

# **TRANSPORT REFORM AND REHABILITATION CENTER**

LOAN NO. 8788-GE  
(ADDITIONAL FINANCING EAST-WEST HIGHWAY  
CORRIDOR IMPROVEMENT PROJECT)

**Special Purpose Project Financial Statements**

**For the Year Ended 31 December 2019**

**TRANSPORT REFORM AND REHABILITATION CENTER  
ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8788-GE**

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**TRANSPORT REFORM AND REHABILITATION CENTER  
ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8788-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**

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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:

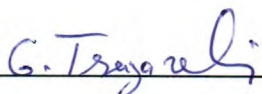
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis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

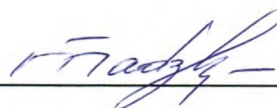
The special purpose project financial statements for the year ended 31 December 2019 were authorized for issue on 25 September 2020 by the Management.

**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 5713  
Internet www.kpmg.ge

## **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. 8788-GE, dated 2 April 2018, 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.



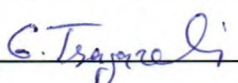


**TRANSPORT REFORM AND REHABILITATION CENTER  
 ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
 LOAN NO. 8788-GE**

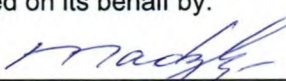
**STATEMENT OF SOURCES AND USES OF FUNDS  
 FOR THE YEAR ENDED 31 DECEMBER 2019  
 (in Euros)**

	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>
<b>FUNDS RECEIVED BY SOURCES</b>						
International Bank for Reconstruction and Development ("IBRD") funds	2,000,000	2,042,250				
Government of Georgia ("GoG") co-financing	3,996,268	5,814,072				
European Investment Bank ("EIB")	19,000,000	19,000,000				
<b>TOTAL FUNDS RECEIVED</b>	<b>24,996,268</b>	<b>26,856,322</b>				
<b>LESS: EXPENDITURES</b>						
Component 1 – Improvement and Asset Management ("IBRD")	1,982,616	1,982,616	1,982,616	1,982,616	-	-
<b>IBRD Total:</b>	<b>1,982,616</b>	<b>1,982,616</b>	<b>1,982,616</b>	<b>1,982,616</b>	-	-
Component 1 – Improvement and Asset Management ("GoG")	3,625,141	3,625,141	3,625,141	3,625,141	-	-
<b>GoG Total:</b>	<b>3,625,141</b>	<b>3,625,141</b>	<b>3,625,141</b>	<b>3,625,141</b>	-	-
Component 1 – Improvement and Asset Management ("EIB")	16,266,298	16,266,298	16,266,298	16,266,298	-	-
<b>EIB Total:</b>	<b>16,266,298</b>	<b>16,266,298</b>	<b>16,266,298</b>	<b>16,266,298</b>	-	-
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	<b>21,874,055</b>	<b>21,874,055</b>	<b>21,874,055</b>	<b>21,874,055</b>	-	-
<b>UNALLOCATED</b>						
Land Acquisition	311,652	2,000,432	311,652	2,000,432	-	-
Compensation for Land	27,561	156,585	27,561	156,585	-	-
Other	31,914	31,914	31,914	31,914	-	-
Front-End Fees ("IBRD")	-	42,250	-	42,250	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>371,127</b>	<b>2,231,181</b>	<b>371,127</b>	<b>2,231,181</b>	-	-
<b>TOTAL PROJECT EXPENDITURES</b>	<b>22,245,182</b>	<b>24,105,236</b>	<b>22,245,182</b>	<b>24,105,236</b>		
<b>NET FLOWS OF FUNDS</b>	<b>2,751,086</b>	<b>2,751,086</b>				

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  
 ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
 LOAN NO. 8788-GE**

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

	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>
<b>FUNDS RECEIVED BY SOURCES</b>						
International Bank for Reconstruction and Development ("IBRD") funds	42,250	42,250				
Government of Georgia ("GoG") co-financing	1,817,804	1,817,804				
European Investment Bank ("EIB")	-	-				
<b>TOTAL FUNDS RECEIVED</b>	<b>1,860,054</b>	<b>1,860,054</b>				
<b>LESS: EXPENDITURES</b>						
Component 1 – Improvement and Asset Management ("IBRD")	-	-	-	-	-	-
<b>IBRD Total:</b>	-	-	-	-	-	-
Component 1 – Improvement and Asset Management ("GoG")	-	-	-	-	-	-
<b>GoG Total:</b>	-	-	-	-	-	-
Component 1 – Improvement and Asset Management ("EIB")	-	-	-	-	-	-
<b>EIB Total:</b>	-	-	-	-	-	-
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	-	-	-	-	-	-
<b>UNALLOCATED</b>						
Land Acquisition	1,688,780	1,688,780	1,688,780	1,688,780	-	-
Compensation for Land	129,024	129,024	129,024	129,024		
Other	-	-	-	-		
Front-End Fees ("IBRD")	42,250	42,250	42,250	42,250		
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	-	-
<b>TOTAL PROJECT EXPENDITURES</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>		
<b>NET FLOWS OF FUNDS</b>	<b>-</b>	<b>-</b>				

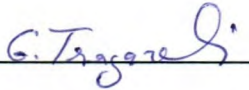
The notes on pages 7 to 14 form an integral part of these special purpose project financial statements.

