

# Audited Project Financial Statements

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Project Number: 46124-001  
Loan Number: 2995  
Grant Number: 0340  
Period covered: 1 January 2017 to 31 December 2017

## **REG: Central Asia Regional Economic Cooperation Regional Improvement of Border Services Project**

Prepared by Marka Audit

For the Asian Development Bank  
Date received by ADB: 21 June 2018

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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)**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR’S REPORT  
FOR THE PERIOD FROM 1 JANUARY 2017 TO 31 DECEMBER 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 2017 to 31 December 2017**

**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 2017 to 31 December 2017, 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 2017 to 31 December 2017 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 and audit restriction*

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

the assistance to the management of the Organization to comply with the requirements of the Asian Development Bank. 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 Financial Statements section of our report. We are independent of the Organization 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, applied to the audit of financial statements in the Kyrgyz Republic. 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.2995-KGZ (SF) / Grant No.0340-KGZ (SF) of 22 May 2013 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;  
38, Professor Zima Street, Bishkek,  
The Kyrgyz Republic, Telephone/fax: (312) 32-05-75  
E-mail office@marka-audit.ktnet.kg*

**S.S. Tazhibaeva, Director**

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

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

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

**14 June 2018**



**STATEMENT OF 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 2017 to 31 December 2017, 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:

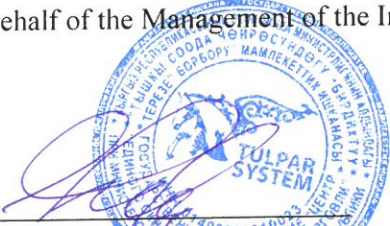
- selecting appropriate accounting principles and using those consistently;
- application of reasonable estimations and calculations;
- compliance with the Asian Development Bank’s requirements and disclosure of all material discrepancies from the specified standards in comments to the financial statements.

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 2017 to 31 December 2017 were approved by the management of the Implementing Agency on 14 June 2018.

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**

**14 June 2018**

**“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**

or the period from 1 January 2017 to 31 December 2017

(Amounts in Tables are shown in US dollars)

	Note	2017	From the Project beginning	2016	From the Project beginning
<b>Opening balance, including:</b>	4	<b>34,654</b>		<b>43,443</b>	
ADB Grant		31,286		41,664	
Other cash assets		3,368		1,779	
<b>Sources of financing:</b>					
ADB: Loan No.2995-KGZ		852,903	1,190,791	337,888	337,888
ADB: Grant No.0340 KGZ	5	735,425	2,840,045	1,018,492	2,104,620
Government of KR	5	194,211	491,851	166,220	297,640
<b>Total financing</b>		<b>1,782,539</b>	<b>4,522,687</b>	<b>1,522,600</b>	<b>2,740,148</b>
<b>Other receipts</b>		<b>28,686</b>	<b>32,535</b>	<b>1,713</b>	<b>3,849</b>
Interest income		653	3,488	699	2,835
Tender accounts		28,033	29,047	1,014	1,014
<b>Total</b>		<b>1,811,225</b>	<b>4,555,222</b>	<b>1,524,312</b>	<b>2,743,997</b>
<b>Project expenses:</b>	6				
<b>1.Development of the National Single Window (NSW - HEO)</b>		<b>498,298</b>	<b>2,085,965</b>	<b>742,199</b>	<b>1,587,667</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)		498,298	2,085,965	742,199	1,587,667
ADB: Grant		448,468	1,877,187	667,973	1,428,719
Government of KR		49,830	208,778	74,226	158,948
<b>2. Project management and supervision</b>		<b>326,301</b>	<b>1,067,369</b>	<b>413,516</b>	<b>741,067</b>
2.A. Project management		302,498	943,012	340,933	640,513
ADB Grant No.0340 KGZ		262,962	817,449	295,727	554,487
Government of KR		39,536	125,563	45,207	86,027
2.B. Audit		6,722	19,917	6,723	13,195
ADB Grant No.0340 KGZ		6,002	17,576	5,897	11,574
Government of KR		720	2,341	826	1,621
2.C. Office equipment and other expenses		17,081	104,440	65,860	87,359
ADB Grant No.0340 KGZ		16,213	94,767	59,273	78,554
Government of KR		868	9,673	6,588	8,805
<b>3. Construction works</b>		<b>955,223</b>	<b>1,333,384</b>	<b>378,160</b>	<b>378,160</b>
Construction works on Karamyk BCP (border crossing point)		955,223	1,333,384	378,160	378,160
ADB: Loan No.2995-KGZ		852,903	1,190,791	337,888	337,888
Government of KR		102,320	142,593	40,273	40,273
<b>Total Project expenses</b>		<b>1,779,822</b>	<b>4,486,718</b>	<b>1,533,876</b>	<b>2,706,895</b>





