

SECOND COMPETITIVENESS ENHANCEMENT PROJECT

PROJECT FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2019**

**IDA 5509;
IBRD 84000-001 (USD)**

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SECOND COMPETITIVENESS ENHANCEMENT PROJECT

BALANCE SHEET

AS AT 31 DECEMBER 2019

(all amounts are expressed in USD, unless otherwise mentioned)

	<u>Notes</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS			
Cash and cash equivalents			
Designated account IBRD		-	563.866
Designated account IDA		127.429	228.008
Total cash and cash equivalents		127.429	791.874
Undisbursed balance			
Undisbursed balance IBRD		-	8.814.807
Undisbursed balance IDA		4.863.090	6.251.800
Total undisbursed balance		4.863.090	15.066.607
Cumulative project expenses			
Spent IBRD	4, 5, 6	22.121.327	20.621.327
Spent IDA	4, 5, 6	8.518.663	7.065.225
Total cumulative project expenses		30.639.990	27.686.552
Exchange rate differences		-	-
TOTAL ASSETS		35.630.509	43.545.033
FUNDS AND LIABILITIES			
Funding			
Loan agreement IBRD		22.121.327	30,000,000
Financing agreement IDA		13.509.182	13.545.033
Total funds		35.630.509	43,545,033
TOTAL FUNDS AND LIABILITIES		35.630.509	43,545,033

The financial statements and accompanying notes on pages 7 to 16 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 USD, 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 84000-001		563.866	-
Designated account 5509-MD		228.008	-
Total opening cash balances		<u>791.874</u>	<u>-</u>
Add: Sources of funds			
IBRD 84000-001	3	936.134	22.121.327
IDA 5509-MD	3	1.352.860	8.646.093
Total Sources of Funds		<u>2.288.994</u>	<u>30.767.420</u>
Less: Uses of Funds			
IBRD 84000-001			
(1) Sub-loans under Part 3(a) of the Project	4, 5, 6	1.495.380	22.085.891
(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	4.620	35,436
IDA 5509-MD			
(1) 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	4, 5, 6	997.192	5.728.935
(2) Matching grants under Part 2(b)(ii) of the project		456.246	1.192.543
(3) Payments for EEPs under Parts 1(c) and 2(c) of the project		-	1,597,184
Total uses of funds	4, 5, 6	<u>2.953.439</u>	<u>30.639.990</u>
Closing cash balances			
Designated account 84000-001		-	-
Designated account 5509-MD		127.429	127.429
Total closing cash balances		<u>127.429</u>	<u>127.429</u>

The financial statements and accompanying notes on pages 7 to 16 were signed and approved on behalf of the Project's management on 10 July 2020 by:



Aureliu Casian
Project Executive Director



Mariana Barie
Accountant

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

For the period ended **31 December 2019**
Account no. **3261884032**
Depository Bank **Ministry of Finance – State Treasury**
SWIFT code **TREZMD2X**

International Bank for Reconstruction and Development (84000 – 001 USD)

	<u>Notes</u>	<u>For the year ended 31 December 2019</u>
Opening balance, 01 January 2019		<u>563.866</u>
Add:		
Sources of funds	3	936.134
Deduct:		
Uses of funds	4, 5, 6	<u>1.500.000</u>
Closing balance, 31 December 2019		<u>0.0</u>

The financial statements and accompanying notes on pages 7 to 16 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
STATEMENT OF DESIGNATED ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019
(all amounts are expressed in USD, unless otherwise mentioned)

For the period ended **31 December 2019**
Account no. **3261184033**
Depository Bank **Ministry of Finance – State Treasury**
SWIFT code **TREZMD2X**

International Development Association

	<u>Notes</u>	<u>For the year ended 31 December 2019</u>
Opening balance, 01 January 2019		<u>228.008</u>
Add:		
Sources of funds	3	1.352.860
Deduct:		
Uses of funds	4, 5, 6	<u>1.453.439</u>
Closing balance, 31 December 2019		<u>127.429</u>

The financial statements and accompanying notes on pages 7 to 16 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 USD, 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 4, 2019, converted into Euro (19,550,444.05 Euro);
- IBRD 84000-003 - unpaid balance as of March 4, 2019, converted into Euro (6,951,667.68 Euro).

The amounts in these financial statements are expressed in USD and cover resources of IDA 5509-MD and IBRD 84000-001 accounts.

Taking into consideration that in March 2019, the IBRD 8400-MD loan was converted into Euro, the closing balance as of December 31, 2019 for sub-account IBRD 84000-001 in USD is zero. The financial statements for IBRD 84000-003 in Euro (unpaid balance converted into Euro) are prepared and issued in separate document.

The financial statements are prepared for the year ended 31 December 2019.

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

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 USD, unless otherwise mentioned)

- (c) Provision of result based financing (RBF) under the Eligible Expenditure Program (EEP) in support of the business regulatory reform.

Part 2: SME Development

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.

