45 997 600
Total	-	-	45 997 600	45 997 600
Category: Financing during investment period				
	-	1 922	16 531 400	16 529 478
Total	-	1 922	16 531 400	16 529 478
Category: Cost of existing fixed assets				
	-	-	1 670 000	1 670 000
Total	-	-	1 670 000	1 670 000
TOTAL EXPENSES FROM UZBEK GOVERNMENT FUNDS	26 075	70 536	64 456 900	64 384 449

Gafur Kasimov
PMO Manager



1 PROGRAM MANAGEMENT OFFICE AND ITS OPERATION

The two ADB Loans No.3025-UZB and No.3026-UZB (SF) for the project were approved on 25 September 2013 and declared effective on 21 January 2014. The project initially was estimated to cost US \$380.00 million and is implemented over 7 years, starting early in 2014. ADB would provide a blend of two loans: one from the ordinary capital resources (OCR) of US \$174.0 million, and the other from the Special Fund (SF) resources (the Asian Development Fund (ADF)) of SDR 30.535 million (US \$46.0 million equivalent). The estimated project physical completion date is February 2020 and the loan closing date is 31 August 2020.

The government would finance taxes and duties, including value-added tax and customs duties in the form of exemption; financing charges during implementation; all of which are estimated in the amount of US \$64.46 million.

Further by the President's Decree (PD) No. 2396 dated 25 August 2015, some of the expenditure categories of the Project were adjusted

The government has also requested parallel financing from the Japan International Cooperation Agency (JICA) of up to about US \$109 million to finance the modernization and rehabilitation (M&R) of Amu-Bukhara -II and Kizil-Tepa -I auxiliary pump stations (PSs) and the cost of consulting services to administer and monitor this M&R at these PSs. The financing and administration of these activities would be fully carried out by JICA in accordance with its relevant policies, procedures and guidelines.

	By PD No.2156 dd. 28.03.2014	By PD No.2396 dd. 25.08.2015	Periods
ADB Loan No.3025-UZB	174,000,000	174,000,000	25 years / 7 grace period
ADB Loan No.3026-UZB (SF) in USD equivalent	46,000,000	42,749,000	25 years / 5 grace period
Uzbek Government	64,456,900	80,564,000	For the period 2014-2020
Japan International Cooperation Agency (JICA)	-	108,973,600	30 years /10 grace period
Total	284,456,900	406,286,600	

The main objective of the Project would address irrigated agriculture and water resources management issues in Amu - Bukhara Irrigation System (ABIS) in Bukhara and Navoi Provinces. The impact of the project is sustained economic and social welfare in communities dependent upon ABIS. The expected outcome is a sustainable and reliable water supply in the ABIS command area.

The Project outputs to achieve the Project outcome and impact comprise:

Output 1: One new PS built and four existing Pump Stations (PS) modernized and rehabilitated. This includes (i) the replacement of Amu-Bukhara I PS and its auxiliary PS with a new Amu-Bukhara I PS, and (ii) M&R of the Kuyu Mazar, Amu-Bukhara II, and Kizil Tepa and its auxiliary PSs. The benefits would be (i) reduced energy consumption, (ii) sustained and reliable water supply without operational and system failures, and (iii) a reduction of greenhouse gas emissions by 23%.

Output 2: Conveyance efficiency in the ABIS main canal increased. This would be achieved by (i) the M&R of 22 key regulatory and/or diversion structures, and (ii) installation of water measurement gauges and wireless radio communication systems along the ABIS main canal in Uzbekistan. The M&R of these structures and the modernized irrigation system management would reduce inefficient water discharge from the main canal.

Output 3: The capacity of Basin irrigation system administration (BISA), Irrigation system administrations (ISAs), water consumers' associations (WCAs), and farmers to adapt to climate change increased. This output would be delivered through (i) M&R of inter- and on-farm canals and regulation structures in three selected areas; (ii) introduction of climate-adaptive agronomic practices, cropping patterns, and water-saving irrigation technologies in demonstration farms in three selected areas; (iii) the development of a modernized, climate-adaptive water operation and management plan to increase water productivity based on a detailed water balance assessment, and (iv) capacity development of the BISA, three ISAs, and three WCAs in Bukhara Province. These measures will also support the government strategy to diversify crops and ensure food security in the project area.

