



**MINISTRY OF TREASURY AND FINANCE  
BOARD OF TREASURY CONTROLLERS**

**RAIL LOGISTICS IMPROVEMENT PROJECT**

**Implemented by**

**MINISTRY OF TRANSPORT AND INFRASTRUCTURE  
GENERAL DIRECTORATE OF INFRASTRUCTURE INVESTMENT**

**Financed Under International Bank for Reconstruction and Development  
(IBRD) Loan Agreement Numbered 9145-TR**

**As of December 31, 2013 and For the Year Then Ended**

**Prepared by**

**Belçim ÖZDEMİR  
Treasury Controller**

**Oğulcan ÇOLAK  
Treasury Controller**

**Anıl Edip ASLAN  
Junior Treasury Controller**



**Report's Number**

**62/5 - 22/4 - 26/6**

**INDEPENDENT AUDITOR'S REPORT**

**June 13, 2024**



## CONTENTS

EXECUTIVE SUMMARY .....	2
A. Project Summary.....	3
B. Objectives of Audit.....	4
C. Scope of Audit .....	4
D. Audit Methodology.....	4
E. Audit Results .....	6
F. Management Recommendation.....	6
INDEPENDENT AUDITOR'S REPORT & FINANCIAL STATEMENTS OF THE PROJECT .....	7
Opinion .....	8
Basis for Opinion.....	8
Emphasis of Matter in the Financial Statement .....	9
Going Concern .....	9
Responsibilities of Management and Those Charged with Governance or other appropriate terms for the Financial Statements .....	9
Auditor's Responsibilities for the Audit of the Financial Statements .....	9
ANNEX I: Financial Statements of the Project.....	12

# **EXECUTIVE SUMMARY**



## EXECUTIVE SUMMARY

### A. Project Summary

Rail Logistics Improvement Project's Loan Agreement (9145-TR) was signed between the Republic of Türkiye and the International Bank Reconstruction and Development (IBRD) on July 24, 2020. Loan Agreement was approved on August 20, 2020 and Project become effective on November 3, 2020. The project is carried out by Ministry of Transport and Infrastructure (MoTI).

The objectives of the Project are to reduce transport costs in selected rail freight corridors and to strengthen institutional capacity at the Ministry of Transport and Infrastructure to deliver rail freight connectivity and manage rail-enabled logistics centers.

The Project consist of the following parts:

**Part 1. Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.**

**Part 2. Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.**

**Part 3. Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support.**

Republic of Türkiye and IBRD signed a Loan Agreement for a loan of EUR 314.500.000,00 to assist in financing the project as described above parts. In 2023, all the uses in the project were made from the special account with the "Advance" method, and a total of EUR 3.500.000,00 was withdrawn from the loan account and EUR 840.875,31 was spent from the source withdrawn. As the end of review period 1.389.506,15 EUR was spent cumulatively.

Project will be closed on December 31, 2026. In accordance with the Loan Agreement General Directorate of Infrastructure Investments (AYGM) of the Ministry of Transport 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.



## **B. Objectives of Audit**

The objective of the audit is to express an opinion on the Financial Statements of the Rail Logistics Improvement 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 Agreement numbered 9145 TR.
- (b) Services has been procured in accordance with relevant financing agreements, including specific provisions of the IBRD Procurement Guidelines.
- (c) All necessary supporting documents, records, and accounts have been maintained in respect of all project activities, including expenditures reported using Statements of Expenditure (SOE).
- (d) 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 submitted to the IBRD 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 SOEs have been prepared 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, and
- (e) the SOEs can be relied upon to support the related withdrawal applications.

### **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**

A management letter containing comments and recommendations related to internal control deficiencies and other matters dated 13.06.2024 has been prepared and shared with Ministry of Transport and Infrastructure, General Directorate of Infrastructure Investments. We believe these matters warrant management’s attention.

