

Audited Project Financial Statements

Project Number: 46124-001
Loan/Grant Number: 2995/0340
Period covered: 1 January 2019 to 31 December 2019

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

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

For the Asian Development Bank
Date received by ADB: 30 June 2020

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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
FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019**

**AND
INDEPENDENT AUDITOR’S REPORT**

Bishkek 2020

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**INDEPENDENT AUDITOR'S REPORT
BY "HLB MARKA AUDIT" LLC
ON THE FINANCIAL STATEMENTS
"CENTRAL ASIA REGIONAL ECONOMIC COOPERATION – REGIONAL
IMPROVEMENT OF BORDER SERVICES" PROJECT, LOAN NO.2995-KGZ (SF)/GRANT
NO.0340-KGZ (SF)**

Asian Development Bank

State Enterprise "Single Window Center" for Foreign Trade under the Ministry of Economy of the Kyrgyz Republic

Report on the Project's financial statements

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" for Foreign Trade under the Ministry of Economy of the Kyrgyz Republic (the "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 (the "Agreement") and co-financing of the Government of the Kyrgyz Republic (GKR), including the Statement of sources and uses of funds for the period from 1 January 2019 to 31 December 2019, 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 receipt and expenditure of the funds under the "Central Asia Regional Economic Cooperation - Regional Improvement of Border Services" Project, Loan No.2995-KGZ (SF)/Grant No.0340-KGZ (SF) (the 'Project') for the period from 1 January 2019 to 31 December 2019 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 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 guidelines issued by the Asian Development Bank;
- c) With respect to Statements of Expenditures, adequate source 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 Loan Agreement No.2995-KGZ (SF)/GrantNo.0340-KGZ (SF) dated 22 May 2013;

- 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 the 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 Project 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.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 the 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 includes the following: the method of accounting based on the receipts and expenditure 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 on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on 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. As stated in Note 1 to the financial statements the Project closing date is 31 December 2020;
- ✓ 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.

HLB MARKA AUDIT LLC

*License registration No.0146 dated November 13, 2018, issued by the Public Service of Regulation and Supervision over the Financial Market under the Government of the Kyrgyz Republic;
Registration certificate No.4850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated October 11, 2019;
38, Professor Zima Street, Bishkek,
The Kyrgyz Republic, Telephone/fax: (312) 32-05-75*


A.M. Asylbekova, Director

Qualified Auditor Certificate Series AD No.0012, registration No.0461 dated August 7, 2019


A. Tilemishov, Auditor, Audit Team Leader

*Qualified Auditor Certificate No.0042 of 11 March 2008
CAPNo. 0012561 of 15.12.2009*

22 June 2020

**STATEMENT OF MANAGEMENT’S 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 the auditors and the management of the State Enterprise “Single Window Center” for Foreign Trade under the Ministry of Economy of the Kyrgyz Republic (the “Implementing Agency”) and the Project Implementation Unit (together ‘Organization’) in regard to the financial statements 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 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 2019 to 31 December 2019, 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 Organization is responsible for:

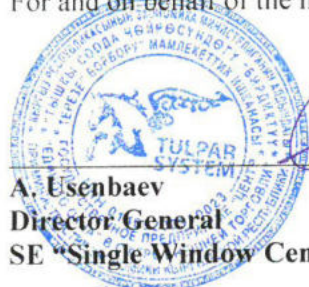
- selecting appropriate accounting principles and using those consistently;
- application of reasonable estimations and calculations;
- compliance with the Asian Development Bank’s requirements and disclosure of all material discrepancies from the specified standards in comments to the financial statements.


The management of the Organization 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 2019 to 31 December 2019 were approved by the management of the Organization on 22 June 2020.

