

BAKER TILLY
BISHKEK

**“Central Asia Road Links Project – CARs-1”
Credit No. 5430-KG, Grant No. H934-KG**

**Special purpose project financial statements
for the year ended December 31, 2017**

and independent auditors’ report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 3-5, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the special purpose project financial statements of "Central Asia Road Links Project – CARs-1", Credit No. 5430-KG, Grant No. H934-KG (the "Project").

Management is responsible for the preparation of the special purpose project financial statements that present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Project for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Accounting Standards Board of the International Federation of Accountants and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

In preparing the special purpose project financial statements, management is responsible for:


- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IPSAS and WB Guidelines have been followed, subject to any material departures disclosed and explained in the special purpose project financial statements; and
- preparing the special purpose project financial statements on a going concern basis, unless it is inappropriate to presume that the Project will continue its activity for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining effective and sound system of internal control in the Project;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Project, and which enable them to ensure that the special purpose project financial statements of the Project comply with IPSAS and WB Guidelines;
- compliance with laws and regulations of the Kyrgyz Republic, accounting system of the Project and the requirements of the World Bank;
- taking such steps as are reasonably available to them to safeguard the assets of the Project; and
- detecting and preventing fraud and other irregularities.

The special purpose project financial statements for the year ended December 31, 2017 were approved and authorized for issue on March 3, 2018 by the management of the Project.

On behalf of the Management:



Zhusubaliev A.
Deputy minister of transport and roads of the
Kyrgyz Republic

March 3, 2018
Bishkek, the Kyrgyz Republic



Chimchikov K.A.
Director

March 3, 2018
Bishkek, the Kyrgyz Republic



INDEPENDENT AUDITORS' REPORT

To the Management of "Central Asia Road Links Project – CARs-1" under the Ministry of transport and roads of the Kyrgyz Republic:

Opinion

We have audited the accompanying special purpose project financial statements of "Central Asia Road Links Project – CARs-1" (the "Project"), which comprise of the statement of cash proceeds and disbursements and the statement of uses of funds by project components for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information (the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements present fairly, in all material respects, cash proceeds and disbursements and uses of funds by project components of the Project for the year ended December 31, 2017 in accordance with International Public Sector Accounting Standard "Financial Reporting Under the Cash Basis of Accounting" (the "IPSAS") issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, and the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Special purpose project financial statements section of our report. We are independent of the Project 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

Without further qualifying our opinion, we draw attention to Note 2 to the special purpose project financial statements, which describe the basis of accounting. These special purpose project financial statements were prepared for complying with the appropriate World Bank Guidelines and Financial agreement requirements.

Without qualifying our opinion, we draw attention to the contract No. CARs/CS-IC-14 concluded with Chimchikov K.A. for a total amount of 2,691,666.67 Kyrgyz soms (the equivalent of 39,101 US dollars) for the period from June 14, 2017 to April 30, 2019. Tender procedures and selection procedures for the position of the Project Director were conducted according to the requirements of the Asian Development Bank. In addition, during the examination of the documentation on the specified procedures, the following shortcomings were identified: the discrepancies between the electronic and printed versions of the minutes of the tender commission in Russian and English on the ranking of candidates; discrepancies in information about the working background in evaluation report, service record book of Chimchikov K.A. when selecting for a position of Project Director, and data in the CV; absence of timely review of the results of activities as per terms of the contract. In more detail these observations are described in Management Letter. In addition,

as we learned, this issue of the appointment of the Director was raised by the working group of the Jogorku Kenesh of the Kyrgyz Republic. As of the date of issuance of the special purpose project financial statements, we are not aware about the final decision of the Ministry of transport and roads of the Kyrgyz Republic on this matter.

