

# Audited Project Financial Statements

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Project Number: 42399-024  
Loan/Grant Number: Loan3204/Grant 0418-KGZ  
Period covered: 24 April 2015 to 31 December 2015

## KGZ: CAREC Transport Corridor I (Bishkek-Torugart Road) Project 3 - Additional Financing

Prepared by the Ministry of Transport and Roads, Kyrgyz Republic

For the Asian Development Bank  
Date accepted by ADB: 19 October 2016

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Ministry of Transport and Roads of the Kyrgyz Republic.

**CAREC TRANSPORT CORRIDOR 1 (BISHKEK-TORUGART ROAD)  
PROJECT 3 – ADDITIONAL FINANCING  
LOAN №3204 - KGZ (SF) / GRANT № 0418 – KGZ (SF)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE PERIOD FROM 24 APRIL 2015 TO 31 DECEMBER 2015**

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**INDEPENDENT AUDITOR'S REPORT**  
**by Marka Audit Bishkek Ltd.**

**on the financial statements**  
**CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing**  
**Loan №3204 - KGZ (SF) / Grant №0418 – KGZ (SF)**  
**for the period from 24 April 2015 to 31 December 2015**

**Asian Development Bank**  
**Ministry of Transport and Roads of the Kyrgyz Republic**

**A report on Financing Reporting**

We have audited the accompanying financial statements of the CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing (the “Project”) implemented by the Ministry of Transport and Roads of the Kyrgyz Republic along with the Investment Projects Implementation Group (both the “Organization”) and financed by the Asian Development Bank based on the Financing Agreement (Special operations) Loan No.3204 - KGZ (SF)/Grant No. 0418 – KGZ (SF), which is comprise the Statement of Sources and Uses of Funds for the period from 24 April 2015 to 31 December 2015, and a summary of significant accounting policies and other explanatory notes. The financial statement was prepared by the Project management in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, the guidelines of the Asian Development Bank and the relevant articles of the Agreement.

*Organization Management’s responsibility for the financial statements of the Projects*

The Organization’s management is responsible for the preparation and fair presentation of the Project financial statements in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting as described in Note 2 (it includes establishment of the fact that the method of accounting based on the receipts and payments of cash is the eligible basis for preparation of the financial statements in these circumstances) and for such internal control system as the Project management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor’s responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the accompanying financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risks assessments, the auditor considers the internal control relevant to the Organization management’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by the Organization management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for the auditor’s opinion.

*Opinion*

In our opinion, the accompanying financial statement, in all material respects, gives a true and fair view of the sources and uses of funds of the CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 –

Additional Financing for the period from 24 April 2015 to 31 December 2015 in accordance with International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting, the guidelines of the Asian Development Bank and the relevant articles of the Agreement.

### **A Report on Other requirements of the legislation and regulations**

Besides:

- a) All the provided funds, in all material respects, were used in accordance with the requirements of the relevant articles of the Loan Agreement, with due attention to the economy and efficiency, and only for the purposes for which the funds were provided;
- b) The goods and services were purchased and provided in accordance with the requirements of the Financing Agreement (Special operations) Loan No.3204-KGZ (SF) / Grant No.0418-KGZ (SF), including specific norms of the procurement handbook issued by the Asian Development Bank;
- c) With respect to Statements of Expenditures, adequate supporting documentation support applications to the Asian Development Bank to reimburse expenditures incurred;
- d) The Special Account cash flows, as well as the supporting documents and information presented therewith, are truly substantiated with replenishment applications in accordance with the requirements of the Agreements;
- e) As it is stated in the Note 2.2, the internal control system comprises the entire policy and procedures adopted by the Project management for assistance in implementation of the Project's aims, stipulating well-ordered and efficient execution of the Project, including safeguarding measures for assets, prevention and identification of frauds and errors, accuracy and completeness of accounting records, as well as timely preparation of the Projects' financial statements.
- f) During the reporting period, the percentage of financing and expenditures from the funds of the Asian Development Bank and the Kyrgyz Republic Government complied with the conditions specified in the Financing Agreement.

