

# Audited Project Financial Statements

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Project Number: 46124-001  
Loan/Grant Number: 2995/0340  
Period covered: 1 January 2016 to 31 December 2016

## 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: 23 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 State Enterprise "Single Window Center", Kyrgyz Republic.

ГОСУДАРСТВЕННОЕ  
ПРЕДПРИЯТИЕ  
"ЦЕНТР "ЕДИНОГО ОКНА" В  
СФЕРЕ ВНЕШНЕЙ ТОРГОВЛИ" ПРИ  
МИНИСТЕРСТВЕ ЭКОНОМИКИ  
КЫРГЫЗСКОЙ РЕСПУБЛИКИ



ОТДЕЛ РЕАЛИЗАЦИИ ПРОЕКТА  
АЗИАТСКОГО БАНКА РАЗВИТИЯ  
«РЕГИОНАЛЬНОЕ УЛУЧШЕНИЕ  
ПРИГРАНИЧНЫХ СЛУЖБ»

**Project Implementation Unit  
Regional Improvement of Border Services**

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№ 01-5/226

22 June 2017

To: Mr. Oleg Samukhin  
Transport Specialist  
Central and West Asia Department  
Asian Development Bank

cc: Maria Paniagua  
Senior Portfolio Management Specialist  
Kyrgyz Republic Resident Mission  
Asian Development Bank

**Subject: Loan 2995-KGZ (SF), Grant 0340-KGZ: Regional Improvement of Border Services Project. Auditing Report**

Dear Mr. Oleg Samukhin,

Hereby we are sending the independent auditors report for the period from 01 January 2016 to 31 December 2016 and Management letter.

Sincerely Yours,

U. Abdynasyrov  
PIU Manager



*Auditing & Consulting Company*

**MARKA  AUDIT**  
**BISHKEK**

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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)**

**MANAGEMENT LETTER  
ON THE AUDIT FOR THE PERIOD  
FROM 01 JANUARY 2016 TO 31 DECEMBER 2016**

**State Enterprise "Single Window Center" in the Foreign Arena  
under the Ministry of Economy of the Kyrgyz Republic**

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

**Dear Sirs,**

In accordance with our contract, on 19 June 2017 we have audited the accompanying financial reporting of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (the 'Project'), implemented by the State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic (SE "Single Window Centre") together with the Project Implementation Unit (PIU) (together 'Organization'), for the period from 1 January 2016 to 31 December 2016, implemented in accordance with the Financing Agreement of Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) concluded on 22 May 2013 signed between the Kyrgyz Republic and Asian Development Bank (ADB), which came in force on 12 July 2013 by the Kyrgyz Republic Law No.136 "On Ratification of the Agreement".

In accordance with the terms of reference (statement of work), attached to the contract on auditing, hereby we present this Letter in addition to the auditor's report with regard to the financial statements of the Project provided by you.

The letter includes comments and observations on accounting records, systems and controls and it also includes the aspects affecting the project implementation which were reviewed during the audit.

***Independence of the Project team members***

The audit was performed in accordance with:

- The term of reference (statement of work), which is an integral part of the contract on audit services;
- International Standard on Auditing 800 (Revised) "Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks" of the International Federation of Accountants (IFA);
- International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

We conducted our audit in accordance with International Standards on Auditing (ISAs), which require the compliance with relevant ethical and independence requirements. In appointing project team members to audit the Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF), Central Asia Regional Economic Cooperation Regional Improvement of Border Services Project's financial statements, we obtained assurance that the project team complies with all relevant ethical and independence requirements, which enabled us to accomplish our objectives on the equity and impartiality basis.

***Overall Audit Strategy***

The audit of the Project's financial statements represents an expression of reasonable assurance with regard to a fair presentation of financial statements.

The audit was performed based on the sample basis in a scope of submitted source accounting documents and in accordance with the approved audit program. In order to obtain a possibility to express a reasonable assurance we have planned and performed the audit so as to reduce the audit risk to the acceptable low level. For this purpose we have studied the Project and its environment, including the internal control, based on which we have revealed and assessed inherent risks of material misstatements with regard to which the appropriate procedures were performed.



## *Management Letter*

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

Planning of our audit allows us to appoint necessary resources and terms for carrying out our auditing procedures. There were no any discrepancies between the appointed resources and audit terms.

