

TRANSPORT REFORM AND REHABILITATION CENTER

LOAN NO. 8547-GE
(EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
PROJECT)

Special Purpose Project Financial Statements

For the Year Ended 31 December 2019

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Management of the East-West Highway Corridor Improvement Project (the "Project") implemented by the Transport Reform and Rehabilitation Center ("TRRC") 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 Designated account for the year then ended, in compliance with the Cash Basis International Public Sector Accounting Standard, Financial Reporting under the Cash Basis of Accounting ("IPSAS - Cash Basis"), and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities" (the "World Bank Guidelines").

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

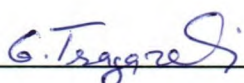
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis 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 on Annual Financial Reporting and Auditing for World Bank – Financed Activities issued by the World Bank's Financial Management Sector Board;
- 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.

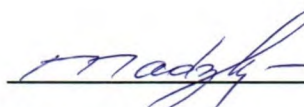
The special purpose project financial statements for the year ended 31 December 2019 were authorized for issue on 25 September 2020 by the Management.

On behalf of Management:



Giorgi Tsagareli
Director

25 September 2020



Marina Majagaladze
Financial Manager

25 September 2020



KPMG Georgia LLC
GMT Plaza
5th floor, 4 Liberty Square
Tbilisi, Georgia 0105
Telephone +995 322 93 57 13
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Independent Auditors' Report on Special Purpose Project Financial Statements

To the management of Transport Reform and Rehabilitation Center

Opinion

We have audited the special purpose project financial statements of the East-West Highway Corridor Improvement Project (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"), Loan Agreement No. 8547-GE, dated 10 February 2016, implemented by the Transport Reform and Rehabilitation Center (the "Center"), which comprise the Statement of Balance Sheet as at 31 December 2019 and the Statements of Sources and Uses of Funds, Expenditure Withdrawal Schedule ("SOEs") and Designated Account for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The special purpose project financial statements have been prepared by management in accordance with the International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" (the "World Bank Guidelines") as described in Note 2 to the special purpose project financial statements.

In our opinion, the accompanying special purpose project financial statements present fairly, in all material respects, the financial position of the Project as at 31 December 2019, and its sources and uses of funds for the year then ended in accordance with the International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting and the World Bank Guidelines.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Project Financial Statements* section of our report. We are independent of the Center in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit for the special purpose project financial statements in Georgia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Data included on pages 4 to 14 of the accompanying special purpose project financial statements that are marked as "*Unaudited*" have not been audited.

Emphasis of Matter - Basis of Accounting and Restriction on 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 Center to comply with the requirements of IBRD and for providing information to the Government of Georgia and IBRD to assist them in evaluating the Project implementation. As a result, the special purpose project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



Responsibilities 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 International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting and the World Bank Guidelines, for determining the acceptability of the basis of accounting 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.

Those charged with governance are responsible for overseeing the Center's financial reporting process.

Auditors' 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 auditors' 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 judgment and maintain professional skepticism 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 Center's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the special purpose project financial statements, including the disclosures, and whether the special purpose project financial statements represent the underlying transactions and events in a manner that achieves 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Karen Safaryan

KPMG Georgia LLC
Tbilisi, Georgia
25 September 2020



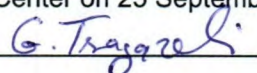
**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO. 8547-GE**

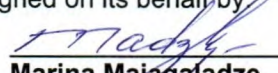
**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**

	Actual as at		Planned as at		Variance	
	31 December 2019		31 December 2019			
	Period to date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			Unaudited	Unaudited	Unaudited	Unaudited
FUNDS RECEIVED BY SOURCES						
International Bank for Reconstruction and Development ("IBRD") funds* Government of Georgia ("GoG") co-financing	(12,733,301)	18,331,647				
	1,014,521	2,590,531				
TOTAL FUNDS RECEIVED	(11,718,780)	20,922,178				
LESS: EXPENDITURES						
Component 1 – Improvement and Asset Management of the E-60 Highway (IBRD - 85%)	(13,327,613)	11,747,060	(13,327,613)	11,747,060	-	-
Component 2 - Technical assistance to MoESD (IBRD – 85%)	11,948	585,207	11,948	585,207	-	-
Component 3 – Project Management Support (IBRD – 85%)	30,215	80,400	30,215	80,400		
IBRD TOTAL	(13,285,450)	12,412,667	(13,285,450)	12,412,667	-	-
Component 1 – Improvement and Asset Management of the E-60 Highway (GoG – 15%)	194,771	1,757,103	194,771	1,757,103	-	-
Component 2 – Technical assistance to MoESD (GoG -15%)	319	319	319	319	-	-
Component 3 - Project Management Support	-	9,129	-	9,129		
GoG TOTAL	195,090	1,766,551	195,090	1,766,551	-	-
TOTAL EXPENDITURES BY COMPONENTS	(13,090,360)	14,179,218	(13,090,360)	14,179,218	-	-
UNALLOCATED						
Front end fees ("IBRD")	-	350,000	-	350,000	-	-
Staff Out Members ("GOG")	819,431	823,980	819,431	823,980		
TOTAL UNALLOCATED EXPENDITURES	819,431	1,173,980	819,431	1,173,980	-	-
TOTAL PROJECT EXPENDITURES	(12,270,929)	15,353,198	(12,270,929)	15,353,198		
Foreign Exchange Difference	1,643,116	1,643,116	1,643,116	1,643,116		
NET FLOWS OF FUNDS	(1,090,967)	3,925,864				

