

# **TRANSPORT REFORM AND REHABILITATION CENTER**

LOAN NO. 8263-GE  
(FOURTH EAST-WEST HIGHWAY IMPROVEMENT  
PROJECT)

**Special Purpose Project Financial Statements**

**For the period from 1 January 2019 to 15 July 2020**

**TRANSPORT REFORM AND REHABILITATION CENTER  
EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
LOAN NO.8263-GE**

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**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION  
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020**

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Management of the Fourth East-West Highway 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 15 July 2020, and its sources and uses of funds and movement in Designated account for the period from 1 January 2019 to 15 July 2020, 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:

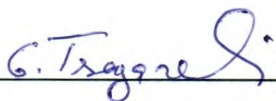
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis 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 period from 1 January 2019 to 15 July 2020 were authorized for issue on 25 September 2020 by the Management.

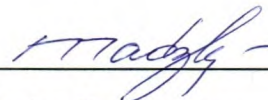
**On behalf of Management:**



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**Giorgi Tsagareli**  
Director

25 September 2020



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**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  
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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 Fourth East-West Highway Improvement Project (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"), Loan Agreement No. 8263-GE, dated 6 June 2013, implemented by the Transport Reform and Rehabilitation Center (the "Center"), which comprise the Statement of Balance Sheet as at 15 July 2020 and the Statements of Sources and Uses of Funds, Expenditure Withdrawal Schedule ("SOEs") and Designated Account for the period from 1 January 2019 to 15 July 2020, 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 15 July 2020, and its sources and uses of funds for the period from 1 January 2019 to 15 July 2020 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

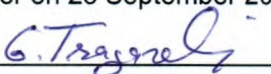


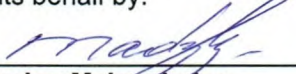
**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(in US Dollars)**