For and on behalf of the management of the Organization:


A. Usenbaev
Director General
SE “Single Window Center” in the Foreign Arena MEKR


U. Abdynasyrov
PIU Manager

22 June 2020

“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 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

	Note	2019	From the Project beginning to 31 December 2019	2018	From the Project beginning to 31 December 2018
Opening balance:					
ADB Grant		29,222		33,065	
Other cash assets		4,697		29,944	
	5	33,919		63,009	
Sources of financing:					
ADB: Loan No.2995-KGZ		346,349	1,827,255	286,920	1,480,906
ADB: Grant No.0340 KGZ	6	219,218	3,456,454	397,191	3,237,236
Government of KR	6	69,507	644,354	82,996	574,847
Total financing		635,074	5,928,063	767,107	5,292,989
Other receipts		1,571	34,818	712	33,247
Interest income		870	5,070	712	4,200
Tender accounts		701	29,748	-	29,047
Total receipts		636,645	5,962,881	767,819	5,326,236
Project expenses:					
1. Development of the National Single Window (NSW)					
<i>1A) Development of Single Window system (Goods)</i>					
ADB: Loan No.2995-KGZ		-	99,039	99,039	99,039
ADB: Grant No.0340 KGZ		-	19,571	19,571	19,571
ADB: Grant No.0340 KGZ(goods and works)		102,261	102,261		
GKR		12,611	25,790	13,179	13,179
		114,872	246,661	131,789	131,789
<i>1B) Single Window Institutional and technical support (Consulting services)</i>					
ADB: Grant		-	2,117,426	240,239	2,117,426
GKR		-	235,471	26,693	235,471
			2,352,897	266,932	2,352,897
		114,872	2,599,558	398,721	2,484,686
2. Project management and supervision					
2.A. Project management:					
ADB Grant No.0340 KGZ		85,488	1,024,915	121,979	939,427
Government of KR		13,666	159,555	20,326	145,889
		99,154	1,184,470	142,305	1,085,316
2.B. Audit					
ADB Grant No.0340 KGZ		15,513	38,881	5,792	23,368
GKR		1,862	4,898	695	3,036
		17,375	43,779	6,487	26,404

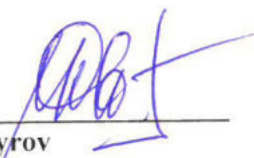
"Central Asia Regional Economic Cooperation - Regional Improvement of Border Services" Project
Loan No.2995-KGZ (SF)/Grant No.0340-KGZ (SF)


Statement of Sources and Use of Funds

for the period from 1 January 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

	Note	2019	From the Project beginning to 31 December 2019	2018	From the Project beginning to 31 December 2018
2.C. Office equipment and other expenses					
ADB Grant No.0340 KGZ		15,650	123,872	13,454	108,222
GKR		493	10,614	448	10,121
		16,143	134,486	13,902	118,343
		132,672	1,362,735	162,694	1,230,063
3. Civil works					
Civil works on "Karamyk" BCP					
ADB: Loan No.2995-KGZ		331,877	1,699,339	176,672	1,367,462
Government of KR		40,888	204,789	21,308	163,901
		372,765	1,904,128	197,980	1,531,363
Costs of financing					
ADB: Loan No.2995-KGZ		14,472	28,877	11,209	14,405
Total expenses of the Project		634,781	5,895,298	770,604	5,260,517
Total ADB Loan No.2995-KGZ		346,349	1,827,255	286,920	1,480,906
Total ADB Grant No.0340 KGZ		218,912	3,426,926	401,035	3,208,014
Total Government of KR		69,520	641,117	82,649	571,597
Other expenses	7	765	29,292	25,935	28,527
Effect of exchange rate difference (loss)		20	(3,253)	(370)	(3,273)
Closing balance, including:	5	35,038	35,038	33,919	33,919
ADB Grant		29,528		29,222	
Other cash		5,510		4,697	


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 2019 to 31 December 2019

(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 into force on 12 July 2013 according to 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 (BCP), 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 system 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 the 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 closing date is 31 December 2020.

