

Independent Auditor's Report and Special
Purpose Financial Information

“Building Resilient Bridges Project”

For the year ended 31 December 2024

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Independent Auditor's Report

To the Management of the Project for "Building Resilient Bridges" and the Albanian Road Authority

Opinion

We have audited the accompanying special purpose financial information comprising the statement of sources and uses of funds, statement of withdrawal applications and related notes and appendixes of the "Building Resilient Bridges" (further referred to as the "Project"), implemented by the Albanian Road Authority financed under International Bank for Reconstruction and Development (IBRD) Loan Agreement Number 94790-AL for the period from 1 January to 31 December 2024.

In our opinion, the special purpose financial information of the Project "Building Resilient Bridges" is prepared, in all material respects, in accordance with the cash receipts and disbursement basis of accounting as set out in note 2 to the special purpose financial information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Special Purpose Financial Information section of our report. We are independent of the entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Special Purpose Financial Information in Albania, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to note 2 to the special purpose financial information, which describes the basis of accounting. The Special Purpose Financial Information is prepared to assist the Projects in complying with the financial reporting provisions of the financing agreements set out in note 1 to the special purpose information. As a result, the special-purpose financial information may not be suitable for another purpose.

Our report is intended solely for the Project, the donors, and the Ministry of Finance and Economy and should not be used by or distributed to parties other than the Project, the donors, or the Ministry of Finance and Economy.

Responsibilities of Management for the Special Purpose Financial Information

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

Auditor's Responsibility for the Audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Special Purpose Financial Information.

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

- Identify and assess the risks of material misstatement of the Special Purpose Financial Information, 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Special Purpose Financial Information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Special Purpose Financial Information, including the disclosures, and whether the Special Purpose Financial Information represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton sh.p.k.

Tirane, Albania

12 June 2025

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Statement of Sources and Uses of Funds

| | Note | For the period from 1 January 2024 to 31 December 2024 | For the period from 1 December 2023 to 31 December 2023 | Cumulative from 1 December 2023 to 31 December 2024 |
|--|------|--|---|--|
| Sources of funds | | | | |
| IBRD Funding | 3 | 4,298,186 | 129,000 | 4,427,186 |
| Total | | 4,298,186 | 129,000 | 4,427,186 |
| Uses of funds | | | | |
| Goods | 4 | (60,291) | - | (60,291) |
| Works | | - | - | - |
| Non-consulting services | | - | - | - |
| Consulting Services | 5 | (38,206) | - | (38,206) |
| Trainings | | - | - | - |
| Incremental Operating Costs | 6 | (158,747) | - | (158,747) |
| Front-end Fee | | - | (129,000) | (129,000) |
| Total | | (257,244) | (129,000) | (386,244) |
| Excess of receipts over disbursements | | 4,040,942 | - | 4,040,942 |
| Exchange Rate difference | | (5,204) | - | (5,204) |
| Cash at the beginning of the Period | | - | - | - |
| Cash at the end of the period | 7 | 4,035,738 | - | 4,035,738 |

The Statement of Sources and Uses of Funds is to be read in conjunction with the notes set out on pages 3 to 7 and forming an integral part of the special purpose financial information.

The special purpose financial information of Support to project "Building Resilient Bridges" were authorized for issue by the management of the Albanian Road Authority on 14 May 2024 and signed on its behalf by:

Mr. Gentian Gjyl
General Director – Albanian Road Authority



Mrs. Alma Lleshi
Director of Budget Planning and Finance

Amounts are expressed in EUR unless otherwise stated

Statement of Expenditures

IBRD Loan 94790

| WA | Type of application | Appl. paym. amount | Goods | Consultant services | Operating Costs | Training | Total disbursed | Date received | Value date |
|----|---------------------------|--------------------|-------|---------------------|-----------------|----------|-----------------|---------------|------------|
| 2 | Advance and documentation | 2,623,709 | - | - | - | - | 2,623,709 | 21-Nov-24 | 02-Dec-24 |
| 1 | Advance | 1,674,478 | - | - | - | - | 1,674,478 | 28-Dec-23 | 04-Jan-24 |
| | | 4,298,186 | - | - | - | - | 4,298,186 | | |

Notes to the Special Purpose Financial Information

1 General Information

The "Building Resilient Bridges" (further referred to as the "Project") is financed by an IBRD Loan of EUR 51,6 ml as per Loan Agreement dated July, 5 2023, between the Republic of Albanian (Borrower) and the International Bank for Reconstruction and Development ("IBRD" or the "Bank").

