

**EURASIAN TRANSPORT
CORRIDOR
INVESTMENT CENTER**

LOAN NO.3524-GEO
(SECONDARY ROAD IMPROVEMENT PROJECT)

Special Purpose Project Financial Statements
For the year ended 31 December 2019

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO.3524-GEO**

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**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Management of the Secondary Road Improvement Project (the "Project") implemented by the Eurasian Transport Corridor Investment Center ("ETCIC" or Transport Reform and Rehabilitation Center – "Organisation") is responsible for the preparation of the special purpose project financial statements that present fairly the Statement of Sources and Uses of Funds for the year ended 31 December 2019, the Balance Sheet as at 31 December 2019 and the related Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the year ended 31 December 2019, in accordance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under the Cash Basis of Accounting* ("IPSAS – Cash Basis"), and the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank.

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

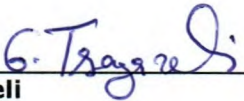
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Project, financial position and its sources and uses of funds and movements in designated accounts.
- Making an assessment of the Projects ability to continue as a going concern.

Management is also responsible for:


- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and 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 the Guidelines for the Financial Governance and Management of Investment Projects Financed by Asian Development Bank;
- Maintaining statutory accounting records in compliance with Georgian legislation;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project; and
- Preventing and detecting fraud and other irregularities.

The special purpose project financial statements for the yearend 31 December 2019 were authorised for issue on 16 November 2020 by the Management.

On behalf of the Management:



Giorgi Tsagareli
Director



Marina Majagaladze
Financial Manager

16 November 2020

16 November 2020

INDEPENDENT AUDITOR'S REPORT

To the management of Eurasia Transport Corridor Investment Center:

Opinion

We have audited the accompanying special purpose project financial statements of the Secondary Road Improvement Project (the "Project") financed under the Loan Agreement No. 3524-GEO dated 19 June 2017 (the "Agreement"), implemented by the Eurasian Transport Corridor Investment Center, which comprise Statement of Sources and Uses of Funds for the year ended 31 December 2019, the Balance Sheet as at 31 December 2019 and the related, Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the year ended 31 December 2019 and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the cash basis of International Public Sector Accounting Standard (IPSAS) promulgated by the International Federation of Accountants (IFAC), as further detailed in Note 2.

Basis for Opinion

We conducted our audit in accordance with International Standards of 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 Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the Special Purpose Project financial statements in Georgia, 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 – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the special purpose project financial statements, which describes the basis of accounting. The special purpose project financial statements are prepared to assist the Project's management in complying with the financial reporting provisions of the Agreement. As a result, the special purpose project financial statements may not be suitable for another purpose.

This report is intended solely for use by the management of the Project in reporting the information to the Government of Georgia, and in communicating to the Asian Development Bank information about the Project's compliance with the financial reporting provisions of the Agreement. This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than those mentioned above in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation of these special purpose project financial statements in accordance with the cash basis of IPSAS the basis of accounting as further detailed in Note 2.

This includes determining that the International Public Sector Accounting Standard “Financial Reporting Under the Cash Basis of Accounting” (“IPSAS – Cash Basis”) is an acceptable basis for the preparation of the special purpose project financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose project financial statements, management is responsible for assessing the Organisation’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

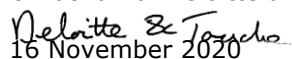
Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and access 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 Organisation’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 Company’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 Organisation to cease to continue as a going concern.

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.


Leighton Stuart
On behalf of Deloitte and Touche LLC


16 November 2020
Tbilisi, Georgia

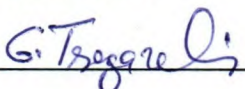
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO 3524-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**


