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«ENERGY EFFICIENCY FACILITY FOR INDUSTRIAL ENTERPRISES» PROJECT, IDA Credit No.5241-UZ

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 01, 2017 TO DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Addressees: Management of PCU under Ministry of Economy of the Republic of Uzbekistan

We have audited the accompanying Special Purpose Financial Statements of «Energy Efficiency Facility for Industrial Enterprises» Project (hereinafter – Project) financed from credit proceeds of the International Development Association (hereinafter – Association, IDA) according to the Financing agreement No.5241-UZ dated 18 July 2013 (hereinafter – Financing agreement), for the period from 01 January 2017 to 31 December 2017. Special Purpose Financial Statements include Statement of Sources and Uses of Funds, Statement of Uses of Funds by Implementing Agencies on Expenditure Types, Special Purpose Balance Sheet, Designated Accounts Statements, SOE Withdrawal Schedule and Notes to Special Purpose Financial Statements.

Special Purpose Financial Statements prepared by the management of Project Coordination Unit (hereinafter – PCU) based on the cash flow basis in accordance with International Public Sector Accounting Standards (hereinafter - IPSAS) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

Management's Responsibility

The management of Project is responsible for preparation and fair presentation of these special purpose financial statements based on the cash flow basis in accordance with IPSAS. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the preparation and fair presentation of the Project' financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Project's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the above-stated Special Purpose Financial Statements give a true and fair view of the sources and uses of the «Energy Efficiency Facility for Industrial Enterprises» Project funds for the period from 01 January 2017 to 31 December 2017 and complies with conditions of the Financing Agreement and IPSAS.

Moreover, (a) with respect to SOEs, adequate supporting documentation has been maintained to support claims to the Association for reimbursement of expenditures incurred; and (b) the expenditures comply with objectives stipulated in the Financing Agreement.

In our opinion, the Designated Accounts Statements for the period from 01 January 2017 to 31 December 2017 give a true and fair view of the financial position of the Designated Accounts of the Project as at 31 December 2017 and of the cash flows for the for the year then ended and complies with the World Bank's guidelines.

Auditors:
TSIAR-FINANS LLC
2a, Chust Street, Tashkent,
100077, Republic of Uzbekistan

TSIAR-FINANS LLC

TSIAR-FINANS

5 June 2018

STATEMENT OF SOURCES AND USES OF FUNDS
for the period from January 01, 2017 to December 31, 2017
(USD)

	Actual		Budget		Variance	
	Year to Date	Cumulative	Year to Date	Cumulative	Year to Date	Cumulative
Opening Cash Balance						
USD Designated Account of PIU JSCB «Asakabank»	4 000 000					
USD Designated Account of PIU JSCB «Hamkorbank»	4 000 000					
USD Designated Account of PIU JSCB «Uzpromstroybank»	0					
USD Designated Account of PCU	44 427					
UZS Designated Account of PCU	0					
Total	**8 044 427**					
Add:						
Sources of Funds						
PIU JSCB «Asakabank»						
Designated Account Replenishment	0	23 175 667	10 000 000	33 000 000	10 000 000	9 824 333
Reimbursement by IDA	0	3 820 113	0	0	0	(3 820 113)
Co-financing from the Bank	0	5 749 447	2 500 000	8 250 000	2 500 000	2 500 553
PIU JSCB «Hamkorbank»						
Designated Account Replenishment	2 531 833	25 799 531	10 300 000	33 000 000	7 768 167	7 200 469
Reimbursement by IDA	0	226 415	0	0	0	(226 415)
Co-financing from the Bank	632 958	7 629 125	2 575 000	8 250 000	1 942 042	620 875
PIU JSCB «Uzpromstroybank»						
Designated Account Replenishment	9 948 780	31 201 567	10 000 000	33 000 000	51 220	1 798 433
Reimbursement by IDA	(2 796 780)	0	0	0	2 796 780	0
Co-financing from the Bank	788 000	6 800 392	2 500 000	8 250 000	1 712 000	1 449 608
PCU						
Designated Account Replenishment	50 524	182 210	490 000	640 000	439 476	457 790
Direct payments	0	56 341	0	340 000	0	283 659
Total	**11 155 315**	**104 640 807**	**38 365 000**	**124 730 000**	**27 209 685**	**20 089 193**
Foreign Exchange Difference	0	0				
Total	**0**	**0**				
Less:						
Uses of Funds						
PIU JSCB «Asakabank»						
Sub-Loans	0	28 745 227	12 500 000	41 250 000	12 500 000	12 504 773
PIU JSCB «Hamkorbank»						
Sub-Loans	3 164 791	29 655 071	13 300 000	41 250 000	10 135 209	11 594 929
PIU JSCB «Uzpromstroybank»						
Sub-Loans	3 940 000	34 001 959	10 375 000	41 250 000	6 435 000	7 248 041

