

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER

**LOAN NO.2560-GEO
(ROAD CORRIDOR INVESTMENT PROGRAM –
PROJECT 1)**

Special Purpose Project Financial Statements
For the Period Started at 01 January 2019 and Ended
22 February 2020

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM - PROJECT 1
LOAN NO.2560-GEO**

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**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM - PROJECT 1**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020**

Management of the Road Corridor Investment Program – Project 1 (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 financial position of the Project as at 22 February 2020 and its sources and uses of funds and movement in impressed account for the period started at 01 January 2019 and ended 22 February 2020, in compliance 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:

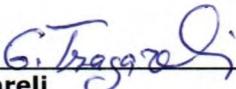
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis 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 for the period started at 01 January 2019 and ended 22 February 2020 were authorised for issue on 16 November 2020 by the Management.

On behalf of the Management:


Giorgi Tsagareli
Director

16 November 2020


Marina Majagaladze
Financial Manager

16 November 2020

SPECIAL PURPOSE 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 Road Corridor Investment Program – Project 1 (the "Project") financed under the Loan Agreement No. 2560-GEO dated 29 October 2009 (the "Agreement"), implemented by the Eurasian Transport Corridor Investment Center, which comprise the Balance Sheet as at 22 February 2020 and the related Statement of Sources and Uses of Funds, Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the period started at 01 January 2019 and ended 22 February 2020 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 period started at 01 January 2019 and ended 22 February 2020 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

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 assess the risks of material misstatement of the special purpose project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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
Leighton Stuart
On behalf of Deloitte and Touche LLC

Deloitte & Touche
16 November 2020
Tbilisi, Georgia

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO 2560-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 22 February 2020
(in US Dollars)**

	Actual		Planned*		Variance	
	Year to date	Cumulative to date	Year to date	Cumulative to date	Year to date	Cumulative to date
FUNDS RECEIVED BY SOURCES						
Direct payments	8,400	113,084,999	-	-	-	-
SOE procedures	-	1,528,454	-	-	-	-
Additional advance	-	1,062,002	-	-	-	-
Summary sheet	-	105,729	-	-	-	-
Asian Development Bank (ADB) Funds	8,400	115,781,184	-	-	-	-
Government of Georgia (GoG) co-financing	41,535	40,887,933	-	-	-	-
TOTAL FUNDS RECEIVED	49,935	156,669,117	-	-	-	-
Foreign exchange difference, net	62	(352)	-	-	-	-
LESS: EXPENDITURE						
Category 1 - Civil works and land acquisitions	-	102,404,217	-	102,404,217	-	-
Category 2 - Consultant's services for works supervision and design	-	11,430,565	-	11,430,565	-	-
Category 3 - Project management support	118,637	1,878,270	118,637	1,878,270	-	-
Category 4 - Consultancy for capacity development of RDMRDI	-	68,132	-	68,132	-	-
ADB TOTAL	118,637	115,781,184	118,637	115,781,184	-	-
Category 1 -Civil works and land acquisitions	5,182	37,406,965	5,182	37,406,965	-	-
Category 2 - Consultant's services for works supervision and design	-	3,305,885	-	3,305,885	-	-
Category 3 - Project management support	36,415	153,534	36,415	153,534	-	-
Category 4 - Consultancy for capacity development of RDMRDI	-	21,197	-	21,197	-	-
GoG TOTAL	41,597	40,887,581	41,597	40,887,581	-	-
TOTAL PROJECT EXPENDITURE	160,234	156,668,765	160,235	156,668,765	-	-
NET OUTFLOW OF FUNDS	(110,237)	-	-	-	-	-

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

On behalf of the Management:

Giorgi Tsagareli
Director

Marina Majagaladze
Financial Manager

16 November 2020
The notes on pages 8 to 13 form an integral part of these special purpose project financial statements.

16 November 2020

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM - PROJECT 1
LOAN NO. 2560-GEO**

**BALANCE SHEET STATEMENT
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(in US Dollars)**

**22 February
2020**

ASSETS

ADB imprest account _____ -

TOTAL ASSETS _____ -

Funds received:

Funds received from ADB	115,781,184
Funds received from GoG	40,887,933

Total funds received 156,669,117

Project expenditure:

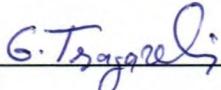
Financed by ADB	(115,781,184)
Financed by GoG	(40,887,581)

