

**LEPL ENTERPRISE GEORGIA & THE NATIONAL BANK OF GEORGIA**

**SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

**RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM  
ENTERPRISES (MSMEs) PROJECT NO. P173975**

**LOAN NO. 9239-GE**

**Together with Independent Auditor's Report**

**For the period from 17 August 2021 to 31 December 2022**

TABLE OF CONTENTS

---

INDEPENDENT AUDITOR’S REPORT ..... 3

SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

STATEMENT OF CASH RECEIPTS AND PAYMENTS..... 5

STATEMENT OF EXPENDITURE PER COMPONENT..... 6

STATEMENT OF FINANCIAL POSITION..... 7

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

1. General information ..... 8

2. Summary of significant accounting policies ..... 10

3. Summary of Source of Funds..... 11

4. Statement of Designated Accounts ..... 12

5. Cash and cash equivalents ..... 12

6. Project Expenditures Implementation Progress..... 13

7. Financing IBRD Loan Number 9239-GE..... 13

8. Georgian operating environment..... 14

9. Commitments and contingencies..... 14

10. Events after the reporting period ..... 14

## INDEPENDENT AUDITOR'S REPORT

To the Management of LEPL ENTERPRISE GEORGIA and THE NATIONAL BANK OF GEORGIA

### Opinion

We have audited the special purpose project financial statements of "RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)" ("Project") financed by Financing Agreement IBRD Loan Number 9239-GE dated 17 May 2021 ("Loan Agreement"), and implemented by LEPL ENTERPRISE GEORGIA ("EG") and THE NATIONAL BANK OF GEORGIA ("NBG"), which comprise the statement of cash receipts and payments and the statement of expenditures per components for the period from 17 August 2021 to 31 December 2022, and notes to the special purpose project financial statements, including a summary of significant accounting policies.

In our opinion,

1. the accompanying project financial statements present fairly, in all material respects, the cash flows for the period from 17 August 2021 to 31 December 2022 in accordance with International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting ("IPSAS-Cash Basis").
2. funds have been used in accordance with the conditions of the Financing Agreement concluded between the International Bank for Reconstruction and Development ("IBRD") and Georgia, and WB Guidelines, and only for the purposes for which the financing was provided;
3. supporting documents, records and accounts have been maintained to support claims for reimbursement of expenditures incurred. Expenditures included in the withdrawal applications and reimbursed against are eligible for financing under the Financing Agreement; Interim Unaudited Financial Statements (IUFSSs) issued by EG and NBG during the Reporting year are in agreement with the underlying books of account;
4. The Designated Accounts used has been maintained in accordance with the provision of the Financing Agreement, and World Bank related guidelines;
5. Goods, Works and Services financed have been procured in accordance with the Financing Agreement and World Bank related guidelines.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as issued by International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project and of the EG and of the NBG in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled out other ethical requirements in accordance with 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 5 to 14 of 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 EG and NBG to comply with the requirements of IBRD and for providing information to assist 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 the Management and Those Charged with Governance for the Special Purpose Project Financial Statements**

Management of the EG and NBG are responsible for the preparation and fair presentation of the special purpose project financial statements in accordance with IPSAS-Cash Basis issued by the International Public Sector Accounting Standards Board ("IPSASB") of the IFAC and Loan Handbook for World Bank Borrowers ("WB Guidelines"), 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.

## **Auditor's Responsibility 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 auditor's report that includes our opinion. Reasonable assurance is 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 arise from fraud and 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 judgement 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 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 Management 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 responsible for the audit resulting in this independent auditor's report is:



Ivane Zhuzhunashvili (# SARAS-A-720718)

For and on behalf of BDO Audit LLC

Tbilisi, Georgia

27 June 2023

## RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) PROJECT NO. P173975

PROJECT NO. P173975 LOAN NO. 9239-GE

## STATEMENT OF CASH RECEIPTS AND PAYMENTS

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

Statements of cash receipts and payments is presented as follows:

	Note	Actual	Actual	Actual	Actual	Budget (Unaudited)*	Variance
		For the year ended 31 December 2022	For the year ended 31 December 2021	Cumulative as of 31 December 2022	Cumulative as of 31 December 2021	Cumulative as of 31 December 2022	Cumulative as of 31 December 2022
<b>TOTAL OPENING CASH</b>	5	<u>74,228</u>	-	-	-	-	-
<b>Sources of Funds</b>							
IBRD Loan Number 9239-GE		11,340,907	312,500	11,653,407	312,500		
<b>TOTAL FUNDS</b>	3,7	<u>11,340,907</u>	<u>312,500</u>	<u>11,653,407</u>	<u>312,500</u>	-	-
<b>Project Expenditures</b>							
Component 1 - Financial relief and recovery for MSMEs		11,005,009	-	11,005,009	-	10,040,546	(964,463)
Component 2 - Digital payments and financial infrastructure upgrading (EG)		-	-	-	-	-	-
Component 2 - Digital payments and financial infrastructure upgrading (NBG) **		40,907	-	40,907	-	148,050	107,143
Component 3 - Project management and monitoring		226,733	25,772	252,505	25,772	364,441	111,936
Front-end Fee		-	212,500	212,500	212,500	212,500	-
<b>TOTAL EXPENDITURES</b>	6	<u>11,272,649</u>	<u>238,272</u>	<u>11,510,921</u>	<u>238,272</u>	<u>10,765,537</u>	<u>(745,384)</u>
Foreign Exchange difference		(3,884)	-	(3,884)	-	-	-
<b>TOTAL ENDING CASH</b>	5	<u>138,602</u>	<u>74,228</u>	<u>138,602</u>	<u>74,228</u>		

\*The budget figures are updated several times during the year. Planned figures as of 31 December 2022 have not been audited.

\*\*The National Bank of Georgia is responsible for carrying out p.2.1 of the Component 2, while the LEPL Enterprise Georgia is responsible for carrying out Component 1, Component 3 and subcomponents p.2.2 and p.2.3 of the Component 2.

27 June 2023

Irakli Gabriadze

Giorgi Nasaraia

Archil Mestvirishvili

Andria Manelashvili

Acting Director

Project Financial Consultant

Vice-President

Head of Finance and

LEPL Enterprise Georgia

LEPL Enterprise Georgia

National Bank of Georgia

National Bank of Georgia

The notes on pages 8-14 form an integral part of these special purpose project financial statements.

## RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) PROJECT NO. P173975

PROJECT NO. P173975 LOAN NO. 9239-GE

## STATEMENT OF EXPENDITURE PER COMPONENT

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

Statement of expenditures per component is presented as follows:

	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget (Unaudited)*</i>	<i>Variance</i>
	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021</i>	<i>Cumulative as of 31 December 2022</i>	<i>Cumulative as of 31 December 2021</i>	<i>Cumulative as of 31 December 2022</i>	<i>Cumulative as of 31 December 2022</i>
<b>Component 1 - Financial relief and recovery for MSMEs (EG)</b>	<b>11,005,009</b>	-	<b>11,005,009</b>	-	<b>10,040,546</b>	<b>(964,463)</b>
1.1 - Grants for micro and small firms (EG)	8,611,392	-	8,611,392	-	8,931,885	320,493
1.2 - Co-financing of interest payments (EG)	5,214	-	5,214	-	389,060	383,846
1.3 - Partial credit guarantees (EG)	2,388,403	-	2,388,403	-	719,601	(1,668,801)
1.4 - Support for COVID-proofing and digitization (EG)	-	-	-	-	-	-
<b>Component 2 - Digital payments and financial infrastructure upgrading</b>	<b>40,907</b>	-	<b>40,907</b>	-	<b>148,050</b>	<b>107,143</b>
2.1 - Upgrading payments infrastructure (NBG)	40,907	-	40,907	-	40,907	-
2.2 - e-KYC and Know-Your-Customer registry (EG)	-	-	-	-	-	-
2.3 - Secured transactions reform (EG)	-	-	-	-	107,143	107,143
<b>Component 3 - Project management and monitoring</b>	<b>226,733</b>	<b>25,772</b>	<b>252,505</b>	<b>25,772</b>	<b>364,441</b>	<b>111,936</b>
Front-end Fee	-	212,500	212,500	212,500	212,500	-
<b>Total Project Expenditure</b>	<b>11,272,649</b>	<b>238,272</b>	<b>11,510,921</b>	<b>238,272</b>	<b>10,765,537</b>	<b>(745,384)</b>

\* The budget figures are updated several times during the year. Planned figures as of 31 December 2022 have not been audited.

