

**EURASIAN TRANSPORT  
CORRIDOR INVESTMENT  
CENTER**

LOAN NO.3715-GEO  
(EAST-WEST HIGHWAY IMPROVEMENT PROJECT)

Special Purpose Project Financial Statements  
For The Year Ended 31 December 2020

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO.3715-GEO**

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## EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER EAST-WEST HIGHWAY 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 2020

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Management of the EAST-WEST HIGHWAY 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 2020, the Balance Sheet as at 31 December 2020 and the related Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the year ended 31 December 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:

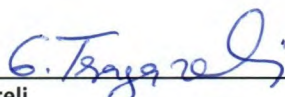
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash 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:

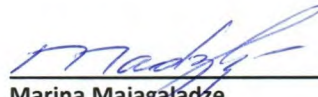
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the financial position of 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 year ended 31 December 2020 were authorised for issue on 29 June 2021 by the Management.

**On behalf of the Management:**

  
\_\_\_\_\_  
**Giorgi Tsagareli**  
Director

29 June 2021

  
\_\_\_\_\_  
**Marina Majagaladze**  
Financial Manager

29 June 2021

## 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 East-West Highway Improvement Project (the "Project") financed under the Loan Agreement No. 3715-GEO dated 5 October 2018 (the "Agreement"), implemented by the Eurasian Transport Corridor Investment Center, which comprise for the year ended 31 December 2020, the Balance Sheet as at 31 December 2020 and the related, Statement of Expenditure Withdrawal Schedule ("SOEs") and Statement of Imprest Account for the year ended 31 December 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 year ended 31 December 2020 presents fairly, 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 and fair presentation 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.

Those charged with governance are responsible for overseeing the Organisation’s financial reporting process.

## **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.

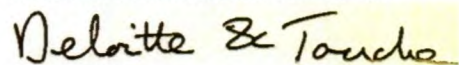
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.
- Evaluate the overall presentation, structure and content of the special purpose project financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves the fair presentation.

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.



Srбуhi Hakobyan  
On behalf of Deloitte and Touche LLC



29 June 2021  
Tbilisi, Georgia

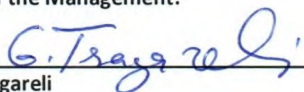
**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO 3715-GEO**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in EUR)**

	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>
<b>FUNDS RECEIVED BY SOURCES</b>						
Asian Development Bank (ADB) Funds	<b>24,646,001</b>	<b>66,549,550</b>	-	-	-	-
Direct payments	24,162,984	65,717,263	-	-	-	-
Capitalized Charges	483,017	832,287	-	-	-	-
Government of Georgia (GoG) co-financing	<b>6,857,613</b>	<b>25,608,817</b>	-	-	-	-
<b>TOTAL FUNDS RECEIVED</b>	<b>31,503,614</b>	<b>92,158,367</b>	-	-	-	-
<b>LESS: EXPENDITURE</b>						
Category 1 – Civil works	23,271,129	63,893,466	23,271,129	63,893,466	-	-
Category 2 - Construction supervision	891,854	1,566,863	891,854	1,566,863	-	-
Category 3 – Capacity, Building and Project Management Support	230,551	251,018	230,551	251,018	-	-
Category 3a - Preparation of detailed design for E-60 highway section from Natakhtari to Rustavi (Tbilisi Bypass)	-	-	-	-	-	-
Category 4 – Interest and commitment charges	483,017	832,287	483,017	832,287	-	-
<b>ADB TOTAL</b>	<b>24,876,551</b>	<b>66,543,634</b>	<b>24,876,551</b>	<b>66,543,634</b>	-	-
Category 1 – Civil works	6,819,558	25,516,144	6,819,558	25,516,144	-	-
Category 2 - Construction supervision	-	-	-	-	-	-
Category 3 – Capacity, Building and Project Management Support	38,055	92,673	38,055	92,673	-	-
Category 3a - Preparation of detailed design for E-60 highway section from Natakhtari to Rustavi (Tbilisi Bypass)	-	-	-	-	-	-
Category 4 – Interest and commitment charges	-	-	-	-	-	-
<b>GoG TOTAL</b>	<b>6,857,613</b>	<b>25,608,817</b>	<b>6,857,613</b>	<b>25,608,817</b>	-	-
<b>TOTAL PROJECT EXPENDITURE</b>	<b>31,734,164</b>	<b>92,152,451</b>	<b>31,734,164</b>	<b>92,152,451</b>	-	-
<b>NET INFLOW OF FUNDS</b>	<b>(230,550)</b>	<b>5,916</b>	-	-	-	-

