

Audited Project Financial Statements

Project Number: 46124-001
Loan/Grant Number: 2995/0340
Period covered: 1 January 2014 to 31 December 2014

KGZ: CAREC Regional Improvement of Border Services Project

Prepared by the State Enterprise “Single Window Center” in the Foreign Arena under the Ministry of Economy, Kyrgyz Republic

For the Asian Development Bank
Date received by ADB: 30 June 2015

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"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Statement of Sources and Use of Funds

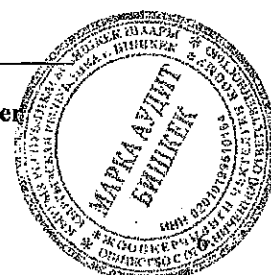
For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

	Note	2014	From 22 May 2013 to 31 December 2014
Opening balance		-	-
Sources of financing:			
ADB: Loan No.2995-KGZ		-	-
ADB: Grant No.0340 KGZ	5	299,765	299,765
Government of KR	5	31,468	31,468
Total financing		331,233	331,233
Other receipts		1,058	1,058
Interest income		1,058	1,058
		332,292	332,292
Project expenses:	6		
1.Development of the National Single Window (NSW - HEO)		220,437	220,437
<i>1A) Development of SingleWindow system (Goods)</i>			
ADB Loan No.2995-KGZ		-	-
ADB Grant No.0340 KGZ		-	-
Government of KR		-	-
<i>1B) Institutional and technical support of the Single Window (Consulting services)</i>		220,437	220,437
ADB Grant		198,393	198,393
Government of KR		22,044	22,044
2. Project management and supervision		64,587	64,587
2.A. Project management		48,011	48,011
ADB Grant No.0340 KGZ		40,720	40,720
Government of KR		7,291	7,291
2.B. Audit			
ADB Grant No.0340 KGZ			
2.C. Office equipment and miscellaneous expenses		16,576	16,576
ADB Grant No.0340 KGZ		14,553	14,553
Government of KR		2,023	2,023
Total Project expenses		285,024	285,024
Total ADB Loan No.2995-KGZ		-	-
Total ADB Grant No.0340 KGZ		253,666	253,666
Total Government of KR		31,358	31,358
Other expenses		137	137
Effect of exchange rate difference (loss)		110	110
		285,271	285,271
Closing balance, including:	4	47,021	47,021
ADB Grant		46,099	46,099
Other cash		922	922


U. Abdynasyrov
PIU Manager


A.S. Kurmanbekova
PIU Financial Manager



**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

1. Project Background

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (the "Project") is implemented in accordance with the Financing agreement (special operations), signed between the Government of the Kyrgyz Republic (GKR) and the Asian Development Bank (ADB) on 22 May 2013, which come in force on 12 July 2013 by the Kyrgyz Republic Law No.136 "On Ratification of the Agreement".

The objective of the Project is to achieve faster, more predictable, and cost efficient cross-border transport and trade activities in the CAREC countries.

The Project comprises the following:

- a) Improvement of the Karamyk border crossing point, including upgrade and outfitting of terminal facilities and passageways and sidewalks, and provision of communications, power, water supply and wastewater facilities;
- b) Establishment of a national single window facility in Kyrgyz Republic, including (i) development of single window system and trade portal software, certificate of origin and license track and trace systems; (ii) provision of single window backup system, regional center and trade portal hardware; (iii) operational assistance to the single window governance and working groups; (iv) business process analysis and re-engineering; (v) legal and regulatory framework review and proposal; (vi) stakeholder engagement and public awareness activities; and (vii) market study and research; and
- c) Project management support to the Implementing Agency including engineering and procurement support, and contract supervision.

The Project includes the provision of consulting services for preconstruction activities, Project management, ~~construction supervision, single window institutional and technical support and activities referred to in paragraph (c) above relating to Project management support to the Implementing Agency.~~

The Project is expected to be completed by 31 December 2017.

The budget of Loan No.2995-KGZ (SF) in SDR within the frameworks of the financing under the Financing Agreement was 2,748,000, or in USD equivalent – 4,202 thousand US dollars. As of 31.12.2014 the budget in SDR was recalculated at the rate of ADB for the Project and is 3,986 thousand US dollars. Total Project budget is 9,671 thousand US dollars, including the following:

	Total financing			Actually disbursed from the Project beginning	Balance of financing
	SDR	In USD	in %		
Asian Development Bank (Loan No.2995-KGZ (SF)	2,748,000	3,986,331	41	-	3,986,331
Asian Development Bank (Grant No.0340-KGZ (SF)		4,202,000	44	299,765	3,902,235
Government of the Kyrgyz Republic		1,483,000	15	31,468	1,451,532
Total		9,671,331	100	331,233	9,340,098

Loan budget in SDR is recalculated in USD at the rate of ADB as of 31.12.2014 – one SDR is equal to 1.45063 US dollar.