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Beginning on the previous page

	Actual		Budget		Variance	
	Year to Date	Cumulative	Year to Date	Cumulative	Year to Date	Cumulative
Less:						
PCU	**53 404**	**197 004**	**490 000**	**980 000**	**436 596**	**782 996**
Goods	140	795	25 000	50 000	24 860	49 205
Consultant's services	34 696	79 763	64 000	128 000	29 304	48 237
Capacity building in the sphere of energy efficiency	0	66 283	120 000	240 000	120 000	173 717
Capacity building in the management of Project	0	1 143	110 000	220 000	110 000	218 857
Improvement of statistical reporting capacity	0	0	90 000	180 000	90 000	180 000
Audit	8 600	19 850	14 000	28 000	5 400	8 150
Operating Costs	9 969	29 170	67 000	134 000	57 031	104 830
Total	**7 158 195**	**92 599 260**	**36 665 000**	**124 730 000**	**29 506 805**	**32 130 740**
Closing Cash Balance						
USD Designated Account of PIU JSCB «Asakabank»	4 000 000	4 000 000				
USD Designated Account of PIU JSCB «Hamkorbank»	4 000 000	4 000 000				
USD Designated Account of PIU JSCB «Uzpromstroybank»	4 000 000	4 000 000				
USD Designated Account of PCU	41 547	41 547				
UZS Designated Account of PCU	0	0				
Total	**12 041 547**	**12 041 547**				

Acting Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev

First Deputy Chairman of Board JSCB «Asakabank»

R. Kasimov

Deputy Chairman JSCB «Uzpromstroybank»

Sh. Yakubov

Deputy Chairman of Board JSCB «Hamkorbank»

B. Ahmadjanov

PCU FM Specialist

N. Rahmanova

PIU Manager

PIU FM Specialist

PIU Manager

PIU FM Specialist

PIU Manager

PIU FM Specialist

STATEMENT OF USES OF FUNDS BY IMPLEMENTING AGENCIES ON EXPENDITURE TYPES
for the period from January 01, 2017 to December 31, 2017
(USD)

	Actual		Budget		Variance	
	Year to Date	Cumulative	Year to Date	Cumulative	Year to Date	Cumulative
1. PIU JSCB «Asakabank»	**0**	**28 745 227**	**12 500 000**	**41 250 000**	**12 500 000**	**12 504 773**
Sub-Loans	0	28 745 227	12 500 000	41 250 000	12 500 000	12 504 773
2. PIU JSCB «Hamkorbank»	**3 164 791**	**29 655 071**	**13 300 000**	**41 250 000**	**10 135 209**	**11 594 929**
Sub-Loans	3 164 791	29 655 071	13 300 000	41 250 000	10 135 209	11 594 929
3. PIU JSCB «Uzpromstroybank»	**3 940 000**	**34 001 959**	**10 375 000**	**41 250 000**	**6 435 000**	**7 248 041**
Sub-Loans	3 940 000	34 001 959	10 375 000	41 250 000	6 435 000	7 248 041
4. PCU	**53 404**	**197 004**	**490 000**	**980 000**	**436 596**	**782 996**
Development of EE Capacity						
Goods	140	795	25 000	50 000	24 860	49 205
Consultant's services	34 696	79 763	64 000	128 000	29 304	48 237
Capacity building in the sphere of energy efficiency	0	66 283	120 000	240 000	120 000	173 717
Capacity building in the management of Project	0	1 143	110 000	220 000	110 000	218 857
Improvement of statistical reporting capacity	0	0	90 000	180 000	90 000	180 000
Audit	8 600	19 850	14 000	28 000	5 400	8 150
Operating Costs	9 969	29 170	67 000	134 000	57 031	104 830
Total Project Expenditure	**7 158 195**	**92 599 260**	**36 665 000**	**124 730 000**	**29 506 805**	**32 130 740**

Acting Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev

First Deputy Chairman of Board
JSCB «Asakabank»

R. Kasimov

Deputy Chairman
JSCB «Uzpromstroybank»

Sh. Yakubov

Deputy Chairman of Board
JSCB «Hamkorbank»

B. Ahmadjanov

PCU FM Specialist

N. Rahmanova

PIU Manager

PIU FM Specialist

PIU Manager

PIU FM Specialist

PIU Manager

PIU FM Specialist

"*Statement of Uses of Funds by Implementing Agencies on Expenditure Types*" to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