\*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  
29 June 2021

  
Marina Majagaladze

Financial Manager

29 June 2021

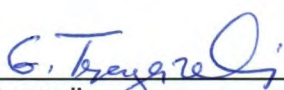
The notes on pages 9 to 15 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715-GEO**

**BALANCE SHEET STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in EUR)**

	<u>31 December 2020</u>
<b>ASSETS</b>	
ADB imprest account	<u>5,916</u>
<b>TOTAL ASSETS</b>	<u><b>5,916</b></u>
<b>Funds received:</b>	
Funds received from ADB	66,549,550
Funds received from GoG	<u>25,608,817</u>
<b>Total funds received</b>	<u><b>92,158,367</b></u>
<b>Project expenditure:</b>	
Financed by ADB	(66,543,634)
Financed by GoG	<u>(25,608,817)</u>
<b>Total project expenditure</b>	<u><b>(92,152,451)</b></u>
<b>TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURE</b>	<u><b>5,916</b></u>

**On behalf of the Management:**

  
\_\_\_\_\_  
**Giorgi Tsagareli**  
Director

29 June 2021

  
\_\_\_\_\_  
**Marina Majagaladze**  
Financial Manager

29 June 2021

The notes on pages 9 to 15 form an integral part of these special purpose project financial statements.



**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715-GEO**

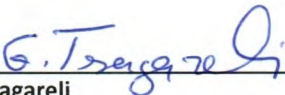
**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE  
FOR THE YEAR ENDED 31 DECEMBER 2020  
(in EUR)**

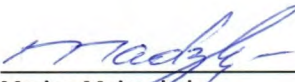
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<b>Withdrawal No.</b>	<b>Withdrawal application date</b>	<b>Total SOE in withdrawal schedule</b>	<b>Total SOE attributable to 2020</b>
-	-	-	-
		-	-
		-	-

There was no SOE type of expenditure for the year ended 31 December 2020.

**On behalf of the Management:**

  
\_\_\_\_\_  
**Giorgi Tsagareli**  
Director  
29 June 2021

  
\_\_\_\_\_  
**Marina Majagaladze**  
Financial Manager  
29 June 2021

The notes on pages 9 to 15 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715 – GEO**

**STATEMENT OF IMPREST ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

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Account No.	210256397
Depository Bank	State Treasury
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia

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Balance as at 31 December 2019	<u>236,466</u>
<b>ADD</b>	
ADB replenishment	<u>-</u>
<b>DEDUCT</b>	
Funds used for the Project expenditure	<u>230,550</u>
Balance as at 31 December 2020	<u><u>5,916</u></u>

On behalf of the Management:

  
\_\_\_\_\_  
Giorgi Tsagareli  
Director

29 June 2021

  
\_\_\_\_\_  
Marina Majagaladze  
Financial Manager

29 June 2021

The notes on pages 9 to 15 form an integral part of these special purpose project financial statements.

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

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**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.

Project consists of construction of a dual carriageway or four-lane divided highway approximately 12 km in length between Khevi and Ubisa. The Project shall include the provision of Consulting Services for construction supervision and Project management support. The Project is expected to be completed by 30 June 2024.

