

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER

Loan NO.8328-GEO
(Batumi Bypass Road Project)

Assurance report
For the Year Ended 31 December 2019

INDEPENDENT ASSURANCE REPORT

To the management of Eurasia Transport Corridor Investment Center:

Introduction

We have performed an independent reasonable assurance engagement to determine whether under the Loan Agreement with the Asian Investment Infrastructure Bank ("AIIB") dated 17 June 2017 ("The Loan Agreement"), in all material respects, based on the criteria defined in Appendix 1 - Excerpt from Terms of Reference, the AIIB funds have been used for the purposes for which the funds were provided as set out in Article III (paragraph 3.02) of the Loan Agreement No. 8328-GEO dated 17 June 2017 for the Year Ended 31 December 2019 (defined in the Appendix 2 of this report).

Appendix 1 - Excerpt from Terms of Reference:

- a. The AIIB funds have been used for the purposes for which the funds were provided as set out in Article III (paragraphs 3.02) of the Loan Agreement No. 8328-GEO, dated 17 June 2017, for the Year Ended 31 December 2019 (defined in the Appendix 2 of this report).
- b. The project has complied with the Imprest account procedures as defined in Schedule II of the initial Loan agreement Loan No. 8328-GEO, i.e. Imprest account presents fairly in all material respect receipts collected and payments made and supports Imprest Account liquidations and replenishments during the Year Ended 31 December 2019;

Responsibilities for the Subject Matter

Management is responsible for preparing and maintaining of books and records on Statement of Expenditure and for compliance with Statement of Expenditure procedures through maintaining supporting documentation on claims to the Asian Investment Infrastructure Bank ("AIIB") for reimbursement of expenditure incurred and that the expenditure is eligible for financing under the Loan Agreement for the Year Ended 31 December 2019. Management is also responsible for compliance with Article III (paragraph 3.02) of the Loan Agreement in terms of using the AIIB funds. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the above information that is free from material misstatement, whether due to fraud or error.

Scope and Subject Matter Information

We have audited, in accordance with International Standards on Auditing, the accompanying special purpose project financial statements of the Batumi bypass road project (the "Project") financed under the Loan Agreement No. 8328-GEO dated 17 June 2017, implemented by the Eurasian Transport Corridor Investment Center, which comprise the Balance Sheet as at december 2019 and the related Statement of Sources and Uses of Funds, Statement of Expenditure Withdrawal Schedule ("SOEs") and statement of Imprest Account Statement 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") and have expressed an unqualified opinion thereon dated 16 November 2020.

Our procedures primarily included obtaining 3rd party confirmations and other relevant supporting documentation to obtain reasonable assurance on the movement on imprest account.

Auditor's responsibility

Our responsibility is to express a conclusion on the subject matter discussed above based on our reasonable assurance engagement. We conducted our engagement in accordance with ISAE 3000 applicable to assurance engagements. This standard requires that we plan and perform our examination on the subject matter referred to above and perform other procedures as we consider necessary in the circumstances. We believe that our work provides a reasonable basis for our conclusion.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Inherent limitations exist in assurance engagements, due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Non-financial data may be subject to more inherent limitations than financial data, given its nature and the methods used for determining or estimating such data. These inherent limitations may influence the evaluation of the subject matter against criteria as defined in the excerpt from Terms of Reference.

We believe that evidence we have obtained is sufficient and appropriate to provide basis of our assurance conclusion.

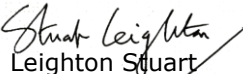
Conclusion

In our opinion, based on the work performed in this report and criteria defined in defined in Appendix 1 - Excerpt from Terms of Reference:

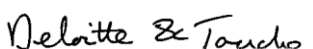
- a. The Project, in all material respect, utilised all proceeds of the loan withdrawn from AIIB only for the purposes of the Project as agreed between AIIB and Government of Georgia in accordance with the Loan Agreement.
- b. The Project has complied, in all material respect, with the Imprest account procedures as defined in Schedule III of the initial Loan agreement Loan No. 8328-GEO, i.e. Imprest account presents fairly in all material respect receipts collected and payments made and supports Imprest Account liquidations and replenishments during the Year Ended 31 December 2019 as detailed in Attachment 1 of this report.

Restriction on distribution and use

This report is prepared to assist the Project to comply with the requirements of Asian Investment infrastructure Bank. As a result, it may not be suitable for another purpose. Our report is intended solely for use by the management of the Project, the Government of Georgia in communicating with the Asian investment infrastructure Bank and should not be distributed or used by anyone other than these specified parties.


Leighton Stuart

On behalf of Deloitte and Touche LLC



16 November 2020

Tbilisi, Georgia

Appendix 1

Excerpt from Terms of Reference

Appendix A – TERMS OF REFERENCE, section XIV states following:

The additional engagement will be reasonable assurance engagement which will be undertaken in accordance with International Standard on Assurance Engagements (ISAE 3000), and will involve a positive form of expression (reasonable assurance) of the practitioner's conclusion as to whether ADB & AIIB funds have been used only for the purposes for which the funds were provided as defined in the:

- Article III (paragraphs 3.01, 3.02, 3.03, 3.04) and Schedule I of the Loan Agreement dated 12 June 2017 (Loan Number 3520-GEO),
- Article III (paragraph 3.02) and Schedule 1 of the Loan Agreement dated 17 June 2017 (Loan 8328-000021-1-GEO),
- and Article III (paragraphs 3.01, 3.02, 3.03, 3.04) and Schedule 1 of the Loan Agreement dated 19 June 2017 (Loan 3524-1-GEO) for the period 1 January – 31 December for fiscal years 2017-2019;

Separate report will be issued based on the reasonable assurance engagement.

Appendix 2

Article III of Loan Agreement #8328, dated 17 June 2017: Use of Proceeds of the Loan

Section 3.02.

Without limitations upon the provisions of the section 3.01 of this loan agreement and except as the borrower and the bank shall otherwise agree, the borrower shall ensure that the project is carried out in accordance with the provisions of schedule 2 this loan agreement.

Schedule 1: Description of the Project

The objective of the Project is the improved efficiency of road transport along the East-West Highway in the territory of the Borrower.

The Project consists of the following parts:

Part I.: the construction of a two-lane bypass road skirting Batumi approximately 14.3 kilometers in length;

Part II.: the provision of routine and periodic maintenance for international and secondary roads aggregating approximately 200 kilometers in length, using performance-based maintenance contracts;

Part III.: the provision of consulting services for the supervision of the construction of the bypass road;

Part IV.: the provision of consulting services for the design and procurement packaging of performance-based maintenance contracts; and the supervision of performance-based maintenance; and

Part V.: project management and institutional support.

Schedule 2 of Loan Agreement #8328, dated 17 June 2017

Allocation and Withdrawal of Loan Proceeds

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section and the PAM, to finance Eligible Expenditures as set forth below in the table in paragraph 2 of this Part A.

Attachment 1

STATEMENT OF IMPREST ACCOUNT

Balance as at 1 January 2019	<u>42,656</u>
ADD	
AIIB replenishment	<u>4,095,589</u>
DEDUCT	
Funds used for the Project expenditures	<u>3,466,886</u>
Balance as at 31 December 2019	<u><u>671,299</u></u>