

**LEPL EURASIAN TRANSPORT
CORRIDOR INVESTMENT
CENTER / TRANSPORT
REFORM AND
REHABILITATION CENTER**

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

Special Purpose Project Financial Statements

For the Period from 1 January 2021 to 9 May 2022

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER/
TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS REHABILITATION
LOAN NO.8402-GE**

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**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / 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 PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022**

Management of the Third Secondary And Local Roads Project (the "Project") implemented by the LEPL Eurasian Transport Corridor Investment Center ("ETCIC") / Transport Reform and Rehabilitation Center ("TRRC") is responsible for the preparation of the special purpose project financial statements that present fairly the statement of balance sheet of the Project, the statement of sources and uses of funds, the statements of expenditure withdrawal schedule and movement in designated account for the period from 1 January 2021 to 9 May 2022, and notes comprising a summary of significant accounting policies and other explanatory information 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:

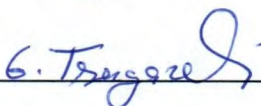
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IPSAS – Cash Basis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

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 2021 to 9 May 2022 were authorized for issue on 30 June 2022 by the Management.

On behalf of Management:



Giorgi Tsagareli
Director

30 June 2022



Marina Majagaladze
Financial Manager

30 June 2022



KPMG Georgia LLC
5th Floor GMT Plaza
Mtatsminda District, Liberty Square N4 (plot 66/4)
0105 Tbilisi, Georgia
IN 404437695
Telephone +995 322 93 5713
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Independent Auditors' Report on Special Purpose Project Financial Statements

To the Management of LEPL Eurasian Transport Corridor Investment Center / 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 LEPL Eurasian Transport Corridor Investment Center / Transport Reform and Rehabilitation Center (the "Center"), which comprise the Statement of Balance Sheet as at 9 May 2022, the Statements of Sources and Uses of Funds, Expenditure Withdrawal Schedule ("SOEs") and Designated Account for the period from 1 January 2021 to 9 May 2022, 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 9 May 2022, and its sources and uses of funds for the period from 1 January to 9 May 2022 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements that are relevant to our audit of the special purpose project financial statements in Georgia and we have fulfilled our other ethical responsibilities in accordance with 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

Planned and prospective 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:

Vakhtang Kezheradze

KPMG Georgia LLC
Tbilisi, Georgia
30 June 2022

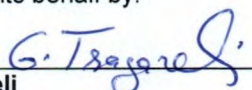


**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE PERIOD FROM 1 JANUARY TO 9 MAY 2022
(in US Dollars)**

	Actual as at 9 May 2022		Planned as at 9 May 2022		Variance	
	Period to date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			Unaudited	Unaudited	Unaudited	Unaudited
FUNDS RECEIVED BY SOURCES						
International Bank for Reconstruction and Development ("IBRD") funds	4,927,112	70,826,706				
Government of Georgia ("GoG") co-financing	1,743,924	21,529,907				
TOTAL FUNDS RECEIVED	6,671,036	92,356,613				
Foreign exchange differences	3,497	3,027				
LESS: EXPENDITURES						
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (IBRD - 80%)	4,365,899	66,308,519	4,365,899	66,308,439	-	-
Component 2 – Institutional Strengthening and Project Management (IBRD - 80%)	74,834	520,105	74,834	520,105	-	-
Component 3_Road Safety Technical Assistance	893,958	3,810,582	893,958	3,810,582	-	-
IBRD Total:	5,334,691	70,639,206	5,334,691	70,639,126	-	-
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (GoG -20%)	1,392,309	20,339,402	1,392,309	20,339,482	-	-
Component 2 – Institutional Strengthening and Project Management (GoG - 20%)	125,535	237,559	125,535	237,559	-	-
Component 3_Road Safety Technical Assistance	223,160	949,919	223,160	949,919	-	-
GoG Total:	1,741,004	21,526,880	1,740,004	21,526,960	-	-
TOTAL EXPENDITURES BY COMPONENTS	7,075,695	92,166,086	7,075,695	92,166,086	-	-
UNALLOCATED						
Front-End Fees	-	187,500	-	187,500	-	-
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500	-	-
TOTAL PROJECT EXPENDITURES	7,075,695	92,353,586	7,075,695	92,353,586		
NET FLOWS OF FUNDS	(408,156)	-				