Other matter

The special purpose project financial statements are prepared to assist the Project to comply with the requirements of the World Bank. As a result, the special purpose project financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Special Purpose Project Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose project financial statements in accordance with International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (the “IPSAS”) issued by the International Public Accounting Standards Board of the International Federation of Accountants, and the World Bank’s Financial Management Sector Board’s “Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities” (the “WB Guidelines”), and for such internal control as management determines is necessary to enable the preparation of the special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Special Purpose Project Financial Statements

Our objectives are to obtain reasonable assurance about whether these special purpose project 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 ISAs 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 special purpose project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Project to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Kubat Alymkulov

Certified accountant, FCCA
Certificate of auditor of the Kyrgyz Republic # A 0069
Audit Director, “Baker Tilly Bishkek” LLC

“Baker Tilly Bishkek” LLC,
License Series A # 0049 issued by the State Committee
on Review and Regulation of the financial market of the
Kyrgyz Republic


March 3, 2018
Bishkek, the Kyrgyz Republic

**“CENTRAL ASIA ROAD LINKS PROJECT – CARS-1”
CREDIT NO. 5430-KG, GRANT NO. H934-KG**

**STATEMENT OF CASH PROCEEDS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(in US Dollars)**

	Notes	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Opening balance	4	159,654	-	169,144	-
Funds received	5				
IDA Credit No.5430-KG		10,480,661	11,915,404	1,434,743	1,434,743
IDA Grant No.H934-KG		1,116,777	5,874,885	4,491,523	4,758,108
Funds of the Government of the Kyrgyz Republic		1,457,463	2,263,124	805,661	805,661
Total funds received		13,054,901	20,053,413	6,731,927	6,998,512
Other non-operating income	6	2,238	10,560	2,629	8,322
Foreign exchange gain		719	732	10	13
Total receipts		13,057,858	20,064,705	6,734,566	7,006,847
Project expenses					
Works	7	11,938,841	16,884,244	4,945,403	4,945,403
Consulting services	7	736,417	1,349,429	613,012	613,012
Operating costs	7	194,658	457,746	163,804	263,088
Goods	7	158,844	1,181,279	1,019,557	1,022,435
Other costs	7	-	481	211	481
Total project expenses		13,028,760	19,873,179	6,741,987	6,844,419
Non-operating expenses		4,771	7,545	2,069	2,774
Closing balance	4	183,981	183,981	159,654	159,654

On behalf of the Management:



Zhusubaliev A.
Deputy minister of transport and roads of the
Kyrgyz Republic



Chimchikov K.A.
Director

March 3, 2018
Bishkek, the Kyrgyz Republic

March 3, 2018
Bishkek, the Kyrgyz Republic


The notes on pages 8-18 form an integral part of the special purpose project financial statements. The Independent Auditors' Report is on pages 3-5.

**“CENTRAL ASIA ROAD LINKS PROJECT – CARS-1”
CREDIT NO. 5430-KG, GRANT NO. H934-KG**

**STATEMENT OF USES OF FUNDS BY PROJECT COMPONENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
(in US Dollars)

	For the year ended December 31, 2017	Cumulative	For the year ended December 31, 2016	Cumulative
Component I. Rehabilitation of Priority Road Sections in Batken Region	12,616,497	18,146,137	5,529,640	5,529,640
Component II. Improvement of Road Operations and Maintenance Practices	207,629	1,245,986	1,038,357	1,038,357
Component III. Project Management and Implementation	204,633	480,574	173,779	275,941
Other costs	-	481	211	481
	<u>13,028,759</u>	<u>19,873,178</u>	<u>6,741,987</u>	<u>6,844,419</u>

On behalf of the Management:



Zhusubaliev A.
**Deputy minister of transport and roads of the
Kyrgyz Republic**

March 3, 2018
Bishkek, the Kyrgyz Republic



Chimchikov K.A.
Director

March 3, 2018
Bishkek, the Kyrgyz Republic

The notes on pages 8-18 form an integral part of the special purpose project financial statements. The Independent Auditors' Report is on pages 3-5.

