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**GOVERNANCE e-TRANSFORMATION PROJECT**

**IDA CREDIT NO. 5000-MD**

**PROJECT FINANCIAL STATEMENTS**

**For the period from 1 January 2015 to 31 December 2015**

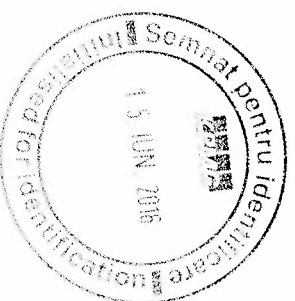
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**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS**  
**For the period from 1 January 2015 to 31 December 2015**

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**KPMG Moldova S.R.L.**

171/1 Stefan cel Mare Bd.

8<sup>th</sup> floor, MD-2004

Chisinau

Republic of Moldova

Tel: +373 (22) 580 580

Fax: +373 (22) 540 499

[www.kpmg.md](http://www.kpmg.md)

## **Independent Auditors' Report**

To:           The Management of Governance e-Transformation Project

We have audited the accompanying Project Financial Statements of Governance e-Transformation Project ("the Project") as at and for the year ended 31 December 2015, comprising a Balance sheet, Summary of Sources and Uses of Funds, the Designated Account Statement and explanatory notes, comprising a summary of significant accounting policies and other explanatory information, to Project Financial Statements, as at and for the year ended 31 December 2015 (together referred to as "the Project Financial Statements"). The Project Financial Statements have been prepared by the management using the cash receipts and disbursements basis of accounting and accounting policies as described in Note 2 to the Project Financial Statements.

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

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the Project 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 about whether the Project Financial Statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Project Financial Statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Project Financial Statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Project 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, if any, made by management, as well as evaluating the overall presentation of the Project Financial Statements.

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

#### *Opinion*

In our opinion the Project Financial Statements as at and for the year ended 31 December 2015, have been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting and accounting policies as described in Note 2 to Project Financial Statements.

#### *Basis of Accounting and Restriction on Use and Distribution*

Without modifying our opinion, we draw attention to Note 2 to the Project Financial Statements as at and for the year ended 31 December 2015 which describes the basis of accounting. These Project Financial Statements are prepared solely for the purpose of complying with the terms of the Financing Agreement Credit Number 5000-MD signed between the Government of Republic of Moldova and International Development Association ("IDA") on 1 July 2011. As a result, Project Financial Statements may not be suitable for another purpose. Our report is intended solely for the Management of Governance e-Transformation Project and a copy of the report can be provided to IDA. Our report should not be used by or distributed to other parties other than Management of Governance e-Transformation Project and IDA. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governance e-Transformation Project, for our audit work, for this report, or for the opinion we have formed.

*KPMG*

KPMG Moldova S.R.L.