**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 EUR.

**Transactions in other currencies** – Transactions in currencies other than reporting currencies are converted to US dollar 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, 75.86% of total claimed expenditure of the Works will be financed by ABD, Construction Supervision are financed 100% of the total expenditure claimed by ADB, Capacity Building and Project management are financed 100% of the total expenditure claimed by ADB, Preparation of detailed design for E-60 highway section from Natakhtari to Rustavi (Tbilisi Bypass) and Interest and commitment charges are 100% financed by ADB.

It is allowed by the donor, 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  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715 – GEO**

**STATEMENT OF IMPREST ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

**4. METHODS OF WITHDRAWAL**

The methods of withdrawal used from the inception of the loan to 31 December 2020 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. 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**

	<b>31 December 2020</b>
<b>Application of Withdrawals Schedule</b>	
Expenses incurred in 2020 as per the Applications of Withdrawals Schedule	24,162,984
Expenses incurred in 2020 without Applications of Withdrawals Schedule	230,550
Expenses incurred in 2020 as Capitalised charges	483,017
	<b>24,876,551</b>
ADB direct payments	24,162,984
Capitalised charges	483,017
	<b>24,646,001</b>
<b>Add:</b>	
<b>Opening Balances</b>	
Imprest Account	236,466
	<b>236,466</b>
<b>Less:</b>	
<b>Closing Balances</b>	
Imprest Account	5,916
	<b>5,916</b>
<b>TOTAL EXPENDITURE INCURRED IN 2020</b>	<b>24,876,551</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715 – GEO**

**STATEMENT OF IMPREST ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

**TOTAL WITHDRAWAL SCHEDULE EXPENSES**

Withdrawal No.	Withdrawal application date	Total amount in withdrawal schedule	Total attributable to 2020
00018	7-Feb-20	882,069	882,069
00019	7-Feb-20	882,069	882,069
00020	7-Feb-20	435,926	435,926
00021	7-Feb-20	435,926	435,926
00022	24-Feb-20	69,401	69,401
00023	24-Feb-20	11,016	11,016
00024	19-Mar-20	1,029,275	1,029,275
00025	19-Mar-20	1,029,275	1,029,275
00026	19-Mar-20	485,227	485,227
00027	19-Mar-20	485,227	485,227
00028	15-Apr-20	64,246	64,246
00029	15-Apr-20	8,068	8,068
00030	30-Apr-20	903,375	903,375
00031	30-Apr-20	903,375	903,375
00032	30-Apr-20	403,353	403,353
00033	30-Apr-20	403,353	403,353
00034	14-May-20	37,869	37,869
00035	15-May-20	3,097	3,097
00036	22-Jun-20	1,035,805	1,035,805
00037	22-Jun-20	1,035,805	1,035,805
00038	22-Jun-20	485,953	485,953
00039	22-Jun-20	485,953	485,953
00040	23-Jun-20	85,147	85,147
00041	23-Jun-20	4,314	4,314
00042	20-Jul-20	57,505	57,505
00043	20-Jul-20	5,745	5,745
00044	12-Aug-20	822,904	822,904
00045	12-Aug-20	822,904	822,904
00046	12-Aug-20	384,765	384,765
00047	12-Aug-20	384,765	384,765
00048	12-Aug-20	5,919	5,919
00049	12-Aug-20	93,592	93,592
00050	8-Sep-20	98,858	98,858
00051	8-Sep-20	6,542	6,542
00052	22-Sep-20	1,025,460	1,025,460
00053	22-Sep-20	1,025,460	1,025,460
00054	22-Sep-20	447,006	447,006
00055	22-Sep-20	447,006	447,006
00056	19-Oct-20	94,698	94,698
00057	19-Oct-20	6,029	6,029
00058	3-Nov-20	114,584	114,584
00059	3-Nov-20	6,479	6,479
00060	10-Nov-20	818,313	818,313
00061	10-Nov-20	818,313	818,313
00062	10-Nov-20	338,075	338,075

