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**MODERNIZATION OF GOVERNMENT PROJECT**  
**IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)**  
**IDA AGREEMENT 6126-MD**  
**GOVERNMENT CONTRIBUTION**

**PROJECT FINANCIAL STATEMENTS**

**For the period from 1 September 2017 to 31 December 2018**

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Digitally signed by Luca Lilia  
Date: 2019.12.18 11:45:55 EET  
Reason: MoldSign Signature  
Location: Moldova



Digitally signed by Țurcanu Iurie  
Date: 2019.12.18 14:06:15 EET  
Reason: MoldSign Signature  
Location: Moldova



**MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS**

**For the period from 1 September 2017 to 31 December 2018**

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**CONTENTS:**

Independent Auditors' Report

Balance Sheet 1

Summary of Sources and Uses of Funds 2

Designated Account Statement 3

Notes to Project Financial Statements 4 - 8





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## Independent Auditors' Report

### To the Management of "Modernization of Government Services" Project

#### Opinion

We have audited the Project Financial Statements of "Modernization of Government Services" Project – financed by International Development Association ("IDA") and International Bank for Reconstruction and Development ("IBRD") in accordance with Credit No. 6126-MD and Loan No. 8774-MD (including Project Preparation Advance ("PPA") IBRD P487-MD), respectively ("the Project"), which comprise the Balance Sheet as at 31 December 2018, the Summary of Sources and Uses of Funds and the Designated Account Statement for the period from 1 September 2017 to 31 December 2018, and notes, comprising significant accounting policies and other explanatory information (together referred to as "the Project Financial Statements").

In our opinion, the accompanying Project Financial Statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the Project Financial Statements.

#### 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 *Auditors' Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the Project in accordance with *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 Project Financial Statements in Republic of Moldova and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### **Emphasis of Matter - Basis of Accounting and Restriction on Use**

We draw attention to Note 2 to the Project Financial Statements, which describes the basis of accounting. The Project Financial Statements are prepared solely for the purpose of complying with the terms of the IDA 6126-MD and IBRD 8774-MD (including PPA IBRD P487-MD) signed between the Government of Republic of Moldova and IDA and IBRD on 28 November 2017. As a result, the Project Financial Statements may not be suitable for another purpose.

Our report is intended solely for the Management of "Modernization of Government Services" Project. Our report should not be used by other parties other than the Management of "Modernization of Government Services" Project. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those charged with Governance for the Project Financial Statements**

Management is responsible for the preparation of the Project Financial Statements in accordance with the basis of accounting described in Note 2 to the Project Financial Statements, for the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of Project Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Project Financial Statements, management is responsible for assessing the relevance of the going concern basis of accounting, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' Responsibilities for the Audit of the Project Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Project Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Project Financial Statements.

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 Project Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude, as applicable, 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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Project Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

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.

#### Other matter

Our audit work has been undertaken so that we might state to the Management of "Modernization of Government Services" Project those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of "Modernization of Government Services" Project for our audit work, for this report, or for the opinion we have formed.

18 December 2019

#### For and on behalf of ICS KPMG Moldova S.R.L.:

Victor Voluta



registered in the electronic public register of financial auditors under No.1612079

*Auditor for general audits*  
Certificate of audit qualification  
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**MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS**

For the period from 1 September 2017 to 31 December 2018

**1 Balance Sheet**

	<b>31 December 2018</b>
	<b>USD</b>
<b>ASSETS</b>	
<b>Cash and cash equivalents</b>	
Cash under IBRD 8774-MD (including PPA IBRD P487-MD)	97,730
Cash under IDA 6126-MD	179,043
	<b>276,773</b>
<b>Undisbursed funds</b>	
IBRD 8774-MD (including PPA IBRD P487-MD) Undisbursed balance	4,643,946
IDA 6126-MD Undisbursed balance	14,661,948
Government Contribution Undisbursed balance	2,128,565
<b>TOTAL UNDISBURSED FUNDS</b>	<b>21,434,459</b>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>21,711,232</b>
<b>Cumulative project expenditures</b>	
IBRD 8774-MD (from PPA IBRD P487-MD) - Project Expenses	258,324
IDA 6126-MD - Project Expenses	320,957
Government Contribution – Project Expenses	301,435
<b>TOTAL CUMULATIVE PROJECT EXPENSES</b>	<b>880,716</b>
<b>TOTAL ASSETS</b>	<b>22,591,948</b>
<b>Source of funds (Funding)</b>	
IBRD 8774-MD (including PPA IBRD P487-MD)	5,000,000
IDA 6126-MD	15,000,000
Government Contribution	2,430,000
Translation exchange difference XDR/USD (for IDA 6126-MD)	161,948
<b>TOTAL FUNDING</b>	<b>22,591,948</b>
<b>TOTAL FUNDS AND LIABILITIES</b>	<b>22,591,948</b>

