

**SECOND COMPETITIVENESS ENHANCEMENT PROJECT
ELIGIBLE EXPENDITURE PROGRAMM
FOR THE YEAR ENDED
31 DECEMBER 2018**

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INDEPENDENT REASONABLE ASSURANCE REPORT

To the Management of Second Competitiveness Enhancement Project (CEP II)
Chisinau, Republic of Moldova

1. This report was produced in accordance with the terms of our Amendment to the Services Supply Contract concluded on 9 February 2019 with the Project Implementation Unit of the Competitiveness Enhancement Project for the purpose of reporting to the Management of Project Implementation Unit (hereinafter "PIU") in connection with the financial information presented regarding the expenses incurred during the year ended 31 December 2018, in amount of USD 1,362 thousand ("the Expenses"), included by the Ministry of Economy and Infrastructure (hereinafter "the Ministry") in the Report on execution of Eligible Expenditure Programs (hereinafter "EEP") related to the "Second Competitiveness Enhancement Project", financed through the Financing Agreement 5509-MD signed between the Republic of Moldova and International Development Association on 15 July 2014 and Loan Agreement 8400-MD signed between the Republic of Moldova and International Bank for Reconstruction and Development on 15 July 2014. No other information included in the Report on execution of EEP formed the object of our assurance procedures and, therefore, we do not report on such information.

Responsibility of the Ministry's Management

2. The Ministry's management is responsible for the preparation of the Report on execution of EEP containing the Expenses and of the supporting documents. The Ministry's management is also responsible for the design, implementation and maintenance of such internal controls as it deems necessary to enable the preparation of the Report on execution of EEP is free from material misstatement, whether due to fraud or error. The Ministry's management is also responsible for compliance with the current legislative requirements, applicable to its activity.

Our Responsibility

3. Our responsibility is to report on the expenses included in the Report on execution of EEP, based on the procedures performed and laid down in paragraphs 6 and 7. We conducted our engagement in accordance with the International Standard on Assurance Engagements 3000 – "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("ISAE 3000"). Such standard requires that we comply with ethical requirements and plan and perform the procedures to obtain reasonable assurance whether the expenses included by the Ministry in the Report on execution of EEP are correctly presented, in all material respects.
4. A reasonable assurance engagement conducted in accordance with ISAE 3000 consists in performing procedures to obtain evidence regarding the expenses included in the Report on execution of EEP. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the Report on execution of EEP, due to omission, distortion or error. In making those risk assessments, we have considered the internal control relevant to the preparation and presentation of the Ministry's Reimbursement Application, but not with the view to expressing a conclusion on the efficiency of the internal control of the Ministry regarding the Report on execution of EEP.

Procedures Conducted

5. Our procedures were applied on the expenses in amount of USD 1,362 thousand included in the Report on execution of EEP, incurred by the Ministry during the year ended 31 December 2018. We have not performed any other procedures than the ones mentioned on paragraph 6 to verify whether the Report on execution of EEP, includes all the expenses that the Ministry had to report and were incurred during the year ended 31 December 2018.
6. According to the purpose of our work under the Amendment to the Services Supply Contract, we have performed the following procedures:
 - 6.1 We have obtained the summary of EEP per category of expenses amounting to USD 1,362 thousand for the year ended 31 December 2018 (Annex 1.2);
 - 6.2 We have reconciled the EEP categories of expenses with the remuneration expenses of the Ministry personnel for the year ended 31 December 2018;
 - 6.3 We have performed a selection for the remuneration expenses for the year ended 31 December 2018 to be tested for correctness based on our calculated Materiality;
 - 6.4 On the sample basis, we have verified the correctness of remuneration expenses' calculation and have reconciled the data input to the supporting documentation.
7. We believe that the evidence we have obtained, based on the sampling tests, is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

8. Based on the procedures we performed, described herein under "Procedures conducted", in our opinion, the expenses included by the Ministry's management in the Report on execution of EEP are correctly presented in the Annex 1.2, in all material respects.

Other Matters

9. This report refers only to the expenses included in the Report on execution of EEP and cannot be extended to other forms or statements of the Ministry.
10. We have not performed other procedures outside the scope mentioned in paragraph 1, as described above.

Restrictions Regarding the Use and Dissemination of the Report

11. This independent assurance report was delivered for the exclusive use of the Management of PIU and for its communication to World Bank and cannot be used for any other purpose or distributed to any other third party. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of PIU and the PIU as a body, for our work, for this report, or for the conclusion we have formed.

Deloitte & Touche SRL

Deloitte & Touche SRL
Chişinău, Republic of Moldova
31 May 2019

1.1 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 signed on July 15, 2014.

The objective of the Project is to enhance the export competitiveness of the Recipient's 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

Part 2: SME Development

Part 3: Access to Finance

Results Based Financing (RBF)

The project includes an innovative US\$3 million performance - based lending (PBL) funding element. This element is financed in accordance with the provisions of Financing Agreement 5509-MD between International Development Association and Republic of Moldova on July 15, 2014. 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 is disbursed to the treasury account of the Ministry of Finance, against (and will reimburse) 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 costs 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 MoEI'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.

SECOND COMPETITIVENESS ENHANCEMENT PROJECT (CEP II)

FOR THE YEAR ENDED DECEMBER 31, 2018

(all amounts are stated in thousand MDL and thousand USD unless otherwise mentioned)

1.2 Report on execution of EEP (administration costs of the Ministry of Economy and Infrastructure) for the year ended 31 December 2018

Eligible Expenditure Program	Initially approved for the year in thousand MDL	Initially approved for the year in thousand USD	Adjusted for the year in thousand MDL	Adjusted for the year in thousand USD	Adjusted for current reporting period in thousand		Accrued expenditure in thousand MDL	Accrued expenditure in thousand USD	Actual expenditure in thousand MDL	Actual expenditure in thousand USD
					MDL	USD				
Article 111. Official salaries, bonuses	21,027.90	1,226.64	18,010.11	1,050.60	18,010.11	1,050.60	18,010.11	1,050.60	18,160.88	1,059.39
01 – Official salary	9,974.50	581.85	8,299.35	484.13	8,299.35	484.13	8,299.35	484.13	8,972.90	523.42
02 – Bonuses to official salaries	9,947.30	580.26	8,412.53	490.74	8,412.53	490.74	8,412.53	490.74	7,889.74	460.24
06 – Material aid	1,106.10	64.52	1,298.23	75.73	1,298.23	75.73	1,298.23	75.73	1,298.23	75.73
Article 112. Mandatory state social insurance contribution	5,176.60	301.97	5,134.14	299.49	5,134.14	299.49	5,133.02	299.43	5,186.39	302.54
Total	26,204.50	1,528.61	23,144.25	1,350.09	23,144.25	1,350.09	23,143.12	1,350.03	23,347.27	1,361.94

* Actual expenditures are the amounts eligible for disbursement under EEP.

** Exchange rate used for translation: 1\$ = 17.14 MDL.

Aureliu Casian
Project Executive Director



Marina Darie
Accountant

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