

**RELIEF AND RECOVERY FOR MICRO, SMALL
AND MEDIUM ENTERPRISES (MSMEs)**

**Special Purpose Project Financial Statements
together with Independent Auditor's Report
for the Year Ended 31 December 2023**

Loan No. 9239-GE

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RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Managements of LEPL ENTERPRISE GEORGIA ("EG") and THE NATIONAL BANK OF GEORGIA ("NBG") (collectively referred to as "Management") are responsible for the preparation of the special purpose project financial statements of RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) ("Project") for the year ended 31 December 2023 in accordance with *International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting* ("IPSAS-Cash Basis"). The Project has been financed by the Loan Agreement No. 9239-GE dated 17 May 2021 between Georgia and International Bank for Reconstruction and Development ("IBRD") (the "Loan Agreement") and has been implemented by EG and NBG.

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's financial position and its sources and uses of funds and movements in the designated account;

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls related to 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 IPSAS-Cash Basis;
- Maintaining accounting records in compliance with the Georgian legislation and IPSAS-Cash Basis;
- 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 year ended 31 December 2023 were approved for issue on 21 June 2024 by the Management.

			
Irakli Gabriadze	Giorgi Nasaraia	Vakhtang Burkiashvili	Andria Manelashvili
Acting Director	Project Financial Consultant	Executive Director	Head of Finance and Accounting Department
LEPL Enterprise Georgia	LEPL Enterprise Georgia	National Bank of Georgia	National Bank of Georgia

INDEPENDENT AUDITOR'S REPORT

To the Managements of LEPL ENTERPRISE GEORGIA and THE NATIONAL BANK OF GEORGIA ("Management")

Opinion

We have audited the special purpose project financial statements of "RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)" ("Project") financed by the Loan Agreement No. 9239-GE dated 17 May 2021 between Georgia and International Bank for Reconstruction and Development ("IBRD") (the "Loan Agreement") and implemented by LEPL ENTERPRISE GEORGIA ("EG") and THE NATIONAL BANK OF GEORGIA ("NBG"), which comprise the statement of financial position as at 31 December 2023, and the statement of cash receipts and payments, and the statement of expenditures by component for the year then ended, and notes to the special purpose project financial statements, including material accounting policy information.

In our opinion, the accompanying special purpose project financial statements for the year ended 31 December 2023 are prepared, in all material respects, in accordance with *International Public Sector Accounting Standard: Financial Reporting Under the Cash Basis of Accounting* ("IPSAS-Cash Basis") as further detailed in Note 2.

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 Project Financial Statements section of our report. We are independent of the Project, EG and NBG in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and we have fulfilled our 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

Information presented on pages 7 to 16 of the accompanying special purpose project financial statements that are labeled as "Unaudited" have not been audited.

The special purpose project financial statements for the period from 17 August 2021 to 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 27 June 2023.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and 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 in complying with the financial reporting provisions of the Loan Agreement. As a result, the special purpose project financial statements may not be suitable for another purpose.

Our report is intended solely for use by EG and NBG for reporting to IBRD. This report is not intended for the benefit of any other third parties and we accept no responsibility or liability to any party other than those mentioned above in respect of the report. Should any third party take decisions based on the contents of the report, the responsibility for such decisions shall remain with those third parties. Our opinion is not modified in respect of this matter.

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Responsibilities of Management and Those Charged with Governance for the Special Purpose Project Financial Statements

Management is responsible for the preparation of the special purpose project financial statements in accordance with IPSAS-Cash Basis 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.

In preparing the special purpose project financial statements, the managements of EG and NBG are responsible for assessing the ability of EG and NBG, respectively, to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless either management intends to liquidate EG/NBG or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

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 can 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on EG's or NBG's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose project financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause EG or NBG to cease to continue as going concerns.
- Evaluate the overall presentation of the special purpose project financial statements.

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.

Report on Compliance with Requirements of the Loan Agreement

Management is responsible for the use of the Project funds in compliance with the requirements of the Loan Agreement.

Our responsibility is to express an opinion, based on our work and evidence obtained during our audit of the special purpose project financial statements, whether the Project funds have been used in compliance with the provisions of the Loan Agreement.

In our opinion, the Project funds have been used, in all material respects, in compliance with the provisions of the Loan Agreement.