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**
(in US Dollars if otherwise not stated)

1. GENERAL INFORMATION

According to the Agreement between the Kyrgyz Republic and International Development Association (the “IDA”) dated July 25, 2014, the IDA provided a Credit No. 5430-KG in the amount of 23,900,000 Special Drawing Rights (the “SDR”) and Grant No. H934-KG in the amount of 5,300,000 SDRs to the Kyrgyz Republic. The contribution of the Government of the Kyrgyz Republic is 5,672,195 SDRs.

The financing was provided for implementation of the “Central Asia Road Links Project – CARs-1” (the “Project”).

Project purpose

The objective of the Project is to increase transport connectivity between the Kyrgyz Republic and Tajikistan along priority cross-border road links in Batken Region, whilst supporting improvements in road operations and maintenance practices.

The Project is to be implemented during 2014-2019 and comprises 3 components:

1. Component I: Rehabilitation of Priority Road Sections in Batken Region;
2. Component II: Improvement of Road Operations and Maintenance Practices;
3. Component III: Project Management and Implementation.

Component I: Rehabilitation of Priority Road Sections in Batken Oblast

This component focuses on rehabilitation of about 56 kilometers of road sections in Batken Region along and within close vicinity of the road corridor Osh-Batken-Isfana by supporting the works and rendering of consulting services. Those road sections will link the Kyrgyz Republic with its neighboring countries and include specifically:

- Isfana-Karagach/Madaniyat border crossing (36.08 kilometers),
- Batken-Tortkul (14.30 kilometers), and
- Batken-Kyzyl Bel/Guliston border crossing (6.11 kilometers).

Component II: Improvement of Road Operations and Maintenance Practices

This component finances the provision of goods, and consultants’ services for the improvement of road operations and maintenance practices.

Improvement of maintenance practices will include the establishment of Service Level Agreement between Ministry of transport and roads of the Kyrgyz Republic and “Osh-Batken-Isfana” Road department (the “OBI UAD”), support exposure of OBI UAD management to international practices on maintenance techniques through the hiring of individual internationally recruited consultants.

Also, this component includes a review of regional standards, norms, and parameters on vehicle (truck) weight and axle load limits and tariffication as well as the development of a strategic plan for the institutional arrangements for transport control.

Component III: Project Management and Implementation

This component aims to support project coordination, implementation and management through financing of provision of goods, consultants' services, training, and operating costs, including an audit.

Project management

Investment Projects Implementation Group of the Ministry of transport and roads of the Kyrgyz Republic is responsible for Project implementation, usage of project resources in accordance with stated budget, and Project's objectives achievement.

Duration of the Project is from July 25, 2014 to April 30, 2019.

2. PRESENTATION OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

Basis of preparation

These special purpose project financial statements have been prepared in accordance with the International Public Sector Accounting Standard (the "IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the International Federation of Accountants, and incorporate the following principal accounting policies, which have been consistently followed in all material respects and comply with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "WB Guidelines").

Under the cash basis system income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.

The Project's approved budget disclosed by categories of expenses is not publicly available and as such comparison of budget and actual amounts is not presented.

These special purpose project financial statements consist of:

- Statement of cash proceeds and disbursements;
- Statement of uses of funds by project components;
- Notes to the special purpose project financial statements, including short description of main statements of accounting policy and other descriptive notes.

The reporting currency of these special purpose project financial statements is US Dollars (the "USD").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash basis of accounting

The special purpose project financial statements are prepared on a cash basis of accounting. The cash basis of accounting recognizes transactions and events only when cash (including cash equivalents) is received or paid by the Project. Special purpose project financial statements prepared under the cash basis provide readers with information about the sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The measurement focus in the special purpose project financial statements is balances of cash and changes therein.

Foreign currency

Operations in foreign currency initially are counted in functional currency by the currency exchange rate settled by commercial bank on a date of operation.

Funds received are translated into USD at official exchange rate of Special Drawing Rights (the "SDR") at the date of funds receipt.

