

SECOND COMPETITIVENESS ENHANCEMENT PROJECT

PROJECT FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2019**

IBRD 84000-003 (EURO)


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SECOND COMPETITIVENESS ENHANCEMENT PROJECT
BALANCE SHEET
AS AT 31 DECEMBER 2019
(all amounts are expressed in EURO unless otherwise mentioned)

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Cash and cash equivalents			
Designated account IBRD		259.521	-
Total cash and cash equivalents		259.521	-
Undisbursed balance			
Undisbursed balance IBRD		4.550.319	-
Total undisbursed balance		4.550.319	-
Cumulative project expenses			
Spent IBRD	4, 5, 6	2.141.828	-
Total cumulative project expenses		2.141.828	-
Exchange rate differences		-	-
TOTAL ASSETS		6.951.668	-
FUNDS AND LIABILITIES			
Funding			
Loan agreement IBRD		6.951.668	-
Total funds		6.951.668	-
TOTAL FUNDS AND LIABILITIES		6.951.668	-

The financial statements and accompanying notes on pages 6 to 13 were signed and approved on behalf of the Project's management on 10 July 2020 by:

Aureliu Casian

Project Executive Director

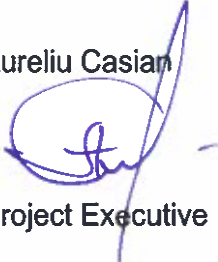
Mariana Darie

Accountant

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
SUMMARY OF SOURCES AND USES OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EUR, unless otherwise mentioned)

	<u>Notes</u>	<u>For the year ended December 31, 2019</u>	<u>Cumulative to date</u>
Opening cash balances			
Designated account 84000-003		-	-
Total opening cash balances		-	-
Add: Sources of funds			
IBRD 84000-003	3	2.401.349	2.401.349
Total Sources of Funds		2.401.349	2.401.349
Less: Uses of Funds			
IBRD 84000-003			
(1) Sub-loans under Part 3(a) of the Project	4, 5, 6	2.139.739	2.139.739
(2) Goods, non-consulting services, consultants' services (including audits), training and incremental operating costs under Parts 3(b) and 3(c) of the Project; and audits under Part 3(a) of the Project	4, 5, 6	2.089	2.089
Total uses of funds	4, 5, 6	2.141.828	2.141.828
Closing cash balances			
Designated account 84000-003		259.521	259.521
Total closing cash balances		259.521	259.521

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Aureliu Casian

Project Executive Director

Mariana Darie

Accountant

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
STATEMENT OF DESIGNATED ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EUR, unless otherwise mentioned)

For the period ended **31 December 2019**
Account no. **32617978147**
Depository Bank **Ministry of Finance – State Treasury**
SWIFT code **TREZMD2X**

International Bank for Reconstruction and Development

	<u>Notes</u>	<u>For the year ended 31 December 2019</u>
Opening balance, 01 January 2019		-
Add:		
Sources of funds	3	2.401.349
Deduct:		
Uses of funds	4, 5, 6	<u>2.141.828</u>
Closing balance, 31 December 2019		<u>259.521</u>

The financial statements and accompanying notes on pages 6 to 13 were signed and approved on behalf of the Project's management on 10 July 2020 by:

Aureliu Casian



Project Executive Director

Mariana Darie



Accountant

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EURO, unless otherwise mentioned)

1. GENERAL INFORMATION

Project description

The Second Competitiveness Enhancement Project is regulated by the Loan Agreement 8400-MD between International Bank for Reconstruction and Development and Republic of Moldova in amount of USD 30,000,000 signed on July 15, 2014 and by the Financing Agreement 5509-MD between International Development Association and Republic of Moldova in amount of SDR 9,700,000 (equivalent of USD 15,000,000), signed on July 15, 2014.

In March 2019, the IBRD 8400-MD loan was converted into Euro¹, being grouped into several sub-accounts, as follows:

- IBRD 84000-001 - initial volume in US dollars (US \$ 30 million);
- IBRD 84000-002 - the disbursed balance as of March, 04, 2019, converted into Euro (19,550,444.05 Euro);
- IBRD 84000-003 - undisbursed balance as of March, 04, 2019, converted into Euro (6,951,667.68 Euro).

The amounts in these financial statements are expressed in Euro and cover resources of IBRD 84000-003 account. The financial statements are prepared for the year ended 31 December 2019.

The financial statements for IDA 5509-MD and IBRD 84000-001 in USD are prepared and issued in a separate document.