Total project expenditure (156,668,765)

Foreign exchange difference, net _____ (352)

TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE _____ -

On behalf of the Management:


Giorgi Tsagareli
Director

16 November 2020


Marina Majagaladze
Financial Manager

16 November 2020

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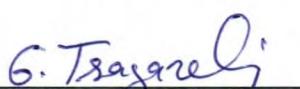
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM - PROJECT 1
LOAN NO. 2560-GEO**

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(in US Dollars)**

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2017	Total SOE attributable to 2018	Total SOE attributable to 2019
174	21 Feb 2020	381,751	24,396	337,735	19,620
177	03 Feb 2020	64,343	-	-	64,343
		446,094	24,396	337,735	83,963

Withdrawal application No.174 and No.177 was sent to ADB on 31-Jul-2019 and 28-Jan-2019 respectively. Withdrawal application No.174 and No.177 was approved on 21-Feb-2020 and 03-Feb-2020. Amounts were not replenished as project was near to the end. There were no other withdrawal application approved or replenished by ADB for the period from 01 January 2019 to 22 February 2020.

On behalf of the Management:


Giorgi Tsagareli
Director

16 November 2020


Marina Majagaladze
Financial Manager

16 November 2020

The notes on pages 8 to 13 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**IMPREST ACCOUNT STATEMENT
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(in US Dollars)**

Account No.	2120220223
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

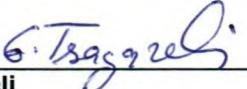
Balance as at 01 January 2019	110,237
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ADD ADB replenishment	-
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DEDUCT Funds used for the Project expenditure	110,237
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Balance as at 22 February 2020	-
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On behalf of the Management:


Giorgi Tsagareli
Director

16 November 2020


Marina Majagaladze
Financial Manager

16 November 2020

The notes on pages 8 to 13 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(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 purpose of the project ("Road corridor investment program – project 1") is the construction of a new two-lane road of approximately 28 km in length bypassing Kobuleti, and expansion and improvement of approximately 6 – km road section between Kobuleti and Batumi. The Asian Development Bank Loan Agreement No. 2560-GEO (SF) (the "Agreement") in the amount of Special Drawing Rights ("SDR") 75,892,000 was signed between the Government of Georgia ("GoG") and Asian Development Bank ("ADB") on 29 October 2009 and came into effect on 1 December 2009. The project was scheduled to end on 1 January 2019. In 2017 prolongation of closing date to 30 September 2019 was approved by ADB.

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 State Treasury.

3. IMPREST ACCOUNT

Imprest account is designated disbursement account of the Project maintained in US Dollars at State Treasury to ensure the payment of eligible expenditure, within defined limits, which do not require individual authorization from ADB in accordance with the Agreement.

4. BASIS OF FUNDING

According to the terms of the Agreement, Category 1 – works are co-financed by proceeds received from ADB and GoG at a proportional rate of 82.3% and 17.7%, respectively, Category 2 – Consulting Services and Category 3 – Project Management Support expenses are 100% financed by ADB.

The GoG is paying all value added, non-residential and other taxes, and land acquisition costs.

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.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(CONTINUED)
(in US Dollars)**

5. METHODS OF WITHDRAWAL

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

(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.

(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.

6. STATEMENT OF EXPENDITURE

Any individual payment to be reimbursed or liquidated under the statement of expenditure procedure shall not exceed the equivalent of USD 100,000. The amount of Statement of Expenditure ("SOE") represents the expenditure incurred in the year 2017. The year of actual expenditure and submission of withdrawal application to ADB may be different.

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

**22 February
2020**

Application of Withdrawals Schedule

Expenses incurred from 01 January 2019 to 22 February 2020 as per the Applications of Withdrawals Schedule

118,637

118,637

ADB replenishments
ADB direct payments
Foreign exchange difference, net

-

8,400

-

306,260

Add:
Opening Balances
Imprest Account

110,237

110,237

Less:
Closing Balances
Imprest Account

-

**TOTAL EXPENDITURE INCURRED FROM
JANUARY 01 2019 TO 22 February 2020**

118,637

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(CONTINUED)
(in US Dollars)**