The special purpose project financial statements were approved by the management of LEPL Eurasian Transport Corridor Investment Center / Transport Reform and Rehabilitation Center on 30 June 2022 and were signed on its behalf by:


Giorgi Tsagareli
Director

30 June 2022


Marina Majagaladze
Financial Manager

30 June 2022

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

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / TRANSPORT
REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

**STATEMENT OF SOURCES AND USES OF FUNDS
FOR THE PERIOD FROM 1 JANUARY TO 9 MAY 2022
(in US Dollars)**

	Actual as at 31 December 2020		Planned as at 31 December 2020		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	2,621,558	65,899,594				
Government of Georgia ("GoG") co-financing	2,247,147	19,785,983				
TOTAL FUNDS RECEIVED	4,868,705	85,685,577				
Foreign exchange differences	-	(470)				
LESS: EXPENDITURES						
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (IBRD - 80%)	2,622,280	61,942,620	2,622,280	61,942,620	-	-
Component 2 – Institutional Strengthening and Project Management (IBRD - 80%)	93,636	445,271	93,636	445,271		
Component 3_Road Safety Technical Assistance	1,999,803	2,916,624	1,999,803	2,916,623		
IBRD Total:	4,715,719	65,304,515	4,715,719	65,304,515		
Component 1 – Rehabilitation and Improvement of Selected Secondary and Local Roads (GoG -20%)	1,726,190	18,947,093	1,726,190	18,947,093	-	-
Component 2 – Institutional Strengthening and Project Management (GoG - 20%)	23,345	112,024	23,345	112,024	-	-
Component 3_Road Safety Technical Assistance	497,612	726,759	497,612	726,759	-	-
GoG Total:	2,247,147	19,785,876	2,247,147	19,785,876		
TOTAL EXPENDITURES BY COMPONENTS	6,962,866	85,090,391	6,962,866	85,090,391		
UNALLOCATED						
Front-End Fees	-	187,500	-	187,500		
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500		
TOTAL PROJECT EXPENDITURES	6,962,866	85,277,891	6,962,866	85,277,891		
NET FLOWS OF FUNDS	(2,094,161)	408,156				

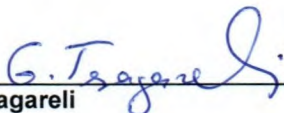
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**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / TRANSPORT
REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

**STATEMENT OF BALANCE SHEET
FOR THE PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(in US Dollars)**

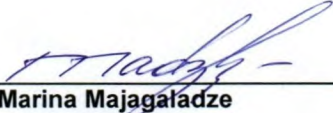
	9 May 2022	31 December 2020
ASSETS		
IBRD Designated account	-	408,156
TOTAL ASSETS	-	408,156
Funds received:		
Funds received from IBRD	70,826,706	65,899,594
Funds received from GoG	21,529,907	19,785,983
Total funds received	92,356,613	85,685,577
Project expenditures:		
Financed by IBRD	(70,639,206)	(65,304,515)
Financed by GoG	(21,526,880)	(19,785,876)
Unallocated	(187,500)	(187,500)
Total project expenditures	(92,353,586)	(85,277,891)
Foreign exchange difference	(3,027)	470
TOTAL PROJECT EXPENDITURES AND OTHER FUNDS	-	408,156

The special purpose project financial statements were approved by the management of LEPL Eurasian Transport Corridor Investment Center / Transport Reform and Rehabilitation Center on 30 June 2022 and were signed on its behalf by:



Giorgi Tsagareli
Director

30 June 2022



Marina Majagaladze
Financial Manager

30 June 2022

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

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / TRANSPORT REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

**STATEMENT OF EXPENDITURE WITHDRAWAL SCHEDULE
FOR THE PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(in US Dollars)**

Statement of Expenditure Withdrawal Schedule for the period from 1 January 2021 to 9 May 2022:

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2020	Total SOE attributable for the period from 1 January 2021 till 9 May 2022	Attributable to 2021-2022 Component 1	Attributable to 2021-2022 Component 2	Attributable to 2021 - 2022 Component 3
104	5-Feb-21	514,628	512,703	1,925	-	1,935	-
152	26-Oct-21	47,870	-	47,780	-	9,133	38,737
171	15-Apr-22	3,647	-	3,647	-	2,647	-
		566,145	512,703	53,442	-	24,573	38,737