**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 Withdrawal Application Summary, Statement of Sources and Uses of Funds, Statement of the Comparison of Budget and Actual Amount, and Statement of Designated Account of the Rail Logistics Improvement 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 Ministry of Transport and Infrastructure in accordance with cash basis International Public Sector Accounting Standards and financial reporting provisions outlined in Loan Agreement Numbered 9145-TR.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and cash flows of the Rail Logistics Improvement 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 Agreement Numbered 9145-TR.

#### 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 Ministry of Transport and Infrastructure to 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 December 31, 2026.

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

The Ministry of Transport and Infrastructure, General Directorate of Infrastructure Investments is responsible for the preparation and fair presentation of these financial statements in accordance with Loan Agreement Numbered 9145-TR, 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 Ministry of Transport and Infrastructure, General Directorate of Infrastructure Investments's 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 Agreement Numbered 9145-TR.

b) With respect to SOEs, adequate supporting documentation has been maintained to support claims to the International Bank Reconstruction and Development (IBRD) for reimbursement of expenditures incurred, and these expenditures are eligible for financing under the Loan Agreement Numbered 9145-TR.



REPUBLIC OF TÜRKİYE  
MINISTRY OF TREASURY AND FINANCE  
The Board of Treasury Controllers

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**

Directorate General of Infrastructure and Investments  
 Turkey Rail Logistics Improvement Project (P170532)  
 LOAN/GRANT NO: 9145-TR  
 Withdrawal Application Summary  
 For the Period: 01.01.2023-31.12.2023

Withdrawal application number	Date	Category 1 (World, Goods, Consultant, Non- Consultancy, Operational Expenses)	Documented Total (Local Currency)	Advance Requested	Value date	Rejected	Net paid
Designated account currency - Euro							
<b>Section A: Payment method - Advance/Replenishment</b>							
<i>Approved withdrawals</i>							
16 (Documented)	5.01.2023	37.215,66	37.215,66		10.01.2023		
17 (Documented)	9.03.2023	44.253,08	44.253,08		15.03.2023		
18 (Advance)	10.05.2023	2.000.000,00		2.000.000,00	16.03.2023		2.000.000,00
19 (Documented)	11.04.2023	15.101,84	15.101,84		12.04.2023		
20 (Documented)	16.05.2023	11.552,69	11.552,69		23.05.2023		
21 (Documented)	11.07.2023	27.309,68	27.309,68		11.07.2023		
22 (Documented)	12.09.2023	44.396,05	44.396,05		15.09.2023		
23 (Documented)	9.11.2023	361.503,85	361.503,85		10.11.2023		
<b>Sub-Total (A)</b>		<b>2.541.332,85</b>	<b>541.332,85</b>	<b>2.000.000,00</b>		<b>0,00</b>	<b>2.000.000,00</b>
<b>Section B: Payment method - Reimbursement</b>							
<i>Approved withdrawals</i>							
<i>Pending Submission</i>							
<b>Sub-Total (B)</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>		<b>0,00</b>	<b>0,00</b>
<b>Section C: Payment method - Direct Payment</b>							
<i>Approved withdrawals</i>							
<i>Pending submission</i>							
<b>Sub-Total (c)</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>		<b>0,00</b>	<b>0,00</b>
<b>TOTAL (A+B+C)</b>		<b>2.541.332,85</b>	<b>541.332,85</b>	<b>2.000.000,00</b>		<b>0,00</b>	<b>2.000.000,00</b>