TOTALWITHDRAWALSCHEDULEEXPENSES

Withdrawal No.	Withdrawal application date	Total amount in withdrawal schedule	Total amount attributable to 2017	Total amount attributable to 2018	Total amount attributable to 2019
174	21-Feb-2020	381,752	24,396	337,735	19,621
175	20-Dec-2019	8,400	-	-	8,400
177	03-Feb-2020	64,343			64,343
		<u>454,495</u>	<u>24,396</u>	<u>337,735</u>	<u>92,364</u>

Withdrawal application No.174 and No.177 was sent to ADB on 31-Jul-2019 and 28-Jan-2019 respectively. Withdrawal application No.174 and No.177 was approved on 21-Feb-2020 and 03-Feb-2020. Amounts were not replenished as project was near to the end. There were no other withdrawal application approved or replenished by ADB for the period from 01 January 2019 to 22 February 2020.

8. RECONCILIATION OF CASH IN IMPREST ACCOUNT AND GOG'S ACCOUNT

	Imprest Account	GoG's Account
Balance as at 1 January 2019	<u>110,237</u>	<u>-</u>
Increase	8,400	41,535
Decrease	118,637	41,597
Foreign Exchange gain	<u>-</u>	62
Balance as at 22 February 2020	<u>-</u>	<u>-</u>
Imprest Account		
Initial Advance/Replenishments:	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020 (CONTINUED)**
(in US Dollars)

9. PROJECT EXPENDITURE BY COMPONENTS

Project Activities	For the Period Started at 01 January 2019 and Ended 22 February 2020			Cumulative from inception		
	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total
Component 1 - Construction of Kobuleti Bypass section						
Civil works	-	-	-	102,404,217	22,258,589	124,662,806
Land acquisition	-	5,182	5,182	-	15,148,376	15,148,376
Consultant's services for works supervision and design	-	-	-	11,430,565	3,305,885	14,736,450
TOTAL COMPONENT 1	-	5,182	5,182	113,834,782	40,712,850	154,547,632
Component 2 - Capacity development of the Roads Department of MORDI						
Consultancy	-	-	-	68,132	21,197	89,329
TOTAL COMPONENT 2	-	-	-	68,132	21,197	89,329
Component 3 – Road Safety Enhancement						
TOTAL COMPONENT 3	-	-	-	-	-	-
Component 4 – Project management support						
Consultancy for land acquisition and resettlement	-	-	-	722,636	43,378	766,014
Staff cost	94,712	26,988	121,700	958,810	83,600	1,042,410
Postage	-	-	-	1,635	-	1,635
Financial audit service	8,400	1,512	9,912	82,156	14,716	96,872
ORIS Consultant	-	-	-	50,326	1,512	51,838
Training	-	-	-	3,015	-	3,015
Project management support	13,848	7,203	21,051	18,437	8,107	26,544
Other expenses	1,677	712	2,389	41,318	2,158	43,476
TOTAL COMPONENT 4	118,637	36,415	155,052	1,878,333	153,471	2,031,804
TOTAL PROJECT EXPENDITURE	118,637	41,597	160,234	115,781,247	40,887,519	156,668,765

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(CONTINUED)
(in US Dollars)**

The Project comprises the following main components:

- Component 1 - Construction of a new two-lane road of approximately 28 km in length bypassing Kobuleti and the expansion and improvement of approximately 6-km road section between Kobuleti and Batumi;
- Component 2 - Capacity development of the Roads Department of Ministry of Regional Development and Infrastructure (MORDI);
- Component 3 - Road safety enhancement; and
- Component 4 - Project management support, including detailed design and supervision consultancy.

The amount of the Loan is allocated to 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 - Civil works and Land acquisitions
- Category 2 - Consultant's services for works supervision and design
- Category 3 - Project management support; and
- Category 4 - Consultancy for capacity development of RDMRDI

The Components for project expenses are further divided into four types of expenses for SOE purposes: Civil Works, Goods, Consultants' Services and Operating Costs.

10. 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 and the Imprest Account Statement as at 22 December February and on the funds received and disbursed for the period started at 01 January 2019 and ended 22 February 2020.

11. 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 three 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 2019 and 2018 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.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2560-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 22 FEBRUARY 2020
(CONTINUED)
*(in US Dollars)***

12. 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. Project ended at 22 February 2020.

13. APPROVAL OF FINANCIAL STATEMENTS

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