MINISTRY OF TREASURY AND FINANCE
BOARD OF TREASURY CONTROLLERS

Ispartakule – Cerkezkoy Railway Line Project

Implemented by

MINISTRY OF TRANSPORT AND INFRASTRUCTURE

Co-Financed Under European Bank for Reconstruction and Development Numbered 51582 and Asian Infrastructure Investment Bank Numbered L0345A

As of December 31, 2023 and For the Year Then Ended

Prepared by

Belçim ÖZDEMİR
Treasury Controller

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Report's Number

63/6 - 23/5 - 27/7

INDEPENDENT AUDITOR'S REPORT

June 13, 2024

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

A. Project Summary

Within the scope of Ispartakule – Cerkezkoy Railway Line Project, Loan Agreements numbered 51582 were signed between Republic of Türkiye and European Bank for Reconstruction and Development (EBRD) on November 15, 2021 and Loan Agreements numbered L0345A were signed between Republic of Türkiye and Asian Infrastructure Investment Bank (AIIB) on December 08, 2021. The project is co-financed by the EBRD and AIIB.

The main aim of the Ispartakule – Cerkezkoy Railway Line Project is to assist the Ministry of Transport and Infrastructure in the construction of the 67 km Ispartakule – Cerkezkoy section of the Halkali – Kapikule Railway Line in the Republic of Türkiye. In this context, it is planning to increase passenger and freight capacity, safety and speed rail transport between Türkiye and the European Union via the construction of a high speed rail between Ispartakule and Cerkezkoy.

The project activities are divided into three components named Civil Works and Supervision Consultant, Project Management Support and Livelihood Restoration Activities as per EBRD PR5 (RAP Fund).

The details of the components are defined as follows:

Component A- Civil Works and Supervision Consultant

This component will finance the construction of 67 kilometers of new double-track, electrified high speed railway from Ispartakule station, to Çerkezköy station, as well as the construction supervision contract.

Component B- Project Management Support

This component will finance and support the hiring of consultants for the capacity strengthening and technical assistance to the Project Implementation Unit (PIU) for project management, procurement, monitoring, contract implementation, financial management and environmental and social activities.

Component C- Livelihood Restoration Activities as per EBRD PR5 (RAP Fund)

This component will be financed only by AIIB, and shall comprise livelihood restoration activities, defined as the additional payments above the compensation paid by beneficiary for land acquisition calculated according to related Turkish Law. These payments

encompass legal and transitional allowances, dedicated compensation for vulnerability, payments for formal tenants and informal users.

While both Component A and Component B is financed by EBRD and AIIB, Component C is financed only by AIIB.

The total budget of the Project is **€ 450.000.000,00**. The amount of the Loan agreement signed between Republic of Türkiye and EBRD and AIIB are **€ 150.000.000,00** and **€ 300.000.000,00** respectively. Implementation period of the Project is between 2021 and 2026. In the audit period (01/01/2023 – 31/12/2023), total disbursements made under the Project is **€ 40.932.527,92** (€ 25.777.278,21 AIIB contribution, € 13.155.605,61 EBRD contribution and € 1.999.644,10 Government contribution)

B. Objectives of Audit

The objective of the audit is to express an opinion on the Ispartakule-Cerkezkoy Railway Line Project for the period ended 31 December 2023. The audit includes but not limited to the following tasks.

In evidencing compliance with agreed project financing arrangements, we are expected to carry out tests to confirm that:

(a) All external funds have been used in accordance with the conditions of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant financing agreements include Loan Agreements numbered 51582-L0345A.

(b) Counterpart funds have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided.

(c) Works and services have been procured in accordance with relevant financing agreements, including specific provisions of the EBRD Procurement Rules.

(d) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE) or Interim Unaudited Financial Statements (IFS) methods of reporting.

(e) Respective reports issued during the period were in agreement with the underlying books of account.

C. Scope of Audit

The audit was conducted in accordance with International Standards on Auditing. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

There was no limitation in our scope for the Project's audit.