	Actual as at 15 July 2020		Planned as at 15 July 2020		Variance	
	Period to date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			Unaudited	Unaudited	Unaudited	Unaudited
<b>FUNDS RECEIVED BY SOURCES</b>						
International Bank for Reconstruction and Development ("IBRD") funds	5,459,495	35,812,430				
Government of Georgia ("GoG") co-financing	1,418,621	8,744,826				
<b>TOTAL FUNDS RECEIVED</b>	<b>6,878,116</b>	<b>44,557,256</b>				
<b>FUNDS RETURNED BY SOURCES</b>						
International Bank for Reconstruction and Development ("IBRD") funds	789,365	789,365				
Government of Georgia ("GoG") co-financing	2,690	2,690				
<b>TOTAL FUNDS RETURNED</b>	<b>792,055</b>	<b>792,055</b>				
<b>NET FUNDS RECEIVED/RETURNED BY SOURCES</b>	<b>6,086,061</b>	<b>43,765,201</b>				
<b>LESS: EXPENDITURES</b>						
Component 1 - Improvement and asset management of the East West Highway (IBRD - 80%)	2,039,234	19,668,469	2,039,234	19,668,469	-	-
Component 2 - Institutional Strengthening for MRDI and RD (IBRD - 80%)	62,415	332,029	62,415	332,029	-	-
Component 3 - Preparations of supporting studies for future projects (IBRD - 80%)	3,399,230	14,329,150	3,399,230	14,329,150	-	-
Component 4 - Project management Support (IBRD - 80%)	159,790	597,819	159,790	597,819	-	-
<b>IBRD TOTAL</b>	<b>5,660,669</b>	<b>34,927,467</b>	<b>5,660,669</b>	<b>34,927,467</b>	-	-
Component 1 - Improvement and asset management of the East West Highway (GoG -20%)	508,328	4,866,283	508,328	4,866,283	-	-
Component 2 - Institutional Strengthening for MRDI and RD (GoG - 20%)	15,616	83,021	15,616	83,021	-	-
Component 3 - Preparations of supporting studies for future projects (GoG - 20%)	834,602	3,588,955	834,602	3,588,955	-	-
Component 4 - Project management support (GoG - 20%)	44,440	179,765	44,440	179,765	-	-
<b>GoG TOTAL</b>	<b>1,402,986</b>	<b>8,718,024</b>	<b>1,402,986</b>	<b>8,718,024</b>	-	-
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	<b>7,063,655</b>	<b>43,645,491</b>	<b>7,063,655</b>	<b>43,645,491</b>	-	-
<b>UNALLOCATED</b>						
Contracts without Component by("GOG")	11,119	22,282	11,119	22,282	-	-
Contracts without Component ("IBRD")	599	599	599	599	-	-
Front end Fees	-	95,000	-	95,000	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>11,718</b>	<b>117,881</b>	<b>11,718</b>	<b>117,881</b>	-	-
<b>TOTAL PROJECT EXPENDITURES</b>	<b>7,075,373</b>	<b>43,763,372</b>	<b>7,075,373</b>	<b>43,763,372</b>	-	-
<b>Foreign Exchange Difference</b>	<b>4,523</b>	<b>1,829</b>				
<b>NET FLOWS OF FUNDS</b>	<b>(993,835)</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  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**STATEMENT OF SOURCES AND USES OF FUNDS  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(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>
<b>FUNDS RECEIVED BY SOURCES</b>						
International Bank for Reconstruction and Development ("IBRD") funds	4,998,785	30,352,935				
Government of Georgia ("GoG") co-financing	1,869,608	7,326,205				
<b>TOTAL FUNDS RECEIVED</b>	<b>6,868,393</b>	<b>37,679,140</b>				
<b>LESS: EXPENDITURES</b>						
Component 1 - Improvement and asset management of the East West Highway (IBRD - 80%)	1,161,668	17,629,235	1,161,668	17,629,235	-	-
Component 2 - Institutional Strengthening for MRDI and RD (IBRD - 80%)	60,570	269,614	60,570	269,614	-	-
Component 3 - Preparations of supporting studies for future projects (IBRD - 80%)	5,624,837	10,929,920	5,624,837	10,929,920	-	-
Component 4 - Project management Support (IBRD - 80%)	220,535	438,029	220,535	438,029	-	-
<b>IBRD TOTAL</b>	<b>7,067,610</b>	<b>29,266,798</b>	<b>7,067,610</b>	<b>29,266,798</b>	<b>-</b>	<b>-</b>
Component 1 - Improvement and asset management of the East West Highway (GoG -20%)	311,659	4,357,955	311,659	4,357,955	-	-
Component 2 - Institutional Strengthening for MRDI and RD (GoG - 20%)	15,142	67,404	15,142	67,404	-	-
Component 3 - Preparations of supporting studies for future projects (GoG - 20%)	1,471,834	2,754,353	1,471,834	2,754,353	-	-
Component 4 - Project management support (GoG - 20%)	59,805	135,325	59,805	135,325	-	-
<b>GoG TOTAL</b>	<b>1,858,440</b>	<b>7,315,037</b>	<b>1,858,440</b>	<b>7,315,037</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	<b>8,926,050</b>	<b>36,581,835</b>	<b>8,926,050</b>	<b>36,581,835</b>	<b>-</b>	<b>-</b>
<b>UNALLOCATED</b>						
Contracts without Component by PP	11,163	11,163	11,163	11,163	-	-
Front end Fees ("IBRD")	-	95,000	-	95,000	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>11,163</b>	<b>106,163</b>	<b>11,163</b>	<b>106,163</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROJECT EXPENDITURES</b>	<b>8,937,213</b>	<b>36,687,998</b>	<b>8,937,213</b>	<b>36,687,998</b>	<b>-</b>	<b>-</b>
<b>Foreign Exchange Difference</b>	<b>2,684</b>	<b>2,694</b>				
<b>NET FLOWS OF FUNDS</b>	<b>(2,066,136)</b>	<b>993,836</b>				

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

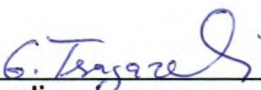
**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**STATEMENT OF BALANCE SHEET  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(in US Dollars)**


