

MUNICIPAL DEVELOPMENT FUND OF GEORGIA
LD 1885 (2016)
(RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI
AND
INCREASING ENERGY EFFICIENCY PROJECT)
SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

TABLE OF CONTENTS

	Page
Statement of management's responsibilities for the preparation and approval of the special purpose project financial statements	3
Independent auditor's report	4-5
<i>Special purpose project financial statements for the year ended 31 December 2024</i>	6-11
Summary of sources and uses of funds	6-7
Statement of financial position	8
Summary of expenditure by activity	9
Statement of disbursement requests (SoDR)	10
Statement of designated account	11-12
 <i>Notes to the special purpose project financial statements</i>	
1. Background	13
2. Accounting policies	13-14
3. Designated account	14
4. Basis of funding	14
5. Methods of withdrawal	14
6. Statement of expenditure	14
7. Project expenditure by fund	15
8. Commitments and contingencies	15
9. Operating environment	15
10. Subsequent events	16

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL
OF THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

Management of the Reconstruction - Rehabilitation of Public Schools in Tbilisi and Increasing Energy Efficiency Project (the "Project") implemented by the Municipal Development Fund of Georgia (MDF) is responsible for the preparation of the special purpose project financial statements that present fairly the Project's statement of financial position as at 31 December 2024, the summary of sources and uses of funds, summary of expenditure by activity, statement of expenditure ("SOE") and statements of designated account, in compliance with the basis of accounting described in Note 2 the accompanying special purpose project financial statements.

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 that enable users to understand the impact of particular transactions, other events and conditions on the Project, financial position and its sources and uses of funds and movements in designated accounts.

Management is also responsible for:

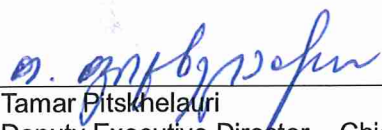
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Project;
- Maintaining adequate accounting records that are sufficient to show and explain the Project's transactions and disclose with reasonable accuracy at any time the financial position of the Project;
- Maintaining statutory accounting records in compliance with Georgian legislation;
- Taking such steps that are reasonably available to them to safeguard the assets of the Project; and
- Preventing and detecting fraud and other irregularities.

The special purpose project financial statements for the year ended 31 December 2024 were authorized for issue on 30 June 2025 by the Management.

On behalf of Management:


Bekar Urushadze
Executive Director




Tamar Pitskhelauri
Deputy Executive Director – Chief
Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the management of the Municipal Development Fund of Georgia

Opinion

We have audited the accompanying special purpose project financial statements of the Reconstruction - Rehabilitation of Public Schools in Tbilisi and Increasing Energy Efficiency Project (the "Project") financed under the Loan and Grant Agreements No. LD 1885 (2016) dated 18 October 2016 (the "Agreements"), implemented by the Municipal Development Fund of Georgia, which comprise the Project's summary of sources and uses of funds for the year ended 31 December 2024, statement of financial position as at 31 December 2024, summary of expenditure by activity, statement of expenditure ("SOE") and statements of designated account for the year ended 31 December 2024 and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "special purpose project financial statements").

In our opinion, the accompanying special purpose project financial statements for the year ended 31 December 2024 are prepared, in all material respects, in accordance with Loan Agreement No. LD 1885 (2016) dated 18 October 2016, as further detailed in Note 2.

Basis for opinion

We conducted our audit in accordance with International Standards of Auditing ("ISAs"). 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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Georgia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Data included on pages 6 to 16 of the accompanying special purpose project financial statements that are marked as "Unaudited" have not been audited.

Emphasis of matter

Basis of Accounting and Restriction on 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 the Project's management to comply with the financial reporting provisions of the Agreements. As a result, the special purpose project financial statements may not be suitable for another purpose.

This report is intended solely for use by the Project's management in reporting the information to the Government of Georgia and the Council of Europe Development Bank (CEB). 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 the Project's management 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.

