

**GOVERNANCE e-TRANSFORMATION PROJECT**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Management of  
Governance e-Transformation Project  
Chisinau,  
Republic of Moldova

1. We have audited the accompanying financial statements of the Governance e-Transformation Project (the "Project"), which comprise the balance sheet at December 31, 2013, summary of sources and uses of funds and the statement of designated account for the year then ended (hereafter called "the financial statements"), 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 paragraph 3, present fairly, in all material respects, the financial position, the funds received and disbursements made for the year ended December 31, 2013, in accordance with the requirements of cash accounting and the financing agreements referred to in paragraph 3.
8. In addition, our tests indicate based on sample selected that adequate documentation has been maintained to support (a) the expenditures incurred during the year ended December 31, 2013; and (b) that such expenditures are eligible for financing under the applicable financing agreements referred to in paragraph 3.

*Deloitte & Touche SRL*

Deloitte & Touche S.R.L.  
Chisinau, Moldova  
18 April 2014

**GOVERNANCE e-TRANSFORMATION PROJECT**

**BALANCE SHEET**

**AS OF DECEMBER 31, 2013**

(all amounts are stated in USD unless otherwise mentioned)

	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Cash and cash equivalents</b>		
Cash under credit 5000-MD	118,729	386,645
Cash under grant TF 011714	-	16,931
Cash under Government contribution	-	-
Cash under own funds	3,062	11,324
5000-MD Undisbursed balance	14,180,938	16,120,629
TF 011714 Undisbursed balance	-	49,589
Government contribution undisbursed balance	2,352,750	2,554,759
Cancelled undisbursed grant TF 011741	3,020	-
Negative FX diff between USD and SDR	460,500	465,546
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>17,118,999</b>	<b>19,605,423</b>
<b>Cumulative project expenditures</b>		
Credit 5000-MD	5,239,832	3,027,179
Grant TF 011714	1,481,980	1,418,480
Government contribution	647,251	445,242
Own funds	29,727	14,479
<b>TOTAL CUMULATIVE PROJECT EXPENDITURES</b>	<b>7,398,790</b>	<b>4,905,380</b>
<b>TOTAL ASSETS</b>	<b>24,517,789</b>	<b>24,510,803</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funding</b>		
Credit 5000-MD	20,000,000	20,000,000
Grant TF 011714	1,485,000	1,485,000
Government contribution	3,000,000	3,000,000
Other funding	32,789	25,803
<b>TOTAL FUNDING</b>	<b>24,517,789</b>	<b>24,510,803</b>
<b>TOTAL FUNDS AND LIABILITIES</b>	<b>24,517,789</b>	<b>24,510,803</b>

The financial statements and accompanying notes on pages 1 to 12 were signed and approved on behalf of the Project's management on April 18, 2014 by:

  
 Oxana Casu  
 Project manager

  
 Olga Kuzmina  
 Financial Management Specialist

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**SUMMARY OF SOURCES AND USES OF FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(all amounts are stated in USD unless otherwise mentioned)