	<u>15 July 2020</u>	<u>31 December 2018</u>
<b>ASSETS</b>		
IBRD Designated account	-	993,835
<b>TOTAL ASSETS</b>	<u>-</u>	<u>993,835</u>
<b>Funds received:</b>		
Funds received from IBRD	35,812,430	30,352,935
Funds received from GoG	8,744,826	7,326,205
<b>Total funds received</b>	<u>44,557,256</u>	<u>37,679,140</u>
<b>Funds returned:</b>		
Funds returned to IBRD*	(789,365)	-
Funds returned to GoG*	(2,690)	-
<b>Total funds returned</b>	<u>(792,055)</u>	<u>-</u>
<b>Project expenditures:</b>		
Financed by IBRD	(35,023,066)	(29,361,794)
Financed by GoG	(8,740,306)	(7,326,205)
<b>Total project expenditures</b>	<u>(43,763,372)</u>	<u>(36,687,998)</u>
Foreign exchange difference	1,829	(2,694)
<b>TOTAL PROJECT EXPENDITURES AND OTHER FUNDS</b>	<u>-</u>	<u>993,835</u>

\* As the Loan Agreement No.8263-GE expired on 15 July 2020, the Center returned unutilized funds received to IBRD and GoG, respectively.

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  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(in US Dollars)**

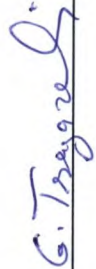
*Statement of Expenditure Withdrawal Schedule for the period from 1 January 2019 to 15 July 2020:*

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE		Attributable to 2019 Component 1	Attributable to 2019 Component 2	Attributable to 2019 Component 3	Attributable to 2019 Component 4	Total SOE attributable to 2020 Unaudited
			attributable to 2018	attributable to 2019					
9	26-Mar-19	1,311,969	932,908	379,061	379,061	-	-	-	
19	23-Jun-20	1,110,783	140,557	871,427	781,935	4,584	31,415	53,492	
		<b>2,422,752</b>	<b>1,073,464</b>	<b>1,250,488</b>	<b>1,160,996</b>	<b>4,584</b>	<b>31,415</b>	<b>53,492</b>	


*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 2018 Component 1	Attributable to 2018 Component 2	Attributable to 2018 Component 3	Attributable to 2018 Component 4	Total SOE attributable to 2019 Unaudited
			attributable to 2017	attributable to 2018					
8	11-Jun-18	338,850	226,952	111,898	111,898	-	-	-	
9	27-Mar-19	1,311,969	-	927,764	927,764	-	-	379,061	
		<b>1,650,819</b>	<b>226,952</b>	<b>1,044,806</b>	<b>1,039,662</b>	<b>-</b>	<b>5,144</b>	<b>379,061</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  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

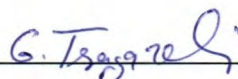
**DESIGNATED ACCOUNT STATEMENT  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(in US Dollars)**

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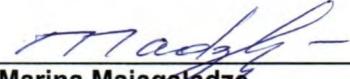
**Account No.** 202250038  
**Depository Bank** State Treasury  
**Address** 16 V. Gorgasali street  
Tbilisi, 0114  
Georgia

<b>Balance as at 1 January 2019</b>	<u>993,835</u>
<b>ADD</b>	
Funds received from IBRD for the period from 1 January 2019 to 15 July 2020	4,290,750
Replenishments:	<u>                    </u>
<b>DEDUCT</b>	
Funds returned to IBRD in 2019	(789,365)
Funds returned to GoG in 2019	(2,691)
Funds used for the Project expenditures in 2019	<u>(4,492,529)</u>
<b>Balance as at 15 July 2020</b>	<u><u>                    -</u></u>
<b>Balance as at 1 January 2018</b>	<u>3,059,972</u>
<b>ADD</b>	
Funds received from IBRD in 2018	
Amount returned back by the contractor	4,998,785
Foreign exchange difference in 2018	<u>2,689</u>
<b>DEDUCT</b>	
Funds used for the Project expenditures in 2018	<u>(7,067,610)</u>
<b>Balance as at 31 December 2018</b>	<u><u>993,835</u></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  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENT  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(in US Dollars)**

