

# Audited Project Financial Statements

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Project Number: 48401-007  
Loan Number: 3432 and 3730  
Grant Number: 0496 and 0621  
Period covered: 20 August 2019 to 31 December 2020

## Kyrgyz Republic: Central Asia Regional Economic Cooperation Corridors 1 and 3 Connector Road Project

Prepared by the Ministry of Transport and Communications of the Kyrgyz Republic for the Asian Development Bank

Date accepted by ADB: 17 August 2021

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 Access to Information Policy and as agreed between ADB and the Ministry of Transport and Communications of the Kyrgyz Republic.

**PROJECTS:**

**CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT  
LOAN NO.3432-KGZ(SF)/GRANT NO.0496-KGZ(SF)**

**CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT, PHASE 2-  
ADDITIONAL FINANCING  
LOAN NO.3730-KGZ(COL)/LOAN NO.0621-KGZ(SF)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**AND  
INDEPENDENT AUDITOR'S REPORT**

**Bishkek - 2021**

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**INDEPENDENT AUDITOR'S REPORT  
BY HLB MARKA AUDIT LLC  
ON CONSOLIDATED FINANCIAL STATEMENTS  
CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT  
LOAN NO.3432-KGZ(SF)/GRANT NO.0496-KGZ(SF)  
AND CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT, PHASE 2-  
ADDITIONAL FINANCING LOAN NO.3730-KGZ(COL)/LOAN NO.0621-KGZ(SF)**

**Asian Development Bank**

**Ministry of Transport and Communications of the Kyrgyz Republic**

***Opinion***

We have audited the accompanying consolidated financial statements of the CAREC Corridors 1 and 3 Connector Road Project and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing (hereinafter referred to as the "Projects"), implemented by the Ministry of Transport and Communications of the Kyrgyz Republic with the Investment Projects Implementation Group of the Asian Development Bank (together the "Organization") and financed by the Asian Development Bank (hereinafter referred to as the "ADB") under the Financing Agreement Loan No.3432 KGZ(SF)/Grant No. 0496 KGZ(SF) dated December 2, 2016 (hereinafter referred to as the "Financing Agreement"), Loan Agreement Loan No.3730 KGZ (SF) dated December 28, 2018 (hereinafter referred to as the "Loan Agreements"), Grant Agreement No.0621 KGZ (SF) dated December 28, 2018 (the "Grant Agreement"), and co-financed by the Government of the Kyrgyz Republic (the "GKR"), which includes the consolidated Statement of Financial Position as at 31 December 2019, consolidated Statement of Sources and Uses of Funds, the Statement of Cash Flows under the special Grant account No. 0496 KGZ(SF) and the Statement of Cash Flows under the additional special Grant account No. 0496 KGZ (SF) for the year then ended, a summary of significant accounting policies and other explanatory information.

***In our opinion:***

- The consolidated financial statements, including the related notes, for the year ended 31 December 2019 present fairly, in all material respects, in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, requirements of the ADB and the relevant articles of the Agreements (Financing, Loan and Grant);
- The Organization, in all material respects, used all the funds provided to the Projects in accordance with the conditions of the Agreements, with due attention to the economy and efficiency, and only for the purposes for which the funds were provided;
- The GKR co-financing funds were submitted and used in accordance with the terms of the Agreements and only for the purposes for which the financing was submitted;
- The goods and services for the implementation of the Projects were purchased and provided in accordance with the requirements of the Agreements (Financing, Loan and Grant), including specific norms of the procurement guidelines of the Asian Development Bank;
- As for the Statements of Expenditure (SOE), adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursement of expenditures incurred;

- The cash balances of the special account and the additional special account as at 31 December 2019 and their movements for the year then ended, as well as the supporting documents and information provided with them, can be truly relied upon to support applications for replenishment in accordance with the requirements described in the Agreements (Financing, Loan and Grant).

### ***Basis for opinion***

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the “*Auditor's responsibilities for audit of financial statements*” section of this 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) together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of matter – accounting methodology and restrictions on use***

We draw your attention to Note 2 to the consolidated financial statements, which describes the accounting method. The consolidated financial statements of the Projects are prepared in order to help the management of the Organization meet the requirements of the ADB and the GKR, as a result, the consolidated financial statements of the Projects cannot be used for any other purpose.

### ***Responsibilities of management and those charged with governance for the Projects' consolidated financial statements***

Management of the Organization is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the conditions of the Agreements, the guidelines of the Asian Development Bank and the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, described in Note 2, and for maintaining internal control system which the management consider relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance for the consolidated financial statements of the Projects are responsible for overseeing the preparation of the Projects' consolidated financial statements.

While preparing these consolidated financial statements, the management of the Projects is responsible for assessment of the Projects capability to continue its activities, or disclosures of information in relevant cases, related to the on-going activities, except for the cases when the management intends to close the Projects, to terminate its activities or when the Projects do not have any other alternatives but to do so.

### ***Auditor's responsibilities for the audit of Projects' consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 skepticism throughout the audit. We also:

- identify and assess the risk of material misstatement of consolidated 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 Projects 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 the management's use of the going concern assumption and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the ability of the Projects to continue as a going concern. If we conclude that there is a material uncertainty, we must draw attention in our auditor's report to the relevant disclosures in the consolidated financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our audit opinion. However, future events or conditions may cause the Projects to lose their ability to continue operating continuously. As indicated in Note 1, the Project completion date is 31 July 2021, in accordance with the Financing Agreement for the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF);
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Projects or business activities inside of the Organization to express our opinion regarding the consolidated 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 #0146 of November 13, 2018, issued by the State Commission on Regulation and Supervision of Financial Market under the Government of the Kyrgyz Republic  
Registration certificate #4850-3301-000 with the Ministry of Justice of the Kyrgyz Republic dated 11 October 2019,  
38, Professor Zima Street, Bishkek, Kyrgyz Republic  
Telephone/fax: (312) 32 05 75*

  
**A.M. Asylbekova, Director, Auditor**  
*Qualified Auditor Certificate Series AD #0012,  
reg.#0461 of August 07, 2019*

  
**L.G. Zalunina, Auditor, Audit Team Leader**  
*Qualified Auditor Certificate No.00222 of 31.10.2011  
Dipl.IFR (Russian) - Certificate No.1768245 of 09.12.2010  
CAP Certificate No.0007812 of 15.12.2007*

**28 June 2021**

**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**MANAGEMENT'S STATEMENT ON RESPONSIBILITY  
FOR PREPARATION AND APPROVAL OF PROJECTS' CONSOLIDATED 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 Ministry of Transport and Communications of the Kyrgyz Republic (hereinafter the "MTC KR") along the Investment Projects Implementation Group (hereafter both the "Organization") in respect of the consolidated financial statements of the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF) (hereinafter the 'Project'). The management of the Organization is responsible for preparation of the Projects' consolidated financial statements, as financed by the Asian Development Bank: Financing Agreement Loan No. 3432-KGZ(SF)/ Grant No. 0496-KGZ(SF) dated December 2, 2016 (the "Financing Agreement"), Loan Agreement No. 3730 KGZ(COL) dated December 28, 2018 (the "Loan Agreement"), Grant Agreement No. 0621 KGZ(SF) dated December 28, 2018 (the "Grant Agreement") that fairly reflects, in all material respects, the consolidated financial position as at 31 December 2019, sources and uses of the Projects funds and cash flows within the special Grant account 0496 KGZ(SF) and its additional special account for the reporting period in accordance with the International Public Sector Accounting Standards (IPSAS-cash method), the requirements of the Asian Development Bank and the relevant articles of the Agreements (Financing, Loan and Grant).

When preparing the Projects' consolidated 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 Projects;
- maintenance of accounting system that permits to provide information on financial status of the Projects 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 Projects assets integrity within the terms of its reference;
- detection and prevention of fraud and other misuses.

These consolidated financial statements for the year ended 31 December 2019 were approved by the management of the Organization on 28 June 2021.

For and on behalf of the management of the Organization:



**N.B. Kaiynbacv**

**Deputy Minister of Transport and Communications of the Kyrgyz Republic**

**28 June 2021**

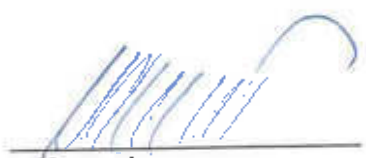


**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Consolidated Statement of Financial Position****As of 31 December 2019****(Amounts in tables below are presented in USD)**

	Note	31 December 2019	31 December 2018
<b>ASSETS</b>			
Cash	4	313,905	37,033
Project expenses	7	11,003,515	7,282,672
Exchange rate difference	4	5,579	3,813
<b>TOTAL ASSETS</b>		<b>11,322,999</b>	<b>7,323,518</b>
<b>LIABILITIES</b>			
ADB financing Loan No.3432 -KGZ(SF)	5	4,612,111	3,545,335
ADB financing Grant No.0496 -KGZ(SF)	5	5,047,231	2,558,139
GKR co-financing	5	1,648,067	1,206,017
Other receipts	6	15,590	14,027
<b>TOTAL LIABILITIES</b>		<b>11,322,999</b>	<b>7,323,518</b>



**N.B. Kaiynbaev**  
Deputy Minister of MTC KR



**S.K. Ibraimov**  
Director of ADB IPIG





**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

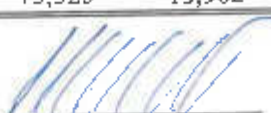
**Consolidated Statement of Sources and Uses of Funds**

**For the year ended December 2019**

**(Amounts in tables below are presented in USD)**

			From the beginning of the Projects to 31 December 2019	2018	From the beginning of the Projects to 31 December 2018
	Note	2019	2019	2018	2018
<b>Opening balance, including:</b>	4	<b>37,033</b>	-	<b>36,207</b>	-
<i>ADB Grant No.0496 -KGZ</i>		23,071	-	28,041	-
<i>Other funds</i>		13,962	-	8,166	-
<b>Financing sources:</b>					
<i>ADB Loan No. 3432 -KGZ</i>		1,066,776	4,612,111	3,545,335	3,545,335
<i>ADB Grant No. 0496 -KGZ</i>		2,489,092	5,047,231	2,059,823	2,558,139
<i>GKR</i>		442,050	1,648,067	1,186,057	1,206,017
<b>Total financing:</b>	5	<b>3,997,918</b>	<b>11,307,409</b>	<b>6,791,215</b>	<b>7,309,491</b>
<b>Net other receipts:</b>	6	<b>1,563</b>	<b>15,590</b>	<b>5,797</b>	<b>14,027</b>
<b>Total receipts:</b>		<b>3,999,481</b>	<b>11,322,999</b>	<b>6,833,219</b>	<b>7,323,518</b>
<b>Projects' expenses:</b>	7				
<b>1 Works</b>					
<i>ADB Loan No. 3432 -KGZ</i>		(1,041,311)	(4,586,646)	(3,545,335)	(3,545,335)
<i>ADB Grant No. 0496 -KGZ</i>		(430,887)	(1,897,922)	(1,467,035)	(1,467,035)
<i>GKR</i>		(223,435)	(1,323,408)	(1,099,973)	(1,099,973)
		<b>(1,695,633)</b>	<b>(7,807,976)</b>	<b>(6,112,343)</b>	<b>(6,112,343)</b>
<b>2 Consulting services</b>					
<i>ADB Grant No. 0496 -KGZ</i>		(1,429,238)	(1,712,462)	(269,363)	(283,224)
<i>GKR</i>		(166,618)	(190,235)	(22,077)	(23,617)
		<b>(1,595,856)</b>	<b>(1,902,697)</b>	<b>(291,440)</b>	<b>(306,841)</b>
<b>3 Advance for the preparation of the design and estimate documentation</b>					
<i>ADB Grant No. 0496 -KGZ</i>		(267,786)	(941,718)	(255,085)	(673,932)
<i>GKR</i>		(50,231)	(128,845)	(60,191)	(78,614)
		<b>(318,017)</b>	<b>(1,070,563)</b>	<b>(315,276)</b>	<b>(752,546)</b>
<b>4 Project management</b>					
<i>ADB Grant No. 0496 -KGZ</i>		(85,872)	(196,814)	(73,311)	(110,942)
		<b>(85,872)</b>	<b>(196,814)</b>	<b>(73,311)</b>	<b>(110,942)</b>
<b>5 Interest expenses</b>					
<i>ADB Loan No. 3432 -KGZ</i>		(25,465)	(25,465)	-	-
		<b>(25,465)</b>	<b>(25,465)</b>	<b>-</b>	<b>-</b>
<b>Projects' total expenses:</b>		<b>(3,720,843)</b>	<b>(11,003,515)</b>	<b>(6,792,370)</b>	<b>(7,282,672)</b>
<i>ADB Loan No. 3432 -KGZ</i>		(1,066,776)	(4,612,111)	(3,545,335)	(3,545,335)
<i>ADB Grant No. 0496 -KGZ</i>		(2,213,783)	(4,748,916)	(2,064,794)	(2,535,133)
<i>GKR</i>		(440,284)	(1,642,488)	(1,182,241)	(1,202,204)
<b>Loss from the exchange rate difference</b>	4	<b>(1,766)</b>	<b>(5,579)</b>	<b>(3,816)</b>	<b>(3,813)</b>
<b>Closing cash balance, including:</b>	4	<b>313,905</b>	<b>313,905</b>	<b>37,033</b>	<b>37,033</b>
<i>ADB Grant No. 0496 -KGZ</i>		298,380	298,380	23,071	23,071
<i>Other funds</i>		15,525	15,525	13,962	13,962

  
N.B. Kaiynbaev  
Deputy Minister of MTC KR

  
S.K. Ibraimov  
Director of ADB IPIC

Notes on pages 11-29 are an integral part of this report



**Projects:**

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Statement of Cash Flows on Special Account of Grant No.0496 KGZ(SF)**

For the year ended 31 December 2019

(Amounts in the tables below are presented in USD)

Bank Account #	1180000092422310
Bank	JSC "Demir Kyrgyz International Bank"
Location	Bishkek
Financing Agreement	ADB Grant No. 0496-KGZ
Currency	US dollars
<b>Opening balance as of 1 January 2019</b>	<b>23,071</b>
Initial advance	90,000
Plus: Replenishment of the account during the period:	224,372
from January 1 to December 31, 2019	224,372
Minus: Amount of the eligible expenses paid out during the period:	(209,937)
from January 1 to December 31, 2019	(209,937)
<b>Closing balance as of 31 December 2019</b>	<b>127,506</b>
Special account balance	127,506

  
 N.B. Kaiynbaev

Deputy Minister of MTC KR

  
 S.K. Ibraimov

Director of ADB IPIG



**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2-Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Statement of Cash Flows on Additional Special Account of Grant No.0496 KGZ(SF)**


For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

Bank Account #	1180000113799192
Bank	JSC "Dcmir Kyrgyz International Bank"
Location	Bishkek
Financing Agreement	ADB Grant No. 0496-KGZ
Currency	US dollars
<b>Opening balance as of 1 January 2019</b>	-
Initial advance	170,874
Plus: Replenishment of the account during the period:	-
from January 1 to December 31, 2019	-
Minus: Amount of the eligible expenses paid out during the period:	-
from January 1 to December 31, 2019	-
<b>Closing balance as of 31 December 2019</b>	170,874
Special account balance	170,874



**N.B. Kaiynbaev**  
Deputy Minister



**S.K. Ibraimov**  
Director of ADB IPIG



## Projects:

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

## Notes to Consolidated Financial Statements

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

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### 1. Projects' background

#### *(a) Projects' objective and financing*

CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF) (the "Projects") are implemented the following way:

- CAREC Corridors 1 and 3 Connector Road Project in accordance with the Financing Agreement (Special operations) Loan № 3432-KGZ(SF)/Grant № 0496-KGZ(SF) signed between the Government of the Kyrgyz Republic (Government of the Kyrgyz Republic) and the Asian Bank Development Bank (ADB) dated December 2, 2016 (hereinafter the "Financing Agreement"). The Agreement was ratified by the Law of the Kyrgyz Republic No. 71 of April 29, 2017;
- CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing as per the Agreements:
  - o Financing (Special operations) Loan No.3432-KGZ(SF)/Grant No.0496, signed between the Government of the Kyrgyz Republic ('GKR') and the Asian Development Bank ('ADB') on 2 December 2016, which became effective on 29 April 2017 by the Law No. 87 of the Kyrgyz Republic;
  - o Grant (Special terms) No.№0621-KGZ(SF) signed between the Government of the Kyrgyz Republic and ADB on December 28, 2018 (hereinafter the "Grant Agreement"). The Grant Agreement was ratified by the Law of the Kyrgyz Republic No. 87 dated July 18, 2019.