	Notes	Year ended December 31, 2013	14 months period to December 31, 2012
<b>OPENING CASH BALANCES</b>			
5000-MD Designated Account		386,645	-
TF 011714 Designated Account		16,931	-
Government contribution		-	-
Own funds		11,324	3,562
<b>TOTAL OPENING CASH BALANCES</b>		<b>414,900</b>	<b>3,562</b>
11			
<b>ADD: SOURCES OF FUNDS</b>			
<b>Credit 5000-MD</b>			
Direct payment		708,522	1,515,999
Transfers to Designated Account		1,236,216	1,897,824
Exchange rate gains		-	-
<b>Total Funds Credit 5000-MD</b>	<b>3</b>	<b>1,944,738</b>	<b>3,413,823</b>
<b>Grant TF 011714</b>			
Direct payment		46,569	1,185,411
Transfers to Designated Account		-	250,000
<b>Total Funds Grant TF 011714</b>	<b>3</b>	<b>46,569</b>	<b>1,435,411</b>
<b>Government contribution</b>	<b>3</b>	<b>202,009</b>	<b>445,242</b>
<b>Own funds</b>		<b>6,986</b>	<b>13,440</b>
<b>TOTAL SOURCES OF FUNDS</b>		<b>2,200,302</b>	<b>5,307,915</b>
<b>LESS: USES OF FUNDS</b>			
<b>Credit 5000-MD</b>			
e-Leadership and Enabling Environment		963,202	1,200,648
Shared Infrastructure and e-Services		1,249,505	1,309,600
Q720 reinstated in credit		-	515,135
PPA charges		-	2,110
Exchange rate Differences		(53)	(315)
<b>Total Credit 5000-MD</b>	<b>5</b>	<b>2,212,654</b>	<b>3,027,178</b>
<b>Grant TF 011714</b>	<b>5</b>	<b>63,500</b>	<b>1,418,480</b>
<b>Government contribution</b>	<b>5</b>	<b>202,009</b>	<b>445,242</b>
<b>Own funds</b>		<b>15,248</b>	<b>5,678</b>
<b>Total Uses of Funds</b>		<b>2,493,411</b>	<b>4,896,577</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**SUMMARY OF SOURCES AND USES OF FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(all amounts are stated in USD unless otherwise mentioned)

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	Year ended December 31, 2013	14 months period to December 31, 2012
<b>CLOSING CASH BALANCES</b>		
5000-MD Designated Account	118,729	386,645
TF 011714 Designated Account	-	16,931
Government contribution	-	-
Own funds	3,062	11,324
<b>TOTAL CLOSING CASH BALANCES</b>	<b>121,791</b>	<b>414,900</b>

The financial statements and accompanying notes on pages 1 to 12 were signed and approved on behalf of the Project's management on April 18, 2014 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)**

	<u>Notes</u>	<u>Year ended December 31, 2013</u>
<b>Credit 5000-MD</b>		
Opening balance, January 1, 2013		<u>386,645</u>
Add:		
Sources of funds	3	1,944,738
Deduct:		
Uses of funds	4	<u>2,212,654</u>
<b>Closing balance, December 31, 2013</b>		<u><b>118,729</b></u>

	<u>Notes</u>	<u>Year ended December 31, 2013</u>
<b>Grant TF 011714</b>		
Opening balance, January 1, 2013		<u>16,931</u>
Add:		
Sources of funds	3	46,569
Deduct:		
Uses of funds	4	<u>63,500</u>
<b>Closing balance, December 31, 2013</b>		<u><b>-</b></u>

The financial statements and accompanying notes on pages 1 to 12 were signed and approved on behalf of the Project's management on April 18, 2014 by:

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

  
 \_\_\_\_\_  
 Olga Kuzmina  
 Financial Management Specialist



**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(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.

**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

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(all amounts are stated in USD unless otherwise mentioned)**

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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.

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
**(all amounts are stated in USD unless otherwise mentioned)**

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**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 year ended December 31, 2013.

**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.

**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 eTransformation Project.

**Goods**

Goods include includes procurement of equipment to Governance eTransformation 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 YEAR ENDED DECEMBER 31, 2013**  
(all amounts are stated in USD unless otherwise mentioned)

**3. WITHDRAWAL SCHEDULE**

**Credit 5000-MD**

<b>W/D Number</b>	<b>Year ended December 31, 2013</b>
Application 34	81,528
Application DA35	113,670
Application DA36	250,673
Application DA37	348,112
Application 38	106,380
Application DA39	11,750
Application DA40	297,517
Application 41	2,987
Application 42	249,766
Application 43	11,652
Application 44	187,960
Application 45	214,493
Application 46	68,250
<b>TOTAL RECEIPTS</b>	<b>1,944,738</b>

**Grant TF 011714**

<b>W/D Number</b>	<b>Year ended to December 31, 2013</b>
DA7	46,569
<b>TOTAL RECEIPTS</b>	<b>46,569</b>