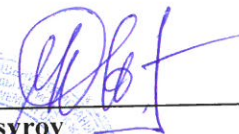
**“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project**  
**Loan No.2995-KGZ (SF) / Grant No.0340-KGZ (SF)**

**Statement of Sources and Use of Funds**



or the period from 1 January 2017 to 31 December 2017

(Amounts in Tables are shown in US dollars)

	Note	2017	From the Project beginning	2016	From the Project beginning
<b>Total ADB Loan No.2995-KGZ</b>		852,903	1,190,791	337,888	337,888
<b>Total ADB Grant No.0340 KGZ</b>		733,645	2,806,979	1,028,870	2,073,334
<b>Total Government of KR</b>		193,274	488,948	167,119	295,673
<b>Other expenses</b>	6	2,110	2,592	124	482
<b>Effect of exchange rate difference (loss)</b>		(937)	(2,903)	(899)	(1,967)
<b>Closing balance, including:</b>	4	63,009	63,009	34,654	34,654
ADB Grant		33,065	33,065	31,286	31,286
Other cash		29,944	29,944	3,368	3,368



**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 1 January 2017 to 31 December 2017  
(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 (Countries of Central Asian Regional and Economic Cooperation).

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 implementation completion date is 30 September 2019.

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 №0340-KGZ (SF) was 4,202 thousand US dollars. As of 31.12.2017 the budget in SDR was recalculated at the rate of ADB for the Project and is 3,891 thousand US dollars. Total Project budget is 9,575,948 US dollars, including the following:

	Total financing			Actually allocated from the Project beginning	Balance of financing
	SDR	In USD	in %		
Asian Development Bank (Loan No.2995-KGZ (SF)	2,748,000	3,890,948	41%	1,190,791	2,700,157
Asian Development Bank (Grant №0340-KGZ (SF)		4,202,000	44%	2,840,045	1,361,955
Government of the Kyrgyz Republic		1,483,000	15%	491,851	991,149
<b>Total</b>		<b>9,575,948</b>	<b>100%</b>	<b>4,522,687</b>	<b>5,053,261</b>

*Loan budget in SDR is recalculated in USD at the rate of ADB for the Project as of 31.12.2017 – one SDR is equal to 1.415920 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 1 January 2017 to 31 December 2017  
(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	2,167,774	100.0
2. National single window development (Goods)	800,000	1,132,736	83.5
3. Interest Charges	35,000	49,557	100.0
4. Unallocated funds	382,000	540,881	100.0
<b>Total</b>	<b>2,748,000</b>	<b>3,890,948</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.

**“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 1 January 2017 to 31 December 2017  
(Amounts in Tables are shown in US dollars)

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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 2017, 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 2016 – 7 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 specialist – Ryskeldiev E.
6. Driver – Jumabaev S.B.
7. National BCP "Karamyk" supervision 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”).



**Notes to the Financial Statements**

For the period from 1 January 2017 to 31 December 2017  
(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:

	<b>as of 31 December 2017</b>	<b>As of 31 December 2016</b>
Som for 1 US dollar	68.8395	69.2301

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.