**TRANSPORT REFORM AND REHABILITATION CENTER  
 ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
 LOAN NO. 8788-GE**

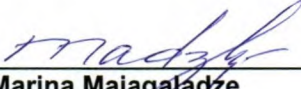
**STATEMENT OF BALANCE SHEET  
 FOR THE YEAR ENDED 31 DECEMBER 2019  
 (in Euros)**

	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>ASSETS</b>		
IBRD Designated account	2,751,086	-
<b>TOTAL ASSETS</b>	<b>2,751,086</b>	<b>-</b>
<b>Funds received:</b>		
Funds received from IBRD in 2019	2,042,250	42,250
Funds received from GoG in 2019	5,814,072	1,817,804
Funds received from EIB in 2019	19,000,000	-
<b>Total funds received</b>	<b>26,856,322</b>	<b>1,860,054</b>
<b>Project expenditures:</b>		
Financed by IBRD in 2019	1,982,616	-
Financed by GoG in 2019	5,814,072	1,817,804
Financed by EIB in 2019	16,266,298	-
Unallocated in 2019 ("IBRD")	42,250	42,250
<b>Total project expenditures</b>	<b>24,105,236</b>	<b>1,860,054</b>
<b>TOTAL PROJECT EXPENDITURES AND OTHER FUNDS</b>	<b>2,751,086</b>	<b>-</b>

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  
ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8788-GE**

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

*Statement of Expenditure Withdrawal Schedule for the period from 1 January 2019 to 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 <i>Unaudited</i>
3	5-Mar-19	-	-	-	-	-	-	-
		-	-	-	-	-	-	-

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.

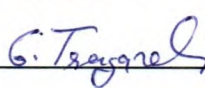
**TRANSPORT REFORM AND REHABILITATION CENTER  
 ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
 LOAN NO.8788-GE**

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

Account No. 202258247  
 Depository Bank State Treasury  
 Address 16 V. Gorgasali street  
 Tbilisi, 0114  
 Georgia

<b>Balance as at 1 January 2019</b>	-
<b>ADD</b>	
Funds received from IBRD:	2,000,000
Direct Payment:	-
<b>DEDUCT</b>	
Funds used for the Project in 2019 ("IBRD")	(1,982,616)
Direct Payment	-
<b>Balance as at 31 December 2019</b>	<b>17,384</b>
<b>Balance as at 2 April 2018</b>	-
<b>ADD</b>	
Funds received from IBRD:	-
Funds received from EIB:	-
Direct Payment:	-
<b>DEDUCT</b>	
Funds used for the Project in 2019 ("IBRD")	-
Funds used for the Project in 2019 ("EIB")	-
Direct Payment	-
<b>Balance as at 31 December 2018</b>	-
<b>Balance as at 1 January 2019</b>	-
<b>ADD</b>	
Funds received from EIB:	19,000,000
Direct Payment:	-
<b>DEDUCT</b>	
Funds used for the Project in 2019 ("EIB")	(16,266,298)
Direct Payment	-
<b>Balance as at 31 December 2019</b>	<b>2,733,702</b>

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 ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT LOAN NO.8788-GE

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

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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 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.8788-GE (the "Agreement") in the amount of (EUR) 16.9 million was signed between the Government of Georgia ("GoG") and IBRD on 2 April 2018 ("inception"). The main objectives of the Project are upgrading of existing 11 km 2-lane East-West Highway Corridor to a 2-lane dual carriageway road, from Chumateleti to Khevi. 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 EURO ("EUR"), in conformity with World Bank Guidelines. All financial information presented in EUR has been rounded to the nearest EUR unless otherwise stated.

**Transactions in other currencies** – Transactions in currencies other than presentation currency are converted to EUR 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  
ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8788-GE**

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

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**3. DESIGNATED ACCOUNT**

Designated account is a designated disbursement account of the Project that is maintained in Euros 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 EUR 109.7 million. The part of the expenditures of works, goods, non-consulting services, consultant services, training and incremental operating costs, including all applicable taxes amounted to EUR 16.9 million is co-financed by proceeds received from IBRD. The balance of EUR 75.9 million, which is 69% of the total Project cost is co-financed by proceeds received from European Investment Bank (EIB) and the remaining amount EUR 16.9 million 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 200,000;
- (iii) Consultant services contracts (individuals) valued at less than USD 50,000;
- (iv) All expenditures for goods and non-consulting services valued at less than USD 300,000.



