

Audited Project Financial Statements

Project Number: 43405-025

Loan Number: 3078

Period covered: 1 January 2020 to 31 December 2020

Georgia: Urban Services Improvement Investment Program – Tranche 3

Prepared by EY Georgia LLC For the Asian Development Bank

For the Asian Development Bank

Date received by ADB: 10 June 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the EY Georgia LLC.

**"Urban Services Improvement
Investment Program"
Loan No. 3078-GEO (SF) (Project 3)**

Special Purpose Financial Statement

*For the year ended 31 December 2020
together with independent auditor's report*

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Independent auditor's report

To the management and shareholders of
United Water Supply Company of Georgia LLC

Opinion

We have audited the statement of cash receipts and payments for the year ended 31 December 2020 of Project 3 "Urban services Improvement Investment Program (Georgia)" (the "Project") implemented by United Water Supply Company of Georgia LLC (the "Entity") and financed by the loan received from the Asian Development Bank, Loan No. 3078-GEO (SF) (the "Loan") and notes to the statement of cash receipts and payments, including a summary of significant accounting policies (together "the Special Purpose Financial Statement").

In our opinion, the accompanying Special Purpose Financial Statement presents fairly, in all material respects, the cash receipts and payments of the Project for the year ended 31 December 2020 in accordance with the cash receipts and payments basis of accounting described in Note 2 of the Special Purpose Financial Statement.

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 *Auditor's responsibilities for the audit of the Special Purpose Financial Statement* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), 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.

Emphasis of matter - basis of accounting and restriction on use

We draw attention to Note 2 to the Special Purpose Financial Statement, which describes the basis of accounting. The Special Purpose Financial Statement has been prepared by the management of the Entity based on the requirements of the Loan Agreement No. 3078-GEO (SF), dated 19 December 2013 (the "Loan Agreement") as described in Note 2 of the Special Purpose Financial Statement. The Special Purpose Financial Statement is prepared to provide information to the Asian Development Bank and the Government of Georgia. As a result of the Special Purpose Financial Statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with cash receipts and payments basis of accounting described in Note 2. This includes determining that the cash receipts and payments basis of accounting is an acceptable basis for the preparation of the Special Purpose Financial Statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the Special Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 this Special Purpose Financial Statement.

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 Financial Statement, 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 Entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- ▶ Evaluate the overall presentation, structure and content of the Special Purpose Financial Statement, including the disclosures, and whether the Special Purpose Financial Statement represents the underlying transactions and events in a manner that achieves fair presentation.



Other matters on which we are required to report

The Entity is also responsible for compliance with Sections 3.02, 3.03 and 3.04 of the Loan Agreement on the use of the proceeds of the Loan and for compliance with financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement. We have audited the utilization of the proceeds of the Loan in accordance with requirements of Sections 3.02, 3.03 and 3.04 of the Loan Agreement and the Entity's compliance with the financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement, described in Notes 10.1 and 10.2 of the Special Purpose Financial Statement. In our opinion, the Entity has utilized, in all material respects, the proceeds of the Loan only for the purposes of the Project in accordance with Sections 3.02, 3.03 and 3.04 of the Loan Agreement and no proceeds have been used for other purposes and the Entity is compliant with financial covenants contained in paragraphs 6 and 7 of Schedule 3 to the Loan Agreement.

Our cumulative liability with respect to any damage or loss connected with this report may not exceed the fee received by us under the audit agreement. We do not accept any liability if the users of this report do not accept the terms of the audit agreement on which the report was prepared.

A handwritten signature in blue ink, appearing to read 'Ana Kusrashvili', is located below the disclaimer text.