Responsibility of management and those charged with governance for the special purpose project financial statements

Management is responsible for the preparation of these special purpose project financial statements in accordance with the basis of accounting described in Note 2 and in conformity with the financial reporting provisions of the Agreement and for such internal control as management determines is necessary to enable the preparation of special purpose project financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the special purpose project financial statements

Our objectives are to obtain reasonable assurance about whether the special purpose project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 access the risks of material misstatement of the special purposes 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 Fund's internal control; and
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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.

Moore Azerbaijan
30 June 2025



**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
SUMMARY OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

	Actual		Planned**		Variance		Estimated financing in the beginning of the project
	Year ended 31.12.2024	Cumulative as at 31.12.2024	Year ended 31.12.2024	Cumulative as at 31.12.2024	Year ended 31.12.2024	Cumulative as at 31.12.2024	
			Unaudited	Unaudited	Unaudited	Unaudited	
Opening Working Capital							
CEB-Grant No. LD 1885 Cash	868,131						
CEB-Credit No. LD 1885 Cash	39,117						
Total	907,248						
Sources of Funds							
CEB-Grant No. LD 1885	-	2,500,000					6,000,000
CEB-Credit No. LD 1885	-	14,000,000					14,000,000
Government of Georgia	7,774,617	12,487,416					2,000,000
Total sources of funds	7,774,617	28,987,416					22,000,000
Expenditure							
CEB-Grant No. LD 1885							
Consultancy	-	-	-	-	-	-	
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School	295,558	1,927,427	283,611	1,893,106	(11,947)	(34,321)	
TA	8,401	8,401	19,607	19,607	11,206	11,206	
Supervision	-	-	-	-	-	-	
Sub-total	303,959	1,935,828	303,218	1,912,713	(741)	(23,115)	

MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
SUMMARY OF SOURCES AND USES OF FUNDS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)

	Actual		Planned		Variance		Estimated financing in the beginning of the project
	Year ended 31.12.2024	Cumulative as at 31.12.2024	Year ended 31.12.2024 Unaudited	Cumulative as at 31.12.2024 Unaudited	Year ended 31.12.2024 Unaudited	Cumulative as at 31.12.2024 Unaudited	
Expenditure							
CEB-Credit No. LD 1885							
Consultancy	-	273,741	-	287,010	-	13,269	
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School	39,117	13,211,672	187,960	13,187,925	148,843	(23,747)	
Supervision	-	514,587	-	525,065	-	10,478	
Sub-total	39,117	14,000,000	187,960	14,000,000	148,843	-	
Government of Georgia							
Consultancy	98,766	148,039	113,310	170,712	14,544	22,673	
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School	7,430,040	12,000,940	7,424,749	11,949,419	(5,291)	(51,521)	
TA	2,311	2,311	5,393	5,393	3,082	3,082	
Supervision	243,500	336,126	247,723	342,235	4,223	6,109	
Sub-total	7,774,617	12,487,416	7,791,176	12,467,760	16,559	(19,656)	
Total Expenditure	8,117,693	28,423,244	8,282,353	28,380,472	164,660	(42,772)	
Closing Working Capital							
CEB-Grant No. LD 1885 Cash	564,172						
CEB-Credit No. LD 1885 Cash	-						
Total	564,172						

On behalf of Management:

Bekar Urushadze
Executive Director



[Signature]

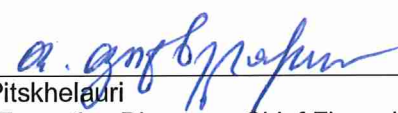
Tamar Pitshkheauri
Deputy Executive Director – Chief Financial Officer

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING
ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

	Note	31 December 2024	31 December 2023
ASSETS			
CEB-Grant No. LD 1885 Cash	3,9	564,172	868,131
CEB-Credit No. LD 1885 Cash	7	-	39,117
Total assets		564,172	907,248
NET ASSETS		564,172	907,248
Funds received:			
CEB-Grant No. LD 1885		2,500,000	2,500,000
CEB-Credit No. LD 1885		14,000,000	14,000,000
Government of Georgia		12,487,416	4,712,799
Total funds received		28,987,416	21,212,799
Expenditure:			
Consultancy		421,780	323,014
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School TA		27,140,039	19,375,324
		10,712	-
Supervision	8	850,713	607,213
Total expenditures		28,423,244	20,305,551
Foreign exchange loss, net		-	-
TOTAL NET ASSETS		564,172	907,248