### **Accounting method and restrictions on the distribution and use**

Without qualifying our opinion, we draw your attention to the Note 2 to the financial statements, describing the basis for accounting. These financial statements have been prepared for the purpose providing information to the Government of the Kyrgyz Republic and to the Asian Development Bank. Therefore, these financial statements may not be suitable for another purpose.

#### **MARKA AUDIT BISHKEK LTD.**

*License #0018 (GC) of September 06, 2004, Issued by the State Committee on Financial Reporting and Auditing Standards under the Government of the Kyrgyz Republic*

*Registration certificate #4850-3301-000 of the Ministry of Justice of the Kyrgyz Republic as of 20 March 2008,*

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*S.S. Tazhibaeva, Director*

*Qualified Auditor Certificate No. #00136, reg. #00136 of 11 March 2008*



*L.G. Zalunina*

**L.G. Zalunina, Leading Specialist**

*Qualified Auditor Certificate No.00222 of 31.10.2011  
DipIFR (Rus.) - Certificate No.1768245 of 09.12.2010*

20 September 2016

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

The statement below, which should be considered together with the description of responsibilities of independent auditors, accompanied the report of independent auditors, is made with the purpose to distinguish the responsibilities of auditors and the management of the Ministry of Transport and Roads of the Kyrgyz Republic along the Investment Projects Implementation Group (hereafter both the "Organization") in regard to the financial statement of the following project CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 - Additional Financing (hereafter the "Project"). The management of the Organization is responsible for the preparation of the financial statements of the Project financed by the Asian Development Bank's Loan No.3204-KGZ (SF) and Grant No.0418 – KGZ (SF), that presents fairly, in all material respects, the sources and uses of the Project funds for the period from 24 April 2015 to 31 December 2015, in accordance with the International Public Sector Accounting Standard: Financial Reporting under the Cash Basis of Accounting and requirements of the Asian Development Bank and relevant articles of Agreements.

When preparing the financial statements, the Management of the Organization is responsible for:

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

The Management of the Organization is also responsible for:

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

These financial statements for the period from 24 April 2015 to 31 December 2015 were approved by the Management of the Organization on 15 September 2016.

For and on behalf of the Management of the Organization:

   
**E. Oshev**  
**Deputy Minister of Transport and Roads**  
**of the Kyrgyz Republic**

**20 September 2016**

The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)


Statement of Sources and Application of Funds

For the period from 24 April 2015 to 31 December 2015

(Amounts in the tables below are shown in USD)

	Note	2015	From the Project beginning to 31 December 2015
<b>Opening balance:</b>	4	-	
<b>Financing sources:</b>			
ADB Loan No. 3204- KGZ (SF)		3,488,286	3,488,286
ADB Grant No. 0418-KGZ (SF)		2,233,423	2,233,423
KR Government		311,162	311,162
<b>Total financing:</b>	5	<b>6,032,871</b>	<b>6,032,871</b>
<b>Project expenses:</b>	6		
<b>1 Civil works</b>		<b>6,159,929</b>	<b>6,159,929</b>
ADB Loan No. 3204- KGZ (SF)		3,488,286	3,488,286
ADB Grant No. 0418-KGZ (SF)		2,233,423	2,233,423
KR Government		438,220	438,220
<b>2 Supervision over construction works</b>		-	-
ADB Loan No3204- KGZ (SF)		-	-
KR Government		-	-
<b>3 Expenses on financing</b>		-	-
<i>ADB Loan No. 3204- KGZ (SF)</i>		-	-
<b>Total Project expenses:</b>		<b>6,159,929</b>	<b>6,159,929</b>
ADB Loan No. 3204- KGZ (SF)		3,488,286	3,488,286
ADB Grant No. 0418-KGZ (SF)		2,233,423	2,233,423
KR Government		438,220	438,220
<b>Exchange rate difference impact (+,-)</b>		<b>127,058</b>	<b>127,058</b>
<b>Closing balance:</b>		-	