As it is stipulated in the Financing Agreement the following categories of eligible expenses can be paid from the ADB funds of financing:

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

On Loan No.2995-KGZ (SF):

Category	SDR	Allocation of amount, in USD	Percentage for withdrawing funds
1. Border crossing point improvement (Works)	1,531,000	2,220,914.53	100.0%
2. National single window development (Goods)	800,000	1,160,504.00	83.5%
3. Interest Charges	35,000	50,772.05	100.0%
4. Unallocated funds	382,000	554,140.66	100.0%
Total	2,748,000	3,986,331.24	

On Grant No. 0340-KGZ (SF):

According to the ADB letter of 17 December 2014 the budget items on Grant No.0340-KGZ (SF) were re-allocated as follows:

Category	Allocation of amount in USD according to the Financing Agreement	Re-allocated budget	Percentage for withdrawing funds
1. Development of NSW	2,210,000	2,225,929	
1A) <i>National single window development (Goods)</i>	242,000	242,000	16.50%
1B) <i>Single window institutional and technical support (Consulting Services)</i>	1,968,000	1,983,929	100%
2. Project management and supervision	1,408,000	1,408,000	
Including			
2a) Project implementation unit (Project management consultants)	1,256,000	1,256,000	
2b) Auditing	100,000	100,000	100%
2c) Office equipment and miscellaneous expenses	52,000	52,000	100%
3. Unallocated funds	584,000	568,071	100%
Total	4,202,000	4,202,000	

Sub-category 1A) Development of Unified window system (Goods) funds were allocated as follows: on Loan No.2995-KGZ at the rate of - 83.50%.; on Grant No.0340-KGZ (SF) – at the rate of -16.50%

The Government of the Kyrgyz Republic finances all the taxes and fees, charged in the territory of the Kyrgyz Republic, which will be recognized as co-financing funds of the Project.

The Ministry of Economy of the Kyrgyz Republic (MoEKR) is the Executing Agency of the Project.

The State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic (SE "Single Window Center") is the Implementing Agency of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, responsible for timely and efficient performance of works on the project as a whole.

**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

The Project Implementation Unit (PIU) is responsible for the Project day-to-day management and implementation.

As at the end of 2014, the number of the PIU personnel involved in the implementation of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) was 3 people, including the following:

1. PIU Manager – Abdynasyrov U.T.,
2. Financial Manager – Kurmanbekova A.S.,
3. Monitoring Specialist – Isakova S.A.

2. Accounting policy

2.1. Basis of preparation

These financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) "Cash Accounting Basis", the Asian Development Bank's requirements "Financial Management and Project Analysis" and relevant articles of the Financing Agreement (special operations) Loan No.2995-KGZ (SF)/Grant No.0340- KGZ (SF) of 22 May 2013.

The cash basis accounting recognizes transactions and events when cash is received or paid by the Project.

In accordance with this policy of accounting, all funds, regardless of their source, which are on the settlement account and which are reflected in the statements as received are considered to be income. Expenditures are the funds for payment for the works, goods and services and which are reflected in the statement as paid.

~~The accounting policy was consistently applied within the entire period.~~

Financing

Financing from the Asian Development Bank's funds is presented by the following procedures:

- Direct payment procedure – where the ADB pays directly to the specified Supplier;
- Current expenses fund procedure – the ADB makes advance payments from the loan account to the deposit, forming an account of current expenses, which is exclusively used for financing a share of ADB eligible expenses.

Financing through direct payments is recognized in case of approval of the transaction and the payment to a specified supplier from ADB;

Financing through reimbursement and procedures of fund of current expenses is recognized when money is actually received.

The amount of governmental financing is recognized as such and included in the financial statements if funds were transferred to the Project current account ("State Financing Account").

Other income and expenses

Income, received from interests, accrued on the cash balances in the local commercial banks and sales of tender documents are recognized as other receipts of the Project. Correspondingly, expenses of copying jobs of tender documents, advertizing expenses related to the tender procedure, and a tax deducted by the commercial bank for interest remuneration in accordance with the tax legislation of the Kyrgyz Republic are recognized as other expenses.

**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014
(Amounts in Tables are shown in US dollars)

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

Expenses

The Project expenses are recognized as they are and are included into the financial reporting, if payments for goods, works and/or services are made.

Functional and presentation currency

The national currency of the Kyrgyz Republic is Kyrgyz Som (KGS). The presentation currency is the US Dollar (USD).