Shota Nanitashvili

On behalf of Deloitte & Touche LLC



Tbilisi, Georgia

21 June 2024

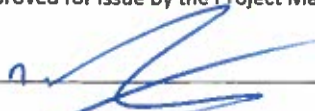
RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
 LOAN NO. 9239-GE
 STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
 (Amounts are presented in EUR)

	Note	Actual	Actual	Actual	Actual	Budget (Unaudited)*	Variance
		For the year ended 31 December 2023	For the year ended 31 December 2022	Cumulative as of 31 December 2023	Cumulative as of 31 December 2022	Cumulative as of 31 December 2023	Cumulative as of 31 December 2023
TOTAL OPENING CASH	5	<u>138,602</u>	<u>74,228</u>	-	-		
Sources of Funds							
Loan Number 9239-GE		19,300,000	11,340,907	30,953,407	11,653,407		
TOTAL FUNDS	3,7	<u>19,300,000</u>	<u>11,340,907</u>	<u>30,953,407</u>	<u>11,653,407</u>		
Project Expenditures							
Component 1 - Financial relief and recovery for MSMEs		17,168,424	11,005,009	28,173,433	11,005,009	28,212,227	38,794
Component 2 – Digital payments and financial infrastructure upgrading (EG)		47,792	-	47,792	-	196,185	148,393
Component 2 – Digital payments and financial infrastructure upgrading (NBG)**		-	40,907	40,907	40,907	40,907	-
Component 3 – Project management and monitoring		449,606	226,733	702,111	252,505	937,246	235,135
Front-end Fee		-	-	212,500	212,500	212,500	-
TOTAL EXPENDITURES	6	<u>17,665,822</u>	<u>11,272,649</u>	<u>29,176,743</u>	<u>11,510,921</u>	<u>29,599,065</u>	<u>422,322</u>
Foreign exchange gain/(loss)		21,200	(3,884)	17,316	(3,884)		
TOTAL ENDING CASH	5	<u>1,793,980</u>	<u>138,602</u>	<u>1,793,980</u>	<u>138,602</u>		

*The budget figures are updated several times during the year. Planned figures as of 31 December 2023 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.

Approved for issue by the Project Management on 21 June 2024 and signed on its behalf by:


 Irakli Gabriadze
 Acting Director
 LEPL Enterprise Georgia


 Giorgi Nasaraia
 Project Financial Consultant
 LEPL Enterprise Georgia


 Vakhtang Burkiashvili
 Executive Director
 National Bank of Georgia


 Andria Manelashvili
 Head of Finance and Accounting Department
 National Bank of Georgia

The notes on pages 10-16 form an integral part of these special purpose project financial statements.

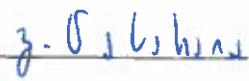
RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
LOAN NO. 9239-GE
STATEMENT OF EXPENDITURE BY COMPONENT FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are presented in EUR)

	<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 2023</i>	<i>For the year ended 31 December 2022</i>	<i>Cumulative as of 31 December 2023</i>	<i>Cumulative as of 31 December 2022</i>	<i>Cumulative as of 31 December 2023</i>	<i>Cumulative as of 31 December 2023</i>
Component 1 - Financial relief and recovery for MSMEs (EG)	17,168,424	11,005,009	28,173,433	11,005,009	28,212,227	38,794
1.1 - Grants for micro and small firms (EG)	8,961,126	8,611,392	17,572,518	8,611,392	18,224,225	651,707
1.2 - Co-financing of interest payments (EG)	1,104,111	5,214	1,109,325	5,214	1,624,082	514,757
1.3 - Partial credit guarantees (EG)	7,078,107	2,388,403	9,466,510	2,388,403	8,294,277	(1,172,233)
1.4 - Support for COVID-proofing and digitization (EG)	25,080	-	25,080	-	69,643	44,563
Component 2 - Digital payments and financial infrastructure upgrading	47,792	40,907	88,699	40,907	237,092	148,393
2.1 - Upgrading payments infrastructure (NBG)	-	40,907	40,907	40,907	40,907	-
2.2 - e-KYC and Know-Your-Customer registry (EG)	-	-	-	-	-	-
2.3 - Secured transactions reform (EG)	47,792	-	47,792	-	196,185	148,393
Component 3 - Project management and monitoring (EG)	449,606	226,733	702,111	252,505	937,246	235,135
Front-end Fee	-	-	212,500	212,500	212,500	-
Total Project Expenditure	17,665,822	11,272,649	29,176,743	11,510,921	29,599,065	422,322

* The budget figures are updated several times during the year. Planned figures as of 31 December 2023 have not been audited.