**Notes to the Financial Statements**

For the period from 1 January 2017 to 31 December 2017  
(Amounts in Tables are shown in US dollars)

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***Funds***

- 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 assets**

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. Treasury Account No. 4402011101041492 of the Central Treasury, acting on the basis of the Resolution of the Government of the Kyrgyz Republic No. 444 of July 24, 2017

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For the period from 1 January 2017 to 31 December 2017

(Amounts in Tables are shown in US dollars)

	31 December 2017		31 December 2016	
	KGS	USD	KGS	USD
<b>ADB funds:</b>				
Special account – Grant No.0340-KGZ (SF)		33,065		31,286
<b>Other Project cash:</b>				
Interest account (No.1091828235571860 with Bishkek Central Branch “OPTIMA BANK” OJSC)		894		2,352
Interest account (No.1091828235571860 with Bishkek Central Branch “OPTIMA BANK” OJSC)	219	3	141	2
Tender account No.1091828235572062 with Bishkek Central Branch “OPTIMA BANK” OJSC,		27,313		300
Tender account No.1091828235572062 with Bishkek Central Branch “OPTIMA BANK” OJSC	119,400	1,734	49,400	714
<b>Total Project funds</b>		<b>63,009</b>		<b>34,654</b>

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

**For 2017:**

For the reporting period	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
<b>Opening balance</b>	<b>31,286</b>	<b>-</b>	<b>3,368</b>	<b>34,654</b>
Receipts	114,277	194,211	28,686	337,174
Replenishment of account	114,277	194,211	28,686	337,174
<b>Total receipts</b>	<b>114,277</b>	<b>194,211</b>	<b>28,686</b>	<b>337,174</b>
<b>Retirements</b>	<b>(112,498)</b>	<b>(193,274)</b>	<b>(2,110)</b>	<b>(307,882)</b>
Income/loss from exchange rate difference		(937)		(937)
<b>Closing balance</b>	<b>33,065</b>	<b>-</b>	<b>29,944</b>	<b>63,009</b>

**For 2016:**

For the reporting period	Special account of Grant No.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
<b>Opening balance</b>	<b>41,664</b>	<b>-</b>	<b>1,779</b>	<b>43,443</b>
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>
<b>Retirements</b>	<b>(100,058)</b>	<b>(167,119)</b>	<b>(124)</b>	<b>(267,301)</b>
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>

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For the period from 1 January 2017 to 31 December 2017

(Amounts in Tables are shown in US dollars)

**From the Project implementation beginning:**

<b>For the reporting period</b>	<b>Special account of Grant No.0340 - KGZ (SF)</b>	<b>GKR account</b>	<b>Others</b>	<b>Total Project's funds</b>
<b>Opening balance</b>	-	-	-	-
Receipts	361,620	491,851	32,535	886,006
Advance	65,000	-	-	65,000
Replenishment of account	296,620	491,851	32,535	821,006
<b>Total receipts</b>	<b>361,620</b>	<b>491,851</b>	<b>32,535</b>	<b>886,006</b>
<b>Retirements</b>	<b>(328,555)</b>	<b>(488,948)</b>	<b>(2,591)</b>	<b>(820,094)</b>
Income/loss from exchange rate difference		(2,903)		(2,903)
<b>Closing balance</b>	<b>33,065</b>	<b>-</b>	<b>29,944</b>	<b>63,009</b>

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

<b>Payment date</b>	<b>Amount</b>
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>
10.06.2016	34,165
16.09.2016	31,760
21.12.2016	23,755
<b>2016</b>	<b>89,681</b>
20.04.2017	41 730
21.08.2017	39 952
16.11.2017	32 594
<b>2017</b>	<b>114,277</b>
<b>Total</b>	<b>361,620</b>

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

<b>Application number</b>	<b>Payment period</b>	<b>Amount</b>
G 0002	5.03.2014-30.05.2014	15,974
G 0003	31.05.2014-31.10.2014	20,398
G 0005	1.11.2014-31.12.2014	18,901
		<b>55,273</b>
G 0005	1.01.2015-12.03.2015	6,839
G 0015	13.03.2015-15.10.2015	30,551
G 0025	16.10.2015-31.12.2015	23,336
		<b>60,726</b>
G 0025	1.01.2016-29.02.2016	10,829
G 0032	1.03.2016-30.06.2016	31,760



