

EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER

LOAN NO.2843-GEO
ADDITIONAL TO 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
03 March 2020

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM - PROJECT 1
LOAN NO.2843-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 03 MARCH 2019**

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 31 December 2019, and its sources and uses of funds and movement in impressed account for the year period started at 01 January 2019 and ended 03 March 2020, 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:

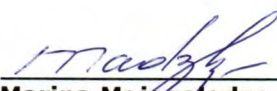
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the financial position of 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 period started at 01 January 2019 and ended 03 March 2020 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 Road Corridor Investment Program – Project 1 (the "Project") financed under the Loan Agreement No. 2843-GEO dated 18 April 2012 (the "Agreement"), implemented by the Eurasian Transport Corridor Investment Center, which comprise the Balance Sheet as at 03 March 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 03 March 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 03 March 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.

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

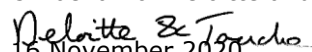
Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, 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
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO 2843-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(in US Dollars)**


	Actual		Planned*		Variance	
	Year to date	Cumulative to date	Year to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>	Year to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>
FUNDS RECEIVED BY SOURCES						
Asian Development Bank (ADB) Funds	7,286,359	83,218,250	-	-	-	-
Direct payments	7,186,935	82,933,706	-	-	-	-
Replenishment	99,424	99,424	-	-	-	-
Additional advance	-	185,120	-	-	-	-
Government of Georgia (GoG) co-financing	3,242,469	16,980,101	-	-	-	-
TOTAL FUNDS RECEIVED	10,528,828	100,198,351	-	-	-	-
Foreign exchange difference, net	-	12	-	-	-	-
LESS: EXPENDITURE						
Category 1 - Civil works and land acquisitions	2,931,969	54,708,679	2,931,969	54,708,679	-	-
Category 2 - Consultant's services for works supervision and design	103,582	24,179,273	103,582	24,179,273	-	-
Category 3 - Project management support	4,251,384	4,319,838	4,251,384	4,319,838	-	-
Category 4 - Consultancy for capacity development of RDMRDI	-	10,460	-	10,460	-	-
ADB TOTAL	7,286,935	83,218,250	7,286,935	83,218,250	-	-
Category 1 - Civil works and land acquisitions	2,457,670	11,219,041	2,457,670	11,219,041	-	-
Category 2 - Consultant's services for works supervision and design	26,459	4,959,228	26,459	4,959,228	-	-
Category 3 - Project management support	758,340	798,591	758,340	798,591	-	-
Category 4 - Consultancy for capacity development of RDMRDI	-	3,253	-	3,253	-	-
GoG TOTAL	3,242,469	16,980,113	3,242,469	16,980,113	-	-
TOTAL PROJECT EXPENDITURE	10,529,404	100,198,363	10,529,404	100,198,365	-	-
NET OUTFLOW OF FUNDS	(576)	-	-	-	-	-

*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

16 November 2020


Marina Majagaladze
Financial Manager

16 November 2020

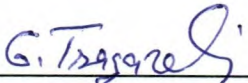
The notes on pages 8 to 13 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

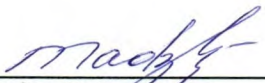
**BALANCE SHEET STATEMENT
FOR THE YEAR ENDED 03 MARCH 2020
(in US Dollars)**

	03 March 2020
ASSETS	
ADB imprest account	-
TOTAL ASSETS	-
Funds received:	
Funds received from ADB	83,218,250
Funds received from GoG	16,980,101
Total funds received	100,198,351
Project expenditure:	
Financed by ADB	(83,218,250)
Financed by GoG	(16,980,113)
Foreign exchange difference	12
Total project expenditure	(100,198,353)
TOTAL PROJECT EXPENDITURE	-

On behalf of the Management:



Giorgi Tsagareli
Director



Marina Majagaladze
Financial Manager

16 November 2020

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. 2843-GEO**

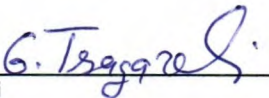
**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(in US Dollars)**

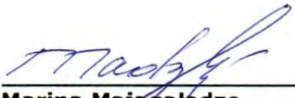
Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2017	Total SOE attributable to 2018	Total SOE attributable to 2019
244	15 Apr 2019	99,424	1,989	97,435	-
266	31 Jan 2020	42,009	-	-	42,009
		141,433	1,989	97,435	42,009

Withdrawal application No.244 was sent to ADB on 15-Apr-2019, and the amount was approved and replenished by ADB in May 2019. Total SOE expenditure in withdrawal application No.244 was USD 99,424 from which USD 1,989 is SOE attributable to 2017 and USD 97,435 is SOE attributable to 2019.

Withdrawal application No.266 was sent to ADB on 15-Jan-2020, and the amount was approved by ADB in 31- Jan-2020. Total SOE expenditure in withdrawal application No.266 was USD 42,009 which is attributable to 2019.

On behalf of the Management:


Giorgi Tsagareli
Director


Marina Majagaladze
Financial Manager

16 November 2020

16 November 2020

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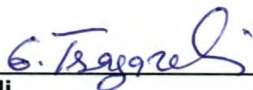
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

**STATEMENT OF IMPREST ACCOUNT
FOR THE PERIOD STARTED at 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(in US Dollars)**

Account No.	210260294
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

Balance as at 1 January 2019	<u>576</u>
ADD	
ADB replenishment	<u>99,424</u>
DEDUCT	
Funds used for the Project expenditure	42,585
Refund of Unutilised Advance Amount	<u>57,415</u>
Balance as at 03 March 2020	<u><u>-</u></u>

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. 2843-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 03 MARCH 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. Loan No 2843 was added to project financing on 18 April 2012 with the amount of USD 140,000,000. 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 cash on hand and balances with State Treasury.