Prepared by

*Hanife Gül Saribaş*

30.05.2024  
 Hanife GÜL SARIBAŞ  
 Financial Management Specialist

Controlled by

30.05.2024  
 Emirhan UÇAR  
 Head of Railway Construction Department

Approved by

30.05.2024  
 Emirhan UÇAR  
 Deputy Director General  
 Directorate General of Infrastructure and Investments

Republic of Türkiye  
 Directorate General of Infrastructure and Investments  
 Türkiye Rail Logistic Improvement Project (P170532)  
 Loan No: IBRD 9145-TR  
 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
<b>I-SOURCES OF FUNDS</b>				
C- Funding Institution Loan	5	2.000.000,00	0,00	3.500.000,00
I.Net Advance		1.458.667,15	(261.506,53)	2.447.251,97
I.a)Advance	5	2.000.000,00	0,00	3.500.000,00
I.b)Recovery of Advance (-)	5	(541.332,85)	(261.506,53)	(1.052.748,03)
II.SOE Procedures	5	541.332,85	261.506,53	1.052.748,03
<b>Total Funds Received</b>		<b>2.000.000,00</b>	<b>0,00</b>	<b>3.500.000,00</b>
<b>II-A USES OF FUNDS by COMPONENT</b>				
<b>I-Investment Costs</b>				
<b>Component 1- Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.</b>	4	<b>677.943,04</b>	<b>0,00</b>	<b>677.943,04</b>
(a) Construction Works for Connection to the Filyos Port and Filyos Industrial Zone		0,00	0,00	0,00
(b) Consulting Services for Design Review and Construction Supervision for Connection to the Filyos Port and Filyos Industrial Zone	4	97.259,07	0,00	97.259,07
(c) Construction Works for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay		0,00	0,00	0,00
(d) Consulting Services for Design review and Construction Supervision for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	4	334.154,39	0,00	334.154,39
(e) Consulting Services for Revision of the ESIA, RAP,SEP and ESMP of Filyos and Çukurova Last-Mile Rail Connectivity Infrastructure Projects	4	246.529,58	0,00	246.529,58
(f) Last-mile Rail Connectivity at Additional Priority Sites.		0,00	0,00	0,00
<b>Component 2- Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.</b>	4	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
(a) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 1)		0,00	0,00	0,00
(b) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 2)		0,00	0,00	0,00
(c) Consulting Services for ESF Services for New LMCs		0,00	0,00	0,00
<b>Component 3: Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support</b>	4	<b>162.932,27</b>	<b>272.662,13</b>	<b>711.563,11</b>
(a) Consulting Services for the Preparation of a Strategy Document for Rail Freight Improvement		0,00	0,00	0,00
(b) Consulting Services for the Development of an Operation Model for the Logistics Centers		0,00	0,00	0,00
(c) Consulting Services for the Uniformization of Rail Technical Standards		0,00	0,00	0,00
(d) Consulting Services for Impact Assessment of COVID-19 on Multimodal Logistics Sector		0,00	0,00	0,00
(e) Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs.	4	162.932,27	272.662,13	711.563,11
<b>Total Investment Costs</b>		<b>840.875,31</b>	<b>272.662,13</b>	<b>1.389.506,15</b>
<b>II-Recurring Costs</b>				
A- Front-End-Fee		0,00	0,00	0,00
<b>Total Recurring Costs</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>Total Uses of Funds by Component</b>		<b>840.875,31</b>	<b>272.662,13</b>	<b>1.389.506,15</b>
<b>II-B USES OF FUNDS by CATEGORY</b>				
Category 1-Works		0,00	0,00	0,00
Category 2-Goods	4	0,00	0,00	44.670,35
Category 3-Consultant	4	840.875,31	272.662,13	1.344.835,80
<b>Total Uses of Funds by Category</b>		<b>840.875,31</b>	<b>272.662,13</b>	<b>1.389.506,15</b>
Cash at the beginning of the period	1.01.2023	951.369,16		
Cash at the end of the period*	31.12.2023	2.110.493,85		

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

Prepared by



30/05/2024  
 Hanife GÜL SARIBAŞ  
 Financial Management Specialist

Controlled by,



30/05/2024  
 Head of Railway Construction Department

Approved by

30/05/2024  
 Erver MAMUR  
 Deputy Director General  
 Directorate General of Infrastructure and Investments