The objective of the Projects is to improve the efficiency and safety of movement of goods and people along the Project Road.

In the course of its work, the Projects will achieve the following results:

**Outcome 1.** Rehabilitation of a section of road approximately 70 km long, from Epkin village to Bashkugandy village (referred to as Section 2B of the connecting road), including special measures to ensure road safety and adaptation to climate change.

**Outcome 2.** Strengthening institutional capacity by providing consultancy services for detailed design, construction supervision, Project management, audit of Project financial statements, support for safeguards, preparation and implementation of a road asset management system, and review of a pilot performance-based road maintenance contract (pilot contract).

**Outcome 3.** Rehabilitation of two road sections from the town of Balykchy to the kilometer column 43 (43 km) (referred to as Section 1 of the connecting road) and from Kochkor village to the village of Epkin (25 km) (referred to as Section 2A of the connecting road) with a total length of 68 km (together with Phase 2), followed by performance-oriented road maintenance. Providing support to the MTC KR in carrying out the reform of the road sector, road safety measures and the Road Asset Management System (hereinafter referred to as the "RAMS").

The Projects' budget totals to USD 202.99 mln, including:

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

	Total financing			Actually allocated from the beginning of Project	Available balance
	SDR	In mln USD	%	In mln USD	In mln USD
<b>Asian Development Bank</b>	<b>41,905,000</b>	<b>171.09</b>	<b>84%</b>	<b>6.04</b>	<b>165.05</b>
Grant No.0496-KGZ(SF)*		35.40	17%	2.50	32.90
Loan No.3432-KGZ(SF)**	41,905,000	57.69	29%	3.55	54.14
Grant No.0621-KGZ(SF)		9.50	5%	-	9.50
Loan No.3730-KGZ(COL)		68.50	34%	-	68.50
<b>Government of the Kyrgyz Republic</b>		<b>31.9</b>	<b>16%</b>	<b>1.21</b>	<b>30.69</b>
<b>Total</b>	<b>41,905,000</b>	<b>202.99</b>	<b>100%</b>	<b>7.25</b>	<b>195.74</b>

\*At the time of the conclusion of the Financing Agreement, the amount of funds allocated for financing ADB amounted to USD 36.72 million, including the category "Advance for the preparation of design estimates" (hereinafter PDA) including the costs of the PDA project "Advance for the preparation of design estimates for the subsequent project of the road connecting the CAREC corridors 1 and 3" Grant No. 6002 (hereinafter PDA 6002-KGZ) in the amount of USD 3 million. In connection with the notification of the ADB dated July 26, 2017 on the closure of the PDA Grant No. 6002 on July 18, 2017 with expenses incurred in the amount of USD 1,322,539.57, the amount for the PDA category Grant No. 0496-KGZ (SF) was changed. Accordingly, the unused amount of Grant No. 6002 under the PDA category at the time of the Project implementation was 1,667,460.43 US dollars, which led to a decrease in the amount of financing from the ADB under the Financing Agreement (Special operations) of Loan No. 3432-KGZ (SF)/ Grant No. 0496-KGZ (SF) signed between the Government of the Kyrgyz Republic (GKR) and the Asian Development Bank (ADB) dated December 2, 2016 to the amount of 35,397,460.43 US dollars.

\*\*The amount of the Loan Budget in SDR was converted into US dollars at the fixed exchange rate of ADB 1.37658 USD per 1 SDR as of the December 31, 2019' statement.

**(b) Categories and shares of financing provided by ADB and GKR**

As provided in the Agreements (Financing, Loan and Grant) , the following categories of eligible expenses may be covered from the funds of:

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
 Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
 CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
 Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

Category	ADB			GKR		
	Loan No.3432 - KGZ(SF)		Grant No.0496 - KGZ(SF)			
	SDR	USD	% of Project expenses financing from Loan	USD	% of Project expenses financing from Grant	USD
<b>A. Base cost</b>						
1. Works	36,752,000	50,592,068	58%	20,680,000	24%	15,780,000
2. Consulting services	-	-	-	5,600,000	90%	680,000
3. Project Design Advance*	-	-	-	1,677,460	100%*	186,384
4. Project management	-	-	-	2,160,000	100%	-
5. Resettlement costs**	-	-	-	100,000	100%	-
6. Project expertise and approval	-	-	-	-	-	440,000
<b>Total A</b>	<b>36,752,000</b>	<b>50,592,068</b>	-	<b>30,217,460</b>	-	<b>17,086,384</b>
<b>B. Unallocated funds</b>	<b>3,689,000</b>	<b>5,078,204</b>	-	<b>5,180,000</b>	-	<b>2,060,000</b>
<b>C. Expenses on payment of interest</b>	<b>1,464,000</b>	<b>2,015,313</b>	100%	-	-	-
<b>Total cost of the Project (A+B+C)</b>	<b>41,905,000</b>	<b>57,685,585</b>	-	<b>35,397,460</b>	-	<b>19,146,384</b>

\*Excluding taxes and duties collected in the territory of the Project implementation.

\*\*In September 2018, there were made changes in the Financing Agreement in a part of the Grant 0496- KGZ(SF) by categories within the frameworks of the Project budget, in accordance with the approval and agreement of ADB.

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
 Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
 CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
 Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Grant No.0621-KGZ(SF)**

Category	ADB		GKR	
	Loan No.3730 - KGZ (COL)		Grant No.0621 - KGZ(SF)	
	USD	% of Project expenses financing from Loan	USD	% of Project expenses financing from Grant
<b>A. Base cost</b>				
1. Works	53,540,000	82%	-	-
Section 1	30,650,000	82%	-	-
Section 2A	22,890,000	82%	-	-
2. Consultancy	1,670,000	90%	7,160,000	90%
4. Project management	-	-	1,200,000	100%
5. Resettlement costs	-	-	70,000	100%
<b>Total A</b>	<b>55,210,000</b>	-	<b>8,430,000</b>	-
<b>B. Unallocated funds</b>	<b>9,790,000</b>	-	<b>1,070,000</b>	-
<b>C. Expenses on payment of interest</b>	<b>3,500,000</b>	100%	-	-
<b>Total cost of the Project (A+B+C)</b>	<b>68,500,000</b>	-	<b>9,500,000</b>	-
			<b>USD</b>	<b>% of Project expenses financing from GKR</b>
			11,740,000	18%
			6,720,000	18%
			5,020,000	18%
			990,000	10%
			-	-
			20,000	-
			<b>12,750,000</b>	-
			-	-
			-	-
			<b>12,750,000</b>	-

\*Excluding taxes and duties collected in the territory of the Project implementation.



**Projects:**  
**CAREC Corridors 1 and 3 Connector Road Project**  
**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**  
**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**  
**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

**Projects consolidated:**

Category	ADB				GKR			
	Loans		Grants					
	No.3432 - KGZ(SF)/ No.3730 – KGZ		No.0496 - KGZ(SF)/ No.0621					
	SDR	(COL)	% of Project expenses financing from Loan	USD	% of Project expenses financing from Grant	USD	% of Project expenses financing from GKR	USD
<b>A. Base cost</b>								
1. Works	36,752,000	104,132,068				27,520,000		
Section 1		30,650,000	82%			6,720,000	18%	
Section 2A		22,890,000	82%			5,020,000	18%	
Section 2B	36,752,000	50,592,068	58%		24%	15,780,000	18%	
2. Consultancy		1,670,000	90%		90%	1,670,000	10%	
3. Advance payment for the preparation of design and estimate documentation*	-	-	-		100%	186,384		
4. Project management	-	-	-		100%	0	-	
5. Resettlement costs**	-	-	-		100%	20,000	-	
6. Project expertize and approval						440,000	100%	
<b>Total A</b>	<b>36,752,000</b>	<b>105,802,068</b>				<b>29,836,384</b>		
<b>B. Unallocated funds</b>	3,689,000	14,868,204				2,060,000		
<b>C. Expenses on payment of interest</b>	1,464,000	5,515,313	100%			-		
<b>Total cost of the Project (A+B+C)</b>	<b>41,905,000</b>	<b>126,185,585</b>				<b>31,896,384</b>		

\*Excluding taxes and duties collected in the territory of the Projects implementation.

\*\*See a disclosure in Note page 14



## **Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

## **Notes to Consolidated Financial Statements**

**For the year ended 31 December 2019**

**(Amounts in tables below are presented in USD)**

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### ***(6) Executive of the Projects***

The executive agency of the Projects responsible for timely and efficient performance of works on the Projects, as a whole, is the Ministry of Transport and Communications of the Kyrgyz Republic (MTC KR).

The operative management and project implementation is being done by the Investment Project Implementation Group (IPIG), established by Order No. 10-к/1 of 1 February 2010 by MTC KR. For the purposes of efficient management of the investment projects, on the base of existing joint GIPI, by Order of MTC KR No.182 of 23 May 2017 and approval of the KR Ministry of Finance, from 1 June 2017 there were formed ADB GIPI and IPIG of the World Bank (WB). The ADB IPIG's obligations are to prepare and implement nine projects, including the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) and CAREC Corridors 1 and 3 Connector Road Project, Phase 2-Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF).

The Projects completion date is set as per the Agreements on:

- Financing (Special operations) Loan No.3432-KGZ(SF)/Grant No.0496, signed between the Government of the Kyrgyz Republic ('GKR') and the Asian Development Bank ('ADB') on 2 December 2016, which became effective on 29 April 2017 by the Law No.87 of the Kyrgyz Republic – 31 July 2021;
- Loan (Standard transactions (on preferential terms) No.3730-KGZ(COL) signed between the Government of the Kyrgyz Republic and ADB on December 28, 2018 (hereinafter the "Loan Agreement") – 31 July 2021; Grant (Special terms) No.0621-KGZ(SF) signed between the Government of the Kyrgyz Republic and ADB on December 28, 2018 – 31 July 2021.

## **2. Significant accounting policies**

### ***2.1. Basis for preparation of consolidated financial statements***

These consolidated financial statements have been prepared in accordance with the International Public Sector Accounting Standards "Cash Accounting", the requirements of the Asian Development Bank "Financial Management and Project Analysis" and the relevant articles of the Financing Agreement Loan No.3432-KGZ (SF)/Grant No. 0496 dated December 02, 2016, articles of the Loan Agreement Loan No. 3730-KGZ(COL) and articles of the Grant Agreement Grant No.062-KGZ(SF) signed between the Government of the Kyrgyz Republic and the ADB dated December 28, 2018.

In accordance with the cash basis of accounting, all funds, regardless of their source, which are on the settlement account and are reflected in the statement 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 have been applied consistently within the whole period.

### ***Financing***

Financing from the Asian Development Bank's funds is presented

- By the direct payment procedure – where the ADB, by the Organization's request, pays directly to the specified Supplier.
- Procedures of current expenses fund – ADB pays in advance funds from its Grant account on a deposit, forming the account of current expenses, which is exclusively used for financing of the ADB share of eligible expenses.

**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

**For the year ended 31 December 2019**

**(Amounts in tables below are presented in USD)**

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

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

Financing through the reimbursement (recovering) and a procedure of current expenses fund is recognized at actual receipt of cash.

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

*Other income and expenses*

Income received as interests, accrued on the balance of cash assets in the local commercial banks, and sales of tender documents are recognized as other receipts of the Project. Correspondingly, the expenses on printing the tender documents, advertising expenses, related to the tender procedures and a tax, deducted by the commercial bank for the interest benefit 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 bank services) are reflected on the net basis.

*Expenses*

The Project expenses are recognized as such and are included into the financial statements, if payments for goods, works and/or services are made to suppliers.

*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 using the following principles for reflection of exchange currency operations:
  - At the receipt of financing from the Government of the KR in soms, the NBKR foreign currency exchange rate is used as of the date of transaction;
  - When paying taxes on foreign organization's income, received from the KR source, not connected with the permanent institution (10%), the insurance fees for a foreign consultant and its solid part at the rate of 3%, as well as incomes of local consultants and their relevant insurance fees it is applied an exchange rate fixed by the NBKR as of the date of payment;
  - For all other expenses, the rate corresponding to the latest exchange rate is reflected in the accounting software "1-C Accounting" (the rate of a commercial bank or the rate of the National Bank of the Kyrgyz Republic).
- The balance of current accounts in national currency is recalculated at the latest exchange rate reflected in the accounting software "1-C Accounting" (the rate of a commercial bank or the rate of the National Bank of the Kyrgyz Republic).

## **Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

## **Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

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

### **2.2. Internal control system**

#### *Projects forecast*

- Actual implementation of the Projects plan is controlled monthly and quarterly by submitting reports to the Government of KR, ADB is provided by reports at the beginning of every reporting year and after every mission of the ADB;
- For efficient functioning of the process, the information on operating outcomes is timely analyzed.

#### *Use of accounting software*

The Investment Projects Implementation Group (IPIG) 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 KR Government share of proceeds.

An access to the accounting software is provided to the Disbursement Specialist (Officer) who has an individual password to obtain the access to the system. The Disbursement Specialist (Officer) has full access rights, including data input, review, adjustment and confirmation of processed transactions and control over deleting data.

#### *Cash*

- Bank accounts reconciliations. The balances on accounts in accordance with the accounting records are reconciled with the bank statements on a monthly basis.
- The loan account is regularly reconciled on disbursement based on statements from ADB.

#### *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 IPIG Director 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 IPIG Director).

When employees are on business trips, the Projects reimburse their expenses, such as travel, accommodation expenses (hotel expenses) and per diems in accordance with the standards established by the Legislation of the Kyrgyz Republic.

#### **Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

#### **Notes to Consolidated Financial Statements**

**For the year ended 31 December 2019**

**(Amounts in tables below are presented in USD)**

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#### *Salary*

- The Payment specialist maintains records of working hours, while the IPIG Director approves the timesheets.
- Accounting records are stored in separate files with an established right of access.
- All changes in salaries and pay rates are approved by the Ministry of Transport and Communications of the Kyrgyz Republic, leader of the ADB IPIG and they are also agreed with the Ministry of Finance of the Kyrgyz Republic.

#### *Liabilities*

The Payment Specialist maintains the list of issued invoices payable with the payment date on every contract.