SPECIAL PURPOSE BALANCE SHEET
AS OF DECEMBER 31, 2017
(USD)

Assets	2017	2016
Cash and cash equivalents, including:	12 041 547	8 044 427
– *Designated Account*	*12 041 547*	*8 044 427*
Total Uses of Funds, including:	92 599 260	85 441 065
– *PCU*	*197 004*	*143 599*
– *JSCB «Asakabank»*	*28 745 227*	*28 745 227*
– *JSCB «Hamkorbank»*	*29 655 071*	*26 490 280*
– *JSCB «Uzpromstroybank»*	*34 001 959*	*30 061 959*
Foreign exchange difference	0	0
Total assets	**104 640 807**	**93 485 492**
Funding		
IDA Credit to Participating Banks , including:	80 176 765	67 696 152
– *JSCB «Asakabank»*	*23 175 667*	*23 175 667*
– *JSCB «Hamkorbank»*	*25 799 531*	*23 267 698*
– *JSCB «Uzpromstroybank»*	*31 201 567*	*21 252 787*
IDA Credit to PCU	238 551	188 027
Co-financing by Participating Banks, including:	20 178 964	18 758 006
– *JSCB «Asakabank»*	*5 749 447*	*5 749 447*
– *JSCB «Hamkorbank»*	*7 629 125*	*6 996 167*
– *JSCB «Uzpromstroybank»*	*6 800 392*	*6 012 392*
Financed by PB, reimbursed by IDA	4 046 528	4 046 528
– *JSCB «Asakabank»*	*3 820 113*	3 820 113
– *JSCB «Hamkorbank»*	*226 415*	*226 415*
Financed by PB, to be reimbursed by IDA	0	2 796 780
– *JSCB «Uzpromstroybank»*	*0*	2 796 780
Total Funding	**104 640 807**	**93 485 492**

Acting Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

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First Deputy Chairman of Board
JSCB «Asakabank»

R. Kasimov

Deputy Chairman
JSCB «Uzpromstroybank»

Sh. Yakubov

Deputy Chairman of Board
JSCB «Hamkorbank»

B. Ahmadjanov

PCU FM Specialist

N. Rahmanova

PIU Manager

PIU FM Specialist

PIU Manager

PIU FM Specialist

PIU Manager

PIU FM Specialist

"*Special Purpose Balance Sheet*" to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

USD DESIGNATED ACCOUNT STATEMENT OF PCU
for the period from January 01, 2017 to December 31, 2017

Account No.	2020 3840 9001 0102 1005
Depository Bank	Mehnat branch of JSTIB "Ipotekabank"
Address	9 Istiklol Street, Tashkent, Republic of Uzbekistan, 100035
Credit	No.5241-UZ
Currency	USD

	USD
Opening Balance as at 01 January 2017	**44 427**
Cash inflow:	
IDA financing	50 524
Total cash inflow:	**50 524**
Cash outflow:	
Converted into UZS and transferred to UZS Designated Account of PCU	53 365
Expenses on related categories	39
Total cash outflow:	**53 404**
Balance as at 31 December 2017	**41 547**

Acting Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev

PCU FM Specialist

N. Rahmanova

"*USD Designated Account Statement of PCU*" to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

UZS DESIGNATED ACCOUNT STATEMENT OF PCU
for the period from January 01, 2017 to December 31, 2017

Account No.	2020 3000 6001 0102 1003
Depository Bank	Mehnat branch of JSTIB "Ipotekabank"
Address	9 Istiklol Street, Tashkent, Republic of Uzbekistan, 100035
Credit	No.5241-UZ
Currency	UZS

	000'UZS	*USD*
Opening Balance as at 01 January 2017	**0**	**0**
Cash inflow:		
Transfer from USD Designated Account of PCU	237 863	53 365
Total Cash inflow:	**237 863**	**53 365**
Cash outflow:		
Expenses on related categories	237 863	53 365
Total cash outflow:	**237 863**	**53 365**
Balance as at 31 December 2017	**0**	**0**

Acting Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev

PCU FM Specialist

N. Rahmanova

"*UZS Designated Account Statement of PCU*" to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

USD DESIGNATED ACCOUNT STATEMENT OF PIU JSCB «ASAKABANK» for the period from January 01, 2017 to December 31, 2017

Account No.	2130 2840 7000 0087 3003
Depository Bank	Central bank of RUz
Address	6 Islam Karimov Street, Tashkent, Republic of Uzbekistan, 100001
Credit	No.5241-UZ
Currency	USD