**“Central Asia Regional Economic Cooperation Regional Improvement of Border Services” Project**  
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<b>Application number</b>	<b>Payment period</b>	<b>Amount</b>
G 0035	1.07.2016-30.09.2016	23,755
G 0040	1.10.2016-31.12.2016	33,714
		<b>100,058</b>
G 0040	1.10.2016-21.02.2017	8 016
G 0044	22.02.2017-20.06.2017	39 952
G 0047	21.06.2017-11.09.2017	32 594
G 0050	12.09.2017-31.12.2017	31 935
		<b>112 498</b>
<b>Total on Grant:</b>		<b>328,555</b>

**5. Financing**

	<b>2017</b>	<b>2016</b>	<b>From the Project beginning</b>
<b>ADB: Loan No.2995-KGZ (SF)</b>	<b>852,903</b>	<b>337,888</b>	<b>1,190,791</b>
Direct payments	852,903	337,888	1,190,791
<b>ADB: Grant No.0340-KGZ (SF)</b>	<b>735,425</b>	<b>1,018,492</b>	<b>2,840,045</b>
Advance	-	-	65,000
Special account replenishment	114,277	89,681	296,620
Direct payment	621,148	928,811	2,478,425
<b>Government of the Kyrgyz Republic</b>	<b>194,211</b>	<b>166,220</b>	<b>491,851</b>
Replenishment of the current account	194,211	166,220	493,432
Return of balance	-	-	(1,581)
<b>Total Project financing</b>	<b>1,782,539</b>	<b>1,522,600</b>	<b>4,522,687</b>

**“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**

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(Amounts in Tables are shown in US dollars)

**6. Expenses**

The Project expenses for 2017:

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>	-	733,645	733,645	-	90,954	90,954	-	824,599
<b>Development of NSW</b>	1	448,468	448,468	-	49,830	49,830	-	498,298
Including:						-		-
Single window system development (Goods)	1a	-	-			-		-
Single window institutional and technical support (Consulting Services)	1b	448,468	448,468		49,830	49,830		498,298
<b>Project Management and Supervision</b>	2	285,177	285,177	-	41,124	41,124	-	326,301
Including:						-		-
Project management	2a	262,962	262,962		39,536	39,536		302,498
Auditing	2b	6,002	6,002		720	720		6,722
Office equipment and miscellaneous expenses	2c	16,213	16,213		868	868		17,081
3.Construction works								
<b>Loan No.2995-KGZ</b>	852,903 ✓	-	852,903	102,320	-	102,320	-	955,223
1. Improvement of Border crossing point (works)	1	852,903	852,903	102,320		102,320		955,223
<b>Total Project expenses</b>	852,903	733,645	1,586,548	102,320	90,954	193,274	-	1,779,822
Other expenses							2,110	2,110
<b>Total expenses</b>	852,903 ✓	733,645	1,586,548	102,320	90,954	193,274	2,110	1,781,932

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

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(Amounts in Tables are shown in US dollars)

The Project expenses for 2016:

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>		<b>1,028,870</b>	<b>1,028,870</b>	<b>-</b>	<b>126,846</b>	<b>126,846</b>		<b>1,155,716</b>
<b>Development of NSW</b>	<b>1</b>	<b>667,973</b>	<b>667,973</b>		<b>74,226</b>	<b>74,226</b>		<b>742,199</b>
Including:								
Single window system development (Goods)	1a							-
Single window institutional and technical support (Consulting Services)	1b	667,973	667,973		74,226	74,226		742,199
<b>Project Management and Supervision</b>	<b>2</b>	<b>360,897</b>	<b>360,897</b>		<b>52,620</b>	<b>52,620</b>		<b>413,516</b>
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>	<b>337,888</b>	<b>-</b>	<b>337,888</b>	<b>40,273</b>	<b>-</b>	<b>40,273</b>		<b>378,160</b>
1. Improvement of Border crossing point (works)	1	337,888	337,888	40,273		40,273		378,160
<b>Total Project expenses</b>	<b>337,888</b>	<b>1,028,870</b>	<b>1,366,758</b>	<b>40,273</b>	<b>126,846</b>	<b>167,119</b>		<b>1,533,876</b>
Other expenses							124	124
<b>Total expenses</b>	<b>337,888</b>	<b>1,028,870</b>	<b>1,366,758</b>	<b>40,273</b>	<b>126,846</b>	<b>167,119</b>	<b>124</b>	<b>1,534,000</b>