On behalf of Management:


Bekar Urushadze
Executive Director


Tamar Pitskhelauri
Deputy Executive Director – Chief Financial Officer

Notes on pages 13-16 are integral part of these financial statements

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
STATEMENT OF EXPENDITURE BY ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

Project activities	Actual		Planned		Variance	
	Year ended 31.12.2024	Cumulative as at 31.12.2024	Year ended 31.12.2024	Cumulative as at 31.12.2024	Year ended 31.12.2024	Cumulative as at 31.12.2024
Consultancy	98,766	421,780	113,310	457,722	14,544	35,942
Reconstruction/Rehabilitatio n and introduction of Energy Efficiency Measures for Public School	7,764,715	27,140,039	7,896,320	27,030,450	131,605	(109,589)
TA	10,712	10,712	25,000	25,000	14,288	14,288
supervision	243,500	850,713	247,723	867,300	4,223	16,587
TOTAL EXPENDITURE	8,117,693	28,423,244	8,282,353	28,380,472	164,660	(42,772)



On behalf of Management:

Bekar Urushadze
Executive Director

(Signature)

Tamar Pitshelauri
Deputy Executive Director – Chief Financial Officer

MUNICIPAL DEVELOPMENT FUND OF GEORGIA
 RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING ENERGY EFFICIENCY PROJECT
 LOAN AND GRANT NO. LD 1885 (2016)
 STATEMENT OF DISBURSEMENT REQUESTS (SoDR)
 FOR THE YEAR ENDED 31 DECEMBER 2024
 (In EUR)

Withdrawal applications for Grant No. LD 1885 (2016) Cash

There have not been withdrawals made based on Disbursement Request under CEB-Grant No. LD 1885 (2016) Cash for the year ended 31.12.2024.

Withdrawal applications for Loan No. LD 1885 (2016)

There have not been withdrawals made based on Disbursement Request under CEB-Loan No. LD 1885 (2016) for the year ended 31.12.2024.

Withdrawal No.	Withdrawal Application Date	Total DR	Advance
Tranche No. 5	30.01.2023	3,000,000	3,000,000
Tranche No. 6	06.12.2023	2,307,753	2,307,753
Total:		5,307,753	5,307,753



On behalf of Management:

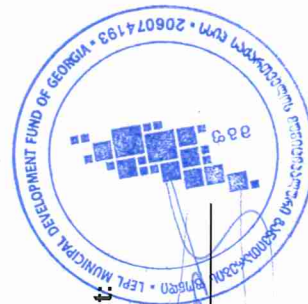
Bekar Urushadze
 Executive Director

(Signature)

Tamar Pitskhelauri
 Deputy Executive Director – Chief Financial Officer

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
STATEMENT OF DESIGNATED ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

Account No.	202255093		
Depository Bank	State Treasury		
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia		
		Note	31 December 2024
			31 December 2023
Opening balance			
Fund received from CEB-Grant No. LD 1885	868,131		1,447,088
	-		-
Present outstanding amount advanced to Designated Account ("DA")			
DA closing balance	868,131		1,447,088
Add: Amount of eligible expenditures paid	564,172		868,131
	303,959	9	578,957
Foreign exchange loss, net	-		-
Total advance accounted for	868,131		1,447,088



On behalf of Management:

Bekar Urushadze
Executive Director

Tamar Pitskhelauri
Deputy Executive Director – Chief
Financial Officer

MUNICIPAL DEVELOPMENT FUND OF GEORGIA
 RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING ENERGY EFFICIENCY PROJECT
 LOAN AND GRANT NO. LD 1885 (2016)
 STATEMENT OF DESIGNATED ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2024
 (In EUR)