	USD
Opening Balance as at 01 January 2017	**4 000 000**
Cash inflow:	
IDA financing	0
Total cash inflow:	**0**
Cash outflow:	
Lend Sub Loans	0
Total cash outflow:	**0**
Balance as at 31 December 2017	**4 000 000**

First Deputy Chairman of Board
JSCB «Asakabank»

R. Kasimov

PIU Manager

PIU FM Specialist

"*USD Designated Account Statement of PIU JSCB «Asakabank»* to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

USD DESIGNATED ACCOUNT STATEMENT OF PIU JSCB «HAMKORBANK» for the period from January 01, 2017 to December 31, 2017

Account No.	2130 2840 9000 0008 3005
Depository Bank	Central Bank of RUz
Address	6 Islam Karimov Street, Tashkent, Republic of Uzbekistan, 100001
Credit	No.5241-UZ
Currency	USD

	USD
Opening Balance as at 01 January 2017	**4 000 000**
Cash inflow:	
IDA financing	2 531 833
Total cash inflow:	**2 531 833**
Cash outflow:	
Lend Sub Loans	2 531 833
Total cash outflow:	**2 531 833**
Balance as at 31 December 2017	**4 000 000**

Deputy Chairman of Board
JSCB «Hamkorbank»

B. Ahmadjanov _____

PIU Manager _____

PIU FM Specialist _____

USD Designated Account Statement of PIU JSCB «Hamkorbank» to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

USD DESIGNATED ACCOUNT STATEMENT OF PIU JSCB «UZPROMSTROYBANK» for the period from January 01, 2017 to December 31, 2017

Account No.	2130 2840 2000 0044 0003
Depository Bank	Central Bank of RUz
Address	6 Islam Karimov Street, Tashkent, Republic of Uzbekistan, 100001
Credit	No.5241-UZ
Currency	USD

	USD
Opening Balance as at 01 January 2017	**0**
Cash inflow:	
IDA financing	7 152 000
Reimbursement by IDA	2 796 780
Total cash inflow:	**9 948 780**
Cash outflow:	
Lend Sub Loans	3 152 000
Returned to the Participating Bank	2 796 780
Total cash outflow:	**5 948 780**
Balance as at 31 December 2017	**4 000 000**

Deputy Chairman
JSCB «Uzpromstroybank»

Sh. Yakubov

PIU Manager

PIU FM Specialist

USD Designated Account Statement of PIU JSCB «Uzpromstroybank» to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

SOE WITHDRAWAL SCHEDULE
for the period from January 01, 2017 to December 31, 2017
(USD)

Withdrawal application No.	*Disbursement Category*		*Total Amount for Reimbursement*	*Reimbursed in 2017*
	Component A	*Component B*		
PCU				
43	27 169		27 169	27 169
44	14 753		14 753	14 753
45	18 602		18 602	8 602
Subtotal	***60 524***	-	***60 524***	***50 524***
PIU JSCB «Hamkorbank»				
39		1 680 945	1 680 945	1 680 945
42		850 888	850 888	850 888
Subtotal	-	***2 531 833***	***2 531 833***	***2 531 833***
PIU JSCB «Uzpromstroybank»				
37		4 000 000	4 000 000	4 000 000
38		2 796 780	2 796 780	2 796 780
40		3 152 000	3 152 000	3 152 000
Subtotal	-	***9 948 780***	***9 948 780***	***9 948 780***
TOTAL	**60 524**	**12 480 613**	**12 541 137**	**12 531 137**

Acting Director of PCU EEFIE under Ministry of Economy of the Republic of Uzbekistan

A. Alimbaev _____

First Deputy Chairman of Board
JSCB «Asakabank»

R. Kasimov _____

Deputy Chairman
JSCB «Uzpromstroybank»

Sh. Yakubov _____

Deputy Chairman of Board
JSCB «Hamkorbank»

B. Ahmadjanov _____

PCU FM Specialist

N. Rahmanova _____

PIU Manager _____

PIU FM Specialist _____

PIU Manager _____

PIU FM Specialist _____

PIU Manager _____

PIU FM Specialist _____

"*SOE Withdrawal Schedule*" to be read in conjunction with Notes (pages from 14 to 20) thereto forming an integral part of the Project special purpose financial statements

NOTES TO PROJECT SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period from January 01, 2017 to December 31, 2017

1. Description of the Project

International Development Association (hereinafter – Association, IDA) and Government of the Republic of Uzbekistan (hereinafter – Government) on 18 July 2013 have signed Financing Agreement for lending to the Republic of Uzbekistan (hereinafter – Financing Agreement) for total of M66.1 Special Drawing Rights (hereinafter - SDR) or in equivalent USD M100.0 for implementation of the "Energy Efficiency Facility for Industrial Enterprises" Project (hereinafter – the Project) with the repayment term of 25 years, including 5 years of grace period. Key project objective is to facilitate modernization, technical and technological upgrade of the enterprises of the real economy sector, improving their energy efficiency and effectiveness, speeding up the introduction of energy saving equipment and technology.