The implementation period of the Project is October 2014 - July 2021².

The objective of the Project is to enhance the export competitiveness of the Moldovan enterprises through increasing links with sales markets, reducing the regulatory burden on the business environment and improving the access to medium- and long-term funding.

The Project consists of the following parts:

Part 1: Regulatory Reform

Provision of support for:

- (a) Improving the timely delivery of the Recipient's business regulatory reform strategies and the quality of the business enabling environment; and
- (b) Implementing priority policy reforms to improve export competitiveness, investment attraction and access to finance; and
- (c) Provision of result based financing (RBF) under the Eligible Expenditure Program (EEP) in support of the business regulatory reform.

Part 2: SME Development

¹ According to the notifications of the World Bank of March 7, 2019 and of March 20, 2019, the resources of the IBRD 8400-MD loan were converted into Euro.

² According to the notification of the World Bank of June 20, 2020, the closing date of the Project was extended from 31.01.2020 to 30.07.2021.

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EURO, unless otherwise mentioned)

Provision of support for:

- (a) Strengthening the institutional capacity of ODIMM and INVESTMENT AGENCY to facilitate business sophistication and integration into global supply chains for SMEs and exporters; and
- (b) Establishing a Matching Grant Facility (MGF) to assist Matching Grant Beneficiaries in the implementation of business improvement plans focused on export competitiveness; and
- (c) Provision of result based financing under the Eligible Expenditure Program (EEP) to support the institutional strengthening of ODIMM and INVESTMENT AGENCY.

Part 3: Access to Finance

Provision of support for:

- (a) Provision of sub-loans by eligible PFIs to support investment and working capital financing needs of Beneficiary Enterprises; and
- (b) Providing support to ODIMM to revise and implement its credit guarantee scheme; and
- (c) Provision of technical assistance to MEI, other relevant Recipient's public authorities and financial institutions in the Recipient's territory on developing value chain financing models.

Project management

The Competitiveness Enhancement II project is managed by the Project Implementation Unit, a public institution subordinated to the Ministry of Economy and Infrastructure. The Unit operates in accordance with the legislation of the Republic of Moldova, loan / development credit and / or grant agreements, World Bank directives and standards, and the Statute approved by Government Decision no.895 of 25.08.2005.

Executive Director – Aureliu Casian
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Chisinau, Republic of Moldova

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EURO, unless otherwise mentioned)

2. SIGNIFICANT ACCOUNTING POLICIES (IBRD 84000-003 - EURO)

Basis of accounting

The Project Financial Statements have been prepared in accordance with generally accepted accounting principle and practices and relevant World Bank guidelines.

The cash basis of accounting was used in the preparation of these Project Financial Statements since the recording of cash receipts and payments is the primary interest. Under the cash basis, system income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.

The amounts in these financial statements (IBRD 84000-003) are expressed in Euro and the financial statements are prepared for the year ended 31 December 2019.

Designated account

The designated accounts opened by the Treasury at the National Bank of Moldova are the accounts through which the replenishments are drawn. All payments for eligible expenses are made from these designated accounts and if the payment is in local currency it is made through transitory account.

Within the Project for IBRD 84000-003 resources a separate designated account in Euro is opened.

Transitory account

The transitory account is held at State Treasury for the converted amount in MDL, since the payments within the country can be done only in the national currency (MDL).

Exchange rates

The Exchange rate used to convert the Euro amounts in MDL is the official exchange rate of National Bank of Moldova on the date of payment.

Sources of funds

The sources of funds are the amounts transferred by the World Bank from the loan account, to the Designated Accounts of the Project.

Uses of funds

The uses of funds are the amounts spent for covering eligible expenditures for the needs of the Project. The IBRD resources of the Project are provided for granting sub-loans to private exporting enterprises for capital investments and / or meeting working capital needs. Funding is provided through participating financial institutions eligible under the Project.

Consultants' services

Consultants' services consist of short and long-term assignments to be contracted to firms and/or individuals (national and/or international) depending on the nature and duration of the assignments. Selection procedures will be generally through competition among qualified short listed consultants. Selection procedures will be generally through competition among qualified short listed consultants, in accordance with the provisions of the Project Financing

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EURO, unless otherwise mentioned)

Agreements, as well as the regulations of the World Bank on the selection and employment of consultants.

Foreign expenditures

Foreign expenditures means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower. Expenditures for loans re-credited through eligible participatory financial institutions can be denominated in MDL, USD or Euro.