**STATEMENT OF COMPARISON BUDGET AND ACTUAL AMOUNT**  
 Directorate General of Infrastructure Investments

IBRD 9145-TR  
 Name of 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
<b>Sources of Funds</b>								
World Bank Loan	5	2.000.000,00	2.000.000,00	2.000.000,00	100%	3.500.000,00	3.500.000,00	100%
<b>Total Sources of Funds</b>		<b>2.000.000,00</b>	<b>2.000.000,00</b>	<b>2.000.000,00</b>	<b>100%</b>	<b>3.500.000,00</b>	<b>3.500.000,00</b>	<b>100%</b>
<b>Uses of Funds</b>								
<b>1 By components</b>								
<b>Component 1 - Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.</b>								
(a) Construction Works for Connection to the Fiyos Port and Fiyos Industrial Zone		0,00	0,00	0,00	0%	0,00	0,00	0%
(b) Consulting Services for Design Review and Construction Supervision for Connection to the Fiyos Port and Fiyos Industrial Zone	4	97.259,07	489.662,00	489.662,00	20%	97.259,07	489.662,00	20%
(c) Construction Works for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay		0,00	0,00	0,00	0%	0,00	0,00	0%
(d) Consulting Services for Design review and Construction Supervision for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	4	334.154,39	759.593,25	759.593,25	44%	334.154,39	759.593,25	44%
(e) Consulting Services for Revision of the ESIA, RAP, SEP and ESMP of Fiyos and Cukurova Last-Mile Rail Connectivity Infrastructure Projects	4	246.529,58	170.280,17	170.280,17	145%	246.529,58	170.280,17	145%
(f) Last-mile Rail Connectivity at Additional Priority Sites.		0,00	0,00	0,00	0%	0,00	0,00	0%
<b>Component 2 - Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.</b>								
(a) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity and Construction Supervision (6 LMC -Group 1)		0,00	0,00	0,00	0%	0,00	0,00	0%
(b) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity and Construction Supervision (6 LMC -Group 2)		0,00	0,00	0,00	0%	0,00	0,00	0%
(c) Consulting Services for ESP Services for New LMCs		0,00	0,00	0,00	0%	0,00	0,00	0%
<b>Component 3: Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support</b>		<b>162.932,27</b>	<b>172.001,84</b>	<b>172.001,84</b>	<b>95%</b>	<b>711.563,11</b>	<b>720.632,68</b>	<b>99%</b>
(a) Consulting Services for the Preparation of a Strategy Document for Rail Freight Improvement		0,00	0,00	0,00	0%	0,00	0,00	0%
(b) Consulting Services for the Development of an Operation Model for the Logistics Centers		0,00	0,00	0,00	0%	0,00	0,00	0%
(c) Consulting Services for the Uniformization of Rail Technical Standards		0,00	0,00	0,00	0%	0,00	0,00	0%
(d) Consulting Services for Impact Assessment of COVID-19 on Multimodal Logistics Sector		0,00	0,00	0,00	0%	0,00	0,00	0%
(e) Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs	4	162.932,27	172.001,84	172.001,84	95%	711.563,11	720.632,68	99%
<b>Total</b>		<b>840.875,31</b>	<b>1.591.537,26</b>	<b>1.591.537,26</b>	<b>53%</b>	<b>1.389.506,15</b>	<b>2.140.168,10</b>	<b>65%</b>
<b>2 By expenditure category</b>								
- Category 1 - Works		0,00	0,00	0,00	0%	0,00	0,00	0%
- Category 2 - Goods	4	0,00	0,00	0,00	0%	44.670,35	44.670,35	100%
- Category 3 - Consultancies	4	840.875,31	1.591.537,26	1.591.537,26	53%	1.344.835,80	2.095.497,75	64%
- Category 4 - NonConsulting Services		0,00	0,00	0,00	0%	0,00	0,00	0%
- Category 5 - Operational Cost		0,00	0,00	0,00	0%	0,00	0,00	0%
<b>Total</b>		<b>840.875,31</b>	<b>1.591.537,26</b>	<b>1.591.537,26</b>	<b>53%</b>	<b>1.389.506,15</b>	<b>2.140.168,10</b>	<b>65%</b>

Prepared by

*Handwritten signature*

30.05.2024  
 Hanife GUL SARIBAŞ  
 Financial Management Specialist

Controlled by

*Handwritten signature*

30.05.2024  
 Serkan UÇAR  
 Head of Railway Construction Department

Approved by

*Handwritten signature*

30.05.2024  
 Erver MAMUR  
 Deputy Director General  
 Directorate General of Infrastructure and Investments

MINISTRY OF TRANSPORTATION AND INFRASTRUCTURE  
General Directorate of Infrastructure Investments  
Turkey Rail Logistics Improvement Project (P170532)  
Loan Number: IBRD 9145-TR