### **3. Taxation**

The Projects Agreements do not contain exceptions on the tax payments and duties, except for the expense item "Project Design Advance". The Project is a VAT payer. The VAT, paid to the supplier for goods and services, is included in the cost of purchase and correspondingly in Project expenditures.

Payment of the tax on non-residents from the amount of services rendered by international consultants is made from ADB funds (90%) and co-financing from the GKR share (10%), with the exception of an international consultant, a road engineer, whose services are paid 100% from ADB funds, within the framework of the CAREC Corridors 1 and 3 Connector Road Project, Phase 2-Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF).

The Projects are paid for with the remuneration of the national experts from the ADB funds (90%) and co-financing from the GKR share (10%), which are recognized as the income of local hired employees, income tax and contributions to the Social Fund of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic. Employee benefits are paid minus tax and contributions.

The Project makes social security contributions from the Employer at the rate of 17.25% and pays them to the Social Fund of the Kyrgyz Republic, by the following categories:

- "Consulting services" From the ADB funds (90%) and co-financing from the share of the GKR (10%);
- "Project management" from the ADB funds (100%).

Social security fees are deducted from the international individual consultants' fee and paid to the Pension Fund at the rate of 3% from the ADB funds (90%) and co-financing from the share of the GKR (10%) from all types of payments for all the benefits accrued for the employees – foreign citizens or persons without citizenship, temporarily residing in the Kyrgyz Republic, who have labor relations with a legal entity, with the exception of an international consultant of a road engineer, whose services are paid for 100% from ADB funds, within the framework of the CAREC Corridors 1 and 3 Connector Road Project, Phase 2-Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF).

### **4. Cash**

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

According to the Financing Agreement, in order to make payments of loan funds for efficient financing of costs, necessary for the Project implementation, IPIG used the following special account:

- ADB special account (Grant No.0496-KGZ (SF) in US dollars No.1180000092422315, opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank";
- ADB transit account (Grant No.0496-KGZ (SF) in US dollars No.1180000092422214, opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank";
- Additional special account of the ADB (Grant No. 0496-KGZ (SF)) in US dollars No. 1180000113799091, opened in the branch "DKIB-Main" of CJSC "Demir Kyrgyz International Bank"\*
- Additional ADB Transit Account (Grant No. 0496-KGZ (SF)) in Kyrgyz SOM No. 1180000113799192, opened in the "DKIB-Main" branch of "Demir Kyrgyz International Bank" CJSC\*.
- GKR special-purpose financing account in KGS No. 4402051101018792, opened with Leninsky Regional Territory Management of the Ministry of Finance of the Kyrgyz Republic;
- GKR's interest account opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank":
  - In the Kyrgyz soms No.1180000092423123;
  - In the US dollars No.1180000092423224.
- Tender account of the GKR opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank":
  - In the Kyrgyz soms No.1180000092422416;
  - In the US dollars No.1180000092422517.

\*Opening the additional (special and transit) accounts of the ADB (Grant No. 0496-KGZ (SF)) was agreed and approved by the Ministry of Finance of the Kyrgyz Republic and the ADB, for the implementation of works under the category "Resettlement costs".

The cash balances on the accounts at the end of the year are presented below:

	31 December 2019	31 December 2018
<b>ADB funds:</b>		
Special Account of Grant No.0496-KGZ	127,506	23,071
Additional Grant Special account No.0496-KGZ	170,874	-
<b>Total ADB funds</b>	<b>298,380</b>	<b>23,071</b>
<b>Other Project accounts:</b>		
Interest account	660	162
Tender account	14,865	13,800
<b>Total other funds of the Project</b>	<b>15,525</b>	<b>13,962</b>
<b>Total balance of cash</b>	<b>313,905</b>	<b>37,033</b>

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

The cash flows for 2019 on the Project accounts (the accounts of the ADB and the Government of the Kyrgyz Republic) are presented below:

**Special Grant account № 0496-KGZ**

	USD		GKR*		Project total funds	
	Basic	Additional	KGS	USD	USD	USD
<b>Opening balance</b>	23,071	-	-	-	-	23,071
Initial advance	-	170,874	-	-	-	170,874
Increase in advance	90,000	-	-	-	-	90,000
Replenishment of the account	224,372	-	31,060,990	442,050	442,050	666,422
Use of funds	(209,937)	-	(31,060,990)	(440,284)	(440,284)	(650,220)
Gain from currency exchange difference	-	-	-	(1,766)	(1,766)	(1,767)
<b>Closing balance</b>	127,506	170,874	-	-	-	298,380
Including:						
On special account	127,506	170,874	-	-	-	298,380

\*In January 2019, the amount of the advance transferred to the construction company "TODINI Costruzioni Generali S.p.A" (hereinafter referred to as the "Contractor") in the amount of 551,376.78 US dollars under the payment order of the Central Treasury of the Ministry of Finance of the Kyrgyz Republic No. 1204 dated 26.10.2018, was returned by the intermediary bank to the Treasury account with the retention of banking services in the amount of 26 US dollars. On January 24, 2019, the funds were returned to the budget of the GKR in the amount of 38,272,110 soms. In August 2019, the Treasury of the GKR re-allocated funds (an advance for construction work), were transferred to the Contractor for construction works. The cash flow on the current account of the GKR, on a detailed basis, is presented in the table:

	KGS			USD		
	Project account replenishment	Project account retirement	Income	Income	Outcome	Outcome
Refund of the advance by the Contractor/(transfer) of the advance to the budget of the GKR						
Receipt of an advance from the GKR / (transfer) of the company's advance	38,272,110	(38,272,110)	551,377	551,377	(551,377)	(551,377)
Receipt/(uses) of funds for payment of expenses in 2019	38,272,110	(38,272,110)	551,377	551,377	(551,377)	(551,377)
Exchange rate difference	31,060,990	(31,060,990)	442,050	442,050	(440,284)	(440,284)
	-	-	-	-	(1,766)	(1,766)

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

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(Amounts in tables below are presented in USD)

	KGS		USD	
	Project account replenishment	Project account retirement	Income	Outcome
<b>TOTAL Replenishment/(uses) of funds</b>	107,605,210	(107,605,210)	1,544,804	(1,544,804)

Cash flows for the year 2018 on the Projects accounts (ADB accounts and GKR accounts) are presented below:

	Special account of Grant No. 0496-KGZ		Total funds of the Projects	
	US dollars	Soms	US dollars	US dollars
<b>Opening balance</b>	-	-	-	-
Initial advance	60,000	-	-	60,000
Replenishment of the account	201,028	83,627,300	1,206,017	1,407,045
Use of funds	(237,957)	(83,627,300)	(1,202,204)	(1,440,161)
Loss from the exchange rate difference	-	-	(3,813)	(3,813)
<b>Closing balance</b>	23,071	-	-	23,071
Including:				
On the special account	23,071	-	-	23,071

Cash flows for the year 2019 on the Projects accounts (ADB accounts and GKR accounts) are presented below:

	Special account of Grant No. 0496-KGZ		GKR account		Total funds of the Projects	
	Basic	Additional	KGS	USD	USD	USD
<b>Opening balance</b>	-	-	-	-	-	-
Initial advance	60,000	170,874	-	-	-	230,874
Replenishment of the advance	90,000	-	-	-	-	90,000
Replenishment of the account	425,400	-	114,688,290	1,648,067	-	2,073,467

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
 Loan No.3432-KGZ(SF)/(Grant No.0496-KGZ(SF))  
 CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
 Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

	Special account of Grant No. 0496-KGZ		GKR account		Total funds of the Projects	
	Basic	Additional	KGS	USD	USD	USD
Use of funds	(447,894)	-	(114,688,290)	(1,642,488)	(2,090,382)	(2,090,382)
Loss from the exchange rate difference	-	-	-	(5,579)	(5,579)	(5,579)
Closing balance	127,506	170,874	-	-	298,380	298,380
Including:						
On the special account	127,506	170,874	-	-	298,380	298,380



Projects:  
**CAREC Corridors 1 and 3 Connector Road Project**  
 Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**  
 Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

Notes to Consolidated Financial Statements  
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 (Amounts in tables below are presented in USD)

**Replenishment of basic special account of Grant No. 0496-KGZ:**

	Date	Amount
<b>Initial advance:</b>		
	08.08.2017	30,000
	12.12.2017	30,000
<b>Total for the period from May 23 to December 31, 2017</b>		<b>60,000</b>
	22.11.2019	90,000
<b>2019 total</b>		<b>90,000</b>
<i>Total advance from the Project beginning to December 31, 2019</i>		<i>150,000</i>
<b>Reimbursement of current expenses:</b>		
	23.11.2017	19,469
<b>Total for the period from May 23 to December 31, 2017</b>		<b>19,469</b>
	29.03.2018	32,679
	01.06.2018	49,713
	28.08.2018	29,307
	29.10.2018	39,321
	05.12.2018	30,539
<b>Total for 2018</b>		<b>181,559</b>
	05.03.2019	48,394
	22.05.2019	39,192
	07.08.2019	37,524
	17.10.2019	47,322
	23.12.2019	51,940
<b>Total for 2019</b>		<b>224,372</b>
<i>Total reimbursement of operating expenses from the Project beginning to December 31, 2019</i>		<i>425,400</i>
<b>Total replenishment of the account from the beginning of the Project to December 31, 2019</b>		<b>575,400</b>

**Replenishment of additional special account of Grant No. 0496-KGZ:**

	Date	Amount
<b>Initial advance</b>		
	29.10.2019	170,874
<b>Initial advance</b>		<b>170,874</b>
<b>Total replenishment of the account from the beginning of the Project to December 31, 2019</b>		<b>170,874</b>

**Use of the special accounts funds (SOE):**

Application number	SOE number	Expense period	Amount of expenses
4	SOE 1	08.08.17-19.10.17	19,469
8	SOE 2	20.10.17-31.12.17	31,959
<b>Total for the period from 23 May to 31 December 2017</b>			<b>51,428</b>

Projects:  
 CAREC Corridors 1 and 3 Connector Road Project  
 Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
 CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
 Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

Notes to Consolidated Financial Statements  
 For the year ended 31 December 2019  
 (Amounts in tables below are presented in USD)

Application number	SOE number	Expense period	Amount of expenses
8	SOE 2	01.01.18-17.01.18	720
10	SOE 3	18.01.18-30.04.18	49,713
14	SOE 4	01.05.18-16.07.18	29,307
15	SOE 5	17.07.18-01.10.18	39,321
19	SOE 6	02.10.18-15.11.18	30,539
23	SOE 7	16.11.18-31.12.18	36,929
<b>2018 total</b>			<b>186,529</b>
23	SOE 7	01.01.19-05.02.19	11,465
31	SOE 8	06.02.19-24.04.19	39,192
41	SOE 9	25.04.19-28.06.19	37,524
49	SOE 10	01.07.19-02.09.19	47,322
66	SOE 11	03.09.19-29.11.19	51,940
73	SOE 12	30.11.19-31.12.19	22,494
<b>2019 total</b>			<b>209,937</b>
<b>Total SOE from the beginning of the Project to December 31, 2019</b>			<b>447,894</b>

## 5. Financing

	2019	2018	From the beginning of the Projects to 31 December 2019
<b>ADB Loan No.3432 KGZ(SF)</b>			
Direct payments	1,041,311	3,545,335	4,586,646
Interest expenses	25,465	-	25,465
	<b>1,066,776</b>	<b>3,545,335</b>	<b>4,612,111</b>
<b>ADB Grant No.0496 KGZ(SF)</b>			
Initial advance	170,874	-	200,874
Replenishment of advance	90,000	-	120,000
<b>Total advance</b>	<b>260,874</b>	<b>-</b>	<b>320,874</b>
Replenishment of special account	224,372	181,559	425,400
Direct payments	2,003,846	1,878,264	4,300,957
	<b>2,489,092</b>	<b>2,059,823</b>	<b>5,047,231</b>
<b>KR Government</b>			
Replenishment of current account	442,050	1,186,057	1,648,067
	<b>442,050</b>	<b>1,186,057</b>	<b>1,648,067</b>
<b>Total financing of the Projects</b>	<b>3,997,918</b>	<b>6,791,215</b>	<b>11,307,409</b>

## 6. Other (Expenses)/Receipts

	2019	2018	From the beginning of the Projects to 31 December 2019
<b>Interest account</b>			
Accrued interests	566	308	908
Return of collateral on tenders	(68)	(180)	(248)

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COI)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

	2019	2018	From the beginning of the Projects to 31 December 2019
<b>Total</b>	<b>498</b>	<b>128</b>	<b>660</b>
<b>Tender account</b>			
Receipts for tender documentation	1,255	6,785	16,603
Expenses related to the tender procedures	(190)	(1,116)	(1,673)
<b>Total</b>	<b>1,065</b>	<b>5,669</b>	<b>14,928</b>
<b>Total other receipts</b>	<b>1,563</b>	<b>5,797</b>	<b>15,590</b>

**7. Expenditures**

For 2019:

Category	Actual expenses for 2019			Total expenses
	ADB		GKR	
	Grant No. 0496 KGZ(SF)	Loan No. 3432 KGZ(SF)		
1. Works	430,887	1,041,311	223,435	1,695,633
2. Consulting services	1,429,238	-	166,618	1,595,856
<i>Supervision over construction</i>	401,212	-	44,579	445,791
<i>Consultants on assistance in the reforming the road management system</i>	129,631	-	15,425	145,056
<i>Collection of data and installation of road management system assets further (implementation of RAMS)</i>	887,209	-	105,371	992,580
<i>Audit services</i>	11,186	-	1,243	12,429
3. Advance for project design documentation	267,786	-	50,231	318,017
4. Project management	85,872	-	-	85,872
<i>Labor costs</i>	62,363	-	-	62,363
<i>Goods and current expenses</i>	23,509	-	-	23,509
5. Interest expenses	-	25,465	-	25,465
<b>Projects total</b>	<b>2,213,783</b>	<b>1,066,776</b>	<b>440,284</b>	<b>3,720,843</b>

For 2018:

Category	Actual expenses for 2018			Total expenses
	ADB		GKR	
	Grant No. 0496 KGZ(SF)	Loan No. 3432 KGZ(SF)		
1. Works	1,467,035	3,545,335	1,099,973	6,112,343
2. Consulting services	269,363	-	22,077	291,440
<i>Supervision over construction</i>	75,846	-	8,427	84,273

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

Category	Actual expenses for 2018			Total expenses
	ADB		GKR	
	Grant No. 0496 KGZ(SF)	Loan No. 3432 KGZ(SF)		
<i>Consultants on assistance in the reforming the road management system</i>	109,332	-	11,114	120,446
<i>Collection of data and installation of road management system assets further (implementation of RAMS)</i>	73,265	-	1,323	74,588
<i>Audit services</i>	10,920	-	1,213	12,133
3. Advance for project design documentation	255,085	-	60,191	315,276
4. Project management	73,311	-	-	73,311
<i>Labor costs</i>	56,180	-	-	56,180
<i>Goods and current expenses</i>	17,131	-	-	17,131
<b>Projects' total</b>	<b>2,064,794</b>	<b>3,545,335</b>	<b>1,182,241</b>	<b>6,792,370</b>

From the beginning of the Projects until December 31, 2019:

Category	Actual expenses for the period of the Project implementation			Total expenses
	ADB		GKR	
	Grant No. 0496 KGZ(SF)	Loan No. 3432 KGZ(SF)		
1. Works	1,897,922	4,586,646	1,323,408	7,807,976
2. Consulting services	1,712,462	-	190,235	1,902,697
<i>Supervision over construction</i>	477,058	-	53,006	530,064
<i>Consultants on assistance in the reforming the road management system</i>	252,824	-	28,079	280,903
<i>Implementation of RAMS</i>	960,474	-	106,694	1,067,168
<i>Audit</i>	22,106	-	2,456	24,562
3. Advance for project design documentation	941,718	-	128,845	1,070,563
4. Project management	196,814	-	-	196,814
<i>Labor costs</i>	144,809	-	-	144,809
<i>Goods and current expenses</i>	52,005	-	-	52,005
<b>Projects total</b>	-	25,465	-	25,465
<b>Total Projects expenses</b>	<b>4,748,916</b>	<b>4,612,111</b>	<b>1,642,488</b>	<b>11,003,515</b>

**8. Budget performance****ADB use of the Loan №3432- KGZ(SF):**

Projects:  
**CAREC Corridors 1 and 3 Connector Road Project**  
**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**  
**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**  
**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**  
For the year ended 31 December 2019  
(Amounts in tables below are presented in USD)

Item	Funds used from the beginning of the Project		Total Project budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Works	4,586,646	9.07%	50,592,068	46,005,422	90.93%
Interest expenses	25,465	1.26%	2,015,313	1,989,848	98.74%
Unallocated expenses	-	-	5,078,204	5,078,204	100.00%
<b>Total</b>	<b>4,612,111</b>	<b>8.00%</b>	<b>57,685,585</b>	<b>53,073,474</b>	<b>92.00%</b>

\*CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

**ADB use of the Grants №0496- KGZ(SF):**

Item	Funds used from the beginning of the Project		Total Project budget	Available Projects funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Works	1,897,922	9.18%	20,680,000	18,782,078	90.82%
Consulting services	1,712,462	30.58%	5,600,000	3,887,538	69.42%
Advance for preparation of project design documentation	941,718	56.14%	1,677,460	735,742	43.86%
Project management	196,814	9.11%	2,160,000	1,963,186	90.89%
Expenses of relocation	-	-	170,874	170,874	100.00%
Unallocated expenses	-	-	5,109,126	5,109,126	100.00%
<b>Total</b>	<b>4,748,916</b>	<b>13.42%</b>	<b>35,397,460</b>	<b>30,648,544</b>	<b>86.58%</b>

\*CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

**GKR co-financing share:**

Item	Funds used from the beginning of the Project		Total Project budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Works	1,323,408	8.39%	15,780,000	14,456,592	91.61%
Consulting services	190,235	27.98%	680,000	489,765	72.02%
Advance for preparation of project design documentation	128,845	69.13%	186,384	57,539	30.87%
Expertize and approval of the project	-	-	440,000	440,000	100.00%
Unallocated expenses	-	-	2,060,000	2,060,000	100.00%
<b>Total</b>	<b>1,642,488</b>	<b>8.58%</b>	<b>19,146,384</b>	<b>17,503,896</b>	<b>91.42%</b>

\*CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

## 9. Liabilities

As of 31 December 2019, the Projects had the following invoice obligations:

As per the GKR financing share:

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2019

(Amounts in tables below are presented in USD)

Contractor	Category	Works period	Intermediate Payment Certificates (IPC)		Unpaid IPC obligations
			#	Date	USD
TODINI Costruzioni Generali S.p.A	Works	October 2019	3	10.10.2019	100,034
<b>"Works" total:</b>					<b>100,034</b>

**10. Events after reporting date**

Subsequent to the reporting date and prior to the date the consolidated financial statements were approved, except for the situation with the contractor "Todini Contruzioni Generali S.p.A" below, no other events occurred that would affect the disclosures in the financial statements presented.

***Current state of the "Todini Contruzioni Generali S.p.A" case***

In January 2021, the original documents seized by the law enforcement agencies of the Kyrgyz Republic, indicating the preparation, conduct and results of the tender for the implementation of road construction works on the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF), were returned for further work on the demand for a bank guarantee in connection with the termination of the contract with the contractor "Todini Contruzioni Generali S.p.A" on the basis of an effective sentence on abuse of official position and a bribe. The deadline for reviewing the decision on the criminal case by way of cassation appeal expired in October 2020. As of the date of approval of the report, the Project carried out procedures for selecting a new contractor for road construction work. The deadlines for the planned road construction works, respectively, have been postponed for the period of completion of the selection and conclusion of a contract with a new contractor, on the basis of which the Organization has prepared and sent a letter to the Ministry of Economy and Finance of the Kyrgyz Republic, extending the deadline for closing the Project until 31 December 2026.

In March 2021, the Project applied to JSC "Muganbank" (Azerbaijan), the bank that issued an unconditional bank guarantee to secure advance payments to the contractor of the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) – "Todini Contruzioni Generali S.p.A" with a letter on transferring the corresponding amounts of the bank guarantee to the accounts of the Ministry of Transport and Communications of the Kyrgyz Republic. As of the date of completion of the audit, the amounts of the bank guarantee have not been transferred, the Project is taking measures to claim the bank guarantee for an advance.

  
**N.B. Kaiynhaev**
**Deputy Minister of MTC KR**
  
**S.K. Ibraimov**
**Director of ADB IPiG**

**PROJECTS:**

**CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT  
LOAN NO.3432-KGZ(SF)/GRANT NO.0496-KGZ(SF)**

**CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT, PHASE 2 -  
ADDITIONAL FINANCING LOAN NO.3730-KGZ(COL)/LOAN NO.0621-KGZ(SF)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**AND  
INDEPENDENT AUDITOR'S REPORT**

**Bishkek - 2021**

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**INDEPENDENT AUDITOR'S REPORT  
BY HLB MARKA AUDIT LLC  
ON CONSOLIDATED FINANCIAL STATEMENTS  
CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT  
LOAN NO.3432-KGZ(SF)/GRANT NO.0496-KGZ(SF)  
AND CAREC CORRIDORS 1 AND 3 CONNECTOR ROAD PROJECT, PHASE 2-  
ADDITIONAL FINANCING LOAN NO.3730-KGZ(COL)/LOAN NO.0621-KGZ(SF)**

**Asian Development Bank**

**Ministry of Transport and Communications of the Kyrgyz Republic**

***Qualified opinion***

We have audited the accompanying consolidated financial statements of the CAREC Corridors 1 and 3 Connector Road Project and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing (hereinafter referred to as the "Projects"), implemented by the Ministry of Transport and Communications of the Kyrgyz Republic with the Investment Project Implementation Group of the Asian Development Bank (together the "Organization") and financed by the Asian Development Bank (hereinafter referred to as the "ADB") under the Financing Agreement Loan No.3432 KGZ(SF)/Grant No. 0496 KGZ(SF) dated December 2, 2016 (hereinafter referred to as the "Financing Agreement"), Loan Agreement Loan No.3730 KGZ (SF) dated December 28, 2018 (hereinafter referred to as the "Loan Agreement"), Grant Agreement No.0621 KGZ (SF) dated December 28, 2018 (the "Grant Agreement"), and co-financed by the Government of the Kyrgyz Republic (the "GKR"), which includes the consolidated statement of financial position as at 31 December 2020, consolidated statement of sources and uses of funds, the statement of cash flows for the special account of Grant No. 0496 KGZ(SF) and the statement of cash flows for the additional special account of Grant No. 0496 KGZ (SF) for the year then ended, a summary of significant accounting policies and other explanatory information.

***In our opinion:***

- .. The consolidated financial statements, including the related notes, for the year ended 31 December 2020 present fairly, in all material respects, in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, requirements of the ADB and the relevant articles of the mentioned above Agreements;
- The Organization, in all material respects, used all the funds provided to the Projects in accordance with the conditions of the Agreements, with due attention to the economy and efficiency, and only for the purposes for which the funds were provided;
- The GKR co-financing funds were submitted and used in accordance with the terms of the Agreements and only for the purposes for which the financing was submitted for, except for the effects of the matter described in the "Basis for qualified opinion" section of this report;
- The goods and services for the implementation of the Projects were purchased and provided in accordance with the requirements of the Agreements, including specific norms of the procurement guidelines of the Asian Development Bank;
- As for the Statements of Expenditure (SOE), adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursement of expenditures incurred;
- The cash balances of the special account and the additional special account as at 31 December 2020 and their movements for the year then ended, as well as the supporting documents and information provided with them, can be truly relied upon to support applications for replenishment in accordance with the requirements described in the Agreements.

### ***Basis for qualified opinion***

In 2020, the Government of the Kyrgyz Republic did not fully comply with its obligation to timely finance the Projects' expenses. As presented in Note 10 "Liabilities" to the consolidated financial statements as at 31 December 2020, the overdue liabilities on the unpaid invoices and advances to the Projects by the Government of the Kyrgyz Republic amounted to USD 1,261,454.

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for audit of Projects consolidated financial statements" section of this 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) together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of matter – accounting methodology and restrictions on use, and material uncertainty about litigation***

We draw your attention to Note 2 to the consolidated financial statements, which describes the accounting method. The Projects' consolidated financial statements are prepared to help the management of the Organization to meet the requirements of the ADB and the GKR, as a result, the Projects' consolidated financial statements cannot be used for any other purpose.

We also draw attention to Note 11 to the consolidated financial statements, which describes that the contractor "Todini Contruzioni Generali S.p.A" may initiate litigation on certain issues of contractual conditions at this stage. The Organization cannot provide information on the impact of the outcome of the litigation and pre-trial proceedings on further financing of the Projects. Our opinion is not modified in respect of this matter.

### ***Responsibilities of management and those charged with governance for Projects' consolidated financial statements***

Management of the Organization is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the conditions of the Agreements, the guidelines of the Asian Development Bank and the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, described in Note 2, and for maintaining internal control system which the management consider relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance for the consolidated financial statements of the Projects are responsible for overseeing the preparation of the Projects' consolidated financial statements.

While preparing these consolidated financial statements, the management of the Projects is responsible for assessment of the Projects capability to continue its activities, or disclosures of information in relevant cases, related to the on-going activities, except for the cases when the management intends to close the Projects, to terminate its activities or when the Projects do not have any other alternatives but to do so.

### ***Auditor's responsibilities for the audit of Projects' consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 skepticism throughout the audit. We also:

- identify and assess the risk of material misstatement of consolidated 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 Projects' 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 the management's use of the going concern assumption and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the ability of the Projects to continue as a going concern. If we conclude that there is a material uncertainty, we must draw attention in our auditor's report to the relevant disclosures in the consolidated financial statements or, if such disclosures are inappropriate, modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our audit opinion. However, future events or conditions may cause the Projects to lose their ability to continue operating continuously. As indicated in Note 1, the Projects' completion date is 31 July 2021, in accordance with the Financing Agreement for the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF);
- evaluate the overall presentation, structure and content of the consolidated 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 Projects activities inside of the Organization to express our opinion regarding the consolidated 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 #00146 of November 13, 2018, issued by the State Commission on Regulation and Supervision of Financial Market under the Government of the Kyrgyz Republic  
Registration certificate #4850-3301-000 with the Ministry of Justice of the Kyrgyz Republic dated 11 October 2019,  
38, Professor Zuna Street, Bishkek, Kyrgyz Republic  
Telephone/fax: (312) 32 05 75

**A.M. Asylbekova, Director, Auditor**

Qualified Auditor Certificate Series AD #0012, reg.#0461 of August 07, 2019

**L.G. Zalunina, Auditor, Audit Team Leader**

Qualified Auditor Certificate No.00222 of 31.10.2011  
DipIFR (Russian) - Certificate No.1768245 of 09.12.2010  
CAP Certificate No.0007812 of 15.12.2007

**28 June 2021**

**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**MANAGEMENT'S STATEMENT ON RESPONSIBILITY  
FOR PREPARATION AND APPROVAL OF PROJECTS CONSOLIDATED 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 Ministry of Transport and Communications of the Kyrgyz Republic along the Investment Projects Implementation Group (hereafter both the "Organization") in respect of the consolidated financial statements of the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF) (hereinafter the 'Project'). The management of the Organization is responsible for preparation of the Projects consolidated financial statements as financed by the Asian Development Bank: Financing Agreement Loan No. 3432-KGZ(SF)/ Grant No. 0496-KGZ(SF) dated December 2, 2016 (the "Financing Agreement"), Loan Agreement No. 3730 KGZ(COL) dated December 28, 2018 (the "Loan Agreement"), Grant Agreement No. 0621 KGZ(SF) dated December 28, 2018 (the "Grant Agreement") that fairly reflects, in all material respects, the consolidated financial position as at December 31, 2020, sources and uses of the Projects funds and cash flows within the Special Grant Account 0496 KGZ(SF), its Additional Special Account for and the Special Account of Grant 0621 KGZ(SF) for the reporting period in accordance with the International Public Sector Accounting Standards (IPSAS-cash method), the requirements of the Asian Development Bank and the relevant articles of the Agreements (Financing, Loan and Grant).

When preparing the Projects consolidated 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 Projects;
- maintenance of accounting system that permits to provide information on financial status of the Projects 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 Projects assets integrity within the terms of its reference;
- detection and prevention of fraud and other misuses.

These consolidated financial statements for the year ended 31 December 2020 were approved by the management of the Organization on 28 June 2021.