  
Alamanova J.N.  
Disbursement Specialist



**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015

(Amounts in the tables below are shown in USD)

**1. Project Background**

The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Third Project (“Project”) is carried out in accordance with Loan Agreement (special operations) No.2755-KGZ (SF) (“Initial Loan Agreement”) of 19 September 2011, signed between the Government of the Kyrgyz Republic (GKR) and the Asian Development Bank (ADB), which became effective on 24 January 2012, No.1 (the Law of the Kyrgyz Republic).

In 2014 the GKR applied to the ADB for the additional loan and grant for the purposes of financing its additional costs and exceeded planned budgeted costs regarding the Project. To provide the road bases with more qualitative and resistant characteristics to extreme climate conditions, the international Consultant has made a proposal to perform additional works, concerning mainly the road bed embankment height and to improve the drainage system that allow decreasing a risk of cracks formation on the bituminous concrete pavement due to frosty heaving. The ADB agreed to provide a loan and a grant to the GKR from the ADB Special Funds.

On 26 December 2014 the GKR and ADB signed the Financing Agreement (Special operations) CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 - Additional Financing Loan 3204-KGZ (SF) in the amount of 7,258,000 SDR and Grant 0418 - KGZ (SF) in the amount of 4,300,000 USD. The ADB provided a confirmation about coming in force the Agreement on 24 April 2015. The Agreement was ratified by the Kyrgyz Republic Law No.68 of 02 April 2015.

The objective of the Third Project CAREC Transport Corridor 1 (Bishkek-Torugart Road) and the Third Project CAREC Transport Corridor 1 (Bishkek-Torugart Road) - additional financing (‘Projects’) is to improve the people’s mobility within the distances of their transportation from a departure point to a destination point along a section of Naryn-Torugart road.

The Third Project CAREC Transport Corridor 1 (Bishkek-Torugart Road) is a third stage of activities of the Asian Development Bank on improvement of the condition of Bishkek – Torugart automobile road.

The Project consists of two components.

Components (a): Rehabilitation and reconstruction of Bishkek – Torugart Road (from 479 km to 539 km) in accordance with the national road standards of 2<sup>nd</sup> category with special characteristics of environment, preservation of road structure and decrease of road accidents;

Component (b): Provision of consulting services for supervision over the civil works, project management and upgrading of infrastructure management skills of employees of the KR Ministry of Transport and Communications (MOTR KR) and personnel of other governmental organizations responsible for long-term sustainability of road network.

The Project total budget within the financing is 17.3 million USD, including:

	Total financing			Actually allocated since the Project beginning	Balance to be financed
	SDR	million USD	in %		
Asian Development Bank (Loan No. 3204-KGZ(SF) *	7,258,000	10.1	58.4	3.5	6.6
Asian Development Bank (Grant No. 0418-KGZ(SF) *		4.3	24.8	2.2	2.1
Government of the Kyrgyz Republic		2.9	16.8	0.3	2.6
<b>Total</b>	<b>7,258,000</b>	<b>17.3</b>	<b>100%</b>	<b>6.0</b>	<b>11.3</b>

\*Loan budget in SDR was recounted to USD by the ADB rate from the statement of Loan account



**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015

(Amounts in the tables below are shown in USD)

As it is specified in the Financing Agreement the following categories of eligible expenditures may be covered from ADB financing funds:

*On the CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing Loan No.3204-KGZ (SF) / Grant No.0418-KGZ (SF):*