The objective of this audit included as follows:

- (a) expression of an Auditor's opinion on whether all the Project sources and expenditures stated by the Organization in the financial reporting, which comprise the Statement of Sources and Use of Funds were actually made ('efficacy'), are correct ('accuracy') and are eligible;
- (b) as for the statements of disbursed funds, to review the supporting source documentation verifies the withdrawal applications forwarded to the Asian Development Bank for reimbursement of expenditures;
- (c) the cash flows statement of special account, as well as supporting documents and information, provided with the statement, can be truly relied on application for replenishment in compliance with the requirements stipulated by the Financing Agreement;
- (d) the appropriate supporting documents and reports on the Project are properly kept and there is clear correlation between the accounting data and the reports presented to the Asian Development Bank;
- (e) the internal control system includes all corresponding policies and procedures adopted by the Organization in order to support proper implementation of the Project tasks that means ordered and effective performance including safety of assets, prevention and reveal of facts of fraud and errors, as well as timely preparation of financial statements;
- (f) measures are taken to ensure the Project's assets integrity.

The 'eligibility' means that the funds provided as the loan and the grant, were spent in accordance with the conditions of the Financing Agreement with due attention to economy and efficiency and only for the purposes of the Project activities financing.

## *Accounting Policy*

The responsibility for selection and application of respective accounting principles rests with the Implementing Agency. In our opinion, the accounting principles selected by the Project are adequate to Project's activities. The Project's significant accounting principles are presented in Note 2 to the financial statements.

We have also noted that during the specified period, the Project did not carry out any operations where one can observe lack of regulatory norms in accounting. Besides, it should be noted that the financial statements do not contain circumstances and events related to a different period.

## *Audit Adjustments*

The International Standards on Auditing require from us to accumulate all certain and possible adjustments, revealed while performing the audit procedures, except for insignificant adjustments and adjustments about which it was informed to the authorities of appropriate level. All the recommendations proposed by the auditors have been included in the Financial Statements.

## *Financial information on the Project expenditures*

The total amount of expenditures, which is the subject of this audit, made up 1,533,876 USD. The expense coverage ratio made up 75%. This ratio represents the total amount of expenditures audited by us, expressed in percentage of the total amount of expenditures, which was the subject of the audit.

## *Material Uncertainty*

In accordance with the professional standards, we have tested the capability of the Project to continue its activities in the foreseeable future (on-going concern). We have not stated any material events or conditions able to significantly reduce the Project's activities or able to provoke doubt in the Project's capability to perform its activities in the foreseeable future. As it is stated in Note 1 to the financial reporting the date of credit line closing is on 31 December 2017 in accordance with the Financing Agreement.

*Management Letter*

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

*Disagreements with the Management*

We have met fruitful collaboration on the part of the management and the staff during our auditing. To get better understanding we had full access to the documents which were necessary during auditing. We did not have any disagreements with the management.

*Significant internal control weaknesses*

For the purpose of assessment the risk of material distortions in the financial statements in the reporting period, we have tested the internal control system of the Project. Observations on the internal control system were not identified.

*Presentations of the Management*

While auditing we have requested presentations from the management with regard to different issues related to the financial reporting. Such presentations are contained in a letter of presentation received from the management of the Organization.

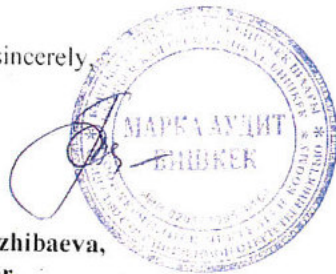
This Letter has been prepared exclusively for the purposes specified in the aforesaid objectives and solely for confidential use by the Organization, and solely for the purpose of its submission to the ABD for consideration in accordance with the requirements stipulated by the Project Financing Agreement. This Letter should not be used by the Organization and the ADB for any other purposes, and may not be distributed to any third parties.

This Letter has been prepared only based on the Project Financial Statements, stated in paragraph "Overall Audit Strategy" hereof, and does not apply to any other Organization's financial statements.

In conclusion, we would like to express our appreciation to the management and staff members of the Project for their support and assistance rendered in the process of our audit.

If you would like to discuss any issues highlighted in this letter in more detail, please do not hesitate to contact us.