Ana Kusrashvili

On behalf of EY LLC

4 June 2021

“Urban Services Improvement Investment Program” (Georgia)

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

Statement of cash receipts and payments

For the year ended 31 December 2020

In US Dollars	2020				
	Cash receipts and payments controlled by the entity		Cash receipts and payments by third party		Total cash receipts and payments
	For the year	Cumulative	For the year	Cumulative	For the year
Opening cash balance	-	-	-	-	-
Cash receipts from the Asian Development Bank	-	-	5,376,476	66,025,735	5,376,476
Cash receipts from the Government of Georgia	798,348	11,067,575	-	-	798,348
Total cash receipts	798,348	11,067,575	5,376,476	66,025,735	6,174,824
Cash disbursements from the Asian Development Bank funding					
Construction or civil works	-	-	(4,171,808)	(58,377,443)	(4,171,808)
Goods	-	-	(178,509)	(1,232,697)	(178,509)
Consulting services	-	-	(94,511)	(2,703,587)	(94,511)
Interest charge	-	-	(931,648)	(3,712,008)	(931,648)
Cash disbursements from the Government of Georgia funding					
Construction or civil works	(749,504)	(10,351,227)	-	-	(749,504)
Goods	(32,121)	(232,408)	-	-	(32,121)
Consulting services	(16,723)	(483,940)	-	-	(16,723)
Total cash disbursements	(798,348)	(11,067,575)	(5,376,476)	(66,025,735)	(6,174,824)
Total cash receipts and payments					(77,093,310)
Foreign exchange difference, net	-	-	-	-	-
Closing cash balance	-	-	-	-	-

Signed and authorized for issue on 4 June 2021

Alexander Tevdoradze, Director

David Chanturia, Deputy Director in Financial Issues

The accompanying notes on 6-12 are an integral part of this Special Purpose Financial Statement.

"Urban Services Improvement Investment Program" (Georgia)

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

Statement of cash receipts and payments

For the year ended 31 December 2020

2019						
In US Dollars	Cash receipts and payments controlled by the entity		Cash receipts and payments by third party		Total cash receipts and payments	
	For the year	Cumulative	For the year	Cumulative	For the year	Cumulative
Opening cash balance	-	-	-	-	-	-
Cash receipts from the Asian Development Bank	-	-	12,461,997	60,649,259	12,461,998	60,649,259
Cash receipts from the Government of Georgia	2,043,406	10,269,227	-	-	2,043,405	10,269,227
Total cash receipts	2,043,406	10,269,227	12,461,997	60,649,259	14,505,403	70,918,486
Cash disbursements from the Asian Development Bank funding						
Construction or civil works	-	-	(10,078,177)	(54,205,635)	(10,078,177)	(54,205,635)
Goods	-	-	-	(1,054,188)	-	(1,054,188)
Consulting services	-	-	(1,413,208)	(2,609,076)	(1,413,208)	(2,609,076)
Interest charge	-	-	(970,612)	(2,780,360)	(970,612)	(2,780,360)
Cash disbursements from the Government of Georgia funding						
Construction or civil works	(1,789,391)	(9,601,723)	-	-	(1,789,391)	(9,601,723)
Goods	-	(200,287)	-	-	-	(200,287)
Consulting services	(254,015)	(467,217)	-	-	(254,015)	(467,217)
Total cash disbursements	(2,043,406)	(10,269,227)	(12,461,997)	(60,649,259)	(14,505,403)	(70,918,486)
Foreign exchange difference, net	-	-	-	-	-	-
Closing cash balance	-	-	-	-	-	-

The accompanying notes on 6-12 are an integral part of this Special Purpose Financial Statement.

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

1. General

According to the Loan Agreement dated 19 December 2013 the Asian Development Bank (the "ADB") provided a Loan no. 3078-GEO (SF) to the Government of Georgia (the "GOG") from the ADB's special funds resources in various currencies equivalent to sixty-four million two hundred five thousand Special Drawing Rights ("SDR") (the "Loan") for the purposes of implementing "the Urban Services Improvement Investment Program" (the "Project").