Category	Loan No.3204-KGZ (SF)			Grant No.0418-KGZ (SF)	
	Loan amount in SDR	Allocation of the amount, in million of USD	Percentage of costs at the expense of Loan	Allocation of the amount, in million of USD	Percentage of costs at the expense of Loan
1. Works(design-Build)	4,825,000	6.7	51.3%	4.3	30.7%
3. Construction Supervision	484,000	0.7	90%		
5. Interest Charge	135,000	0.2	100%		
6. Unallocated	1,814,000	2.5	-		
<b>Total</b>	<b>7,258,000</b>	<b>10.1</b>		<b>4.3</b>	

The date of loan line completion in accordance with the Loan Agreement No.3204-KGZ (SF)/Grant 0418-KGZ (SF) and in conformity with the Financing agreement is 31 December 2016.

The Ministry of Transport and Roads of the Kyrgyz Republic (hereinafter referred to as the MoTR KR) is an executive agency by Third Project CAREC Transport Corridor 1 (Bishkek-Torugart Road) -Additional Financing, responsible for timely and efficient execution of work by Project, on the whole.

The Investment Projects Implementation Group (IPIG) carries out day-to-day management and implementation of the Project. The Investment Projects Implementation Group was established by Order No.10-к/1 issued by the MoTR KR of 1 February 2010. The IPIG obligations comprise the preparation and implementation of nine projects, including the CAREC Transport Corridor 1 (Bishkek-Torugart Road) Third Project and the Third Project CAREC Transport Corridor 1 (Bishkek-Torugart Road) - additional financing.

## **2. Basic principles of accounting policy**

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

These financial statements have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) “Cash Accounting Basis”, the Asian Development Bank’s requirements “Financial Management and Project Analysis” and relevant articles of the Financing Agreement (special operations) Loan No.3204-KGZ (SF) / Grant 0418-KGZ (SF) of 26 December 2014.

The cash basis of accounting recognizes transactions and events only when cash is received or paid by the Projects.

In accordance with this accounting policy, all funds, regardless of their source, which are on the settlement account and which are reflected in the statements as received are considered as income. Expenditures are the funds for payment for the works, goods and services and which are reflected in the statement as paid.

The accounting policy was consistently applied within the entire period.

**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015

(Amounts in the tables below are shown in USD)

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**Financing**

Financing from the Asian Development Bank's funds is presented by the following procedures:

- Direct payment procedure – where the ADB, by the Organization's request, pays directly to the specified Supplier;
- Current expenses fund procedure – the ADB makes advance payments from the loan account to the deposit, forming an account of current expenses, which is exclusively used for financing a share of ADB eligible expenses.

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

Financing through reimbursement and procedures of fund of current expenses is recognized in case of actual receipt of money.

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

**Expenses**

The Project expenses are recognized as they are and are included into the financial reporting if payments for goods, works and/or services are made.

**Functional and presentation currency**

The national currency of the Kyrgyz Republic is Kyrgyz Som (KGS). The presentation currency is the US Dollar (USD).

Since 01 January 2015 the Project has changed the accounting valuation of cash assets expressed in soms and denominated in USD. In the reporting period the soms are denominated at the last exchange rate reflected in IC: Accounting software as of the date of GKR financing receipt (rate of commercial bank / rate of the National Bank of the Kyrgyz Republic).

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:

- When making payments to the Contractor (*China Road and Bridge Corporation*) in KGS under a contract concluded in USD, it was used the fixed exchange rate stipulated by the contract. According to the contract on construction concluded on 21 August 2012 between KR MoTR and the Company constructing roads and bridges *China Road and Bridge Corporation*, 70% of funds are paid in USD and 30% are paid in KGS at the fixed rate of 47.1789 soms per 1 US dollar.
- When paying directly to a contractor in soms from the ADB share, it is used an exchange rate applied for reflection the operation in LFIS system (lfis.adb.org).
- When paying taxes on foreign organization's income, received from the KR source, not connected with the permanent institution (10%), it is applied an exchange rate fixed by the NBKR as of the date of payment.
- Regarding all other expenses it is applied an exchange rate of a servicing bank at a rate of the last conversion.