15 June 2016

Chisinau, Republic of Moldova

**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS**

For the period from 1 January 2015 to 31 December 2015


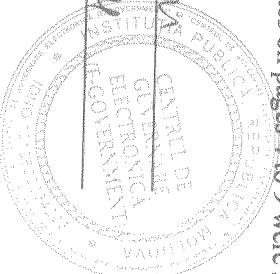
**1 Balance Sheet**

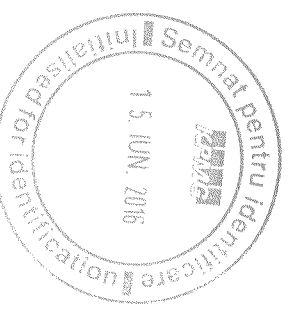
	Year ended 31 December 2015	Year ended 31 December 2014 *Restated
	USD	USD
<b>ASSETS</b>		
Cash and cash equivalents	191,030	139,893
Cash under credit 5000-MD	886	4,925
Cash under Own funds	<b>191,916</b>	<b>144,818</b>
<b>Undisbursed funds</b>		
Credit no. 5000-MD Undisbursed balance	5,736,430	10,523,622
Government Contribution Undisbursed balance	1,440,420	1,861,781
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>7,368,765</b>	<b>12,530,221</b>
<b>Cumulative project expenditures</b>		
Credit 5000-MD	12,502,403	8,175,551
Government Contribution	1,559,580	1,138,219
Own funds	41,636	37,597
<b>TOTAL CUMULATIVE PROJECT EXPENSES</b>	<b>14,103,619</b>	<b>9,351,367</b>
<b>TOTAL ASSETS</b>	<b>21,472,384</b>	<b>21,881,588</b>
<b>Funding</b>		
Credit 5000-MD	20,000,000	20,000,000
Government Contribution	3,000,000	3,000,000
Other funding	42,522	42,522
Translation exchange difference XDR/USD	(1,570,138)	(1,160,933)
<b>TOTAL FUNDING</b>	<b>21,472,384</b>	<b>21,881,589</b>
<b>TOTAL FUNDS AND LIABILITIES</b>	<b>21,472,384</b>	<b>21,881,589</b>

\* Please refer to note 2 (i)

The financial statements and accompanying notes on pages 4 to 9 were signed and approved on behalf of the Project's management on 15 June 2016 by:

Ms. Oxana Casu  
Project Manager  
Ms. Oxana Niculai  
Project Accountant



**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD**  
**PROJECT FINANCIAL STATEMENTS**  
**For the period from 1 January 2015 to 31 December 2015**

**2 Summary of Sources and Uses of Funds**

	Year ended 31 December 2015	Year ended 31 December 2014
<b>OPENING CASH BALANCES</b>	<b>USD</b>	<b>USD</b>
5000-MD IDA Designated Account	139,893	118,729
Own funds	4,925	3,062
<b>TOTAL OPENING CASH BALANCES</b>	<b>144,818</b>	<b>121,791</b>
<b>ADD: SOURCES OF FUNDS</b>		
<b>Credit 5000-MD</b>		
Designated Account	991,943	1,327,529
Direct Payments	3,386,046	1,629,355
<b>Total Credit 5000-MD funds</b>	<b>4,377,988</b>	<b>2,956,884</b>
<b>Government contribution</b>		
Own funds	421,361	490,968
<b>TOTAL SOURCES OF FUNDS</b>	<b>4,799,349</b>	<b>3,457,585</b>
<b>LESS: USES OF FUNDS</b>		
<b>Credit 5000-MD</b>		
1. e-Leadership Capacity and Enabling Environment	249,456	872,126
2. Shared Infrastructure and e-Services	4,077,393	2,063,387
Exchange rate differences	3	206
<b>Total Credit 5000-MD</b>	<b>4,326,852</b>	<b>2,935,719</b>
<b>Government contribution</b>		
Government contribution	422,755	490,968
Exchange rate differences	(1,394)	-
<b>Government contribution</b>	<b>421,361</b>	<b>490,968</b>
<b>Own funds</b>		
<b>TOTAL USES OF FUNDS</b>	<b>4,039</b>	<b>7,870</b>
<b>CLOSING CASH BALANCES</b>		
5000-MD IDA Designated Account	191,030	139,893
Own funds	886	4,925
<b>TOTAL CLOSING CASH BALANCES</b>	<b>191,916</b>	<b>144,818</b>

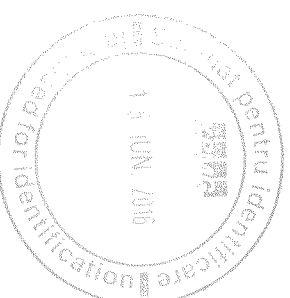
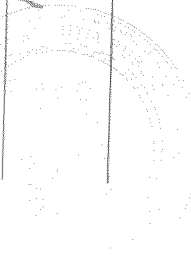
The financial statements and accompanying notes on pages 4 to 9 were signed and approved on behalf of the Project's management on 15 June 2016 by:

Ms. Oxana Casu  
Project Manager

*Casu*

Ms. Oxana Niculai  
Project Accountant

*Niculai*



**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD**  
**PROJECT FINANCIAL STATEMENTS**  
 For the period from 1 January 2015 to 31 December 2015