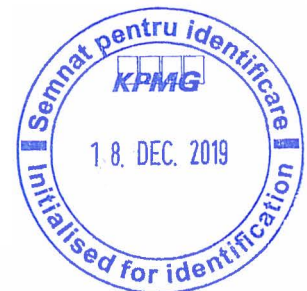
The financial statements and accompanying notes on pages 4 to 8 were signed and approved on behalf of the Project's management on 18 December 2019 by:

Mr. Iurie Țurcanu  
Director

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Mrs. Lilia Luca  
Financial Management Specialist

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MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS

For the period from 1 September 2017 to 31 December 2018

## 2 Summary of Sources and Uses of Funds

	1 September 2017 - 31 December 2018
	USD
<b>OPENING CASH BALANCES</b>	
IBRD 8774-MD (including PPA IBRD P487-MD) Designated Account	-
IDA 6126-MD Designated Account	-
Government Contribution	-
<b>TOTAL OPENING CASH BALANCES</b>	<b>-</b>
<b>FINANCING</b>	
<b>IBRD 8774-MD (including PPA IBRD P487-MD)</b>	
Designated account	350,000
Direct payments – repayment of accrued interest	6,054
<b>IDA 6126-MD</b>	
Designated account	500,000
Direct payments	-
<b>Government contribution*</b>	<b>301,435</b>
<b>Total Financing</b>	<b>1,157,489</b>
<b>EXPENDITURES</b>	
<b>IBRD 8774-MD (from PPA IBRD P487-MD) sources</b>	
PPA MGSP	70,575
1 Goods, works, Training, operating cost	112,047
2 Consultants' services under Part 4.2	75,702
<b>Total Expenditures IBRD 8774-MD (from PPA IBRD P487-MD)</b>	<b>258,324</b>
<b>IDA 6126-MD sources</b>	
1 Goods, works, Training, operating cost	197,850
2 Consultants' services under Part 4.2	121,755
Exchange rate differences	1,352
<b>Total Expenditures IDA 6126-MD</b>	<b>320,957</b>
<b>Government Contribution sources</b>	
Government Contribution	301,526
Exchange rate differences	(91)
<b>Total Expenditures Government Contribution</b>	<b>301,435</b>
<b>Total EXPENDITURES</b>	<b>880,716</b>
<b>CLOSING CASH BALANCES</b>	
IBRD 8774-MD (including PPA IBRD P487-MD) Designated Account	97,730
IDA 6126-MD Designated Account	179,043
Government Contribution	-
<b>TOTAL CLOSING CASH BALANCES</b>	<b>276,773</b>



**MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS**

**For the period from 1 September 2017 to 31 December 2018**

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(\* ) The Government Contribution financing comprises of payments to consultants according to PAD and net off of Income Tax, Social Contribution, Medical Contribution, Pension Fund contribution in amount of 60% of the total expenses for these consultants.

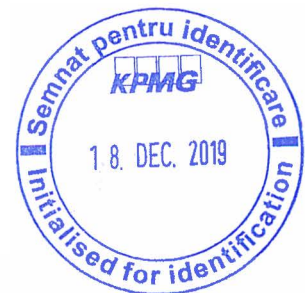
The financial statements and accompanying notes on pages 4 to 8 were signed and approved on behalf of the Project's management on 18 December 2019 by:

Mr. Iurie Țurcanu  
Director

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Mrs. Lilia Luca  
Financial Management Specialist

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**MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS**

**For the period from 1 September 2017 to 31 December 2018**

### 3 Designated Account Statement

	<b>1 September 2017 - 31 December 2018</b>
	<b>USD</b>
<b>Opening balance, 1 September 2017</b>	<b>-</b>
<b>Add:</b>	
Sources of funds – IBRD 8774-MD (including PPA IBRD P487-MD)	350,000
Sources of funds – IDA 6126-MD	500,000
Sources of funds – Government Contribution	301,435
<b>Less:</b>	
Uses of funds	873,401
Exchange Rate Differences	1,261
<b>Closing balance, 31 December 2018</b>	<b>276,773</b>

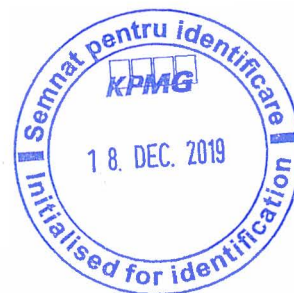
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Director

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Ms. Lilia Luca  
Financial Management Specialist

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For the period from 1 September 2017 to 31 December 2018