Notes to Special-Purpose Financial Statements under IPSAS-Cash Basis for the year ended 31 December 2016

Tabular amounts are presented in US Dollars

Output 4: Project and ABIS managed efficiently. The activities for achieving this output would comprise project management, institutional, and operational support. The project management support will include (i) implementation of safeguards requirements, and (ii) project supervision, procurement, and financial management. The project would also strengthen institutional and human capacity, ABIS operations, and management in Amu Bukhara Irrigation System Authority (ABISA). A modernized plan would be adopted so that energy and water are used efficiently in the operation and management of PSs and main canals. Capacity building would also be provided for the ABISA to integrate greenhouse gas monitoring-reporting-verification systems. To augment O&M financing, the commercialization of carbon credits would be pursued through the Clean Development Mechanism or other mechanisms.

In addition, drainage channels at inter-farm and on-farm levels that are in poor condition would be rehabilitated by the Uzbek Government Amelioration Fund and the ongoing ADB-financed Land Improvement Project to reduce soil salinity in the ABIS command area.

The Ministry of Agriculture and Water Resources (MAWR) of Uzbekistan is the executing Agency for the Project which is responsible for planning, organization, supervision, control and monitoring of the Project.

In line with the MAWR for operational management of the Project, Project Management Office (PMO) was established in the form of state non-profit enterprise. Also under PMO the Project Implementation Units (PIU) were established in the city of Bukhara which are responsible for implementation of the Project at local level. The PIU are the structural part of the PMO. The loan is administered by ADB.

The purpose of establishment of PMO and PIU is to execute tasks, related to implementation of the Project, including the coordination of all Project's components including monitoring and evaluation of results of execution in the Project's regions.

The estimated Project's physical completion date is February 2020 and the Loans closing date is 31 August 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These Special-Purpose Financial Statements have been prepared in accordance with the International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting" promulgated by the International Federation of Accountants (IFAC) as required in "Handbook for Borrowers on the Financial Management and Analysis of Projects financed by the Asian Development Bank", issued by the ADB. Those standards require that cash receipts shall be effective when received and expenditures of funds shall be effective when they are paid rather than when incurred. The financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein.

The Project's Special- Purpose Cash Basis Financial Statements are prepared on the basis of cash receipts and disbursements which are a comprehensive basis of accounting.

Cash and cash equivalents

Cash and cash equivalents are recognized at cost and include cash at cash desk, cash at current and other special accounts at domestic banks and cash in transit.

During FY 2016 the funds disbursed by the ADB to the Project comprised USD 130 502 (additional initial advance) and USD 103 577 (replenishment) by Loan 3026-UZB.

Project expenditures

The Project's Special-Purpose Cash Basis Financial Statements are prepared based upon the accounting records of the PMO, which are maintained in both USD and UZS. The initial accounting records consist of summaries of disbursement documents and other payment vouchers.

Notes to Special-Purpose Financial Statements under IPSAS Cash Basis for the year ended 31 December 2016
Tabular amounts are presented in US Dollars

Accounting of PMO under the Project is conducted in accordance with the applicable laws of the Republic of Uzbekistan with the specific implementation of the Project, including applying cash method.

The policy management programs also include preparation of detailed Statement of Expenditure (SOE) on a cash basis in accordance with International Accounting Standards for the Public Sector. The accounting is carried out manually using the Excel sheets.

In accounting, the following articles are used:

- Taking into account the actual costs;
- Accounting of cash;
- Accounting of cash transactions;
- Accounting of fixed assets;
- Accounting of stocks;
- Accounting of remuneration;
- Settlements with debtors and creditors;
- Reporting.

The Financial Management of the Project is carried out by the following main points:

- 1) Analysis of the performance costs;
- 2) Analysis of cash expenses and for transfers;
- 3) Analysis of financial condition;
- 4) An analysis of budget execution.

An analytical account of the sums received by the Project of funding is separate from the breakdown of the total amount financed by categories of expenditure.

At the end of each month / quarter are counted up all the items of expenditure for the quarter and total year to-date, in order to identify the remainder and in a similar way to keep records of cash expenditures for transfers.

Reporting currency and translation methodology

The reporting currency of the Project's Special –Purpose Cash Basis Financial Statements is US Dollars and majority of the financing and expenditure of the Project were made in US Dollars. However, the Project also has Uzbek Soums ("UZS") Imprest (Special) Accounts, which are used to receive UZS funds and pay for expenses in UZS for the Project's management.