Monetary assets and liabilities expressed in foreign currency are converted to functional currency at official exchange rate on a date settled by the commercial bank.

All exchange differences arising in the settlement and conversion of monetary items are included in the Statement of cash proceeds and disbursements.

Non-monetary items are valued according to their historic cost in foreign currency, which are recalculated on rates of the initial operation date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, which can be converted to the corresponding amount of cash in the short term.

Taxes

Calculation and payment of personal income tax and social security contributions from income of local staff and consultants is made in accordance with the appropriate requirements and rates of the Tax Code and laws and regulations of the Kyrgyz Republic.

Project expenses

The expenses are recorded in the period when they were actually paid.

Sources of funds

The funds were provided by the World Bank to the Project by replenishment of special account or through direct payment to the end supplier of goods and/or services. The Government of the Kyrgyz Republic co-finances the Project.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at December 31, 2017 and 2016 comprise:

	Currency	December 31, 2017	December 31, 2016
Designated account in foreign currency	USD	181,431	154,572
Interest account in foreign currency	USD	519	3,051
Tender account in foreign currency	USD	2,031	2,031
		<u>183,981</u>	<u>159,654</u>

5. FUNDS RECEIVED

The funds received were presented by the following reimbursement methods:

Financing method / sources of financing:	For the year ended December 31, 2017			Cumulative			
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	Total
Advances	-	-	-	200,000	-	-	200,000
Replenishment of designated account ("DA") / Statement of expenditures ("SOE")	1,116,777	-	-	1,789,857	-	-	1,789,857
Direct payments	-	10,480,661	-	3,885,028	11,915,404	-	15,800,432
Replenishment of designated account (GOV)	-	-	1,457,463	-	-	2,263,124	2,263,124
Total funds received	1,116,777	10,480,661	1,457,463	5,874,885	11,915,404	2,263,124	20,053,413

Financing method / sources of financing:	For the year ended December 31, 2016			Cumulative			
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	Total
Advances	-	-	-	200,000	-	-	200,000
Replenishment of designated account ("DA") / Statement of expenditures ("SOE")	606,495	-	-	673,080	-	-	673,080
Direct payments	3,885,028	1,434,743	-	3,885,028	1,434,743	-	5,319,771
Replenishment of designated account (GOV)	-	-	805,661	-	-	805,661	805,661
Total funds received	4,491,523	1,434,743	805,661	4,758,108	1,434,743	805,661	6,998,512

6. OTHER NON-OPERATING INCOME

Other income represents interest income accrued by the serving bank on the outstanding balances of cash on designated account and sale of other assets.

	For the year ended December 31, 2017		Cumulative	
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	IDA Grant No. H934-KG	IDA Credit No. 5430-KG
Interest income	2,238	-	8,047	-
Sale of other assets	-	-	2,513	-
Foreign exchange gain	719	-	732	-
	<u>2,957</u>	<u>-</u>	<u>11,292</u>	<u>-</u>

	For the year ended December 31, 2016		Cumulative	
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	IDA Grant No. H934-KG	IDA Credit No. 5430-KG
Interest income	2,617	-	5,809	-
Sale of other assets	12	-	2,513	-
Foreign exchange gain	10	-	13	-
	<u>2,639</u>	<u>-</u>	<u>8,335</u>	<u>-</u>

7. CUMULATIVE PROJECT EXPENDITURES

Project expenditures by components are presented in the statement of funds by project components. Project expenditures on major categories are presented in the statement of cash proceeds and disbursements. Breakdown of project expenses by categories and donors is presented as follows:

WORKS	For the year ended December 31, 2017			Cumulative		
	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR
Rehabilitation of Priority Road Sections in Batken Oblast	-	10,480,661	1,458,180	2,705,000	11,915,403	2,263,841
	<u>-</u>	<u>10,480,661</u>	<u>1,458,180</u>	<u>2,705,000</u>	<u>11,915,403</u>	<u>2,263,841</u>