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 31.12.2019 the budget in SDR was recalculated at the rate of ADB for the Project and is 3,782.84 thousand US dollars. The total Project budget is 9,467,842 US dollars, including the following:

	Total financing			Actually allocated from the Project beginning	Balance of financing
	SDR	USD	in %		
Asian Development Bank (Loan No.2995-KGZ (SF)	2,748,000	3,782,842	40%	1,827,255	1,955,587
Asian Development Bank (Grant №0340-KGZ (SF)		4,202,000	44%	3,456,454	745,546
Government of the Kyrgyz Republic		1,483,000	16%	644,354	838,646
Total		9,467,842	100%	5,928,063	3,539,779

Loan budget in SDR is recalculated in USD at the rate of ADB for the Project as of 31.12.2019 – one SDR is equal to 1.376580 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 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

Loan No.2995-KGZ (SF):

According to the ADB letters, the budget items on the Loan No.2995-KGZ (SF) were re-allocated as follows:

Category	SDR	Allocation of the amount in USD	Percentage of withdrawing funds
1. BCP improvement (works)	1,681,000	2,314,031	100.0
2. NSW development (goods)	1,025,000	1,410,995	83.5
3. Interest charges	35,000	48,180	100.0
4. Unallocated funds	7,000	9,636	100.0
Total	2,748,000	3,782,842	

Grant No. 0340-KGZ (SF):

According to the ADB letters, the budget items on the Grant No.0340-KGZ (SF) were re-allocated as follows:

Category	Allocation of amount in USD according to the Financing Agreement	Re-allocated budget	Percentage for withdrawing funds
1.Development of NSW			
1A)NSW development (goods)	242,000	282,000	16.50
1B) Single window institutional and technical support (consulting Services)	1,968,000	2,149,000	100
1B) Single window system development (Goods and works)		310,000	100
	2,210,000	2,741,000	
2.Project management and supervision			
Including:			
2A) Project Implementation Unit (Project management consultants)	1,256,000	1,256,000	
2B) Audit	100,000	60,000	100
2C) Office equipment and miscellaneous expenses	52,000	145,000	100
	1,408,000	1,461,000	
3. Unallocated funds	584,000		100
Total	4,202,000	4,202,000	

Sub-category 1A) Development of Single Window system (goods) funds were allocated as follows: on the Loan No.2995-KGZ – at the rate of 83.50%; on the 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.

**“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 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

The Ministry of Economy of the Kyrgyz Republic (MEKR) 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.

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

At the end of the year 2019, 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 employees (at the end of 2018 – 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 – Osmonalieva N.,
5. Procurement specialist – Mukarapov A.,
6. Driver – Jumabaev S.B.,
7. National BCP "Karamyk" supervision specialist– Djoldoshev B.D.

2. ACCOUNTING POLICIES

2.1. Basis for preparation of financial statements

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 these policies 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 policies were 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.

**“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 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

At the Project, applied is 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”).

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.

Expenditures

The Project expenditures 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 converted in US dollars at the actual exchange rate of the “Optima Bank” Bishkek Central Branch OJSC.

All receipts from the Government of the Kyrgyz Republic in soms were denominated in US dollars at the official rate of the National Bank of the Kyrgyz Republic (NBKR) as of the date of transaction.

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 2019	As of 31 December 2018
Som for 1 US dollar	69.6439	69.8500

Any gains or losses from assets or liabilities, expressed in foreign currencies, arising due to the change in the 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

**“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 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

Project Forecast

- Actual implementation of the Project Forecast 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 Financial 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.

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 reconciled 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:

- Invoices 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 PIU 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 a supplier for goods and services, is included in the cost of purchase and correspondingly in the Project expenditures.