The project is implemented by the Albanian Road Authority ("ARA"), and it became effective on December 1, 2023, and its closing date is set on July 31, 2029.

The objective of the Project is to :

- a) Enhance resilience to climate change and natural hazards of Albania's critical bridge infrastructure; and
- b) Improve road and bridge asset management

The project consists of the following parts:

Part 1- Bridge Infrastructure

1.1 Building Priority Bridges and Associated Structures

- i. Carrying out the rehabilitation, reconstruction, or construction of Priority Bridges and Associated Structures on the NRN, including supervision of works;
- ii. Carrying out bridge designs for the rehabilitation, reconstruction, or construction; and
- iii. Providing support to ARA and PMT in the preparation of the disabilities studies, detailed design, and the procurement documents for additional bridges and structures other than Priority Bridges and Associated Structures under this Project.

1.2 Climate Resilience and Road Safety

- i. Carrying out
 - a. Climate vulnerability assessments of the Priority Bridges and Associated Structures; and
 - b. Climate resilience and road safety studies for the design of the Priority Bridges and Associated Structures
- ii. Independent audits for road safety are carried out as detailed in the POM.

Part 2- Institutional Capacity Building

2.1 Asset Management for Climate-Resilient and Safe Infrastructure

- i. Developing the ARA's RAMS and its BMS through inter alia:
 - a. The collection of road and bridge condition data
 - b. Procurement of equipment for data collection and monitoring; and
 - c. The procurement and installation of remote sensors on selected bridges;

1 General Information (continued)

Part 2- Institutional Capacity Building (continued)

2.1 Asset Management for Climate-Resilient and Safe Infrastructure (continued)

- ii. Improving ARA's capacity to manage road and bridge infrastructure, including support to ARA to comply with Law 45/2019 on Civil Protection for:
 - a. Collecting disaster loss data, and
 - b. Conducting disaster risk assessment
- iii. Training for ARA staff to feed and use the RAMS and BMS software and hardware, including the use of the bridge sensors data feeding the BMS; and
- iv. Providing technical assistance to analyze road crashes, injuries and fatalities data.

2.2 Safeguarding Bridge Maintenance

Providing support to Ara to implement medium-term budget planning for the maintenance of roads and bridges.

2.3 Addressing the Gender Employment Gap in Road Construction

Developing and carrying out a women's internship program through:

- i. Providing six-month paid internships in the MoIE in transportation and construction fields for female university students and graduates;
- ii. Setting up collaboration between MoIE and education institutions that prepare graduates with relevant profiles.
- iii. Developing an internship program (content, orientation),
- iv. Providing onboarding training to interns and capacity building to the staff who will mentor the interns, and
- v. The review of ARA's human resources policies and training.

Part-3 Project Management

Providing support for Project implementation and management, including support for procurement, financial management, environmental and social risk management, monitoring and evaluation, and reporting, including Operating Costs.

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| Category | Amount of the Loan Allocated (expressed in Euro) | Percentage of Expenditures to be financed (inclusive of Taxes) |
|---|---|---|
| (1) Goods, Works, non-consulting services for the Project | 40,708,000 | 100% |
| (2) Consultants' services, and Training for the Project; | | |
| Internships under Part 2.3 (i) of the Project | 8,218,000 | 100% |
| (3) Operating Costs for the project | 2,545,000 | 100% |
| (4) Front-end Fee | 129,000 | The Front-end Fee is in percent (0.25%) of the Loan amount. |
| (5) Interest Rate Cap or Interest Rate Collar premium | - | |
| TOTAL AMOUNT | 51,600,000 | |

2 Summary of significant accounting policies

A summary of significant accounting policies underlying the preparation of the Project's financial statements is presented below.