*The negative amount of funds received from IBRD was due to the Fund being reimbursed for the incorrect provision of services and not fulfillment of contract terms by certain contractors. The amount was reimbursed by the bank which has provided guarantee to the Center.

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 25 September 2020 and were signed on its behalf by:


Giorgi Tsagareli
Director


Marina Majagaladze
Financial Manager

25 September 2020

25 September 2020

The notes on pages 9 to 14 form an integral part of these special purpose project financial statements.

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO. 8547-GE**

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

	Actual as at 31 December 2018		Planned as at 31 December 2018		Variance	
	Year to date	Cumulative to date	Year to date	Cumulative to date	Year to date	Cumulative to date
			<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
FUNDS RECEIVED BY SOURCES						
International Bank for Reconstruction and Development ("IBRD") funds	5,308,815	31,064,948				
Government of Georgia ("GoG") co-financing	25,885	1,576,010				
TOTAL FUNDS RECEIVED	5,334,700	32,640,958				
LESS: EXPENDITURES						
Component 1 – Improvement and Asset Management of the E-60 Highway (IBRD - 85%)	9,881,924	25,074,673	9,881,924	25,074,673	-	-
Component 2 - Technical assistance to MoESD (IBRD – 85%)	121,154	573,259	121,154	573,259	-	-
Component 3 - Project Management Support	30,293	50,185	30,293	50,185		
IBRD TOTAL	10,033,371	25,698,117	10,033,371	25,698,117	-	-
Component 1 – Improvement and Asset Management of the E-60 Highway (GoG - 15%)	20,868	1,562,332	20,868	1,562,332	-	-
Component 2 - Technical assistance to MoESD (GoG – 15%)	-	-	-	-	-	-
Component 3 - Project Management Support (GoG – 15%)	468	9,129	468	9,129		
GoG TOTAL	21,336	1,571,461	21,336	1,571,461	-	-
TOTAL EXPENDITURES BY COMPONENTS	10,054,707	27,269,578	10,054,707	27,269,578	-	-
UNALLOCATED						
Front end fees ("IBRD")	-	350,000	-	350,000	-	-
Non-Component – Staff Out Members ("GOG")	4,549	4,549	4,549	4,549		
TOTAL UNALLOCATED EXPENDITURES	4,549	354,549	4,549	354,549	-	-
TOTAL PROJECT EXPENDITURES	10,059,256	27,624,127				
NET FLOWS OF FUNDS	(4,724,556)	5,016,831				

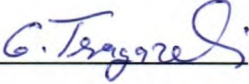
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**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO. 8547-GE**

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

	31 December 2019	31 December 2018
ASSETS		
IBRD Designated account	3,925,864	5,016,831
TOTAL ASSETS	3,925,864	5,016,831
Funds received:		
Funds received from IBRD	18,331,647	31,064,948
Funds received from GoG	2,590,531	1,576,010
Total funds received	20,922,178	32,640,958
Project expenditures:		
Financed by IBRD	12,412,667	25,698,117
Financed by GoG	2,590,531	1,576,010
Unallocated ("IBRD")	350,000	350,000
Total project expenditures	15,353,198	27,624,127
Foreign exchange difference	1,643,116	-
TOTAL PROJECT EXPENDITURES AND OTHER FUNDS	3,925,864	5,016,831

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 25 September 2020 and were signed on its behalf by:



Giorgi Tsagareli
Director

25 September 2020



Marina Majagaladze
Financial Manager

25 September 2020

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**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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