The assets' additions and expenditure paid for in UZS were translated into USD using the following principles of transaction:

- Monetary assets denominated in UZS have been translated to USD using the official rate of exchange of the Central Bank of Uzbekistan ("CBU") on the date of conversion;
- All income/expenditure earned/incurred in UZS denominated into USD were recorded as an official exchange rate of CBU, effective at the date of receipt or payment of the funds;
- Gain/Loss resulting from the transaction of UZS / USD: Cash & cash equivalents outstanding as at reporting date are translated into USD at the official rate of the CBU effective at the reporting date.

The official exchange rate set by the CBU and effective, as at 31 December 2016 was UZS 3,231.48 to USD 1 (2015: UZS 2,809.98 to USD 1, 2014: UZS 2,422.40 to USD 1).

Notes to Special-Purpose Financial Statements under IPSAS Cash Basis for the year ended 31 December 2016

Tabular amounts are presented in US Dollars

The Uzbek Government funds

The Government funds of Uzbekistan represent in-kind and cash contributions by the Government.

Contributions are provided as capital investments and tax and customs benefits as follows:

- Cost of civil works;
- Financing charges during implementation period;
- Single social payment and other expenditure;
- Taxes and duties exemption on goods, works, services and transport vehicle of the PMO and its contractors procured under ADB loan and the Government's Fund during implementation period (except customs duties).

Bank Accounts of the Project

During the period from 01 January 2016 to 31 December 2016, the PMO held in Uzbekistan bank USD Special/Imprest Account for ADB Loan, UZS Current Account and other accounts at named JSCB "AGROBANK".

The PMO operates a Special/Imprest Account in accordance with the provisions laid down in the Loan Agreement.

The USD Special/Imprest Account represents revolving funds provided from the ADB Loan proceeds to facilitate prompt disbursement of funds. The funds are maintained at JSCB "AGROBANK". The USD Special/Imprest Account is used to cover the ADB's share of eligible expenditures in both local and foreign currencies. The eligible expenditures are reported to the ADB through Statement of Expenditures ("SOE"). The USD Special/Imprest Account is replenished by the ADB on the basis of Special Account Reconciliation Statement, prepared by the PMO for validation of USD Special Accounts and SOE's.

The UZS Current Account was opened to convert the funds received on USD Special/Imprest Account for Loan from ADB and for payments to suppliers and withdrawal of cash.

The UZS Budget Account is used for payments of Single Social Payments/contributions under the eligible categories of expenditure for payment of salary to the staff of the Project. The account is held with the Treasury of the Ministry of Finance of the Republic of Uzbekistan.

The outstanding balances of the above accounts as of 31 December 2016 are disclosed in Note 5.

Taxation

The PMO, being the state non-commercial organization, acting on a basis of Charter, is exempted from taxes and levies in line with the Tax Code of the Republic of Uzbekistan.

Also the Decree of the President of the Republic of Uzbekistan #PP-2156 dated 28 March 2014 (and also amended Decree of the President of the Republic of Uzbekistan #PP-2396 dated 25 August 2015), state that the goods, works and services purchased with the ADB funds within the framework of the Project, are exempted from customs payments, VAT, mandatory contributions to the state funds-in-trust. The same policy is applied with respect to goods, works and services purchased with the Government Funds. Such exemption is considered as a contribution of the Uzbek Government toward the implementation of the Project.

3 SUBSEQUENT EVENTS

There are no events after the end of the reporting period, which would require adjustment to or disclosure in these financial statements.

4 APPROVAL OF SPECIAL-PURPOSE FINANCIAL STATEMENTS

The Special-purpose financial statements were approved by the Management for issue on 30 June 2017.

5 Statements of Cash Balances of the Project

5.1. The PMO has the following Cash Balances as at 31 December 2016 at JSCB "AGROBANK":

Source of funds	Currency	Note	Name of account	Amount in USD
ADB Loan Account	USD	6.1	Imprest Account	106 897
UZS Current Account	UZS	7.1	Current Account	65
USD Tender Account	USD	8.1	Tender Account	23 550
UZS Tender Account	UZS	9.1	Tender Account	20 742
USD Secondary Account	USD	10.1	Secondary Account	-
Corporate card No.1	UZS	11.1	Corporate card	-
Corporate card No.2	UZS	11.3	Corporate card	109
Corporate card No.3	UZS	11.5	Corporate card	-
Corporate card No.4	UZS	11.6	Corporate card	33
Treasury Account	UZS	12.1	Budget Account	-
Total				151 397