Yours sincerely



**S.S. Tazhibaeva,  
Director,  
Marka Audit Bishkek Ltd.**

Originated by:  
A.T. Tilemishov  
Tel.: 32 05 68

**“CENTRAL ASIA REGIONAL ECONOMIC COOPERATION REGIONAL  
IMPROVEMENT OF BORDER SERVICES” PROJECT  
LOAN No.2995-KGZ (SF) / GRANT No.0340-KGZ (SF)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR’S REPORT  
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016**

Bishkek 2017

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**INDEPENDENT AUDITOR'S REPORT**  
**By Marka Audit Bishkek LLC**  
**on the financial statement**  
**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services"**  
**Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**  
**For the period from 1 January 2016 to 31 December 2016**

Asian Development Bank

State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic

**Report on the Project's Financial Statement**

*Opinion*

We have audited the accompanying financial reporting of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (hereinafter referred to as the 'Project'), implemented by the State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic ("Implementing Agency") with the Project Implementation Unit (together 'Organization'), and financed by the Asian Development Bank under the Financing Agreement, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) of 22 May 2013 ("Agreement") and co-financing of the Government of the Kyrgyz Republic, including the Statement of Sources and Use of Funds for the period from 1 January 2016 to 31 December 2016, and a summary of significant accounting policies and other explanatory notes.

*In our opinion,*

the accompanying financial statements and notes to them, in all material respects, give a true and fair view of the receipts and expenditure of funds of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) ('Project') for the period from 1 January 2016 to 31 December 2016 in accordance with International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, the guidelines of the Asian Development Bank and the relevant articles of the Financing Agreement:

Besides:

- a) All the provided funds, in all material respects, were used in accordance with the requirements of the Agreement, with due attention to the economy and efficiency, and only for the purposes for which the funds were intended;
- b) The goods and services were purchased and provided in accordance with the requirements of the Financing Agreement Loan No.2995-KGZ (SF) and Grant No. 0340-KGZ (SF), dated 22 May 2013, including specific norms of the procurement handbook issued by the Asian Development Bank;
- c) With respect to Statements of Expenditures, adequate supporting documentation has been maintained to support applications to the Asian Development Bank for reimbursement of expenditures incurred;
- d) The Special Account cash flows, as well as the supporting documents and information presented therewith, are truly substantiated with replenishment applications in accordance with the requirements of the Agreement;
- e) As it is stated in the Note 2.2, the internal control system comprises the entire policy and procedures adopted by the Project management for assistance in implementation of the Project's aims, stipulating well-ordered and efficient execution of the Project, including safeguarding measures for assets, prevention and identification of frauds and errors, accuracy and completeness of accounting records, as well as timely preparation of the Project's financial statements.

*Basis of accounting*

Without qualifying our opinion, we draw your attention to the Note 2 to the financial statements, describing the basis for accounting. These financial statements have been prepared for the purpose providing the

assistance to the management of the Organization to comply with the ADB and KR Government requirements. Therefore, these financial statements may not be suitable for another purpose.

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements of the Project***

Management of the Organization is responsible for the preparation and fair presentation of the Project financial statements in accordance with conditions of the Loan Agreement No.299-KGZ (SF) / Grant No.0340-KGZ (SF) of 22 May 20013 and in accordance with the International Public Sector Accounting Standards (cash accounting basis) as described in Note 2. The responsibility it includes the following: the method of accounting based on the receipts and payments of cash, provision and maintenance of such internal control system that is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's responsibility for the audit of the financial reporting***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of 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 financial statements.

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

- ✓ Identify and assess the risk of material misstatement of 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 management;
- ✓ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern;

- ✓ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ✓ Obtain findings and other relevant auditor's evidences regarding financial information of the enterprise or business activities inside of the Project to express our opinion regarding financial statements. We are responsible for direction, supervision and fulfillment of an audit. We are solely responsible for our auditor's report.

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.

**MARKA AUDIT BISHKEK LTD.**

*License No.0018 (GC) dated 06 September 2004 issued by the State Committee under the Government of the Kyrgyz Republic on the Financial Statements and Audit Standards;  
Registration certificate No.4850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated 20 March 2008;  
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The Kyrgyz Republic, Telephone/fax: (312) 32-05-75  
E-mail office@marka-audit.ktnet.kg*

**S.S. Tazhibayeva, Director**

*Qualified Auditor Certificate Series A No.0041 of 11.03.2008,  
registration number № 00136*

**A.T. Tilemishov, Leading Specialist**

*Qualified Auditor Certificate No.0042 of 11.03.2008  
CAP – Certificate No.0007812 of 15.12.2007*