D. Audit Methodology

Financial Statements

Verified that the financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Audited all SOE/IFS submitted to the EBRD and AIIB in support of requests for periodic replenishment of the project designated account.

Examined expenditures for eligibility based on criteria defined in the terms of the Loan agreement and detailed in the Disbursement Letter. In addition, we examined;

(a) the Direct Payments have been executed in accordance with the provisions of the relevant financing agreement;

(b) expenditures have been made wholly and necessarily for the realization of project objectives;

(c) information and explanation necessary for the purpose of the audit have been obtained;

(d) supporting records and documents necessary for the purpose of the audit have been retained.

Review of designated accounts

During the audit of the project financial statements, we reviewed the activities of the project's designated account such as deposits received, payments made, and reconciliation of period-end balances.

Internal controls

Evaluated significant internal controls to obtain a sufficient understanding of the design of relevant controls, policies and procedures and whether they have been in operation during the period under review.

Compliance with agreement terms and applicable laws and regulations

Reviewed, assessed and reported on compliance with the terms and conditions of the loan agreement.

Representations by implementing agency

Obtained specific written representations from management.

E. Audit Results

For the financial statements of project; our audit resulted with unmodified of opinion. In addition, other reporting responsibilities about the project are included under the "Report on Other Legal and Regulatory Requirements" heading of the report.

F. Management Recommendation

Since we have not identified any findings during our audit, it was not need to issue a Management Letter.

INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS OF THE PROJECT

INDEPENDENT AUDITOR'S REPORT

TO MINISTRY OF TRANSPORT AND INFRASTRUCTURE OF TÜRKİYE

Opinion

We have audited the Statement of Sources and Uses of Funds, Statement of the Comparison of Budget and Actual Amount, Statement of Withdrawal Application Summary, and Statement of Designated Account of the Ispartakule-Cerkezkoy Railway Line Project as of December 31, 2023, and for the period then ended, and notes to the financial statements including a summary of significant accounting policies. The financial statements have been prepared by the Ministry of Transport and Infrastructure in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreements Numbered 51582-L0345A.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and cash flows of the Ispartakule-Cerkezkoy Railway Line Project as of December 31, 2023 and for the period then ended in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreements Numbered 51582-L0345A.

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 Financial Statements" section of this report. We are independent of the Ministry of Transport and Infrastructure within the meaning of *"IFAC Code of Ethics for Professional Accountants"* and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter in the Financial Statement

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist to the Ministry of Transport and Infrastructure comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose.

Going Concern

The Projects financial statements have not been prepared using the going concern basis of accounting. The project will end on 30.11.2026.

Responsibilities of Management and Those Charged with Governance or other appropriate terms for the Financial Statements

The Ministry of Transport and Infrastructure is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreements Numbered 51582-L0345A, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the General Directorate of Infrastructure Investments financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 entity's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• We are required to 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.

• We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

The conclusions drawn from audits conducted within the scope of other reporting requirements are as follows:

a) Ministry of Transport and Infrastructure, as of December 31, 2023 has complied with, in all material respects, the requirements of the Loan Agreements Numbered 51582-L0345A.

b) With respect to Direct Payments, adequate supporting documentation has been maintained to support claims to the EBRD-AIIB for expenditures made, and these expenditures are eligible for financing under the Loan Agreements Numbered 51582-L0345A.

Okan SÜLER
Acting Chairman of
The Board of Treasury Controllers

Akif Bülent BOYACIOĞLU
(Audit Partner)
Vice Chairman

Belçim ÖZDEMİR
Treasury Controller

Oğulcan ÇOLAK
Treasury Controller

Anıl Edip ASLAN
Junior Treasury Controller

Date: 13/06/2024
Address: Ministry of Treasury and Finance
The Board of Treasury Controllers 06420, Dikmen, ANKARA/TÜRKİYE

ANNEX I: Financial Statements of the Project

Ministry of Transport and Infrastructure
Directorate General of Infrastructure and Investments
Ispartakule - Çerkezköy Railway Project
Loan No: EBRD-51582 & AIIB-L0345A