**“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 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

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 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 operational 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:

- Account of financing No. 1290524131820087 by the Government of the Kyrgyz Republic in KGS. The account of governmental 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 24 July 2017

	31 December 2019		31 December 2018	
	KGS	USD	KGS	USD
ADB funds:				
Special account – Grant No.0340-KGZ (SF)		29,508		29,222
Transit account–GrantNo.0340-KGZ (SF)				
settlement account No.1091828235571658 at				
“Optima Bank” Bishkek Central Branch OJSC	1,401	20		
Other Project cash:				
Interest account (No.1091828235571860 at				
“Optima Bank” Bishkek Central Branch OJSC)		780		670
Interest account(№1091828235571860 at				
“Optima Bank” Bishkek Central Branch OJSC)	18	-	291	4
Tender accountNo.1091828235572062 at				
“Optima Bank” Bishkek Central Branch OJSC,		2,513		2,313
Tender account No.1091828235572062 at				
“Optima Bank” Bishkek Central Branch OJSC	154,400	2,217	119,400	1,710
Total Project cash		35,038		33,919

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

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Notes to the financial statements

for the period from 1 January 2019 to 31 December 2019

(amounts in tables are shown in US dollars)

For 2019:

For the reporting period	Special account of GrantNo.0340 - KGZ (SF)	GKR account	Other cash accounts	Total Project's funds
Opening balance	29,222	-	4,697	33,919
Replenishment of account	116,957	69,507	2,271	188,735
Retirement	(116,651)	(69,520)	(1,465)	(187,636)
Income/(loss) from exchange rate difference	-	13	7	20
Balance at the end	29,528	-	5,510	35,038

For 2018:

	Special account of GrantNo.0340 - KGZ (SF)	GKR account	Other cash accounts	Total Project's funds
Opening balance	33,065	-	29,944	63,009
Replenishment of account	106,757	82,996	712	190,465
Retirement	(110,600)	(82,650)	(25,935)	(219,185)
Income/(loss) from exchange rate difference	-	(346)	(24)	(370)
Balance at the end	29,222	-	4,697	33,919

From the beginning of the Project implementation period:

	Special account of GrantNo.0340 - KGZ (SF)	GKR account	Others	Total Project's funds
Opening balance				
Advance	65,000	-	-	65,000
Replenishment of account	520,335	644,354	34,816	1,199,505
Total receipts	585,335	644,354	34,816	1,264,505
Retirement	(555,807)	(641,117)	(29,291)	(1,226,215)
Income/(loss) from exchange rate difference	-	(3,237)	(15)	(3,252)
Balance at the end	29,528	-	5,510	35,038

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
2014	101,372
27.04.2015	25,740
26.11.2015	30,551
2015	56,291

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Payment date	Amount
10.06.2016	34,165
16.09.2016	31,761
21.12.2016	23,755
2016	89,681
20.04.2017	41,730
21.08.2017	39,952
16.11.2017	32,595
2017	114,277
28.03.2018	31,935
01.08.2018	36,312
22.10.2018	38,510
2018	106,757
12.03.2019	35,778
11.06.2019	39,068
16.10.2019	42,111
2019	116,957
Total	585,335

Use of the funds from the 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
		55,273
G 0005	01.01.2015-12.03.2015	6,839
G 0015	13.03.2015-15.10.2015	30,551
G 0025	16.10.2015-31.12.2015	23,336
		60,726
G 0025	01.01.2016-29.02.2016	10,829
G 0032	01.03.2016-30.06.2016	31,761
G 0035	01.07.2016-30.09.2016	23,755
G 0040	01.10.2016-31.12.2016	33,714
		100,059
G 0040	01.01.2016-21.02.2017	8,017
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
		112,498
G 0052	01.01.2018-30.04.2018	36,312
G 0056	01.05.2018-31.08.2018	38,510
G 0059	01.09.2018-31.12.2018	35,778
		110,600
G 0060	01.01.2019-30.04.2019	39,068
G 0061	01.05.2019-03.09.2019	42,111
G 0065	04.09.2019-31.12.2019	35,472
		116,651
Total on Grant		555,807