On 4 March 2019, ADB approved amendment to the Loan agreement and extended Project closing date until 29 March 2021, that was previously determined to be 30 September 2019. Another extension of the Project closing date to 29 March 2024 is considered, that was already approved by ADB on September 2020 and the process of ratification is under approval of Government of Georgia.

On 7 March 2014 a Subsidiary Loan Agreement was formed between Georgia as represented by the Ministry of Finance of Georgia, the Ministry of Regional Development and Infrastructure of Georgia (the "MRDI") and the United Water Supply Company of Georgia LLC (the "UWSCG LLC" or the Entity). The liabilities under the Loan in respect of the Project were reassigned to the Entity and the implementation was concluded to take place under the oversight of the MRDI.

The Entity is 100 % owned by the State of Georgia.

Address of the UWSCG LLC: 76B Vazha-Phshavela Ave., Tbilisi, Georgia.

Duration of the Project: December 2014 until 29 March 2021.

Project purpose

The objective of the Investment Program is to improve water supply and sanitation services in secondary towns of Georgia.

The Project consists of the following components:

1. *Component 1: Infrastructure improvement*

The objective of the component is construction of a new Water Supply System (WSS) in Kutaisi, Ureki, Abasha, Telavi and Gudauri including a water distribution network, sewage collection system, build of reservoirs and pumping stations.

This component consists of the following activities:

- 1.1. Activity: Augmentation of the water supply system in the town of Kutaisi through construction of reservoirs, pumping stations, and corresponding water transmission mains, and distribution network.
- 1.2. Activity: Construction and/or upgrading a new water supply and sewerage system in the town of Ureki including a water distribution network, sewage collection system and sewage treatment plant.
- 1.3. Activity: Construction and/or upgrading of the water supply systems in the towns of Abasha and Telavi and construction of wastewater system including a sewerage collection system and sewage treatment plant in the town of Gudauri.
- 1.4. Activity: Procurement of sewer cleaning vehicle and water quality testing laboratory equipment.

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

1. General (continued)

Project purpose (continued)

2. Component 2: Institutional effectiveness

The objective of this component is to implement Geographic Information Systems (GIS) mapping of water and sewerage network for secondary towns, human resource development through establishing WSS management program in Georgian universities and hiring of Individual Consultants in order to support the Investment Program Management Office (IPMO). This component consists of the following activities:

- 2.1. Activity: Provision of support (i) for GIS mapping of water and sewerage network for secondary towns, and (ii) for human resource development through WSS management program in Georgian universities.
- 2.2. Activity: Provision of support to the UWSCG LLC for (i) creation of sex-disaggregated consumer database to develop targeted marketing campaigns (ii) establishing customer care units in WSS service centers, and (iii) project implementation and management, including supporting the Investment Program management office, and capacity development and training.

2. Basis of preparation

This Special Purpose Financial Statement has been prepared by the management of the Entity based on the following requirements of the Loan Agreement No. 3078-GEO (SF), dated 19 December 2013 (the Loan Agreement) and the ADB's Project Administration Instructions (PAI 5.07, revised in June 2018):

- ▶ The Special Purpose Financial Statement has been primarily prepared in accordance with the International Public Sector Accounting Standards ("IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the Public Sector Committee of the international Federation of Accountants following the requirements set out in Section 4.03 of the Loan Agreement and Section B of the Project Administration Instructions (PAI 5.07, revised in June 2018);
- ▶ Notes 10.1 and 10.2 to the Special Purpose Statement have been added specifically to address the requirement of Sections 3.02, 3.03 and 3.04; and paragraphs 6 and 7 of Schedule 3 to the Loan Agreement, respectively.

The Special Purpose Financial Statement comprises:

- ▶ Statement of cash receipts and payments;
- ▶ Notes to the Special Purpose Financial Statement, including the summary of significant accounting policies.

The reporting currency of this Special Purpose Financial Statement is US Dollars.

3. Summary of significant accounting policies

(i) Cash basis of accounting

The Special Purpose Financial Statement was prepared and presented based on cash method of accounting. Cash method of accounting is the accounting principle, according to which changes in the financial position of the entity are recognized only at the time when cash is paid or obtained.