## Notes to the Project Financial statements

### 1. GENERAL INFORMATION

Modernization of Government Services Project. The design of the project takes into account the Government's vision, stated in the Public Administration Reform (PAR) Strategy 2016–2020 and relies on the Government Services Modernization Action Plan for 2017–2021, approved in July 2016 and included in the Roadmap on Priority Government Reforms related to the EU Association Agreement. The project will aim to achieve improvements in access, efficiency, and quality of delivery of selected administrative services through four components:

#### **Component 1: Administrative Service Modernization (US\$7.59 million)**

The citizens of Moldova face a series of barriers in accessing Government administrative services: long and unpredictable waiting times in the offices of central public administration authorities; excessive demands for documents and information; inefficient processing of service applications; ineffective communication; and incomplete information about available administrative services. The conditions for service provision in some institutions do not comply with the EU or international standards. Citizens seeking access to services are often required to travel long distances and waste time, effort, and money to obtain information or services from institutions.

#### **Component 2: Digital Platform and Services (US\$8.16 million)**

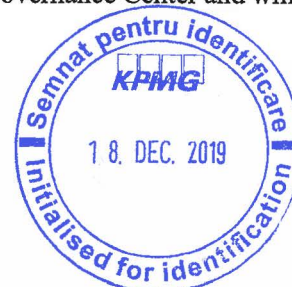
The objective of this component is to digitize select reengineered Government services, strengthen a common ICT infrastructure and mechanisms for rapid deployment of ICT-enabled administrative services, and introduce Government-wide IT Management and Cyber Security standards and procedures. It will finance the acquisition of additional shared ICT infrastructure elements, digitization of services needed to deliver Government services electronically, and development of IT Management and Cyber Security standards and procedures as well as learning management system to mainstream them within the Government. By the end of the project, under this component, at least 21 Government services will be digitized; all intended upgrades to existing digital platforms will be completed; and IT Management and Cyber Security Standards will be developed, institutionalized, and mainstreamed throughout the Government. Implementation of the digital platform and services will be guided by the principles of open data.

#### **Component 3: Services Delivery Model Implementation (US\$2.07 million)**

The objective of this component is to ensure that the institutional capabilities of key Government agencies are aligned with and support the new model of public services delivery. This may entail internal restructuring and staffing adjustments, such as reassignment and natural attrition, as administrative processes are streamlined and automated. It may also result in an increase in the number of staff requiring IT and analytical skills who can operate and manage e-Government systems. The staffing structure of the institutions providing the services selected for reengineering and digitization in Year 1 and their staffing estimates are presented in Table 2.2. The component will also address the capacity of partner entities participating in CUPS pilots as well as structural units in the Government responsible for Government administrative services modernization reform management and coordination.

#### **Component 4: Project Management (US\$4.61 million)**

This component will finance the Project Implementation Unit, based in e-Governance Center and will co-finance the core e-Governance Center's management team.



**MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS**

**For the period from 1 September 2017 to 31 December 2018**

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## **Notes to the Project Financial statements (continued)**

### **PROJECT FUNDING**

#### **IDA 6126-MD and IBRD 8774-MD (including PPA IBRD P487-MD) financing agreements**

The IDA 6126-MD and IBRD 8774-MD were signed between the Republic of Moldova and International Development Association and the International Bank for Reconstruction and Development, respectively, on 28 November 2017, in amount of Special Drawing Right (“SDR”) 10,900,000 and USD 5,000,000, respectively. Project Preparation Advance (“PPA”) IBRD P487-MD (initially PPA no. V0620001) Financing Agreement constitutes an integral part of IBRD 8774-MD Financing Agreement. PPA IBRD P487-MD was signed between the International Bank for Reconstruction and Development (18 April 2017) and the Republic of Moldova (4 May 2017), effective as of 1 September 2017, in the amount of USD 1,753,221. The financing agreements were signed in order to achieve the objective of the Project: to strengthen Modernization of Government Services through increased efficiency and effectiveness.

## **2. BASIS OF ACCOUNTING**

These Project Financial Statements are prepared solely for the purpose of complying with the terms of the IDA 6126-MD and IBRD 8774-MD (including PPA IBRD P487-MD) Financing Agreements, signed between the Republic of Moldova and International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”). As a result, Project Financial Statements may not be suitable for another purpose.

The Project Financial Statements have been prepared in accordance with the basis of preparation and significant accounting policies described below.

### **(a) Basis of preparation**

The Project Financial Statements have been prepared in accordance with the accounting policies listed below.

The amounts are expressed in USD and are prepared for the period from 1 September 2017 to 31 December 2018.

### **(b) Functional and presentation currency**

The Project’s functional and presentation currency is the United States Dollars (USD).

The transactions performed in other currencies are converted and reported in USD using the official exchange rate of National Bank of Moldova on the date of payment. Total funding has been accounted at the historical rate at the approval of the Project Financing.