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The Project consists of the following main components:

- Upgrading of approximately 12 km of the existing 2-lane E60 East-West Highway through the construction of a 2-lane dual carriageway from Agara to Zemo Osiauri including interchanges, two bridges, several overpasses and underpasses and approximately 3.4 km of riverbank protection
- Institutional support to the Road Department of the Ministry of Regional Development and infrastructure (RDMI) of Georgia and the Center related to the Project Management, financial audits and Project monitoring and evaluation through the provision of goods and consultant's services.

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 15 July 2020 and for the period from 1 January 2019 to 15 July 2020.

**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.

**TRANSPORT REFORM AND REHABILITATION CENTER  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENT  
FOR THE PERIOD FROM 1 JANUARY 2019 TO 15 JULY 2020  
(in US Dollars)**

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**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 GoG at a proportional rate of 80% and 20%, respectively.

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 for the period from 1 January 2019 to 15 July 2020 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 100,000;
- (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  
FOURTH EAST-WEST HIGHWAY IMPROVEMENT PROJECT  
LOAN No.8263-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENT  
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(in US Dollars)**

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

	<u>15 July 2019</u>
<b>Application of Withdrawals Schedule</b>	
Expenses incurred for the period from 1 January 2019 to 15 July 2020 as per the Applications of Withdrawals Schedule	4,492,529
Expenses incurred in 2019 without Applications of Withdrawals Schedule	-
	<u><b>4,492,529</b></u>
IBRD funds received in 2019 (replenishments)	4,290,750
IBRD funds returned in 2019	(789,365)
GoG funds returned in 2019	(2,691)
	<u><b>3,498,694</b></u>
<b>Add:</b>	
<b>Opening Balance</b>	
Designated account	993,835
	<u><b>993,835</b></u>
<b>Less:</b>	
<b>Closing Balance</b>	
Designated account	-
	<u><b>-</b></u>
<b>TOTAL EXPENDITURES INCURRED IN 2019</b>	<u><b>4,492,529</b></u>
	<u><b>31 December 2018</b></u>
<b>Application of Withdrawals Schedule</b>	
Expenses incurred in 2018 as per the Applications of Withdrawals Schedule	6,741,278
Expenses incurred in 2018 without Applications of Withdrawals Schedule	326,332
	<u><b>7,067,610</b></u>
IBRD funds received in 2018	4,998,785
Foreign exchange difference in 2018	2,689
	<u><b>5,001,474</b></u>
<b>Add:</b>	
<b>Opening Balance</b>	
Designated account	3,059,972
	<u><b>3,059,972</b></u>
<b>Less:</b>	
<b>Closing Balance</b>	
Designated account	993,836
	<u><b>993,836</b></u>
<b>TOTAL EXPENDITURES INCURRED IN 2018</b>	<u><b>7,067,610</b></u>

**TRANSPORT REFORM AND REHABILITATION CENTER  
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**8. PROJECT EXPENDITURES BY COMPONENTS**