**3 Designated Account Statement**

	Year ended 31 December 2015	Year ended 31 December 2014
<i>Credit 5000-MD</i>	USD	USD
Opening balance, 1 January 2015	139,893	118,729
Add:		
Sources of funds	991,943	1,327,529
Less:		
Uses of funds	940,803	1,306,364
Exchange Rate Differences	3	
Closing balance, 31 December 2015	<u>191,030</u>	<u>139,893</u>

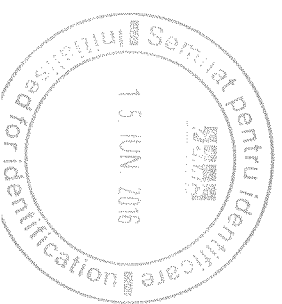
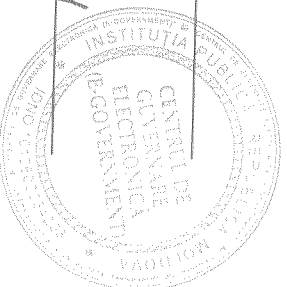
The financial statements and accompanying notes on pages 4 to 9 were signed and approved on behalf of the Project's management on 15 June 2016 by:

Ms. Oxana Casu  
Project Manager

*Casu*

Ms. Oxana Niculai  
Project Accountant

*Niculai*



**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS**

**For the period from 1 January 2015 to 31 December 2015**

**Notes to the Project Financial statements**

**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 ICT in the public sector.

With the exception of a few services, today citizens and businesses in Moldova have to obtain government services 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)**

**A. Support for e-Government Center and e-Leadership Development**

1. Provision of technical assistance for institutional and capacity development for e-Government Center ("eGC") (including for Project management and Project audit).
2. Carrying out of a broad change management training program for e-leaders, civil servants and IT specialists.
3. Development and carrying out of a strategic communications program

**B. Development of an Enabling Environment, including Policy, Legal and Technical Frameworks and Programs**

1. *Development and implementation of the policy and strategic framework for e-Transformation and ICT competitiveness, through:*
  - a) Preparation of an e-Transformation roadmap and policy development program (to define e-Transformation vision, policies, strategies, and programs).
  - b) Preparation of a Global ICT competitiveness program to provide a vision statement and roadmap, and to identify opportunities to promote the local ICT industry.
2. *Development and implementation of the legal, regulatory and technical framework, including through:*
  - a) Improving and developing the existing legal and regulatory framework to enable e-Transformation, including support for drafting legislation changes and regulations for introduction of electronic services.
  - b) Developing technical standards and open data framework.

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

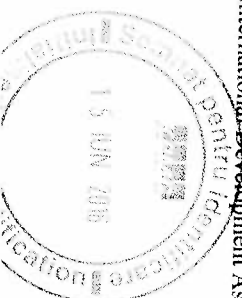
**A. Support for Creation of "M-Cloud": Shared e-Government Infrastructure**

1. Development of technical specifications and a business model for the use of the M-Cloud and its regulation.
2. Acquisition of, and support for, shared cloud computing infrastructure (including core processing, storage, virtualization and service delivery platforms) and associated services (M-Cloud).
3. Carrying out of enhancements as needed to connectivity infrastructure and capacity development programs.
4. Provision of technical assistance and support for installation of the MCloud.

**B. Support for e-Services**

Development of: (i) e-services for citizens and businesses, including back-end databases digitization and integration; and (ii) enabling services (e.g. authentication, e-payment).

In August 2010 the Moldovan Government created e-Governance Center (eGC) under the State Chancellery to manage the e-Transformation agenda. The Center implements the International Development Association ("IDA")-funded GeT project on behalf of the State Chancellery.





GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS

For the period from 1 January 2015 to 31 December 2015

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

**1. GENERAL INFORMATION (CONTINUED)**

**PROJECT FUNDING**

**Financing Agreement No. 5000-MD**

Financing agreement No. 5000-MD was signed between the Republic of Moldova and International Development Association on 1 July 2011, in amount of SDR 12,700,000 (the equivalent of USD 20,000,000 using the USD/SDR exchange rate at the date of drafting the agreement, 1.57 USD/SDR). The loan was received in order to finance the above mentioned components of the e-Governance Transformation Project. The Government contribution in the Project amounts to 3,000,000 USD equivalent as agreed in the Project Appraisal Document and the Minutes of Meetings between The Republic of Moldova and International Development Association (IDA) regarding the Governance E-Transformation Project.

