

**GOVERNANCE e-TRANSFORMATION PROJECT**

**FINANCIAL STATEMENTS**

**FOR THE 14 MONTHS PERIOD ENDED  
DECEMBER 31, 2012**

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To the Management of  
Governance e-Transformation Project ("GeT")  
Chisinau, Republic of Moldova

## INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying financial statements of the Governance e-Transformation Project (the "Project"), which comprise the balance sheet at December 31, 2012, summary of sources and uses of funds and the statement of designated account for the 14 months period then ended, and a summary of significant accounting policies and other explanatory notes.
2. These financial statements have been prepared by management of the Project on a basis of cash accounting according to which income and expenditures are recognized when cash is actually received or paid out rather than incurred.

### *Management's Responsibility for the Financial Statements*

3. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the World Bank ("WB") financing agreement 5000-MD signed between the Republic of Moldova and the WB on July 1, 2011 and grant agreement TF 011741 signed between the Republic of Moldova and the WB on February 17, 2012, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

4. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

7. In our opinion, the financial statements of the Governance e-Transformation Project, referred to in the opening paragraph, present fairly, in all material respects, the balance sheet, the funds received and disbursements made for the 14 months period ended December 31, 2012, in accordance with the cash receipts and disbursements basis and requirements of the financing agreements referred to in the opening paragraph.
8. In addition, our tests indicate based on sample selected that adequate documentation has been maintained to support (a) the expenditures incurred during the 14 months period ended December 31, 2012; and (b) that such expenditures are eligible for financing under the applicable financing agreements referred to in the opening paragraph.


*Deloitte & Touche SRL*


Deloitte & Touche S.R.L.  
Chisinau, Moldova  
March 29, 2013

**GOVERNANCE e-TRANSFORMATION PROJECT  
BALANCE SHEET  
AS OF DECEMBER 31, 2012**  
(all amounts are stated in USD, unless otherwise mentioned)

	<u>Notes</u>	<u>December 31, 2012</u>	<u>October 31, 2011</u>
<b>ASSETS</b>			
<b>Cash and cash equivalents</b>			
Cash under credit 5000-MD		386,645	10,300
Cash under grant TF 011741		17,116	-
Cash under Government contribution		-	-
5000-MD Undisbursed balance		16,120,629	1,474,251
TF 011741 Undisbursed balance		49,589	-
Government contribution undisbursed balance		2,554,759	-
Negative FX diff between USD and SDR		465,547	-
<b>TOTAL CASH AND CASH EQUIVALENTS</b>		<b><u>19,594,285</u></b>	<b><u>1,484,551</u></b>
<b>Cumulative project expenditures</b>			
Credit 5000-MD		3,027,178	515,449
Grant TF 011741		1,418,480	-
Government contribution		445,242	-
<b>TOTAL CUMULATIVE PROJECT EXPENDITURES</b>	<b>5</b>	<b><u>4,890,900</u></b>	<b><u>515,449</u></b>
<b>TOTAL ASSETS</b>		<b><u>24,485,185</u></b>	<b><u>2,000,000</u></b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funding</b>			
Credit 5000-MD		20,000,000	2,000,000
Grant TF 011741		1,485,000	-
Government contribution		3,000,000	-
Other sources		185	-
<b>TOTAL FUNDING</b>		<b><u>24,485,185</u></b>	<b><u>2,000,000</u></b>
<b>TOTAL FUNDS AND LIABILITIES</b>		<b><u>24,485,185</u></b>	<b><u>2,000,000</u></b>

The financial statements and accompanying notes on pages 3 to 14 were signed and approved on behalf of the Project's management on March 31, 2013 by:

  
\_\_\_\_\_  
**Oxana Casu**  
Project manager

  
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**Olga Kuzmina**  
Financial Management Specialist

**GOVERNANCE e-TRANSFORMATION PROJECT  
SUMMARY OF SOURCES AND USES OF FUNDS  
FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
(all amounts are stated in USD, unless otherwise mentioned)**