Withdrawal Application Summary
For the Period: 01.01.2023-31.12.2023

Withdrawal application number	Date	Category 1 Works	Category 2 Consultancy	Category 3 RAP Fund	Total	Value date	Rejected	Net reimbursed
Section C: Payment method - Direct Payment								
Approved withdrawals								
DA-5	13.03.2023		42.837,78		42.837,78	17.04.2023		42.837,78
DA-6	18.04.2023		261.192,40		261.192,40	17.05.2023		261.192,40
DA-7	26.05.2023		53.853,21		53.853,21	4.08.2023		53.853,21
DA-8	21.06.2023	12.797.722,22			12.797.722,22	28.07.2023		12.797.722,22
Direct Payment from EBRD - Sub Total		**12.797.722,22**	**357.883,39**		**13.155.605,61**			**13.155.605,61**
WA-6	13.03.2023		42.837,78		42.837,78	20.03.2023		42.837,78
WA-7	18.04.2023		485.071,60		485.071,60	10.07.2023		485.071,60
WA-8	26.05.2023		53.853,21		53.853,21	21.06.2023		53.853,21
WA-9	21.06.2023	25.195.515,62			25.195.515,62	10.07.2023		25.195.515,62
Direct Payment from AIIB - Sub Total		**25.195.515,62**	**581.762,59**		**25.777.278,21**			**25.777.278,21**
Sub-Total (c)		**37.993.237,84**	**939.645,98**		**38.932.883,82**			**38.932.883,82**
TOTAL (A+B+C)		**37.993.237,84**	**939.645,98**		**38.932.883,82**			**38.932.883,82**

Prepared by

31.05.2024

Hanife GÜL SARIBAŞ

Financial Management Specialist

Controlled by

31.05.2024

Serkan UÇAR

Head of Railway Construction Department

Approved by

31.05.2024

Enver MAMUR

Deputy General Manager
Directorate General of Infrastructure and Investments

Ministry of Transport and Infrastructure
Directorare General of Infrastructure Investments
Ispartakule - Çerkezköy Railway Project
Loan No: EBRD-51582 & AIIB-L0345A
STATEMENT OF SOURCES and USES of FUNDS
As of December 31, 2023 and For The Year Then Ended.
(In EURO)

	Notes	Current Period	Previous Period	Cumulative
I-SOURCES OF FUNDS				
A-Government Contributions	5	1.999.644,10	0,00	1.999.644,10
B-Other Sources of Funds		0,00	0,00	0,00
C- Funding Institution Loan		38.932.883,82	1.164.033,68	40.096.917,50
EBRD-51582 Loan Agreement	5	13.155.605,61	182.016,84	13.337.622,45
AIIB-L0345A Loan Agreement	5	25.777.278,21	982.016,84	26.759.295,05
Total Funds Received		**40.932.527,92**	**1.164.033,68**	**42.096.561,60**
II-A USES OF FUNDS by COMPONENT				
I-Investment Costs				
A- Construction of Ispartakule-Çerkezkoy Section of the Halkalı - Kapıkule Railway Line	3	39.992.881,94	0,00	39.992.881,94
B- Construction Supervision and PIU Support Consultancy	3	939.645,98	364.033,68	1.303.679,66
C- RAP Fund	3	0,00	0,00	0,00
Total Investment Costs		**40.932.527,92**	**364.033,68**	**41.296.561,60**
II-Recurring Costs				
A- Front-End-Fee		0,00	0,00	0,00
Total Recurring Costs		**0,00**	0,00	0,00
Total Uses of Funds by Component		**40.932.527,92**	**364.033,68**	**41.296.561,60**
II-B USES OF FUNDS by CATEGORY				
Category 1- Works	3	39.992.881,94	0,00	39.992.881,94
Category 2- Consultancy	3	939.645,98	364.033,68	1.303.679,66
Category 3- RAP Fund	3	0,00	0,00	0,00
Total Uses of Funds by Category		**40.932.527,92**	**364.033,68**	**41.296.561,60**

Cash at the beginning of the period	1.01.2023	*800.000,00*
Cash at the end of the period*	31.12.2023	*800.000,00*

*The foreign exchange buying rate at the payment date of the bank where the special account is kept was used.