SPECIAL ACCOUNT STATEMENT  
ACCOUNT NO: 941432021  
For the year ended. December 31, 2023  
(In EURO)

Opening Balance (01.01.2023)		951.369,16
Reimbursements to SA	2.000.000,00	2.000.000,00
Refunds to SA	0,00	0,00
Available Funds	2.000.000,00	2.951.369,16
Payments Made for Expenditures	840.875,31	
Service charges for the account	0,00	
Total Project Investments	840.875,31	840.875,31
Closing Balance (31.12.2023)		2.110.493,85

Prepared by

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Approved by

30.05.2024  
Hanife GÜL SARIBAŞ  
Financial Management  
Specialist

30.05.2024  
Serkan UÇAR  
Head of Railway Construction Department

30.05.2024  
Enver MAMUR  
Deputy Director General  
Directorate General of Infrastructure and Investments

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

**RAIL LOGISTICS IMPROVEMENT PROJECT**  
**LOAN NO: IBRD 9145-TR**

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

**1. PROJECT OBJECTIVES AND STRUCTURE**

Rail Logistics Improvement Project's Loan Agreement (9145-TR) was signed between the Republic of Turkey and the International Reconstruction and Development Bank (IBRD) on July 24, 2020. Loan Agreement was approved on August 20, 2020 and Project became effective on November 3, 2020. Project will be closed on December 31, 2026.

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. The PIU is led by the Deputy Director-General of AYGM, and the Deputy PIU Director is the Head of the AYGM Railway Construction Department. The PIU is staffed by a total of 27 members, of whom 22 are current AYGM staff; the remaining 5 PIU members—a procurement specialist, financial management specialist, social development specialist, environmental specialist, and an administrative assistant.

**PROJECT DESCRIPTION**

The objectives of the Project are to reduce transport costs in selected rail freight corridors and to strengthen institutional capacity at the Ministry of Transport and Infrastructure to deliver rail freight connectivity and manage rail-enabled logistics centers.

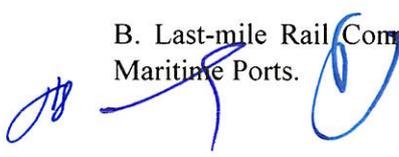
The project consists of the following parts:

**Part 1. Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.**

**A. Last-mile Multimodal Connectivity at Filyos Port.**

Provision of double-track rail connectivity and dual carriageway highway connectivity at the last mile to provide direct access to/from the greenfield, large-scale maritime port of Filyos, on Turkey's Black Sea coast, and its adjacent industrial zone, including the related engineering design review and construction supervision; the related civil works include (i) Gokceler Rail Station expansion, (ii) on-dock rail and stations between the Filyos port complex and the main national highway and railway linehaul networks, (iii) new Filyos Port Rail Station, (iv) rail and road bridges, (v) rail box culverts, (vi) rail underpasses and bridges, (vii) road box culvert, and (viii) multi-layer road interchange to connect with the main highway line.

**B. Last-mile Rail Connectivity for Çukurova Region Industrial Zones and Iskenderun Bay Maritime Ports.**



Provision of branch line rail links to and from selected operational and prospective industrial zones and free zones in the Çukurova region of South-Central Turkey on the Mediterranean Coast (specifically, in the sub-area formed by southern Osmaniye Province, southeastern Adana Province, and northwestern Hatay Province) and adjacent maritime ports in Iskenderun Bay, including the related engineering design review and construction supervision; the related civil works include (i) double-tracked, electrified railway branch lines, (ii) connection of electrified lines linking the two branch lines, (iii) intermodal stations and sidings, (iv) new rail stations (Osmaniye OIZ, Yukariburnaz, Adana Yumurtalık Free Zone (TAYSEB), and Erzin Port), (v) expansion and modernization of the Erzin city station, (vi) rail bridges, (vii) box culverts, (viii) underpasses, and (ix) overpasses.