Account No.	202255093	
Depository Bank	State Treasury	
Address	16 V. Gorgasali street Tbilisi, 0114 Georgia	
	Note	31 December 2024
Opening balance		31 December 2023
Fund received from CEB-Loan No. LD 1885 (2016)	39,117	329,068
Present outstanding amount advanced to Designated Account ("DA")	-	5,307,753
DA closing balance	39,117	5,636,821
Add: Amount of eligible expenditures paid	-	39,117
Foreign exchange loss, net	39,117	5,597,704
Total advance accounted for	-	
	39,117	5,636,821



On behalf of Management:

[Signature]
 Bekar Urushadze
 Executive Director

[Signature]
 Tamar Pitskhelauri
 Deputy Executive Director – Chief
 Financial Officer

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING
ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

1. BACKGROUND

Municipal Development Fund of Georgia (the "Fund" or "MDF") was established on 7 June 1997 by the Presidential Decree No. 294 "On management of funds for the development of municipal sector in Georgia".

The Fund is a legal Fund of public law, the objective of which is to support strengthening institutional and financial capacity of local government units, investing financial resources in local infrastructure and services, improving on sustainable basis the primary economic and social services for the local population and the provision of low-interest loans to legal entities and physical persons of Georgia in the framework of the Government Program.

The founder and governing body of the Fund is the Government of Georgia. The Fund is cooperating with majority of large investment banks and financial institutions operating in Georgia.

The Council of Europe Development Bank (CEB) Loan and Grant Agreements No. LD 1885 (2016) (the "Agreements") in the amount of 14 and 6 million EUR was signed between the Government of Georgia ("GoG") and the Council of Europe Development Bank (CEB) on 18 October 2016 ("inception").

The main objective of the project LD 1885 (2016) "Reconstruction - Rehabilitation of Public Schools in Tbilisi and Increasing Energy Efficiency" is comprehensive rehabilitation of public schools in Tbilisi and introduction of energy efficiency in the education sector infrastructure. The energy efficiency solutions in this project could be replicated in other school buildings in Tbilisi and throughout the country. The project will focus on approximately 25 general education institutions.

2. ACCOUNTING POLICIES

Basis of accounting – These special purpose project financial statements have been prepared in accordance with the provisions of the Loan and Grant Agreements No. LD 1885 (2016) dated 18 October 2016 to the extent applicable to these special purposes financial statements and as agreed by the Fund, Government of Georgia and the Council of Europe Development Bank (CEB).

The special purpose project financial statements have been prepared on the accrual basis of accounting.

These special purpose project financial statements, in accordance with the provisions of the Agreement, are prepared to report the information to the Government of Georgia and the Council of Europe Development Bank. As a result, these special purpose project financial statements may not be suitable for another purpose.

Sources of funds – Project financing is recognized as sources of funds in the period when the cash inflow can be reasonably estimated and they become available and measurable. The accumulated project financing is disclosed under "Funds" in the statement of financial position. In addition, current year funds received is disclosed in the Statement of Sources and Uses of Funds, showing under sources funds and expenditures respectively.

Expenditure - is recognized on an accruals basis as a use of project funds when liabilities are incurred. The accumulated project expenditures are disclosed under "Expenditure" in the statement of financial position.

Functional currency – The functional currency of the project and its presentational currency is EUR.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING
ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

2. ACCOUNTING POLICIES (CONTINUED)

Transactions in other currencies – Transactions in currencies other than the reporting currency are converted to EUR at the exchange rate prevailing at the date of the transaction. Monetary items are translated into EUR at the National Bank of Georgia (NBG) official exchange rate at the reporting date.

Cash – Cash comprises of balances with State Treasury.

3. DESIGNATED ACCOUNT

Designated account is a special disbursement account of the Project maintained in EUR at the State Treasury to ensure the payment of eligible expenditures, within defined limits.