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

**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015  
(Amounts in the tables below are shown in USD)

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When forming the budget for ADB Loans the disbursed amount is translated into US dollar equivalent at the rate of exchange at the time of disbursement, undisbursed amount is translated into US dollar equivalent at the rate of exchange on a report date of issue.

**2.2. Internal Control System**

***Project plan***

- Actual implementation of the Project plan is controlled quarterly by submitting reports to the ADB;
- For efficient functioning of the process, the information on operating outcomes is timely analyzed.

***Use of accounting software***

The Investment Projects Implementation Group uses the automated accounting software “IC: “Accounting”, which forms the necessary accounting books: a cashbook, a Special bank account in USD and a transit account in KGS, as well as interest accounts, bank accounts for the Kyrgyz Republic Government share of proceeds.

An access to the accounting software is restricted by the list which includes the Finance Manager, the Benefit Specialist and the Assistant Accountant. Every user has its individual password to obtain the access to the system. The Finance Manager and the benefit specialist have a full package of access rights, i.e. data input, review and adjustment/correction and confirmation of processed transactions as well as control over deleting data. The Assistant Accountant has a right to enter information.

***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).

**3. Taxation**

The Financing Agreement does not contain exceptions on tax payment. The Project is a VAT payer. The VAT, paid to a supplier for goods and services, is included in the cost of purchase and correspondingly in Project expenditures.

Payments of a tax for non-resident from the amount of provided services by international consultants are made from ADB funds (90%) and co-financing share provided by GKR (10%).

**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015

(Amounts in the tables below are shown in USD)

**4. Cash**

According to the Additional 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 accounts:

- GKR special-purpose financing account in KGS No. 4402051101012833 opened with Leninsky Regional Treasury Department (ROK). The account of state financing is used for expenses financed by GKR.

The cash flow by accounts of the Project for 2015 (ADB and GKR accounts) is presented below:

	GKR account		Total Project funds	
	KGS	USD	KGS	USD
<b>Opening balance</b>	-	-	-	-
Receipts, replenishment of account	20,674,740	311,162		311,162
Retirement from the settlement account	(20,674,740)	(438,220)		(438,220)
Exchange rate difference		127,058		127,058
<b>Closing balance</b>	-	-		-

**5. Financing**

	2015 (in USD)		From the Project implementation beginning
	<b>ADB Loan No.3204 KGZ(SF)</b>	✓ 3,488,286	
Direct payments		3,488,286	3,488,286
<b>ADB Grant No.0418 KGZ(SF)</b>		2,233,423	2,233,423
Direct payments		2,233,423	2,233,423
<b>Total ADB financing</b>		5,721,709	5,721,709
<b>Government of the Kyrgyz Republic</b>		311,162	311,162
Replenishment of current account		311,162	311,162
<b>Total Project financing</b>		6,032,871	6,032,871

**6. Expenses**

For the reporting period:

Category	Actual expenses for 2015			
	ADB Loan No.3204 KGZ(SF)	ADB Grant No.0418 KGZ(SF)	GKR	Total expenses
1. Works (design-Build)	3,488,286	2,233,423	438,220	6,159,928
2. Construction Supervision	-	-	-	-
<i>Construction Supervision</i>	-	-	-	-
3. Interest Charge(financing expenses)	-	-	-	-
<b>Total Project expenses</b>	3,488,286	2,233,423	438,220	6,159,928

**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015

(Amounts in the tables below are shown in USD)

For the Project implementation period:

Category	Actual expenses for the Project implementation period			
	ADB Loan No.3204 KGZ(SF)	ADB Grant No.0418 KGZ(SF)	GKR	Total expenses
1. Works (design-Build)	3,488,286	2,233,423	438,220	6,159,928
2. Construction Supervision <i>Construction Supervision</i>	-	-	-	-
3. Interest Charge (financing expenses)	-	-	-	-
<b>Total Project expenses</b>	<b>3,488,286</b>	<b>2,233,423</b>	<b>438,220</b>	<b>6,159,928</b>

A contract on construction between the MOTR KR and a company for construction of roads and bridges entitled *China Road and Bridge Corporation* was concluded on 21 August 2012, and approved by the ADB in the amount of USD 54,310,916.06. Since 28 July 2015 according to a Variation Order No.1 the contract value was changed, that was approved by the ADB. A new contract value is in the amount of USD 63,039,439.00.