**C. Last-mile Rail Connectivity at Additional Priority Sites.**

Provision of additional demand-driven investments, approved by the Bank, for last-mile rail connectivity to cargo generation-attraction nodes of similar nature as those targeted under Part 1.A and Part 1.B of the Project (i.e. organized industrial zones, logistics clusters, manufacturing clusters, free zones, and/or maritime ports) that remain disconnected from the national railway network ("Subprojects").

**Part 2. Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.**

A. Provision of technical assistance to produce feasibility studies (including the environmental and social dimensions of Project feasibility) for potential last-mile rail Subprojects, which have been approved by the Bank.

B. Development of detailed engineering designs and environmental and social documentation for Subprojects determined to be feasible, in-principle, based on the feasibility studies carried out under Part 2.A of the Project.

C. Provision of consulting services for construction supervision of Subprojects under Part 1.C of the Project.

**Part 3. Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support.**

Provision of support to:

- A. MoTI to diagnose the medium-term and long-term impacts of COVID-19 on multimodal logistics on the demand and supply sides, and design public, public-private, and/or purely private interventions (including interventions aimed to tackle behavioral and occupational aspects of risk prevention) to mitigate impacts;
- B. the Directorate-General of Infrastructure Investments ("DGII") on the uniformization of rail technical standards across the national rail network;
- C. MoTI (specifically, DGII, Directorate-General of Transport Services Regulation ("DGTSR"), and Turkish State Railways ("TCDD")) on the preparation of a strategy document for rail freight sector performance improvement;
- D. TCDD, through the development of an operational and management model for rail-enabled logistics centers consistent with international best practice properly contextualized to the Turkish environment; and

- E. the Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs.

**Project Duration:** The Closing Date is December 31, 2026.

**Project Budget:** Republic of Turkey and IBRD signed a Financing Agreement for a loan of EUR 314.500.000,00 to assist in financing the project as described above parts.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in EUR)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project	314.500.000	100%
<b>TOTAL AMOUNT</b>	<b>314.500.000</b>	

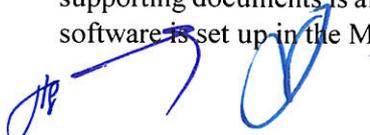
## 2. MAIN ACCOUNTING POLICIES

(a) The accounting system of Rail Logistic Improvement 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 World Bank 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 disbursement letter.

(c) Within the Rail Logistics Improvement Project, the transactions from the International Bank for Reconstruction and Development (IBRD) 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 Agreement, 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 World Bank.

### 4. IBRD LOAN

Rail Logistics Improvement Project's Loan Agreement (9145-TR) was signed between the Republic of Turkey and the International Reconstruction and Development Bank (IBRD) on July 24, 2020. Loan Agreement was approved on August 20, 2020 and Project became effective on November 3, 2020. Project will be closed on December 31, 2026.

The Project finances 100% of expenditures by IBRD Fund. There is no Government Funds contributions or Other Source other than IBRD Loans of Project. The total amount of the Project is estimated as 314.500.000,00 EUR.

During the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 2.000.000 EUR was withdrawn and 840.875,31 EUR was spent from the source withdrawn to the special account year to date.

As the end of the review period 3.500.000,00 EUR was withdrawn from the loan account cumulatively with the "Advance" method and 1.389.506,15 EUR was spent from the source withdrawn to the special account cumulatively to date.