Results Based Financing (RBF)

The project includes an innovative US\$3 million performance - based lending (PBL) funding element, in the reform of results-based financing. There are four Disbursement Linked Indicators (DLIs) related to activities from "Regulatory Reform" and "SME Development" components. These indicators are evaluated by the World Bank in three steps, throughout the project implementation period, i.e. April 2015, December 2017 and December 2019. Each DLI payment values US\$ 250,000, thus the total annual amount of DLIs represents US\$ 1 million. RBF portion of the loan will be disbursed to the treasury account of the Ministry of Finance, against priority Ministry of Economy and Infrastructure budget expenditures (EEPs) conditioned upon achievement of Disbursement-Linked Indicators (DLIs) for the respective time period.

EEPs have been identified as staff compensation costs³ for the institution whose mandate is core to achieving the project's objectives and results: the Ministry of Economy and Infrastructure. The project supports achievement of MEI's reform objectives and the mandate that it has been given by the government: to advance regulatory reform, SME development, exports, access to finance, and ensuring a sound enabling environment for business operations.

³ According to the World Bank Project Evaluation Document no. PAD749, the expenses included in the Eligible Expenditure Program include: basic salaries, supplements and bonuses to basic salaries, material aid and social insurance contributions.

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)

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 USD, unless otherwise mentioned)

2. SIGNIFICANT ACCOUNTING POLICIES (IDA 5509; IBRD 84000-001–USD)

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 financial statements (IDA 5509-MD and IBRD 84000-001) are expressed in USD and 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 there are designated accounts opened separately for IDA 5509-MD and IBRD 84000-001 resources.

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 USD 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.

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, in accordance with the provisions of the Project Financing Agreements, as well as the regulations of the World Bank on the selection and employment of consultants.

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)

Goods

Goods required under the project are of nature of information technology (IT) systems and office equipment.

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 in foreign currency are made for goods and services provided under the Project by consulting companies registered in other countries.

Foreign currency

Transactions denominated in currencies other than US Dollar are translated at the National Bank of Moldova established rates ruling at the date when they occur. 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.

Operating Costs

Operating costs means the expenditures incurred by the PIU on account of Project, including minor office equipment, furniture and supplies, utilities, communications and internet fees, copying, reproduction and publication costs, travel and per diem costs of PIU and governmental staff directly associated with the implementation of the Project activities, and such other expenditures as may be agreed upon by the Bank.

Matching Grants

Co-financing grants are provided for consultancy services and minor equipment in business development for beneficiaries to strengthen their export capacity and competitiveness.

Training

Training means training activities (other than consultants' services) carried out under the Project, as approved by the Association on the basis of the annual training and study tour plans acceptable to the Association.

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)

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
84000-001 Apl. 23	936.134	-	936.134
Total	936.134	-	936.134
5509-MD Apl. 21	271.992	-	271.992
Apl. 22	256.608	-	256.608
Apl. 23	277.449	-	277.449
Apl. 24	244.845	-	244.845
Apl. 25	301.965	-	301.965
Total	1.352.860	-	1.352.860
Grand total	2.288.994	-	2.288.994

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)

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
84000-001				
SOE 24	1.155.483	2.660	-	1.158.143
SOE 25	339.897	1.960	-	341.857
Total	1.495.380	4.620	-	1.500.000
5509-MD				
SOE 22	-	-	256.608	256.608
SOE 23	-	-	277.449	277.449
SOE 24	-	-	244.845	244.845
SOE 25	-	-	301.965	301.965
SOE 26	-	-	372.571	372.571
Total	-	-	1.453.439	1.453.439
Grand total	1.495.380	4.620	1.453.439	2.953.439

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

	<u>For the year ended 31 December 2019</u>	<u>Cumulative to date</u>
5509-MD		
(1) 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	997.192	5.728.936
(2) Matching grants under Part 2(b)(ii) of the project	456.246	1.192.543
(3) Payments for EEPs under Parts 1(c) and 2(c) of the project	-	1,597,184
Total	<u>1.453.439</u>	<u>8.518.663</u>
84000-001		
(1) Sub-loans under Part 3(a) of the Project	1.495.380	22.085.891
(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	4.620	35.436
Total	<u>1.500.000</u>	<u>22.121.327</u>
Grand total	<u>2.953.439</u>	<u>30.639.990</u>

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)

6. EXPENDITURE BY PROJECT ACTIVITY

	<u>For the year ended 31 December 2019</u>	<u>Cumulative to date</u>
5509-MD		
Part I Regulatory Reform Capacity Building	728.153	3.612.256
- 1a. Reform Governance	336.847	1.496.131
- 1b. Reform Implementation Support	391.307	1.436.742
- 1c. Results-Based Financing (RBF)	-	679,383
Part II SME Development	623.894	4.330.854
- 2a. Institutional Strengthening	47.514	1.500.238
- 2b(i). MGF Management Cost	120.133	720.272
- 2b(ii). Matching Grant Facility (MGF)	456.246	1.192.544
- 2c. Results-Based Financing (RBF)	-	917,802
Part IV Project Management	101.392	575.553
Total 5509-MD	1.453.439	8.518.663
84000-001		
Part III Access to Finance		
- 3a. Line of Credit Sub-Loan	1.495.380	22.085.891
- 3c. TA to MoEI and banks on developing value chain financing model	4.620	35.436
Total 84000-001	1.500.000	22.121.327
GRAND TOTAL	2.953.439	30.639.990

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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