\*\*The National Bank of Georgia is only responsible for carrying out p.2.1 of the Component 2, while the LEPL Enterprise Georgia is responsible for carrying out Component 1, Component 3 and subcomponents p.2.2 and p.2.3 of the Component 2.

27 June 2023

Irakli Gabriadze

Giorgi Nasaraia

Archil Mestvirishvili

Andria Manelashvili

Acting Director

Project Financial Consultant

Vice-President

Head of Finance and

LEPL Enterprise Georgia

LEPL Enterprise Georgia

National Bank of Georgia

National Bank of Georgia

The notes on pages 8-14 form an integral part of these special purpose project financial statements.

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) PROJECT NO. P173975

PROJECT NO. P173975 LOAN NO. 9239-GE  
STATEMENT OF FINANCIAL POSITION

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

Statement of Financial Position is presented as follows:

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021
<b>ASSETS</b>			
Cash Balances	5	138,602	74,228
Prepayments		-	-
<b>TOTAL ASSETS</b>		<b>138,602</b>	<b>74,228</b>
Liabilities		-	-
<b>TOTAL LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>Cumulative income</b>			
IBRD Loan Number 9239-GE	3, 7	11,653,407	312,500
<b>TOTAL FUNDS RECEIVED</b>		<b>11,653,407</b>	<b>312,500</b>
<b>Cumulative expenses</b>			
Project expenditures	6	11,510,921	238,272
<b>TOTAL EXPENDITURE</b>		<b>11,510,921</b>	<b>238,272</b>
Foreign exchange difference		3,884	-
<b>TOTAL NET ASSETS</b>		<b>138,602</b>	<b>74,228</b>

The notes on pages 8-14 form an integral part of these special purpose project financial statements.

**RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)**  
**PROJECT NO. P173975 LOAN NO. 9239-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

**1. General information**

**1.1. The Project**

The Financing Agreement IBRD Loan Number 9239-GE was signed on 17 May 2021 between Georgia and the International Bank for Reconstruction and Development (“IBRD”), according to which IBRD provided financing to the Georgia in the amount of 85,000,000 EUR. The Financing Agreement became effective on 21 May 2021.

The financing was provided for the implementation of “RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)” (“Project”). The payment currency of IBRD Loan Number 9239-GE is Euro (EUR).

The Closing date of IBRD Loan Number 9239-GE was initially set 30 June 2026.

The Loan Project Data as of 31 December 2022 is as follows:

Project Data	EUR (million)
Original Loan Amount	85.0
Total Disbursements as of 31 December 2022	11.65
Project Effectiveness Date	Aug 17, 2021
Closing date	June 30, 2026

**1.2. The Project objectives**

The objective of the Project is to provide relief to micro, small, and medium-size enterprises and support their recovery, including by strengthening the enabling environment for access to finance.

The Project consists of the following parts:

**Part A: Financial relief and recovery for MSMEs (Component 1)**

Provision of assistance to MSMEs to address the economic shock following the COVID-19 pandemic, through:

1. Strengthening of the Micro and Small Entrepreneurship Support Program under the Produce in Georgia initiative, through the provision of financial support to Eligible Firms, through inter-alia: (a) non-consulting services, consulting services, and Training, (b) level-1 Sub-Grants, (c) level-2 Sub-Grants, (d) level-3 Sub-Grants, and (e) level-4 Sub-Grants;
2. Strengthening of Enterprise Georgia’s program for co-financing of interest payments under the Produce in Georgia initiative, through the provision of financial support to MSME Beneficiaries, in collaboration with Selected PFIs, through inter alia: (a) level-1 Interest Co-Payments, (b) level-2 Interest Co-Payments, (c) level-3 Interest Co-Payments, and (d) level-4 Interest Co-Payments;
3. Strengthening of Enterprise Georgia’s Credit Guarantee Scheme for the provision of partial credit guarantees to Selected PFIs for Selected MSME Loans through inter alia: (a) level-1 Partial Credit Guarantees, (b) level-2 Partial Credit Guarantees, (c) level-3 Partial Credit Guarantees, and (d) level-4 Partial Credit Guarantees; and
4. Technical assistance to Enterprise Georgia and MSMEs, to assist MSMEs to adopt managerial, digital, and other practices necessary to better respond to the COVID-19 pandemic.

