

TRANSPORT REFORM AND REHABILITATION CENTER

LOAN NO. 8402-GE
(THIRD SECONDARY AND LOCAL ROADS PROJECT)

Special Purpose Project Financial Statements

For the Year Ended 31 December 2019

**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS REHABILITATION
LOAN NO.8402-GE**

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**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS REHABILITATION
LOAN NO.8402-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 Third Secondary And Local Roads 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 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:

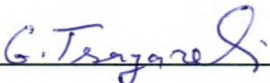
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis 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
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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 Third Secondary And Local Roads Project (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"), Loan Agreement No. 8402-GE, dated 9 July 2014, 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

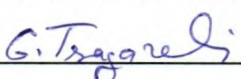


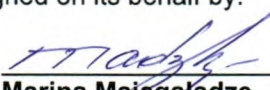
**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

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

	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>
FUNDS RECEIVED BY SOURCES						
International Bank for Reconstruction and Development ("IBRD") funds	15,536,359	63,278,036				
Government of Georgia ("GoG") co-financing	3,714,547	17,538,836				
TOTAL FUNDS RECEIVED	19,250,906	80,816,872				
Foreign exchange differences	(4)	470				
LESS: EXPENDITURES						
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (IBRD - 80%)	13,448,201	59,320,227	13,448,201	59,320,227	-	-
Component 2 – Institutional Strengthening and Project Management (IBRD - 80%)	90,757	351,635	90,757	351,635		
Component 3_Road Safety Technical Assistance	916,821	916,821	916,821	916,821		
IBRD Total:	14,455,779	60,588,683	14,455,779	60,588,683		
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (GoG -20%)	3,462,659	17,221,016	3,462,659	17,221,016	-	-
Component 2 – Institutional Strengthening and Project Management (GoG - 20%)	22,737	88,679	22,737	88,679	-	-
Component 3_Road Safety Technical Assistance	229,147	229,147	229,147	229,147	-	-
GoG Total:	3,714,543	17,538,842	3,714,543	17,538,842		
TOTAL EXPENDITURES BY COMPONENTS	18,170,322	78,127,525	18,170,322	78,127,525		
UNALLOCATED						
Front-End Fees ("IBRD")	-	187,500	-	187,500		
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500		
TOTAL PROJECT EXPENDITURES	18,170,322	78,315,025	18,170,322	78,315,025		
NET FLOWS OF FUNDS	1,080,580	2,502,317				

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
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-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	
	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>
FUNDS RECEIVED BY SOURCES						
International Bank for Reconstruction and Development ("IBRD") funds	8,206,672	47,741,677				
Government of Georgia ("GoG") co-financing	2,267,179	13,824,289				
TOTAL FUNDS RECEIVED	10,473,851	61,565,966				
Foreign exchange differences	(102)	474				
LESS: EXPENDITURES						
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (IBRD - 80%)	8,070,057	45,872,026	8,070,057	45,872,026	-	-
Component 2 – Institutional Strengthening and Project Management (IBRD - 80%)	97,703	260,878	97,703	260,878	-	-
Component 3_Road Safety Technical Assistance	-	-	-	-	-	-
IBRD Total:	8,167,760	46,132,904	8,167,760	46,132,904	-	-
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (GoG -20%)	2,242,047	13,758,357	2,242,047	13,758,357	-	-
Component 2 – Institutional Strengthening and Project Management (GoG - 20%)	25,132	65,941	25,132	65,941	-	-
GoG Total:	2,267,179	13,824,298	2,267,179	13,824,298	-	-
TOTAL EXPENDITURES BY COMPONENTS	10,434,939	59,957,202	10,434,939	59,957,202	-	-
UNALLOCATED						
Front-End Fees ("IBRD")	-	187,500	-	187,500		
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500	-	-
TOTAL PROJECT EXPENDITURES	10,434,939	60,144,702	10,434,939	60,144,702		
NET FLOWS OF FUNDS	38,810	1,421,738				

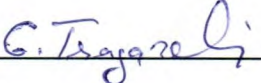
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**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