5.2. The PMO has the following Cash Balances as at 31 December 2015 at JSCB "AGROBANK":

Source of funds	Currency	Note	Name of account	Amount in USD
ADB Loan Account	USD	6.2	Imprest Account	19 442
UZS Current Account	UZS	7.2	Current Account	30
USD Tender Account	USD	8.2	Tender Account	3 070
UZS Tender Account	UZS	9.2	Tender Account	7 856
USD Secondary Account	USD	10.2	Secondary Account	-
Corporate card No.1	UZS	11.2	Corporate card	-
Corporate card No.2	UZS	11.4	Corporate card	1
Treasury Account	UZS	12.2	Budget Account	-
Total				30 399

6 Statements of USD Imprest Account

Account No.: 20210840500302140003
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: US Dollars (USD)

6.1. Statement of USD Imprest Account as at 31 December 2016

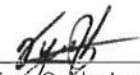
	USD
Balance as at 01 January 2016	19 442
Add:	
ADB Replenishment (Loan 3026)	103 577
ADB Additional Initial Advance (Loan 3026)	130 502
Deduct:	
Transfer to UZS Current Account (Conversion)	(146 625)
Balance as at 31 December 2016	106 897

6.2. Statement of USD Imprest Account as at 31 December 2015

	USD
Balance as at 01 January 2015	96 249
Add:	
ADB Replenishment (Loan 3026)	79 858
Deduct:	
Transfer into UZS Current Account (Conversion)	(156 665)
Balance as at 31 December 2015	19 442


Gafur Kasimov
PIU Manager




Doniyor Qulidoshov
Chief Accountant

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7 Statements of UZS Current Account

Account No.: 20210000900302140001
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: Uzbek Soums (UZS)

7.1. Statement of UZS Current Account as at 31 December 2016

	UZS	USD Equivalent
Balance as at 01 January 2016	83 033	30
Add:		
Transfer from USD Imprest Account (Loan 3026)	438 340 973	146 625
Transfer from UZS tender account for advertisement	1 223 505	429
Return of incorrect salary paid amount	153 438	51
Return from supplier	2 125	1
Deduct:		
Financing of PMO eligible expenditure	(422 376 178)	(142 296)
Transfer into Corporate cards	(17 215 000)	(4 756)
Net FX rate difference	-	(19)
Balance as at 31 December 2016	211 895	65

7.2. Statement of UZS Current Account as at 31 December 2015

	UZS	USD Equivalent
Balance as at 01 January 2015	4 665 361	1 926
Add:		
Transfer from USD Imprest Account (Loan 3026)	405 079 499	156 665
Return of incorrect salary paid amount	50 000	21
Return of incorrect paid amount	34 540	12
Deduct:		
Financing of PMO eligible expenditure	(409 746 367)	(158 542)
FX Exchange Loss	-	(52)
Balance as at 31 December 2015	83 033	30

8 Statement of USD Tender Account

Account No.: 20210840900302140005
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: US Dollars (USD)

8.1. Statement of USD Tender Account as at 31 December 2016

	USD
Balance as at 01 January 2016	3 070
Add:	
Proceed from sale of tender documents	21 370
Deduct:	
Return of wrong paid amounts	(890)
Balance as at 31 December 2016	23 550

8.2. Statement of USD Tender Account as at 31 December 2015

	USD
Balance as at 01 January 2015	-
Add:	
Proceeds from sale of tender documents	3 070
Deduct:	
	(0.00)
Balance as at 31 December 2015	3 070

9 Statements of UZS Tender Account

Account No.: 20210000200302140002
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: Uzbek Soums (UZS)

9.1. Statement of UZS Tender Account as at 31 December 2016

	UZS	USD Equivalent
Balance as at 01 January 2016	22 075 584	7 856
Add:		
Proceeds from sale of tender documents	68 883 010	24 155
Deduct:		
Eligible expenditure made	(22 406 866)	(7 672)
Transfer into Corporate Card No.3	(300 000)	(105)
Transfer into UZS Current account	(1 223 505)	(429)
FX Exchange loss	-	(3 063)
Balance as at 31 December 2016	67 028 223	20 742

9.2. Statement of UZS Tender Account as at 31 December 2015

	UZS	USD Equivalent
Balance as at 01 January 2015	8 430	3
Add:		
Proceeds from sale of tender documents	22 067 154	7 903
Deduct:		
No expenditure made	-	-
FX Exchange loss	-	(50)
Balance as at 31 December 2015	22 075 584	7 856