Foreign currency

Transactions denominated in currencies other than EURO are translated at the National Bank of Moldova established rates ruling at the date of the payment. Foreign currency monetary assets and liabilities are translated at the rates ruling at last day of the reporting period. Foreign currency non-monetary assets and liabilities are translated at historical rates.

Local expenditures

Local expenditure means any expenditure in the national currency of the Borrower or for goods or services supplied from the territory of the Borrower.

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EURO, unless otherwise mentioned)

3. WITHDRAWAL SCHEDULE

W/D Number	(1) Goods, works, non-consulting services, consultants' services, training and operating costs for the Project	(2) Results-based financing (RBF)	Total
84000-003			
Apl. 26	1.350.000	-	1.350.00
Apl. 27	559.582		559.582
Apl. 28	491.766		491.766
Total	2.401.349	-	2.401.349
Grand total	2.401.349	-	2.401.349

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in EURO, unless otherwise mentioned)

4. SOE SCHEDULE

W/D Number	Sub-loans under Part 3(a) of the Project	Goods, non- consulting services, consultants' services (including audits), training and incremental operating costs under Parts 3(b) and 3(c) of the Project; and audits under Part 3(a) of the Project	Goods, non- consulting services, consultants' services (including audits), training and incremental operating costs under Parts 1(a), 1(b), 2(a) and 2(b)(i) of the project and audits under Parts 1(c), 2(b)(ii) and 2(c) of the project	Total
84000- 003				
SOE 27	1.257.935	1.647	-	1.259.582
SOE 28	491.325	442	-	491.767
SOE 29	390.479	-	-	390.479
Total	2.139.739	2.089	-	2.141.828
Grand total	2.139.739	2.089	-	2.141.828

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in USD, unless otherwise mentioned)

5. EXPENDITURES BY SUBCATEGORIES

	For the year ended 31 December 2019	Cumulative to date
84000-003		
(1) Sub-loans under Part 3(a) of the Project	2.139.739	2.139.739
(2) Goods, non-consulting services, consultants' services (including audits), training and incremental operating costs under Parts 3(b) and 3(c) of the Project; and audits under Part 3(a) of the Project	2.089	2.089
Total	2.141.828	2.141.828
Grand total	2.141.828	2.141.828

6. EXPENDITURE BY PROJECT ACTIVITY

	For the year ended 31 December 2019	Cumulative to date
84000-003		
Part III Access to Finance		
- 3a. Line of Credit Sub-Loan	2.139.739	2.139.739
- 3c. TA to MoEI and banks on developing value chain financing model	2.089	2.089
Total 84000-003	2.141.828	2.141.828
GRAND TOTAL	2.141.828	2.141.828

SECOND COMPETITIVENESS ENHANCEMENT PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in USD, unless otherwise mentioned)

7. SUBSEQUENT EVENTS

With the recent and rapid development of the outbreak of coronavirus 2019 (Covid-19) disease worldwide, many entities have reduced or suspended commercial operations and many countries have implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (and are expected to further disrupt) the economic, financial and social situation.

In March 2020, the Covid-19 pandemic reached the Republic of Moldova. The main objective of the authorities is to slow the spread of COVID-19, to protect public health and to ensure the economic survival of working people, businesses, economically vulnerable groups and the economy in general. To this end, many companies with the exception of retail stores selling primary-needed goods have been blocked and additional measures have been adopted that limit the free movement of people and limit social contacts, including the suspension of visitors to company premises, the acceleration of remote work and the development of infrastructure necessary for working remotely. Therefore, the economic deadlock has immediate and more pronounced effects in certain industries, such as tourism, HORECA, transport, retail and entertainment, while there are also more delayed effects on other sectors, such as production and the financial sector.

The priority of our institution is to protect our employees from the direct or indirect impact of COVID-19. To this end, we undertake safety and health measures for staff (such as social distancing, working from home, online communication) and ensure the provision of materials that are essential to the functioning of the institution, to ensure that our beneficiaries (consumers) can access our services / products. The transformation process takes place daily to change the way we work, think and develop. Contingency plans are developed at both the local and group levels to prevent and reduce the economic impact of the pandemic. At this stage, we appreciate the impact on the activity and results of our institution as a small one. Thus, our institution will continue to monitor market developments, follow the policies and restrictions imposed by the authorities, to expand our online activity and take the necessary measures to anticipate any negative effects on the continuity of our activity and work process, as well as to protect health and safety of our employees, beneficiaries and partners.

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