19 June 2017



**MANAGEMENT'S STATEMENT ON RESPONSIBILITY  
FOR PREPARATION AND APPROVAL OF THE PROJECT'S FINANCIAL  
STATEMENTS**

The statement below, which should be considered together with the description of responsibilities of independent auditors, accompanied the report of independent auditors, is made with the purpose to distinguish the responsibilities of auditors and the management of the State Enterprise "Single Window Center" in the Foreign Arena under the Ministry of Economy of the Kyrgyz Republic (the "Implementing Agency") in regard to the financial statement of "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) (the "Project"). The management of the Implementing Agency is responsible for the preparation of the financial statements of the Project financed by the Asian Development Bank's Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) that presents fairly, in all material respects, the sources and uses of the Project funds for the period from 1 January 2016 to 31 December 2016, in accordance with the International Public Sector Accounting Standards (IPSAS – cash basis accounting) and requirements of the Asian Development Bank.

When preparing the Project's financial statements, the Management of the Implementing Agency is responsible for:


- selecting appropriate accounting principles and using those consistently;
- application of reasonable estimations and calculations;
- compliance with the Asian Development Bank's requirements and disclosure of all material discrepancies from the specified standards in comments to the financial statements.

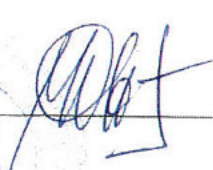
The management of the Implementing Agency is also responsible for:

- development, implementation and provision of effective and safe internal control system in the Project;
- maintenance of accounting system that permits to provide information on financial status of the Project with a specified degree of accuracy at any given time and assure financial statements compliance with requirements of the Asian Development Bank;
- taking measures for ensuring the Project's assets integrity within the terms of its reference;
- detection and prevention of fraud and other misuses.

These financial statements of the "Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF) for the period from 1 January 2016 to 31 December 2016 were approved by the management of the Implementing Agency on 15 May 2017.

For and on behalf of the Management of the Implementing Agency:

  
\_\_\_\_\_  
**A. Usenbaev,**  
**Director General**  
**SE "Single Window Center" in the Foreign Arena ME KR**

  
\_\_\_\_\_  
**U. Abdynasyrov**  
**PIU Manager**

19 June 2017



**"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 1 January 2016 to 31 December 2016

(Amounts in Tables are shown in US dollars)

	Note	2016	From the Project beginning	2015	From the Project beginning
<b>Opening balance, including:</b>		<b>43,443</b>		<b>47,021</b>	
ADB Grant		41,664		46,099	
Other cash assets		1,779		922	
<b>Sources of financing:</b>					
ADB: Loan No.2995-KGZ		337,888	337,888		
ADB: Grant No.0340 KGZ	5	1,018,492	2,104,620	786,363	1,086,128
Government of KR	5	166,220	297,640	99,952	131,420
<b>Total financing</b>		<b>1,522,600</b>	<b>2,740,148</b>	<b>886,315</b>	<b>1,217,548</b>
<b>Other receipts</b>		<b>1,713</b>	<b>3,849</b>	<b>1,078</b>	<b>2,137</b>
Interest income		699	2,835	1,078	2,137
Tender accounts		1,014	1,014		
<b>Total</b>		<b>1,524,312</b>	<b>2,743,997</b>	<b>887,393</b>	<b>1,219,685</b>
<b>Project expenses:</b>	6				
<b>1. Development of the National Single Window (NSW - HEO)</b>		<b>742,199</b>	<b>1,587,667</b>	<b>625,031</b>	<b>845,468</b>
1A) Development of Single Window system ( Goods)					
ADB: Loan No.2995-KGZ					
ADB: Grant No.0340 KGZ					
Government of KR					
1B) Institutional and technical support of the Single Window (Consulting services)		742,199	1,587,667	625,031	845,468
ADB: Grant		667,973	1,428,719	562,353	760,746
Government of KR		74,226	158,948	62,678	84,722
<b>2. Project management and supervision</b>		<b>413,516</b>	<b>741,067</b>	<b>262,963</b>	<b>327,550</b>
2.A. Project management		340,933	640,513	251,569	299,580
ADB Grant No.0340 KGZ		295,727	554,487	218,040	258,760
Government of KR		45,207	86,027	33,529	40,820
2.B. Audit		6,723	13,195	6,472	6,472
ADB Grant No.0340 KGZ		5,897	11,574	5,677	5,677
Government of KR		826	1,621	795	795
2.C. Office equipment and other expenses		65,860	87,359	4,922	21,498
ADB Grant No.0340 KGZ		59,273	78,554	4,728	19,281
Government of KR		6,588	8,805	194	2,217
<b>3. Construction works</b>		<b>378,160</b>	<b>378,160</b>	-	-
Construction works on Karmic PPG (border crossing point)		378,160	378,160		
ADB: Loan No.2995-KGZ		337,888	337,888		
Government of KR		40,273	40,273		