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

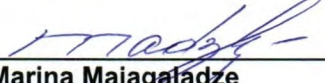
	31 December 2019	31 December 2018
ASSETS		
IBRD Designated account	2,502,317	1,421,738
TOTAL ASSETS	2,502,317	1,421,738
Funds received:		
Funds received from IBRD	63,278,036	47,741,677
Funds received from GoG	17,538,836	13,824,289
Total funds received	80,816,872	61,565,966
Project expenditures:		
Financed by IBRD	(60,588,683)	(46,132,904)
Financed by GoG	(17,538,842)	(13,824,298)
Unallocated IBRD	(187,500)	(187,500)
Total project expenditures	(78,315,025)	(60,144,702)
Foreign exchange difference	470	474
TOTAL PROJECT EXPENDITURES AND OTHER FUNDS	2,502,317	1,421,738

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 Majagafadze
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
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

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

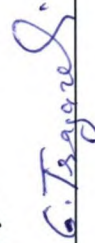
Statement of Expenditure Withdrawal Schedule for the year ended 31 December 2019:

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
23	28-Mar-19	1,438,222	1,302,372	135,850	135,850	-	-	-
24	27-May-19	2,820,056	-	2,820,056	2,812,025	8,031	-	-
49	23-Sep-19	2,565,422	-	2,565,422	2,200,619	-	364,803	-
65	15-Jul-19	1,482,478	-	1,000,437	756,760	35,841	207,836	482,041
		8,306,178	1,302,372	6,521,765	5,905,254	43,872	572,639	482,041

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

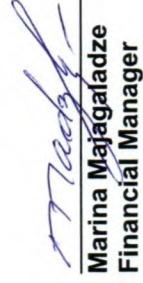
Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2017	Total SOE attributable to 2018	Attributable to 2018 – Component 1	Attributable to 2018 – Component 2	Attributable to 2018 – Component 3	Total SOE attributable to 2019 Unaudited
20	8-Jun-18	657,651	338,694	318,957	280,772	38,185	-	-
21	17-Sep-18	759,894	-	759,894	706,883	53,012	-	-
22	19-Dec-18	1,455,213	-	1,455,213	1,448,188	7,025	-	-
23	29-Mar-19	1,438,222	-	1,302,372	1,300,873	1,499	-	135,850
		4,310,980	338,694	3,836,436	3,736,716	99,721	-	135,850

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.

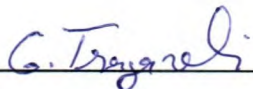
**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

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

Account No. 202250038
Depository Bank State Treasury
Address 16 V. Gorgasali street
Tbilisi, 0114
Georgia

Balance as at 1 January 2019	<u>1,421,738</u>
ADD	
Funds received from IBRD in 2019: Replenishments	9,437,277
Direct Payment:	<u>-</u>
DEDUCT	
Funds used for the Project expenditures in 2019 Funds used via Designated Accounts	8,356,698
Direct Payment	<u>-</u>
Balance as at 31 December 2019	<u>2,502,317</u>
Balance as at 1 January 2018	<u>1,382,927</u>
ADD	
Funds received from IBRD in 2018 Replenishment	8,206,672
Direct Payment:	<u>-</u>
	8,206,672
DEDUCT	
Funds used for the Project in 2018 ("IBRD")	(8,167,862)
Direct Payment	<u>-</u>
	(8,167,862)
Balance as at 31 December 2018	<u>1,421,738</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



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 THIRD SECONDARY AND LOCAL ROADS PROJECT LOAN NO. 8402-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 Third Secondary and Local Roads Project (SLRP III) (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"). The Loan Agreement No.8402-GE (the "Agreement") in the amount of USD Dollars ("USD") 75 Million was signed between the Government of Georgia ("GoG") and IBRD on 9 July 2014 ("Inception"). The main objectives of the loan are1 rehabilitation and improvement of about 200 kilometers of secondary and local roads, preparation of designs and supporting studies for future transport projects and strengthening the capacity of Government of Georgia, Road Department of the Ministry of Regional Development and Infrastructure of Georgia (RDMRD).