According to the Financing Agreement the Project will be financed on the account of IDA-funded credit and on the account of co-financing by the Participating Banks: JSCB «Asakabank», JSCB «Hamkorbank» and JSCB «Uzpromstroybank» (hereinafter – Participating Banks). To facilitate Project implementation IDA and each Participating Bank on 18 July 2013 have signed Financing Agreement on the Project implementation. Ministry of Finance oh behalf of the Republic of Uzbekistan (hereinafter - MOF) and Participating Banks on 28 October 2013 have signed Financing Agreement on sub-lending arrangements for IDA funds for the Project implementation.

Project financing plan is stated below:

	USD
IDA funds	100 000 000
Participating Banks funds	24 750 000
Total	**124 750 000**

COM Resolution No.168 "On supplementary measures facilitating implementation of the Energy Efficiency Facility for Industrial Enterprises Project with participation of IDA" dated 12 June 2013 (hereinafter – COM Resolution) identifies the following executive authorities responsible for the Project implementation (jointly referred as Implementing Agencies):

- Uzbekistan Ministry of Economy (MOE) is responsible for the overall coordination of the Project and implementation of component «Development of Energy Efficiency Capacity and Project management»;
- Participating Banks: JSCB «Asakabank», JSCB «Hamkorbank» and JSCB «Uzpromstroybank» are responsible for targeted and effective use of the refinanced part of the IDA Credit and implementation of component "Credit Line to Participating Banks".

Project Coordination Unit (hereinafter – PCU) was established under Uzbekistan Ministry of Economy and Project Implementation Unit (hereinafter – PIU) was established under each Participating Bank in order to ensure effective Project implementation.

Pursuant to the requirements stated in the above COM Resolution the Uzbekistan Ministry of Economy, Ministry of Finance and Participating Banks have drafted Project Operational Manual (POM) in consultation with IDA. POM refers to the lending arrangements, selection and sub-project evaluation criteria, and also financial management, procurement, monitoring and evaluation procedures for the Project implementation.

According to the Financing Agreement, the repayment of IDA Credit is carried out on the account of Participating Banks in part of re-financed credit portion. Repayment fo credit in part of the Project Component «A» «Development of Energy Efficiency Capacity and Project management» is acrried out on the account of public budget.

The Project consists of the following components:

Part A: Development of Energy Efficiency Capacity

1. Enhancing the energy efficiency capacity of selected industries, banks, industry associations and energy professionals, through the provision of consultants' services and Training.

2. Strengthening the capacity of MOE and the PCU for Project management, coordination and monitoring and evaluation, through the provision of goods, consultants' services and Training.

3. Improvement of the statistical reporting capacity in the area of energy consumption and energy efficiency.

Part B: Credit Line to Participating Banks

Establishment and operation of a credit facility for the Participating Banks for the provision of Sub-loan(s) to Beneficiaries, enabling such Beneficiaries to finance the costs related to the carrying out of industrial energy efficiency Sub-projects.

According to the Financing Agreement, the IDA funds available for the Project implementation are intended for financing the following components:

Components	*IDA credit's allocated amount in SDR*	*IDA credit's allocated amount in USD*	*Percentage of expenditure financing*
Part A: Development of Energy Efficiency Capacity			
Goods, consultants' services, Training and Incremental Operating Costs	660 000	1 000 000	100%
Part B: Credit Line to Participating Banks			
Sub-loans for Sub-projects	65 440 000	99 000 000	80%
Total	**66 100 000**	**100 000 000**	

According to the Procurement plan approved by the Agreed Minutes of Negotiations between the Republic of Uzbekistan and International Development Association from 25 March 2013, Project costs are:

Category	*IDA credit's allocated amount in USD*
Part A: Development of Energy Efficiency Capacity	
1. Office Equipment (computers, faxes, copy machine, office furniture, vehicle)	50 000
2. Enhancing the energy efficiency capacity of selected industries, banks, industry associations and energy professionals, through the provision of consultants' services and Training:	240 000
- *Training arrangements for the experts and professionals working in the gas and oil, metallurgical and chemical industry enterprises*	*120 000*
- *Training arrangements for the experts and professionals of the public sector organizations and industrial enterprises*	*120 000*
3. Strengthening the capacity of MOE and the PCU for Project management, coordination and monitoring and evaluation, through the provision of goods, consultants' services and Training	220 000
4. Improvement of the statistical reporting capacity in the area of energy consumption and energy efficiency	180 000
5. Project Management	310 000
– *Payroll*	*133 000*
– *Audit*	*40 000*
– *Training*	*10 000*
– *Operational expenditures*	*127 000*
Total Part A	**1 000 000**
Part B: Credit Line to Participating Banks	
1. Sub-loans JSCB «Asakabank»	33 000 000
2. Sub-loans JSCB «Hamkorbank».	33 000 000
3. Sub-loans JSCB «Uzpromstroybank»	33 000 000
Total Part B	**99 000 000**
Total	**100 000 000**

2. Going concern

According to the Financing Agreement, the initial date of Credit Close Date was 31st January 2018.

Pursuant to the Negotiations' Minutes on 28th December 2017 the Board of Governors of the World Bank has approved additional project financing by the credit of International Bank for Reconstruction and Development (hereinafter - IBRD) for total of USD200,0M with the repayment term of 25 years, including 5 years of grace period.

USD199M under IBRD financing is refinanced as revolving credit line (Component B) for participating commercial banks: JSCB «Uzpromstroybank», JSCB «Asakabank», JSCB «Hamkorbank», National Bank of Uzbekistan, JSCB «Asia Alliance Bank» and JSCB «Infinbank».

USD1M under IBRD financing is intended for technical assistance (Component A), set of activities for general project steering and monitoring of project implementation through the PCU operations.

Since additional IBRD financing was approved for the project the Project Completion Date is extended through 31st January 2023.

3. Accounting policy

These Special Purpose Financial Statements have been prepared, in accordance with requirements of International Public Sector Accounting Standards (hereinafter - IPSAS) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, following the cash flow basis and compliant with the World Bank recommendations.

3.1. Basis of presentation

Statement of Sources and Uses of Funds, Statement of Uses of Funds by Implementing Agencies on Expenditure Types, Special Purpose Balance Sheet, Designated Accounts Statements and the accompanying Notes are developed on cash flow basis to reflect operations conducted within the Project's frames in accordance with below-stated principles.

3.2. Financing

Financing for Designated accounts is recognized when funds are transferred from IDA Credit account to the Project Designated accounts opened in the Mehnat Branch of the JSIB Ipoteka bank, Tashkent and Central Bank of the Republic of Uzbekistan (hereinafter – CBU).

Financing by the Participating Banks is recognized when loans are disbursed to the borrower from the Participating Banks accounts («Co-financing accounts»).

3.3. Expenditure

Project expenditures are recognized and entered in the Project Financial Statements generated on the cash basis when:

- Payments to the suppliers of goods or services are made from the Project Designated accounts opened in the Mehnat Branch of the JSIB Ipoteka bank in Tashkent City or directly from IDA Credit Account under the procedure of Direct payments;
- Sub-loans to the borrowers are disbursed from the Project Designated accounts opened in the Participating Banks, under CBU, in line with the IDA requirements;
- Sub-loans to the borrowers are disbursed from the Project co-financing accounts opened in the Participating Banks.

3.4. Reporting currency and currency exchange methodology

As financing from IDA is carried out in United States Dollars (hereinafter referred to as "USD"), the Special Purpose Financial Statements also presented in USD, which is the functional and presentation currency of Project. Items included in the Financial Statements are measured using that functional currency.

Pursuant to the Presidential Decree No.5177 dated 02 September 2017 as of 05 September 2017 the foreign exchange can be freely purchased for the national currency. Commercial banks are free to charge exchange commissions at their discretion.

While developing the Project Financial Statements the following exchange rate principles were used:

- For ADB funds, revenues and expenses in in National currency (UZS) are restated in USD at the appropriate CBU exchange rate on the date of a receipt or expenditure and disbursed sub-loans – up to 5 September 2017 and acquiring commercial bank exchange rate – from 5 September 2017, effective on the date of conversion
- For financing of the Participating Banks: sub-loans disbursed in national currency (UZS) are converted in USD at the appropriate CBU exchange rate on the date of disbursement.

UZS balances in Project's bank accounts are revalued at the rate of CBU effective at the reporting date. As at 31 December 2017 the CBU's UZS/USD exchange rate was UZS 8,120.07 / USD 1.