10 Statements of USD Secondary Account

Account No.: 20210840700302140004
Depository Bank: Joint Stock Commercial Bank "AGROBANK"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: US Dollars (USD)

10.1. Statement of USD Secondary Account as at 31 December 2016

	USD
Balance as at 01 January 2016	-
Add:	
No movements during the year	0.00
Deduct:	
	(0.00)
Balance as at 31 December 2016	-

10.1. Statement of USD Secondary Account as at 31 December 2015

	USD
Balance as at 01 January 2015	-
Add:	
No movements during the year	0.00
Deduct:	
	(0.00)
Balance as at 31 December 2015	-

11 Statements of Corporate Cards

Account No.: 8600 0432 3203 7504 (Card No.1)
Account No.: 8600 0432 5760 1531 (Card No.2)
Account No.: 8600 0432 9299 9627 (Card No.3)
Account No.: 8600 0432 9110 9061 (Card No.4)
Depository Bank: Joint Stock Commercial Bank "Agrobank"
Address: 43, Mukumiy Street, Tashkent 100096
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: Uzbek Soums (UZS)

11.1. Statement of Corporate Debit Card No.1 as at 31 December 2016 (Bukhara city)

	UZS	USD Equivalent
Balance as at 01 January 2016	671	0.24
Add:		
Transfers from UZS Current Account	10 287 000	3 341.18
Deduct:		
Petrol expenses	(10 286 440)	(3 335.80)
FX Loss	-	(5.24)
Balance as at 31 December 2016	1 231	0.38

11.2. Statement of Corporate Debit Card No.1 as at 31 December 2015 (Bukhara city)

	UZS	USD Equivalent
Balance as at 01 January 2015	-	-
Add:		
Transfers from UZS Current Account	3 134 200	1 207.31
Deduct:		
Petrol expenses	(3 133 529)	(1 207.07)
Balance as at 31 December 2015	671	0.24

11.3. Statement of Corporate Debit Card No.2 as at 31 December 2016 (Bukhara city)

	UZS	USD Equivalent
Balance as at 01 January 2016	3 232	1.15
Add:		
Transfers from UZS Current Account	350 000	123.38
Deduct:		
No movements during the year	-	-
FX Loss	-	(15.22)
Balance as at 31 December 2016	353 232	109.31

11.4. Statement of Corporate Debit Card No.2 as at 31 December 2015 (Bukhara city)

	UZS	USD Equivalent
Balance as at 01 January 2015	-	-
Add:		
Transfers from UZS Current Account	2 553 400	978.09
Deduct:		
Petrol expenses	(2 550 168)	(976.94)
Balance as at 31 December 2015	3 232	1.15

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11.5. Statement of Corporate Debit Card No.3 as at 31 December 2016 (Tashkent city)

	UZS	USD Equivalent
Balance as at 01 January 2016	-	-
Add:		
Transfers from UZS Current Account	3 544 000	1 184.39
Deduct:		
No movements during the year	(3 543 930)	(1 183.85)
FX Loss	-	(0.52)
Balance as at 31 December 2016	70	0.02

11.6. Statement of Corporate Debit Card No.4 as at 31 December 2016 (Tashkent city)

	UZS	USD Equivalent
Balance as at 01 January 2016	-	-
Add:		
Transfers from UZS Current Account	3 334 000	1 111.80
Deduct:		
Petrol expenses	(3 227 116)	(1 078.31)
FX Loss	-	(0.41)
Balance as at 31 December 2016	106 884	33.08

Note: The Project's above both Corporate Debit Cards were opened in FY 2016 only.

12 Statements of Treasury Account

Account No.: 23402000300100001010
Depository Bank: Treasury of the Ministry of Finance of the Republic of Uzbekistan
Address: 5, Mustaqillik Square, Treasury Management, Tashkent, Uzbekistan
Related Loan No.: 3025/3026 (SF) - UZB (ADB)
Currency: Uzbek Soums (UZS)

12.1 Statement of Treasury Account as at 31 December 2016

	UZS	USD Equivalent
Balance as at 01 January 2016	-	-
Add:		
Replenishments	77 312 410	26 075
Deduct:		
Single Social Payments (25% Salary related contributions)	(77 312 410)	(26 075)
Balance as at 31 December 2016	-	-