For and on behalf of the management of the Organization:

  
N.B. Kaiynbaev

Deputy Minister of Transport and Communications of the Kyrgyz Republic


28 June 2021

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2-Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Consolidated Statement of Financial Position**


As of 31 December 2020

(Amounts in tables below are presented in USD)

	Note	31 December 2020	31 December 2019
<b>ASSETS:</b>			
Cash	5	246,064	313,905
Project expenses	8	19,851,156	11,008,387
Exchange rate difference	5,7	(7,013)	707
<b>TOTAL ASSETS</b>		<b>20,090,207</b>	<b>11,322,999</b>
<b>LIABILITIES:</b>			
ADB Loan No.3432 -KGZ(SF)	6	5,808,146	4,612,111
ADB Grant No.0496 -KGZ(SF)	6	6,666,776	5,047,231
ADB Loan No.3730 -KGZ(COL)	6	4,950,758	-
ADB Grant No.0496 -KGZ(SF)	6	504,534	-
GKR co-financing	6	2,144,939	1,648,067
Other receipts	7	15,054	15,590
<b>TOTAL LIABILITIES</b>		<b>20,090,207</b>	<b>11,322,999</b>



N.B. Kaiynbaev  
Deputy Minister of MTC KR



S.K. Ibraimov  
Director of ADB IPIG





**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Consolidated Statement of Sources and Uses of Funds**

For the year ended December 2020

(Amounts in tables below are presented in USD)

	Note	2020	Since Projects launch to 31 December 2020	2019 (recalculated)	Since Projects launch to 31 December 2019 (recalculated)
<b>Opening balance, including:</b>	<b>5</b>	<b>313,905</b>	<b>-</b>	<b>37,033</b>	<b>-</b>
ADB Grant No.0496 -KGZ		298,380	-	23,071	-
Other funds		15,525	-	13,962	-
<b>Financing sources:</b>					
ADB Loan No. 3432 -KGZ		1,196,035	5,808,146	1,066,776	4,612,111
ADB Grant No. 0496 -KGZ		1,619,545	6,666,776	2,489,092	5,047,231
ADB Loan No. 3730 -KGZ		4,950,758	4,950,758		
ADB Grant No. 0621 -KGZ		504,534	504,534		
GKR		496,872	2,144,939	442,050	1,648,067
<b>Total financing:</b>	<b>6</b>	<b>8,767,744</b>	<b>20,075,153</b>	<b>3,997,918</b>	<b>11,307,409</b>
<b>Net other receipts:</b>	<b>7</b>	<b>(536)</b>	<b>15,054</b>	<b>1,563</b>	<b>15,590</b>
<b>Total receipts</b>		<b>8,767,208</b>	<b>20,090,207</b>	<b>3,999,481</b>	<b>11,322,999</b>
<b>Projects expenses:</b>	<b>8</b>				
<b>1 Works</b>					
ADB Loan No. 3432 -KGZ		(1,152,990)	(5,739,636)	(1,041,311)	(4,586,646)
ADB Grant No. 0496 -KGZ		(485,411)	(2,383,333)	(430,887)	(1,897,922)
ADB Loan No. 3730-KGZ (COL)		(4,945,812)	(4,945,812)	-	-
GKR		(429,227)	(1,757,07)	(228,307)	(1,328,280)
		<b>(7,013,440)</b>	<b>(14,826,288)</b>	<b>(1,700,505)</b>	<b>(7,812,848)</b>
<b>2 Consulting services</b>					
Grant No. 0496 -KGZ		(894,200)	(2,606,661)	(1,429,238)	(1,712,462)
Grant No. 0621-KGZ (SF)		(399,425)	(399,425)	-	-
GKR		(67,558)	(257,795)	(166,618)	(190,235)
		<b>(1,361,183)</b>	<b>(3,263,881)</b>	<b>(1,595,856)</b>	<b>(1,902,697)</b>
<b>3 Advance for the preparation of the design and estimate documentation</b>					
ADB Grant No. 0496 -KGZ		(155,449)	(1,097,168)	(267,786)	(941,718)
GKR		(8,429)	(137,273)	(50,231)	(128,845)
		<b>(163,878)</b>	<b>(1,234,441)</b>	<b>(318,017)</b>	<b>(1,070,563)</b>
<b>4 Project management</b>					
ADB Grant No. 0496 -KGZ		(92,808)	(289,621)	(85,872)	(196,814)
ADB Grant No. 0621-KGZ (SF)		(85,342)	(85,342)	-	-
		<b>(178,150)</b>	<b>(374,963)</b>	<b>(85,872)</b>	<b>(196,814)</b>
<b>5 Resettlement and land acquisition costs</b>					
ADB Grant No. 0496 -KGZ		(64,897)	(64,897)	-	-
GKR		(13,230)	(13,230)	-	-
		<b>(78,127)</b>	<b>(78,127)</b>	<b>-</b>	<b>-</b>
<b>6 Interest expenses</b>					
ADB Loan No. 3432 -KGZ		(43,045)	(68,511)	(25,465)	(25,465)
ADB Loan No. 3730-KGZ (COL)		(4,946)	(4,946)	-	-
		<b>(47,991)</b>	<b>(73,457)</b>	<b>(25,465)</b>	<b>(25,465)</b>

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

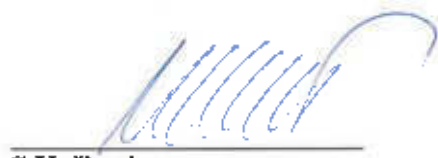
**Consolidated Statement of Sources and Uses of Funds**

For the year ended December 2020

(Amounts in tables below are presented in USD)

	Note	2020	Since Projects launch to 31 December 2020	2019 (recalculated)	Since Projects launch to 31 December 2019 (recalculated)
<b>Projects expenses total:</b>		<b>(8,842,769)</b>	<b>(19,851,156)</b>	<b>(3,725,715)</b>	<b>(11,008,387)</b>
ADB Loan No. 3432-KGZ (SF)		(1,196,035)	(5,808,146)	(1,066,776)	(4,612,111)
ADB Grant No. 0496-KGZ (SF)		(1,692,765)	(6,441,680)	(2,213,783)	(4,748,916)
ADB Loan No. 3730-KGZ (COL)		(4,950,758)	(4,950,758)	-	-
ADB Grant No. 0621-KGZ (SF)		(484,767)	(484,767)	-	-
GKR		(518,444)	(2,165,805)	(445,156)	(1,647,361)
<b>(Loss)/income from FX rate difference</b>	<b>S, 7</b>	<b>7,720</b>	<b>7,013</b>	<b>3,106</b>	<b>(707)</b>
<b>Closing cash balance, including:</b>	<b>5</b>	<b>246,064</b>	<b>246,064</b>	<b>313,905</b>	<b>313,905</b>
ADB Grant No. 0496 -KGZ		225,160	225,160	298,380	298,380
ADB Grant No. 0621 -KGZ		19,766	19,766	-	-
Other funds		1,138	1,138	15,525	15,525

  
N.B. Kaiynbaev  
Deputy Minister of MTC KR


  
S.K. Ibraimov  
Director of ADB IPiG

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COI)/Loan No.0621-KGZ(SF)****Consolidated Statement of Sources and Uses of Funds**

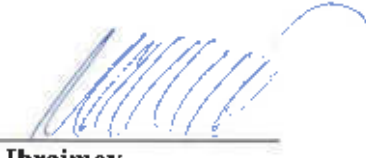
For the year ended December 2020

(Amounts in tables below are presented in USD)

Account #	1180000092422315
Bank	JSC "Demir Kyrgyz International Bank"
Bank whereabouts	Bishkek
Financing Agreement	ADB Grant No. 0496-KGZ
Currency	US dollars
<b>Opening balance as of 1 January 2020</b>	<b>127,506</b>
Initial advance	-
<b>Plus: Replenishment of the account during the period:</b>	<b>236,824</b>
from January 1 to December 31, 2020	236,824
<b>Minus: Amount of the eligible expenses paid out during the period:</b>	<b>(245,147)</b>
from January 1 to December 31, 2020	(245,147)
<b>Closing balance as of 31 December 2020</b>	<b>119,183</b>
Special Account balance	119,183



N.B. Kaiynbaev  
Deputy Minister of MTC KR



S.K. Ibraimov  
Director of ADB IPIG






**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Statement of Cash Flows on Special Account of Grant 0496 KGZ(SF)**

For the year ended 31 December 2020

(Amounts in the tables below are presented in USD)

Account #	1180000113799192
Bank	JSC "Demir Kyrgyz International Bank"
Bank whereabouts	Bishkek
Financing Agreement	ADB Grant No. 0496-KGZ
Currency	US dollars
<b>Opening balance as of 1 January 2020</b>	<b>170,874</b>
Initial advance	-
Plus: Replenishment of the account during the period:	-
from January 1 to December 31, 2020	-
Minus: Amount of the eligible expenses paid out during the period:	(64,897)
from January 1 to December 31, 2020	(64,897)
<b>Closing balance as of 31 December 2020</b>	<b>105,977</b>
Special Account balance	105,977



**N.B. Kaiynbaev**  
Deputy Minister of MTC KR



**S.K. Ibraimov**  
Director of ADB IPIG



**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Statement of Cash Flows on Special Account of Grant 0621 KGZ(SF)****For the year ended 31 December 2020****(Amounts in the tables below are presented in USD)**

Account #	129900422003308
Bank	JSC "Demir Kyrgyz International Bank"
Bank whereabouts	Bishkek
Financing Agreement	ADB Grant No. 0496-KGZ
Currency	US dollars
<b>Opening balance as of 1 January 2020</b>	
Initial advance	50,000
Plus: Replenishment of the account during the period:	-
from January 1 to December 31, 2020	-
Minus: Amount of the eligible expenses paid out during the period:	(30,234)
from January 1 to December 31, 2020	(30,234)
<b>Closing balance as of 31 December 2020</b>	<b>19,766</b>
Special Account balance	19,766


  
N.B. Kaiynbaev

Deputy Minister of MTC KR


  
S.K. Ibraimov

Director of ADB IPIC

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**1. Projects background*****(a) Projects' objective and financing***

CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF) (the "Projects") are implemented the following way:

- CAREC Corridors 1 and 3 Connector Road Project in accordance with the Financing Agreement (Special operations) Loan #3432-KGZ(SF)/Grant #0496-KGZ(SF) signed between the Government of the Kyrgyz Republic (Government of the Kyrgyz Republic) and the Asian Bank Development Bank (ADB) dated December 2, 2016 (hereinafter the "Financing Agreement"). The Agreement was ratified by the Law of the Kyrgyz Republic No.71 of April 29, 2017;
- CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing as per the Agreements:
  - o Financing (Special operations) Loan No.3432-KGZ(SF)/Grant No.0496, signed between the Government of the Kyrgyz Republic ('GKR') and the Asian Development Bank ('ADB') on 2 December 2016, which became effective on 29 April 2017 by the Law No.87 of the Kyrgyz Republic;
  - o Grant (Special terms) No.0621-KGZ(SF) signed between the Government of the Kyrgyz Republic and ADB on December 28, 2018 (hereinafter the "Grant Agreement"). The Grant Agreement was ratified by the Law of the Kyrgyz Republic No. 87 dated July 18, 2019.

The objective of the Projects is to improve the efficiency and safety of movement of goods and people along the Project Road.

In the course of its work, the Projects will achieve the following results:

**Outcome 1.** Rehabilitation of a section of road approximately 70 km long, from Epkin village to Bashkugandy village (referred to as Section 2B of the connecting road), including special measures to ensure road safety and adaptation to climate change.

**Outcome 2.** Strengthening institutional capacity by providing consultancy services for detailed design, construction supervision, Project management, audit of Project financial statements, support for safeguards, preparation and implementation of a road asset management system, and review of a pilot performance-based road maintenance contract (pilot contract).

**Outcome 3.** Rehabilitation of two road sections from the town of Balykehy to the kilometer column 43 (43 km) (referred to as Section 1 of the connecting road) and from Kochkor village to the village of Epkin (25 km) (referred to as Section 2A of the connecting road) with a total length of 68 km. (together with Phase 2), followed by performance-oriented road maintenance. Providing support to the MTC KR in carrying out the reform of the road sector, road safety measures and the Road Asset Management System (hereinafter referred to as the "RAMS").

As of December 31, 2020, the Projects' Budget totals to USD 205.65 mln, of which:

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

	Total financing			Actually allocated from the beginning of Project	Available balance
	SDR	In mln USD	%	In mln USD	In mln USD
<b>Asian Development Bank</b>	<b>41,905,000</b>	<b>173.75</b>	<b>84%</b>	<b>17.93</b>	<b>155.82</b>
Grant No.0496-KGZ(SF)*		35.40	17%	6.67	28.73
Loan No.3432-KGZ(SF)**	41,905,000	60.35	29%	5.81	54.54
Grant No.0621-KGZ(SF)		9.50	5%	0.50	9.00
Loan No.3730-KGZ(COL)		68.50	33%	4.95	63.55
<b>Government of the Kyrgyz Republic</b>		<b>31.9</b>	<b>16%</b>	<b>2.14</b>	<b>29.76</b>
<b>Total</b>	<b>41,905,000</b>	<b>205.65</b>	<b>100%</b>	<b>20.07</b>	<b>185.58</b>

\*At the time of the conclusion of the Financing Agreement, the amount of funds allocated for financing ADB amounted to USD 36.72 million, including the category "Advance for the preparation of design estimates" (hereinafter PDA) including the costs of the PDA project "Advance for the preparation of design estimates for the subsequent project of the road connecting the CAREC corridors 1 and 3" Grant No. 6002 (hereinafter PDA 6002-KGZ) in the amount of USD 3 million. In connection with the notification of the ADB dated July 26, 2017 on the closure of the PDA Grant No. 6002 on July 18, 2017 with expenses incurred in the amount of USD 1,322,539.57, the amount for the PDA category Grant No. 0496-KGZ (SF) was changed. Accordingly, the unused amount of Grant No. 6002 under the PDA category at the time of the Project implementation was 1,667,460.43 US dollars, which led to a decrease in the amount of financing from the ADB under the Financing Agreement (Special operations) of Loan No. 3432-KGZ (SF)/ Grant No. 0496-KGZ (SF) signed between the Government of the Kyrgyz Republic (GKR) and the Asian Development Bank (ADB) dated December 2, 2016 to the amount of 35,397,460.43 US dollars.

\*\*The amount of the Loan Budget in SDR was converted into US dollars at the fixed exchange rate of ADB 1.440270 USD per 1 SDR as of the December 31, 2020' statement.

**(b) Categories and shares of financing provided by ADB and GKR**

As provided in the Agreements (Financing, loan and Grant) , the following categories of eligible expenses may be covered from the funds of:

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

Category	ADB				GKR			
	Loan No. 3432 - KGZ(SF)		Grant 0496 - KGZ(SF)					
	SDR	USD	% of Project expenses financing from Loan	Changes in 2018 **	Distribution of the amount, in USD	Costs % as of the Grant	USD	Costs % as of the GKR share
<b>A. Base cost</b>								
1. Works	36,752,000	52,932,803	58%	-	20,680,000	24%	15,780,000	18%
2. Consulting services	-	-	-	-	5,600,000	90%	680,000	10%
3. Project Design Advance*	-	-	-	-	1,677,460	100%*	186,384	10%*
4. Project management	-	-	-	-	2,160,000	100%	-	-
5. Resettlement costs**	-	-	-	70,874	170,874	100%	-	-
6. Project expertize and approval	-	-	-	-	-	-	440,000	100%
<b>Total A</b>	<b>36,752,000</b>	<b>52,932,803</b>	<b>-</b>	<b>70,874</b>	<b>30,288,334</b>	<b>-</b>	<b>17,086,384</b>	<b>-</b>
<b>B. Unallocated funds</b>	<b>3,689,000</b>	<b>5,313,156</b>	<b>-</b>	<b>(70,874)</b>	<b>5,109,126</b>	<b>-</b>	<b>2,060,000</b>	<b>-</b>
<b>C. Expenses on payment of interest</b>	<b>1,464,000</b>	<b>2,108,555</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cost of the Project (A+B+C)</b>	<b>41,905,000</b>	<b>60,354,514</b>	<b>-</b>	<b>-</b>	<b>35,397,460</b>	<b>-</b>	<b>19,146,384</b>	<b>-</b>

\*Excluding taxes and duties collected in the territory of the Project implementation.

\*\*In September 2018, there were made changes in the Financing Agreement in a part of the Grant 0496- KGZ(SF) by categories within the frameworks of the Project budget, in accordance with the approval and agreement of ADB.