Prepared by

31.05.2024
Hanife GÜL SARIBAŞ
Financial Management Specialist

Controlled by,

31.05.2024
Serkan UÇAR
Head of Railway Construction Department

Approved by

31.05.2024
Enver MAMUR
Deputy Director General
Directorate General of Infrastructure and Investments

STATEMENT of COMPARISON BUDGET AND ACTUAL AMOUNT
Directorate General of Infrastructure Investments
EBRD 51582 & AIIB L0345A
Ispartakule - Çerkezköy Railway Project
01.01.2023-31.12.2023
Reporting Rate : 32,6937

		NOTES	Current Period				Cumulative		
			Actual	Final Budget	Original Budget	Progress %	Actual	Planned	Progress %
			1	2		3=1/2	4	5	6=4/5
	Sources of Funds								
	EBRD 51582 Loan	5	13.155.605,61	37.987.354,75	37.987.354,75	35%	13.337.622,45	37.987.354,75	35%
	AIIB L0345A Loan	5	25.777.278,21	75.762.362,60	75.762.362,60	34%	26.759.295,05	76.562.362,60	35%
	GoT Contribution	5	1.999.644,10	5.793.390,49	5.793.390,49	35%	1.999.644,10	5.793.390,49	35%
Total Sources of Funds			**40.932.527,92**	**119.543.107,84**	**119.543.107,84**	**34%**	**42.096.561,60**	**120.343.107,84**	**35%**
	Uses of Funds								
1	**By components**								
	Component 1 - Construction of Ispartakule-Çerkezkoy Section of the Halkalı - Kapıkule Railway Line	*3*	39.992.881,94	115.867.809,8	115.867.809,8	35%	39.992.881,9	115.867.809,84	35%
	Component 2 - Construction Supervision and PIU Support Consultancy	*3*	939.645,98	2.275.298,0	2.275.298,0	41%	1.303.679,7	2.275.298,00	57%
	Component 3 - RAP Fund		0,00	1.400.000,0	1.400.000,0	0%	0,0	1.400.000,00	0%
Total			**40.932.527,92**	**119.543.107,84**	**119.543.107,84**	**34%**	**41.296.561,60**	**119.543.107,84**	**35%**
2	**By expenditure category**								
	- Category 1 - Works	*3*	39.992.881,94	115.867.809,8	115.867.809,8	35%	39.992.881,9	115.867.809,84	35%
	- Category 2 - Consultancy	*3*	939.645,98	2.275.298,0	2.275.298,0	41%	1.303.679,7	2.275.298,00	57%
	- Category 3 - RAP Fund		0,00	1.400.000,0	1.400.000,0	0%	0,0	1.400.000,00	0%
Total			**40.932.527,92**	**119.543.107,84**	**119.543.107,84**	**34%**	**41.296.561,60**	**119.543.107,84**	**35%**

Prepared by

30.05.2024

Hanife GÜL SARIBAŞ
Financial Management Specialist

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30.05.2024

Serkan UÇAR
Head of Railway Construction Department

Approved by

30.05.2024

Enver MAMUR
Deputy Director General
Directorate General of Infrastructure and Investments

MINISTRY OF TRANSPORT AND INFRASTRUCTURE
DIRECTORATE GENERAL OF INFRASTRUCTURE INVESTMENTS
ISPARTAKULE-ÇERKEZKÖY RAILWAY PROJECT

SPECIAL ACCOUNT STATEMENT at the Central Bank
ACCOUNT NO: 943332003
For the year ended. December 31, 2023
(In EURO)

Opening Balance (01.01.2023)		***800.000,00***
Reimbursements to SA	*0,00*	*0,00*
Refunds to SA	*0,00*	*0,00*
Available Funds	*0,00*	*800.000,00*
Payments Made for Expenditures	*0,00*	
Service charges for the account	*0,00*	
Total Project Investments	*0,00*	*0,00*
Closing Balance (31.12.2023)		***800.000,00***