For the purpose of preparation of the financial reporting in USD, the expenses denominated in KGS are translated in US dollars at the actual exchange rate of the "Optima Bank" Bishkek Central Branch OJSC.

The balance of funds on a settlement account denominated in the national currency is converted into USD at the exchange rate of the NBKR as of the date of financial statements. As of 31 December 2014 the exchange rate was 58.8865 KGS per 1 USD.

Any gains or losses from assets or liabilities, expressed in foreign currencies, arising due to change of official exchange rate are recognized as income or loss from the exchange rate and presented on the net basis in the Statement of Sources and Uses of Funds.

2.2. Internal Control System

Project prognosis

- Actual implementation of the Project plan is controlled quarterly by submitting reports to the ADB;
- For efficient functioning of the process, the information on operating outcomes is timely analyzed.

Use of accounting software

The Projects Implementation Unit uses the automated accounting software "1C: "Accounting", which forms the necessary accounting books: a cashbook, a Special bank account in USD and a transit account in KGS, as well as interest accounts, bank accounts for the Kyrgyz Republic Government share of proceeds.

The access to the accounting software is restricted by the Financial Manager. The financial manager has its individual password to obtain the access to the system. The Finance Manager has a full package of access rights, i.e. data input, review and adjustment and confirmation of processed transactions as well as control over deleting data.

Cash

- Bank accounts reconciliations. The balances on accounts in accordance with the accounting records are reconciled with the bank statements on a monthly basis.
- The loan and grant accounts are regularly verified based on the ADB statements.

Procurement and uses of funds

Used funds are recorded on appropriate accounts and only for the permitted purposes and according to the Project budget lines.

All expenses are approved by the PIU Manager in accordance with contracts, invoices and receipts.

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

The expenses in the accounting records are based on the following supporting documents:

- Invoice with the payment orders;
- Receipt to a credit slip about payment;
- Check for goods bearing a stamp "paid in cash";
- Cash check (when the amount is approved by the Project Manager).

Salary

- The Administrative assistant/translator maintains records of working hours, while the PIU Manager approves the timesheets.
- Accounting records are stored in separate files with an established right of access.

3. Taxation

The Financing Agreement does not contain exceptions on the tax payment. The VAT, paid to the supplier for goods and services, is included in the cost of purchase and correspondingly in Project expenditures.

The Project withholds and pays the individual income tax and insurance contributions to the Social Fund of the Kyrgyz Republic charged from personnel's emoluments, (which are recognized as income of local hired employees). Salaries were paid to the staff less the tax and social insurance contributions.

The Project charged insurance contributions from the Employer at the rate of 17.25% and paid them to the Social Fund of the Kyrgyz Republic from the co-financing share provided by GKR.

4. Cash

According to the Financing Agreement, in order to make payments of loan and grant funds for efficient financing of costs, necessary for the Project implementation, the PIU used the following special accounts opened with the "Optima Bank" Bishkek Central Branch OJSC:

- ADB Special account (Grant No. 0340-KGZ (SF)) in USD No.1091828235571658. The account is used to cover the Project's expenses, at the expenses of the Grant funds.

With "RSK Bank" Bishkek Branch OJSC is opened:

- Special account of financing No.1290524131820087 by the Government of the Kyrgyz Republic in KGS. The account of state financing is used to cover expenses financed by the Government of the Kyrgyz Republic.

	31 December 2014		31 December 2013	
	KGS	USD	KGS	USD
ADB funds:				
Special account – Grant No.0340-KGZ (SF)		46,099		-
Other Project cash:				
Interest account (No.1091828235571860 with Bishkek Central Branch "OPTIMA BANK" OJSC)		921		-
Interest account (No.1091828235571860 with Bishkek Central Branch "OPTIMA BANK" OJSC)	70	1	-	-
Total Project funds		47,021		

Cash flows on accounts of the Project (ADB accounts and accounts of Government KR) are presented below:

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

For the reporting period	Special account of Loan	Special account of Grant	GKR account		Total Project's funds
	No.2995 - KGZ (SF)	No.0340 - KGZ (SF)	KGS equivalent		
	USD	USD		USD	USD
Opening balance	-	-	-	-	-
Receipts					
Advance	-	65,000			65,000
Replenishment of account	-	36,372	1,763,620	31,468	67,840
Total receipts	-	101,372	1,763,620	31,468	132,840
Retirement	-	(55,273)	1,763,620	(31,358)	(86,631)
Income/loss from exchange rate difference	-		-	(110)	(110)
Closing balance	-	46,099	-	-	46,099