**Part B: Digital payments and financial infrastructure upgrading (Component 2)**

Strengthening Georgia’s financial infrastructure and increasing the usage of digital financial services, through:

1. Establishing an instant payment system, including technical assistance for its development and operations and development of any related infrastructure.
2. Establishing an electronic know-your-customer (“e-KYC”) infrastructure and know-your-customer (“KYC”) registry to facilitate identity verification allowing for increased participation of individuals and MSMEs in the financial sector; and
3. Improving Georgia’s secured transactions framework, including through enhancements in the legal and regulatory framework for secured transactions, upgrading of collateral registry, and capacity building measures for intended users.

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)  
PROJECT NO. P173975 LOAN NO. 9239-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

GENERAL INFORMATION (CONTINUED)

Part C: Project management and monitoring (Component 3)

Support Project implementation, management, and monitoring, including activities related to financial management, procurement, environmental and social aspects, evaluation, reporting, Incremental Operating Costs, communication, and outreach.

Part D: Contingent Emergency Response Component (Component 4)

Provision of assistance in response to an Eligible Crisis or Emergency.

1.3. The Project Budget

The Project is wholly financed by IBRD Loan Number 9239-GE, inclusive of all taxes.

Category	Amount of the Loan Allocated EUR	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Sub-Grants under Part A.1 (b) of the Project, Interest Co-Payments under Part A.2 (a) of the Project; Partial Credit Guarantees under Part A.3 (a) of the Project	34,000,000	100%
(2) Sub-Grants under:		
(2.1) Part A.1 (c) of the Project	5,600,000	100%
(2.2) Part A.1 (d) of the Project	2,800,000	100%
(2.3) Part A.1 (e) of the Project	2,800,000	100%
(3) Interest Co-Payments under:		
(3.1) Part A.2 (b) of the Project	2,600,000	100%
(3.2) Part A.2 (c) of the Project	1,500,000	100%
(3.3) Part A.2 (d) of the Project	1,500,000	100%
(4) Partial Credit Guarantees under:		
(4.1) Part A.3 (b) of the Project	3,400,000	100%
(4.2) Part A.3 (c) of the Project	3,700,000	100%
(4.3) Part A.3 (d) of the Project	4,100,000	100%
(5) Goods, non-consulting services, consulting services, and Training for Part A of the Project	6,000,000	100%
(6) Goods, non-consulting services, consulting services, and Training for Part B.1 of the Project	6,000,000	100%
(7) Goods, non-consulting services, consulting services for Parts B.2 and B.3 of the Project	6,000,000	100%
(8) Non-consulting services, consulting services, and Incremental Operating Costs for Part C of the Project	4,787,500	100%
(9) Emergency Expenditures under Part D of the Project	-	100%
(10) Front-end Fee	212,500	The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
Total	85,000,000	

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)  
PROJECT NO. P173975 LOAN NO. 9239-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

GENERAL INFORMATION (CONTINUED)

1.4. Project Implementation

The Project is implemented by LEPL ENTERPRISE GEORGIA (“EG”) and the NATIONAL BANK OF GEORGIA has been added as a co-implementer of the project.

Enterprise Georgia shall: (i) carry out Parts A and C of the Project; and (ii) carry out procurement and financial management functions to assist and enable MOESD in carrying out Parts B.2 and B.3 of the Project. The LEPL Enterprise Georgia address is: 5/16-18 Marjanishvli Str. (18 Uznadze Str.), 0102, Tbilisi, Georgia

National Bank of Georgia. The National Bank of Georgia shall carry out Part B.1 of the Project. The National bank of Georgia address is: 1, Zviad Gamsakhurdia Embankment, 0114, Tbilisi, Georgia.

2. Summary of significant accounting policies

2.1. Statement of compliance

The special purpose project financial statements are prepared in accordance with the International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting (IPSAS-Cash Basis), issued by the International Public Sector Accounting Standards Board (IPSASB) within the International Federation of Accountants (IFAC), and presented in accordance with Loan Handbook for World Bank Borrowers. The purpose of these special purpose project financial statements is to provide information to the international Bank for Reconstruction and Development (IBRD) to assist them in evaluating the Project implementation.