Approved for issue by the Project Management on 21 June 2024 and signed on its behalf by:


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 Andria Manelashvili
 Head of Finance and Accounting Department
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The notes on pages 10-16 form an integral part of these special purpose project financial statements.

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
 LOAN NO. 9239-GE
 STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2023
 (Amounts are presented in EUR)

	Note	31 December 2023	31 December 2022
ASSETS			
Cash Balances	5	1,793,980	138,602
TOTAL ASSETS		1,793,980	138,602
FUNDS RECEIVED LESS PROJECT EXPENDITURES			
Funds received	3, 7	30,953,407	11,653,407
Project expenditures	6	(29,176,743)	(11,510,921)
Foreign exchange gains/(losses)		17,316	(3,884)
TOTAL FUNDS RECEIVED LESS PROJECT EXPENDITURES		1,793,980	138,602

Approved for issue by the Project Management on 21 June 2024 and signed on its behalf by:

			
Irakli Gabriadze Acting Director LEPL Enterprise Georgia	Giorgi Nasarala Project Financial Consultant LEPL Enterprise Georgia	Vakhtang Burkiashvili Executive Director National Bank of Georgia	Andria Manelashvili Head of Finance and Accounting Department National Bank of Georgia

The notes on pages 10-16 form an integral part of these special purpose project financial statements.

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

LOAN NO. 9239-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are presented in EUR)

1. GENERAL INFORMATION

1.1. The Project

The Loan Agreement No. 9239-GE (the “Loan Agreement” or the “Loan”) was signed on 17 May 2021 between Georgia and the International Bank for Reconstruction and Development (“IBRD”), according to which IBRD agreed to lend to Georgia the amount of 85,000,000 Euros. The Loan 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 the Loan Agreement is Euro (“EUR”).

The Closing date of the Loan Agreement was set 30 June 2026.

The Project data as of 31 December 2023 and 2022 are as follows:

Original Loan Amount	EUR 85.0 million
Total Disbursements as of 31 December 2023	EUR 30.95 million
Total Disbursements as of 31 December 2022	EUR 11.65 million
Project Effectiveness Date	August 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-sized 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)**LOAN NO. 9239-GE****NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023***(Amounts are presented in EUR)***1. 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 the Loan Agreement 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)

LOAN NO. 9239-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are presented in EUR)

1. GENERAL INFORMATION (CONTINUED)

1.4. Project implementation

The Project is implemented by LEPL ENTERPRISE GEORGIA (“EG”) and the NATIONAL BANK OF GEORGIA (“NBG”) 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 Minister of Economy and Sustainable Development of Georgia in carrying out Parts B.2 and B.3 of the Project. EG’s address is: 5/16-18 Marjanishvli Str. (18 Uznadze Str.), 0102, Tbilisi, Georgia

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

2. SUMMARY OF 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). The purpose of these special purpose project financial statements is to provide information to IBRD to assist 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 Sources of Funds when cash is received. Use of project funds are recognised as Project Expenditures when 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 Agreement.

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 published by the National Bank of Georgia (NBG).

The exchange rates defined by NBG as of 31 December 2023 and 2022 are as follows:

	<u>EUR/GEL</u>
Exchange rate as of 31 December 2023	2.9753
Exchange rate as of 31 December 2022	2.8844

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.

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)**LOAN NO. 9239-GE****NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023***(Amounts are presented in EUR)***2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****Reimbursement**

IBRD reimburses amounts for expenditures eligible for financing pursuant to the Loan Agreement. 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 pay all the taxes to 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 period.

3. SUMMARY OF SOURCE OF FUNDS

Funds requested and received during the year ended 31 December 2023 are presented below:

WB/ Trans No	Application Reference	Date of application	Date of received payments	Sum
11	Advance 7 (EG)	22/03/2023	31/03/2023	1,500,000
12	Advance 8 (EG)	25/05/2023	08/06/2023	1,800,000
13	Advance 9 (EG)	28/07/2023	04/08/2023	3,000,000
14	Advance 10 (EG)	26/09/2023	05/10/2023	6,000,000
15	Advance 11 (EG)	20/10/2023	03/11/2023	5,500,000
16	Advance 12 (EG)	13/12/2023	22/12/2023	1,500,000
Total Amount Received				19,300,000

Funds requested and received during the year ended 31 December 2022 are presented below:

WB/ Trans No	Application Reference	Date of application	Date of received payments	Sum
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				11,340,907