12.2 Statement of Treasury Account as at 31 December 2015

	UZS	USD Equivalent
Balance as at 01 January 2015	-	-
Add:		
Replenishments	79 834 234	30 839
Deduct:		
Single Social Payments (25% Salary related contributions)	(79 834 234)	(30 839)
Balance as at 31 December 2015	-	-

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Notes to Special-Purpose Financial Statements under IPSAS Cash Basis for the year ended 31 December 2016
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13 PMO Property Purchased with ADB Loan

Item	Motor Vehicle	Computers	Office furniture & Equipment	Other	TOTAL
Cost as at 01/01/2015	58 581	20 063	-	-	78 644
Acquisition					
PMO	-	-	1 237	-	1 237
PIU	-	-	7 310	-	7 310
Depreciation for the period					
PMO	(7 446)	(3 091)	(162)	-	(10 699)
PIU	(5 407)	(1 367)	(522)	-	(7 296)
Net book value as at 31/12/2015	45 728	15 605	7 863	-	69 196
Property after merging of several PIU under the one PMO					
Cost as at 01/01/2016	64 316	26 523	16 140	88	91 461
Acquisition					
PMO	-	-	-	-	-
PIU	-	-	348	-	348
Depreciation for the period					
PMO	(22 074)	(4 589)	(4 402)	(37)	(31 102)
PIU	-	-	-	-	-
Net book value as at 31/12/2016	42 242	21 934	12 086	51	76 313

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STATEMENT OF EXPENSES (INCLUDING RECONCILIATION) FOR THE YEAR ENDED 31 DECEMBER 2016

14 STATEMENT OF EXPENDITURE – LOAN ADB No.3026-UZB (SF)

W/A number	Category 3	Category 4	Category 5	Total Expenditure	Liquidated from Imprest account
00009	9 628.55	-	34 935.64	44 564.19	44 564.19
00021	-	4 065.00	99 512.15	103 577.15	103 577.15
00000*	1 458.09	1 984.69	-	3 442.78	-
00000*	8 176.41	-	-	8 176.41	-
00000*	-	-	44 471.18	44 471.18	-
Total	19 263.05	6 049.69	134 447.79	204 231.71	148 141.34

(*) Note: Expenditure made by Project for the period from 01.10.2016 to 31.12.2016 amounting to USD 56 090.37 but not claimed yet as of 31.12.2016.

Reconciliation of financing made through Special Account – ADB Loan No.3026-UZB (SF)

FY 2016

Expenditure per SOE	
Less: Expenditure per SOE liquidated by ADB for the period from 10.2015 to 31.12.2015	44 564.19
Less: Expenditure per SOE liquidated by ADB for the period from 30.11.2015 to 30.09.2016	103 577.15
Less: Expenditure per SOE not liquidated/reimbursed by ADB as at 31.12.2016	56 090.37
Total financing made through Imprest Account	204 231.71

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15 Direct Payments – ADB Loan #3025 –UZB

W/A number	Year	Expenditure Category			Total
		01 (Turnkey)	02 (Works)	04 (Works Claims in AS)	
00002	2016	-	312 288.48	-	312 288.48
00006	2016	-	123 567.66	-	123 567.66
TOTAL		-	435 856.14	-	435 856.14

16 Reimbursements – ADB Loan #3025 –UZB

W/A number	Year	Expenditure Category			Total
		01 (Turnkey)	02 (Works)	04 (Works Claims in AS)	
00004	2016	-	30 062.33	-	30 062.33
00005	2016	-	73 512.48	-	73 512.48
TOTAL		-	103 574.81	-	103 574.81

17 Direct Payments – ADB Loan #3026 – UZB (SF)

W/A number	Year	Expenditure Category			Total
		1 (Turnkey)	3 (Equipment)	4 (Consulting services)	
00011	2016	-	-	58 036.90	58 036.90
00012	2016	-	-	125 571.88	125 571.88
00013	2016	-	221 886.88	-	221 886.88
00015	2016	-	-	246 733.35	246 733.35
00016	2016	-	-	70 030.46	70 030.46
00017	2016	-	23 210.00	-	23 210.00
00019	2016	-	-	125 231.90	125 231.90
00020	2016	-	-	178 401.37	178 401.37
TOTAL		-	245 096.88	804 005.86	1 049 102.88

18 Reimbursements – ADB Loan #3026 – UZB (SF)

W/A number	Year	Expenditure Category			Total
		1 (Turnkey)	2 (Works)	3 (Equipment)	
00018	2016	-	-	52 232.01	52 232.01
TOTAL		-	-	52 232.01	52 232.01