WORKS	For the year ended December 31, 2016			Cumulative		
	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR
Rehabilitation of Priority Road Sections in Batken Oblast	2,705,000	1,434,742	805,661	2,705,000	1,434,742	805,661
	<u>2,705,000</u>	<u>1,434,742</u>	<u>805,661</u>	<u>2,705,000</u>	<u>1,434,742</u>	<u>805,661</u>

CONSULTING SERVICES

For the year ended December 31, 2017

Cumulative

	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR
Construction Supervision Consultant Review of regional standards, development of a strategic plan for transport control Audit services	677,657	-	-	1,261,894	-	-
	48,785	-	-	67,685	-	-
	9,975	-	-	19,950	-	-
	<u>736,417</u>	<u>-</u>	<u>-</u>	<u>1,349,429</u>	<u>-</u>	<u>-</u>

CONSULTING SERVICES

For the year ended December 31, 2016

Cumulative

	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR
Construction Supervision Consultant Review of regional standards, development of a strategic plan for transport control Audit services	584,237	-	-	584,237	-	-
	18,800	-	-	18,800	-	-
	9,975	-	-	9,975	-	-
	<u>613,012</u>	<u>-</u>	<u>-</u>	<u>613,012</u>	<u>-</u>	<u>-</u>

OPERATING EXPENSES

For the year ended December 31, 2017

Cumulative

	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR
Salary and related taxes	160,346	-	-	361,207	-	-
Utilities	9,880	-	-	24,560	-	-
Business trip expenses	9,710	-	-	25,323	-	-
Transportation	2,518	-	-	3,938	-	-
Communication	2,505	-	-	6,776	-	-
Maintenance of equipment	1,848	-	-	6,144	-	-
PR and marketing	1,574	-	-	2,792	-	-
Stationery	1,541	-	-	4,152	-	-
Trainings	913	-	-	15,480	-	-
Security services	405	-	-	1,263	-	-
Rent of equipment	-	-	-	485	-	-
Other	3,418	-	-	5,626	-	-
	<u>194,658</u>	<u>-</u>	<u>-</u>	<u>457,746</u>	<u>-</u>	<u>-</u>

OPERATING EXPENSES	For the year ended December 31, 2016			Cumulative		
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR
Salary and related taxes	124,678	-	-	200,861	-	-
Trainings	13,367	-	-	14,567	-	-
Business trip expenses	8,614	-	-	15,614	-	-
Utilities	7,177	-	-	14,680	-	-
Communication	2,466	-	-	4,271	-	-
Maintenance of equipment	1,976	-	-	4,296	-	-
Stationery	1,364	-	-	2,611	-	-
PR and marketing	1,218	-	-	1,218	-	-
Transportation	1,138	-	-	1,420	-	-
Security services	432	-	-	858	-	-
Rent of equipment	-	-	-	484	-	-
Other	1,374	-	-	2,208	-	-
	<u>163,804</u>	<u>-</u>	<u>-</u>	<u>263,088</u>	<u>-</u>	<u>-</u>

GOODS	For the year ended December 31, 2017			Cumulative		
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR
Equipment for construction of Osh-Batken-Isfana Road	-	-	-	90,800	-	-
Equipment for Kemin and Sosnovka posts	158,844	-	-	1,087,601	-	-
Software	-	-	-	2,878	-	-
	<u>158,844</u>	<u>-</u>	<u>-</u>	<u>1,181,279</u>	<u>-</u>	<u>-</u>

GOODS	For the year ended December 31, 2016			Cumulative		
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR
Equipment for construction of Osh-Batken-Isfana Road	90,800	-	-	90,800	-	-
Equipment for Kemin and Sosnovka posts	928,757	-	-	928,757	-	-
Software	-	-	-	2,878	-	-
	<u>1,019,557</u>	<u>-</u>	<u>-</u>	<u>1,022,435</u>	<u>-</u>	<u>-</u>