	Actual		Planned*		Variance	
	Period to date	Cumulative to date	Period to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>	Period to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>
FUNDS RECEIVED BY SOURCES						
Asian Development Bank (ADB) Funds	6,550,568	12,654,129	-	-	-	-
Direct payments	6,224,670	12,095,215	-	-	-	-
Replenishment	16,518	41,518	-	-	-	-
Interest and commitment charges	309,380	517,396	-	-	-	-
Government of Georgia (GoG) co-financing	1,240,110	2,954,621	-	-	-	-
TOTAL FUNDS RECEIVED	7,790,678	15,608,750	-	-	-	-
LESS: EXPENDITURE						
Category 1 - Works and consulting services	6,225,603	12,096,148	6,225,603	12,096,148	-	-
Category 2 - Project management support	22,457	26,820	22,457	26,820	-	-
Category 3 - Interest and commitment charges	309,380	517,396	309,380	517,396	-	-
Category 4 - Unallocated	-	-	-	-	-	-
ADB TOTAL	6,557,440	12,640,364	6,557,440	12,640,364	-	-
Category 1 - Works and consulting services	1,234,121	2,947,544	1,234,121	2,947,544	-	-
Category 2 - Project management support	5,989	7,077	5,989	7,077	-	-
Category 3 - Interest and commitment charges	-	-	-	-	-	-
Category 4 - Unallocated	-	-	-	-	-	-
GoG TOTAL	1,240,110	2,954,621	1,240,110	2,954,621	-	-
TOTAL PROJECT EXPENDITURE	7,797,550	15,594,985	7,797,550	15,594,985	-	-
NET (OUTFLOW)INFLOW OF FUNDS	(6,872)	13,765	-	-	-	-

*The project uses flex budget approach, so that at the end of the period Plan is always equal to Actual.

On behalf of the Management:


Giorgi Tsagareli
Director

16 November 2020


Marina Majagaladze
Financial Manager

16 November 2020

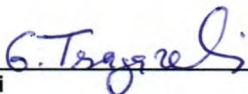
The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524-GEO**

**BALANCE SHEET STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**

	31 December 2019
ASSETS	
ADB imprest account	13,766
TOTAL ASSETS	13,766
Funds received:	
Funds received from ADB	12,654,129
Funds received from GoG	2,954,621
Total funds received	15,608,750
Project expenditure:	
Financed by ADB	(12,640,364)
Financed by GoG	(2,954,621)
Total project expenditure	(15,594,985)
TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE	13,765

On behalf of the Management:



Giorgi Tsagareli
Director

16 November 2020



Marina Majagaladze
Financial Manager

16 November 2020

The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.

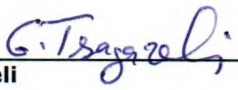
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524-GEO**

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**

<u>Withdrawal No.</u>	<u>Withdrawal application date</u>	<u>Total SOE in withdrawal schedule</u>	<u>Total SOE Attributable to 2018</u>	<u>Total SOE attributable to 2019</u>
26	25-Mar-19	16,518	6,500	10,018
		16,518	6,500	10,018

Withdrawal application No.26 was sent to ADB on 25-Mar-2019, the amount was approved and replenished by ADB in May 2019. Total SOE expenditure in withdrawal application No.26 was USD 16,518 from which USD 6,500 is SOE attributable to 2018 and USD 10,018 is SOE attributable to 2019. There was no another SOE withdrawal application sent for approval in 2019.

On behalf of the Management:



Giorgi Tsagareli
 Director
 16 November 2020



Marina Majagaladze
 Financial Manager
 16 November 2020

The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.

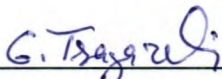
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524 – GEO**

**STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**

Account No.	210250199
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

Balance as at 1 January 2019	<u>20,637</u>
ADD	
ADB replenishment	<u>16,518</u>
DEDUCT	
Funds used for the Project expenditure	<u>(23,390)</u>
Balance as at 31 December 2019	<u><u>13,765</u></u>

On behalf of the Management:



Giorgi Tsagareli
Director



Marina Majagaladze
Financial Manager

16 November 2020

16 November 2020

The notes on pages 8 to 14 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENED 31 DECEMBER 2019
(in US Dollars)**

1. BACKGROUND

The Investment Center for Euro-Asian Transport Corridor was established in 1995 as a non-entrepreneurial and non-profit legal entity. A project unit named "Eurasian Transport Corridor Investment Center" (the "ETCIC" or Transport Reform and Rehabilitation Center – "Organisation") was formed within the Investment Center for Euro-Asian Transport Corridor to manage the allocated loan received from the Asian Development Bank ("ADB") and monitor the implementation of transport sector projects.

The objectives of the Project are increased mobility and accessibility of the residents of the Kharagauli municipality and tourists. The Project shall comprise rehabilitation of approximately 50 km road between Dzirula and Chumateleti to two-lane all-weather standard, including short access roads to the Borjomi-Kharagauli National Park and to Kharagauli and other railway stations. The Project shall include the provision of Consulting Services for construction supervision and Project management support. The Project is expected to be completed by 31 August 2021.

2. ACCOUNTING POLICIES

Basis of accounting – These special purpose project financial statements have been prepared in accordance with the cash-based International Public Sector Accounting Standard (IPSAS) promulgated by the International Federation of Accountants (IFAC).

