

**TRANSPORT REFORM AND  
REHABILITATION CENTER**

LOAN NO.8788-GE

(ADDITIONAL FINANCING FOR EAST-WEST HIGHWAY  
CORRIDOR IMPROVEMENT PROJECT)

**Special Purpose Project Financial Statements**

**For the Period from 2 April 2018 to 31 December 2018**

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION  
AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018**

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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 2018, and its sources and uses of funds and movement in designated account\* for the period from 2 April 2018 to 31 December 2018, 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.

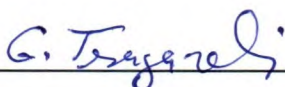
Management is also responsible for:

- 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 2 April 2018 to 31 December 2018 were authorized for issue on 29 June 2019 by the Management.

\* There was no movement on designated account in the period from 2 April 2018 to 31 December 2018.

**On behalf of Management:**

  
\_\_\_\_\_

**Giorgi Tsagareli  
Director**

29 June 2019

  
\_\_\_\_\_

**Marina Majagaladze  
Financial Manager**

29 June 2019





KPMG Georgia LLC  
GMT Plaza  
5th floor, 4 Liberty Square  
Tbilisi, Georgia 0105  
Telephone +995 322 93 57 13  
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 2018 and the Statements of Sources and Uses of Funds, and Designated Account for the period from 2 April 2018 to 31 December 2018, 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 2018, and its sources and uses of funds for the period from 2 April 2018 to 31 December 2018 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 these requirements and 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 11 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.

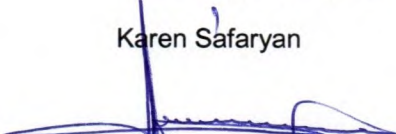
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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  
29 June 2019

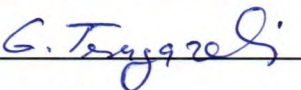


**TRANSPORT REFORM AND REHABILITATION CENTER  
 ADDITIONAL FINANCING FOR EAST-WEST HIGHWAY CORRIDOR IMPROVEMENT  
 PROJECT  
 LOAN NO.8788-GE**

**STATEMENT OF SOURCES AND USES OF FUNDS  
 FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
 (in Euros)**

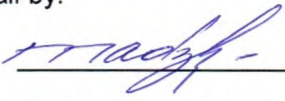
	Actual as at 31 December 2018		Planned as at 31 December 2018		Variance	
	Period to date	Cumulative to date	Period to date	Cumulative to date	Period to date	Cumulative to date
			<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>FUNDS RECEIVED BY SOURCES</b>						
International Bank for Reconstruction and Development ("IBRD") Funds	42,250	42,250				
Government of Georgia ("GoG") co-financing	1,817,804	1,817,804				
<b>TOTAL FUNDS RECEIVED</b>	<b>1,860,054</b>	<b>1,860,054</b>				
<b>LESS: EXPENDITURES</b>						
Component 1 – Improvement and Assets Management	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Component 2 – Institutional Strengthening)	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Component 3 – Project Management	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Component 4 – Preparation of future investments	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>UNALLOCATED</b>						
Front end fees (IBRD share)	42,250	42,250	42,250	42,250	-	-
Land Acquisition (GoG share)	1,688,780	1,688,780	1,688,780	1,688,780	-	-
Compensation for land (GoG share)	129,024	129,024	129,024	129,024	-	-
<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>-</b>	<b>-</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>-</b>	<b>-</b>
<b>NET FLOWS OF FUNDS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 29 June 2019 and were signed on its behalf by:

  
 \_\_\_\_\_

**Giorgi Tsagareli**  
 Director

29 June 2019

  
 \_\_\_\_\_

**Marina Majagaladze**  
 Financial Manager

29 June 2019

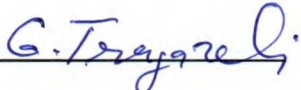
The notes on pages 7 to 11 form an integral part of these special purpose project financial statements.

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

**STATEMENT OF BALANCE SHEET  
 AS OF 31 DECEMBER 2018  
 (in Euros)**

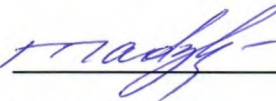
	<b>31 December 2018</b>
<b>ASSETS</b>	
IBRD Designated Account	-
<b>TOTAL ASSETS</b>	<b>-</b>
<b>Funds received:</b>	
Funds received from IBRD for the period from 2 April 2018 to 31 December 2018	42,250
Funds received from GoG for the period from 2 April 2018 to 31 December 2018	1,817,804
<b>Total funds received</b>	<b>1,860,054</b>
<b>Project expenditures:</b>	
Financed by IBRD for the period from 2 April 2018 to 31 December 2018	-
Financed by GoG for the period from 2 April 2018 to 31 December 2018	1,817,804
Unallocated	42,250
<b>Total project expenditures for the period from 2 April 2018 to 31 December 2018</b>	<b>1,860,054</b>
<b>TOTAL PROJECT EXPENDITURES AND OTHER FUNDS FOR THE PERIOD</b>	<b>-</b>