**Project preparation advance No. Q-729**

Before the project implementation, International Development Association, extended to the eGC an advance out of World Bank's Project Preparation Facility in an amount that shall not exceed USD 2,000,000. The terms and conditions of this advance are specified in the agreement Q-729. The purpose of this advance is to facilitate the preparation and pilot implementation of the most urgent activities under a proposed Governance e- Transformation Project, in support of which eGC requested World Bank's financial assistance. As of 1 November 2011, an amount of USD 515,449 spent under Advance was reinstated in the Financing Agreement nr. 5000-MD.

**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 was 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 total amount of the funds received and spent under this grant was USD 1,481,980. The information about the Multi-Donor Trust Fund Grant No. TF 011741 was not presented in the current Financial Statements as the grant has been closed in 2013 year.

**2. BASIS OF ACCOUNTING**

These Project Financial Statements are prepared solely for the purpose of complying with the terms of the Financing Credit Agreement 5000-MD signed between the Republic of Moldova and International Development Association ("IDA") on 1 July 2011. 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 cash receipts and disbursements basis of accounting. On this basis sources of funds are recognized when received rather than when earned and funds used are recognized when paid rather than when incurred. For presentation purposes the balance sheet also includes the "Undisbursed funding balance", "Cumulative project expenditures", and "Total funding".

The amounts are expressed in USD and are prepared for the period from 1 January 2015 to 31 December 2015.

**(b) Functional and presentation currency**

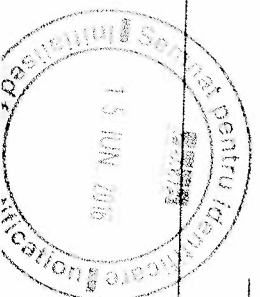
The Project's functional and presentation currency is the United States Dollars (USD).

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 5000-MD in the Financial Statement is calculated using the USD/SRD rate at the period end. Please see below the exchange rates USD/SDR for the end of 2014 and 2015 years:

	31 December 2015	31 December 2014
USD/XDR	1.38573	1.4488



**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS**

*For the period from 1 January 2015 to 31 December 2015*

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

**2 BASIS OF ACCOUNTING (CONTINUED)**

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

The Designated Account, opened by the State Treasury in 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 converted amount in MDL, since the payments within the country can be done only in the local currency (MDL).

**(e) Sources of funds**

The sources of funds are the amounts transferred by the International Development Association and Government, to the Designated Account of the Project.

**(f) Uses of funds**

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

**(g) Cash and cash equivalents for the presentation in the balance-sheet statement**

Total cash and cash equivalents for the presentation of the balance-sheet statement comprises – cash and cash equivalents in banks and total undisbursed funds under the available funding lines – Credit IDA No.5000-MD and the Government Contribution.

**(h) Funding for presentation in balance-sheet**

Total funding of the Project has been accounted as non-monetary item, the funding received in other currency than USD being recognised at the historical rate at the date of the Project Appraisal Document.

**(i) Reclassifications of prior years**

The financial statements of the Project for the year ended 31 December 2014 include reclassification of the “Translation Negative Foreign currency difference (XDR/USD)” from “Total cash and cash equivalents” to “Total funding”. The Negative Foreign currency difference XDR/USD arises following the translation of the available undisbursed balance under IDA loan from XDR to USD at the reporting date exchange rate and the available the Funding under IDA loan No.5000-MD at the historical rate XDR/USD from the Project Appraisal Document, which has been accounted as a non-monetary item.