<b>Government Contribution</b>	<b>Year ended to December 31, 2013</b>
<b>TOTAL RECEIPTS</b>	<b>202,009</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
(all amounts are stated in USD unless otherwise mentioned)

**4. SOE SCHEDULE**

**Credit 5000-MD**

W/D Number	<u>Year ended to December 31, 2013</u>
34	81,527
DA 36	250,673
DA 37	348,112
38	106,380
DA 39	11,750
DA 40	297,517
41	2,987
42	249,766
43	11,652
44	187,960
DA 45	214,493
46	68,250
DA 50	<u>381,639</u>
Foreign exchange differences	(53)
<b>TOTAL USES OF FUNDS</b>	<b>2,212,653</b>

**Grant TF 011714**

W/D Number	<u>Year ended to December 31, 2013</u>
DA7	46,569
DA9	5,396
DA10	<u>11,535</u>
<b>TOTAL USES OF FUNDS</b>	<b>63,500</b>

**Government Contribution**

W/D Number	<u>12 months period to December 31, 2013</u>
Government contribution	<u>202,009</u>
<b>TOTAL USES OF FUNDS</b>	<b>202,009</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

(all amounts are stated in USD unless otherwise mentioned)

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

	Year ended to December 31, 2013	14 months period to December 31, 2012
<b>Credit 5000-MD</b>		
<b>1. e-Leadership and Enabling Environment</b>		
1.1:Support for e-Governance Center and e-Leadership Development	881,137	1,178,584
1.2:Developing and Enabling Environment, including Policy Legal and Technical Frameworks and Program	82,066	22,064
<b>Total e-Leadership and Enabling Environment</b>	<b>963,203</b>	<b>1,200,648</b>
<b>2. Shared Infrastructure and e-Services</b>		
2.1:M-Cloud: Shared e-Government Infrastructure	478,220	487,605
2.2:e-Services Development	771,284	821,996
<b>Total Shared Infrastructure and e-Services</b>	<b>1,249,504</b>	<b>1,309,601</b>
<b>Reinstated in Credit 5000-MD</b>	-	515,135
<b>PPA Charges</b>	-	2,110
<b>Foreign exchange differences</b>	<b>(53)</b>	<b>(315)</b>
<b>Total Expenditures by project activities</b>	<b>2,212,654</b>	<b>3,027,179</b>

**GOVERNANCE e-TRANSFORMATION PROJECT**  
**NOTES TO THE PROJECT FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

(all amounts are stated in USD unless otherwise mentioned)

Grant TF 011714	Year ended to December 31, 2013	14 months period to December 31, 2012
Electrical Generator Set equipment	-	54,151
Air conditioning equipment	46,569	117,238
Electrical UPS equipment	-	73,491
MAN Network upgrade equipment	-	215,852
Procurement of Hardware, software and associated services for M-Cloud	-	873,743
Operational Consultants services	5,396	82,709
Operating costs	-	1,296
Audit	11,535	-
<b>Total Grant Expenditures</b>	<b>63,500</b>	<b>1,418,480</b>

Government contribution	Year ended to December 31, 2013	14 months period to December 31, 2012
M-Pay	108,231	-
Data Center Services	51,570	-
MCloud platform assurance (CTS)	23,676	-
Documents and Records Management System	18,532	222,217
Strengthening the Government infrastructure on Cloud technology	-	59,648
State Register of Public Procurement	-	67,952
Controllers/Operators	-	95,425
<b>Total Government Contribution expenditures</b>	<b>202,009</b>	<b>445,242</b>

6. EXPENDITURE DETAIL – BY PROJECT CATEGORY

	Year ended to December 31, 2013	14 months period to December 31, 2012
1B - eGC Technical Consultants	593,811	554,500
1A-Goods, Civil Works, Training, Consultants' Services and Incremental Cost of PIU	1,618,895	1,955,434
Q720 reinstated in credit	-	515,450
Q720 (amount paid from PPA but documented in credit)	-	2,110
Exchange rate Differences	(53)	(315)
<b>Total Credit MD-5000</b>	<b>2,212,653</b>	<b>3,027,179</b>



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