Prepared by	Controlled by	Approved by
30.05.2024	30.05.2024	30.05.2024
Hanife GÜL SARIBAŞ	Serkan UÇAR	Enver MAMUR
Financial Management Specialist	Head of Railway Construction Department	Deputy Director General Directorate General of Infrastructure and Investments

REPUBLIC OF TURKEY
MINISTRY OF TRANSPORT AND INFRASTRUCTURE
DIRECTORATE GENERAL OF INFRASTRUCTURE INVESTMENTS

ISPARTAKULE-ÇERKEZKÖY RAILWAY LINE PROJECT

EBRD Loan Number 51582
AIIB Loan Number L0345A

NOTES FOR THE PROJECT FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2023

1. PROJECT OBJECTIVES AND STRUCTURE

The objective of the project is to increase passenger and freight capacity, safety and speed of rail transport between Turkey and the European Union via the construction of a high-speed rail between Ispartakule and Çerkezköy. The Project is designed as a 200km/h maximum design speed, double-track, electrified railway, and the required systems, including European Railway Traffic Management System (ERTMS) Level 1, power supply and auxiliaries. The Project will mostly run in parallel to the existing single-track rail line The Project is jointly co-financed by EBRD and AIIB (the Co-financiers) and will follow the arrangements set by the agreements signed between the Co-financiers. Ispartakule – Çerkezköy Railway Line Project's Loan Agreements were signed between the Republic of Turkey and by a separate loan agreement entered into between the Borrower and Co-financiers. European Bank for Reconstruction and Development (EBRD) loan agreement was signed on November 15, 2021 and became effective on January 31, 2022. Asian Infrastructure Investment Bank (AIIB) loan agreement was signed on December 8, 2021 and became effective on February 11, 2022. Project will be closed on November 30, 2026.

Ministry of Treasury and Finance is the Borrower and represents the Republic of Turkey. In accordance with the Loan Agreement Directorate General of Infrastructure Investments (AYGM) of the Ministry of Transportation and Infrastructure is responsible for the implementation of the project. A PIU has been established within AYGM to oversee all aspects of project implementation across all components. In order to assist in the implementation of the Project, the project management support for capacity strengthening and technical assistance to the Project Implementation Unit will be given by PIU Support Consultant.

PROJECT DESCRIPTION

The Ispartakule – Cerkezkoy Railway Project is part of the Halkali – Kapikule Railway Line (HKRL), a strategic project in line with the Turkish national transport strategies and the European Union (EU)'s Country Strategy for Turkey (2014 – 2020) to establish a safe, accessible, sustainable, and inter-operable national rail transport corridor in line with EU standards with appropriate Trans-European Transport Network (TEN-T) connections. The HKRL is a subcomponent of the Transport Corridor Europe-Caucasus-Asia (TRACECA), which aims to strengthen economic relations, trade, and transport in the regions of the Black Sea basin, South Caucasus, and Central Asia. The HKRL is one of EU's strategic projects as it will allow to carry freight to and from the Anatolian region of Turkey taking advantage of the Yavuz Sultan Selim Bridge (Third Bridge) over the Bosphorus Strait, connecting Sofia, Edirne and Kars (east of Turkey) to Azerbaijan, Iran and Georgia, and to Syria and Iraq in the south. The HKRL is comprised of two phases:

(i) Phase 1: Kapikule (at the Bulgarian border) to Cerkezkoy (153km), under

construction;

(ii) Phase 2: Cerkezkoy to Halkali (near Istanbul) (76km).

Scope: The Ispartakule - Cerkezkoy Railway Project is a section of Phase 2 and consists of the construction of 67km of new high-speed railway line.

The project consist of the following components:

Component A: Civil Works and Supervision Consultant

This component will finance the construction of 67 kilometers of new double-track, electrified high-speed railway from Ispartakule station, to just before Çerkezköy station, as well as the construction supervision contract.

Component B: Project Management Support

This component will finance and support the hiring of consultants for capacity strengthening and technical assistance to the Project Implementation Unit (PIU) for project management, procurement, monitoring, contract implementation, financial management and environmental and social activities.