The principal accounting policies applied in the preparation of these special purpose project financial statements are set out below. These policies have been consistently applied to all the periods presented.

2.2. 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.

2.3. Designated account

Designated account is a designated disbursement account of the Project that is maintained in EUR to ensure the payment of eligible expenditure within defined limits, which do not require individual authorization in accordance with loan agreements.

2.4. Reporting currency

The reporting currency of these special purpose project financial statements is Euro (EUR).

The expenditures made in local currency, Georgian Lari (GEL), are translated into EUR based at the exchange rate prevailing at the date of the transaction as issued by the National Bank of Georgia (NBG).

The exchange rate defined by the NBG is as follows:

	EUR
Exchange rate as of 31 December 2022	2.8844
Exchange rate as of 31 December 2021	3.5040

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)  
PROJECT NO. P173975 LOAN NO. 9239-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5. Methods of withdrawals

The methods of withdrawal used from the inception of the loan during reporting period were as follows:

Designated account

It is allowed to withdraw the eligible amounts from the Designated account and prepare and send replenishment requests to the IBRD with authorized signatures. The replenishment requests and respective documentation are reviewed by the IBRD and an approved amount is transferred to the Designated account.

Reimbursement

IBRD reimburses amounts for expenditures eligible for financing pursuant to the Financing Agreements. It is the standard procedure for a borrower to apply to withdraw funds from an IBRD Loan Account to reimburse funds already paid.

2.6. Taxes

According to the Georgian Tax Legislation, EG and NBG pays all the taxes on unified treasury code applicable for all taxes. Taxes are paid in accordance with the tax regulation of Georgia.

2.7. Budget

Expenditure budget is created based on actual accumulated expenditures for the last period plus the updated procurement plans for the Reporting year.

3. Summary of Source of Funds

Funds submitted and approved during the reporting period can be presented as follows:

WB/ Trans No	Application Reference	Date of application	Date of received payments	Sum
1	Front-end Fee	20/08/2021	20/08/2021	212,500
2	Advance 1 (EG)	26/11/2021	02/12/2021	100,000
4	Advance 2 (EG)	18/04/2022	26/04/2022	250,000
6	Advance 3 (EG)	03/08/2022	10/08/2022	450,000
7	Advance 4 (EG)	13/09/2022	20/09/2022	8,500,000
8	Advance 5 (EG)	01/12/2022	13/12/2022	700,000
9	Advance 6 (EG)	20/12/2022	27/12/2022	1,400,000
10	Reimbursement 1 (NBG)	22/12/2022	28/12/2022	40,907
Total Amount Received				11,653,407

Withdrawal WB/Trans No 10 Reimbursement 1 (NBG) was made based on SOE for Subcomponent 2.1 - Upgrading payments infrastructure by National Bank of Georgia. LEPL Enterprise Georgia has not used reimbursements method for the disbursements, all withdrawals by EG have been made in advance.

# NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

## 4. Statement of Designated Accounts

There is presented information about the working bank accounts used during the reporting period as designated accounts.

Financing Agreement	IBRD Loan Number 9239-GE
Beneficiary Name	LEPL Enterprise Georgia
Bank account number	GE65NB0331100001150207
Bank	National Bank of Georgia
Bank location	1, Zviad Gamsakhurdia Embankment, 0114, Tbilisi, Georgia
Account Currency	EUR

Statement of Designated Account As of 31 December 2022 and 31 December 2021 is presented as follows:

Number	Description	For the year ended 31 December 2022	For the year ended 31 December 2021	Cumulative as of 31 December 2022	Cumulative as of 31 December 2021
1	DA Opening balance (EG)	74,228	-	-	-
2	Add: opening discrepancy (EG)	-	-	-	-
3	IBRD advance/replenishment (EG)	11,300,000	100,000	11,400,000	100,000
4	Less: Refund to IBRD from Designated Account (EG)	-	-	-	-
5	<b>Present outstanding amount advanced to DA (EG)</b>	<b>11,374,228</b>	<b>100,000</b>	<b>11,400,000</b>	<b>100,000</b>
6	DA closing balance as at end of the period (EG)	138,602	74,228	138,602	74,228
7	Add: Amount of eligible expenditures (EG)	11,231,742	25,772	11,257,514	25,772
8	Service charges (if debited into DA) (EG)	3,884	-	3,884	-
9	Less: Interest earned (if credited into DA) (EG)	-	-	-	-
10	<b>Total advance accounted for (EG)</b>	<b>11,374,228</b>	<b>100,000</b>	<b>11,400,000</b>	<b>100,000</b>
11	Discrepancy (5)-(10) to be explained /II (EG)	-	-	-	-

NBG has not used the designated account method for the disbursements during the reporting period.