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project,  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

## For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

Category	ADB			GKR		
	Loan 3730 – KGZ (COL)		Grant 0621 – KGZ(SF)			
	USD	Costs % of the Loan	USD	Costs % of the Grant	USD	Costs % as of the GKR share
<b>A. Base cost</b>						
1. Works						
<i>Section 1</i>	53,540,000	82%	-	-	11,740,000	18%
<i>Section 2A</i>	30,650,000	82%	-	-	6,720,000	18%
2. Consultancy	22,890,000	82%	-	-	5,020,000	18%
4. Project management	1,670,000	90%	7,160,000	90%	990,000	10%
5. Resettlement costs	-	-	1,200,000	100%	-	-
	-	-	70,000	100%	20,000	-
<b>Total A</b>	<b>55,210,000</b>	-	<b>8,430,000</b>	-	<b>12,750,000</b>	-
<b>B. Unallocated funds</b>	9,790,000	-	1,070,000	-	-	-
<b>C. Expenses on payment of interest</b>	3,500,000	100%	-	-	-	-
<b>Total cost of the Project (A+B+C)</b>	<b>68,500,000</b>	-	<b>9,500,000</b>	-	<b>12,750,000</b>	-

**Projects:**  
**CAREC Corridors 1 and 3 Connector Road Project**  
**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**  
**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**  
**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**Projects consolidated:**

Category	ADB		Grants		GKR	
	Loans	3432 - KGZ(SF)/3730 - KGZ (COL)	0496 - KGZ(SF)/ 0621 - KGZ(SF)	Costs % as of the Loan	Costs % as of the Grant	Costs % as of the GKR share
	SDR	USD	USD		USD	
<b>A. Base cost</b>						
1. Works	36,752,000	106,472,803	20,680,000	82%	27,520,000	18%
<i>Section 1</i>		30,650,000			6,720,000	18%
<i>Section 2A</i>		22,890,000			5,020,000	18%
<i>Section 2B</i>	36,752,000	52,932,803	20,680,000	58%	15,780,000	18%
2. Consultancy		1,670,000	12,760,000	90%	1,670,000	10%
3. Advance payment for the preparation of design and estimate documentation*	-	-	1,677,460	-	186,384	-
4. Project management	-	-	3,360,000	-	-	-
5. Resettlement costs**	-	-	240,874	-	20,000	-
6. Project expertise and approval					440,000	100%
<b>Total A</b>	<b>36,752,000</b>	<b>108,142,803</b>	<b>38,718,334</b>		<b>29,836,384</b>	
<b>B. Unallocated funds</b>	3,689,000	15,103,156	6,179,126		2,060,000	
<b>C. Expenses on payment of interest</b>	1,464,000	5,608,555		100%		
<b>Total cost of the Project (A+B+C)</b>	<b>41,905,000</b>	<b>128,854,514</b>	<b>44,897,460</b>		<b>31,896,384</b>	

\*Excluding taxes and duties collected in the territory of the Projects implemented on.

\*\*See a disclosure in Note page 16

## **Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

## **Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

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### ***(e) Executive of the Projects***

The executive agency of the Projects responsible for timely and efficient performance of works on the Projects, as a whole, is the Ministry of Transport and Communications of the Kyrgyz Republic (MTC KR).

The operative management and project implementation is being done by the Investment Project Implementation Group (IPIG), established by Order No. 10-к/1 of 1 February 2010 by MTC KR. For the purposes of efficient management of the investment projects, on the base of existing joint IPIG, by Order of MTC KR No.182 of 23 May 2017 and approval of the KR Ministry of Finance, from 1 June 2017 there were formed ADB IPIG and IPIG of the World Bank (WB). The ADB IPIG's obligations are to prepare and implement nine projects, including the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) and CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF).

The Projects completion date is set as per the Agreements on:

- Financing CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496, signed between the Government of the Kyrgyz Republic ('GKR') and the Asian Development Bank ('ADB') on 2 December 2016, which became effective on 29 April 2017 by the Law No.87 of the Kyrgyz Republic – 31 July 2021;
- Loan and Grant CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Grant No.0621-KGZ(SF) – 31 July 2027.

## **2. Significant accounting policies**

### ***2.1. Basis for preparation of consolidated financial statements***

These consolidated financial statements have been prepared in accordance with the International Public Sector Accounting Standards "Cash Accounting", the requirements of the Asian Development Bank "Financial Management and Project Analysis" and the relevant articles of the Financing Agreement Loan No.3432-KGZ (SF)/Grant No. 0496 dated December 02, 2016, articles of the Loan Agreement Loan No. 3730-KGZ(COL) and articles of the Grant Agreement Grant No.0621-KGZ(SF) signed between the Government of the Kyrgyz Republic and the ADB dated December 28, 2018.

In accordance with the cash basis of accounting, all funds, regardless of their source, which are on the settlement account and are reflected in the statement 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 have been applied consistently within the whole period.

### ***Financing***

Financing from the Asian Development Bank's funds is presented

- By the direct payment procedure where the ADB, by the Organization's request, pays directly to the specified Supplier.
- Procedures of current expenses fund – ADB pays in advance funds from its Grant account on a deposit, forming the account of current expenses, which is exclusively used for financing of the ADB share of eligible expenses.



**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

**For the year ended 31 December 2020**

**(Amounts in tables below are presented in USD)**

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

Financing through the reimbursement (recovering) and a procedure of current expenses fund is recognized at actual receipt of cash.

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

*Other income and expenses*

Income received as interests, accrued on the balance of cash assets in the local commercial banks, and sales of tender documents are recognized as other receipts of the Project. Correspondingly, the expenses on printing the tender documents, advertising expenses, related to the tender procedures and a tax, deducted by the commercial bank for the interest benefit in accordance with the tax legislation of the Kyrgyz Republic are recognized as other expenses.

*Expenses*

The Project expenses are recognized as such and are included into the consolidated financial statements, if payments for goods, works and/or services are made to suppliers.

*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 using the following principles for reflection of exchange currency operations:
  - At the receipt of financing from the Government of the KR in soms, the NBKR foreign currency exchange rate is used as of the date of transaction;
  - When paying taxes on foreign organization's income, received from the KR source, not connected with the permanent institution (10%), the insurance fees for a foreign consultant and its solid part at the rate of 3%, as well as incomes of local consultants and their relevant insurance fees it is applied an exchange rate fixed by the NBKR as of the date of payment;
  - For all other expenses, the rate corresponding to the latest exchange rate is reflected in the accounting software "I-C Accounting" (the rate of a commercial bank or the rate of the National Bank of the Kyrgyz Republic).
- The balance of current accounts in national currency is recalculated at the latest exchange rate reflected in the accounting software "I-C Accounting" (the rate of a commercial bank or the rate of the National Bank of the Kyrgyz Republic).

## **Projects:**

**CAREC Corridors 1 and 3 Connector Road Project**

**Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing**

**Loan No.3730-KGZ(COI)/Loan No.0621-KGZ(SF)**

## **Notes to Consolidated Financial Statements**

**For the year ended 31 December 2020**

**(Amounts in tables below are presented in USD)**

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

### **2.2. Internal control system**

#### *Projects forecast*

- Actual implementation of the Project plan is controlled monthly and quarterly by submitting reports to the Government of KR, ADB is provided by reports at the beginning of every reporting year and after every mission of the ADB;
- For efficient functioning of the process, the information on operating outcomes is timely analyzed.

#### *Use of accounting software*

The Investment Projects Implementation Group (IPIG) 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 KR Government share of proceeds.

An access to the accounting software is provided to the Disbursement Specialist (Officer) who has an individual password to obtain the access to the system. The Disbursement Specialist (Officer) has full access rights, including data input, review, adjustment and confirmation of processed transactions and control over deleting data.

#### *Cash*

- Bank accounts reconciliations. The balances on accounts in accordance with the accounting records are reconciled with the bank statements on a monthly basis.
- The loan account is regularly reconciled on disbursement based on statements from ADB.

#### *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 IPIG Director 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 IPIG Director).

When employees are on business trips, the Projects reimburse their expenses, such as travel, accommodation expenses (hotel expenses) and per diems in accordance with the standards established by the Legislation of the Kyrgyz Republic.

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

*Salary*

- The Payment specialist maintains records of working hours, while the IPIG Director approves the timesheets.
- Accounting records are stored in separate files with an established right of access.
- All changes in salaries and pay rates are approved by the Ministry of Transport and Communications of the Kyrgyz Republic, leader of the ADB IPIG and they are also agreed with the Ministry of Finance of the Kyrgyz Republic.

*Liabilities*

The Payment Specialist maintains the list of issued invoices payable with the payment date on every contract.

**3. Correction of the previous period error**

In 2020, the Organization made adjustments to the consolidated financial statements as of December 31, 2019 in connection with the clarification of the terms of payment to the contractor "Todini Costruzioni Generali S.p.A" - 40% of the cost in US dollars, 60% in national currency (Kyrgyz soms) at a fixed rate 68.3203 Kyrgyz soms per US 1 dollar. The amount of the advance payment is not recalculated and is recorded in US dollars.

The adjustments made to the consolidated statement of sources and use of funds:

	<b>As previously reported</b>		<b>Correction of error</b>		<b>Current reporting amounts</b>	
		<b>From the beginning of the Projects to 31 December 2019</b>		<b>From the beginning of the Projects to 31 December 2019</b>		<b>From the beginning of the Projects to 31 December 2019</b>
	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
<b>Projects activities :</b>						
1 Works						
GKR	(223,435)	(1,323,408)	(4,872)	(4,872)	(228,307)	(1,328,280)
	<b>(1,695,633)</b>	<b>(7,807,976)</b>	<b>(4,872)</b>	<b>(4,872)</b>	<b>(1,700,505)</b>	<b>(7,812,848)</b>
<b>Total Projects expenses:</b>	<b>(3,720,843)</b>	<b>(11,003,515)</b>	<b>(4,872)</b>	<b>(4,872)</b>	<b>3,725,715</b>	<b>11,008,387</b>
GKR	(440,284)	(1,642,488)	(4,872)	(4,872)	(445,156)	(1,647,361)
<b>Exchange rate difference gain/(loss)</b>	<b>(1,766)</b>	<b>(5,579)</b>	<b>4,872</b>	<b>4,872</b>	<b>3,106</b>	<b>(707)</b>

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

Adjustments made to the consolidated statement of financial position:

	As previously reported	Correction of error (decrease)/ increase	Current reporting amounts
	31 December 2019		31 December 2019
Projects expenses	11,003,515	4,872	11,008,387
Exchange rate difference	5,579	(4,872)	707

**4. Taxation**

The Projects Agreements do not contain exceptions on the tax payments and duties, except for the expense item "Project Design Advance". The Project is a VAT payer. The VAT, paid to the supplier for goods and services, is included in the cost of purchase and correspondingly in Projects expenditures.

Payment of the tax on non-residents from the amount of services rendered by international consultants is made from ADB funds (90%) and co-financing from the GKR share (10%), with the exception of an international consultant, a road engineer, whose services are paid 100% from ADB funds, within the framework of the CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF).

The Projects are paid for with the remuneration of the national experts from the ADB funds (90%) and co-financing from the GKR share (10%), which are recognized as the income of local hired employees, income tax and contributions to the Social Fund of the Kyrgyz Republic in accordance with the legislation of the Kyrgyz Republic. Employee benefits are paid minus tax and contributions.

The Projects makes social security contributions from the Employer at the rate of 17.25% and pays them to the Social Fund of the Kyrgyz Republic, by the following categories:

- "Consulting services" From the ADB funds (90%) and co-financing from the share of the GKR (10%);
- "Project management" from the ADB funds (100%).

Social security fees are deducted from the international individual consultants' fee and paid to the Pension Fund at the rate of 3% from the ADB funds (90%) and co-financing from the share of the GKR (10%) from all types of payments for all the benefits accrued for the employees – foreign citizens or persons without citizenship, temporarily residing in the Kyrgyz Republic, who have labor relations with a legal entity, with the exception of an international consultant of a road engineer, whose services are paid for 100% from ADB funds, within the framework of the CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF).

**5. Cash**

In order to make payments of loan funds for efficient financing of costs, necessary for the Project implementation, IPIG used the following special account:

- CAREC Corridors 1 and 3 Connector Road Project:

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

- ADB special account (Grant No.0496-KGZ (SF) in US dollars No.1180000092422315, opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank";
- ADB transit account (Grant No.0496-KGZ (SF) in US dollars No.1180000092422214, opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank";
- Additional special account of the ADB (Grant No. 0496-KGZ (SF)) in US dollars No. 1180000113799091, opened in the branch "DKIB-Main" of CJSC "Demir Kyrgyz International Bank";
- Additional ADB Transit Account (Grant No. 0496-KGZ (SF)) in Kyrgyz SOM No. 1180000113799192, opened in the "DKIB-Main" branch of "Demir Kyrgyz International Bank" CJSC;
- GKR special-purpose financing account in KGS No. 4402051101018792, opened with Leninsky Regional Territory Management of the Ministry of Finance of the Kyrgyz Republic;
- GKR's interest account opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank":
  - o In the Kyrgyz soms No.1180000092423123;
  - o In the US dollars No.1180000092423224.
- Tender account of the GKR opened at the Branch of "DKIB-Glavny" CJSC "Demir Kyrgyz International Bank":
  - o In the Kyrgyz soms No.1180000092422416;
  - o In the US dollars No.1180000092422517.
- CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing:
  - Special account ADB (Grant №0621-KGZ(SF)) in USD №129900422003308 with OJSC "RSK-Bank";
  - Transit account ADB (Grant № 0621-KGZ(SF)) in KGS №1299004220003106 with OJSC "RSK-Bank";
  - Special account of GKR financing ("Additional account") in KGS № 4402051101021321, with opened in the Lenin Territorial Administration of the Ministry of Finance of the Kyrgyz Republic;
  - Interest account GKR with OJSC "RSK-Bank":
    - In KGS №129900422003207;
    - In USD №129900422003409.

\*Opening the additional (special and transit) accounts of the ADB (Grant No. 0496-KGZ (SF) was agreed and approved by the Ministry of Finance of the Kyrgyz Republic and the ADB, for the implementation of works under the category "Resettlement costs".