The Special Purpose Financial Statement prepared based on cash method presents information on the source of cash, application of funds objectives and cash balances at the reporting date. The measurement focus in the Special Purpose Financial Statement is balances of cash and changes therein.

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

3. Summary of significant accounting policies (continued)

(ii) Foreign currency

Cash accounts of the Project are maintained in Georgian Lari (GEL); however, the Special Purpose Financial Statement is prepared in US Dollars for the purposes of reporting to the ADB.

Cash receipts and payments arising from transactions in a foreign currency is recorded in an entity's reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the receipts and payments. Foreign exchange rate is the actual rate used for each transaction. Funds received from the ADB in the foreign currency are translated using the actual rate at which the ADB purchases the foreign currency at the transaction date. For co-financing received from the GOG, the rate published by the National Bank of Georgia (NBG) is used as actual rate; since this is the reference rate most commonly used for foreign currency denominated contracts in Georgia.

(iii) Cash

As the Project is mainly financed through direct payments of reimbursement procedures, the UWSCG LLC does not have bank account for Project expenses, attributable to the ADB funds. Only one cash account for funds received from the GOG is maintained in Georgian commercial bank. Funds received from the GOG are mainly transferred at the same day from the UWSCG LLC account in the Georgian commercial bank to contractors' accounts.

(iv) Project expenditures

The expenses and advances paid are recorded in the period when they are actually paid by direct payment, reimbursement payment or transferred to the escrow account or account for letter of credit. The Project expenditures are financed proportionately by the ADB and the GOG (Note 6).

4. Project funds by main categories and components

The table below presents annual cash receipts by sources and payments by categories:

	2020		Cumulative	
	In US Dollars	In Georgian Lari*	In US Dollars	In Georgian Lari*
Cash receipts from the ADB	5,376,476	16,789,763	66,025,735	165,444,590
Cash receipts from the GOG	798,348	2,469,547	11,067,575	27,916,730
Total cash receipts	6,174,824	19,259,310	77,093,310	193,361,320
	2019		Cumulative	
	In US Dollars	In Georgian Lari*	In US Dollars	In Georgian Lari*
Cash receipts from the ADB	12,461,998	34,928,849	60,649,259	148,654,827
Cash receipts from the GOG	2,043,405	5,793,758	10,269,227	25,447,183
Total cash receipts	14,505,403	40,722,607	70,918,486	174,102,010

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

4. Project funds by main categories and components (continued)

	2020		Cumulative	
	In US Dollars	In Georgian Lari*	In US Dollars	In Georgian Lari*
Construction or civil works	4,921,312	15,290,992	68,728,670	170,901,608
Goods	210,630	587,538	1,465,105	3,500,688
Consulting services	111,234	349,248	3,187,527	8,588,013
Interest charge	931,648	3,031,532	3,712,008	10,371,011
Total cash disbursements	6,174,824	19,259,310	77,093,310	193,361,320

	2019		Cumulative	
	In US Dollars	In Georgian Lari*	In US Dollars	In Georgian Lari*
Construction or civil works	11,867,568	33,248,682	63,807,358	155,610,616
Goods	-	-	1,254,475	2,913,150
Consulting services	1,667,223	4,703,902	3,076,293	8,238,765
Interest charge	970,612	2,770,023	2,780,360	7,339,479
Total cash disbursements	14,505,403	40,722,607	70,918,486	174,102,010

* For the purposes of presenting expenditures in GEL, the costs incurred under the contracts denominated in currency other than GEL, has been translated using the NBG rate prevailing at the date of transaction.