Replenishment of the special account of ADB Grant No.0340-KGZ (SF):

Payment date	Amount
05.03.14	65,000
18.12.14	36,372
	101,372

Use of funds from special accounts (Statement of Expenditure (SOE)) Grant No.0340-KGZ (SF):

Application number	Payment period	Amount
G 0002	05.03.2014-30.05.2014	15,974
G 0003	31.05.2014-31.10.2014	20,398
G 0005	01.11.2014-31.12.2014	18,901
Total on Grant:		55,273

5. Financing

	2014	From the Project beginning
ADB: Loan No.2995-KGZ (SF)	-	-
ADB: Grant No.0340-KGZ (SF)	299,765	299,765
Advance	65,000	65,000
Special account replenishment	36,372	36,372
Direct payment	198,393	198,393
Government of the Kyrgyz Republic	31,468	31,468
Replenishment of the current account	33,049	33,049
Return of balance	(1,581)	(1,581)
Total Project financing	331,233	331,233

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014
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6. Expenses

The Project expenses are as follows:

	Category	Loan No 2995	Grant No.0340	Total ADB	GKR Grant	GKR Loan	Total GKR	Total expenses
Development of NSW	1		198,393	198,393	22,044		22,044	220,437
Including:								
Single window system development (Goods)	1a	-	-	-	-	-	-	-
Single window institutional and technical support (Consulting Services)	16	-	198,393	198,393	22,044	-	22,044	220,437
Project Management and Supervision	2		55,273	55,273	9,314	-	9,314	64,587
Including:								
Project management	2a	-	40,720	40,720	7,291	-	7,291	48,011
Auditing	26	-	-	-	-	-	-	-
Office equipment and miscellaneous expenses	2c	-	14,553	14,553	2,023	-	2,023	16,576
Total Project expenses		-	253,666	253,666	31,358	-	31,358	285,024

Within the frameworks of item 1B *Single window institutional and technical support (Consulting Services)* to render institutional and technical support – SE SWC, at implementing the Project a contract in the amount of 2,204,365.55 USD was concluded between the State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic" and Crown Agents Limited Company of 10 November 2014.

7. Project Budget Execution

The Project budget execution on ADB Grant No. 0340- KGZ (SF) since the beginning of implementation made by categories:

Item	Category	Used funds		Project's total budget	Available Project funds (budget-actually)	
		USD	%	USD	USD	%
Development of NSW	1	198,393	8.9	2 225,929	2,027,536	91.1
Including:						
NSW development system (goods)	1a	-	-	242,000	242 000	100
Institutional and technical support of NSW system	16	198,393	10	1,983,929	1,785,536	90

"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)

Notes to the Financial Statements

For the period from 22 May 2013 to 31 December 2014

(Amounts in Tables are shown in US dollars)

Item	Category	Used funds		Project's	Available Project funds	
		USD	%	total budget	(budget-actually)	
				USD	USD	%
(Consulting services)						
Project management and supervision	2	55,273	4	1,408,000	1,352,727	96
including:						
Project management	2a	40,720	3	1,256,000	1,215,280	97
Auditing	2b			100,000	100,000	100
Office equipment and miscellaneous expenses	2c	14,553	28	52,000	37,447	72
Unallocated amount	3	-	-	568,071	568,071	100
Total		253,666	6	4,202,000	3,948,334	94

8 Liabilities

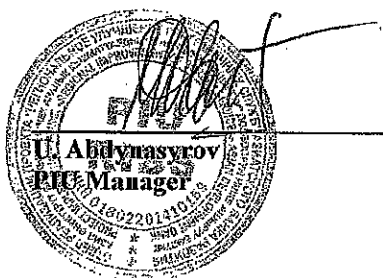
As of 31 December 2014 the Project has got the following liabilities on issued invoices (deducted guarantee amount at the rate of 5% on construction works in compliance with the contractual conditions):

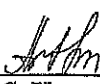
Contractor	Category	Period of works performed	Invoice		Unpaid liabilities on invoices
			number	date	
09.10.2014					
"Gigacom" LLC	2c	30.10.2014	197058	31.10.2014	78.18
Including:					
ADB grant					10.36
GKR funds					67.82

9. Events after the reporting date

On 26.03.2015 it was submitted an application No. G 0005 to ADB on Grant No.0340 KGZ (SF) to reimburse the used funds for the period from 01.11.2014 to 12.03.2015 in the amount of USD 25,740, including on reimbursement of used funds for 2014 in the amount of USD 18,901.

After the date of approval of the financial statements no events happened, which could affect the amounts shown in the financial statements.




A.S. Kurmanbekova
PTU Financial Manager