	<u>Notes</u>	<u>14 months period to December 31, 2012</u>
<b>OPENING CASH BALANCES</b>		
5000-MD Designated Account		-
TF 011741 Designated Account		-
Government contribution		-
<b>TOTAL OPENING CASH BALANCES</b>		<b>-</b>
<b>ADD: SOURCES OF FUNDS</b>		
<b>Credit 5000-MD</b>		
Direct payment		1,515,999
Transfers to Designated Account		1,897,824
Exchange rate gains		-
<b>Total Funds Credit 5000-MD</b>	<b>3</b>	<b>3,413,823</b>
<b>Grant TF 011741</b>		
Direct payment		1,185,411
Transfers to Designated Account		250,000
Other sources		185
<b>Total Funds Grant TF 011741</b>		<b>1,435,596</b>
<b>Government contribution</b>		<b>445,242</b>
<b>TOTAL SOURCES OF FUNDS</b>		<b>5,294,661</b>
<b>LESS: USES OF FUNDS</b>		
<b>Credit 5000-MD</b>		
e-Leadership and Enabling Environment		1,200,648
Shared Infrastructure and e-Services		1,309,600
Q720 reinstated in credit		515,135
PPA charges		2,110
Exchange rate Differences		(315)
<b>Total Credit 5000-MD</b>		<b>3,027,178</b>
<b>Grant TF 011741</b>		<b>1,418,480</b>
<b>Government contribution</b>		<b>445,242</b>
<b>TOTAL USES OF FUNDS</b>	<b>5</b>	<b>4,890,900</b>

**GOVERNANCE e-TRANSFORMATION PROJECT  
SUMMARY OF SOURCES AND USES OF FUNDS  
FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
(all amounts are stated in USD, unless otherwise mentioned)**

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	<u>Notes</u>	<u>14 months period to December 31, 2012</u>
<b>CLOSING CASH BALANCES / DECEMBER 31, 2012</b>		
5000-MD Designated Account		386,645
TF 011741 Designated Account		17,116
Government contribution		-
<b>TOTAL CASH BALANCES</b>		<b><u>403,761</u></b>

The financial statements and accompanying notes on pages 3 to 14 were signed and approved on behalf of the Project's management on March 31, 2013 by:



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**Oxana Casu**  
Project manager



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**Olga Kuzmina**  
Financial Management Specialist

**GOVERNANCE e-TRANSFORMATION PROJECT  
DESIGNATED ACCOUNT STATEMENT  
FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
(all amounts are stated in USD, unless otherwise mentioned)**

<b>Credit 5000-MD</b>	<b>Notes</b>	<b>14 months period to December 31, 2012</b>	<b>12 months period to October 31, 2011</b>
<b>Opening balance</b>		-	-
Add:			
Sources of funds		1,897,824	428,005
Deduct:			
Uses of funds	4	1,511,179	417,705
<b>Closing balance*</b>		<b>386,645</b>	<b>10,300</b>

\*The closing balance as at October 31, 2011 was reimbursed to World Bank.


<b>Grant TF 011741</b>	<b>Notes</b>	<b>11 months period to December 31, 2012</b>	<b>12 months period to October 31, 2011</b>
<b>Opening balance</b>		-	-
Add:			
Sources of funds		250,185	-
Deduct:			
Uses of funds	4	233,069	-
<b>Closing balance *</b>		<b>17,116</b>	-

\* The outstanding balance of USD 17,116 is expected to be used until April 30, 2013.

The financial statements and accompanying notes on pages 3 to 14 were signed and approved on behalf of the Project's management on March 31, 2013 by:



**Oxana Casu**  
Project manager



**Olga Kuzmina**  
Financial Management Specialist



**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012**  
**(all amounts are stated in USD, unless otherwise mentioned)**

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**1. GENERAL INFORMATION**

The Governance eTransformation (GeT) project is designed to increase efficiency and quality of a selected range of public services to citizens and businesses and improve management of Information and Communication Technology (ICT) in the public sector.

With the exception of a few services, today citizens and businesses in Moldova have to obtain government services the traditional way: waiting in line to obtain multiple documents from different sources to satisfy the requirements of a specific transaction and repeating the process again and again. This way of interacting with the government costs people time and money, causes dissatisfaction, creates opportunities for corruption, and increases costs to the Government.

The GeT project is aimed to benefit all users of Government services in Moldova. It has two main components:

**Component 1: e-Leadership Capacity and Enabling Environment (\$8 million)**

This component will provide support to the E-Government Center that was recently established to drive Government-wide e-Transformation agenda. Support will also be provided for e-leadership training and civil servants capacity building; strategic communications and partnerships; development of policy, technical, legal and regulatory frameworks; and project management.

**Component 2: Shared Infrastructure and e-Services Development (\$15 million)**

This component will provide funding for: (a) establishing and implementing the M-Cloud (Government Cloud Computing Infrastructure); and (b) developing a selected number of e-Government services and shared applications to be delivered through multiple channels, including government portals and mobile phones.