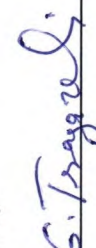
Statement of Expenditure Withdrawal Schedule for the year ended 31 December 2019:


Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2018	Total SOE attributable to 2019	Attributable to 2019 – Component 1	Attributable to 2019 – Component 2	Attributable to 2019 – Component 3	Total SOE attributable to 2020 Unaudited
10	20-Mar-20	29,372	2,911	17,646	-	11,949	5,697	8,815
16	14-Jul-20	18,990	-	-	-	-	-	18,990
		48,362	2,911	17,646	-	11,949	5,697	27,806

Statement of Expenditure Withdrawal Schedule for the year ended 31 December 2018:

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2017	Total SOE attributable to 2018	Attributable to 2018 – Component 1	Attributable to 2018 – Component 2	Attributable to 2018 – Component 3	Total SOE attributable to 2019 Unaudited
7	15-Feb-18	13,610	9,013	4,597	-	-	4,597	-
8	18-June-18	10,272	-	10,272	-	-	10,272	-
		23,882	9,013	14,869	-	-	14,869	-

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 25 September 2020 and were signed on its behalf by:


Giorgi Tsagareli
Director


Marina Majagaladze
Financial Manager

25 September 2020

25 September 2020

The notes on pages 9 to 14 form an integral part of these special purpose project financial statements.

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

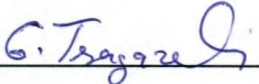
**STATEMENT OF DESIGNATED ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019
(in US Dollars)**

Account No. 202250201
Depository Bank State Treasury
Address 16 V. Gorgasali street
Tbilisi, 0114
Georgia

Balance as at 1 January 2019	<u>5,016,831</u>
ADD	
Funds received from IBRD in 2019: Replenishments	-
Direct Payment	<u>-</u>
DEDUCT	
Funds used for the Project expenditures in 2019 Funds used via Designated Accounts	(1,090,967)
Direct Payment	-
Foreign Exchange Difference	<u>-</u>
Balance as at 31 December 2019	<u>3,925,864</u>

Balance as at 1 January 2018	<u>9,741,387</u>
ADD	
Funds received from IBRD in 2018: Replenishments:	5,308,815
Direct Payment	<u>-</u>
DEDUCT	
Funds used for the Project expenditures in 2018	<u>(10,033,371)</u>
Balance as at 31 December 2018	<u>5,016,831</u>

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 25 September 2020 and were signed on its behalf by:



Giorgi Tsagareli
Director

25 September 2020



Marina Majagaladze
Financial Manager

25 September 2020

The notes on pages 9 to 14 form an integral part of these special purpose project financial statements.

TRANSPORT REFORM AND REHABILITATION CENTER EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT LOAN NO.8547-GE

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

1. BACKGROUND

The Investment Center for Euro-Asian Transport Corridor was established in 1995 as a non-entrepreneurial and non-profit legal entity under the laws of Georgia. In accordance with the Georgian Presidential Decree N 119 dated 16 April 1995. The founder of the Investment Center for Euro-Asian Transport Corridor is the Georgian Government.

A project unit named "Transport Reform and Rehabilitation Center (the "Center") was formed within the Investment Center for Euro-Asian Transport Corridor. The Center's principal activity is to manage allocated credits/loans received from the International Development Association ("IDA"), the International Bank for Reconstruction and Development ("IBRD"), the Asian Development Bank ("ADB") and the European Investment Bank ("EIB") and monitor the implementation of transport sector projects.

The Center implements the East-West Highway Corridor Improvement Project (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"). The Loan Agreement No.8547-GE (the "Agreement") in the amount of 140 million United States Dollars ("USD") was signed between the Government of Georgia ("GoG") and IBRD on 10 February 2016 ("inception"). The main objectives of the Project are: upgrading of existing 2-lane East-West Highway from Zemo Osiauri-Km 5.8 to Chumateleti (8.0 Km) to a 2-lane dual carriageway road, including 7 bridges and 3 tunnels. Build on the on-going institutional strengthening activities financed under the on-going highway project. Also provide support to strength Roads Department's (RD) Intelligent Transport System (ITS) Unit and complement the road safety activities by providing real time information to improve mobility and traffic safety along the corridor. The project will also provide technical support to Ministry of Economy and Sustainable Development (MESD) to develop and implement a logistics strategy.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – These special purpose project financial statements have been prepared in accordance with the Cash Basis International Public Sector Accounting Standard, *Financial Reporting under a Cash Basis of Accounting* and in conformity with the World Bank's Financial Management Sector Board's "Guidelines: Annual Financial Reporting and Auditing for World Bank-Financed Activities" (the "World Bank Guidelines").