**"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 1 January 2016 to 31 December 2016

(Amounts in Tables are shown in US dollars)

	Note	2016	From the Project beginning	2015	From the Project beginning
<b>Total Project expenses</b>		<b>1,533,876</b>	<b>2,706,895</b>	<b>887,994</b>	<b>1,173,018</b>
<i>Total ADB Loan No.2995-KGZ</i>		337,888	337,888	-	-
<i>Total ADB Grant No.0340-KGZ</i>		1,028,870	2,073,334	790,798	1,044,464
<i>Total Government of KR</i>		167,119	295,673	97,196	128,554
<b>Other expenses</b>		<b>124</b>	<b>482</b>	<b>221</b>	<b>358</b>
<b>Effect of exchange rate difference (loss)</b>		<b>(899)</b>	<b>1,967</b>	<b>2,756</b>	<b>2,866</b>
				<b>890,971</b>	<b>1,176,242</b>
<b>Closing balance, including:</b>	<b>4</b>	<b>34,654</b>	<b>34,654</b>	<b>43,443</b>	<b>43,443</b>
<i>ADB Grant</i>		31,286	31,286	41,664	41,664
<i>Other cash</i>		3,368	3,368	1,779	1,779

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)**

**Statement of Sources and Use of Funds**

For the period from 1 January 2016 to 31 December 2016

(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;
- 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 physically completed by 31 December 2017.

The Project implementation completion date is 30 June 2018.

The budget of Loan No.2995-KGZ (SF) in SDR within the frameworks of the financing under the Financing Agreement was 2,748,000. Grant No.0340-KGZ (SF) was 4,202 thousand US dollars. As of 31.12.2016 the budget in SDR was recalculated at the rate of ADB for the Project and is 3,683 thousand US dollars. Total Project budget is 9,367,787 thousand US dollars, including the following:

	Total financing			Total financing	Balance of financing
	SDR	In USD	in %		
Asian Development Bank (Loan No.2995-KGZ (SF)	2,748,000	3,682,787	39.3	337,888	3,344,899
Asian Development Bank (Grant No.0340-KGZ (SF)		4,202,000	44.9	2,104,620	2,097,380
Government of the Kyrgyz Republic		1,483,000	15.8	297,640	1,185,360
<b>Total</b>		<b>9,367,787</b>	<b>100.0</b>	<b>2,740,148</b>	<b>6,627,639</b>

*Loan budget in SDR is recalculated in USD at the rate of ADB for the Project as of 31.12.2016 – one SDR is equal to 1.340170 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)**

**Statement of Sources and Use of Funds**

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(Amounts in Tables are shown in US dollars)

**On Loan No.2995-KGZ (SF):**

Category	SDR	Allocation of the amount in USD	Percentage of withdrawing funds
1. Border crossing point improvement (Works)	1,531,000	2,051,800	100.0
2. National single window development (Goods)	800,000	1,072,136	83.5
3. Interest Charges	35,000	46,906	100.0
4. Unallocated funds	382,000	511,945	100.0
<b>Total</b>	<b>2,748,000</b>	<b>3,682,787</b>	

**On Grant No. 0340-KGZ (SF):**

According to the ADB letters 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
<b>1. Development of NSW</b>	<b>2,210,000</b>	<b>2,225,929</b>	
1A) National single window development (Goods)	242,000	242,000	16.50
1B) Single window institutional and technical support (Consulting Services)	1,968,000	1,983,929	100
<b>2. Project management and supervision</b>	<b>1,408,000</b>	<b>1,501,000</b>	
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	145,000	100
<b>3. Unallocated funds</b>	<b>584,000</b>	<b>475,071</b>	<b>100</b>
<b>Total</b>	<b>4,202,000</b>	<b>4,202,000</b>	

Sub-category 1A) Development of Single 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.