3. BASIS OF FUNDING

According to the terms of the Agreement, Category 1 – works, Category 2 – Consulting Services and Category 3 – Project Management Support are 100% financed by ADB, while 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.

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
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(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

(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

	03 March 2020
Application of Withdrawals Schedule	
Expenses incurred in 2019 and 2020 as per the Applications of Withdrawals Schedule	7,286,935
	7,286,935
ADB direct payments	7,186,935
ADB replenishments	99,424
Foreign exchange difference	-
	7,286,359
Add:	
Opening Balances	
Imprest Account	576
	576
Less:	
Closing Balances	
Imprest Account	-
	-
TOTAL EXPENDITURE INCURRED IN 2019 and 2020	7,286,935

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(in US Dollars)**

TOTAL WITHDRAWAL SCHEDULE EXPENSES

Withdrawal No.	Withdrawal application date	Total amount in withdrawal schedule	Total amount attributable to 2019	Total amount attributable to 2020
00229	22 Feb 2019	186,023	186,023	-
00230	22 Feb 2019	151,703	151,703	-
00231	27 Feb 2019	2,671	2,671	-
00232	18 Mar 2019	2,665	2,665	-
00233	18 Mar 2019	321,384	321,384	-
00234	18 Mar 2019	467	467	-
00235	22 Mar 2019	359,157	359,157	-
00236	22 Mar 2019	120,000	120,000	-
00237	26 Mar 2019	106,046	106,046	-
00238	26 Mar 2019	140,604	140,604	-
00239	26 Mar 2019	216,936	216,936	-
00240	26 Mar 2019	453,777	453,777	-
00241	28 Mar 2019	191,435	191,435	-
00242	28 Mar 2019	68,889	68,889	-
00243	23 Apr 2019	14,308	14,308	-
00244	03 May 2019	57,415	57,415	-
00245	25 Apr 2019	133,587	133,587	-
00246	27 Jun 2019	675,903	675,903	-
00247	27 Jun 2019	259,562	259,562	-
00248	27 Jun 2019	127,999	127,999	-
00249	27 Jun 2019	218,738	218,738	-
00250	04 Sep 2019	24,419	24,419	-
00251	17 Sep 2019	793,485	793,485	-
00254	24 Sep 2019	140,000	140,000	-
00255	26 Sep 2019	146,849	146,849	-
00256	26 Sep 2019	110,756	110,756	-
00257	19 Sep 2019	1,055,692	1,055,692	-
00258	24 Sep 2019	419,017	419,017	-
00259	18 Nov 2019	23,853	23,853	-
00260	21 Nov 2019	115,750	115,750	-
00261	25 Nov 2019	123,059	123,059	-
00262	21 Jan 2020	65,150	-	65,150
00263	21 Jan 2020	32,575	-	32,575
00264	22 Jan 2020	13,238	-	13,238
00265	22 Jan 2020	26,476	-	26,476
00266	31 Jan 2020	42,009	-	42,009
00267	22 Jan 2020	290,000	-	290,000
	28 Jan 2020	(57,415)	-	(57,415)
00270	31 Jan 2020	22,899	-	22,899
00271	30 Jan 2020	59,603	-	59,603
00272	30 Jan 2020	29,675	-	29,675
		7,286,359	6,762,149	524,210

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(in US Dollars)**

6. PROJECT EXPENDITURE BY COMPONENTS

Project Activities	Year ended 31 December 2019			Cumulative from inception		
	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total
Component 1 - Construction of Kobuleti Bypass section						
Civil works	2,931,969	2,457,670	5,389,639	54,708,679	11,219,041	65,927,720
Consultant's services for works supervision and design	-	-	-	6,315,015	1,756,304	8,071,319
TOTAL COMPONENT 1	2,931,969	2,457,670	5,389,639	61,023,694	12,975,345	73,999,039
Component 2 - Capacity development of the Roads Department of MORDI						
Consultancy	103,582	26,459	130,041	208,182	59,001	267,183
TOTAL COMPONENT 2	103,582	26,459	130,041	208,182	59,001	267,183
Component 3 – Road safety enhancement						
	4,223,854	748,287	4,972,141	21,890,390	3,895,464	25,785,854
TOTAL COMPONENT 3	4,223,854	748,287	4,972,141	21,890,390	3,895,464	25,785,854
Component 4 – Project management support						
	27,530	10,053	37,583	95,984	50,303	146,287
TOTAL COMPONENT 4	27,530	10,053	37,583	95,984	50,303	146,287
TOTAL PROJECT EXPENDITURE	7,286,935	3,242,469	10,529,404	83,218,250	16,980,113	100,198,363

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(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 - Unallocated

There are no Statement of Expenditure (SOE) in the withdrawal schedule under this Project.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER
ROAD CORRIDOR INVESTMENT PROGRAM – PROJECT 1
LOAN NO. 2843-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD STARTED AT 01 JANUARY 2019 AND ENDED 03 MARCH 2020
(in US Dollars)**

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 03 March 2020 and on the funds received and disbursed for the period started at 01 January 2019 and ended 03 March 2020.

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 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.

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. Project ended at 03 March 2020.

10. APPROVAL OF FINANCIAL STATEMENTS

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