The Undisbursed balance under the Credit IDA 6126-MD in the Financial Statement is calculated using the USD/SRD rate at the period end. The exchange rate of USD/SDR as at 31 December 2018 is 1.39079.

### **(c) Designated Account (DA)**

The Designated Account, opened by the State Treasury at the National Bank of Moldova, is the account through which the replenishments are drawn. All payments for eligible expenses are made from this DA and if the payment is in local currency it is made through transitory account.

### **(d) Transitory accounts**

The transitory accounts are held at State Treasury for the amounts in MDL, since the payments within the country can be done only in the local currency (MDL).



MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS

For the period from 1 September 2017 to 31 December 2018

**Notes to the Project Financial statements (continued)**

**(e) Sources of funds (Funding)**

The sources of funds (funding) are the amounts committed by the International Development Association and International Bank for Reconstruction and Development according to the financing agreements and by the Government of Republic of Moldova in accordance with the Project Appraisal Document.

**(f) Project expenditure (Uses of funds)**

The uses of funds are the amounts spent for covering eligible expenditures for the needs of the Project.

**(g) Undisbursed funds**

Represents the balance of funds which are not yet drawn from the Sources of funds.

**(h) Cash and cash equivalents**

Total cash and cash equivalents comprises: cash and cash equivalents in banks drawn from the Sources of funds and which are not yet used for project expenditure.

**3. WITHDRAWAL SCHEDULE**

<i>IBRD 8774-MD (from PPA IBRD P487-MD)</i>		<b>Application amount – USD</b>	<b>Amount disbursed – USD</b>	<b>USD</b>
Application No. 1		97,730	97,730	
Application No. 2		252,270	252,270	
Application No. 3	Direct payment	6,054	6,054	
<b>Total disbursed during 1 September 2017 – 31 December 2018 period</b>				<b>(356,054)</b>

<i>IDA 6126-MD</i>		<b>Application amount – SDR</b>	<b>Amount disbursed – USD</b>	<b>USD</b>
Application No. 1		357,828	500,000	
<b>Total disbursed during 1 September 2017 – 31 December 2018 period</b>				<b>(500,000)</b>

**4. SUMMARY OF EXPENSES (SOE) SCHEDULE**

<i>World Bank Number of the SOE</i>	<b>1 September 2017 – 31 December 2018 period</b>
<i>IBRD 8774-MD (from PPA IBRD P487-MD)</i>	<b>USD</b>
WB 002	252,270
WB 003 (Direct payment)	6,054
<b>Total uses of funds</b>	<b>258,324</b>



MODERNIZATION OF GOVERNMENT SERVICES PROJECT  
IDA AGREEMENT 6126-MD / IBRD AGREEMENT 8774-MD (INCLUDING PPA IBRD AGREEMENT P487-MD)  
PROJECT FINANCIAL STATEMENTS

For the period from 1 September 2017 to 31 December 2018

Notes to the Project Financial statements (continued)

<i>World Bank Number of the SOE</i> <i>IDA 6126-MD</i>	1 September 2017 – 31 December 2018 period
	USD
<i>Amounts included in SOE, but to be reported in 2019</i>	320,957
<b>Total uses of funds</b>	<b>320,957</b>

5. EXPENDITURE DETAIL BY PROJECT ACTIVITY

	1 September 2017 – 31 December 2018 period
	USD
<b>COMPONENT 1. Administrative Service Modernization</b>	<b>196,967</b>
1. Business process re-engineering	98,674
2. Reform management and coordination	73,759
3. Expanding access points for central government e-Services	-
4. Citizen Feedback and Outreach	24,534
<b>COMPONENT 2. Digital Platforms and Services</b>	<b>32,398</b>
1. Digital Platform and Services	26,843
2. Digital Infrastructure	5,555
3. IT Management and Cyber security	-
<b>COMPONENT 3. Services Delivery Model Implementation</b>	<b>-</b>
1. Institutional Capabilities Development, Sizing and Shaping Organizational Structures and Human Resources	-
2. Capacity Development and Adaptation of Staff Skills to the New Model of Service Delivery	-
3. Enhancing Performance in Service Delivery	-
<b>COMPONENT 4. Project Management</b>	<b>348,564</b>
1. Project Management Unit	147,585
2. E-Government Center Management	200,979
Exchange rate differences	1,352
<b>Total</b>	<b>579,281</b>

6. SUBSEQUENT EVENTS

During the period between 31 December 2018 and the date these Project Financial Statements have been authorised for issue no SOE have been reported to the World Bank and recorded into World Bank Client Connection system.

Total audit fees of equivalent of EUR 8,526 will be paid subsequent to the approval of the Project Financial Statements and are not included in the above listed expenditures.