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

At the end of the year 2016, 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 7 people (at the end of 2015 – 5 employees), including the following:

1. PIU Manager – Abdynasyrov U.T.,
2. Financial Manager – Kurmanbekova A.S.,
3. Monitoring Specialist – Isakova S.A.,
4. Office manager/Translator – Nasirova G.T.,
5. Chief Procurement – Ryskeldiev E.
6. Driver – Jumabaev S.B.
7. BCP construction specialist – Djeenbayev B.T.

## **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.

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 a 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.

At the Project it is applied a procedure of Statement of Expenditure (SOE) with a ceiling of 20,000 USD – on reimbursement or repayment and/or replenishment of current expenditure fund within the framework of the procedure.

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").

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(Amounts in Tables are shown in US dollars)

***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, advertising 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.

Other income and other expenses on similar types of activities (tender documents and banking 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 is presented below:

	As of 31 December 2016	As of 31 December 2015
Som for 1 US dollar	69.2301	75.8993

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 difference and presented on the net basis in the Statement of Sources and Uses of Funds.

***2.2. Internal Control System***

***Project plan***

- 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.

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**Statement of Sources and Use of Funds**

For the period from 1 January 2016 to 31 December 2016

(Amounts in Tables are shown in US dollars)

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**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.

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 payroll tax and insurance contributions to the Social Fund of the Kyrgyz Republic charged from personnel's emoluments, (which are recognized as income of hired local employees). Salaries are being 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.

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 (Amounts in Tables are shown in US dollars)

	31 December 2016		31 December 2015	
	KGS	USD	KGS	USD
<b>ADB funds:</b>				
Special account – Grant No.0340-KGZ (SF)		31,286		41,664
<b>Other Project cash:</b>				
Interest account (No.1091828235571860 with Bishkek Central Branch "OPTIMA BANK" OJSC)		2,352		1,777
Interest account (No.1091828235571860 with Bishkek Central Branch "OPTIMA BANK" OJSC)	141	2	130	2
Tender account No.1091828235572062 with Bishkek Central Branch "OPTIMA BANK" OJSC,		300		
Tender account No.1091828235572062 with Bishkek Central Branch "OPTIMA BANK" OJSC	49,400	714		
<b>Total Project funds</b>		<b>34,654</b>		<b>43,443</b>

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

**For 2016**

For the reporting period	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance	41,664	-	1,779	43,443
Receipts	-	-	-	-
Advance	-	-	-	-
Replenishment of account	89,681	166,220	1,713	257,614
<b>Total receipts</b>	<b>89,681</b>	<b>166,220</b>	<b>1,713</b>	<b>257,614</b>
Retirements	(100,058)	(167,119)	(124)	(267,301)
Income/loss from exchange rate difference	-	899	-	899
<b>Closing balance</b>	<b>31,286</b>	<b>-</b>	<b>3,368</b>	<b>34,654</b>

**For 2015:**

For the reporting period	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance	46,099	-	922	47,021
Receipts	-	-	-	-
Replenishment of account	56,290	99,952	1,078	157,320
<b>Total receipts</b>	<b>56,290</b>	<b>99,952</b>	<b>1,078</b>	<b>157,320</b>
Retirements	(60,725)	(97,196)	(221)	(158,142)
Income/loss from exchange rate difference	-	(2,756)	-	(2,756)
<b>Closing balance</b>	<b>41,664</b>	<b>-</b>	<b>1,779</b>	<b>43,443</b>



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**Statement of Sources and Use of Funds**

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(Amounts in Tables are shown in US dollars)

**From the Project implementation beginning:**

For the reporting period	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance				
Receipts				
Advance	65,000			65,000
Replenishment of account	182,343	297,640	3,849	483,832
<b>Total receipts</b>	<b>247,343</b>	<b>297,640</b>	<b>3,849</b>	<b>548,832</b>
Retirements	(216,057)	(295,674)	(482)	(512,213)
Income/loss from exchange rate difference		(1,966)	1	(1,966)
<b>Closing balance</b>	<b>31,286</b>	<b>-</b>	<b>3,368</b>	<b>34,654</b>

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

Payment date	Amount
05.03.2014	65,000
16.07.2014	15,974
18.12.2014	20,398
<b>2014</b>	<b>101,372</b>
27.04.2015	25,740
26.11.2015	30,550
<b>2015</b>	<b>56,290</b>
	<b>157,662</b>
10.06.2016	34,165
16.09.2016	31,760
21.12.2016	23,755
<b>2016</b>	<b>89,681</b>
<b>Total</b>	<b>247,343</b>