Statement of Expenditure Withdrawal Schedule for the year ended 31 December 2020:

Withdrawal No.	Withdrawal application date	Total SOE in withdrawal schedule	Total SOE attributable to 2019	Total SOE attributable to 2020	Attributable to 2020 Component 1	Attributable to 2020 Component 2	Attributable to 2020 - Component 3	Total SOE attributable to 2021
49	23-Sep-19	2,565,422	2,565,422	-	-	-	-	-
65	15-Jul-20	1,482,478	1,000,437	482,041	223,679	31,857	226,505	-
104	5-Feb-21	514,628	-	512,703	34,502	-	478,201	1,925
		4,562,528	3,565,859	994,744	258,181	31,857	704,706	1,926

The special purpose project financial statements were approved by the management of LEPL Eurasian Transport Corridor Investment Center / Transport Reform and Rehabilitation Center on 30 June 2022 and were signed on its behalf by:


Giorgi Tsagareli
Director

30 June 2022


Marina Majagaladze
Financial Manager

30 June 2022

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

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / TRANSPORT
REFORM AND REHABILITATION CENTER
THIRD SECONDARY AND LOCAL ROADS PROJECT
LOAN NO. 8402-GE**

**STATEMENT OF DESIGNATED ACCOUNT
FOR THE PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(in US Dollars)**

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

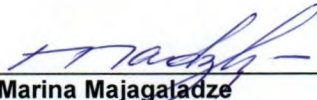
Balance as at 1 January 2021	<u>408,156</u>
ADD	
Funds received from IBRD in 2021-2022: Replenishments	-
Direct Payment	<u>0</u>
DEDUCT	
Funds used for the Project expenditures in 2021-2022 Funds used via Designated Accounts	177,329
Refunds	230,250
Foreign Exchange Difference	<u>577</u>
Balance as at 9 May 2022	<u><u>-</u></u>
Balance as at 1 January 2020	<u>2,502,317</u>
ADD	
Funds received from IBRD in 2020: Replenishments	-
Direct Payment:	<u>-</u>
DEDUCT	
Funds used for the Project expenditures in 2020 Funds used via Designated Accounts	2,094,161
Direct Payment	<u>-</u>
Balance as at 31 December 2020	<u><u>408,156</u></u>

The special purpose project financial statements were approved by the management of LEPL Eurasian Transport Corridor Investment Center / Transport Reform and Rehabilitation Center on 30 June 2022 and were signed on its behalf by:



Giorgi Tsagareli
Director

30 June 2022



Marina Majagaladze
Financial Manager

30 June 2022

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

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / 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 PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(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 "LEPL Eurasian Transport Corridor Investment Center" / "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 are 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). IBRD Loan 8402 was closed on December 31, 2021 with standard 4 months Grace Period till April 30, 2022. Final refund from DA was done on May 9, 2022. Remaining works for CW Contract and Supervision will be financed by GOG share for 100% and the Project will be fully completed on September 2023.

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.

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / 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 PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(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 9 May 2022 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) All expenditures for goods and non-consulting services valued at less than USD 300,000;
- (iii) Consultant services contracts (firms) valued at less than USD 200,000;
- (iv) Consultant services contracts (individuals) valued at less than USD 50,000.

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / 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 PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(in US Dollars)**

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

	<u>9 May 2022</u>
Application of Withdrawals Schedule	
Expenses incurred in 2021-2022 as per the Applications of Withdrawals Schedule Documentation only	177,329
Expenses incurred in 2021-2022 as per the Applications of Withdrawals Schedule Direct Payments	5,157,361
	<u>5,334,691</u>
IBRD funds received in 2021-2022	4,927,112
Foreign Exchange difference:	(577)
Add:	
Opening Balance	
Designated account	408,156
	<u>408,156</u>
Less:	
Closing Balance	
Designated account	-
	<u>-</u>
TOTAL EXPENDITURES INCURRED IN 2021-2022	<u>5,334,691</u>
	<u>31 December 2020</u>
Application of Withdrawals Schedule	
Expenses incurred in 2020 as per the Applications of Withdrawals Schedule	4,715,247
Expenses incurred in 2020 without Applications of Withdrawals Schedule	472
	<u>4,715,719</u>
IBRD funds received in 2020	2,621,558
Foreign Exchange difference:	-
Add:	
Opening Balance	
Designated account	2,502,317
	<u>2,502,317</u>
Less:	
Closing Balance	
Designated account	408,156
	<u>408,156</u>
TOTAL EXPENDITURES INCURRED IN 2020	<u>4,715,719</u>