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 29 June 2019 and were signed on its behalf by:



**Giorgi Tsagareli  
 Director**

29 June 2019



**Marina Majagaladze  
 Financial Manager**

29 June 2019

The notes on pages 7 to 11 form an integral part of these special purpose project financial statement



**TRANSPORT REFORM AND REHABILITATION CENTER  
SECONDARY ROAD ASSET MANAGEMENT  
LOAN NO. 8588-GE**

**STATEMENT OF DESIGNATED ACCOUNT  
FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
(in Euros)**

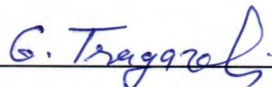
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**Account No.** 202258247  
**Depository Bank** State Treasury  
**Address** 16 V. Gorgasali street  
Tbilisi, 0114  
Georgia

<b>Balance as at 2 April 2018</b>	_____ -
<b>ADD</b>	
Funds received from IBRD from 2 April 2018 to 31 December 2018*	_____ -
<b>DEDUCT</b>	
Funds used for the Project expenditures from 2 April 2018 to 31 December 2018	_____ -
<b>Balance as at 31 December 2018</b>	===== -

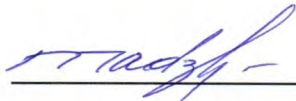
\*Excluding Front end fee

The special purpose project financial statements were approved by the management of Transport Reform and Rehabilitation Center on 29 June 2019 and were signed on its behalf by:

  
\_\_\_\_\_

**Giorgi Tsagareli**  
Director

29 June 2019

  
\_\_\_\_\_

**Marina Majagaladze**  
Financial Manager

29 June 2019

The notes on pages 7 to 11 form an integral part of these special purpose project financial statements.



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

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
(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. The founder of the Investment Center for Euro-Asian Transport Corridor is the Georgian Government. N119 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 Secondary Road Asset Management Project (the "Project"), financed under the International Bank for Reconstruction and Development (the "IBRD"). Loan Agreement No.8788-GE (the "Agreement") in the amount of Euro ("EUR") 16.9 million was signed between the Government of Georgia ("GoG") and IBRD on 2 April 2018 ("inception"). The main objectives of the loan are: upgrading of approximately 11.0 km of the existing 2-lane East-West Highway Corridor to a 2-lane dual carriageway from Chumateleti to Khevi. Build on the on-going institutional strengthening activities financed under the on-going highway project. Also provide support to strengthen 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 reporting currencies are converted to EUR at the exchange rate prevailing at the date of the transaction.

**Cash** – Cash represents balances with State Treasury.



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

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
(in Euros)**

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**3. DESIGNATED ACCOUNT**

Designated account is a designated disbursement account of the Project that will be 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 total Project cost is co-financed by proceeds received from the European Investment Bank (EIB) and the remaining amount of 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 Project is designed as a results-based Investment Project Financing, and particular Disbursement Linked Indicators (DLIs) are determined by the Loan Agreement.

The applicable methods of withdrawal for the loan are as follows:

**(a) Designated Account**

The Center withdraws the eligible amounts from the designated account. Eligible expenditures are documented through Interim un-audited Financial Reports (IFRs). After the review of IFRs by World Bank, Withdrawal Application is prepared with attached approved IFRs as supporting document. Based on Application appropriate 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 Treasury.



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

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
 FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
 (in Euros)**

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

	<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>
	<u>-</u>
IBRD funds received in from 2 April 2018 to 31 December 2018	42,250
Front and Fees	(42,250)
<b>Add:</b>	
<b>Opening Balance</b>	
Designated Account	-
	<u>-</u>
	<u>-</u>
<b>Less:</b>	
<b>Closing Balance</b>	
Designated Account	-
	<u>-</u>
	<u>-</u>
<b>TOTAL EXPENDITURES INCURRED IN 2018</b>	<u><u>-</u></u>

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

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
 FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
 (in Euros)**

**7. PROJECT EXPENDITURES BY COMPONENTS**

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		
				Unaudited	Unaudited	Unaudited
<b>COMPONENT 1:- Improvement and Assets Management</b>	-	-	-	-	-	-
<b>TOTAL COMPONENT 2- Institutional Strengthening</b>	-	-	-	-	-	-
<b>TOTAL COMPONENT 3: Project Management</b>	-	-	-	-	-	-
<b>TOTAL COMPONENT 4 Preparation of future investments</b>	-	-	-	-	-	-
<b>UNALLOCATED</b>						
Front end fees	42,250	42,250	42,250	42,250	-	-
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	-	-
<b>TOTAL UNALLOCATED EXPENDITURE</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 thorough traffic management plan to avoid traffic interruption, as there is no alternative road in that area.
- Strengthening 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.



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

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 2 APRIL 2018 TO 31 DECEMBER 2018  
(in Euros)**

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**8. 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 2018 for the period then ended.

**9. 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.

**10. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

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

**11. APPROVAL OF FINANCIAL STATEMENTS**

These special purpose project financial statements were authorized for issue by the management of the Center on 29 June 2019.