**TRANSPORT REFORM AND REHABILITATION CENTER  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2019  
 (in Euros)**

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

	<b>31 December 2019</b>
<b>Application of Withdrawals Schedule</b>	
Expenses incurred in 2019 as per the Applications of Withdrawals Schedule	1,982,616
	<u>1,982,616</u>
IBRD funds received in 2019	2,000,000
<b>Add:</b>	
<b>Opening Balance</b>	
Designated account	-
	<u>-</u>
<b>Less:</b>	
<b>Closing Balance</b>	
Designated account	17,384
	<u>-</u>
<b>TOTAL EXPENDITURES INCURRED IN 2019</b>	<u><b>1,982,616</b></u>
	<b>31 December 2018</b>
<b>Application of Withdrawals Schedule</b>	
Expenses incurred from 2 April 2018 to 31 December 2018 as per the Applications of Withdrawals Schedule	-
Expenses incurred from 2 April 2018 to 31 December 2018 without Applications of Withdrawals Schedule	-
	<u>-</u>
IBRD funds received in from 2 April 2018 to 31 December 2018	42,250
Fronnd and fees	(42,250)
<b>Add:</b>	
<b>Opening Balance</b>	
Designated account	-
	<u>-</u>
<b>Less:</b>	
<b>Closing Balance</b>	
Designated account	-
	<u>-</u>
<b>TOTAL EXPENDITURES INCURRED IN 2018</b>	<u><b>-</b></u>

**TRANSPORT REFORM AND REHABILITATION CENTER  
 ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2019  
 (in Euros)**

**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>
<b>Component 1 - Rehabilitation and Improvement of Selected Secondary and local Roads</b>						
Upgrading 11 km From Chumateleti to Khevi	21,699,895	21,699,895	21,699,895	21,699,895	-	-
Construction Supervision	174,160	174,160	174,160	174,160	-	-
<b>TOTAL COMPONENT 1 TOTAL EXPENDITURES BY COMPONENTS</b>	<b>21,874,055</b>	<b>21,874,055</b>	<b>21,874,055</b>	<b>21,874,055</b>	<b>-</b>	<b>-</b>
<b>UNALLOCATED</b>						
Land Acquisition	311,652	2,000,432	311,652	2,000,432	-	-
Compensation For land	27,561	156,585	27,561	156,585	-	-
Other	31,914	31,914	31,914	31,914	-	-
FronD-End Fees ("IBRD")	-	42,250	-	42,250	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>371,127</b>	<b>2,231,181</b>	<b>371,127</b>	<b>2,231,181</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROJECT EXPENDITURES</b>	<b>22,245,182</b>	<b>24,105,236</b>	<b>22,245,182</b>	<b>24,105,236</b>	<b>-</b>	<b>-</b>



**TRANSPORT REFORM AND REHABILITATION CENTER  
ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8788-GE**

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

Project activities	Actual as at		Planned as at		Variance	
	31 December 2018		31 December 2018		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>
<b>Component 1 - Rehabilitation and Improvement of Selected Secondary and local Roads</b>						
Upgrading 11 km From Chumateleti to Khevi	-	-	-	-	-	-
Construction Supervision	-	-	-	-	-	-
<b>TOTAL COMPONENT 1 TOTAL EXPENDITURES BY COMPONENTS</b>	<b>21,874,056</b>	<b>21,874,056</b>	<b>21,874,056</b>	<b>21,874,056</b>	-	-
<b>UNALLOCATED</b>						
Land Acquisition	1,688,780	1,688,780	1,688,780	1,688,780	-	-
Compensation For land	129,024	129,024	129,024	129,024	-	-
Front-End Fees ("IBRD")	42,250	42,250	42,250	42,250	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	-	-
<b>TOTAL PROJECT EXPENDITURES</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	<b>1,860,054</b>	-	-

The Project consists of the following main components:

- Upgrading of approximately 11.0 km of the existing two-lane East-West Highway Corridor to a two-lane dual carriageway from Chumateleti to Khevi. The section of around 11 km to be upgraded runs through mountainous terrain, thus requiring many structural works including eleven bridges, one new tunnel and the construction of the second tube of Rikoti Tunnel for the west to east traffic direction. Construction of the new tunnels and other structures in difficult topographic and geological conditions requires a through traffic management plan to avoid traffic interruption, as there is no alternative road in that area.
- Strengthening the Roads Department's Intelligent Transport System (ITS) Unit, including design and installation of the Intelligent Transport System (ITS) priority equipment along the priority sections of the East West Highway Corridor that will provide traffic information and reduce traffic congestion, hence fuel consumption and GHG emissions. 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.

**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.

**TRANSPORT REFORM AND REHABILITATION CENTER  
ADDITIONAL FINANCING EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8788-GE**

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

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**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.