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
		<b>55,273</b>
G 0005	01.01.2015-12.03.2015	6,838
G 0015	13.03.2015-15.10.2015	30,551
G 0025	16.10.2015-31.12.2015	23,336
		<b>60,725</b>
G 0025	01.01.2016-29.02.2016	10,829
G 0032	01.03.2016-30.06.2016	31,760
G 0035	01.07.2016-30.09.2016	23,755
G 0040	01.10.2016-31.12.2016	33,714
		<b>100,058</b>
<b>Total on Grant:</b>		<b>216,056</b>

**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project**  
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(Amounts in Tables are shown in US dollars)

**5. Financing**

	2016	2015	From the Project beginning
<b>ADB: Loan No.2995-KGZ (SF)</b>	<b>337,888</b>	<b>-</b>	<b>337,888</b>
Direct payments	337,888		337,888
<b>ADB: Grant No.0340-KGZ (SF)</b>	<b>1,018,492</b>	<b>786,363</b>	<b>2,104,620</b>
Advance	-	-	65,000
Special account replenishment	89,681	56,290	182,343
Direct payment	928,811	730,073	1,857,277
<b>Government of the Kyrgyz Republic</b>	<b>166,220</b>	<b>99,952</b>	<b>297,640</b>
Replenishment of the current account	166,220	99,952	299,221
Return of balance			(1,581)
<b>Total Project financing</b>	<b>1,522,600</b>	<b>886,315</b>	<b>2,740,148</b>

**6. Expenses**

The Project expenses for 2016:

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Category	Loan No.2995- KGZ	Grant No.0340	Total ADB	GKR Loan No.2995- KGZ	GKR Grant	Total GKR	Other expenses	Total expenses
<b>Grant No.0340 KGZ</b>		1,028,870	1,028,870	-	126,846	126,846		1,155,716
<b>Development of NSW</b>	1	667,973	667,973		74,226	74,226		742,199
Including:								
<i>Single window system development (Goods)</i>	1a							-
<i>Single window institutional and technical support (Consulting Services)</i>	1b	667,973	667,973		74,226	74,226		742,199
<b>Project Management and Supervision</b>	2	360,897	360,897		52,620	52,620		413,516
Including:								
Project management	2a	295,727	295,727		45,207	45,207		340,933
Auditing	2b	5,897	5,897		826	826		6,723
Office equipment and miscellaneous expenses	2c	59,273	59,273		6,588	6,588		65,860
3. Construction works								
<b>Loan No.2995-KGZ</b>	337,888	-	337,888	40,273	-	40,273		378,160
1. Improvement of Border crossing point (works)	1	337,888	337,888	40,273		40,273		378,160
<b>Total Project expenses</b>	337,888	1,028,870	1,366,758	40,273	126,846	167,119		1,533,876
Other expenses							124	124
<b>Total expenses</b>	337,888	1,028,870	1,366,758	40,273	126,846	167,119	124	1,534,000

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The Project expenses for 2015:

	Category	Loan No.2995- KGZ	Grant No.0340	Total ADB	GKR Loan No.2995- KGZ	GKR Grant	Total GKR	Other expenses	Total expenses
<b>Development of NSW</b>	<b>1</b>		<b>562,353</b>	<b>562,353</b>		<b>62,678</b>	<b>62,678</b>		<b>625,031</b>
Including:									
<i>Single window system development</i>									
<i>(Goods)</i>	1a								-
<i>Single window institutional and</i>									
<i>technical support (Consulting</i>									
<i>Services)</i>	1b		562,353	562,353		62,678	62,678		625,031
<b>Project Management and</b>									
<b>Supervision</b>	<b>2.</b>		<b>228,445</b>	<b>228,445</b>		<b>34,518</b>	<b>34,518</b>		<b>262,963</b>
Including:									
Project management	2a		218,040	218,040		33,529	33,529		251,569
Auditing	2b		5,677	5,677		795	795		6,472
Office equipment and miscellaneous									
expenses	2c		4,728	4,728		194	194		4,922
<b>Total Project expenses</b>			<b>790,798</b>	<b>790,798</b>		<b>97,196</b>	<b>97,196</b>		<b>887,994</b>
Other expenses								221	221
<b>Total expenses</b>			<b>790,798</b>	<b>790,798</b>		<b>97,196</b>	<b>97,196</b>	<b>221</b>	<b>888,215</b>



**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project**  
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Projects' expenses with progressive total:

Category	Loan No.2995- KGZ	Grant No.0340	Total ADB	GKR Loan No.2995- KGZ	GKR Grant	Total GKR	Total expenses
<b>Grant No.0340 KGZ</b>		2,073,334	2,073,334	-	255,400	255,400	2,328,734
<b>Development of NSW</b>	1	1,428,719	1,428,719		158,948	158,948	1,587,667
Including:							
<i>Single window system development (Goods)</i>	1a						-
<i>Single window institutional and technical support (Consulting Services)</i>	1b	1,428,719	1,428,719		158,948	158,948	1,587,667
<b>Project Management and Supervision</b>	2	644,615	644,615		96,452	96,452	741,066
Including:							
Project management	2a	554,487	554,487		86,027	86,027	640,513
Auditing	2b	11,574	11,574		1,621	1,621	13,195
Office equipment and miscellaneous expenses	2B	78,554	78,554		8,805	8,806	87,359
<b>Loan No.2995-KGZ</b>	337,888	-	337,888	40,273	-	40,273	378,160
1. Improvement of Border crossing point (works)	1	337,888	337,888	40,273		40,273	378,160
<b>Total Project expenses</b>	337,888	2,073,334	2,411,222	40,273	255,400	295,673	2,706,895
Other expenses							482
<b>Total expenses</b>	337,888	2,073,334	2,411,222	40,273	255,400	295,673	482 2,707,377

**"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**

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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 Consulting Company of 10 November 2014.

**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)	
		Amount	%	Amount	Amount	%
<b>Development of NSW</b>	<b>1</b>	<b>1,428,719</b>	<b>64</b>	<b>2,225,929</b>	<b>797,210</b>	<b>36</b>
Including:						
Single window system development (Goods)	1a	-	-	242,000	242,000	100
Single window institutional and technical support (Consulting Services)	1b	1,428,719	72	1,983,929	555,210	28
<b>Project Management and Supervision</b>	<b>2</b>	<b>644,615</b>	<b>43</b>	<b>1,501,000</b>	<b>856,385</b>	<b>57</b>
Including:						
Project management	2a	554,487	44	1,256,000	701,513	56
Auditing	2b	11,574	12	100,000	88,426	88
Office equipment and miscellaneous expenses	2c	78,554	54	145,000	66,446	46
<b>Unallocated amount</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>475,071</b>	<b>475,071</b>	<b>100</b>
<b>Total</b>		<b>2,073,334</b>	<b>49</b>	<b>4,202,000</b>	<b>2,128,666</b>	<b>51</b>

The Project budget execution on ADB Loan No. 2995-KGZ (SF) since the beginning of implementation made by categories:

Item	Used funds		Project's total budget	Available Project funds (budget-actually)	
	Amount	%	Amount	Amount	%
1. Improvement of the border crossing point (Works)	337,888	16	2,051,800	1,713,912	84
2. Development of Single Window (Goods)	-	-	1,072,136	1,072,136	100
3. Interest charge	-	-	46,906	46,906	100
4. Unallocated funds	-	-	511,945	511,945	100
<b>Total</b>	<b>337,888</b>	<b>9</b>	<b>3,682,787</b>	<b>3,344,899</b>	<b>91</b>

**"Central Asia Regional Economic Cooperation Regional Improvement of Border Services" Project**  
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**Statement of Sources and Use of Funds**

For the period from 1 January 2016 to 31 December 2016

(Amounts in Tables are shown in US dollars)

**8. Liabilities**

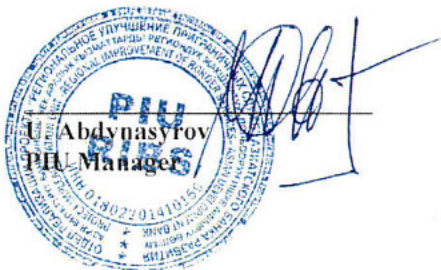
As of 31 December 2016 the Project has got the following liabilities:

Contractor	Category	Unpaid liabilities on invoices
Crown Agents	<i>1b Single window institutional and technical support (Consulting Services)</i>	7,573.34

**9. Events after the reporting date**

On 03 March 2017 it was submitted an application No.G 0040 to ADB on Grant No.0340-KGZ (SF) to reimburse the used funds for the period from 01.10.2016 to 21.02.2017 in the amount of USD 41,730, including on reimbursement of used funds for 2016 in the amount of USD 33,714.

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  
PIU Financial Manager