These special purpose project financial statements, in accordance with the provisions of the Agreement, are prepared for management analysis and in order to report the information to the Government of Georgia and the Asian Development Bank. As a result these special purpose project financial statements may not be suitable for another purpose.

Project financing is recognised as a source of project funds when the cash is received.

Project expenditure are recognised as a use of project funds when the payments are made.

Functional currency – These special purpose project financial statements are expressed in United States Dollars ("US Dollar" or "USD").

Transactions in other currencies – Transactions in currencies other than reporting currencies are converted to US Dollars at the exchange rate prevailing at the date of the transaction.

Cash – Cash comprises balances with the State Treasury.

3. BASIS OF FUNDING

According to the terms of the Agreement, Category 1 – works and consulting, Category 2 – Project management Support are financed 100% of the total expenditure claimed by ADB and Category 3 – Interest and commitment charges are 100% financed by ADB. Category 1 and 2 is exclusive of taxes and duties imposed within the territory of the borrower.

It is allowed by the ADB, to utilise loan funds, subsequent to relevant approvals, to finance projects under other loans, if there are any residual unexpended funds.

4. METHODS OF WITHDRAWAL

The methods of withdrawal used from the inception of the loan to 31 December 2019 were as follows:

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)
(in US Dollars)**

(a) Imprest account

Available amounts were drawn from time to time within limits determined within the loan agreements for the direct payment of eligible expenditure for sub-projects from this special account. No amounts were drawn down during the period from special account.

(b) Direct Payment

Available amounts are drawn from time to time within limits determined under the credit agreement for direct payments of eligible expenditure for sub-projects. Direct payments are made by ADB directly to third parties. Organisation forms withdrawal applications for request of direct payments and sends it to the ADB, for settlement.

(c) GoG current account

The Project maintains a separate account where funds from the Government of Georgia are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditure to be incurred.

5. RECONCILIATION OF AMOUNTS SHOWN AS RECEIVED FROM THE ADB TO ACTUAL EXPENDITURE OF THE PROJECT

	31 December 2019
Application of Withdrawals Schedule	
Expenses incurred in 2019 as per the Applications of Withdrawals Schedule	6,248,061
Expenses incurred in 2019 as Capitalised charges	309,380
	6,557,440
ADB direct payments	6,224,670
Capitalised charges	309,380
ADB Replenishments	16,518
	6,550,568
Add:	
Opening Balances	
Imprest Account	20,637
	20,637
Less:	
Closing Balances	
Imprest Account	13,765
	13,765
TOTAL EXPENDITURE INCURRED IN 2019	6,557,440

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524 – GEO**

**STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**

TOTAL WITHDRAWAL SCHEDULE EXPENSES

Withdrawal No.	Value date	Total amount in withdrawal schedule	Total attributable to 2019
00015	13-Feb-19	55,720	55,720
00014	15-Feb-19	87,388	87,388
00016	15-Feb-19	34,815	34,815
00018	19-Mar-19	26,601	26,601
00017	19-Mar-19	5,567	5,567
00019	19-Mar-19	69,111	69,111
00020	21-Mar-19	107,761	107,761
00021	21-Mar-19	43,447	43,447
00022	22-Mar-19	130,797	130,797
00024	28-Mar-19	25,519	25,519
00025	02-Apr-19	32,652	32,652
00028	24-Apr-19	99,580	99,580
00027	25-Apr-19	155,571	155,571
00029	26-Apr-19	61,859	61,859
00026	03-May-19	16,518	16,518
00031	20-May-19	114,586	114,586
00033	22-May-19	175,612	175,612
00030	22-May-19	66,350	66,350
00032	22-May-19	70,816	70,816
00034	20-Jun-19	132,774	132,774
00037	21-Jun-19	306,656	306,656
00035	24-Jun-19	199,839	199,839
00036	24-Jun-19	82,880	82,880
00038	25-Jun-19	37,737	37,737
00039	25-Jun-19	37,000	37,000
00040	06-Aug-19	105,777	105,777
00042	08-Aug-19	153,640	153,640
00041	08-Aug-19	65,764	65,764
00044	09-Aug-19	89,514	89,514
00045	13-Aug-19	33,057	33,057
00043	13-Aug-19	78,652	78,652
00046	26-Aug-19	161,402	161,402
00049	27-Aug-19	231,515	231,515
00048	28-Aug-19	99,612	99,612
00054	18-Sep-19	131,132	131,132
00051	18-Sep-19	45,327	45,327
00053	20-Sep-19	184,807	184,807
00050	20-Sep-19	105,294	105,294
00055	20-Sep-19	80,391	80,391
00056	24-Sep-19	9,097	9,097
00057	25-Sep-19	76,103	76,103
00058	27-Sep-19	9,069	9,069
00061	29-Oct-19	262,912	262,912
00060	31-Oct-19	366,682	366,682
00062	31-Oct-19	161,624	161,624
00064	08-Nov-19	88,706	88,706
00065	18-Nov-19	6,500	6,500
00063	22-Nov-19	141,989	141,989