Component C: Livelihood Restoration Activities as per EBRD PR5 (RAP Fund)

This component will be financed only by AIIB, and shall comprise livelihood restoration activities, defined as the additional payments above the compensation paid by DGII for land acquisition calculated according to Turkey's Law No. 2942 on Expropriation, to achieve full replacement values in accordance with EBRD Performance Requirement 5 (PR 5). These payments, as per the RAP of the Project, include legal and transitional allowances, dedicated compensation for vulnerability, payments for formal tenants and informal users. The eligibility matrix and cost estimate have been included in the Project Resettlement Action Plan (RAP). The RAP further details the cash compensations and dedicated support available to each group of affected households to enable them to achieve or surpass their pre-project livelihood levels, as per PR 5.

Project Duration: The Closing Date is November 30, 2026.

Project Budget: Republic of Turkey and Co-financiers (EBRD and AIIB) signed separate financing agreements for a loan of EUR 450.000.000,00 to assist in financing the project as described above parts.

	AIIB	**EBRD**	**GoT Contribution**
Category	**Amount of the Loan Allocated (expressed in EUR)**	**Amount of the Loan Allocated (expressed in EUR)**	**Amount Allocated (expressed in EUR)**
(1) Civil works construction included in Component A (Construction of Ispartakule-Cerkezkoy Railway Line)	280.000.000	141.000.000	20.000.000
(2) Consultants' services included in Component A (Consultancy Services for Supervision of Construction)	15.000.000	8.000.000	
(2) Consultants' services included in Component B (PIU Support Consultancy Services)	1.000.000	1.000.000	
(3) Livelihood Restoration Activities as per EBRD PR5 Component C	4.000.000		

2. MAIN ACCOUNTING POLICIES

(a) The accounting system of Ispartakule-Çerkezköy Railway Line Project is based on funds accounting since the aim of the accounting is to monitor the funds allocated and used funding sources. The accounting procedure of projects financed by external loans from the Co-financiers is kept on a cash basis since the MoTI is a general budget public institution. According to the cash basis accounting; it is essential that the invoice is paid or that the funds and expenditures are formed in cash. Income is recorded when cash is received, expenses are recorded when cash is paid out.

(b) Eligible expenditures shall be made either as direct payments from the loan account or through payments from the special account (advance) as per the project loan agreements.

(c) Within the Ispartakule-Çerkezköy Railway Line Project, the transactions from the European Bank for Reconstruction and Development (EBRD) Loan Agreement and Asian Infrastructure Investment Bank (AIIB) Loan Agreement are recorded and monitored in terms of EUROs. Transactions made in other currencies are converted into EUROs taking as basis the currency-selling exchange rate of the Central Bank of the Republic of Turkey effective one day before the interim payment date.

(d) Project sources and uses of funds are monitored in line with the chart of accounts recommended by the Board of Treasury Controllers integrated a computerized accounting system. Expenditures of the project are booked in the accounting software and project financial tables and statements are automatically from the accounting software. Electronic archiving of the accounting journals and supporting documents is also kept in the accounting software. Back-up of accounting data on accounting software is set up in the Ministry's main server and is being backed up automatically at midnight daily.

3. FINANCIAL STATEMENTS

In accordance with the Loan Agreements, funds provided under the project are restricted to project purposes only. The project funds remaining unused at the end of the project will be returned in per the relevant provisions of the loan agreement. Unaudited interim financial statements regarding project uses of funds for each calendar quarter are submitted to the European Bank for Reconstruction and Development (EBRD) and Asian Infrastructure Investment Bank (AIIB).

The Project's financial information set composing of the summary of use of resources comprising of investment expenditures and use of loans summary comprising of loan account details are prepared in accordance with financial reporting standards stated in the articles of the agreements between EBRD and AIIB (signed in November 15, 2021 and December 8, 2021 respectively) is prepared on a cash basis.

The Project's schedules for the resources of funds and schedule of use of funds are prepared on the basis of cash collection and payments with respect to the relevant frameworks in the agreements. In this basis, the cash inflows are accounted at the date obtained and not when earned and expenses are accounted on the payment date and not on the date of occur.