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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	Other expenses	Total expenses
<b>Grant No.0340 KGZ</b>		<b>2,806,979</b>	<b>2,806,979</b>		<b>346,355</b>	<b>346,355</b>		<b>3,153,334</b>
<b>Development of NSW</b>	<b>1</b>	<b>1,877,187</b>	<b>1,877,187</b>		<b>208,778</b>	<b>208,778</b>		<b>2,085,965</b>
Including:								
Single window system development (Goods)	1a							
Single window institutional and technical support (Consulting Services)	1b	1,877,187	1,877,187		208,778	208,778		2,085,965
<b>Project Management and Supervision</b>	<b>2</b>	<b>929,792</b>	<b>929,792</b>		<b>137,577</b>	<b>137,577</b>		<b>1,067,369</b>
Including:								
Project management	2a	817,449	817,449		125,563	125,563		943,012
Auditing	2b	17,576	17,576		2,341	2,341		19,917
Office equipment and miscellaneous expenses	2B	94,767	94,767		9,673	9,673		104,440
<b>Loan No.2995-KGZ</b>		<b>1,190,791</b>	<b>1,190,791</b>	<b>142,593</b>		<b>142,593</b>		<b>1,333,383</b>
1. Improvement of Border crossing point (works)	1	1,190,791	1,190,791	142,593		142,593		1,333,383
<b>Total Project expenses</b>		<b>1,190,791</b>	<b>2,806,979</b>	<b>3,997,770</b>	<b>142,593</b>	<b>346,355</b>	<b>488,947</b>	<b>4,486,718</b>
Other expenses							2,592	2592
<b>Total expenses</b>		<b>1,190,791</b>	<b>2,806,979</b>	<b>3,997,770</b>	<b>142,593</b>	<b>346,355</b>	<b>2,592</b>	<b>4,489,310</b>



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

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.

**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)	
		amount	%	amount	amount	%
<b>Development of NSW</b>	<b>1</b>	<b>1,877,187</b>	<b>84</b>	<b>2,225,929</b>	<b>348,742</b>	<b>16</b>
Including:						
Single window system development (Goods)	1a		-	242,000	242,000	100
Single window institutional and technical support (Consulting Services)	1b	1,877,187	95	1,983,929	106,742	5
<b>Project Management and Supervision</b>	<b>2</b>	<b>929,792</b>	<b>62</b>	<b>1,501,000</b>	<b>571,208</b>	<b>38</b>
Including:						
Project management	2a	817,449	65	1,256,000	438,549	35
Auditing	2b	17,576	18	100,000	82,424	82
Office equipment and miscellaneous expenses	2c	94,767	65	145,000	50,235	35
<b>Unallocated amount</b>	<b>3</b>		-	<b>475,071</b>	<b>475,071</b>	<b>100</b>
<b>Total</b>		<b>2,806,979</b>	<b>67</b>	<b>4,202,000</b>	<b>1,395,021</b>	<b>33</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)	1,190,791	55	2,167,774	976,983	45
2. Development of Single Window (Goods)			1,132,736	1,132,736	100
3. Interest charge			49,557	49,557	100
4. Unallocated funds			540,881	540,881	100
<b>Total</b>	<b>1,190,791</b>	<b>31</b>	<b>3,890,948</b>	<b>3,344,899</b>	<b>86</b>

**Notes to the Financial Statements**

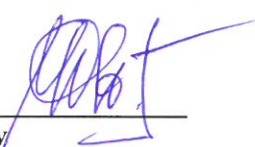
For the period from 1 January 2017 to 31 December 2017  
(Amounts in Tables are shown in US dollars)

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**8. Events after the reporting date**


On 28 March 2018 it was submitted an application No.G 0050 to ADB on Grant No.0340-KGZ (SF) to reimburse the used funds for the period from 12 September 2017 to 31 December 2017 in the amount of USD 31,934.74.

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



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**U. Abdynasyrov**  
**PIU Manager**



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**A.S. Kurmanbekova**  
**PIU Financial Manager**