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715 – GEO**

**STATEMENT OF IMPREST ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

00063	10-Nov-20	338,075	338,075
00064	10-Dec-20	112,434	112,434
00065	10-Dec-20	6,314	6,314
00066	16-Dec-20	1,501,833	1,501,833
00067	16-Dec-20	1,501,833	1,501,833
00068	16-Dec-20	636,225	636,225
00069	16-Dec-20	636,225	636,225
CAP	15-Feb-20	238,424	238,424
CAP	15-Aug-20	244,592	244,592
		<u>24,646,001</u>	<u>24,646,001</u>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

**6. PROJECT EXPENDITURE BY COMPONENTS**

Project Activities	FOR THE YEAR ENDED 31 DECEMBER 2020			Cumulative from inception		
	ADB Financing	GoG Financing	Total	ADB Financing	GoG Financing	Total
<b>Component A – Investment costs</b>						
Civil works	23,271,129	6,419,071	29,690,200	63,893,466	19,151,810	83,045,276
Land acquisition/social mitigation	-	400,487	400,487	-	6,364,334	6,364,334
Construction supervision	891,854	-	891,854	1,566,863	-	1,566,863
Financial Audit	-	-	-	6,934	-	6,934
<b>TOTAL COMPONENT A</b>	<b>24,162,983</b>	<b>6,819,558</b>	<b>30,982,541</b>	<b>65,467,263</b>	<b>25,516,144</b>	<b>90,983,407</b>
<b>Component B - Project management costs</b>						
Project management costs	230,551	38,055	268,606	244,084	92,673	336,757
<b>TOTAL COMPONENT B</b>	<b>230,551</b>	<b>38,055</b>	<b>268,606</b>	<b>244,084</b>	<b>92,673</b>	<b>336,757</b>
<b>Component C – Contingencies unallocated</b>						
Contingencies unallocated	-	-	-	-	-	-
<b>TOTAL COMPONENT C</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Component D – Financial charges during implementation - CAP</b>						
Financial charges during implementation	483,017	-	483,017	832,287	-	832,287
<b>TOTAL COMPONENT D</b>	<b>483,017</b>	<b>-</b>	<b>483,017</b>	<b>832,287</b>	<b>-</b>	<b>832,287</b>
<b>TOTAL PROJECT EXPENDITURE</b>	<b>24,876,551</b>	<b>6,857,613</b>	<b>31,734,164</b>	<b>66,543,634</b>	<b>25,608,817</b>	<b>92,152,451</b>

**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN NO. 3715-GEO**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

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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 – Civil Works
- Category 2 – Construction supervision
- Category 3 – Capacity Building and Project Management Support; and
- Category 3a – Preparation of detailed design for E-60 highway section from Natakhtari to Rustavi (Tbilisi Bypass)
- Category 4 -Interest and Commitment charges

## **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 2020 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 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 the years 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 Organisation 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. In addition, the Organisation may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Organisation's operations



**EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER  
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**STATEMENT OF IMPREST ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)  
(in EUR)**

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largely depends on the duration and the incidence of the pandemic effects on the world and Georgian economy.

The economic shock caused by the coronavirus and the expectations of the future development of pandemic and its impact on the Georgian economy have been reflecting on increased volatility of the foreign exchange market and weakening of Georgian Lari against other currencies.

Management is unable to predict all developments which could have an impact on the Georgian economy and consequently what effect, if any, they could have on the future financial position of the Organisation. Management believes it is taking all the necessary measures to support the sustainability and development of the Organisation's operations.

**9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

Spread of Covid-19 pandemic still has 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.

Ongoing Covid-19 related situation does not have significant effect on the Project. Construction was continued and there was successful transition of administrative function to partial remote working and projects ongoing as planned.

**10. APPROVAL OF SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

These special purpose project financial statements were authorised for issue by the Management of ETCIC on 29 June 2021.