**LEPL EURASIAN TRANSPORT CORRIDOR INVESTMENT CENTER / 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 PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(in US Dollars)**

8. PROJECT EXPENDITURES BY COMPONENTS

Project activities	Actual as at 9 May 2022		Planned as at 9 May 2022		Variance	
	Period to Date	Cumulative to date	Period to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>	Period to date <i>Unaudited</i>	Cumulative to date <i>Unaudited</i>
Component 1 - Rehabilitation and Improvement of Selected Secondary and local Roads						
Civil Works	4,878,616	70,453,548	4,878,616	70,453,548	-	-
Land Cost	302,136	3,739,564	302,136	3,739,564	-	-
Consultancy and supervision and Design	523,771	12,246,226	523,771	12,246,226	-	-
Project Management	53,685	208,583	53,685	208,583	-	-
TOTAL COMPONENT 1	5,758,208	86,647,921	5,758,208	86,647,921	-	-
Component 2 – Institutional Strengthening						
Consultancy for supervision and design	185,031	302,012	185,031	302,012	-	-
Road Safety Technical Assistance	15,338	15,338	15,338	15,338	-	-
Training	-	16,929	-	16,929	-	-
Project Management	-	423,385	-	423,385	-	-
TOTAL COMPONENT 2	200,369	757,664	200,369	757,664	-	-
Component 3 – Road Safety Technical Assistance						
Road Safety Technical Assistance	137,109	2,182,018	137,109	2,182,018	-	-
Civil Work	980,009	2,578,483	980,009	2,578,483	-	-
TOTAL COMPONENT 3	1,117,118	4,760,501	1,117,118	4,760,501	-	-
TOTAL EXPENDITURES BY COMPONENTS	7,075,695	92,166,086	7,075,695	92,166,086	-	-
UNALLOCATED						
Front-End Fees	-	187,500	-	187,500	-	-
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500	-	-
TOTAL PROJECT EXPENDITURES	7,075,695	92,353,586	7,075,695	92,353,586	-	-

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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(in US Dollars)**

Project activities	Actual as at 31 December 2020		Planned as at 31 December 2020		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	2,457,023	65,574,932	2,457,023	65,574,932	-	-
Land Cost	1,046,844	3,437,428	1,046,844	3,437,428	-	-
Consultancy and supervision and Design	689,705	11,722,455	689,705	11,722,455	-	-
Project Management	154,898	154,898	154,898	154,898	-	-
TOTAL COMPONENT 1	4,348,470	80,889,713	4,348,470	80,889,713	-	-
Component 2 – Institutional Strengthening						
Consultancy for supervision and design	116,981	116,981	116,981	116,981	-	-
Training	-	16,929	-	16,929	-	-
Project Management	-	423,385	-	423,385	-	-
TOTAL COMPONENT 2	116,981	557,295	116,981	557,295	-	-
Component 3 – Road Safety Technical Assistance						
Road Safety Technical Assistance	898,941	2,044,909	898,941	2,044,909	-	-
Civil Work	1,598,474	1,598,474	1,598,474	1,598,474	-	-
TOTAL COMPONENT 3	2,497,415	3,643,383	2,497,415	3,643,383	-	-
TOTAL EXPENDITURES BY COMPONENTS	6,962,866	85,090,391	6,962,866	85,090,391	-	-
UNALLOCATED						
Frond-End Fees	-	187,500	-	187,500	-	-
TOTAL UNALLOCATED EXPENDITURES	-	187,500	-	187,500	-	-
TOTAL PROJECT EXPENDITURES	6,962,866	85,277,891	6,962,866	85,277,891	-	-

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**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2021 TO 9 MAY 2022
(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 9 May 2022 and 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.

11. APPROVAL OF SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

These special purpose project financial statements were authorized for issue by the management of the Center on 30 June 2022.