4. Presented Financial Statements

Project Special Purpose Financial Statements for the reporting period are prepared in accordance with IPSAS based on the cash method. The Project Special Financial Statements have been prepared by the PCU under Ministry of Economy of the Republic of Uzbekistan based on interim financial statements presented to PCU by Participating Banks.

The Project Special Purpose Financial Statements have been signed by the management PCU, namely by the PCU Acting Director A. Alimbaev and financial specialist N. Rahmanova, by the managers and financial specialists of PIU JSCB «Asakabank», PIU JSCB «Hamkorbank», PIU JSCB «Uzpromstroybank» on 10 April 2018.

The Project Special Purpose Financial Statements comprise the following statements:

4.1. Statement of Sources of Financing

Statement of Sources and Uses of Funds includes data on both IDA and Participating Banks' financing. In the reported period Project was financed by IDA Credit for total of USD 12,531,137 including funds reimbursed by IDA which were financed by JSCB «Uzpromstroybank» in the previous reporting period for sub-loan disbursement at the expense of own funds in the amount of USD 2,796,780. Funds co-financed by the Participating Banks were for total of USD 1,420,958.

Available funds were used for financing Project expenditures, in particular:

- PCU costs in part of component «A» of the Project was USD 53,404;
- Financing sub-loans in part of component «B» of the Project was USD 7,104,791 including the funds of Participating Banks: USD 1,420,958.

This Statement includes data on the opening and closing cash balance for the reported period. Closing balance is the IDA financing for total of USD 12,041,547.

4.2. Statement of Uses of Funds by Implementing Agencies on Expenditure Types

Statement of Uses of Funds by Implementing Agencies on Expenditure Types includes breakdown by Project expenditures for each Implementing Agency, category of expenditures, as well as Project budget for the reporting period and difference between actual expenditures and budgeted. Project budget is based on the Procurement Plan approved by the Agreed Minutes of Negotiations between the Republic of Uzbekistan and International Development Association dated 25 March 2013.

As it is obvious from the available reporting documents there are substantial discrepancies on the Project performance in the reporting period in sub-lending to the participating banks. These discrepancies are caused by the poor lending performance of the participating banks during the reporting period. Unachieved lending targets will be implemented in the following periods.

4.3. Special Purpose Balance Sheet

Balance sheet is based on the cash method and includes following data:

- Assets – "Cash and cash equivalents" and "Total Uses of Funds" by the Implementing Agencies;
- Funding - cumulative Project financing from all sources by the Implementing Agencies.

Item "Cash and cash equivalents" includes remaining cash from IDA-funded credit. Item "Total Uses of Funds" includes all expenditures related to the Project implementation and funded from all sources.

5. Property, Plant and Equipment

Property, Plant and Equipment procured by the Project with the purposes effective achievement of Project objectives are entered to the Cost Records right after being received. For the purposes of this financial reporting all the PPE recorded at the fair value and are not being depreciated. PPE include assets purchased for the operational needs of PCU.

Below is the list of Property, Plant and Equipment administered by the PCU:

	Opening balance as at 01 January 2017	*Revaluation*	*Purchases*	*Disposals*	*Closing balance as at 31 December 2017*
Computer equipment	6 301				6 301
Office equipment	467	23			491
Furniture	3 840	105			3 945
Total	**10 608**	**129**	**0**	**0**	**10 737**

6. Cash and cash equivalents

For the purposes of Project implementation, the Project Implementing Agencies have opened number of accounts both in UZS and in USD. In line with the IDA requirements, the Participating Banks opened accounts in CBU.

Project Implementing Agencies have opened the following accounts:

- in Mehnat branch of JSTIB "Ipoteka bank":

Account description	*Account No*
USD Designated Account of PCU	2020 3840 9001 0102 1005
UZS Designated Account of PCU	2020 3000 6001 0102 1003

- in Central Bank of RUz:

Account description	*Account No*
USD Designated Account of PIU JSCB «Asakabank»	2130 2840 7000 0087 3003
USD Designated Account of PIU JSCB «Hamkorbank»	2130 2840 9000 0008 3005
USD Designated Account of PIU JSCB «Uzpromstroybank»	2130 2840 2000 0044 0003

Furthermore, there are co-financing accounts of the Participating Banks. According to the Financing Agreement, Participating Banks on the account of own funds are responsible for financing 20% of the total sub-loans. Below is the servicing purpose of the Project accounts.

6.1. Designated accounts of PCU

PCU maintains two Designated accounts for financing eligible expenditures: in USD and UZS. Both accounts are opened in the Mehnat Branch of the JSIB Ipotekabank in Tashkent City.