The purpose of these special purpose project financial statements is to provide information to the Government of Georgia and International Bank for Reconstruction and Development (IBRD) to assist them in evaluating the Project implementation.

Cash basis of accounting - Project financing is recognized as a source of project funds when the cash is received. Project expenditures are recognized as a use of project funds when the payments are made.

Presentation currency – The national currency of Georgia is the Georgian Lari ("GEL"). These special purpose project financial statements are presented in United States Dollars ("US Dollar" or "USD"), in conformity with World Bank Guidelines. All financial information presented in USD has been rounded to the nearest USD unless otherwise stated.

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

Cash – Cash represents balances with State Treasury of Georgia.

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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

3. DESIGNATED ACCOUNT

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

4. BASIS OF FUNDING

The total cost of the Project is estimated at USD 164 million. The expenditures of all works, goods and consultant service contracts, including all applicable taxes amount to USD 140 million, which is 85% of total Project cost, is co-financed by proceeds received from IBRD. The balance of USD 24 million, which is 15% of total Project cost is co-financed by proceeds received from the GoG. The land acquisition and associated resettlement costs are funded entirely by the GoG.

5. METHODS OF WITHDRAWAL

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

(a) Designated account

The Center withdraws the eligible amounts from the Designated account and prepares and sends replenishment requests to the World Bank with authorized signatures. The replenishment requests and respective documentation are reviewed by the World Bank and an approved amount is transferred to the Designated account.

(b) Direct Payment

Available amounts are drawn from time to time within limits determined under the loan agreement for direct payments of eligible expenditures for sub-projects. Direct payments are made by the World Bank directly to third parties. The Center forms withdrawal applications for request of direct payments and sends it to the World Bank, for settlement.

(c) GoG Current Account

The Project maintains a separate account where funds from the GOG are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditures to be incurred. The project has common GEL account and special organization code for their funds in State Treasury of Georgia.

6. STATEMENT OF EXPENDITURES (SOE)

Withdrawals are to be made on the basis of SOEs for expenses on contracts within the following contractual limits:

- (i) All expenditures for works valued at less than USD 10,000,000;
- (ii) Consultant services contracts (firms) valued at less than USD 300,000;
- (iii) Consultant services contracts (individuals) valued at less than USD 200,000;
- (iv) All expenditures for goods and non-consulting services valued at less than USD 50,000.

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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

7. RECONCILIATION OF AMOUNTS SHOWN AS RECEIVED FROM THE IBRD TO ACTUAL EXPENDITURES OF THE PROJECT

	<u>31 December 2019</u>
Application of Withdrawals Schedule	
Expenses incurred in 2019 as per the Applications of Withdrawals Schedule	(13,285,450)
	<u>(13,285,450)</u>
IBRD funds received in 2019	(12,733,301)
Foreign Exchange difference:	1,643,116
Add:	
Opening Balance	
Designated account	5,016,831
	<u>5,016,831</u>
Less:	
Closing Balance	
Designated account	3,925,864
	<u>3,925,864</u>
TOTAL EXPENDITURES INCURRED IN 2019	<u>(13,285,450)</u>
	<u>31 December 2018</u>
Application of Withdrawals Schedule	
Expenses incurred in 2018 as per the Applications of Withdrawals Schedule	5,050,202
Expenses incurred in 2018 without Applications of Withdrawals Schedule	4,983,169
	<u>10,033,371</u>
IBRD funds received in 2018	5,308,815
Foreign exchange difference in 2018	-
Add:	
Opening Balance	
Designated account	9,741,387
	<u>9,741,387</u>
Less:	
Closing Balance	
Designated account	5,016,831
	<u>5,016,831</u>
TOTAL EXPENDITURES INCURRED IN 2018	<u>10,033,371</u>

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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