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
 SECONDARY ROAD IMPROVEMENT PROJECT
 LOAN NO. 3524 – GEO**

**STATEMENT OF IMPREST ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2019
 (in US Dollars)**

00066	02-Dec-19	114,310	114,310
00068	04-Dec-19	158,878	158,878
00067	04-Dec-19	69,771	69,771
00069	05-Dec-19	47,935	47,935
00070	11-Dec-19	73,538	73,538
00071	13-Dec-19	9,208	9,208
00072	16-Dec-19	300,581	300,581
00073	17-Dec-19	170,856	170,856
00076	19-Dec-19	79,835	79,835
00075	19-Dec-19	245,077	245,077
00074	19-Dec-19	105,477	105,477
CAP	01/11/2019	170,141	170,141
CAP	01/05/2019	139,239	139,239
		6,550,568	6,550,568

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)
(in US Dollars)**

6. PROJECT EXPENDITURE BY COMPONENTS

Project Activities	For the year 31 December 2019			Cumulative from inception		
	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total
Component A – Investment costs						
Civil works	4,989,085	883,349	5,872,434	10,480,310	1,855,052	12,335,362
Land acquisition/social mitigation	-	123,678	123,678	-	797,685	797,685
Consultancy	1,236,518	227,093	1,463,611	1,615,838	294,807	1,910,645
TOTAL COMPONENT A	6,225,603	1,234,120	7,459,723	12,096,148	2,947,544	15,043,692
Component B - Project management costs						
Project management costs	22,457	5,990	28,447	26,820	7,077	33,897
TOTAL COMPONENT B	22,457	5,990	28,447	26,820	7,077	33,897
Component C – Contingencies unallocated						
Contingencies unallocated	-	-	-	-	-	-
TOTAL COMPONENT C	-	-	-	-	-	-
Component D – Financial charges during implementation - CAP						
Financial charges during implementation	309,380	-	309,380	517,396	-	517,396
TOTAL COMPONENT D	309,380	-	309,380	517,396	-	517,396
TOTAL PROJECT EXPENDITURE	6,557,440	1,240,110	7,797,550	12,640,364	2,954,621	15,594,985

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)
(in US Dollars)**

The Project comprises the following main components:

- Component A – Investment Costs;
- Component B – Project management costs
- Component C – Contingencies; and
- Component D – Financial charges during implementation

If the amount of the Loan allocated to a Category appears to exceed all agreed expenditure in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category. The Project comprises the following main categories:

- Category 1 – Works and consulting services
- Category 2 – Project management support
- Category 3 – Interest and commitment charges; and
- Category 4 – Unallocated

7. COMMITMENTS AND CONTINGENCIES

The Management is not aware of any commitments and contingencies which would have a material impact on the financial position of the Project as at 31 December 2019 and on the funds received and disbursed during the period then ended.

8. OPERATING ENVIRONMENT

Emerging markets such as Georgia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Georgia continue to change rapidly and tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Georgia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

For the last two years Georgia has experienced a number of legislative changes, which have been largely related to the European Union Association Agreement. Whilst the legislative changes implemented during 2018 and 2019 paved the way, more can be expected as Georgia's action plan for achieving accession to the European Union continues to develop.

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Spreading the Covid-19 pandemic had a significant negative impact on the world economy and country-specific measures. Deteriorated outlook of the future caused increased volatility of the foreign exchange market subsequent to the year-end.

Covid-19 had no effect on the Project. Construction was continued and there was Successful transition of administrative function to partial remote working and projects ongoing as planned.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
SECONDARY ROAD IMPROVEMENT PROJECT
LOAN NO. 3524 – GEO**

**STATEMENT OF IMPREST ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019
*(in US Dollars)***

10. APPROVAL OF SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

These special purpose project financial statements were authorised for issue by the Management of ETCIC on 16 November 2020.