The cash balances on the accounts at the end of the year are presented below:

	31 December 2020	31 December 2019
<b>ADB funds:</b>		
<b>CAREC Corridors 1 and 3 Connector Road Project</b>		
Special Account of Grant No.0496-KGZ	119,183	127,506
Additional Grant Special Account No.0496-KGZ	105,977	170,874
	<b>225,160</b>	<b>298,380</b>
<b>CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing</b>		
Special account of Grant 0621-KGZ(SF)	19,766	-
	<b>19,766</b>	<b>-</b>

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

	31 December 2020	31 December 2019
<b>Total ADB funds:</b>	<b>244,926</b>	<b>298,380</b>
<b>Projects' other accounts:</b>		
Interest account	259	660
Tender account	879	14,865
<b>Total other funds of the Projects</b>	<b>1,138</b>	<b>15,525</b>
<b>Total balance of cash</b>	<b>246,064</b>	<b>313,905</b>

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

The cash flows for 2020 on the Projects accounts (the accounts of the ADB and the Government of the Kyrgyz Republic) are presented below:

	Special Grant account № 0496-KGZ USD		Special Grant account № 0621- KGZ		GKR*		Projects total funds	
	Basic	Additional	KGS	USD	KGS	USD	KGS	USD
<b>Opening balance</b>	127,506	170,874	-	-	-	-	-	298,380
Initial advance			50,000		-		-	50,000
Increase in advance	236,824			38,494,500			496,872	733,696
Replenishment of the account	(245,147)	(64,897)	(30,234)	(38,494,499)			(505,214)	(845,492)
Gain from currency exchange difference							8,342	8,342
<b>Closing balance</b>	119,183	105,977	19,766	1	1		-	244,926
Including:								
ADB special account	119,183	105,977	19,766				-	244,926
GKR special account					1		1	

\*Data on cash flows on the co-financing accounts, broken down by projects being implemented, are presented as follows:

	CAREC Corridors 1 and 3 Connector Road Project Loan No.3432- KGZ(SF)/Grant No.0496-KGZ(SF)		CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)		Projects	
	KGS	USD	KGS	USD	KGS	USD
<b>Opening balance</b>	-	-	-	-	-	-
Account replenishment	12,194,500	161,571		335,301	38,494,500	496,872
Retirement from settlement account	(12,194,500)	(171,149)		(334,065)	(38,494,499)	(505,214)
Income/(loss) from currency exchange difference		9,578	-	(1,236)	-	8,342
<b>Closing balance</b>	-	-	1	-	1	-

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

The cash flows for 2019 on the Projects accounts (the accounts of the ADB and the Government of the Kyrgyz Republic) are presented below:

	Special Grant account № 0496-KGZ USD		Special Grant account № 0621- KGZ		GKR*		Projects total	
	Basic	Additional	USD	KGZ	US dollars recalculated	US dollars recalculated	US dollars recalculated	
<b>Opening balance</b>	<b>23,071</b>							
Initial advance	-	170,874	-	-	-	-	23,071	
Advance replenishment	90,000	-	-	-	-	-	170,874	
Account replenishment	224,372	-	-	-	-	-	90,000	
Retirement from settlement				31,060,990	442,050		666,422	
account	(209,937)			(31,060,990)	(445,156)		(655,093)	
Income from currency exchange								
difference	-						3,106	
<b>Closing balance</b>	<b>127,506</b>	<b>170,874</b>					<b>298,380</b>	
Including:								
On special account	127,506	170,874					298,380	

\*In January 2019, the amount of the advance transferred to the company "TODINI Costruzioni Generali. S.p.A" (hereinafter referred to as the "Contractor") in the amount of 551,376.78 US dollars on the payment order of the Central Treasury of the Ministry of Finance of the Kyrgyz Republic No.1204 dated October 26, 2018, returned by the intermediary bank to the Treasury account with a deduction of banking services in the amount of 26 US dollars. On January 24, 2019, the funds were returned to the GKR budget in the amount of 38,272,110 soms. In August 2019, the newly allocated funds (advance payment for construction work) by the Treasury of the GKR were transferred.

To the Contractor to perform construction work. The cash flow in the settlement account of the GKR, on a gross basis, is presented in the table:



**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

	KGS		USD	
	Receipt to the accounts of the Projects	Disposal from the accounts of the Projects	Income	Outcome
Period				
January 2019				
Refund of the advance by the Contractor/(transfer) of the advance to the KR budget	38,272,110	(38,272,110)	551,377	(551,377)
August 2019				
Receipt of an advance payment from the GKR / (transfer) of an advance payment to the Contractor	38,272,110	(38,272,110)	551,377	(551,377)
Income / (expense) of funds to pay expenses in 2019	31,060,990	(31,060,990)	442,050	(445,156)
Income from currency exchange rate difference	-	-	-	3,106
<b>TOTAL Replenishment / (Disposal) of funds</b>	<b>107,605,210</b>	<b>(107,605,210)</b>	<b>1,544,804</b>	<b>(1,544,804)</b>

Cash flow from the beginning of the Projects to December 31, 2020 on the accounts of the Projects (accounts of ADB and the Government of the Kyrgyz Republic):

	Special Grant account № 0496-KGZ USD		Special Grant account № 0621-KGZ		GKR*		Projects total	
	Basic	Additional	USD		KGS	US dollars recalculated	US dollars recalculated	
<b>Balance as of the beginning</b>	-	-	-	-	-	-	-	-
Initial advance	60,000	170,874	50,000	-	-	-	230,874	
Advance replenishment	90,000	-	-	-	-	-	140,000	
Account replenishment	662,224	-	-	-	153,182,790	2,144,939	2,807,163	
Retirement from settlement account	(693,041)	(64,897)	(30,234)	(153,182,789)	(2,152,574)	(2,940,746)		
Income from currency exchange rate difference	-	-	-	-	-	7,635	7,635	
<b>Balance as of the end</b>	<b>119,183</b>	<b>105,977</b>	<b>19,766</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>244,926</b>	
Including:								
ADB special account	119,183	105,977	19,766	-	-	-	244,926	
GKR special account	-	-	-	1	-	-	-	

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**Replenishment of basic special account of Grant No. 0496-KGZ:**

	<b>Date</b>	<b>Amount</b>
<b>Initial advance</b>		
	08.08.2017	30,000
	12.12.2017	30,000
<b>Total for the period from May 23 to December 31, 2017</b>		<b>60,000</b>
	22.11.2019	90,000
<b>Total for 2019</b>		<b>90,000</b>
<b>Total advance from the start of the Project to December 31, 2019</b>		<b>150,000</b>
<b>Reimbursement of current expenses:</b>		
	23.11.2017	19,469
<b>Total for the period from May 23 to December 31, 2017</b>		<b>19,469</b>
	29.03.2018	32,679
	01.06.2018	49,713
	28.08.2018	29,307
	29.10.2018	39,321
	05.12.2018	30,539
<b>Total for 2018</b>		<b>181,559</b>
	05.03.2019	48,394
	22.05.2019	39,192
	07.08.2019	37,524
	17.10.2019	47,322
	23.12.2019	51,940
<b>Total for 2019</b>		<b>224,372</b>
	03.04.2020	72,909
	22.07.2020	83,606
	04.12.2020	80,309
<b>Total for 2020</b>		<b>236,824</b>
<b>Total advance from the start of the Project to December 31, 2020</b>		<b>662,224</b>
<b>Total replenishment of the account from the beginning of the Project to December 31, 2020</b>		<b>812,224</b>

**Replenishment of additional special account of Grant No. 0496-KGZ:**

	<b>Date</b>	<b>Amount</b>
<b>Initial advance</b>		
	29.10.2019	170,874
<b>Total advance</b>		<b>170,874</b>
<b>Total replenishment of the account from the beginning of the Project to December 31, 2020</b>		<b>170,874</b>

The accumulated replenishment of the special accounts of Grant No. 0496-KGZ reached USD 983,098.

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**Replenishment of additional special account of Grant No. 0621 -KGZ:**

	<b>Date</b>	<b>Amount</b>
<b>Initial advance</b>		
	14.03.2020	50,000
<b>Total advance</b>		<b>50,000</b>
<b>Total replenishment of the account from the beginning of the Project to December 31, 2020</b>		<b>50,000</b>

**Use of the special accounts funds (Statement of Expenditure (SOE) under the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF):**

<b>Application number</b>	<b>SOE number</b>	<b>Expense period</b>	<b>Amount of expenses</b>
00004	SOE 1	08.08.17-19.10.17	19,469
00008	SOE 2	20.10.17-31.12.17	31,959
<b>Total for the period from 23 May to 31 December 2017</b>			<b>51,428</b>
00008	SOE 2	01.01.18-17.01.18	720
00010	SOE 3	18.01.18-30.04.18	49,713
00014	SOE 4	01.05.18-16.07.18	29,307
00015	SOE 5	17.07.18-01.10.18	39,321
00019	SOE 6	02.10.18-15.11.18	30,539
00023	SOE 7	16.11.18-31.12.18	36,929
<b>2018 total</b>			<b>186,529</b>
00023	SOE 7	01.01.19-05.02.19	11,465
00031	SOE 8	06.02.19-24.04.19	39,192
00041	SOE 9	25.04.19-28.06.19	37,524
00049	SOE 10	01.07.19-02.09.19	47,322
00066	SOE 11	03.09.19-29.11.19	51,940
00073	SOE 12	30.11.19-31.12.19	22,494
<b>2019 total</b>			<b>209,937</b>
00073	SOE 12	01.01.20-10.03.20	50,414
00082	SOE 13	11.03.20-15.06.20	83,606
00093	SOE 14	16.06.20-30.10.20	80,309
00101	SOE 15	02.11.20-31.12.20	30,818
<b>2020 total</b>			<b>245,147</b>
<b>Total SOE from the beginning of the Project to December 31, 2020</b>			<b>693,041</b>

Payments were made from the special account in the category "Resettlement and seizure of land plots" in the amount of USD 64,897, on application 99 for the liquidation of the advance, see Note 12.

The total expenses from the special account were:

- USD 310,044 in 2020
- USD 757,938 from the beginning of the Project to December 31, 2020.

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project

Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing

Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**Use of the special accounts funds (Statement of Expenditure (SOE) under the CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF):**

Application number	SOE number	Expense period	Amount of expenses
00006	SOE 1	04.05.20-31.12.20	30,234
<i>Total for 2020</i>			<i>30,234</i>
<b>Total SOE from the beginning of the Project to December 31, 2020</b>			<b>30,234</b>

**6. Financing**

	2020	2019	From the beginning of the Projects to 31 December 2020
<b>ADB funds:</b>			
<b>ADB Loan No.3432-KGZ(SF)</b>			
Direct payments	1,152,990	1,041,311	5,739,635
Interest expenses	43,045	25,465	68,511
	<b>1,196,035</b>	<b>1,066,776</b>	<b>5,808,146</b>
<b>ADB Grant No.0496-KGZ(SF)</b>			
Initial advance	-	170,874	200,874
Replenishment of advance	-	90,000	120,000
<i>Total advance</i>	-	<i>260,874</i>	<i>320,874</i>
Replenishment of special account	236,824	224,372	662,223
Direct payments	1,382,721	2,003,846	5,683,679
	<b>1,619,545</b>	<b>2,489,092</b>	<b>6,666,776</b>
<b>ADB Loan №3730-KGZ(COL)</b>			
Direct payments	4,945,812	-	4,945,812
Interest expenses	4,946	-	4,946
	<b>4,950,758</b>	<b>-</b>	<b>4,950,758</b>
<b>ADB Grant №0621-KGZ(SF)</b>			
Direct payments	50,000	-	50,000
Interest expenses	454,534	-	454,534
	<b>504,534</b>	<b>-</b>	<b>504,534</b>
<b>Total ADB funds</b>	<b>8,270,873</b>	<b>3,555,868</b>	<b>17,930,215</b>
<b>GKR funds:</b>			
Replenishment of current account	335,301		335,301
Replenishment of current additional account	161,571	442,050	1,809,638
<b>Total GKR funds</b>	<b>496,872</b>	<b>442,050</b>	<b>2,144,939</b>
<b>Total Projects' financing</b>	<b>8,767,744</b>	<b>3,997,918</b>	<b>20,075,153</b>

**Projects:****CAREC Corridors 1 and 3 Connector Road Project****Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)****CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing****Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)****Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**7. Other (Expenses)/Receipts**

	2020	2019	From the beginning of the Projects to 31 December 2020
<b><i>Interest account</i></b>			
Accrued interests	1,455	566	2,364
Return of collateral on tenders and banking fees	(1,848)	(68)	(2,096)
Losses from exchange rate differences	(8)	-	(8)
<b><i>Total</i></b>	<b><i>(401)</i></b>	<b><i>498</i></b>	<b><i>260</i></b>
<b><i>Tender account</i></b>			
Receipt for tender documents	-	1,255	16,603
Expenses related to conducting tender procedures, bank services	(143)	(190)	(1,817)
Losses from exchange rate differences	(614)	-	(614)
<b><i>Total</i></b>	<b><i>(757)</i></b>	<b><i>1,065</i></b>	<b><i>14,172</i></b>
<b>Total Other (Expenses)/Receipts</b>	<b>(1,158)</b>	<b>1,563</b>	<b>14,432</b>
Including:			
Other (expenses)/receipts	(536)	1,563	15,054
Exchange rate difference (gain)/loss	(622)	-	(622)

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**8. Expenditures**

For 2020:

Category	Actual expenses for 2020							Total exposes
	ADB			GKR				
	Grant No.0496 KGZ(SF)	Loan No. 3432 KGZ(SF)	Grant No. 0621-KGZ(SF)	Loan No. 3730-KGZ(COL)	Basic account*	Additional account		
1. Civil works	485,411	1,152,990	-	4,945,812	95,162	334,065	7,013,440	
Section 1	-	-	-	2,788,643	-	306,071	3,094,714	
Section 2A	-	-	-	2,157,169	-	27,994	2,185,163	
Section 2B	485,411	1,152,990	-	-	95,162	-	1,733,563	
2. Consultancy	894,200	-	399,425	-	67,558	-	1,361,183	
Supervision of construction	510,705	-	399,425	-	37,729	-	947,859	
Consultants to assist in reforming the management system of the road industry	48,733	-	-	-	5,466	-	54,199	
Institutional Strengthening Advisory Group	6,051	-	-	-	-	-	6,051	
Data collection and installation of the road asset management system further (implementation of the RAMS)	318,702	-	-	-	24,363	-	343,065	
Auditing services	10,009	-	-	-	-	-	10,009	
3. Detailed design (PDA)	155,449	-	-	-	8,429	-	163,878	
4. Project management	92,808	-	85,342	-	-	-	178,150	
Labor costs	78,984	-	-	-	-	-	78,984	
Goods and running costs	13,824	-	3,790	-	-	-	17,614	
International consultant	-	-	81,552	-	-	-	81,552	
5. Resettlement and land acquisition costs	64,897	-	-	-	13,230	-	78,127	
6. Interest expenses	-	43,045	-	4,946	-	-	47,991	
Total Projects' expenses	1,692,765	1,196,035	484,767	4,950,758	184,378	334,065	8,842,769	

\* The expenses for the category "Resettlement and land acquisition" were paid from the tender account on the basis of letter No. 13-1-2 / 8487 dated September 3, 2020.