In August 2010 the Moldovan Government created e-Governance Center (eGC) under the State Chancellery to manage the e-Transformation agenda. The Center will implement the World Bank-funded GeT project on behalf of the State Chancellery.

**Project Preparation Advance No. Q-729**

Before implementation of the project, International Development Agency ("World Bank"), extended to the eGC an advance out of World Bank's Projects Preparation Facility in amount not to exceed two million Dollars (\$2,000,000) ("Advance") on the terms and conditions set forth or referred to in the agreement Q-729. The objective of the Activities is to facilitate the preparation and pilot implementation of most urgent activities under a proposed Governance e-Transformation project, in support of which eGC has requested World Bank's financial assistance. As of November 1, 2011, amount of USD 515,449, spent under Advance was reinstated in Financing Agreement No. 5000-MD.

**Financing Agreement No. 5000-MD**

Financing agreement No. 5000-MD was signed between the Republic of Moldova and the WB on July 1, 2011, amounting SDR 12,700,000 or USD 20,000,000 (Credit) in order to finance the above mentioned two components. Together with this Credit states Government contribution in financing of the objects of GeT, amounting USD 3,000,000.

**GOVERNANCE e-TRANSFORMATION PROJECT  
NOTES TO THE PROJECT FINANCIAL STATEMENTS  
FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
(all amounts are stated in USD, unless otherwise mentioned)**

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**1. GENERAL INFORMATION (continued)**

**Multi-Donor Trust Fund Grant No. TF 011741**

Multi-Donor Trust Fund Grant No. TF 011741 signed between the Republic of Moldova and the WB on February 17, 2012, amounting USD 1,485,000. The objective of the grant is to enable the transformation of government service delivery to citizens and business through supporting the transfer of selected government archives from paper to electronic format and the establishment of shared government cloud infrastructure. The financed object consists of the following parts:

**Part 1: Preparation and Implementation of Digitization of Archives**

Provision of non-consulting services to support the high-volume digitization process of selected priority document archives for key public sector archives, using advanced technologies and preparation of the digitized content for inclusion in existing information systems.

**Part 2: M-Cloud – Shared eGovernment Infrastructure**

Provision of goods to support the establishment of a government cloud computing infrastructure (M-Cloud) in order to enable government agencies to deliver electronic services more efficiently.

**Part 3: Project Preparation, Management and Audit**

Provision of consultants' services and operating costs to support implementation of the financed object activities by the GeT, including providing monitoring and evaluation and conducting an independent audit of activities.

**2. ACCOUNTING POLICIES**

**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 are expressed in USD and financial statements are prepared for the 12 months period ended October 31, 2011.

**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.

**Local expenditures**

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

**GOVERNANCE e-TRANSFORMATION PROJECT  
NOTES TO THE PROJECT FINANCIAL STATEMENTS  
FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
(all amounts are stated in USD, unless otherwise mentioned)**

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**2. ACCOUNTING POLICIES (continued)**

**Consultants' Services**

Consultants' services includes a wide variety of private and public entities, including consulting firms, management firms, procurement agents, auditors, research institutions, individuals and other entities which provide services to the Governance e-Transformation Project.

**Goods**

Goods include procurement of equipment to Governance e-Transformation Project for day to day activity.

**Operating Costs**

Incremental operating costs incurred by the Recipient on account of Project coordination, implementation, including office supplies, equipment and furniture; communication services; maintenance and operation of Project motor vehicles and necessary travel within the Recipient's country and outside; and salaries of GeT staff (including eligible social charges); as such costs are agreed upon with the Bank.

**Training**

Training includes the expenditures incurred by the Recipient in connection with the carrying out of training activities under the Project, including reasonable cost of transportation, accommodation, per diem and interpretation services and cost of training courses, workshops and study tours for government staff working in GeT related issues, as such costs are agreed upon with the Bank.

**Foreign currency**

Transactions denominated in currencies other than USD are translated into USD equivalents by applying the official exchange rate of National Bank of Republic of Moldova as at the date of conversion.

**Designated Account**

The Designated Account (DA) is the account through which the replenishments are drawn. All payments for eligible expenses are made from DA using the transitory MDL account for local payments and directly from DA for international payments.