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
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-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

According to the terms of the Agreement, the expenditures of all works, goods and consultant services contracts, including all applicable taxes are co-financed by proceeds received from IBRD and the GoG at a proportional rate of 80% and 20%, respectively

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 4,000,000;
- (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
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-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	8,356,698
Expenses incurred in 2019 without Applications of Withdrawals Schedule	6,099,080
	<u>14,455,780</u>
 IBRD funds received in 2019	 15,536,359
Add:	
Opening Balance	
Designated account	1,421,738
	<u>1,421,738</u>
Less:	
Closing Balance	
Designated account	2,502,317
	<u>2,502,317</u>
 TOTAL EXPENDITURES INCURRED IN 2019	 <u>14,455,780</u>
	<u>31 December 2018</u>
Application of Withdrawals Schedule	
Expenses incurred in 2018 as per the Applications of Withdrawals Schedule	8,171,207
Expenses incurred in 2018 without Applications of Withdrawals Schedule	(3,345)
	<u>8,167,862</u>
 IBRD funds received in 2018	 8,206,672
Add:	
Opening Balance	
Designated account	1,382,927
	<u>1,382,927</u>
Less:	
Closing Balance	
Designated account	(1,421,738)
	<u>(1,421,738)</u>
 TOTAL EXPENDITURES INCURRED IN 2018	 <u>8,167,862</u>

**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-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 - Rehabilitation and Improvement of Selected Secondary and local Roads						
Civil Works	15,182,510	63,117,909	15,182,510	63,117,909	-	-
Land Cost	103,280	2,390,584	103,280	2,390,584	-	-
Consultancy and supervision and Design	1,625,070	11,032,750	1,625,070	11,032,750	-	-
TOTAL COMPONENT 1	16,910,860	76,541,243	16,910,860	76,541,243	-	-
Component 2 – Institutional Strengthening						
Project Management	113,494	423,385	113,494	423,385	-	-
Training	-	16,929	-	16,929	-	-
TOTAL COMPONENT 2	113,494	440,314	113,494	440,314	-	-
Component 3 – Road Safety Technical Assistance						
Road Safety Technical Assistance	1,145,968	1,145,968	1,145,968	1,145,968	-	-
TOTAL COMPONENT 3	1,145,968	1,145,968	1,145,968	1,145,968	-	-
TOTAL EXPENDITURES BY COMPONENTS	18,170,322	78,127,525	18,170,322	78,127,525	-	-
UNALLOCATED Front-End Fees("IBRD")	-	187,500	-	187,500	-	-
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500	-	-
TOTAL PROJECT EXPENDITURES	18,170,322	78,315,025	18,170,322	78,315,025	-	-

**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-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 - Rehabilitation and Improvement of Selected Secondary and local Roads						
Civil Works	6,136,940	47,935,399	6,136,940	47,935,399	-	-
Land Cost	216,286	2,287,304	216,286	2,287,304		
Consultancy and supervision and Design	3,958,878	9,407,680	3,958,878	9,407,680	-	-
TOTAL COMPONENT 1	10,312,104	59,630,383	10,312,104	59,630,383	-	-
Component 2 – Institutional Strengthening						
Project Management	113,563	309,891	113,564	309,891	-	-
Training	9,271	16,929	9,271	16,929	-	-
TOTAL COMPONENT 2	122,835	326,820	122,835	326,820	-	-
Component 3 – Road Safety Technical Assistance						
Road Safety Technical Assistance	-	-	-	-	-	-
TOTAL COMPONENT 3	-	-	-	-	-	-
TOTAL EXPENDITURES BY COMPONENTS	10,434,939	59,957,203	10,434,939	59,957,203	-	-
UNALLOCATED Front-End Fees("IBRD")	-	187,500	-	187,500	-	-
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500	-	-
TOTAL PROJECT EXPENDITURES	10,434,939	60,144,703	10,434,939	60,144,703	-	-

**TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-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:

- Rehabilitation and improvement of about 200 kilometers of secondary and local roads, through the carrying out of works and the provision of goods and consultant's services.
- Strengthening the capacity of the Road Department of the Ministry of Regional Development and Infrastructure of Georgia and Foreign Project Unit (FPU) in project management and implementation, identifying, developing and implementing road safety measures on secondary and local roads and carrying out impact evaluations.

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 SOE purposes: civil works, goods, consultant's 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.