The table below presents annual cash disbursements by components:

	2020		Cumulative	
	In US Dollars	In Georgian Lari	In US Dollars	In Georgian Lari
Component 1.1	3,513,459	10,894,753	36,353,653	91,788,999
Component 1.2	170,571	513,195	25,439,376	59,585,191
Component 1.3	210,630	587,538	2,969,371	7,947,069
Component 1.4	1,237,282	3,883,044	5,431,375	15,081,037
Component 2.1	-	-	456,757	1,294,918
Component 2.2	111,234	349,248	2,730,770	7,293,095
Interest	931,648	3,031,532	3,712,008	10,371,011
Total cash disbursements	6,174,824	19,259,310	77,093,310	193,361,320

	2019		Cumulative	
	In US Dollars	In Georgian Lari	In US Dollars	In Georgian Lari
Component 1.1	5,822,491	16,290,407	32,840,194	80,894,246
Component 1.2	3,105,460	8,673,432	25,268,805	59,071,996
Component 1.3	-	-	2,758,741	7,359,531
Component 1.4	2,939,617	8,284,843	4,194,093	11,197,993
Component 2.1	456,757	1,294,918	456,757	1,294,918
Component 2.2	1,210,466	3,408,984	2,619,536	6,943,847
Interest	970,612	2,770,023	2,780,360	7,339,479
Total cash disbursements	14,505,403	40,722,607	70,918,486	174,102,010

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

5. Comparison of budget and actual cash disbursements

The table below presents comparison of budget and actual cash disbursements from the ADB funding and the GOG co-financing separately.

The budget of the Project agreed between the parties relates to the whole period of the Project (Note 1). At the end of the Project, final variance will be presented between budget and cumulative actual cash payments under the Project.

Budget related to the ADB financing

	2020		
	Budget*	Actual payments	Variance
Construction or civil works	82,262,463	58,377,443	23,885,020
Goods	1,543,969	1,232,697	311,272
Consulting services	3,734,620	2,703,587	1,031,033
Interest charge	4,931,484	3,712,008	1,219,476
Unallocated	-	-	-
Total cash disbursements	92,472,536	66,025,735	26,446,801

	2019		
	Budget*	Actual payments	Variance
Construction or civil works	78,981,718	54,205,635	24,776,083
Goods	1,482,394	1,054,188	428,206
Consulting services	3,585,678	2,609,076	976,602
Interest charge	4,734,810	2,780,360	1,954,450
Unallocated	-	-	-
Total cash disbursements	88,784,600	60,649,259	28,135,341

* Budget figures originally presented in SDRs are converted to USD using the International Monetary Fund (IMF) exchange rate 1.440270 and 1.38283 as at 31 December 2020 and 31 December 2019, respectively.

As at 31 December 2020 undrawn borrowing facilities comprised USD 26,446,801 (31 December 2019: USD 28,135,341).

Budget related to the GOG co-financing

	2020		
	Budget**	Actual payments	Variance
Construction or civil works	14,802,390	10,351,227	4,451,163
Goods	277,823	232,408	45,415
Consulting services	672,011	483,940	188,071
Unallocated	-	-	-
Total cash disbursements	15,752,224	11,067,575	4,684,649

	2019		
	Budget**	Actual payments	Variance
Construction or civil works	14,212,050	9,601,723	4,610,327
Goods	266,743	200,256	66,488
Consulting services	645,211	467,217	177,994
Unallocated	-	-	-
Total cash disbursements	15,124,004	10,269,195	4,854,808

** The budget for the GOG co-financing represents the planned spending by the GOG proportionate to their co-financing for the Project (Note 6).

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

5. Comparison of budget and actual cash disbursements (continued)

Disbursement plan

The Entity shall update the disbursement plan, which is prepared before the Loan Agreement, annually or as needed throughout the duration of the Project. Total cash disbursements amounted to USD 6,174,824 and USD 14,505,403 for 2020 and 2019, respectively.

6. Funds provided

The Project is financed by two sources: 84.75% of construction or civil works, goods and consulting services are financed by the ADB and remaining 15.25% by the GOG. The resolution of the GOG is issued each year to approve the GOG's financial contribution in the Project. Interest charge is totally financed by the ADB.