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

	Current Period	Previous Period	Cumulative
<b>II-A USES OF FUNDS by COMPONENT</b>			
<b>I-Investment Costs</b>			
<b>Component 1- Construction of Railway Branch Lines and Multimodal Connections at Priority Network Nodes.</b>	<b>677.943,04</b>	<b>0,00</b>	<b>677.943,04</b>
(a) Construction Works for Connection to the Filyos Port and Filyos Industrial Zone	0,00	0,00	0,00
(b) Consulting Services for Design Review and Construction Supervision for Connection to the Filyos Port and Filyos Industrial Zone	97.259,07	0,00	97.259,07
(c) Construction Works for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	0,00	0,00	0,00
(d) Consulting Services for Design review and Construction Supervision for Branching Lines to the industrial facilities at the Cukurova Region, Yumurtalik Free Zone and the Ports at the Iskenderun Bay	334.154,39	0,00	334.154,39
(e) Consulting Services for Revision of the ESIA, RAP,SEP and ESMP of Filyos and Çukurova Last-Mile Rail Connectivity Infrastructure Projects	246.529,58	0,00	246.529,58
(f) Last-mile Rail Connectivity at Additional Priority Sites.	0,00	0,00	0,00
<b>Component 2- Feasibility Studies, Detailed Engineering Designs, Environmental and Social Documentation, and Construction Supervision for Rail Last-mile Connectivity Infrastructure at Additional Freight Nodes.</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
(a) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 1)	0,00	0,00	0,00
(b) Consulting Services for Survey, Feasibility Studies and Preparation of Detailed Designs and Technical Specifications/Bills of Quantity, and Construction Supervision (6 LMC -Group 2)	0,00	0,00	0,00

(c) Consulting Services for ESF Services for New LMCs	0,00	0,00	0,00
<b>Component 3: Phase 2 COVID-19 Response Support, Institutional Strengthening, Capacity Building, and Project Implementation Support</b>	<b>162.932,27</b>	<b>272.662,13</b>	<b>711.563,11</b>
(a) Consulting Services for the Preparation of a Strategy Document for Rail Freight Improvement	0,00	0,00	0,00
(b) Consulting Services for the Development of an Operation Model for the Logistics Centers	0,00	0,00	0,00
(c) Consulting Services for the Uniformization of Rail Technical Standards	0,00	0,00	0,00
(d) Consulting Services for Impact Assessment of COVID-19 on Multimodal Logistics Sector	0,00	0,00	0,00
(e) Project Implementation Unit for Project management and implementation, including the provision of Training and Operating Costs.	162.932,27	272.662,13	711.563,11
<b>Total Investment Costs</b>	<b>840.875,31</b>	<b>272.662,13</b>	<b>1.389.506,15</b>
<b>II-Recurring Costs</b>			
A- Front-End-Fee	0,00	0,00	0,00
<b>Total Recurring Costs</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
<b>Total Uses of Funds by Component</b>	<b>840.875,31</b>	<b>272.662,13</b>	<b>1.389.506,15</b>
<b>II-B USES OF FUNDS by CATEGORY</b>			
Category 1-Works	0,00	0,00	0,00
Category 2-Goods	0,00	0,00	44.670,35
Category 3-Consultant	840.875,31	272.662,13	1.344.835,80
<b>Total Uses of Funds by Category</b>	<b>840.875,31</b>	<b>272.662,13</b>	<b>1.389.506,15</b>

## 5. SOURCES OF FUNDS

The Project finances 100% of expenditures by IBRD Fund. There is no Government Funds contributions or Other Source other than IBRD Loans of Project. The total amount of the Project is estimated as 314.500.000,00 EUR. During the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 2.000.000 EUR was withdrawn and 840.875,31 EUR was spent from the source withdrawn to the special account year to date. As the end of the review period 3.500.000,00 EUR was withdrawn from the loan account cumulatively with the "Advance" method and 1.389.506,15 EUR was spent from the source withdrawn to the special account cumulatively to date

The uses from the loan sources for the period as of 1 January - 31 December 2023 are as follows:

<b>I-SOURCES OF FUNDS</b>	<b>Current Period</b>	<b>Previous Period</b>	<b>Cumulative</b>
C- Funding Institution Loan	2.000.000,00	0,00	3.500.000,00
<i>I.Net Advance</i>	1.458.667,15	(261.506,53)	2.447.251,97
<i>I.a)Advance</i>	2.000.000,00	0,00	3.500.000,00
<i>I.b)Recovery of Advance (-)</i>	(541.332,85)	(261.506,53)	(1.052.748,03)
<i>II.SOE Procedures</i>	541.332,85	261.506,53	1.052.748,03
<b>Total Funds Received</b>	<b>2.000.000,00</b>	<b>0,00</b>	<b>3.500.000,00</b>

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## 6. PENDING APPLICATIONS

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

## 7. CASH BALANCES

As the review period, opening balance of the Central Bank of the Republic of Turkey (TCMB) designated account for loan, as of January 1, 2023 is 951.369,16 EUR and closing balance as of December 31, 2023 is 2.110.493,85 EUR.