2.1 Basis of preparation

The special purpose financial information has been prepared in accordance with the receipts and the Cash Basis of Accounting as further explained below under paragraph C 'Recognition of income and expenses. The financial information includes the period from 1 January 2024 to 31 December 2024.

Cumulative information on cash receipts and disbursements from the Project's inception to date is presented in the Statement of Sources and Uses of Funds for information purposes only.

The special financial information is presented in EUR.

The financial statements comprise the Statement of Sources and Uses of Funds, the Statements of Expenditures used as the basis for the submission of withdrawal applications and a summary of significant accounting policies and other explanatory notes.

As supplementary schedules for the financial statements are presented, the Statements of Special Accounts and Single Treasury Account associated with the Project.

1.2 Foreign currency transactions

The Project has adopted the Euro as its reporting currency for consistency with the reporting needs of its main donor, the World Bank.

Cash and bank balances in other currencies are converted into Euro at the year-end rate of exchange. Transactions in currencies other than Euro are converted to the reporting currency at the rate ruling at the date of the transaction. Foreign exchange differences are recognized in the Statement of Sources and Uses of Funds.

As of 31 December 2024, 1 EUR was equivalent to 98.15 ALL (31 December 2023: 103.88).

1.3 Recognition of income and expenses

Income is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. Accordingly, direct payments of the Project's expenses, which are made from the proceeds of the Project, are recognized as sources and uses of funds at the time the payment is made. The Statement of Withdrawal Applications presents only applications submitted during the year and only expenses settled through such applications. Expenses presented in the notes to the financial statements include all expenses settled during the year in spite of the supporting withdrawal application period.

1.4 Taxation

The Project is exempt from income tax. The Project is liable for withholding tax and personnel income tax for its staff.

3 IBRD Funding

Funds received from the Donor are as per the table below:

| | Period from 1 January to 31 December 2024 | Period from 1 December to 31 December 2023 |
|------------------------------------|--|---|
| Front-end-fee | - | 129,000 |
| Advance/ Advance and documentation | 4,298,186 | - |
| Total | 4,298,186 | 129,000 |

4 Goods

| | Period from 1 January to 31 December 2024 | Period from 1 December to 31 December 2023 |
|-------------------------------------|--|---|
| IT equipment for the project office | 27,027 | - |
| Vehicles | 33,264 | - |
| Total | 60,291 | - |

5 Consulting Services

The consultancy services were composed as follows:

| | Period from 1 January to 31 December 2024 | Period from 1 December to 31 December 2023 |
|---|--|---|
| Feasibility study and detailed design for group A bridges | 19,103 | - |
| Feasibility study and detailed design for group B bridges | 19,103 | - |
| Total | 38,206 | - |

6 Incremental Operating Costs

Operating costs detailed in categories for the year ended on 31 December 2024 are as follows:

| | Period from 1 January to 31 December 2024 | Period from 1 December to 31 December 2023 |
|---|--|---|
| PMT staff salaries | 103,342 | - |
| Health & social insurance and PIT | 44,435 | - |
| Per diem | 1,155 | - |
| Internet for the office | 660 | - |
| Announcement in journal | 2,160 | - |
| Environmental permission and technical opposition for bridges | 6,409 | - |
| Other expenses | 190 | - |
| Bank Charges | 396 | - |
| Total | 158,747 | - |

7 Cash at the end of the period

Cash on hand and at banks as at 01 January to 31 December 2024 was composed as follows:

| | Period from 1 January to 31 December 2024 | Period from 1 December to 31 December 2023 |
|--------------------------|--|---|
| Bank of Albania | - | - |
| Second Level Bank | | |
| Cash on Bank - EUR | 3,959,790 | - |
| Cash on Bank - ALL | 75,948 | - |
| Total | 4,035,738 | - |