The resources used within the scope of the project for the period 1 January - 31 December 2023 are as follows:

Use of Resources	Current	Cumulative
EBRD Loan	13.155.605,61	13.337.622,45
AIIB Loan	25.777.278,21	26.759.295,05
GoT Contribution	1.999.644,10	1.999.644,10
Total Funds	**40.932.527,92**	**42.096.561,60**

The use of the loans for the period as of 1 January - 31 December 2023 are as follows:

Use of Funds	Current	Cumulative
1. Civil Works Construction	**39.992.881,94**	**39.992.881,94**
1.1. Construction of Ispartakule-Çerkezkoy Section of the Halkalı - Kapıkule Railway Line	39.992.881,94	39.992.881,94
2. Consultants' services	**939.645,98**	**1.303.679,66**
2.1. Supervision of Works Construction of Ispartakule-Çerkezkoy Section of Halkalı - Kapıkule Railway Line Project	746.264,00	746.264,00
2.2. PIU Support Consultant	193.381,98	557.415,66
3. Compensations as per PR:5 and Livelihood Restoration (RAP Fund)	**0,00**	**0,00**
3.1. Compensation Costs for Land (where in-kind replacement is not feasible)	0,00	0,00
3.2. Compensation for Residential Houses, Non-Residential Buildings and Secondary Structures	0,00	0,00
3.3 Compensation for Income Losses - Business	0,00	0,00
3.4. Compensation for Income Losses (Employees)	0,00	0,00
3.5. Compensation for Trees	0,00	0,00
3.6. Livelihood Restoration Programme	0,00	0,00
3.7. Additional Assistance Allowances	0,00	0,00
3.8. Unallocated RAP Contingency Budget (%10)	0,00	0,00
TOTAL USES	**40.932.527,92**	**41.296.561,60**

4. EBRD AND AIIB LOAN

EBRD LOAN

The project is disbursing on direct disbursement method. All components of the EBRD loan agreement are disbursing direct drawdown method accordingly. The authorized signatories for disbursements from the loan account are the Ministry of Treasury and Finance. The total amount of the EBRD fund allocated as 150.000.000 EUR for the project. As of the end of the review period, all the uses from the EBRD Loan were the loan account with "Direct Drawdown" method, and a total of 13.337.622,45 EUR was withdrawn from the loan account cumulatively until the review period.

AIIB LOAN

The project is disbursing on advance and direct payment methods. Component A and Component B of the AIIB loan agreement are disbursing direct payment method accordingly. Component C of the AIIB loan agreement is disbursing advance method accordingly. The authorized signatories for disbursements from the loan account are the Ministry of Treasury and Finance. The authorized signatories for disbursements from the Central Bank are the General Director, Deputy General Director and Railways Construction Department Head, the methods that can be applied for spending from Designated Account as Advance in the Disbursement Letter. The total amount of the AIIB fund allocated as 300.000.000 EUR for the project. As of the end of the review period, the uses in the project were made from the AIIB loan a total of 26.759.295,05 EUR of which was made as the Direct Disbursement method 25.929.295,05

EUR As the review period, from the loan account a total of 800.000,00 EUR was withdrawn with the "Advance" method to the Central Bank of the Republic of Turkey (TCMB) designated account for loan and closing balance as of December 31, 2023 is 800.000,00 EUR.

GoT Contribution

The only Government of Turkey Contribution of the project excluding the local direct and indirect taxes is the Component A and Works Contract. The total amount of the GoT fund allocated as 20.000.000 EUR for the project. As of the end of the review period, all the uses from the GoT Fund were the national account with "Direct Payment" method, and a total of 1.999.644,10 EUR was withdrawn from the national account cumulatively until the review period.

5. SOURCES OF FUNDS

The sources used of funds within the scope of the project for the period 1 January - 31 December 2023 are as follows:

Sources of Funds	Current	Cumulative
EBRD Loan	13.155.605,61	13.337.622,45
AIIB Loan	25.777.278,21	26.759.295,05
GoT Contribution	1.999.644,10	1.999.644,10
Total Funds	**40.932.527,92**	**42.096.561,60**

6. PENDING APPLICATIONS

As of the end of the review period there is no any pending applications.