Project activities	Actual as at 15 July 2020		Planned as at 15 July 2020		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>
<b>Component 1 - Rehabilitation and Improvement of Selected Secondary and Local</b>						
Civil works	2,451,528	22,403,854	2,451,528	22,403,854	-	-
Land Acquisition	-	104,523	-	104,523	-	-
Technical Supervision	96,034	2,026,375	96,034	2,026,375	-	-
<b>TOTAL COMPONENT 1</b>	<b>2,547,562</b>	<b>24,534,752</b>	<b>2,547,562</b>	<b>24,534,752</b>	-	-
<b>Component 2 - Institutional Strengthening</b>						
Training	255	38,156	255	38,156	-	-
Consultancy	77,776	376,894	77,776	376,894	-	-
<b>TOTAL COMPONENT 2</b>	<b>78,031</b>	<b>415,050</b>	<b>78,031</b>	<b>415,050</b>	-	-
<b>Component 3 -Consulting Services</b>						
Consultancy	4,233,832	17,918,105	4,233,832	17,918,105	-	-
<b>TOTAL COMPONENT 3</b>	<b>4,233,832</b>	<b>17,918,105</b>	<b>4,233,832</b>	<b>17,918,105</b>	-	-
<b>Component 4 – Project Management Support</b>						
Goods & Services for RDMRDI	77,874	361,869	77,874	361,869	-	-
TRRC fees and operating costs	126,356	415,715	126,356	415,715	-	-
<b>TOTAL COMPONENT 4</b>	<b>204,230</b>	<b>777,584</b>	<b>204,230</b>	<b>777,584</b>	-	-
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	<b>7,063,655</b>	<b>43,645,491</b>	<b>7,063,655</b>	<b>43,645,491</b>	-	-
<b>Unallocated</b>						
Front End Fees ("IBRD")	-	95,000	-	95,000	-	-
Contract without Component ("IBRD")	599	599	599	599	-	-
Contract without Component ("GOG")	11,119	22,282	11,119	22,282	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>11,718</b>	<b>117,881</b>	<b>11,718</b>	<b>117,881</b>	-	-
<b>TOTAL PROJECT EXPENDITURES</b>	<b>7,075,373</b>	<b>43,763,372</b>	<b>7,075,373</b>	<b>43,763,372</b>	-	-

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Project activities	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>
<b>Component 1 - Rehabilitation and Improvement of Selected Secondary and Local</b>						
Civil works	1,266,636	19,952,325	1,266,636	19,952,325	-	-
Land Acquisition	20,567	104,523	20,567	104,523	-	-
Technical Supervision	186,124	1,930,341	186,124	1,930,341	-	-
<b>TOTAL COMPONENT 1</b>	<b>1,473,327</b>	<b>21,987,189</b>	<b>1,473,327</b>	<b>21,987,189</b>	-	-
<b>Component 2 -Institutional Strengthening</b>						
Training	1,844	37,902	1,844	37,902	-	-
Consultancy	73,867	299,117	73,867	299,117	-	-
<b>TOTAL COMPONENT 2</b>	<b>75,711</b>	<b>337,019</b>	<b>75,711</b>	<b>337,019</b>	-	-
<b>Component 3 -Consulting Services</b>						
Consultancy	7,096,672	13,684,274	7,096,672	13,684,274	-	-
<b>TOTAL COMPONENT 3</b>	<b>7,096,672</b>	<b>13,684,274</b>	<b>7,096,672</b>	<b>13,684,274</b>	-	-
<b>Component 4 – Project Management Support</b>						
Goods & Services for RDMDRI	143,889	283,995	143,889	283,995	-	-
TRRC fees and operating costs	136,451	289,359	136,451	289,359	-	-
Contract without Component	11,163	11,163	11,163	11,163	-	-
<b>TOTAL COMPONENT 4</b>	<b>291,503</b>	<b>584,517</b>	<b>291,503</b>	<b>584,517</b>	-	-
<b>TOTAL EXPENDITURES BY COMPONENTS</b>	<b>8,937,213</b>	<b>36,592,998</b>	<b>8,937,213</b>	<b>36,592,998</b>	-	-
<b>Unallocated</b>						
Front End Fees("IBRD")	-	95,000	-	95,000	-	-
<b>TOTAL UNALLOCATED EXPENDITURES</b>	<b>-</b>	<b>95,000</b>	<b>-</b>	<b>95,000</b>	<b>-</b>	<b>-</b>
<b>TOTAL PROJECT EXPENDITURES</b>	<b>8,937,213</b>	<b>36,687,998</b>	<b>8,937,213</b>	<b>36,687,998</b>	<b>-</b>	<b>-</b>

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<b>Add:</b>	
<b>Opening Balance</b>	
Designated account	993,835
	<u><b>993,835</b></u>
<b>Less:</b>	
<b>Closing Balance</b>	
Designated account	-
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<b>TOTAL EXPENDITURES INCURRED IN 2019</b>	<u><b>4,492,529</b></u>
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