OTHER COSTS	For the year ended December 31, 2017			Cumulative		
	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR	IDA Grant No. H934-KG	IDA Credit No. 5430-KG	Government of the KR
PR and marketing	-	-	-	481	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>481</u>	<u>-</u>	<u>-</u>

	For the year ended December 31, 2016			Cumulative		
	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR	IDA Grant No. H934- KG	IDA Credit No. 5430- KG	Govern- ment of the KR
PR and marketing	211	-	-	481	-	-
	<u>211</u>	<u>-</u>	<u>-</u>	<u>481</u>	<u>-</u>	<u>-</u>

8. FINANCIAL POSITION

Financial position as at December 31, 2017 and 2016 is represented as follows:

	December 31, 2017	December 31, 2016
ASSETS AND EXPENDITURES		
Cash and cash equivalents	183,981	159,654
Cumulative project expenditures	19,873,179	6,844,419
Other non-operating expenditures	7,545	2,774
TOTAL ASSETS AND EXPENDITURES	<u>20,064,705</u>	<u>7,006,847</u>
FINANCING		
Financing received	20,053,413	6,998,512
Other non-operating income	10,560	8,322
Foreign exchange gain	732	13
TOTAL FINANCING	<u>20,064,705</u>	<u>7,006,847</u>

9. WITHDRAWAL APPLICATIONS

Withdrawal applications for the year ended December 31, 2017 comprise:

Sources of financing	No.	Dates	Direct payments	Goods and services, including audit, trainings and operating expenses	Total
IDA Credit No. 5430-KG					
	1/00001	January 17, 2017	636,341	-	636,341
	1/00002	January 24, 2017	461,831	-	461,831
	1/00006	August 03, 2017	424,387	-	424,387
	1/00008	September 12, 2017	1,324,763	-	1,324,763
	1/00007	September 13, 2017	468,860	-	468,860
	1/00012	October 3, 2017	1,277,937	-	1,277,937
	1/00011	October 5, 2017	605,162	-	605,162
	1/00016	December 1, 2017	237,403	-	237,403
	1/00014	December 1, 2017	1,125,349	-	1,125,349
	1/00015	December 5, 2017	426,517	-	426,517
	1/00018	December 26, 2017	1,413,432	-	1,413,432
	1/00019	December 28, 2017	530,025	-	530,025
	1/00020	December 28, 2017	1,548,654	-	1,548,654
			<u>10,480,661</u>	<u>-</u>	<u>10,480,661</u>
IDA Grant No. H934-KG					
	1/00003	April 6, 2017	-	189,621	189,621
	1/00004	May 22, 2017	-	138,398	138,398
	1/00005	August 3, 2017	-	141,020	141,020
	1/00009	September 13, 2017	-	155,132	155,132
	1/00010	October 10, 2017	-	138,326	138,326
	1/00013	December 1, 2017	-	196,389	196,389
	1/00017	December 29, 2017	-	157,891	157,891
			<u>-</u>	<u>1,116,777</u>	<u>1,116,777</u>
Funds of the Government of the Kyrgyz Republic					
	1/00021	February 24, 2017	28,657	-	28,657
	1/00076	April 28, 2017	59,486	-	59,486
	1/00154	July 31, 2017	466,133	-	466,133
	1/00193	August 30, 2017	635,121	-	635,121
	1/00210	September 29, 2017	244,779	-	244,779
	1/00267	November 30, 2017	23,287	-	23,287
			<u>1,457,463</u>	<u>-</u>	<u>1,457,463</u>

10. DESIGNATED ACCOUNT

Designated account for the years ended December 31, 2016 and 2017 comprises:

Designated accounts	Grant No.	Government
	H934-KG	of KR
Currency	US Dollars	
Bank account	1180000060619045	1299004131820000
Bank	CJSC "Demir Kyrgyz International Bank"	OJSC "RSK Bank"
Bank's location	245, Chui avenue, Bishkek, Kyrgyz Republic	4a, Chui avenue, Bishkek, Kyrgyz Republic

Description	US Dollars	US Dollars	Total
Balance as at December 31, 2015	164,423	-	164,423
Replenishment of DA / SOE	606,494	805,661	1,412,156
Total funds received to a designated account	606,495	805,661	1,412,156
The amount of eligible expenditures paid	616,346	805,661	1,422,005
Balance as at December 31, 2016	154,572	-	154,572
Replenishment of DA / SOE	1,116,777	1,457,463	2,574,240
Total funds received to a designated account	1,116,777	1,457,463	2,574,240
The amount of eligible expenditures paid	1,089,918	1,458,181	2,548,099
Foreign exchange gain	-	(718)	(718)
Balance as at December 31, 2017	181,431	-	181,431

11. UNDRAWN FUNDS

As at December 31, 2017 undrawn funds with breakdown by grants are presented as follows:

	IDA Grant H934-KG (in SDR)	IDA Credit 5430-KG (in SDR)	Government of the KR (in KGS)
Approved grant and credit amount	5,300,000	23,900,000	155,025,500
Disbursed in 2015	189,879	-	-
Disbursed in 2016	3,233,846	1,018,069	55,025,500
Disbursed in 2017	795,845	7,429,755	100,000,000
Undrawn grant and credit amount	1,080,430	15,452,176	-
	IDA Grant H934-KG (in SDR)	IDA Credit 5430-KG (in SDR)	Government of the KR (in KGS)
Funds received as at January 1, 2017	3,423,725	1,018,069	55,025,500
Disbursed in 2017	795,845	7,429,755	100,000,000
Funds received as at December 31, 2017	4,219,570	8,447,824	155,025,500

12. COMMITMENTS

In the normal course of activities, the Project concludes agreements with suppliers of goods and services in accordance with the established budget and procurement plan. Contract value of obligations valid as at December 31, 2017 was as follows:

Counterparty	Contract	Contract value	Paid up to December 31, 2017	Remaining amount to be paid
LLC "Xinjiang Beixin Road and Bridge Group Co Ltd"	№ CARs/ICB-CW	USD 34,120,271	11,938,639	22,181,632
OcOO "BETAMONT s.r.o."	№ CARs-ICB-G-01	EUR 1,024,137	1,024,137	-
OcOO «EGIS International»	№ CARs/CS/CQBS-01	EUR 842,482	575 587	266 895
OcOO «EGIS International»	№ CARs/CS/CQBS-01	USD 789,333	608 899	180 434
Alexandra Spagnol	№ CARs/CS-IC-15&16	USD 193,556	58,092	135,464
LLC "1C Practica"	№ CARs/SSS-G-01	KGS 177,000	177,000	-
LLC "Kyrgyz San Bao"	№ CARs/SH-G-01	USD 91,000	90,800	200
LLC "Baker Tilly Bishkek"	№ CARs/CS-LCS-01	USD 49,875	19,950	29,925
Borbuev S.	№ CARs/CS-IC-17	USD 15,319	10,980	4,339

13. LEGAL CASES

There were no any legal cases related to the Project.

14. EVENTS AFTER THE REPORTING DATE

During 2018 until the date of issue of these special purpose project financial statements the World Bank and the Government of the Kyrgyz Republic has replenished the special accounts of the Project as follows:

Financing method / sources of financing:	Date	Application	IDA Grant H934-KG	Government of the KR
Direct payment	January 23, 2018	1/00001	578,672	-
Replenishment of designated account (GOV)	January 30, 2018	1/00017	-	1,099,664
			<u>578,672</u>	<u>1,099,664</u>

As at the date of issue of the special purpose project financial statements no other significant events or transactions occurred, which should be disclosed in the special purpose project financial statements, except for described above.



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