8. PROJECT EXPENDITURES BY COMPONENTS

Project activities	Actual as at 31 December 2019		Planned as at 31 December 2019		Variance	
	Period to Date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Component 1 - Improvement and Asset Management						
Civil works	(13,327,613)	9,770,234	(13,327,613)	9,770,234	-	-
Consultancy	-	1,976,828	-	1,976,828	-	-
Land Acquisition	191,568	1,335,863	191,568	1,335,863	-	-
Compensation for Land	3,203	421,238	3,203	421,238	-	-
TOTAL COMPONENT 1	(13,132,842)	13,504,163	(13,132,842)	13,504,163	-	-
Component 2 – Institutional Strengthening and Technical Assistance						
Feasibility Study	-	373,094	-	373,094	-	-
Consultancy	-	197,582	-	197,582	-	-
Staff Training	12,267	14,850	12,267	14,850	-	-
TOTAL COMPONENT 2	12,267	585,526	12,267	585,526	-	-
Component 3 - Project Management Support						
Consultancy	30,215	89,529	30,215	89,529	-	-
TOTAL COMPONENT 3	30,215	89,529	30,215	89,529	-	-
TOTAL EXPENDITURES BY COMPONENTS	(13,090,360)	14,179,218	(13,090,360)	14,179,218	-	-
UNALLOCATED						
Front end fees("IBRD")	-	350,000	-	350,000	-	-
Consultancy("GOG")	819,431	823,980	819,431	823,980	-	-
TOTAL UNALLOCATED EXPENDITURES	819,431	1,173,980	819,431	1,173,980	-	-
TOTAL PROJECT EXPENDITURES	(12,270,929)	15,353,198	(12,270,929)	15,353,198	-	-

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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

Project activities	Actual as at 31 December 2018		Planned as at 31 December 2018		Variance	
	Period to Date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Component 1 - Improvement and Asset Management						
Civil works	8,721,430	23,097,847	8,721,430	23,097,847	-	-
Consultancy	1,160,495	1,976,828	1,160,495	1,976,828	-	-
Land Acquisition	6,816	1,144,295	6,816	1,144,295	-	-
Compensation for Land	14,051	418,035	14,051	418,035	-	-
TOTAL COMPONENT 1	9,902,792	26,637,005	9,902,792	26,637,005	-	-
Component 2 – Institutional Strengthening and Technical Assistance						
Feasibility Study	-	373,094	-	373,094	-	-
Consultancy	118,572	197,583	118,572	197,583	-	-
Staff Training	2,582	2,582	2,582	2,582	-	-
TOTAL COMPONENT 2	121,154	573,259	121,154	573,259	-	-
Component 3 - Project Management Support						
Consultancy	30,761	59,314	30,761	59,314	-	-
TOTAL COMPONENT 3	30,761	59,314	30,761	59,314	-	-
TOTAL EXPENDITURES BY COMPONENTS	10,054,707	27,269,578	10,054,707	27,269,578	-	-
UNALLOCATED						
Front end fees("IBRD")	-	350,000	-	350,000	-	-
Consultancy("GOG")	4,549	4,549	4,549	4,549	-	-
TOTAL UNALLOCATED EXPENDITURES	4,549	354,549	4,549	354,549	-	-
TOTAL PROJECT EXPENDITURES	10,059,256	27,624,127	10,059,256	27,624,127		

**TRANSPORT REFORM AND REHABILITATION CENTER
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT
LOAN NO.8547-GE**

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

The Project consists of the following main components:

- Upgrading of existing two-lane East-West Highway from Zemo Osiauri-Km 5.8 to Chumateleti to a two-lane dual carriageway road. The section to be upgraded is approximately 8.0 Km long and runs through hilly and mountains terrain, thus requiring many structural works including three tunnels and seven bridges. The upgrading of the road requires traffic capacity expansion, a dual carriageway including man-made structures in difficult topographic and geological conditions.
- Strengthening the Roads Department's Intelligent Transport System Unit complement the road safety activities by providing real time information to improve mobility and traffic safety along the corridor. Also, technical assistance to Ministry of Economy and Sustainable Development (MESD) to develop and implement a logistic strategy.

The categories of expenditures incurred are presented in line with the categories specified in the Agreement.

Each components of the Project are further divided into four types of expenses for the SOE purposes: civil works, goods, consultants' services and operating costs.

9. COMMITMENTS AND CONTINGENCIES

Management is not aware of any commitments and contingencies which would have a material impact on this special purpose project financial statements as at 31 December 2019 for the period then ended.

10. GEORGIAN OPERATING ENVIRONMENT

The Center's operations are located in Georgia. Consequently, the Center is exposed to the economic and financial markets of Georgia, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Georgia. The special purpose project financial statements reflect management's assessment of the impact of the Georgian operating environment on the operations of the Center. The future operating environment may differ from management's assessment.

11. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There were no significant events subsequent to the balance sheet date.

12. APPROVAL OF SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

These special purpose project financial statements were authorized for issue by the management of the Center on 25 September 2020.