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:

<b>Designated Account 94 14 32 021</b>	<b>IBRD Fund</b>
Closing Balance (31.12.2023)	2.110.493,85

The only bank account is the Euro denominated Designated Account opened at the Central Bank of Turkey to execute project transactions. 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 941432021 (Euro).

Rail Logistics Improvement Project (9145-TR) Advance balance ceiling amount is 17.000.000,00 EUR

The Project has no other bank account.

## 8. WITHDRAWAL APPLICATIONS

The project is disbursing on traditional disbursement methods. The authorized signatories for disbursements from the loan account to the Designated Account at the Central Bank are the General Director, Deputy General Director and Railways Construction Department Head, the methods that can be applied for spending from loan are defined as Direct Payment, Special Commitment, Reimbursement, and Advance in the Disbursement Letter. As of the beginning of the review period, a total of 1.500.000,00 EUR has been withdrawn within previous from IBRD Loan 9145-TR Loan Account to the project special account number 94 14 32 021 and opening balance is 951.369,16 EUR. During the review period a total of 2.000.000,00 EUR has been withdrawn from IBRD Loan 9145-TR Loan Account to the project special account number 94 14 32 021, total of 840.875,31 EUR has been spent from the said special account during the review period.

The account balance of the special account at the end of the review period is 2.110.493,85 EUR.

During the review period; 2.000.000,00 EUR advance withdrawal from IBRD 9145-TR Loan is done in the said period, progress payments were made for Rail Logistics Improvement Project's consultancy contracts . All withdrawals from World Bank are completed in the World Bank's Client Connection System by filling an electronic form. The application is electronically signed by authorized officials and submitted to the World Bank. For withdrawal applications, the form in the Authorized Signatures Disbursement Letter is filled and submitted to the World Bank. Transfer of funds from the Designated Account is done with two authorized signatories.



**WA 2 (Advance Payment)** - On 10.03.2023, WA-2 in the amount of USD 2,000,000.00 was submitted to World Bank through client connection system. WB transferred Euro 2, 000,000.00 to the designated account on 16.03.2023.

## 9. REFUNDS TO THE ACCOUNTS

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

## 10. AMOUNTS WITHDRAWN NOT CLAIMED YET

As of the end of the review period, all the uses in the project were made from the special account with the "Advance" method, and a total of 3.500.000,00 EUR was withdrawn from the loan account cumulatively until the review period. At the end of the review period, EUR 1,389,506.15 was spent from the designated account and EUR 1,052,748.04 was documented as statement of expenditure declaration to the World Bank but not claimed for the replenishment of the advance amount. Although Euro 336.758,12 has been spent from designated account, the claim and documentation was not made as of December 31, 2023 to the World Bank.

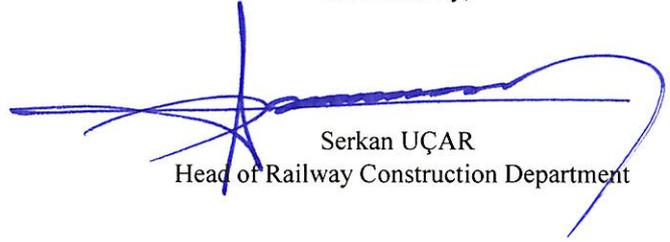
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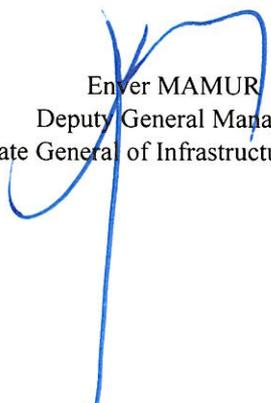
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