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

For 2019:

Category	Actual expenses for 2019				Total expenses
	ADB		GKR recalculated		
	Grant No.0496 KGZ(SF)	Loan No.3432 KGZ(SF)			
1. Civil works (recalculated)	430,887	1,041,311	228,307	228,307	1,700,505
Section I	430,887	1,041,311	228,307	228,307	1,700,505
2. Consultancy	1,429,238	-	166,618	166,618	1,595,856
Supervision of construction	401,212	-	44,579	44,579	445,791
Consultants to assist in reforming the management system of the road industry	129,631	-	15,425	15,425	145,056
Data collection and installation of the road asset management system further (implementation of the RAMS)	887,209	-	105,371	105,371	992,580
Auditing services	11,186	-	1,243	1,243	12,429
3. Advance payment for the preparation of design estimates	267,786	-	50,231	50,231	318,017
4. Projects management	85,872	-	-	-	85,872
Labor costs	73,214	-	-	-	73,214
Goods and current expenses	12,658	-	-	-	12,658
5. Interest expenses	-	25,465	-	-	25,465
Total Projects' expenses (restated)	2,213,783	1,066,776	445,156	445,156	3,725,715

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project  
 Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)  
 CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing  
 Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

From the beginning of the Projects until December 31, 2020:

Category	Actual expenses for the Projects implementation period						
	ADB			GKR			Total expenses
	Grant No. 0496 KGZ(SF)	Loan No. 3432 KGZ(SF)	Grant No. 0621-KGZ(SF)	Loan No. 3730-KGZ(COL)	Basic account	Additional account	
1. Civil works	2,383,333	5,739,635	-	4,945,812	1,423,442	334,065	14,826,287
Section 1	-	-	-	2,788,643	-	306,071	3,094,714
Section 2A	-	-	-	2,157,169	-	27,994	2,185,163
Section 2B	2,383,333	5,739,635	-	-	1,423,442	-	9,546,410
2. Consultancy	2,606,661	-	399,425	-	257,795	-	3,263,881
Supervision of construction	987,763	-	399,425	-	90,736	-	1,477,924
Consultants to assist in reforming the management system of the road industry	301,556	-	-	-	33,546	-	335,102
Institutional Strengthening Advisory Group	6,051	-	-	-	-	-	6,051
Data collection and installation of the road asset management system further (implementation of the RAMS)	1,279,176	-	-	-	131,057	-	1,410,233
Auditing services	32,115	-	-	-	2,456	-	34,571
3. Detailed design (PDA)	1,097,168	-	-	-	137,273	-	1,234,441
4. Project management	289,621	-	85,342	-	-	-	374,963
Labor costs	230,698	-	-	-	-	-	230,698
Goods and running costs	58,923	-	3,790	-	-	-	62,713
International consultant	-	-	81,552	-	-	-	81,552
5. Resettlement and land acquisition costs	64,897	-	-	-	13,230	-	78,127
5. Interest expenses	-	68,511	-	4,946	-	-	73,457
<b>Total Projects' expenses</b>	<b>6,441,680</b>	<b>5,808,146</b>	<b>484,767</b>	<b>4,950,758</b>	<b>1,831,740</b>	<b>334,065</b>	<b>19,851,156</b>



**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**9. Budget performance**

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF):**

**Use of the Loan №3432- KGZ(SF) ADB:**

Item	Funds used from the beginning of the Project		Total Project Budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Works	5,739,635	10.84%	52,932,803	47,193,168	89.16%
Interest expenses	68,511	3.25%	2,108,555	2,040,044	96.75%
Unallocated expenses		0.00%	5,313,156	5,313,156	100.00%
<b>Total</b>	<b>5,808,146</b>	<b>9.62%</b>	<b>60,354,514</b>	<b>54,546,368</b>	<b>90.38%</b>

**Use of the Grant №0496- KGZ(SF) AEP:**

Item	Funds used from the beginning of the Project		Total Project Budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Works	2,383,333	11.52%	20,680,000	18,296,667	88.48%
Consulting services	2,606,661	46.55%	5,600,000	2,993,339	53.45%
Advance for preparation of project design documentation	1,097,168	65.41%	1,677,460	580,292	34.59%
Project management	289,621	13.41%	2,160,000	1,870,379	86.59%
Expenses of relocation	64,897	37.98%	170,874	105,977	62.02%
Unallocated expenses		0.00%	5,109,126	5,109,126	100.00%
<b>Total</b>	<b>6,441,680</b>	<b>18.20%</b>	<b>35,397,460</b>	<b>28,955,780</b>	<b>81.80%</b>

**GKR co-financing share:**

Item	Funds used from the beginning of the Project		Total Project Budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Works	1,423,442	9.02%	15,780,000	14,356,558	90.98%
Consulting services	257,795	37.91%	680,000	422,205	62.09%
Advance for preparation of project design documentation	137,273	73.65%	186,384	49,111	26.35%
Expenses of relocation	13,230	-	-	(13,230)	-
Expertize and approval of the project	-	0.00%	440,000	440,000	100.00%
Unallocated expenses	-	0.00%	2,060,000	2,060,000	100.00%
<b>Total</b>	<b>1,831,739</b>	<b>9.57%</b>	<b>19,146,384</b>	<b>17,314,645</b>	<b>90.43%</b>

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF):**

**Use of the Loan №3730- KGZ(SF) ABP:**

Item	Funds used from the beginning of the Project		Total Project Budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
1. Civil works	4,945,812	9.24%	53,540,000	48,594,188	90.76%
<i>Section 1</i>	2,788,643	9.10%	30,650,000	27,861,357	90.90%
<i>Section 2A</i>	2,157,169	9.42%	22,890,000	20,732,831	90.58%
Consulting services		0.00%	1,670,000	1,670,000	100.00%
Interest expenses	4,946	0.05%	3,500,000	3,495,054	99.95%
Unallocated expenses		0.00%	9,790,000	9,790,000	100.00%
<b>Total</b>	<b>4,950,758</b>	<b>7.23%</b>	<b>68,500,000</b>	<b>63,549,242</b>	<b>92.77%</b>

**Use of the Grant № 621- KGZ(SF) ABP:**

Item	Funds used from the beginning of the Project		Total Project Budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
Consulting services	399,425	5.58%	7,160,000	6,760,575	94.42%
Project management	85,342	7.11%	1,200,000	1,114,658	92.89%
Expenses of relocation	0	0.00%	70,000	70,000	100.00%
Unallocated expenses	0	0.00%	1,070,000	1,070,000	100.00%
<b>Total</b>	<b>484,767</b>	<b>5.10%</b>	<b>9,500,000</b>	<b>9,015,233</b>	<b>94.90%</b>

**GKR co-financing share:**

Item	Funds used from the beginning of the Project		Total Project Budget	Available Project funds (budget- actual)	
	US dollars	%	US dollars	US dollars	%
1. Civil works	334,065	2.85%	11,740,000	11,405,935	97.15%
<i>Section 1</i>	306,071	4.55%	6,720,000	6,413,929	95.45%
<i>Section 2A</i>	27,994	0.56%	5,020,000	4,992,006	99.44%
Consulting services	0	0.00%	990,000	990,000	100.00%
Expenses of relocation	0	0.00%	20,000	20,000	100.00%
<b>Total</b>	<b>334,065</b>	<b>2.62%</b>	<b>12,750,000</b>	<b>12,415,935</b>	<b>97.38%</b>

**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

**10. Liabilities**

As of 31 December 2020, the Projects had the following overdue liabilities for the share of co-financing of the Projects by the Government of the Kyrgyz Republic on issued invoices and payment certificates:

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF):**

Contractor	Category	Works period	Intermediate Payment Certificates (IPC)		Unpaid IPC obligations  USD
			No	Date	
<b>Works</b>					
“Todini Costruzioni Generali S.p.A”	Works	October 2019 - May 2020	4	22.06.20	166,070
		June 2020-August 2020	5	30.09.20	256,998
<b>Sub-total</b>					<b>423,068</b>
<b>“Works” total:</b>					<b>423,068</b>
<b>Consulting services</b>					
“Gentek International Engineering and Consulting Limited”	Supervision of construction works	August 2020	24	12.09.20	4,459
		September 2020	25	05.10.20	4,120
		October 2020	26	09.11.20	5,475
		November 2020	27	03.12.20	4,963
<b>Total</b>					<b>19,017</b>
“Finnroad Ltd.” in association with LLC companies “RAM Engineering Associates” and “Destia International Ltd.”	RAMS	June 2020	42	24.08.20	2,458
		July 2020	43	24.08.20	2,462
		May-June-July 2020	44	24.08.20	179
		August 2020	45	18.09.20	1,758
		September 2020	46	19.10.20	1,318
		October 2020	47	23.11.20	1,500
		August-September-October 2020	48	23.11.20	1,211
<b>Total</b>					<b>10,886</b>
HLB Marka Audit in association with AMH Audit	Auditing services	Anditing services in 2019	114	29.06.20	1,112
<b>Total</b>					<b>1,112</b>
Advisory Group	Institutional Strengthening Advisory Group	November 2020	w/No	03.12.20	195
		December 2020	w/No	28.12.20	477
<b>Total</b>					<b>672</b>

**Projects:**

CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)

CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

<b>Total for the category "Consulting services":</b>					<b>31,687</b>
<b>Category "Advance payment for the preparation of design and estimate documentation"</b>					
"Japan Overseas Consultants Co. Ltd." in association with PDI "Kyrgyzdortrans-project"	Advance payment for the preparation of design and estimate documentation	February 2020 (Final)	29	03.08.20	10,717
<b>Total</b>					<b>10,717</b>
<b>Sub-total under "Advance payment for the preparation of design and estimate documentation":</b>					<b>10,717</b>
<b>Total liabilities for the share of co-financing of the Government of the Kyrgyz Republic under the CAREC Corridors 1 and 3 Connector Road Project:</b>					<b>465,472</b>

*CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF):*

Contractor	Category	Works period	Intermediate Payment Certificates (IPC)		Unpaid IPC and invoice obligations
			#	Date	
“Works” category					
“JV Sinohydro Corporation LTD - Power China Road Bridge Group Co, LTD”	Works	advance payment (1 tranche)	1	08.07.20	208,768
		advance payment (2 tranche)	2	23.11.20	542,833
Total					751,601
Total for the category “Works”:					751,601
Category “Consulting services”					
Roughton International Limited	Supervision of construction	advance payment	1	17.08.20	44,381
Total					44,381
Total commitments for the share of co-financing of the Government of the Kyrgyz Republic under the CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing:					795,982

As at 31 December 2020 total overdue liabilities for the Projects on the share of co-financing of the Government of the Kyrgyz Republic amounted to 1,261,454 US dollars.

**11. Contingencies****Litigation**

**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2- Additional Financing Loan No.3730-KGZ(COL)/Loan No.0621-KGZ(SF)**

**Notes to Consolidated Financial Statements**

For the year ended 31 December 2020

(Amounts in tables below are presented in USD)

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After the entry into force of the court's verdict in a criminal case in accordance with the articles of the Criminal Code of the Kyrgyz Republic on abuse of official position and bribery, negotiations were held on the fact of the Contractor's corrupt activities in relation to the contractor "Todini Contruzioni Generali S.p.A" (hereinafter referred to as the "Contractor") of the MTC KR of the Kyrgyz Republic, as the Customer of the Projects. On November 10, 2020, the ADB granted approval to the MTC KR of the Kyrgyz Republic to use the right to terminate the Contract with the Contractor. The notice of termination of the contract entered into force on December 1, 2020.

The Contractor appealed to the MTC KR of the Kyrgyz Republic with a proposal to conclude a Settlement agreement and to extend the procedure for repayment of the advance amount in the amount of USD 6,112,645.71 until the end of December 2021. The Customer, by letter No. 14-9/218 dated February 1, 2021, refused the offer to sign a Settlement agreement, due to the fact that the Contractor's position in this matter is unacceptable for the Customer, since:

- the Contractor has not fulfilled its obligations under the Contract in full. The Contract performance Guarantee cannot be returned to the Contractor until all the amounts of mutual settlements between the Customer and the Contractor are clarified and agreed upon, which is possible only by July 2021, when it is planned to complete the tender procedure for selecting a new contractor and calculate all the costs of the Customer from the delay in completion of construction;
- despite the weak position of the Contractor in terms of legal proceedings, the Contractor may initiate legal proceedings on certain issues of the contract terms. In particular, there is currently a significant delay on the part of the Customer in paying the share of co-financing of the Government of the Kyrgyz Republic in the amount of USD 423,068 (more than six months) and the Contractor is entitled to compensation for losses from the delay in payment. These losses will be taken into account in mutual settlements when preparing the final certificate for the Contractor. At the same time, according to preliminary estimates, the Customer's losses from early termination of the contract with the Contractor are significantly higher than the Contractor's possible claims. The final amount of the Customer's losses will be determined presumably in July 2021 and based on the results of this assessment, the Customer will file claims to the Contractor for compensation for losses.

On the part of the MTC KR of the Kyrgyz Republic, in March 2021, a letter was sent to OJSC "Muganbank" about the immediate payment of the full amount of the bank guarantee for an advance for No. 2204 dated September 19, 2018 in the amount of 6,112,645.71 US dollars, valid until August 22, 2021. However, on May 6, 2021, MTC KR received a letter from OJSC "Muganbank" No. N / 17-3131 dated 04.05.2021, in which the Bank informs that on the basis of the Decision of the Narimanov District Court of Baku, the Bank cannot fulfill the requirement of MTC KR to recover a bank guarantee and refund the amount of the advance payment. Due to the fact that the Bank received a notification from the Narimanov District Court of Baku that the Contractor filed a lawsuit to invalidate the letter "Guarantee of Advance Payment" dated September 19, 2018 No. 2201 and the letter "Guarantee of Performance" dated September 19, 2018 No. 2205, issued by OJSC "Muganbank" in favor of MTK KR. In addition, the Contractor filed an application with the court on the measure of securing the claim in this case. January 27, 2021 Narimanov District Court of Baku granted the plaintiff's application and adopted a ruling that, until the final judicial act on this civil case is adopted, the defendant should be prohibited from performing any actions on execution (payment of the guarantee amount, etc.) of letter No. 2204 of September 19, 2018 "Guarantee of payment of the advance" and letter "Guarantee of Execution" No. 2205 of September 19, 2018, issued in favor of the Ministry of Transport and Communications of the Kyrgyz Republic. According to the results of the meeting in Bishkek of the Customer with a representative of JSC "Muganbank", a confirmation letter was sent to the address of the MTC KR of the Kyrgyz Republic, for payment in full of obligations under the issued guarantee No. 2204 dated September 19, 2018, after the Final Certificate of completed works is provided.

At the same time, MTC KR was not notified that there are court cases on this civil case. The Contractor takes actions to delay this process.

**Projects:**

**CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF)**

**CAREC Corridors 1 and 3 Connector Road Project, Phase 2, Additional Financing Loan No.3730-KGZ(COI)/Loan No.0621-KGZ(SF)**

**Statement of Financial Position**

As of 31 December 2020

(Amounts in tables below are shown in USD)

**12. Events after reporting date****(i) Application for liquidation of the advance payment**

The Organization has completed the resettlement work within the framework of the Financing Agreement of this Project.

On May 19, 2021, the ADB performed the procedure for liquidation of the advance payment under application No. 99 concerning the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) for the expenses of the "Resettlement" category:

Application #	Payment period	USD
00099	01.02.20-31.12.20	64,897
<b>2020 total</b>		<b>64,897</b>

The Organization completes the work on resettlement, within the framework of the Financing Agreement for this Project.

**(ii) The situation with the contractor "Todini Contrazioni Generali S.p.A" as of the report date signing**

In January 2021, the original documents seized by the law enforcement agencies of the Kyrgyz Republic, indicating the preparation, conduct and results of the tender for the implementation of road construction works for the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF), were returned for further work on the demand for a bank guarantee in connection with the termination of the contract with the contractor "Todini Contrazioni Generali S.p.A" on the basis of an effective sentence on abuse of official position and a bribe. The deadline for reviewing the decision on the criminal case by way of cassation appeal expired in October 2020. As of the date of approval of the report, the Project carried out procedures for selecting a new contractor for road construction work. The deadlines for the planned road construction works, respectively, have been postponed for the period of completion of the selection and conclusion of a contract with a new contractor, on the basis of which the Organization has prepared and sent a letter to the Ministry of Economy and Finance of the Kyrgyz Republic, extending the deadline for closing the Project until December 31, 2026.

In March 2021, the Project applied to JSC "Muganbank" (Azerbaijan), the bank that issued an unconditional bank guarantee to secure advance payments to the contractor of the CAREC Corridors 1 and 3 Connector Road Project Loan No.3432-KGZ(SF)/Grant No.0496-KGZ(SF) – "Todini Contrazioni Generali S.p.A" with a letter on transferring the bank guarantee in the amount of USD 6,112,645.71 to the accounts of the Ministry of Transport and Communications of the Kyrgyz Republic (see Note 11). As of the date of completion of the audit, the amounts of the bank guarantee have not been transferred, the Project is taking measures to claim the bank guarantee for an advance.

After the reporting date and before the date of approval of the consolidated financial statements, with the exception of the information indicated above, no events occurred that would affect the disclosures in the presented consolidated financial statements.



N.B. Kaiynbaev

Deputy Minister of MTC KR



S.K. Ibraimov

Director of ADB IPIG