7. CASH BALANCES

Other than deposit in the special account, there is no cash held under the project. The existing cash balance expressed in Euro on 31 December 2023 is as follows:

Designated Account 943 33 2003	AIIB Fund
Closing Balance (31.12.2023)	800.000,00

The use of funds available in the special bank account are limited to the scope of agreements signed with AIIB.

The only bank account is the Euro denominated Designated Account opened at the Central Bank of Turkey to execute project transactions for the disbursement of RAP Fund. Component C: Livelihood Restoration Activities as per EBRD PR5 (RAP Fund) will be financed only by AIIB. Project Special Account is the designated bank account opened in the Central Bank of the Republic of Turkey Administrative Center of the General Directorate of Operations Funds and Banking Operations Directorate. The account numbers is 943332003 (Euro).

The Designated Account was established by the Ministry of Treasury and Finance and managed by Directorate General of Infrastructure Investments (AYGM) of the Ministry of Transportation and Infrastructure. AYGM is responsible for the disbursement of RAP Fund against Component C.

Ispartakule-Çerkezköy Railway Line Project advance balance ceiling amount determined by AIIB is cashflow forecast for the next two quarters accordingly.

Withdrawal applications to be filed for advance and other purposes must be submitted by the persons authorized by the Directorate General of Infrastructure Investments to MoTF. Withdrawals to the Designated Account preparations will be carried out by the Finance Unit within Project Implementation Unit. WA forms prepared by AYGM and submitted to the MoTF will be reviewed and signed by the MoTF and then forwarded to AIIB. Statements of Expenditure (SOE) for the relevant period will be prepared by the Finance Unit and sent to the AIIB together with supporting documents. Monthly Account Statements sent by the Central Bank and the AIIB account will be compared with the accounting records for reconciliation

The Project has no other bank account.

8. WITHDRWAL APPLICATIONS

The project is disbursing on direct payment disbursement methods.

The withdrawal applications submitted to the EBRD and AIIB within the scope of the project for the period 1 January - 31 December 2023 are as follows:

Withdrawal application number	Application Date	Category 1 Works	Category 2 Consultancy	Category 3 RAP Fund	Total	Value Date	Net Disbursed
Section C: Payment method - Direct Payment							
Approved withdrawals							
DA-5	13.03.2023		42.837,78		42.837,78	17.04.2023	42.837,78
DA-6	18.04.2023		261.192,40		261.192,40	17.05.2023	261.192,40
DA-7	26.05.2023		53.853,21		53.853,21	4.08.2023	53.853,21
DA-8	21.06.2023	12.797.722,22			12.797.722,22	28.07.2023	12.797.722,22
Direct Payment from EBRD - Sub Total		**12.797.722,22**	**357.883,39**		**13.155.605,61**		**13.155.605,61**
WA-6	13.03.2023		42.837,78		42.837,78	20.03.2023	42.837,78
WA-7	18.04.2023		485.071,60		485.071,60	10.07.2023	485.071,60
WA-8	26.05.2023		53.853,21		53.853,21	21.06.2023	53.853,21
WA-9	21.06.2023	25.195.515,62			25.195.515,62	10.07.2023	25.195.515,62
Direct Payment from AIIB - Sub Total		**25.195.515,62**	**581.762,59**		**25.777.278,21**		**25.777.278,21**
Sub-Total (c)		**37.993.237,84**	**939.645,98**		**38.932.883,82**		**38.932.883,82**

9. REFUNDS TO THE ACCOUNTS

As of the end of the review period there is no any refunds to the project accounts

10. AMOUNTS WITHDRAWN NOT CLAIMED YET

At the end of the review period, a cumulative EUR 800,000 was transferred from the AIIB loan source to the project special account as an advance. As of the review period, no advance withdrawal was made to the project special account. Since this amount had not yet been used during and before the review period, no advance replenishment application or claim was made and any statement of expenditure was submitted.

30/05/2024

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