"Building Resilient Bridges"
For the year ended 31 December 2023

Amounts are expressed in EUR unless otherwise stated

8 Expenditures by component

| Project Components/ Category of expense | Goods | Non- consulting services | Works | Consultant services | Operating Costs | Training | Year ended December 31, 2024 |
|--|---------------|---|--------------|--------------------------------|----------------------------|-----------------|---|
| Part 1- Bridge Infrastructure | - | - | - | 38,206 | - | - | 38,206 |
| 1.1. Building Priority Bridges and Associated Structures | - | - | - | - | - | - | - |
| 1.2. Climate Resilience and Road Safety | - | - | - | - | - | - | - |
| Part 2- Institutional Capacity Building | - | - | - | - | - | - | - |
| 2.1. Asset Management for Climate-Resilient and Safe Infrastructures | - | - | - | - | - | - | - |
| 2.2. Safeguarding Bridge Maintenance | - | - | - | - | - | - | - |
| 2.3. Addressing the Gender Employment Gap in Road Construction | - | - | - | - | - | - | - |
| Part-3 Project Management | 60,291 | - | - | - | 158,747 | - | 219,038 |
| Total | 60,291 | - | - | 38,206 | 158,747 | - | 257,244 |

9 Subsequent events

There are no other significant events that would require either adjustments or additional disclosures in the special purpose financial information.

APPENDICES

(Loan IBRD 94790)

Albania Building Resilient Bridges Project

**Statements of Special Accounts and Project Accounts
for the year ended 31 December 2024**

(Supplementary schedules for the Special Purpose Financial Information)

Appendix 1

Supplementary Schedule of the Special Account Statement

Donor

Account No:

Depository Bank:

Currency:

IBRD

AL 551011100800000000211736DE

Bank of Albania

EUR

Opening Balance at beginning of period

Funds received:

Replenishment

Total

Disbursements:

Funds transferred to Credins Bank in EUR

Funds transferred to Credins Bank in ALL

Total

Closing balance on 31 December

| | 2024 | 2023 |
|--|-------------|------|
| Opening Balance at beginning of period | - | - |
| Funds received: | | |
| Replenishment | 4,298,186 | - |
| Total | 4,298,186 | - |
| Disbursements: | | |
| Funds transferred to Credins Bank in EUR | (4,298,186) | - |
| Funds transferred to Credins Bank in ALL | - | - |
| Total | (4,298,186) | - |
| Closing balance on 31 December | - | - |

Appendix 2

Supplementary Schedule of Current Account Statement

Donor

Account No:

Depository Bank

Currency:

IBRD

AL 20 2121 1009 0000 0000 0201 5363

CREDINS BANK

EUR

| | 2024 | 2023 |
|--|------------------|----------|
| Opening Balance at the beginning of period | - | - |
| Funds received: | | |
| Funds transferred from IBRD Special Account | 4,298,186 | - |
| Sale of Bid documents | - | - |
| | <u>4,298,186</u> | <u>-</u> |
| Disbursements: | | |
| Funds transferred to the bank account in ALL | (300,000) | - |
| Project expenditures | (38,206) | - |
| Bank charges | (190) | - |
| | <u>(338,396)</u> | <u>-</u> |
| Closing balance on 31 December | <u>3,959,790</u> | <u>-</u> |

Appendix 3

Supplementary Schedule of Current Account Statement

Donor

Account No:

Depository Bank

Currency:

IBRD

AL04 2121 1009 0000 0000 0201 5360

CREDINS BANK

ALL

| | 2024 | 2023 |
|---|--------------|------|
| Opening Balance at beginning of period | - | - |
| Funds received: | | |
| Funds transferred from bank account in EUR | 29,110,000 | - |
| Sale of Bid documents | 50,000 | - |
| Total | 29,160,000 | - |
| Disbursements: | | |
| Project expenditures | (21,685,160) | - |
| Bank charges | (20,567) | - |
| Total | (21,705,726) | - |
| Balance at the end of the period | 7,454,274 | |
| Balance at the end of the period converted in EUR | 75,948 | |