During 2020 the ADB made direct payment to the suppliers' accounts as reimbursements of expenses for work performed in the suppliers' contractual currencies.

Financing from the GOG was received by the Entity on GEL accounts in Georgian commercial bank and then repaid to respective beneficiaries. Under the resolution of the GOG No. 174, dated 30 January 2020, all financing made by the GOG into the Project are contributed into the capital of the Entity.

7. Cash disbursements

Total cash disbursements during 2020, include civil works, consulting service fees and interest payments in amount of USD 6,174,824 (2019: 14,505,403).

8. Loan No. 3078-GEO (SF) from the ADB

The Loan bears an interest rate of 2% per annum and has a maturity of 15 years. The payment of interest by GOG will start since accumulated interest expenses on the Loan exceeds to the interest charge amount defined per budget. The payments of principal started from May 2019. It is paid semiannually in May and in November according to Schedule 2 of loan agreement.

The interest charge and any other charge on the Loan is payable semi-annually on 15 May and 15 November in each year, starting from 15 May 2015. The ADB withdraws interest payable from the loan account and pays itself the amounts due during the grace period. During 2020 two semi-annual interest payments were withdrawn by the ADB in the amount of USD 931,648 (2019: USD 970,612). The interest charge will be covered by the GOG since accumulated interest expenses on the Loan exceeds to the interest charge amount defined per budget.

Special Purpose Financial Statement for Loan No. 3078-GEO (SF) (Project 3) -
31 December 2020

9. Land acquisition and resettlement

During 2014 the GOG approved USD 274,935 (GEL 486,718) to finance land acquisition and resettlement in Ureki Region under the resolution of the GOG No. 526. The expenditure related to resettle the population from the specific lands to be used for the construction for the Project purposes. The expenditure was incurred after the Project was launched and was not included under the initial budget and was totally financed by the GOG. From the total amount of financing USD 233,831 (GEL 408,987) was paid to landowners during 2014. During 2015, based on the resolution of the GOG No. 434 and no objection note received from the ADB, expenses related to the project Mestia Water Supply and Sewerage Networks Construction (MES-02), which is implemented by the UWSCG LLC under Project 2, with the total amount of GEL 15,751, was covered from residual cash balance from the GOG financing received for Ureki Region resettlement. During 2016, based on the resolution of the GOG No. 2586 and no objection note received from the ADB, expenses related to the project Zugdidi Water Supply and Sewerage Networks Construction (ZUG-01), which is implemented by the UWSCG LLC under Project 4, with the total amount of GEL 41,719, was covered from residual cash balance from the GOG financing received for Ureki Region resettlement.

During the year ended 31 December 2020 there have been no resettlement expenditure related to implementation of the project, due for financing by the Government of Georgia.

10. Compliance with the use of the Loan Proceeds and financial covenants

In accordance with the requirements of the Section B of the Project Administration Instructions (PAI 5.07, revised in June 2018) of the Asian Development Bank, the Entity is required to report on the use of the proceeds of the Loan and compliance with the financial covenants, which is contained in the Notes 10.1 and 10.2 below.

10.1. Use of Funds for the Purpose Intended

For years 2020, 2019, 2018, 2017 and 2016, the Entity has utilised all funds received from the ADB and the GOG in accordance with Sections 3.02, 3.03 and 3.04 of the Loan Agreement exclusively in the carrying out of the Project.

10.2. Financial covenants

As at 31 December 2020, 2019, 2018, 2017 and 2016, the UWSCG LLC was in compliance with the following financial covenants related to the Project contained in paragraphs 6 and 7 of the Schedule 3 to the Loan Agreement:

- 1) No withdrawals were made from the Loan account for reimbursement of eligible expenditures incurred under the Project before the effective date, but not earlier than 12 months before the date of the Loan Agreement in connection with works, goods, and consulting services;
- 2) No withdrawal was made from the Loan account until the Subsidiary Loan Agreement was signed.