From 01 January to 31 December 2017, these Designated accounts were used for staff payroll, purchase of stationery, audit and other Project operation expenditures.

During reported period the USD Designated account received IDA financing for total of USD 50,524. USD 53,404 was spent to cover the PCU expenditures.

6.2. Designated Accounts of the Participating Banks

Project maintains three USD Designated accounts of the Participating Banks in CBU.

From 01 January to 31 December 2017, these Designated accounts were used for disbursement of sub-loans for implementation of the Project component «B» «Credit Line to Participating Banks».

During the reported period the USD Designated accounts of the Participating Banks received IDA financing for total of USD 9,683,833 and USD 2,796,780 as reimbursement of JSCB «Uzpromstroybank» own funds, which were used in the previous reporting period for sub-loan disbursement against IDA share.

Funds received were used for sub-loan disbursement to borrowers. Sub-loans for total USD 5,683,833 against IDA credit were disbursed during the reported period.

6.3. Co-financing accounts of the Participating Banks

Co-financing accounts are owned by the Participating Banks and used for disbursement of sub-loans for implementation of the Project component «B» «Credit Line to Participating Banks». During the reported period the Participating Banks have disbursed co-financed sub-loans for total of USD 1,420,958.

Balances of the Project's bank accounts are summarized in the following table:

	USD	*000'UZS*
Balance as at January 01, 2017		
USD Designated Account of PCU	44 427	143 565
UZS Designated Account of PCU	-	-
USD Designated Account of PIU JSCB «Asakabank»	4 000 000	12 925 920
USD Designated Account of PIU JSCB «Hamkorbank»	4 000 000	12 925 920
USD Designated Account of PIU JSCB «Uzpromstroybank»	-	-
TOTAL	**8 044 427**	**25 995 405**
Balance as at December 31, 2017		
USD Designated Account of PCU	41 547	337 365
UZS Designated Account of PCU	-	-
USD Designated Account of PIU JSCB «Asakabank»	4 000 000	32 480 280
USD Designated Account of PIU JSCB «Hamkorbank»	4 000 000	32 480 280
USD Designated Account of PIU JSCB «Uzpromstroybank»	4 000 000	32 480 280
TOTAL	**12 041 547**	**97 778 205**

7. Statement of Expenditure (SOE) procedure

Statement of Expenditure (SOE) procedure is used by the Project to replenish funds on the Designated Accounts, in line with the Financing Agreement and Project Operational Manual.

Below is the table with cumulative data on netted-off and reimbursed expenditures according to the SOE:

Total SOE Expenditures	**12 541 137**
Unreimbursed expenses by WA No.45	(10 000)
Total:	**12 531 137**
Reimbursement in Designated Account	12 531 137
Total:	**12 531 137**
Difference	**0**

8. Direct payments procedure

No direct payments were made during the reporting period.

9. Sub-Loans

In order to facilitate implementation of the Project component «B» «Credit Line to Participating Banks» for the period from 01 January to 31 December 2017 the Project has lent sub-loans for total of USD 7,104,791 including IDA-funded part: USD 5,683,833 and by the Participating Banks: USD 1,420,958.

Participating Bank / Borrower	*Aim of Sub-loan*	*Disbursed sub-loans on the account of:*	
		IDA	*Participating Banks*
JSCB «Hamkorbank»			
JSC «Quartz»	Procurement of the glassforming machine with the vacuum pump	1 680 945	420 236
JSC «Uzbek Metallurgical Plant»	Procurement of the waste heat boilers and ancillary equipment	715 821	178 955
	Procurement of the automated transformer	103 232	25 808
	Procurement of the transformer substations	31 834	7 959
Total by JSCB «Hamkorbank»		**2 531 833**	**632 958**
JSCB «Uzpromstroybank»			
JSC «Farg'onaazot»	Procurement of the equipment for the installation of demineralization of industrial water with a membrane purification process (reverse osmosis)	3 152 000	788 000
Total by JSCB «Uzpromstroybank»		**3 152 000**	**788 000**
Total by Participating Banks		**5 683 833**	**1 420 958**

10. Legal Status, Taxes and Levies

PCU under Uzbekistan Ministry of Economy and PIU under Participating Banks are not legal entities and, subsequently are not business tax payers, paying only social and pension fees and contributions and also income tax for individuals contracted by the PCU. PIU under Participating Banks employ full-time bank staff and there is no cost of payroll budgeted in the Project for them.

11. Reconciliation of IDA Credit financing

Reconciliation between Client Connection data and Project data as of December 31, 2017 is stated below:

	Client Connection	*Project*	*Difference*
IDA funds	84 461 843	84 461 843	0