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

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)
LOAN NO. 9239-GE
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are presented in EUR)

4. STATEMENT OF DESIGNATED ACCOUNTS

Information about the account used during the year as a designated account is presented below:

Financing Agreement	Loan Agreement No. 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 2023 and 31 December 2022 is presented as follows:

Number	Description	For the year ended 31 December 2023	For the year ended 31 December 2022	Cumulative as of 31 December 2023	Cumulative as of 31 December 2022
1	DA Opening balance (EG)	138,602	74,228	-	-
2	Add: opening discrepancy (EG)	-	-	-	-
3	IBRD advance/replenishment (EG)	19,300,000	11,300,000	30,700,000	11,400,000
4	Less: Refund to IBRD from Designated Account (EG)	-	-	-	-
5	Present outstanding amount advanced to DA (EG)	19,438,602	11,374,228	30,700,000	11,400,000
6	DA closing balance as at end of the period (EG)	1,793,980	138,602	1,793,980	138,602
7	Add: Amount for eligible expenditures (EG)	17,665,822	11,231,742	28,923,336	11,257,514
8	Service charges (if debited into DA) (EG)	(21,200)	3,884	(17,316)	3,884
9	Less: Interest earned (if credited into DA) (EG)	-	-	-	-
10	Total advance accounted for (EG)	19,438,602	11,374,228	30,700,000	11,400,000
11	Discrepancy (5)-(10) to be explained /II (EG)	-	-	-	-

NBG has not used the designated account method for the disbursements during the years ended 31 December 2023 and 2022.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of 31 December 2023 and 31 December 2022 can be presented as follows:

IBRD Loan 9239-GE	Underlying Currency	31 December 2023	31 December 2022
Designated Account (EG)	EUR	1,793,980	138,602
Designated Account (NBG)	EUR	-	-
		1,793,980	138,602

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(Amounts are presented in EUR)

6. PROJECT EXPENDITURES IMPLEMENTATION PROGRESS

Project Implementation as of 31 December 2023 and 31 December 2022 are presented below:

Project Activities	Cumulative as of 31 December 2023	Cumulative as of 31 December 2022	Budget	Utilized as of 31 December 2023	Utilized as of 31 December 2022
Component 1 - Financial relief and recovery for MSMEs (EG)	28,173,433	11,005,009	68,000,000	41.4%	16.2%
1.1 - Grants for micro and small firms (EG)	17,572,518	8,611,392	25,200,000	69.7%	34.2%
1.2 - Co-financing of interest payments (EG)	1,109,325	5,214	12,800,000	8.7%	0.0%
1.3 - Partial credit guarantees (EG)	9,466,510	2,388,403	25,000,000	37.9%	9.6%
1.4 - Support for COVID-proofing and digitization (EG)	25,080	-	5,000,000	0.5%	0.0%
Component 2 - Digital payments and financial infrastructure upgrading (EG and NBG)	88,699	40,907	12,000,000	0.7%	0.3%
2.1 - Upgrading payments infrastructure (NBG)	40,907	40,907	6,000,000	0.7%	0.7%
2.2 - e-KYC and Know-Your-Customer registry (EG)	-	-	4,300,000	0.0%	0.0%
2.3 - Secured transactions reform (EG)	47,792	-	1,700,000	2.8%	0.0%
Component 3 - Project management and monitoring (EG)	702,111	252,505	4,787,500	14.7%	5.3%
Front-end fee	212,500	212,500	212,500	100.0%	100.0%
Total Project Expenditure	29,176,743	11,510,921	85,000,000	34.3%	13.5%

7. FINANCING UNDER THE LOAN AGREEMENT

Financing provided as of 31 December 2023 and 31 December 2022 are presented below:

	For the year ended 31 December 2023	For the year ended 31 December 2022
Designated Account	1,793,980	138,602
SOE	28,964,243	11,298,421
Front-end fee	212,500	212,500
Foreign exchange differences	(17,316)	3,884
Total Source of Funds	30,953,407	11,653,407
Total financing budget	85,000,000	85,000,000
Percentage of finance provided	36.4%	13.7%

RELIEF AND RECOVERY FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

LOAN NO. 9239-GE

NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are presented 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 no material legal cases during the years ended 31 December 2023 and 2022 and up to the date of issuance of these special purpose project financial statements. Management is not aware of any commitments and contingencies which would have a material impact on these special purpose project financial statements for the year ended 31 December 2023.

10. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, funds in the amount of EUR 4,000,000 have been received.