**GOVERNANCE e-TRANSFORMATION PROJECT  
 NOTES TO THE PROJECT FINANCIAL STATEMENTS  
 FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
 (all amounts are stated in USD, unless otherwise mentioned)**

**3. WITHDRAWAL SCHEDULE**

<b>Credit 5000-MD</b>	<b>14 months period to December 31, 2012</b>
<b>W/D Number</b>	<b><u>2012</u></b>
Application 1	200,000
Application 3	37,490
Application 4	12,052
Application 5	16,873
Application 6	16,873
Application 7	73,276
Application 8	102,051
Application 9	37,490
Application 10	26,656
Application 11	9,975
Application 12	14,991
Application 13	22,404
Application 14	7,486
Application 15	8,946
Application 16	16,873
Application 17	300,000
Application 18	15,600
Application 19	62,484
Application 20	24,103
Application 21	108,280
Application 22	73,243
Application 23	4,682
Application 24	10,400
Application 25	298,210
Application 26	635
Application 27	74,955
Application 28	193,001
Application 29	179,229
Application 30	163,133
Application 31	22,404
Application 32	386,316
Application 33	376,153
<b>TOTAL RECEIPTS</b>	<b><u>2,896,264</u></b>
Reinstated in credit 5000-MD	515,135
PPA Charged	2,110
Application 15 *	315
* Application 15 in amount of USD 315 covers 17.10.11 – 31.10.11, but has been processed by the WB on 01.11.11 and included in credit 5000-MD	
<b>TOTAL SOURCES</b>	<b><u>3,413,824</u></b>

**GOVERNANCE e-TRANSFORMATION PROJECT  
NOTES TO THE PROJECT FINANCIAL STATEMENTS  
FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012  
(all amounts are stated in USD, unless otherwise mentioned)**

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**3. WITHDRAWAL SCHEDULE (continued)**

**Grant TF 011741**

<b>W/D Number</b>	<b>11 months period to December 31, 2012</b>
Application 1	190,619
Application 2	250,000
Application 3	147,745
Application 4	163,923
Application 5	353,326
Application 6	329,798
<b>TOTAL SOURCES</b>	<b>1,435,411</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012**  
(all amounts are stated in USD, unless otherwise mentioned)

**4. SOE SCHEDULE**

**Credit 5000-MD**

<b>W/D Number</b>	<b>14 months period to December 31, 2012</b>
Application 7	73,276
Application 8	102,051
Application 15	315
Application 21	108,280
Application 22	73,243
Application 25	298,210
Application 28	193,001
Application 30	163,132
Application 32	386,316
Application 35 *	113,670
Foreign exchange differences	(315)
<b>TOTAL USES OF FUNDS</b>	<b>1,511,179</b>

\* The Application for Withdrawal DA35 in amount of USD 113,670 covering the period 01.12.2012 -31.12.2012 has been processed by the WB in 2013. Please see Note 5.

**Grant TF 011741**

<b>W/D Number</b>	<b>11 months period to December 31, 2012</b>
Application 7	188,786
Application 9	44,283
<b>TOTAL USES OF FUNDS</b>	<b>233,069</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE 14 MONTHS PERIOD ENDED DECEMBER 31, 2012**  
(all amounts are stated in USD, unless otherwise mentioned)

**5. EXPENDITURE DETAIL – BY PROJECT ACTIVITY**

	<b>12 months period to December 31, 2012</b>	<b>14 months period to December 31, 2012</b>
<b>Credit 5000-MD</b>		
<b>1. e-Leadership and Enabling Environment</b>		
1.1: Support for e-Governance Center and E-Leadership Development	1,009,855	1,178,584
1.2: Developing and Enabling Environment, including Policy Legal and Technical Frameworks and Program	22,064	22,064
<b>Total e-Leadership and Enabling Environment</b>	<b>1,031,919</b>	<b>1,200,648</b>
<b>2. Shared Infrastructure and e-Services</b>		
2.1: M-Cloud: Shared e-Government Infrastructure	470,376	487,604
2.2: E-Services Development	765,897	821,996
<b>Total Shared Infrastructure and e-Services</b>	<b>1,236,273</b>	<b>1,309,600</b>
Reinstated in Credit 5000-MD	515,135	515,135
PPA Charges	2,110	2,110
Foreign exchange differences	(315)	(315)
<b>Total Expenditures by project activities</b>	<b>2,785,122</b>	<b>3,027,178</b>

**Note:** the Application for Withdrawal DA35 in amount of USD 113,670 covering the period 01.12.12 - 31.12.12 is not included in this statement because it has been processed by the WB in 2013.





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