The negative foreign currency difference has been determined as the difference between undisbursed balance of IDA-Loan available in XDR and translated in USD at the reporting exchange rate, total cumulative Project expenditures in USD (accounted in USD at the date of the transactions) and Total funding presented in USD at the historical rate (as per Project Appraisal Document). The reclassifications of these items of financial statements do not result in a change to the results of the Project. The reclassification does not change the results of the Project but presents better the financial position of the Project and total available funding as at 31 December 2015 and 31 December 2014:

	31 December 2014 As initially reported	31 December 2014 Adjusted
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Translation exchange difference XDR/USD  
Total cash and cash equivalents

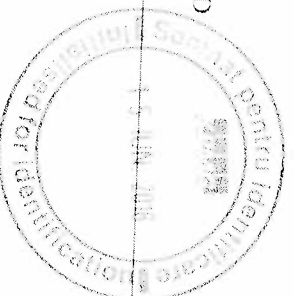
(1,160,933)  
13,691,155

12,530,221

Translation exchange difference XDR/USD  
Total funding

23,042,522

(1,160,933)  
21,881,589



**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS**

For the period from 1 January 2015 to 31 December 2015

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

**3 WITHDRAWAL SCHEDULE**

	Application amount USD	Amount disbursed USD	USD
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**Credit 5000-MD**

**Total Disbursement (Advance Payment) 2011**

**Total Disbursement 2012**

**Total Disbursement 2013**

**Total Disbursement 2014**

Application No. 73	282,986	282,986	
Application No. 74	31,200	31,200	
Application No. 75	360,259	360,259	
Application No. 76	68,619	68,619	
Application No. 77	32,000	32,000	
Application No. 78	49,047	49,047	
Application No. 79	21,450	21,450	
Application No. 80	46,214	46,214	
Application No. 81	97,085	97,085	
Application No. 82	54,704	54,704	
Application No. 83	252,711	252,711	
Application No. 84	54,704	54,704	
Application No. 85	11,343	11,343	
Application No. 86	14,211	14,211	
Application No. 87	34,814	34,814	
Application No. 88	62,400	62,400	
Application No. 89	24,036	24,036	
Application No. 90	24,036	24,036	
Application No. 91	54,704	54,704	
Application No. 92	62,400	62,400	
Application No. 93	54,704	54,704	
Application No. 94	35,313	35,313	
Application No. 95	45,813	45,813	
Application No. 96	177,157	177,157	
Application No. 97	1,787,616	1,787,616	
Application No. 98	145,967	145,967	
Application No. 99	75,670	75,670	
Application No. 100	24,036	24,036	
Application No. 101	54,704	54,704	
Application No. 102	201,815	201,815	
Application No. 103	54,704	54,704	
Application No. 104	81,566	81,566	
<b>Total disbursed in 2015</b>			<b>(4,377,988)</b>
<b>Total cumulative disbursed as at 31-Dec-15</b>			<b>(13,211,032)</b>

**Government contribution**

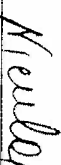
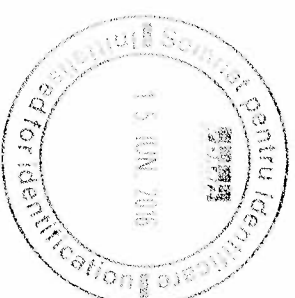
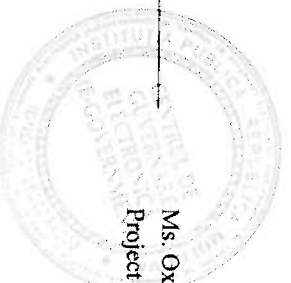
**Total disbursed in 2015**