4. BASIS OF FUNDING

The project is estimated to cost **EUR 22 million** of which:

- **EUR 14 million** CEB loan; the loan covers costs related to the comprehensive rehabilitation-retrofitting of the structural elements of selected buildings.
- **EUR 6 million** E5P Grant (TA/IG); the grant covers necessary energy efficiency investments and related technical assistance.
- **EUR 2 million** (estimated local contribution) includes staff cost, building permits and operational cost of project implementation.
- The Government of Georgia provided additional funds required for completion of the schools envisaged under the Project as co-participation in project implementation. There is no fixed contribution, as funds will be provided in order to complete the rehabilitation of the schools envisaged under the Procurement Plan.

5 METHODS OF WITHDRAWAL

The methods of withdrawal used from the inception of the loan to 31 December 2024 were as follows:

(a) Designated Account

Municipal Development Fund withdraws the eligible amounts from the designated account and prepares and sends Disbursement requests to the CEB with authorized signatures.

(b) GoG Current Account

The Project maintains a separate account where funds from the Government of Georgia are accumulated. The funds are further disbursed to sub-contractors based on the share of expenditures to be incurred.

6. STATEMENT OF EXPENDITURE

Withdrawals are to be made on the basis of the Disbursement requests received from the MDF and addressed to Council of Europe Development Bank (CEB).

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING
ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

7. PROJECT EXPENDITURE BY FUND

Project activities	Actual	
	Year to date	Cumulative to date
Consultancy	-	-
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School	295,558	1,927,427
TA	8,401	8,401
Total CEB-Grant	303,959	1,935,828
Consultancy	-	273,741
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School	39,117	13,211,672
Supervision	-	514,587
Total CEB-Credit	39,117	14,000,000
Consultancy	98,766	148,039
Reconstruction/Rehabilitation and introduction of Energy Efficiency Measures for Public School	7,430,040	12,000,940
TA	2,311	2,311
Supervision	243,500	336,126
GoG Total	7,774,617	12,487,416
TOTAL PROJECT EXPENDITURE	8,117,693	28,423,244

8. COMMITMENTS AND CONTINGENCIES

Management is not aware of any commitments and contingencies which would have a material impact on the financial position of the Project and the Designated Account Statement as at 31 December 2024 and on the funds received and disbursed during the year then ended.

9. OPERATING ENVIRONMENT

During 2024, Georgia will continue to exhibit the characteristic volatility of an emerging market, with economic, political and social, and legal and legislative risks all remaining prominent. The fiscal and monetary policies enacted by the Government of Georgia will shape the pace of economic growth and inflation, while evolving tax and regulatory frameworks—driven in large part by Georgia's European Union accession action plan—will remain subject to diverse interpretations by businesses and regulators alike. Throughout the year, further legislative amendments designed to align Georgia's legal system with EU standards will be adopted, and additional regulations may be introduced as the accession roadmap advances.

In support of sustained business development, the Government has indicated that it will extend various stimulus measures into 2024. These are expected to include targeted tax incentives for priority sectors, continued loan restructuring schemes for enterprises facing liquidity pressures, and subsidized interest-payment support to reduce financing costs. Such initiatives will aim to free up corporate resources for reinvestment in expansion, innovation and job creation.

Management will continually assess the impact of these dynamic economic and regulatory changes on the Project's operations. Although unforeseen developments could affect Georgia's macroeconomic environment and, consequently, the Project's future financial position, Management will remain proactive—engaging with stakeholders, monitoring policy shifts, and implementing mitigation strategies—to safeguard the sustainability and growth of the Project's activities.

**MUNICIPAL DEVELOPMENT FUND OF GEORGIA
RECONSTRUCTION - REHABILITATION OF PUBLIC SCHOOLS IN TBILISI AND INCREASING
ENERGY EFFICIENCY PROJECT
LOAN AND GRANT NO. LD 1885 (2016)
NOTES TO THE SPECIAL PURPOSE PROJECT FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(In EUR)**

10. SUBSEQUENT EVENTS

The request for extension of the Grant availability date was requested and granted by E5P (the current closing date is 30.06.2025), however the official extension was not received as of Audit report issuing date. The Government of Georgia have to provide additional financing, which will be enough to complete all pending liabilities under the committed contracts. The budget for FY 2026 will be submitted in August 2025.