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Notes to the financial statements

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5. FINANCING

	2019	2018	From the Project beginning
ADB: Loan No.2995-KGZ (SF)			
Direct payments	331,877	275,711	1,798,378
Costs of financing	14,472	11,209	28,877
	346,349	286,920	1,827,255
ADB: Grant No.0340-KGZ (SF)			
Advance		-	65,000
Special account replenishment	116,957	106,757	520,335
Direct payment	102,261	290,434	2,871,119
	219,218	397,191	3,456,454
Government of the Kyrgyz Republic			
Replenishment of the current account	69,507	88,622	651,561
Return of balance		(5,626)	(7,207)
	69,507	82,996	644,354
Total Project financing	635,074	767,107	5,928,063

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6. EXPENDITURES

The Project expenditures for 2019:

	Category	Loan		GKR Loan	GKR	Total GKR	Other expenses	Total expenses
		No.2995-KGZ	Grant No.0340		ADB			
Grant No.0340 KGZ								
Development of NSW	1	-	102,261	-	102,261	12,611	-	114,872
Including:								
Single window system development (Goods)	1a				-	-	-	-
Single window institutional and technical support (Consulting Services)	1b				-	-	-	-
Single window system development (Goods and works)	1c	-	102,261		102,261	12,611		114,872
Project management and supervision	2	-	116,651	-	116,651	16,021	-	132,672
Including:								
Project management	2a		85,488		85,488	13,666		99,154
Auditing	2b		15,513		15,513	1,862		17,375
Office equipment and miscellaneous expenses	2c		15,650		15,650	493		16,143
Loan No.2995-KGZ								
Civil works at “Karamyk” of BCP (works)	1	331,877		40,888	331,877	40,888	-	372,765
Costs of financing		14,472			14,472			14,472
Total Project expenses		346,349	218,912	40,888	565,261	69,520	-	634,781
Other expenses							765	765
Total expenses		346,349	218,912	40,888	565,261	69,520	765	635,546

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The Project expenditures for 2018:

	Cate- gory	Loan		GrantNo .0340	Total ADB	GKRLoan No.2995-		GKR Grant	Total GKR	Other expenses	Total expenses
		No.2995 -KGZ	-KGZ			KGZ	KGZ				
Grant No.0340 KGZ											
Development of NSW	1			401,035	401,035			50,337	50,337	-	451,372
including:											
Single window system development											
(Goods)	1a			19,571	19,571			2,175	2,175		21,746
Single window institutional and technical											
support (Consulting Services)	1b			240,239	240,239			26,693	26,693		266,932
Project management and supervision	2			141,225	141,225			21,469	21,469	-	162,694
Including:											
Project management	2a			121,979	121,979			20,326	20,326		142,305
Auditing	2b			5,792	5,792			695	695		6,487
Office equipment and miscellaneous	2c			13,454	13,454			448	448		13,902
expenses											
Loan No.2995-KGZ		286,920		-	286,920			-	32,312	-	319,232
1. Improvement of Border crossing point											
(works)	1	176,672			176,672				21,308		197,980
1A) National single window development											
(Goods)		99,039			99,039				11,004		110,043
Costs of financing		11,209			11,209						11,209
Total Project expenses		286,920		401,035	687,955			50,337	82,649		770,604
Other expenses					-					25,935	25,935
Total expenses		286,920		401,035	687,955			50,337	82,649	25,935	796,539

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Projects' expenses with progressive total:

	Category	Loan		Total ADB	GKR Loan		Total GKR	Other expenses	Total expenses
		No.2995-KGZ	Grant No.0340		No.2995-KGZ	GKR Grant			
Grant No.0340 KGZ									
Development of NSW									
Including:									
	1	99,039	2,239,258	2,338,297	11,004	250,257	261,261	-	2,599,558
	1a	99,039	19,571	118,610	11,004	2,175	13,179		131,789
	1b		2,117,426	2,117,426		235,471	235,471		2,352,897
	1c		102,261	102,261		12,611	12,611		114,872
Project management and supervision									
Including:									
	2a		1,024,915	1,024,915		159,555	159,555		1,184,470
	2b		38,881	38,881		4,898	4,898		43,779
	2c		123,872	123,872		10,614	10,614		134,486
Loan No.2995-KGZ									
	1	1,699,339		1,699,339	204,789		204,789		1,904,128
Costs of financing									
		28,877		28,877					28,877
		1,827,255	3,426,926	5,254,181	215,793	425,324	641,117	-	5,895,298
Total Project expenses									
								29,292	29,292
		1,827,255	3,426,926	5,254,181	215,793	425,324	641,117	29,292	5,924,590
Total expenses									

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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” for Foreign Trade under the Ministry of Economy of the Kyrgyz Republic” and Crown Agents Limited Consulting Company of 10 November 2014.

7. PROJECT BUDGET PERFORMANCE

The Project budget performance on the 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	%
Development of NSW	1					
Including:						
Single window system development (goods)	1a	19,571	7%	282,000	262,429	93%
Single window institutional and technical support (consulting services)	1b	2,117,426	99%	2,149,000	31,574	1%
Single window system development (goods and works)	1c	102,261	33%	310,000	207,739	67%
		2,239,258	82%	2,741,000	501,742	18%
Project management and supervision	2					
Including:						
Project management	2a	1,024,916	82%	1,256,000	231,084	18%
Auditing	2b	38,881	65%	60,000	21,119	35%
Office equipment and miscellaneous expenses	2c	123,871	85%	145,000	21,129	15%
		1,187,668	81%	1,461,000	273,332	19%
Total		3,426,926	82%	4,202,000	775,074	18%

The Project budget performance on the 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	%
Improvement of Border Crossing Point (works)	1,699,339	73%	2,314,031	614,692	27%
2. Development of Single window (goods)	99,039	7%	1,410,995	1,311,956	93%
3. Interest payment	28,877	60%	48,180	19,303	40%
4. Non-allocated funds			9,636	9,636	100%
Total	1,827,255	48%	3,782,842	1,955,587	52%

Notes to the financial statements

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(amounts in tables are shown in US dollars)

8. EVENTS AFTER THE REPORTING DATE

On 3 March 2020, paid was an application No.G0065 submitted to the ADB under Grant No.0340-KGZ (SF) for reimbursement of used funds for the period from 04.09.2019 to 31.12.2019 in the amount of USD 35,472.


Since 25 March 2020, due to the COVID-19 virus pandemic, the Kyrgyz Republic has introduced quarantine restrictions and a state of Emergency (state of emergency), which has significantly complicated the interaction of the SE SWC with other government agencies.

In this regard, it is expected to delay the completion of the construction of the “Karamyk” BCP for 3 months; the commissioning of the NSW system by the developer IUnetworks may be delayed for a period of 5 to 10 weeks.


For the purchase of ICT (Information and communication technologies) equipment on 25 December, a contract was signed with the national supplier of the Empire Consortium “At Empire LTD and Green Light LTD” for the supply of ICT equipment for a Single Window, this contract also requires an extension of up to 3 months.

Due to the increase in the US dollar exchange rate, there is a devaluation of som contracts, including such as construction work of “BIOR Plus” LLC and the supply of ICT equipment by the Consortium “AT Empire LTD and Green Light LTD”, as well as consulting services. As a result, the planned disbursement of the funds in US dollars is possibly much less than expected..

Due to the restrictions associated with the state of emergency, there are risks of not using the planned funds in 2020, from 30% to 50%, and, perhaps, at the final stage of the Project, it may be necessary to revise the project implementation period from 2 to 4 months.



U. Abdynasyrov
PIU Manager



A.S. Kurmanbekova
PIU Financial Manager