## 5. Cash and cash equivalents

Cash and cash equivalents as of 31 December 2022 and 31 December 2021 can be presented as follows:

IBRD Loan 9239-GE	Underlying Currency	31 December 2022	31 December 2021
Designated Account (EG)	EUR	138,602	74,228
Designated Account (NBG)	EUR	-	-
		<b>138,602</b>	<b>74,228</b>

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

For the period from 17 August 2021 to 31 December 2022

(Amounts are shown in EUR)

**6. Project Expenditures Implementation Progress**

Project Implementation as of 31 December 2022 and 31 December 2021 can be presented as follows:

Project Activities	Cumulative as of 31 December 2022	Cumulative as of 31 December 2021	Budget	Utilized as of 31 December 2022	Utilized as of 31 December 2021
<b>Component 1 - Financial relief and recovery for MSMEs (EG)</b>	<b>11,005,009</b>	-	<b>68,000,000</b>	<b>16.2%</b>	<b>0.0%</b>
1.1 - Grants for micro and small firms (EG)	8,611,392	-	25,200,000	34.2%	0.0%
1.2 - Co-financing of interest payments (EG)	5,214	-	12,800,000	0.0%	0.0%
1.3 - Partial credit guarantees (EG)	2,388,403	-	25,000,000	9.6%	0.0%
1.4 - Support for COVID-proofing and digitization (EG)	-	-	5,000,000	0.0%	0.0%
<b>Component 2 - Digital payments and financial infrastructure upgrading (EG and NBG)</b>	<b>40,907</b>	-	<b>12,000,000</b>	<b>0.3%</b>	<b>0.0%</b>
2.1 - Upgrading payments infrastructure (NBG)	40,907	-	6,000,000	0.7%	0.0%
2.2 - e-KYC and Know-Your-Customer registry (EG)	-	-	4,300,000	0.0%	0.0%
2.3 - Secured transactions reform (EG)	-	-	1,700,000	0.0%	0.0%
<b>Component 3 - Project management and monitoring (EG)</b>	<b>252,505</b>	<b>25,772</b>	<b>4,787,500</b>	<b>5.3%</b>	<b>0.5%</b>
<b>Front-end fee</b>	<b>212,500</b>	<b>212,500</b>	<b>212,500</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Project Expenditure</b>	<b>11,510,921</b>	<b>238,272</b>	<b>85,000,000</b>	<b>13.5%</b>	<b>0.3%</b>

**7. Financing IBRD Loan Number 9239-GE**

Financing provided as of 31 December 2022 and 31 December 2021 can be presented as follows:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Designated Account	138,602	74,228
Direct Payment	-	-
SOE and Summary Report	11,298,421	25,772
Front-end fee	212,500	212,500
Exchange rate Difference	3,884	-
<b>Total Source of Funds</b>	<b>11,653,407</b>	<b>312,500</b>
<b>Total financing budget</b>	<b>85,000,000</b>	<b>85,000,000</b>
<b>Percentage of finance provided</b>	<b>13.7%</b>	<b>0.4%</b>

**RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)**  
**PROJECT NO. P173975 LOAN NO. 9239-GE**

**NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS**

For the period from 17 August 2021 to 31 December 2022

*(Amounts are shown in EUR)*

---

**8. Georgian operating environment**

EG and NBG are located in Georgia and 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. The future operating environment may differ from management's assessment.

**9. Commitments and contingencies**

There were not any legal cases during the beginning of the reporting period to special purpose project financial statement issuance date. Management is not aware of any commitments and contingencies which would have a material impact on the special purpose project financial statements for the period from 17 August 2021 to 31 December 2022 and on the funds received and disbursed during the period.

**10. Events after the reporting period**

After the reporting period there was submitted and approved EUR 3,300,000 for EG.