For the purpose of supervision over the construction, under the provision of consulting services, the MoTR KR and the company “TERA International Group. Inc” concluded a contract in the amount of 2,772,807.70 USD, dated 17 May 2012. In connection with the signed additional financial agreement the contract value was increased by USD 800,000, according to the Variation Order No.3, including taxes, this is related to changes made in the design, extension of completion term for civil works for one full working season (from 2015 to 2016), a period of elimination of defects was extended till 31 December 2017. The ADB approved the changes in the contract on 3 September 2015.

According to Annex 2 to the Financing Agreement No.3204-KGZ (SF) / category 3 “Expenses on financing” is intended for financing expenses for payment of interest on the Loan within the Project implementation period.

## 7. Project Budget Execution

**ADB Loan No. 3204-KGZ (SF):**

Item	Category	Funds used since the Project beginning		Project's total budget	Available Project funds (budget- actually)	
		amount	%		amount	%
Works (design-Build)	1	3,488,286	52.06	6,701,069	3,212,783	47.94
Construction Supervision over Environmental management	2			666,957	666,957	100
Interest Charge	3			186,031	186,031	100
Unallocated	4			2,499,710	2,499,710	100
<b>Total</b>		<b>3,488,286</b>	<b>34.70%</b>	<b>10,053,768</b>	<b>6,565,481</b>	<b>65.30%</b>

**The CAREC Transport Corridor 1 (Bishkek-Torugart Road) Project 3 – Additional Financing  
Loan No.3204-KGZ (SF)/Grant No.0418-KGZ (SF)**

**Notes to the Financial Statement**

For the period from 24 April 2015 to 31 December 2015  
(Amounts in the tables below are shown in USD)

**ADB Grant No. 0418-KGZ (SF):**

Item	Category	Funds used since the Project beginning		Project's total budget	Available Project funds (budget-actually)	
		amount	%		amount	%
Works (design-Build)	I	2,233,423	51.94	4,300,000	2,066,577	48.06
<b>Total</b>		<b>2,233,423</b>	<b>51.94%</b>	<b>4,300,000</b>	<b>2,066,577</b>	<b>48.06%</b>

**8. Liabilities**

As of 31 December 2015 the Project had the following liabilities by issued invoices from GKR co-financing share:

Contractor	Category	Period of works performance	Invoice		Unpaid liabilities by invoices
			Number	Date	
China Road and Bridge Corporation Civil works		August 2015	12	08.09.15	1,338,601
		September 2015	13	16.10.15	719,422
<b>Total by a category "Civil works"</b>					<b>2,058,023</b>


As of 31 December 2015 the Projects had the following liabilities by issued invoices (deducted guarantee amount at the rate of 10% under contractual conditions on civil works):

Contractor	Category	Period of works performance	Invoice		Unpaid liabilities by invoices
			Number	Date	
China Road and Bridge Corporation	Works (design-Build)	July 2015	10	05.08.2015.	270,506
		August 2015	12	08.09.2015.	309,339
		September 2015	13	16.10.2015.	444,088
<b>Total</b>					<b>1,023,933</b>

**9. Events after the reporting date**

As of 05 April 2016, in accordance with the agreement and approval made by the ADB the funds of a category "Contingencies" were reallocated into a category "Civil works" in the amount of 1,814,000 SDR.



  
Alamanova J.N.  
Disbursement Specialist