**421,361**

Ms. Oxana Casu  
Project Manager



Ms. Oxana Niculai  
Project Accountant

**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS  
For the period from 1 January 2015 to 31 December 2015**

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

**4 SOE SCHEDULE**

**Credit 5000-MD**

**World Bank Number of the SOE**

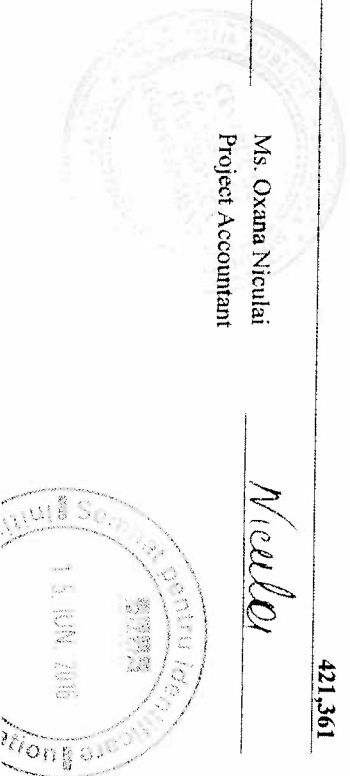
	USD	Year ended 31 December 2015
73	282,986	
74	31,200	
76	68,619	
77	32,000	
79	49,047	
80	21,450	
78	46,214	
81	97,085	
82	54,704	
DA83	252,852	
83	54,704	
85	11,343	
86	14,211	
87	34,814	
89	62,400	
91	24,036	
88	24,036	
90	54,704	
92	62,400	
93	54,704	
94	35,313	
95	45,813	
DA96	177,157	
97	1,787,616	
98	145,967	
99	75,670	
100	24,036	
101	54,704	
DA102	201,815	
103	54,704	
104	81,566	
DA105	308,979	
<b>Exchange rate differences</b>		
<b>Total uses of funds</b>	<b>4,326,852</b>	<b>3</b>
<b>Government contribution</b>		
<b>Total uses of funds in 2015</b>	<b>421,361</b>	

Ms. Oxana Casu  
Project Manager

*Casu*

Ms. Oxana Niculai  
Project Accountant

*Niculai*



**GOVERNANCE e-TRANSFORMATION PROJECT Credit No. 5000-MD  
PROJECT FINANCIAL STATEMENTS**

*For the period from 1 January 2015 to 31 December 2015*

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

**5 EXPENDITURE DETAIL BY PROJECT ACTIVITY**

**Credit 5000-MD**

	Year ended 31 December 2015	Year ended 31 December 2014
	USD	USD
<b>1. e-Leadership Capacity and Enabling Environment Development</b>		
1.1 Support for e-Governance Center and e-Leadership Development	620734	729,439
1.2 Developing and Enabling Environment, including Policy, Legal and Technical Frameworks and Program	66,064	142,687
<b>Total e-Leadership Capacity and Enabling Environment</b>	<b>686,798</b>	<b>872,126</b>

**2. Shared Infrastructure and e-Services**

2.1 M-Cloud: Shared e-Government Infrastructure	1,946,082	529,854
2.2 e-Services Development	1,693,969	1,533,533
<b>Total Shared Infrastructure and e-Services</b>	<b>3,640,051</b>	<b>2,063,387</b>

**Reinstated in Credit 5000-MD**

PPA Charges	-	-
Exchange rate differences	3	206
<b>Total Credit 5000-MD Expenditures by project activity</b>	<b>4,326,852</b>	<b>2,935,719</b>

**Credit 5000-MD**

	Year ended 31 December 2015	Year ended 31 December 2014
	USD	USD
<b>1B - eGC Technical Consultants</b>		
1A-Goods, Civil Works, Training, Consultants' Services and Incremental Cost of Project implementation Unit	249,456	316,752
Exchange rate differences	4,077,393	2,618,761
	3	206
<b>Total Credit 5000-MD expenditures</b>	<b>4,326,852</b>	<b>2,935,719</b>

**Government Contribution**

	Year ended 31 December 2015	Year ended 31 December 2014
Support for e-Governance Center and e-Leadership Development	166,306	79,190
M-Pay Services	87,664	130,272
M Cloud Platform Assurance (CTS) and Data Center Services	52,765	70,139
Cloud Platform Administration Services	79,022	184,307
Documents and Records Management System	36,998	27,060
Exchange rate differences	(1,394)	-
<b>Total Government Contribution Expenditures</b>	<b>421,361</b>	<b>490,968</b>

Ms. Oxana Casu  
Project Manager



Ms. Oxana Nicolai  
Project Accountant

